



15<sup>th</sup> Annual Report  
2008-2009

**FIFTEENTH ANNUAL REPORT**

**2008 - 2009**

**BOARD OF DIRECTORS**

**SHRI. SHYAMLAL AGARWALA**

Managing Director

**SHRI. MANOJ KUMAR JHAJHARIA**

Joint Managing Director

**SHRI. G.V.S.DESIKAN**

**SHRI. DULICHAND PANSARI**

**SHRI. MAHESH AGARWAL**

**SHRI. SP. SEKAR**

**SHRI. R. KANHAIYALAL SHARMA**

**BANKERS**

UNION BANK OF INDIA

THE CATHOLIC SYRIAN BANK LTD

STATE BANK OF INDIA

**AUDITORS**

M/s. VKS AIYER AND COY.,

Chartered Accountants  
Coimbatore.

**REGISTERED OFFICE**

Mill Premises

S.F.No.74/12 & 75/3, Sathy Main Road

Pungampalli, Valipalayam (Post)

Sathy Taluk, Erode District

Tamil Nadu.

**WIND MILLS**

Panakudi Village, Tirunelveli District.

Sinjuvadi Village, Pollachi Taluk.

**ADMINISTRATIVE OFFICE**

No. 9, Ramalinga Nagar, IV Cross

Saibaba Colony, Coimbatore - 641 011.

**SHARE TRANSFER AGENTS**

M/s. S.K.D.C. Consultants Limited,

Post Box No. 2979,

No.11, S.N. Layout, Street No. 1,

Tatabad, Coimbatore - 641 012.

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**NOTICE**

Notice is hereby given that the FIFTEENTH Annual General Meeting of the Shareholders of the Company will be held on Thursday, the 24th September 2009 at 10.30 A.M at the Registered Office of the Company at Mill Premises, S.F.No.74/12 and 75/3, Sathy Main Road, Pungampalli, Valipalayam (Post), Sathy Taluk, Erode District, Tamil Nadu, to transact the business given in the following agenda. You are requested to make it convenient to attend the meeting.

**AGENDA**

**ORDINARY BUSINESSES :**

1. To receive, consider and adopt the audited statement of accounts for the year ended 31st March 2009 along with the reports of the Auditors and Directors thereon.
2. To elect a Director in the place of Sri. Dulichand Pansari, who retires by rotation and being eligible, offers himself for reappointment.
3. To elect a Director in the place of Sri. Kanhaiyalal Sharma, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

**BY ORDER OF THE BOARD**

(Sd)..

**SHYAMLAL AGARWALA**  
Managing Director

Place: COIMBATORE  
Date : 24.06.2009

**NOTE:**

1. Any member entitled to attend and vote, is entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member of the Company.
2. The Proxy form duly stamped and executed should be deposited at the Registered Office atleast forty-eight hours before the time fixed for the commencement of the meeting.
3. The Register of Member and Share Transfer Books of the Company will remain closed from 22.09.2009 to 24.09.2009 (both days inclusive)
4. The Shareholders are requested to communicate to the Registrar & Transfer Agent, change in address, if any at M/s. S.K.D.C. Consultants Limited, Post Box. No. 2979, No.11, S.N. Layout, Street No. 1, Tatabad, Coimbatore 641 012.
5. Shareholders are hereby informed that those who have not encashed their dividend warrants relating to one or more financial years up to the financial year ended 31<sup>st</sup> March, 2007 are requested to communicate to the Registrar & Transfer Agent, M/s. S.K.D.C. Consultants Limited, Post Box. No. 2979, No.11, S.N. Layout, Street No. 1, Tatabad, Coimbatore 641 012 seeking claim for their unencashed dividends. Unclaimed dividends on expiry of seven years from the date of declaration of dividend will be due for transfer to the Investor Education and Protection fund as per the provision of Sec.205 A(5) of the Companies Act, 1956.

The Year wise amount of unclaimed dividend is given below :

Serial No	Financial Year	Date Of Declaration	Amount of Dividends Remaining Unclaimed	Due date for transfer to IEPF
1	31 <sup>st</sup> March,2003	29.09.2003	103230.64	27th October 2010
2	31 <sup>st</sup> March,2004	16.09.2004	111719.00	14th October 2011
3	31 <sup>st</sup> March,2005	28.09.2005	102244.56	26th October 2012
4	31 <sup>st</sup> March,2006	27.09.2006	130105.20	25th October 2013
5	31 <sup>st</sup> March,2007	22.09.2007	165982.00	20th October 2014

6. Name & Address of the Stock Exchanges where the Shares are listed.

The Equity Shares of the Company are permitted for trading in BSE Indonext Segment - under Group "S" of The Bombay Stock Exchange Limited, Phiroze Jeejee Bhoj. Towers, Dalal Street, Mumbai - 400 001.

Coimbatore Stock Exchange, 683-686, CSX Tower, Trichy Road, Coimbatore – 641 005

Madras Stock Exchange Ltd., Exchange Building, Post Box No.183, 11, Second Line Beach, Chennai – 600 001.

The Calcutta Stock Exchange Association Ltd., 7, Lyons Range, Calcutta – 700 001.

The Stock Exchange Ahmedabad, Kamadhenu Complex, Opp.Sahajanand College, Panjarapole, Ahmedabad – 380 015.

Annual Listing fee has been paid to all the above stock exchanges.

**DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING RE-APPOINTMENT**

(In Pursuance of Clause 49 of the Listing Agreement)

Name of Director	: Shri. DULICHAND PANSARI	Shri. KANHAIYALAL SHARMA
Age	: 70 Years	73 Years
Date of Appointment	: 23.02.1995	23.02.1995
Qualifications	: Intermediate	Intermediate
Expertise in Specific Functional area	: More than 48 years of experience in Textile Business	More than 50 years of experience in Industries
Other Directorships	: Nil	Nil
Member of Committee	: 1	Nil

## DIRECTORS REPORT

Your Directors have great pleasure in presenting their **FIFTEENTH** Annual Report together with the audited financial statements of the Company for the year ended 31st March 2009.

<b>Working Results</b>	Rs. in Lacs	
Details	31st March 2009	31st March 2008
<b>INCOME</b>		
Sales and Other Operating Receipts :	4993.90	4617.12
Other Income	14.39	14.17
<b>Total</b>	<b>5008.29</b>	<b>4631.29</b>
Gross profit before interest, depreciation and tax	808.10	754.50
Less : Interest	259.47	257.30
Profit after interest, but before depreciation and tax	548.63	497.20
Less : Depreciation	436.07	401.52
Add : Prior Year Adjustments	0.02	0.00
<b>PROFIT BEFORE TAX</b>	<b>112.58</b>	<b>95.68</b>
Less : Provision for Income Tax - Current Tax	12.88	10.62
- Current Year FBT	1.43	1.96
- Prior Year Income Tax	1.87	0.00
- Prior Year FBT	0.61	0.00
Less : Deferred Tax Liability - Written back	11.32	18.96
Less : Deferred Tax Asset Reversed	71.75	41.19
Add : Deferred Tax Asset Recognised	0.00	84.62
<b>NET PROFIT AFTER TAX</b>	<b>12.72</b>	<b>107.57</b>
Add : Opening Surplus	657.86	550.29
Total profit available for appropriation	<u>670.58</u>	<u>657.86</u>
<b>APPROPRIATION</b>		
The above Profit is proposed to be appropriated as stated below:-		
Surplus Carried over to Balance Sheet	<u>670.58</u>	<u>657.86</u>

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## DIVIDEND

In view of Lower Cash generation, the Board of Directors has not recommended any dividend for the financial year, under review.

## REVIEW OF OPERATIONS

During the financial year under review, Sales have increased from Rs.4591.53 Lacs to Rs. 4877.81 Lacs. On account of Power cut and frequent power interruptions, during this year the yarn production is decreased to 35.22 Lacs kgs as against 39.05 Lacs kgs in last year. The mill has produced Knitted fabrics of 17.34 Lacs Kgs as against 16.28 Lacs Kgs in last year. The Operating Profit and Cash Profit, however, are lower due to the following factors:

- Financial year 2008-09 has been a difficult year to the textile industry due to economic recession in Global market.
- The steep increase in the prices of raw material due to hike in the MSP price of Kappa's fixed by the Government of India.
- Power Cut announced by the Government of Tamilnadu and frequent power interruptions
- Increase in Bank interest rates.

During the year under review, the windmills generated 47.58 Lacs units of wind electricity as against 43.64 Lacs units in the previous period. The Wind electricity was fully consumed captively by use in the Textile Mill.

## OUTLOOK FOR THE IMMEDIATE FUTURE

The Company proposes to install additional one number 600 KW capacity of Wind Electricity Generator at Palladam Taluk for captive consumption. Your directors are taking all possible steps to face the challenges and arrest further fall in profitability of working of the mill.

## FINANCES

During the year under review, the Company has collected calls in arrears to the extent of Rs.1.32 Lacs. The paid up Share Capital of the company stood at Rs. 532.89 Lacs. As the efforts to collect the balance of calls in arrears have yielded no results, your directors have served a final notice on the shareholders for payment, failing which the shares will be forfeited. The Reserves and Surplus, representing the credit balance in the Profit and Loss Account stood at Rs.670.58 Lacs. The liability for interest free sales tax deferred credit stood at Rs.584.46 Lacs. (Rs.646.86 Lacs) The Company met all financial commitments to the Bankers on account of Term Loan and Working Capital Credit. On account of prevailing economic recession in Global Market, which severely affected the textile industry; the company has applied to the bankers for moratorium period of two years for Term Loan repayment.

## DEPOSITS

The Company has not accepted any deposits from the Public at any time during the year.

## PERSONNEL

The Industrial relations continued to remain cordial during the period. The Board of Directors wishes to place on record their appreciation for co-operation extended by all sections of the employees.

## INFORMATION PURSUANT TO SECTION 217 OF COMPANIES ACT, 1956

The information required as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 is furnished in the Annexure.

During the period under review, the Company had no employee covered under Section 217(2A) of the Companies Act, 1956.

## **DIRECTORS**

Shri Dulichand Pansari and Shri Kanhaiyalal Sharma the Director longest in Office, will be retiring by rotation at the ensuing Annual General Meeting. Being eligible, they offer themselves for reappointment.

## **DIRECTORS' RESPONSIBILITY STATEMENTS**

In term of Sec.217(2AA) of the Companies Act, 1956 your Directors state that :-

- i) In the preparation of the annual accounts, all the applicable accounting standards prevailing in India were followed and recognised.
- ii) The Directors had selected appropriate accounting Policies and applied them consistently and also made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March 2009 and of the Profits of the Company for the period ended on that date;
- iii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- iv) The Directors had prepared the annual accounts on a going concern basis.

## **AUDITORS**

The present Auditors M/s. VKS Aiyer and Coy., Chartered Accountants, Coimbatore, retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

## **LISTING WITH STOCK EXCHANGES**

The equity shares of the Company are listed and traded in the stock exchanges of Coimbatore, Chennai, Ahmedabad and Calcutta and the company has made compliance with the conditions of listing agreements.

The Equity Shares of the Company are permitted for trading in **BSE Indonext** segment - under group "S" of **Bombay Stock Exchange Limited**.

## **ACKNOWLEDGEMENT**

The Directors wish to place on record their gratitude to State Bank of India, Union Bank of India, and The Catholic Syrian Bank Limited for their financial assistance. Your Directors also take this opportunity to express their appreciation of the earnest efforts put in by the employees, at all levels, in achieving the corporate objectives. Shareholder's appreciation of the managements's efforts expressed at the general meetings of the Company and otherwise, is a great fillip to strive for better performance year after year.

The Board dedicates its prayers to invoke the blessing of Lord Vishnu, Goddess Lakshmi, Lord Shiva and Goddess Shakthi for the continued prosperity of the Company.

BY ORDER OF THE BOARD

(Sd)..

**SHYAMLAL AGARWALA**  
Chairman

Place: COIMBATORE  
Date : 24.06.2009

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## ANNEXURE TO REPORT OF BOARD OF DIRECTORS FORM A

Information pursuant to the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988.

Current Year  
2008-2009

Previous Year  
2007-2008

### A. CONSERVATION OF ENERGY:-

#### I. Power & Fuel Consumption:-

##### 1. Electricity

##### a) Purchased

Units	4388794	7098441
Total amount (Rs.)	21894007	32339809
Rate per Unit (Rs.)	4.99	4.55

##### b) Own generation through Diesel Generators:-

Units (KWH)	957392	338061
Consumed (Litres)	255721	88120
Total amount (Rs.)	7504610	2584249
Units per litre of diesel (KWH)	3.74	3.83
Cost per unit (Rs.)	7.84	7.64

##### 2. Coal

##### 3. Furnace Oil

##### 4. Others/Internal generation

Wind Electricity through own WEG's (Unit)	4758330	4364448
Total Amount (Rs.)	16654154	15275566

#### II. Consumption per unit of Production:-

Production in Kgs	3521607	3905209
Electricity Units	10104516	11769281
Unit/Kg of Yarn	2.87	3.01

### B. Technology Absorption :-

Since all the machinery installed are new, and of latest technology available, no formal research and developments activities were undertaken. Product and process development are made on continuous basis. The Company is a member of South India Textile Research Association (SITRA) and avails all the benefits out of the research findings and development activities of SITRA.

### C. Foreign Exchange Earnings & Outgo :-

i) Total Foreign exchange earned :-	Rs. in Lacs	Rs. in Lacs
F.O.B Value of Exports of finished and Trading goods	498.33	400.94

##### ii) Remittances in Foreign exchange :-

Commission on Exports and Interest on FCL	16.70	504.54
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BY ORDER OF THE BOARD

(Sd)..

SHYAMLAL AGARWALA  
Chairman

Place: COIMBATORE

Date : 24.06.2009



## MANAGEMENT DISCUSSION & ANALYSIS REPORT

**Industry Structure and Developments :** The Indian Textile industry has been facing a difficult period during the last financial year eroding financial viability and competitiveness. In 2008-09, it suffered severely from weaker demand and high input costs. Moreover, the changing economic scenario has made the trade highly competitive. Besides, there was an unprecedented hike in minimum support prices of seed cotton by 40 percent. Acute power shortage leading to massive power cuts of 50% in Tamilnadu, resulting in lower capacity utilization and consequent increase in cost of production. Higher cost of borrowing is also one of the detrimental factors.

**Opportunities and Threats :** Increasing world population and increasing affluence naturally means an increasing demand for the products. World-wide, there is an increasing orientation towards clothing made of organic and natural fibres. The supply of quality cotton is expected to be comfortable in 2009-10. However, unless the minimum support prices are lowered to reasonable level, textile mills will continue to suffer.

**Product-wise performance :** The company's main product range continues to be Cotton Yarn and Knitted fabrics, catering to the needs of Hosiery/Knitted, Garment Industries. The company continues to pursue a policy of constant upgradation of quality of yarn and fabric produced.

**Outlook :** At present, the scenario does not seem to be encouraging, it is necessary to implement consolidation strategies such as cost reduction measures, improving productivity, exploring new markets, maintaining high quality and these measures are under way. We expect the textile industry to turn favourable in the coming years.

**Risks and Concerns :** The key raw material for our industry is cotton and major area under cotton cultivation is rain-fed and hence it is dependant on vagaries of monsoon. Adequate availability of raw cotton at right prices is crucial for the company. Any disruption in the supply and/or violent changes in the cost structure would affect the profitability of the company.

**Internal Control systems and their adequacy :** The Company has proper and adequate systems of internal controls, to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition. These systems also ensure that all transactions are authorized, recorded and reported correctly. A strong system of internal audit and effective and comprehensive reviews by the Audit Committee of the Board have strengthened the internal controls within the organization.

**The Company's Financial Performance & Analysis :** The Company earned a post tax profit of Rs.12.72 Lacs (Previous Year Rs.107.57Lacs) after providing for current Income Tax, Fringe Benefit tax and Deferred tax. The financial performance of the company are explained in detail in the Director's report to Shareholders.

**Human Resources/Industrial relations :** The efforts of the staff and management are on imparting continuous training to improve overall working practices. Industrial relations are cordial and satisfactory.

BY ORDER OF THE BOARD

(Sd)..

Place: COIMBATORE  
Date : 24.06.2009

SHYAMLAL AGARWALA  
Chairman

## REPORT ON CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY WITH RESPECT TO CORPORATE GOVERNANCE :-

The Company's Philosophy on Corporate Governance envisages the endeavour to attain high levels of transparency, accountability, fairness and equity in all its facts of operation, to serve the best interest of all the stake holders in the Company, including Shareholders, Lenders, Employees and the Government.

### 2. BOARD OF DIRECTORS :-

#### A) Composition of the Board :-

The Board of Directors comprises of Seven Members including Chairman and Managing Director and one Joint Managing Director, both of whom represent the Promoters; of the remaining the Five Directors, four are independent Directors who have no business relationship with the Company.

#### B) Ceiling of Directorship/Committee position:-

None of the Directors of the Company holds position as a member in more than 10 Committees nor do they act as Chairman of more than 5 Committees across all companies in which he is a Director.

The composition of the Board of Directors and number of other Directorships in Public Limited Companies and number of Committees in which they are member as on 31<sup>st</sup> March 2009 are as tabled below: -

Name of the Directors	Executive/ Non-Executive/ Independent	No. of Other Directorship held	No. of Committee Positions	
			As Chairman	As Member
<b>Sri Shyamlal Agarwala</b> Managing Director	Executive	1	1	1
<b>Sri Manoj Kumar Jhajharia</b> Joint Managing Director	Executive	1	NIL	2
<b>Sri SP. Sekar</b>	Independent	1	NIL	1
<b>Sri G.V.S. Desikan</b>	Independent	7	NIL	5
<b>Sri Kanhaiyalal Sharma</b>	Independent	NIL	NIL	NIL
<b>Sri Dulichand Pansari</b>	Independent	NIL	NIL	NIL
<b>Sri Mahesh Agarwal</b>	Non Executive	2	NIL	NIL

C) Board Meeting and Attendance :-

During the period from April 1, 2008 to March 31, 2009, Six Board Meetings were held on the following dates

5th May 2008	23rd June 2008	31st July 2008	24th October 2008	8th December 2008	30th January 2009
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Attendance of Directors at Board Meetings and at the last Annual General Meeting of the Company held on 11th September 2008 are as tabled below :-

S.No.	Name of the Directors	No. of Meeting		Last AGM Attendance
		Held	Attended	
1.	<b>Sri Shyamlal Agarwala</b> Managing Director	6	6	P
2.	<b>Sri Manoj Kumar Jhaharia</b> Joint Managing Director	6	6	P
3.	<b>Sri G.V.S. Desikan</b>	6	6	P
4.	<b>Sri Kanhaiyalal Sharma</b>	6	NIL	DA
5.	<b>Sri Dulichand Pansari</b>	6	NIL	P
6.	<b>Sri Mahesh Agarwal</b>	6	3	P
7.	<b>Sri SP. Sekar</b>	6	6	P

P - Present DA - Did not attend

**3. AUDIT COMMITTEE :-**

A) Composition, Names of members and Chairperson :-

The Board of Directors of your Company have constituted the Audit Committee with the following directors as members (1) Sri G.V.S Desikan (2) Sri Mahesh Agarwal and (3) Sri SP. Sekar

All the members are non-executive and independent Directors and Sri G.V.S.Desikan, Chairman of the Committee has good financial and accounting knowledge.

B) Brief description of the terms of reference :-

The terms of reference include all the terms stipulated under clause 49 of the Listing Agreement, which interalia include the following :-

- (1) To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

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- (2) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- (3) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- (4) Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - (a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - (b) Changes, if any, in accounting policies and practices and reasons for the same.
  - (c) Major accounting entries involving estimates based on the exercise of judgment by management.
  - (d) Significant adjustments made in the financial statements arising out of audit findings.
  - (e) Compliance with listing and other legal requirements relating to financial statements.
  - (f) Disclosure of any related party transactions.
  - (g) Qualifications in the draft audit report.
- (5) Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- (6) Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- (7) Reviewing the adequacy of internal audit function, if any including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- (8) Discussion with internal auditors any significant findings and follow up thereon.
- (9) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- (10) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- (11) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- (12) To review the functioning of the whistle Blower mechanism, in case of reference of the Audit Committee.

Explanation (i) : The term "related party transactions" shall have the same meaning as contained in the Accounts standard 18, Related party Transactions, issued by the Institute of Chartered Accountants of India.

**4. REMUNERATION COMMITTEE :-**

The Board of Directors have constituted a remuneration committee to suggest suitable remuneration package payable to managerial personnel on appointment or reappointment from time to time. The following directors are the member of the committee

1. Sri. G.V.S. Desikan - Chairman
2. Sri. Dulichand Pansari - Member
3. Sri. Mahesh Agarwal - Member

Executive Directors, their business interest & remuneration paid :

Name of the Directors	Relationship with other Director	Business relationship with the company if any	Remuneration paid/Payable during 2008 - 2009 (Rs.)		
			Salary & Perks	Commission	Total
1. Shyamlal Agarwala Managing Director	Parent of Joint Managing Director	Promotor	6,84,000	NIL	6,84,000
2. Manoj Kumar Jhajharia Joint Managing Director	Son of Managing Director	Promotor	6,24,000	NIL	6,24,000

Shri Shyamlal Agarwala and Shri Manoj Kumar Jhajharia are related to each other as father and son respectively and Shri Mahesh Agarwal is related to Shyamlal Agarwala as brother.

Non Executive Directors and details of remuneration paid :

Serial No.	Name of the Director	Position	Sitting Fees
1.	Sri. G.V.S. Desikan	Non Executive Independent	Rs. 14,000
2.	Sri. SP. Sekar	Non Executive Independent	Rs. 10,000
3.	Sri. Mahesh Agarwal	Non Executive	Rs. 6,000

**5. SHAREHOLDERS GRIEVANCE COMMITTEE :-**

Your Directors have constituted Shareholders Grievance Committee consisting of the following Directors as its members to attend to the share holders' grievances received from time to time.

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- i. Sri G.V.S.Desikan - Chairman
- ii. Sri Shyamlal Agarwala - Member
- iii. Sri Manoj Kumar Jhaharia - Member

One Complaint was received from shareholders during the financial year 2008-2009 and were resolved to the satisfaction of the shareholders. No share transfer was pending as on 31.3.2009.

## 6. GENERAL BODY MEETING :-

A) Location and time, where last three Annual General Meeting held :-

AGM Number	Date	Time	Venue
TWELFTH	27th September 2006	10.30 AM	Registered Office
THIRTEENTH	22nd September 2007	10.30 AM	Registered Office
FOURTEENTH	11th September 2008	10.30 AM	Registered Office

B) Postal Ballot :-

No proceeding has been so far conducted under the postal ballot system.

## 7. DISCLOSURES :-

Related party transactions are disclosed as part of the Notes on Accounts; There are no materially significant related party transactions that would have been a potential conflict with the interest of the Company at large. Also no penalty or strictures were imposed on the Company by any Regulatory Authority for non-compliance of any law or regulation.

## 8. MEANS OF COMMUNICATIONS :-

The Quarterly, Half Yearly and Annual Financial Results of the Company were published in Newspapers, both in English and in Vernacular Language (Tamil). The Company provides information to its shareholders mainly through Annual Reports comprising of Directors Report, Audited Accounts, Cash flow statements etc.

## 9. GENERAL SHAREHOLDER INFORMATION :-

- i) Annual General Meeting :
  - Date : 24.09.2009
  - Time : 10.30 am
  - Venue : Regd. Office : Mill Premises,  
S.F.No.74/12 & 75/3, Sathy Main Road,  
Pungampalli, Valipalayam (Post)  
Sathy Taluk, Erode District.
- ii) Name & other details regarding Compliance Officer : Sri Manoj Kumar Jhaharia  
: Joint Managing Director
- iii) Financial Year : 31.03.2009
- iv) Date of Book Closure : 22.09.2009 to 24.09.2009 (Both days inclusive)
- v) Results for the quarter : June 2009 (By 31st July 2009), September 2009 (By 31st October 2009), December 2009 (By 31st January 2010) & March 2010 (Audited by 30th June 2010)

- vi) Listing on Stock Exchanges : Listed in Ahmedabad, Kolkata, Chennai, Coimbatore and Mumbai Stock Exchanges.  
Permitted for trading in BSE Indonext segment of Bombay Stock Exchange Ltd. w.e.f. 05.07.2006

vii) Market price data :

Month	Salona Cotspin Limited		BSE Sensex	
	High	Low	High	Low
April 2008	19.40	13.35	17480.74	15297.96
May 2008	17.50	14.50	17735.70	16196.02
June 2008	18.00	12.50	16632.72	13405.54
July 2008	15.00	11.50	15130.09	12514.02
August 2008	13.66	11.03	15579.78	14002.43
September 2008	12.89	10.84	15107.10	12153.55
October 2008	12.98	11.73	13203.86	7697.39
November 2008	12.30	11.69	10945.41	8316.39
December 2008	12.27	10.64	10188.54	8467.43
January 2009	10.11	6.37	10469.72	8631.60
February 2009	7.35	6.53	9724.87	8619.22
March 2009	8.74	7.57	10127.09	8047.17

- viii) Register & Transfer Agents : M/s. S.K.D.C. Consultants Limited,  
Post Box No. 2979, No.11, S.N. Layout, Street No. 1,  
Tatabad, Coimbatore - 641 012.

ix) Share transfer systems :

The company ensures that all transfers of shares are duly effected within the period of one month from the date of their lodgement. The Company has constituted the Share Transfer Committee of Executives to consider the transfer of shares and other related matters. Share Transfer and all other investor related activities are attended to and processed at the office of the Registrar & Transfer Agent.

x) Dematerialisation of shares :

As on 31.03.2009, 992900 Shares constituting 18.555% of the total paid up Share Capital of the Company have been dematerialized with CDSL and NSDL.

xi) Distribution of Shareholding :

Range	No. of Shareholders	% of Holders	No. of Shares	% held
Up to 5000	1166	64.17	4506790	8.43
5001 to 10000	342	18.82	3218260	6.01
10001 to 20000	160	8.81	2635450	4.93
20001 to 30000	47	2.59	1258340	2.35
30001 to 40000	22	1.21	781990	1.46
40001 to 50000	14	0.77	643470	1.20
50001 to 100000	20	1.10	1687100	3.15
100001 and above	46	2.53	38779600	72.47
Total	1817	100.00	53511000	100.00

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xii) Category-wise distribution of shareholding :

S.No.	Category	No. of Shares	Percentage
	Promoter's Holding		
1.	Promoters	2682600	50.132
2.	Persons acting in concern	400000	7.475
	<b>Sub Total</b>	<b>3082600</b>	<b>57.607</b>
	Non Promoters Holding		
3.	Banks, Financial Institutions, Insurance Companies	38500	0.719
	<b>Sub Total</b>	<b>38500</b>	<b>0.719</b>
	Other		
4.	Private Corporate Bodies	483918	9.043
5.	Indian Public	1742369	33.281
6.	NRI's/OCB's	3713	0.069
	<b>Sub Total</b>	<b>2230000</b>	<b>41.674</b>
	<b>Total</b>	<b>5351100</b>	<b>100.000</b>

xiii) Plant location : SF No. 74/12 and 75/3,  
Sathy main road, Pungampalli Village,  
Valipalayam (Post), Sathy TK  
Erode Dist.

xiv) Address for correspondence : Administrative Office,  
9, Ramalinga Nagar, IV Cross  
Saibaba Colony  
Coimbatore - 641 011  
Tamil Nadu.

BY ORDER OF THE BOARD

(Sd)..

**SHYAMLAL AGARWALA**  
Chairman

Place: COIMBATORE  
Date : 24.06.2009



**CORPORATE GOVERNANCE - NON MANDATORY REQUIREMENTS - EXTENT ADOPTED**

1.	<p>The Board-A Non executive Chairman may be entitled to maintain a Chairman's Office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties</p> <p>Independent Directors may have a tenure not exceeding, in aggregate, a period of nine years, on the Board of a Company</p> <p>The Company may ensure that the person who is being appointed as an independent director has the requisite qualification and experience which would be of use to the Company and which, in the opinion of the Company, would enable him to contribute effectively to the Company in his capacity as an independent director</p>	<p>: Does not arise as the Chairman of the Board is an Executive Chairman</p> <p>No tenure has been fixed for independent Directors.</p> <p>This is ensured.</p>
2.	Remuneration Committee	: Please refer to Serial No.4 of this Report
3.	Shareholders Rights - The half - yearly declaration of financial performance including summary of the significant events in last six months, may be sent to each household of shareholders	: As the Company's half yearly results are published in leading English newspapers having circulation all over India and in Tamil newspapers and also in the SEBI website, the same are not sent to the shareholders of the Company. There is no publication of second half-yearly result as the annual results are approved by the Board and then published in the newspapers and also communicated to the shareholders through the Annual Report
4.	Audit qualifications - Company may move towards a regime of unqualified financial statements	: Nil
5.	Training of Board Members - The Company may train its Board Members in the business model of the Company as well as the risk profile of the business parameters of the Company, their responsibilities as directors and the best ways to discharge them	: At present, the Company does not have any such training programme for Directors

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6.	Mechanism for evaluating non executive Board Members - The performance evaluation of non executive directors could be done by a Peer Group comprising the entire Board of Directors, excluding the Director being evaluated; and Peer Group evaluation could be the mechanism to determine whether to extend/continue the terms of appointment of non-executive directors	: At present, the Company does not have any such mechanism for evaluating the performance of Non-Executive Board Members
7.	Whistle Blower Policy	: The Company does not have a whistle Blower Policy.

Place : COIMBATORE  
Date : 24.06.2009

By order of the Board

(Sd)..  
**SHYAMLAL AGARWALA**  
Managing Director

## Code of Conduct - Declaration clause 49 (1)(D) :-

This is to certify that all the Board Members and Senior Management Personnel of the Company have affirmed Compliance with the Code of Conduct laid down by the Company, as approved by the Board of Directors of the Company.

For SALONA COTSPIN LIMITED

Place : COIMBATORE  
Date : 24.06.2009

(Sd)..  
**SHYAMLAL AGARWALA**  
Managing Director

**AUDITOR'S REPORT ON CORPORATE GOVERNANCE**  
(Under Clause 49 of the Listing Agreement)

To the Board of Directors of **SALONA COTSPIN LIMITED**

We have examined the compliance of Corporate Governance by **SALONA COTSPIN LIMITED**, for the year ended on 31<sup>st</sup> March 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us;

We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that based on representations made by the management and confirmation given by the Registrar and Share Transfer Agent of the Company, no investor grievances were remaining unattended as on 31.03.2009 for a period exceeding one month.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**FOR VKS AIYER AND COY**  
Chartered Accountants

(Sd)..

**V.S.SRINIVASAN**

Partner

Membership No. F 13729

Place: COIMBATORE

Date : 24.06.2009

## AUDITORS' REPORT

To the Members

### SALONA COTSPIN LIMITED

We have audited the attached Balance Sheet of SALONA COTSPIN LIMITED as at 31st March 2009 and the Profit and Loss Account for the year ended on that date annexed thereto and Cash Flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order
3. Further to our comments in Annexure referred to in paragraph 2 above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) In our opinion, proper books of accounts, as required by Law, have been kept by the Company so far as appears from our examination of those books.
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred in sub-section (3C) of section 211 of the Companies Act, 1956;
  - e) In our opinion, and based on information and explanations given to us, none of the directors are disqualified as on 31st March 2009, from being appointed as directors in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and other notes thereon give the information required by the Companies Act, 1956 in the manner so required, present a true and fair view, in conformity with the accounting principles generally accepted in India:
    - (i) In so far as it relates to Balance Sheet, of the state of affairs of the Company as at 31st March 2009;
    - (ii) In so far as it relates to the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
    - (iii) In so far as it relates to the Cash Flow Statement, of the cash flows of the Company for the year ended on that date;

FOR VKS AIYER AND COY  
Chartered Accountants

(Sd)..

V.S.SRINIVASAN  
Partner

Membership No. F 13729

Place: COIMBATORE  
Date : 24.06.2009

## ANNEXURE TO AUDITOR'S REPORT

Referred to in Paragraph 2 of our report of even date

1. In respect of its fixed assets :
  - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
  - b) As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
  - c) In our opinion, the Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected.
2. In respect of its inventories :
  - a) As explained to us, inventories have been physically verified by the management at regular intervals during the year.
  - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c) The Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.
3. The Company has neither granted nor taken secured or unsecured loan to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods and service. During the course of our audit, we have not observed any major weaknesses in internal controls.
5. There were no transactions carried out by the company during the years under Audit, with parties listed in the Register maintained u/s 301 of the Companies Act, 1956.
6. The Company has not accepted any deposits from the public.
7. In our opinion, the internal audit system of the Company is commensurate with its size and nature of its business.
8. The Central Government has prescribed maintenance of Cost Records under Section 209(1) (d) of the Companies Act, 1956 for Textiles & Wind electricity. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion, that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
9. In respect of Statutory dues :
  - a) According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues have been generally regularly deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31<sup>st</sup> March, 2009 for a period of more than six months from the date of becoming payable.
  - b) The Company has no disputed statutory dues.
10. The Company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.
11. Based on our audit procedures and according to the information and explanation given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
12. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.

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13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society, Therefore, clause 4 (xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
14. According to the records of the Company, there are no transactions and contracts in respect of trading in securities, debentures and other investments; all shares, debentures and other investments have been held by the Company in its own name.
15. The Company has not given any guarantee for loans taken by others from Bank or Financial Institutions.
16. The Term loans raised by the Company have been applied for the purpose for which they were raised.
17. In our opinion and according to the information and explanations given to us and on over all examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investment.
18. During the year, the Company has not made any preferential allotment of share to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures during the period under audit.
20. The Company has not raised any money by way of public issue during the year.
21. In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year, that causes the financial statements to be materially misstated.

FOR VKS AIYER AND COY  
Chartered Accountants

(Sd)..

V.S.SRINIVASAN  
Partner

Membership No. F 13729

Place: COIMBATORE  
Date : 24.06.2009

## CEO AND CFO CERTIFICATION

To the Board of Directors of SALONA COTSPIN LIMITED

In Compliance with Clause 49(V) of the Listing Agreement with the Stock Exchanges, we hereby certify that :

- (a) We have reviewed financial statements and the cash flow statements for the year ended 31st March 2009 and that to the best of our knowledge and belief :
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
- (b) there are, to the best of our knowledge and belief, no transactions entered into by the company during the year 2008-09, which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) we accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have not observed any deficiencies in the design or operation of internal controls; and
- (d) we have indicated to the Auditors and the Audit Committee that there are:-
  - (i) no significant changes in the internal control during the year
  - (ii) no significant changes in accounting policies during the year; and
  - (iii) no instances of significant fraud where the involvement of management or an employee having a significant role in the company's internal control system have been observed.

(Sd)..

SHYAMLAL AGARWALA  
Managing Director (CEO)

(Sd)..

M. S. SELVARAJ  
Manager - Accounts (CFO)

COIMBATORE  
24.06.2009

**BALANCE SHEET AS AT 31ST MARCH 2009**

	Sch No.	Current Year As at 31.3.2009 Rs.	Previous Year As at 31.3.2008 Rs.
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS FUNDS :-</b>			
Share Capital	1	53288927	53157422
Reserves & Surplus	2	67058314	65785846
<b>DEFERRED TAX LIABILITY</b>	3	41560000	33253000
<b>LOAN FUNDS :-</b>			
Secured Loans	4	281575884	312454073
Unsecured Loans	5	58445717	64686087
		<u>501928842</u>	<u>529336428</u>
<b>APPLICATION OF FUNDS :-</b>			
<b>FIXED ASSETS :</b>			
Gross Block	6	505808226	504390063
Less: Depreciation		215142865	172351232
		<u>290665361</u>	<u>332038831</u>
Add: Capital Work-in progress		530374	830814
Add: Advances paid for Capital goods		10308526	10243526
Net Block		<u>301504261</u>	<u>343113171</u>
<b>INVESTMENTS :-</b>	7	285920	285920
<b>CURRENT ASSETS, LOANS &amp; ADVANCES :</b>			
Inventories	8	95920060	99910225
Sundry Debtors	9	64799283	54762802
Cash & Bank Balances	10	15169289	7326196
Other Current Assets	11	12304745	9945006
Loans & Advances	12	22898082	36527645
		<u>211091459</u>	<u>208471874</u>
<b>CURRENT LIABILITIES &amp; PROVISIONS :</b>			
i) Current Liabilities	13	12599591	17070601
ii) Provisions	14	2688100	10418100
		<u>15287691</u>	<u>27488701</u>
<b>NET CURRENT ASSETS (a-b)</b>		<u>195803768</u>	<u>180983173</u>
<b>MISCELLANEOUS EXPENDITURE</b>			
to the extent not written off or adjusted			
<b>Deferred Revenue Expenses</b>	15	4334893	4954164
		<u>501928842</u>	<u>529336428</u>

**Read with Schedules (1) to (15) & Notes on Accounts in Schedule (27)**

Subject to our report of even date attached

On behalf of the Board

**For VKS AIYER AND COY**

Chartered Accountants

(Sd)..

(Sd)..

**SHYAMLAL AGARWALA**

**V.S.SRINIVASAN**

Managing Director

Partner

Membership No. F-13729

(Sd)..

Place : COIMBATORE

**MANOJ KUMAR JHAJHARIA**

Date : 24.06.2009

Joint Managing Director

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## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

	Sch No.	For the period ended 31.3.2009 Rs.	Previous Year ended 31.3.2008 Rs.
<b>INCOME</b>			
Sales & Other Operating Receipts	16	499389765	461711747
Other Income	17	1438940	1417211
<b>TOTAL</b>		<u>500828705</u>	<u>463128958</u>
<b>EXPENDITURE</b>			
Raw Materials Consumed	18	320301370	301102274
Purchase of Trading Goods - Yarn		11556515	7785307
Manufacturing Charges	19	43969519	47867424
Repairs & Maintenance	20	13301939	14038082
Salaries, Wages & Other Benefits	21	13694031	12858433
Remuneration to Directors	22	1338000	1162000
Administrative & Other Expenses	23	5785780	7169925
Selling & Distribution Expenses	24	7358472	6416466
		<u>417305626</u>	<u>398399911</u>
Add/Less: Change in stock of finished & semi finished goods	25	<u>2713068</u>	<u>-10721264</u>
<b>Sub-Total</b>		420018694	387678647
<b>PROFIT BEFORE INTEREST &amp; DEPRECIATION</b>		80810011	75450311
Interest & Finance Charges	26	<u>25946957</u>	<u>25730603</u>
<b>PROFIT BEFORE DEPRECIATION</b>		54863054	49719708
Depreciation		<u>43606801</u>	<u>40151690</u>
<b>PROFIT FOR THE YEAR BEFORE TAX</b>		<u>11256253</u>	<u>9568018</u>
ADD : Excess Provision for Taxes written back		<u>2127</u>	<u>0</u>
		11258380	9568018
LESS : Provision for Taxation for the year			
Current year - Income Tax		1288000	1061900
Fringe Benefit Tax		142500	195700
Deferred Tax Liability		1132000	1896000
Prior Year Tax Payments			
Income Tax Payments		187147	0
Fringe Benefits Tax Payments		<u>61265</u>	<u>0</u>
		2810912	3153600
LESS : Deferred Tax Asset Reversed		<u>7175000</u>	<u>4119000</u>
ADD : Deferred Tax		<u>1272468</u>	<u>2295418</u>
Deferred Tax Asset Recognized		0	8462000
Deferred Tax Liability Reversed		<u>0</u>	<u>0</u>
<b>NET PROFIT AFTER TAX</b>		<u>1272468</u>	<u>10757418</u>
ADD : Surplus Brought Forward		<u>65785846</u>	<u>55028428</u>
<b>TOTAL</b>		<u>67058314</u>	<u>65785846</u>
<b>APPROPRIATIONS</b>			
Surplus carried over to Balance Sheet		<u>67058314</u>	<u>65785846</u>
		<u>67058314</u>	<u>65785846</u>
Earnings per Share (Basic & Diluted)      Rs.		0.24	2.01

Read with Schedules (16) to (26) & Notes on Accounts in Schedule (27)

Subject to our report of even date attached

On behalf of the Board

For VKS AIYER AND COY

Chartered Accountants

(Sd)..

(Sd)..

V.S.SRINIVASAN

Partner

Membership No. F-13729

Place : COIMBATORE

Date : 24.06.2009

SHYAMLAL AGARWALA

Managing Director

(Sd)..

MANOJ KUMAR JHAJHARIA

Joint Managing Director



**SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2009**

	Current Year As at 31.3.2009 Rs.	Previous Year As at 31.3.2008 Rs.
<b>SCHEDULE No.1</b>		
<b>SHARE CAPITAL :-</b>		
<b>AUTHORISED :</b>		
6000000 Equity Shares of Rs 10/- each.	60000000	60000000
<b>ISSUED, SUBSCRIBED &amp; PAID UP :</b>		
5351100 (5351100) Equity Shares of Rs 10/- each.	53511000	53511000
Less : Calls in Arrears	222073	353578
	<u>53288927</u>	<u>53157422</u>
<b>SCHEDULE No.2</b>		
<b>RESERVES &amp; SURPLUS</b>		
Surplus		
Balance in P&L Account after appropriation	67058314	65785846
	<u>67058314</u>	<u>65785846</u>
<b>SCHEDULE No.3</b>		
<b>DEFERRED TAX</b>		
<b>DEFERRED TAX LIABILITY :</b>		
Opening Balance	41715000	39819000
Add : Recognized during the year	1132000	1896000
	<u>42847000</u>	<u>41715000</u>
Less : Reversed during the year	0	0
	<u>42847000</u>	<u>41715000</u>
<b>DEFERRED TAX ASSET :</b>		
Opening Balance	8462000	4119000
Add : Recognized during the year	0	8462000
	<u>8462000</u>	<u>12581000</u>
Less : Reversed during the year	7175000	4119000
	<u>1287000</u>	<u>8462000</u>
	<u>41560000</u>	<u>33253000</u>
<b>NET DEFERRED TAX LIABILITY</b>		
<b>SCHEDULE No.4</b>		
<b>SECURED LOANS :</b>		
i) Term Loans from Banks:		
Union Bank of India	99466578	115354530
The Catholic Syrian Bank Ltd.	2564333	10863099
State Bank of India	63141979	75700000
	<u>165172890</u>	<u>201917629</u>
ii) Cash Credit from Banks :		
Union Bank of India	69479819	34186058
Union Bank of India Packing Credit	0	3795282
Union Bank of India FCL Loan	0	17500000
The Catholic Syrian Bank Ltd.	4684778	13166302
State Bank of India	35812513	26408142
State Bank of India FCNRB Loan	0	9861250
	<u>109977110</u>	<u>104917034</u>
iii) Foreign Bills purchased by Banks :		
Union Bank of India (FDBP A/c)	3211329	2303100
Union Bank of India (UDBP A/c)	1364731	339019
	<u>4576060</u>	<u>2642119</u>
iv) Hire Purchase Finance from ICICI Bank Limited		
	248847	964405
v) Interest accrued and due on Term Loans		
	1600977	2012886
	<u>281575884</u>	<u>312454073</u>
<b>SCHEDULE No.5</b>		
<b>UNSECURED LOANS:</b>		
IFST Deferral Scheme		
	58445717	64686087
	<u>58445717</u>	<u>64686087</u>

**SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2009**

**SCHEDULE No.6 FIXED ASSETS**

	COST				DEPRECIATION				W.D.V	
	As at 01.04.2008 RS	Additions/ Transfers Rs	Deletions/ Transfers Rs	As at 31.03.2009 Rs	As at 01.04.2008 Rs	Additions Rs	Deduction Rs	As at 31.03.2009 Rs	As at 31.03.2009 Rs	As at 31.3.2008 Rs
Land	826902	0	0	826902	0	0	0	0	826902	826902
Buildings	56229564	1530500	0	57760064	10441808	1803370	0	12245178	45514886	45787756
Plant & Machinery	351812914	185454	858071	351140297	120537871	31950440	815168	151673143	199467154	231275043
Wind Electric Generator	86891050	0	0	86891050	37775950	8984535	0	46760485	40130565	49115100
Vehicles	5071884	45220	0	5117104	1672025	478713	0	2150738	2966366	3399859
Furniture & Fittings	852020	16363	0	868383	324503	61837	0	386340	482043	527517
Office Equipments	2552653	460072	0	3012725	1585156	319485	0	1904641	1108084	967497
Canteen Equipments	153076	38625	0	191701	13919	8422	0	22341	169360	139157
<b>TOTAL</b>	<b>504390063</b>	<b>2276234</b>	<b>858071</b>	<b>505808226</b>	<b>172351232</b>	<b>43606801</b>	<b>815168</b>	<b>215142865</b>	<b>290665361</b>	<b>332038831</b>
Capital Work in progress - Machinery & Building	830814	530374	830814	530374						
<b>TOTAL</b>	<b>505220877</b>	<b>2806608</b>	<b>1688885</b>	<b>506338600</b>	<b>172351232</b>	<b>43606801</b>	<b>815168</b>	<b>215142865</b>	<b>290665361</b>	<b>332038831</b>
Previous Year Total	405717454	115736885	16233462	505220877	137048985	40151690	4849443	172351232	332038831	268668469

**SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2009**

	Current Year As at 31.3.2009 Rs.	Previous Year As at 31.3.2008 Rs.
<b>SCHEDULE No.7</b>		
<b>INVESTMENTS</b>		
<b>TRADE - UNQUOTED :</b>		
<b>In Equity Shares (Unquoted) :</b>		
20000 Equity shares of Rs 10/each in Sarvamangalam Synthetics Ltd.	200000	200000
<b>NON TRADE - QUOTED :</b>		
<b>In Equity Shares (Quoted) :</b>		
3772 Equity shares of Rs. 10/ each in Union Bank of India (Market Value Rs. 555427/-) (Previous Period Market Value Rs. 563725/-)	85920	85920
	<u>285920</u>	<u>285920</u>
Aggregate Value of Quoted Investments	85920	85920
Market Value Thereof	555427	563725
Aggregate Value of Unquoted Investments	<u>200000</u>	<u>200000</u>
<b>SCHEDULE No.8</b>		
<b>INVENTORIES</b>		
Stores, Spares & Packing Materials	2800220	2696406
Raw Materials	64666723	66839661
Work in Process	11829605	11438392
Finished goods - Yarn & Fabrics	15984996	18755006
By-Product Waste - Cotton	638516	180760
	<u>95920060</u>	<u>99910225</u>
<b>SCHEDULE No.9</b>		
<b>SUNDRY DEBTORS (Unsecured)</b>		
<b>(i) Considered Good</b>		
Debts outstanding for a period Exceeding Six months	807294	1067395
Other Debts	63991989	53695407
	<u>64799283</u>	<u>54762802</u>
<b>(ii) Considered Doubtful</b>		
Less : Provision for Doubtful debts	0	1600000
	<u>0</u>	<u>1600000</u>
	0	0
<b>SCHEDULE No.10</b>		
<b>CASH &amp; BANK BALANCES</b>		
Cash on hand	232960	217828
Cash with Scheduled Banks - in Current A/Cs	9851806	1941555
- in Deposit A/Cs	5084523	5166813
	<u>15169289</u>	<u>7326196</u>

**SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2009**

	Current Year As at 31.3.2009 Rs.	Previous Year As at 31.3.2008 Rs.
<b>SCHEDULE No.11</b>		
<b>OTHER CURRENT ASSETS</b>		
Interest Accrued	247548	449605
Income Subsidy Receivable	12057197	9495401
	<u>12304745</u>	<u>9945006</u>
<b>SCHEDULE No.12</b>		
<b>LOANS AND ADVANCES</b>		
<i>(Unsecured &amp; Considered Good, Recoverable in Cash or in kind or value to be received)</i>		
Advances for Purchases / Expenses	7546691	5833864
Advance to Staff and other operatives	304105	318421
Advance towards Indirect Taxes	3156399	11511346
Advance towards Direct Taxes	2500443	11002202
Other Advances	147810	129810
Prepaid Expenses	433687	386338
Deposits with Govt. & Other Authorities	8808947	7345664
	<u>22898082</u>	<u>36527645</u>
<b>SCHEDULE No.13</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>(A) CURRENT LIABILITIES</b>		
Liability for Purchases & Expenses		
To Micro Small & Medium Scale Enterprises	--	--
To Others	11986310	16433462
Unclaimed Dividends	613281	637139
	<u>12599591</u>	<u>17070601</u>
<b>(B) PROVISIONS</b>		
<b>Provision for Taxation</b>		
Provision for Income Tax	2349900	10131900
Provision for Fringe Benefit tax	338200	286200
	<u>2688100</u>	<u>10418100</u>
<b>SCHEDULE No.15</b>		
<b>MISCELLANEOUS EXPENDITURES</b>		
<i>(to the extent not written off or adjusted)</i>		
Deferred Revenue Expenditure :-		
Balance as per last balance sheet	4954164	0
Incurred during the year	0	5573435
Less : Amortised during the year	619271	619271
	<u>4334893</u>	<u>4954164</u>

**SCHEDULES TO PROFIT & LOSS A/C FOR THE YEAR ENDED 31ST MARCH 2009**

	Current Year As at 31.3.2009 Rs.	Previous Year As at 31.3.2008 Rs.
<b>SCHEDULE No.16</b>		
<b>SALES &amp; OTHER OPERATING RECEIPTS</b>		
Finished Goods	446286054	423441584
Traded Goods	5972744	7446762
	<u>452258798</u>	<u>430888346</u>
By-Product - Waste Cotton	35498461	28096560
Fabrication Charges	0	129743
Duty Draw Back	2128075	2405660
Difference in Foreign Exchange (Gain)	0	153538
Miscellaneous Items	23450	37900
WEG-CDM Revenue	9480981	0
	<u>499389765</u>	<u>461711747</u>
<b>SCHEDULE No.17</b>		
<b>OTHER INCOME</b>		
Interest Receipts (TDS Rs.197523/-)	1094431	853425
Dividend from Other Investments	15088	7544
Profit on Sale of Assets	317097	556242
Miscellaneous Income	12324	0
	<u>1438940</u>	<u>1417211</u>
<b>SCHEDULE No.18</b>		
<b>RAW MATERIAL CONSUMED :</b>		
Opening Stock-Cotton	66839661	79252750
-Cotton in Process	1742673	1859284
Add: Cost of Cotton purchased	318920459	288572574
	<u>387502793</u>	<u>369684608</u>
Less: Closing Stock-Cotton	64666723	66839661
-Cotton in Process	2534700	1742673
	<u>320301370</u>	<u>301102274</u>
<b>SCHEDULE No.19</b>		
<b>MANUFACTURING CHARGES</b>		
Consumption of Spares	2020241	2181119
Power & Fuel	29398617	34924058
Other Manufacturing Expenses	12550661	10762247
	<u>43969519</u>	<u>47867424</u>

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## SCHEDULES TO PROFIT & LOSS A/C FOR THE YEAR ENDED 31ST MARCH 2009

	Current Year As at 31.3.2009 Rs.	Previous Year As at 31.3.2008 Rs.
<b>SCHEDULE No.20</b>		
<b>REPAIRS &amp; MAINTENANCE</b>		
Machinery	8071473	8449847
Electrical	286033	272922
Generator	55014	17417
Building	1046637	1189847
Wind Mill	2246780	2488454
Vehicle	992636	891280
Office Equipment	160097	246629
General	443269	481686
	<u>13301939</u>	<u>14038082</u>
<b>SCHEDULE No.21</b>		
<b>SALARIES, WAGES AND OTHER BENEFITS</b>		
Salaries & Wages	7999033	6744166
Stipend to Trainees	2039883	2321376
Contribution to Provident & Other Funds	374904	301274
Gratuity	189210	332070
Workmen & Staff Welfare Expenses	3091001	3159547
	<u>13694031</u>	<u>12858433</u>
<b>SCHEDULE No.22</b>		
<b>REMUNERATION TO DIRECTORS</b>		
To Managing Director	684000	600000
To Joint Managing Director	624000	540000
	<u>1308000</u>	<u>1140000</u>
Sitting Fees to Other Directors	30000	22000
	<u>1338000</u>	<u>1162000</u>
<b>SCHEDULE No.23</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
Insurance	1867784	2636650
Rent	181000	206227
Rates & Taxes	254136	272525
Printing and Stationery	203078	312698
Postage, Telephone and Telegram	415994	519736
Professional Charges & Legal Fees	176060	251916
Travelling & Conveyance expenses	1123144	1381488
Donations	26000	71000
Other Expenses	1538584	1517685
	<u>5785780</u>	<u>7169925</u>

**SCHEDULES TO PROFIT & LOSS A/C FOR THE YEAR ENDED 31ST MARCH 2009**

	Current Year As at 31.3.2009 Rs.	Previous Year As at 31.3.2008 Rs.
<b>SCHEDULE No.24</b>		
<b>SELLING AND DISTRIBUTION EXPENSES</b>		
Packing Materials Consumed	1368766	2364728
Advertisement Expenses	0	145725
Bad Debts Written off	80305	74177
Provision for Doubtful Debts	0	80000
Commission, Brokerage & Rebates	2397463	596044
Expenses on Export Sales	1552968	1907892
Freight on Yarn sales	1958970	1247900
	<u>7358472</u>	<u>6416466</u>
<b>SCHEDULE No.25</b>		
<b>CHANGE IN STOCK OF FINISHED GOODS &amp; SEMI FINISHED GOODS</b>		
Opening Stock:		
Finished Goods - Yarn	17980213	12681550
Finished Goods - Fabrics	774793	0
Work in Process	9695719	4846106
By Product - Waste Cotton	180760	382565
	<u>28631485</u>	<u>17910221</u>
Closing Stock:		
Finished Goods - Yarn	13795842	17980213
Finished Goods - Fabrics	2189154	774793
Work in Process	9294905	9695719
By Product - Waste Cotton	638516	180760
	<u>25918417</u>	<u>28631485</u>
	A	
	B	
	A-B	
	<u>2713068</u>	<u>-10721264</u>
<b>SCHEDULE No.26</b>		
<b>INTEREST &amp; FINANCE CHARGES</b>		
Interest on Fixed Loans	11637786	14690381
Interest on Working Capital Credits	12074982	9365204
Hire Purchase Finance Charges	58766	127597
Bank Charges	1062136	1063044
Bill Discounting charges	1113287	484377
	<u>25946957</u>	<u>25730603</u>

SCHEDULE NO.27

NOTES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31.3.2009

I. SIGNIFICANT ACCOUNTING POLICIES

(A) METHOD OF ACCOUNTING :

The accounts have been prepared on historical cost convention method and as a going concern, complying in all material aspects with applicable accounting principles and the Accounting Standards prevailing in the country.

(B) USE OF ESTIMATES :

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that effect the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the period in which the results are known/materialized.

(C) FIXED ASSETS :

- i. Fixed assets are stated at cost and are inclusive of pre-operative expenses capitalised.
- ii. Provision for Depreciation on Fixed assets has been made adopting the Straight Line Method and the rates prescribed in Schedule XIV of the Companies Act, 1956; (For items costing Rs.5000/- each or less, 100% depreciation has been charged.) For additions during the year prorata charge has been made from the date the asset is put into use; No depreciation is charged in the year of sale of the asset.

(D) INVESTMENTS :

All the investments are treated as Non-current and Valued at Cost; provision for fall in value (other than temporary) is considered, if material and necessary.

(E) VALUATION OF INVENTORIES :

Inventories as at the close of the year are being valued as stated below and quantities adopted are as certified by the management:-

- i) Raw Materials : at lot wise cost
- ii) Finished goods - Yarn : lower of standard cost or net realisable value  
- Fabric : lower of standard cost or net realisable value  
- Saleable waste : net realisable value / since, realised rates
- iii) Stock in process : at standard cost
- iv) Stock of packing : at FIFO cost  
materials and Stores/Spares



**(F) FOREIGN CURRENCY TRANSACTIONS :**

Foreign currency transactions chargeable to revenue have been accounted for by adopting the exchange rate as per documents negotiated with the bankers. Export sales are net of exchange fluctuation gain/loss realised/incurred and accounted for as per realisation certificate received from the bankers.

**(G) REVENUE RECOGNITION :**

- i. Accrual basis of accounting is followed by the company for all regular sources of income and expenses.
- ii. Sales are accounted on transfer of property in the goods to the buyers for a definite consideration; Sales include exchange fluctuation gain/loss realised or incurred during the year in respect of export sales.

**(H) BORROWING COSTS :**

Interest on borrowings, if any, attributable to acquisition of qualifying assets are capitalised and included in the cost of the asset, as appropriate.

**(I) EARNINGS PER SHARE :**

Basic Earnings per share is calculated by dividing the Net Profit after tax attributable to the shareholders by the weighted average number of Equity Shares outstanding during the year.

**(J) DEFINED RETIREMENT BENEFITS :**

Gratuity, which is a defined benefit, is accrued based on independent actuarial valuations as at the balance sheet date. Contributions payable to Recognised Provident Funds, which is a defined contribution scheme, is charged to the profit and loss account

**(K) TAXES ON INCOME :**

Current Tax is determined as per the provisions of the Income - Tax Act, 1961 in respect of taxable income for the year and based on the expected outcome of assessments/appeals. The Company provides for and discloses FBT as part of Taxes in accordance with the provisions of Section 115 WC of the Income Tax Act, 1961 and the guidance note on FBT issued by the Institute of Chartered Accountants of India ('ICAI'). The Finance Act, 2007 levied FBT on Employees Stock Option Plan. Such FBT liability crystallizes on the date of exercise and is accounted for accordingly.

Deferred Tax assets and liabilities are recognized on timing differences between accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets, other than those arising on account of unabsorbed depreciation or carry forward of losses under tax laws, are recognized and carried forward subject to consideration of prudence only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**(L) PROVISIONS AND CONTINGENT LIABILITIES :**

The Company recognizes a provision when there is a present obligation as a result of an obligating event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

**(M) CASH FLOW STATEMENTS :**

Cash Flows are reported using the Indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expense associated with investing or financing cash flows. Cash and cash equivalents include cash on hand and balances with banks in current and deposit accounts with necessary disclosure of cash and cash equivalent balances that are not available for use by the company.

**(N) IMPAIRMENT OF ASSETS :**

An asset is treated as impaired when the carrying amount of the asset exceeds its estimated recoverable value. Carrying amounts of fixed assets are reviewed at each balance sheet date to determine indications of impairment, if any, of those assets. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss equal to the excess of the carrying amount over its recoverable value is recognised as an impairment loss. The impairment loss, if any, recognized in prior accounting period is reversed if there is a change in estimate of recoverable amount.

**(O) CENVAT AND STATE VAT FOR INPUTS :**

- i. The value of eligible CENVAT Credit against Central Excise duty paid on purchase of capital goods has been deducted from the cost of relevant plant & machinery capitalised.
- ii. The value of eligible CENVAT Credit against Central Excise Duty paid has been adjusted against the relevant materials purchased and inventory of materials has been valued at rates net of CENVAT Credit.
- iii. CENVAT Credit availed has been adjusted against Central Excise duty incurred on finished goods despatched and unavailed deferred CENVAT Credit are carried over as advance.
- iv. STATE VAT - INPUT Credit against Capital goods are adjusted against relevant asset and net amount capitalised; Input credit against remaining goods are accounted for by adjustments against cost of relevant goods; Unadjusted StateVAT Credit is carried over as advance.

**(P) DEFERRED REVENUE EXPENDITURE :**

Expenditure incurred in respect of replacement of a major WEG component has been treated as deferred revenue expenditure and are amortized over period of nine years.

II. NOTES FORMING PART OF ACCOUNTS

		31st Mar 2009	31st Mar 2008
<b>1. Details of Turnover :</b>			
a) Finished Goods - Cotton Yarn Indigenous	Rs.	205,981,422	214,282,766
	Kgs.	1,708,567	1,989,307
b) Finished Goods - Cotton Yarn Direct Exports	Rs.	18,581,300	9,576,561
	Kgs.	163,449	76,205
c) Finished Goods - Cotton Yarn Merchant Exports	Rs.	2,190,888	13,858,349
	Kgs.	19,051	133,207
d) Finished Goods - Knitted Fabrics Indigenous	Rs.	194,253,829	162,653,233
	Kgs.	1,563,152	1,434,271
e) Finished Goods - Knitted Fabrics Direct Export	Rs.	25,278,615	23,070,675
	Kgs.	159,253	186,913
f) Finished Goods - Knitted Fabrics Merchant Export	Rs.	-	-
	Kgs.	-	-
g) Traded Goods - Cotton Yarn Direct Export	Rs.	5,972,744	7,446,762
	Kgs.	49,097	83,590
<b>Total Turnover of Finished goods</b>	<b>Rs.</b>	<b>452,258,798</b>	<b>430,888,346</b>
h) By product	Rs.	35,498,461	28,096,560
	Kgs.	1,020,102	1,173,552
i) Raw Materials - Cotton	Rs.	420,363	-
	Kgs.	7,300	-
j) Wind Energy Realised	Rs.	16,654,154	15,275,566
*Wind Energy is generated by the Wind Energy Units division and is consumed by the Textile Division	Units	4,758,330	4,364,448
k) Other Operating Income includes carbon credit found eligible and actually admitted as well as realized.	Rs.	11,632,506	2,726,841
l) Other Non-Operating Income	Rs.	1,438,940	1,417,211
<b>2. Details of Purchases :</b>			
<b>A. Raw Materials - Cotton</b>			
a) Indigenous	Rs.	318,920,459	288,572,574
	Kgs.	4,607,733	4,723,124
b) Imported	Rs.	--	--
	Kgs.	--	--
<b>B. Goods For Trade - Yarn</b>			
a) Indigenous	Rs.	11,556,515	7,785,307
	Kgs.	105,467	83,590
<b>3. Details of Consumption :</b>			
<b>A. Raw Materials - Cotton</b>			
a) Indigenous	Rs.	320,301,370	301,102,274
	Kgs.	4,677,829 (100%)	5,082,419 (100%)
b) Imported	Rs.	--	--
	Kgs.	--	--
<b>B. Cotton Hosiery Yarn - For Knitting</b>			
a) Indigenous	Kgs.	1,715,410	1,669,270
<b>C. Stores &amp; Spares</b>			
a) Indigenous	Rs.	2,020,241 (100%)	2,181,119 (100%)
b) Imported	Rs.	--	-

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## 4. A. Details of Opening Stock :

i) Raw Materials - Cotton	Rs.	66,839,661	79,252,750
	Kgs.	1,057,538	1,416,834
ii) Finished Goods - Cotton Yarn	Rs.	17,980,213	12,681,550
	Kgs.	151,710	95,640
iii) Finished Goods - Hosiery Knitted Cloth	Rs.	774,793	--
	Kgs.	6,548	--
iv) By Product	Rs.	180,760	382,565
	Kgs.	11,113	78,025

## B. Details of Closing Stock :

i) Raw Materials - Cotton	Rs.	64,666,723	66,839,661
	Kgs.	980,142	1,057,538
ii) Finished Goods - Cotton Yarn	Rs.	13,795,842	17,980,213
	Kgs.	125,166	151,710
iii) Finished Goods - Hosiery Knitted Cloth	Rs.	2,189,154	774,793
	Kgs.	17,699	6,548
iv) By Product	Rs.	638,516	180,760
	Kgs.	49,687	11,113

## 5. Production Capacity :

Licenced Capacity	Spindles	Not Applicable	Not Applicable
Installed Capacity	Spindles	21,744	21,744

## 6. Actual Production :

i) Finished goods - Cotton Yarn (Cones)	3,521,607	3,905,209
ii) Finished goods - Hosiery Knitted Fabrics	1,733,555	1,627,833

## 7. Value of Imports - CIF :

Components & Spares	Rs.	--	--
Capital Goods	Rs.	--	47,650,676

## 8. Expenditure in Foreign Currency :

Interest & Bank Charges	Rs.	1,197,120	2,683,623
Commission on Exports	Rs.	472,720	--
Travelling Expenses to Directors & Technicians	Rs.	--	120,147

## 9. Amount remitted in foreign currency on account of dividends

Number of Non Resident Shareholders	4	4
Number of Shares Held by them	3,713	3,713

## 10. Earnings in foreign currency

Direct Export of Goods (F O B)	49,832,659	40,093,998
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## 11. Estimated amount of contracts to be executed on capital accounts and not provided for (Rs. in Lakhs)

844	643
-----	-----

## 12. Liability for bills discounted with Banks (Rs.)

4,576,060	2,642,119
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## 13. Claims against the company not acknowledged as debts :

Towards Electricity Tariff Subsidy Availed disputed by the Electricity Board	5,275,000	5,275,000
Towards imports of cotton demanded by foreign supplier but disputed by the company	1,190,000	1,190,000

14. The Company has been granted various term loan facilities from its Bankers as under : (Rs. in Lacs)

i) Mortgage Term Loans :		
Catholic Syrian Bank Limited		
Term Loan for Machinery Phase IV	150.00	150.00
Term Loan for Wind Energy Generators	412.50	412.50
Term Loan for One No Auto Coner Machinery	26.35	26.35
ii) Mortgage Term Loans :		
Under Textile Upgradation Fund Scheme		
Union Bank of India		
Term Loan for Machinery Project	390.00	390.00
Term Loan for Machinery Project	1094.00	1094.00
iii) Mortgage Term Loans :		
Under Textile Upgradation Fund Scheme		
State Bank of India		
Term Loan for Machinery Project	721.00	721.00
Term Loan for Machinery Project	432.00	432.00

The Company has availed various term loan credit from its bankers Outstanding as on the year ended are as under

i) Mortgage Term Loans :		
Catholic Syrian Bank Limited		
Term Loan for Machinery Phase IV	--	9.64
Term Loan for Wind Energy Generators	20.92	90.66
Term Loan for One No Auto Coner Machinery	5.06	9.55
ii) Mortgage Term Loans :		
Under Textile Upgradation Fund Scheme		
Union Bank of India		
Term Loan for Machinery Project	176.48	225.79
Term Loan for Machinery Project	827.73	939.18
iii) Mortgage Term Loans :		
Under Textile Upgradation Fund Scheme		
State Bank of India		
Term Loan for Machinery Project	307.42	394.94
Term Loan for Machinery Project	330.13	369.54
iv) Of the above mortgage term loans :		
Loans repayable within one year are as under :		
State Bank of India		
	--	156.00
Union Bank of India		
	--	211.84
Catholic Syrian Bank Limited		
	25.98	89.92
	<u>25.98</u>	<u>457.76</u>
v) The company has been granted various cash credit facilities towards its working capital requirement from its Bankers as under :		
State Bank of India		
	356.00	356.00
Union Bank of India		
	710.00	410.00
Catholic Syrian Bank Limited		
	147.00	147.00
	<u>1,213.00</u>	<u>913.00</u>
Cash Credit		
	1,213.00	913.00
Foreign Bills Discounting Facility		
	100.00	100.00
	<u>1,313.00</u>	<u>1,013.00</u>

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The Company has availed the following cash credit facilities/ bills discounting facility etc towards its working capital requirement from its Bankers as under :

State Bank of India	358.13	362.69
Union Bank of India	740.56	581.24
Catholic Syrian Bank Limited	46.85	131.66
	<u>1,145.53</u>	<u>1075.59</u>

- The above facilities are secured by way of hypothecation of Stocks in trade, besides a first charge on its fixed assets.
- The above term loan credit facilities pursuant to RBI scheme have been rephased and deferred for a further period of two years.**
- All the above facilities pursuant to an agreement rank pari passu amongst the bankers and the company.
- An equitable mortgage by deposit of the title deeds for the credit facilities availed, besides secured by mortgage of the personal property of the Managing Director.
- Managing Director and three other directors have furnished his personal guarantee to Bankers for the loans so availed.

15. Liability to Sales tax Deferral Scheme is guaranteed by the Managing Director personally

16. Details of Loans payable in One Year

a) Secured Loans - Term Loans	25.98	457.76
b) Unsecured Loans - IFST	59.91	58.33
	<u>85.89</u>	<u>516.09</u>

17. There are no dues to Investor Education & Protection Fund

18. Balances with Scheduled Banks Include :

Towards unclaimed dividend in Current Accounts	Rs. 613,281	Rs. 637,139
--	-------------	-------------

19. Amount due from officers of the Company included under 'Advance to Staff & Others' is

and the maximum amount due at any time during the year was	90,000	1,00,000
--	--------	----------

20. Aggregate Advance towards Direct Taxes

Assessment Year	Income Tax Paid	TDS	Total Advance Tax Paid	Provision for Taxation
Income Tax 2008-09	1,274,625	191,701	1,466,326	1,061,900
Income Tax 2009-10	709,630	197,523	907,153	1,288,000
<b>Sub Total (A)</b>	<u>1,984,255</u>	<u>389,224</u>	<u>2,373,479</u>	<u>2,349,900</u>
FBT 2008-09			126,964	195,700
FBT 2009-10			-	142,500
<b>Sub Total (B)</b>			<u>126,964</u>	<u>338,200</u>
<b>Sub Total (A+B)</b>			<u>2,500,443</u>	<u>2,688,100</u>

21. Income Tax Assessment is pending for the Assessment year 2008-09

22. Gross Sales exclude Excise Duty, Sales Tax/VAT Surcharge and Cess collected thereon, as detailed below

Particulars	2008-2009		
	Cotton Yarn & Fabrics	By Product	Misc Items
Product Value	452,258,798	35,498,461	23,450
Excise Duty	-	-	-
Sales Tax / VAT	7,232,316	1,419,938	938
Cess	-	354,985	-
	<u>459,491,114</u>	<u>37,273,384</u>	<u>24,388</u>

  

Particulars	2007-2008		
	Cotton Yarn & Fabrics	By Product	Misc Items
Product Value	430,888,346	28,096,560	167,643
Excise Duty	-	-	-
Sales Tax / VAT	7,502,808	1,143,249	35,754
Cess	-	280,965	-
	<u>438,391,154</u>	<u>29,520,774</u>	<u>203,397</u>

23. Other Expenses includes Statutory Auditor's Remuneration

Audit Fees	50,000	50,000
Tax Audit	11,000	11,000
Taxation Matters	62,227	72,004
Other Services	10,000	4,046
Reimbursement of Service Tax	11,989	16,816
	<u>145,216</u>	<u>153,866</u>
Cost Auditor's Remuneration		
Audit Fees	12,000	10,000
Reimbursement of Service Tax	1,236	1,236

24. Details of Interest paid on Secured Loans

	31st Mar 2009	31st Mar 2008
1) On Term Liabilities to Banks	11,637,786	14,690,381
2) On Working Capital Liabilities to Banks	12,074,982	9,365,204
	<u>23,712,768</u>	<u>24,055,585</u>

25. Details of Managerial Remuneration Paid  
Remuneration to Managing Director

Salary	600,000	600,000
Perquisites	84,000	-
	<u>684,000</u>	<u>600,000</u>

Remuneration to Joint Managing Director

Salary	540,000	540,000
Perquisites	84,000	-
	<u>624,000</u>	<u>540,000</u>

26. The Company has complied with the applicable Accounting Standards specified and issued by the Companies (Accounting Standards) Rules, 2006

# 15th Annual Report

## 27. Information pursuant to Accounting Standard 2

Valuation of Closing Stock :	
Stores & Spares	At FIFO Cost
Raw Materials Cotton	At Lot Wise Cost
Finished Goods Cotton Yarn	Lower of Standard Cost or Net Realisable Value
Finished Goods Hosiery Fabrics	Lower of Standard Cost or Net Realisable Value
Cotton Waste	Net Realisable Value/Since Realised Rates
Work in Process	At Standard Cost

First in-First out formula is used while determining the cost of all the above items, except cotton for which actual cost formula is used.

## 28. Information pursuant to Accounting Standard 15

### i) Payment to Defined Contribution Benefit Plans :

Contribution to Provident Fund	116,259	88,453
Contribution to Employees Pension Fund	243,656	200,771

### ii) Gratuity

The Company has undertaken an actuarial valuation in respect of gratuity liability and provides for it in books of accounts; but does not contribute the amount to any fund or trust.

Opening Balance	764,095	538,816
Add : Provision for the year	156,095	225,279
	920,190	764,095
Less : Payments during the year	-	-
Closing Balance	920,190	764,095

## 29. Borrowing Cost capitalised during the year

NIL NIL

## 30. The Company operates only on one segment

which is the company's primary segment i.e. is COTTON TEXTILES

## 31. Recurring annual subscription to Textile Research Institutions

South India Textile Research Association (SIITRA)	40,991	20,355
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## 32. In terms of the Accounting Standard 18 requiring disclosure of related parties, the following persons has been identified as Related Parties :

Shyamlal Agarwala	Managing Director
Manoj Kumar Jhahjaria	Joint Managing Director
Pramod Kumar Jhahjaria	Chief Executive
Preeti Cotspin Private Limited	Common Control.

## 33. Transactions with Related Parties : Nature of Transaction

i) Rent Payments to Related Parties -Administrative Office (Relative of Managing Directors)	72,000	72,000
ii) Advance towards Rent Payments to Relative parties - Administrative Office (Relative of Managing Directors)	60,000	60,000
iii) Remuneration to Managing Director	684,000	600,000
iv) Remuneration to Joint Managing Director	624,000	540,000
v) Sitting Fees to other Directors	30,000	22,000
vi) Travelling Reimbursement to other Directors	28,000	22,000
vii) Remuneration to chief executive salary	114,000	114,000
Company's Contribution to PF & Other Funds	13,680	13,680
	<u>127,680</u>	<u>127,680</u>



viii) Fabrication Charges received

From Preeti Cotspin Private Limited -- 115,382

ix Sales

By Product - Cotton Waste  
to Preeti Cotspin Private Limited 5,255,732 2,489,706

34. In terms of the Accounting Standard 20 relating to Earnings Per Share (EPS) the following information is furnished:

Profit available for distribution to Equity Shareholders : 1,272,467 10,757,418  
Number of Equity Shares 5,351,100 5,351,100  
Earnings Per Share 0.24 2.01

35. In terms of the Accounting Standard 22 working for Deferred Tax Asset has been recognized on account of prudence and the estimated realizability within a reasonable point of time

36. Net Deferred Tax Asset/Liability in respect of the year ending 31st March 2009 and earlier credited/debited to profit & loss account and Net Deferred Tax Liability as on 31st March, 2009 are computed as below

Sl. No.	Particulars 31st March, 2009	Opening Balance	Added During the Year	Reversed during the Year	Closing Balance
A.	Deferred Tax Liability				
	Depreciation	40,031,000	1,343,000	-	41,374,000
	Deferred Revenue Expenditure	1,684,000	-	211,000	1,473,000
	<b>TOTAL - A</b>	<b>41,715,000</b>	<b>1,343,000</b>	<b>211,000</b>	<b>42,847,000</b>
B.	Deferred Tax Assets				
	Carried over Depreciation				
	Allowance / Other Expenses	4,545,000	-	4,430,000	115,000
	MAT Credit	3,917,000	-	2,745,000	1,172,000
	<b>TOTAL - B</b>	<b>8,462,000</b>	<b>-</b>	<b>7,175,000</b>	<b>1,287,000</b>
	Net Deferred Tax Liability (A-B)	33,253,000	1,343,000	(6,964,000)	41,560,000
	Net Deferred Tax Credited to P & L	-	-	-	8,307,000
Sl. No.	Particulars 31st March, 2008	Opening Balance	Added During the Year	Reversed during the Year	Closing Balance
A.	Deferred Tax Liability				
	Depreciation	39,819,000	212,000	0	40,031,000
	Deferred Revenue Expenditure	0	1,684,000	0	1,684,000
	<b>TOTAL - A</b>	<b>39,819,000</b>	<b>1,896,000</b>	<b>0</b>	<b>41,715,000</b>
B.	Deferred Tax Assets				
	Carried over Depreciation				
	Allowance / Other Expenses	0	4,545,000	0	4,545,000
	MAT Credit	4,119,000	3,917,000	4,119,000	3,917,000
	<b>TOTAL - B</b>	<b>4,119,000</b>	<b>8,462,000</b>	<b>4,119,000</b>	<b>8,462,000</b>
	Net Deferred Tax Liability (A-B)	35,700,000	-6,566,000	-4,119,000	33,253,000
	Net Deferred Tax Credited to P & L	0	0	0	-2,447,000

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## 37. Information Pursuant to Accounting Standard 29

Provisions Contingencies & Other Liabilities	Opening Balance	Added During the Year	Reversed during the Year	Closing Balance
Taxation	10,131,900	1,288,000	9,070,000	2,349,900
Fringe Benefit Taxation	286,200	142,500	90,500	338,200
Dividends	-	-	-	-
Expenses (Bonus etc.)	346,700	466,720	346,700	466,720
Doubtful Debts	1,600,000	-	1,600,000	-
Gratuity	764,095	156,095	-	920,190
	13,128,895	2,053,315	11,107,200	4,075,010

## 38. Information Pursuant to Accounting Standard 29

The management has initiated the process of identifying enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2009 has been made in the financial statements based on information received and available with the Company. The Company has not received any claim for interest from any supplier under the said Act

The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.

NIL

NIL

The amount of interest paid by the Company along with the amount of the payments made to the supplier beyond the appointed day during the period

NIL

NIL

The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act.

NIL

NIL

The amount of interest accrued and remaining unpaid at the end of the period

NIL

NIL

The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.

NIL

NIL

## 39. In the opinion of the Board of Directors :

All the current assets, loans and advances would realise the value stated in the normal course of business.

## 40. Figures for the previous year have been reclassified and regrouped wherever found necessary.

### SIGNATORIES FOR SCHEDULES AND NOTES FORMING PART OF ACCOUNTS 1 to 27

Subject to our report of even date attached

on behalf of the board

For VKS AIYER AND COY  
Chartered Accountants

(Sd)..

SHYAMLAL AGARWALA  
Managing Director

(Sd)..  
V.S. SRINIVASAN  
Partner  
Membership No. F-13729

(Sd)..

MANOJ KUMAR JHAJHARIA  
Joint Managing Director

Place : COIMBATORE

Date : 24.06.2009

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2009**

	31.3.2009 (Rs.in Lacs)	31.3.2008 (Rs.in Lacs)
<b>A. Cash flow from Operating Activities:-</b>		
Net Profit before taxation and extra ordinary items	112.58	95.68
<b>Adjustments for:-</b>		
Depreciation	436.07	401.52
Deferred Expenses written off	6.19	6.19
Profit on sale of fixed assets	(-) 3.17	(-) 5.56
Interest and financial charges paid	259.47	257.31
Dividend Income	(-) 0.15	(-) 0.08
Interest receipts	(-) 10.94	(-) 8.53
Direct Taxes	(-) 16.79	(-) 12.58
<b>Operating Profits before Working Capital Changes</b>	<u>783.26</u>	<u>733.95</u>
<b>Adjustments for working capital changes :-</b> (Increase)/Decrease in Current Assets / Loans & Advances		
Inventories	39.90	17.30
Sundry Debtors	(-) 100.36	83.89
Loans and Advances	136.30	(-) 38.30
Accrued Income & Other Current Assets	(-) 22.77	(-) 135.53
Increase/(Decrease) in Current Liabilities / Provisions		
Current Liabilities	(-) 44.71	32.12
Provisions	(-) 77.30	(-) 49.48
<b>Net Cash from operating activities</b>	<u>714.31</u>	<u>643.94</u>
<b>B. Cash flow from Investing Activities:-</b>		
Dividend Income	0.15	0.08
Interest receipts	10.94	8.53
Purchase of Investments	0.00	0.02
Purchase of Fixed Assets	(-) 19.76	(-) 1046.53
Advance for Capital Goods	(-) 0.65	41.78
Deferred Revenue Expenditure	0.00	(-) 55.73
Sale of Fixed Assets	3.60	8.56
<b>Net cash from investing activities</b>	<u>(-) 5.71</u>	<u>(-) 1043.29</u>
<b>C. Cash flow from financing activities:-</b>		
Increase/(Decrease) in Secured Loan	(-) 308.78	525.14
Increase/(Decrease) in Unsecured Loan	(-) 62.40	(-) 64.45
Interest and financial charges paid	(-) 259.47	(-) 257.31
Increase in Share Capital	1.32	1.20
<b>Net cash from financing activities</b>	<u>(-) 629.34</u>	<u>204.58</u>
Net increase/(decrease) in cash & cash equivalents	<u>79.26</u>	<u>(-) 194.77</u>
Cash & cash equivalents at the beginning of the year	21.59	216.36
Cash & cash equivalents at the close of the year	<u>100.85</u>	<u>21.59</u>
	<u>79.26</u>	<u>(-) 194.77</u>
Cash & Cash equivalents at the close of the year comprise of		
Cash on hand	2.33	2.18
Cash at bank in current accounts	<u>98.52</u>	<u>19.42</u>
	<u>100.85</u>	<u>21.59</u>

As per our report of even date attached

on behalf of the board

**For VKS AIYER AND COY**

Chartered Accountants

(Sd)..

**V.S. SRINIVASAN**

Partner

Membership No. F-13729

Place: COIMBATORE

Date : 24.06.2009

(Sd)..

**SHYAMLAL AGARWALA**

Managing Director

(Sd)..

**MANOJ KUMAR JHAJHARIA**

Joint Managing Director

# 15th Annual Report

NOTES ATTACHED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31.3.2009

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. REGISTRATION DETAILS :-

Registration No.	: 181-4797
State Code	: 18
Company Unique Identification No.	: L17111TZ1994PLC004797
Balance Sheet date	: 31.03.2009
Date of Previous AGM	: 11.09.2008
Date of Current AGM	: 24.09.2009

### II. CAPITAL RAISED DURING THE YEAR (Rs.in 000'S)

Public issue	: —
Rights issue	: —
Bonus issue	: —
Private Placement	: —

### III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Rs.in 000'S)

Total Liabilities	: 501,929
Total Assets	: 501,929

#### Sources of Funds (Rs.)

Paid-up Capital	: 53,289
Reserves & Surplus	: 67,058
Deferred Tax Liability	: 41,560
Secured loans	: 281,576
Unsecured Loans	: 58,446

#### Application of Funds (Rs.)

Net Fixed Assets	: 301,504
Investments	: 286
Net Current Assets	: 195,804
Misc. Expenditure	: 4,335

### IV. PERFORMANCE OF COMPANY (Rs.in 000'S)

Total Turnover	: 500,829
Total Expenditure	: 489,572
Profit Before Tax	: 11,256
Profit After Tax	: 1,272
Earning per share in Rs.	: 0.24
Dividend rate	: 0%

Generic names of three principal products/services of company (as per monetary terms) :-

Items code No. (ITC Code)	Product Description
5205.21.01	Cotton Yarn in Cones
6002.92.09	Hosiery Fabrics

(Sd)..

ON BEHALF OF THE BOARD

(Sd)..

Place: COIMBATORE  
Date : 24.06.2009

SHYAMLAL AGARWALA  
Managing Director

MANOJ KUMAR JHAJHARIA  
Joint Managing Director



Regd. Office : S.F.No.74/12 & 75/3, Sathy Main Road, Pungampalli, Valipalayam (Post), Sathy Taluk

**ATTENDANCE SLIP**

I hereby record my presence at the Fourteenth Annual General Meeting of the Company to be held at the Registered Office of the Company at Mill Premises, S.F.No.74/12 & 75/3, Sathy Main Road, Pungampalli, Valipalayam (Post), Sathy Taluk, Erode District, Tamilnadu on Thursday the 24th day of September, 2009 at 10.30 a.m.

Name of the Member
.....
Folio No..... No. of Shares.....

.....
Name of Proxy / Representative ( In Block Letters )
(To be filled in if the Proxy attends instead of the Member)

.....
Signature of the Share Holder / Proxy



Regd. Office : S.F.No.74/12 & 75/3, Sathy Main Road, Pungampalli, Vallipalayam (Post), Sathy Taluk

**PROXY FORM**

I / We.....  
of.....  
being a member / members of SALONA COTSPIN LIMITED hereby appoint .....  
..... of .....  
or failing him ..... of .....  
or failing him ..... of .....  
as my / our Proxy to attend and vote for me/ us on my / our behalf of the Fourteenth Annual General Meeting of the Company to be held on Thursday the 24th day of September, 2009 at the Registered Office of the Company at Mill Premises, S.F.No.74/12 & 75/3, Sathy Main Road, Pungampalli, Valipalayam (Post), Sathy Taluk, Erode District, Tamilnadu and at any adjournment thereof.

Signed this.....day of.....2009

Member Folio Number

Signature

Affix a Rs.1.00 Revenue Stamp
--

Note : The Proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.

Book - Post

If undelivered, please return to :

**SALONA COTSPIN LIMITED**

9, Ramalinga Nagar, 4th Cross,

Saibaba Colony, Coimbatore - 641 011

Vibgyor © 98422 46789