

# **SALONA COTSPIN LIMITED**

## **EIGHTEENTH ANNUAL REPORT 2011-2012**

### **BOARD OF DIRECTORS**

Sri Shyamlal Agarwala	Managing Director
Sri Manoj Kumar Jhaharia	Joint Managing Director
Sri G. V. S. Desikan	Director
Sri Mahesh Agarwal	Director
Sri Dulichand Pansari	Director
Sri C.Thirumurthy	Director

### **AUDITORS**

M/s. VKS AIYER & CO,  
Chartered Accountants  
Mecheri Manor  
No.2, S.R. Iyer Layout  
Near AIR, Trichy Road  
Coimbatore – 641 045

### **BANKERS**

Union Bank of India  
The Catholic Syrian Bank Limited  
State Bank of India  
Oriental Bank of Commerce

### **REGISTERED OFFICE**

SF No.74/12 & 75/3, Sathy Road  
Pungampalli Village, Valipalayam Post  
Sathyamangalam – 638 402  
Erode District, Tamil Nadu

### **ADMINISTRATIVE OFFICE**

No.9, Ramalinga Nagar, IV Cross  
Saibaba Colony  
Coimbatore – 641 011

### **REGISTRAR & SHARE TRANSFER AGENTS**

M/s. S K D C Consultants Limited  
Kanapathy Towers,  
3<sup>rd</sup> Floor, 1391/A-1, Sathy Road,  
Ganapathy Post,  
Coimbatore - 641 006

### **WIND MILLS**

Panakudi Village, Radhapuram Taluk  
Sinjuvadi Village, Pollachi Taluk  
Vadambacherri Village, Palladam Taluk  
Kozhumankondan Village, Palani Taluk



# **SALONA COTSPIN LIMITED**

## **NOTICE**

Notice is hereby given that the Eighteenth Annual General Meeting of the Company will be held on Thursday, the 20th day of September, 2012 at 10.30 A.M at the Registered Office of the Company at S.F. No.74/12 & 75/3, Sathy Road, Pungampalli Village, Valipalayam Post, Sathy Taluk, Erode District, Pin - 638 402 to transact the following business.

## **AGENDA**

### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2012, Profit and Loss Account for the year ended on that date, the Reports of Directors and Auditors thereon.
2. To appoint a Director in the place of Sri Mahesh Agarwal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

### **SPECIAL BUSINESS:**

4. To pass with or without modification the following resolution, which is, intend to be passed as an ordinary resolution.

RESOLVED that Shri C. Thirumurthy who was co-opted by the Board as Additional Director on 13<sup>th</sup> February, 2012 and who holds office up to the date of the Eighteenth Annual General Meeting be and is hereby appointed as Director of the Company.

### **Note:**

1. Explanatory Statement as required under Section 173 (2) of the Companies Act 1956 is enclosed.
2. A member entitled to vote, is entitled to appoint a proxy to attend and vote instead of himself, the proxy need not be a member of the Company. Proxies in order to be effective should reach the Registered Office of the Company before 48 hours of the commencement of the Annual General Meeting.
3. Members are requested to bring their copy of the Annual Report and duly filled attendance slip with them to the Annual General Meeting.
4. Information as required under Clause 49 of the Listing Agreement in respect of re-appointment of Director is provided in the Annexure to the notice.



## SALONA COTSPIN LIMITED

5. The Register of Members and the Share Transfer Books of the Company will remain closed from 18<sup>th</sup> September, 2012 to 20<sup>th</sup> September, 2012 (Both days inclusive) for the purpose of Annual General Meeting and payment of Dividend.
6. The Company has transferred unclaimed dividends up to the financial year ended 31<sup>st</sup> March, 2004 to General Revenue Account / Investor Education and Protection Fund of the Central Government. The dividend declared for the financial year 2004-2005 and thereafter remaining unclaimed for a period of 7 years will be transferred to Investor Education and Protection Fund as required under the Companies Act 1956 on the respective due dates; upon such transfer no claim lie against the company or the Central Government for such unclaimed dividend.

The year wise amount of unclaimed dividend is given below:

Sl. No.	Financial Year	Date of Declaration	Amount of Dividends remaining unclaimed	Due date for transfer to IEPF
1	31 <sup>st</sup> March, 2005	28 <sup>th</sup> September, 2005	99245	26 <sup>th</sup> October 2012
2	31 <sup>st</sup> March, 2006	27 <sup>th</sup> September, 2006	126105	25 <sup>th</sup> October 2013
3	31 <sup>st</sup> March, 2007	22 <sup>nd</sup> September, 2007	157282	20 <sup>th</sup> October 2014
4	31 <sup>st</sup> March, 2010	13 <sup>th</sup> September, 2010	245228	11 <sup>th</sup> October 2017
5	31 <sup>st</sup> March, 2011	8 <sup>th</sup> September, 2011	348060	6 <sup>th</sup> October 2018

7. Members are requested to intimate the change of address, if any, quoting their registered folio number to the Company. Members are requested to intimate including their DPID / Client ID the change of address if any in their address, Bank particulars to their respective Depository Participant (DP) in case the shares are held in demat form.
8. The Companies (Amendment) Act, 1999 has provided for a nomination facility for the shares held in a Company. The Nomination Form 2B along with instructions will be provided to the members on request. Interested members are requested to write to the Shares Department at the Registered Office of the Company.
9. Members have option to hold their shares in dematerialized form through the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The ISIN Number allotted to the Company is INE498E01010.



## SALONA COTSPIN LIMITED

### PROFILE OF DIRECTORS RETIRING BY ROTATION/SEEKING RE-APPOINTMENT:

A brief resume in respect of the proposed re-appointment of Director is given below in terms of Clause 49 of the Listing Agreement:

Name of the Directors	Sri Mahesh Agarwal	Sri C. Thirumurthy
Date of Birth and Age	51 Years	53 Years
Qualification	B.Com.	B.Com. BL., FCS.,
Date of Appointment	23 <sup>rd</sup> February, 1995	13 <sup>th</sup> February, 2012
Experience in specific functional areas	More than 30 years of experience in Textile field	More than 20 Years of experience in Corporate Management.
Directorship held in other Public Companies	6	2
Memberships / Chairmanships of Committee across public Companies	2	1
No of Equity Shares held	259800	Nil

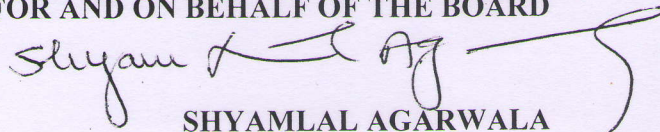
### EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

#### Item No.4 of the Agenda

Shri C. Thirumurthy who was appointed by the Board of Directors as an Additional Director of the company with effect from 13<sup>th</sup> February, 2012. Pursuant to Section 260 of the Companies Act, 1956 he holds office till the date of this Annual General meeting of the company and in respect of whom the company has received a notice in writing from a member under section 257 of the Act proposing his candidature for the office of Director of the company, be and is hereby appointed a Director of the Company.

None of the Directors except Shri C. Thirumurthy is interested in this resolution.

FOR AND ON BEHALF OF THE BOARD



SHYAMLAL AGARWALA  
Managing Director

Place : Coimbatore  
Date : 29<sup>th</sup> June, 2012



# SALONA COTSPIN LIMITED

## DIRECTORS' REPORT TO THE SHAREHOLDERS

To

The Members

Your Directors have great pleasure in presenting their Eighteenth Annual Report together with Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2012.

### Working Results

Details	( Rupees in Lacs )	
	31.03.2012	31.03.2011
<b>INCOME</b>		
Sales and Other operating Receipts	7900.80	7961.93
Other Income	36.53	22.12
<b>Total</b>	<b>7937.33</b>	<b>7984.05</b>
Gross Profit before interest, depreciation and tax	287.17	1652.46
Less: Interest	468.81	459.89
Profit/(Loss) after interest, but before depreciation and tax	(181.64)	1192.57
Less: Depreciation	513.21	594.04
Add: Prior Year Adjustments	0.00	0.07
<b>PROFIT BEFORE TAX</b>	<b>(694.85)</b>	<b>598.60</b>
Less: Provision for Income Tax – Current Tax	2.65	121.35
Less: Provision for Deferred Tax Liability	54.50	58.10
Add: Deferred Tax Liability Reversed	101.35	0.00
Add: Provision for Deferred Tax Asset	164.05	28.00
Less: Deferred Tax Asset Reversed	4.60	0.00
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>(491.20)</b>	<b>447.15</b>
Add: Opening Surplus	1220.95	834.96
<b>Total Profit available for appropriation</b>	<b>729.75</b>	<b>1282.11</b>
<b>APPROPRIATION</b>		
The above Profit is proposed to be appropriated as stated below:		
Proposed Dividends & Tax on Dividend	0.00	61.16
Surplus Carried over to Balance Sheet	729.75	1220.95
<b>TOTAL</b>	<b>729.75</b>	<b>1282.11</b>



## **SALONA COTSPIN LIMITED**

### **DIVIDEND:**

As explained in details under performance review, your company has incurred loss for the year under review, and hence the Board is unable to recommend a Dividend.

### **REVIEW OF OPERATIONS:**

The spinning sector which recovered in 2010-11 after two years of recession and adverse working was plunged again into a crisis. During the financial year under review sales turnover was Rs.7840.32 Lacs as against Rs.7936.03 Lacs in the previous due to decrease in Yarn production and reduction in prices. Due to power cuts and frequent power interruptions during this year, the yarn production decreased to 31.87 Lacs Kgs as against 38.77 Lacs Kgs. in last year. The mill has produced Knitted fabrics of 17.72 Lacs Kgs. as against 17.04 Lacs Kgs. in last year. The windmills generated 83.99 Lacs units (net) of wind electricity as against 84.62 Lacs units in the previous year. The Wind electricity was captively consumed by use in the Textile Mill.

### **OUT LOOK FOR THE IMMEDIATE FUTURE:**

Due to steep decrease in Cotton prices and poor demand for Yarn & fabrics sales on account of closure of dyeing units in Tirupur due to Pollution Control Problem, the off take of finished products slackened. Though the crises is prevailing in the textile market, the company has earned Profit during the fourth quarter of this year. Moreover your Company has been pursuing cost reduction and efficiency improvements in productions and hence, it is optimistic to perform still better in the coming years.

### **FINANCES:**

During the year under review, the Reserves and Surplus, representing credit balance in the Profit and Loss Account stood at Rs. 729.75 Lacs (Rs.1220.95 Lacs credit balance in the previous year). The liability for interest free sales tax deferred credit stood at Rs.338.29 Lacs. (Rs.437.17 Lacs) The Company met all financial commitments to the Bankers on account of Term Loan and Working Capital Credit.

### **TRANSFER TO INVESTOR EDUCATION & PROTECTION FUND**

The Company sends letters to all shareholders whose dividends are unclaimed so as to ensure that they receive their rightful dues. Efforts are also made in co-ordination with the Registrar to locate the shareholders who have not claimed their dues.

During the year, the Company has transferred a sum of Rs. 1,08,194/- to Investor Education & Protection Fund, the amount which was due and payable and remained unclaimed for a period of seven years, as provided in Section 205C(2) of the Companies Act, 1956. Despite the reminder letters sent to each shareholder, this amount remained unclaimed and hence was transferred.

### **FIXED DEPOSITS:**

The Company has not accepted any deposits from the public during the year.



## **SALONA COTSPIN LIMITED**

### **INDUSTRIAL RELATIONS:**

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 in accordance with clause (e) of sub-section 217 of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31<sup>st</sup> March 2012 is given in Annexure of this report.

During the period under review, the Company had no employee covered under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

### **DIRECTORS:**

In accordance with the provisions of the companies Act, 1956, Sri Mahesh Agarwal Director of the Company will retire by rotation at the ensuing Annual General Meeting and being eligible, offer him self for reappointment. The Directors recommends his appointment. The details as required under clause 49 of the listing Agreement is attached.

Shri C. Thirumurthy was co-opted as an additional director with effect from 13<sup>th</sup> February, 2012. He vacates of office at the ensuing annual general meeting and seeks reappointment.

Shri SP. Sekar (Till 17<sup>th</sup> May, 2012) resigned from the office of Director of the Company with effect from 17<sup>th</sup> May, 2012 and the board places on record and appreciates his service rendered during his tenure.

### **DIRECTORS' RESPONSIBILITY STATEMENT:**

In terms of the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors confirm:

- a) that in the preparation of annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b) that your Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Loss of the Company for that period;
- c) that your 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;
- d) that your Directors had prepared the annual accounts on a going concern basis.

### **AUDITORS:**

Your Company's Auditors M/s. VKS Aiyer & Co., Chartered Accountants, Coimbatore will retire at the ensuing Annual General Meeting and they are eligible for re-appointment.



## **SALONA COTSPIN LIMITED**

### **COST AUDITOR:**

The Company has re-appointed M.Nagarajan & Co., Cost Accountant as the Cost Auditor of the Company for the year 2012-13 subject to the approval of the Central Government.

### **CORPORATE GOVERNANCE:**

The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report.

The requisite Certificate from the Auditors of the Company confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49 is attached to this Report.

### **LISTING:**

The equity shares of the Company are listed and traded in the Stock Exchanges of Coimbatore, Chennai, Ahmadabad and Calcutta and the Company has paid the annual listing fees to Stock Exchanges for the financial year 2011-12.

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

The NSE has admitted the Securities of our Company for dealings on the **National Stock Exchange** (Capital Market Segment) with effect from 9<sup>th</sup> August, 2010.

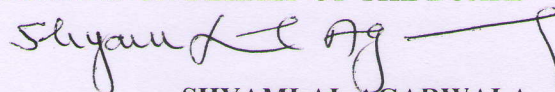
Members have option to hold their shares in dematerialized form through the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). **The ISIN of the Company is INE498E01010.**

### **ACKNOWLEDGEMENT:**

The Directors wish to place on record their gratitude to State Bank of India, Union Bank of India, Oriental Bank of Commerce, and The Catholic Syrian Bank Limited for their financial assistance. Your Directors also take this opportunity to express their appreciation of the co-operation extended by the employees. Shareholders' appreciation of the managements' 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 Sakthi for the continued prosperity of the Company.

**FOR AND ON BEHALF OF THE BOARD**



**SHYAMLAL AGARWALA**  
Chairman

Place: Coimbatore  
Date : 29<sup>th</sup> June, 2012



# SALONA COTSPIN LIMITED

## ANNEXURE TO THE DIRECTORS REPORT

Information pursuant to the Companies (Disclosures of particulars in the report of the Board of Directors) rules 1988 in the terms of section 217 (1)(e) of the Companies Act, 1956.

### **1. (A) CONSERVATION OF ENERGY:**

Particulars of energy consumption and energy consumption per unit of production are furnished below:

Power and Fuel Consumption	Current Year 2011 – 2012	Previous Year 2010-2011
<b>1. <u>ELECTRICITY:</u></b>		
<b>(a) Purchased:</b>		
Units	9584880	10864440
Total Amount (Rs.)	45950261	54070876
Rate per Unit (Average)	4.79	4.98
<b>(b) Own Generation:</b>		
Through Diesel Generator		
Units (KWH)	1321678	1356856
Consumed (Litres)	389317	375180
Total amount (Rs.)	14875753	12672442
Unit per Litre. of Diesel (KWH)	3.39	3.62
Cost per Unit (Rs.)	11.27	9.34
<b>2. COAL</b>	Not Applicable	Not Applicable
<b>3. FURNACE OIL</b>	Not Applicable	Not Applicable
<b>4. OTHERS / INTERNAL GENERATION:</b>		
Wind Electricity through own WEG's (Unit)	8399278	8461484
Total Amount (Rs.)	33741465	32129116
<b>5. Consumption per unit of Production:</b>		
Production in Kgs	3187093	3877103
Electricity Units	10906558	12221296
Unit/Kg of Yarn	3.42	3.15



## **SALONA COTSPIN LIMITED**

### **(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) RESEARCH AND DEVELOPMENTS:**

The Company does not have any research and Development Wing.

### **2. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION:**

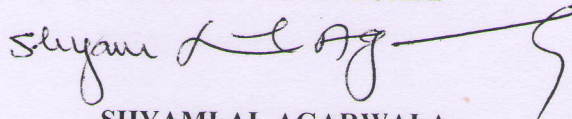
For consistent production of higher quality of products besides having State of the Machinery and Equipments, the manufacturing units are equipped with well trained personnel and high tech quality control equipments.

### **3. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

<b>EARNED</b>	Rs. In Lacs	Rs. In Lacs
Total Foreign exchange earned:-		
F.O.B. Value of Exports of Finished and Traded goods	1255.48	1287.22
<b>USED</b>		
Remittance in Foreign exchange:-		
Purchase of Capital goods, Spares, Commission on Exports and interest on FCL	44.44	204.31

Place: COIMBATORE  
Date : 29<sup>th</sup> June, 2012

**BY ORDER OF THE BOARD**

  
**SHYAMLAL AGARWALA**  
Chairman



# SALONA COTSPIN LIMITED

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

**Industry Structure and Developments:** The present scenario in the Textile industry is quite sluggish on account of spiralling cotton prices and reduced movement of finished products (Yarn & Fabrics). The government suddenly suspended cotton yarn exports from January to March 2011 which resulted in a huge piling up of yarn inventory with the Spinning Mills. Eventually when this ill-timed ban was lifted in April 2011, there was a sudden rush to liquidate the yarn stock at any price made from high-priced cotton inventory. Holding of High cost raw material without corresponding increase in yarn prices led to a steep fall in profitability in the financial year 2011-12. Due to power cut & frequent power interruption, the utilization has decreased which resulted in increase of cost of production.

**Opportunities and Threats:** World-wide, there is an increasing orientation towards clothing made of organic and natural fibers. There is a continuous increase in demand for cotton garments in both domestic and export market. Due to volatility of cotton prices, profitability may not be sustained.

**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 up-gradation of quality of yarn and fabric produced.

**Outlook:** Due to competitiveness at all levels, it is necessary to implement consolidation strategies such as cost reduction measures, improving productivity and exploring new markets, maintaining high quality and these measures are under way.

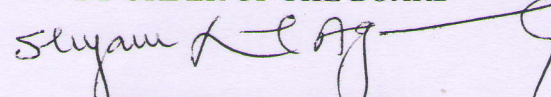
**Risks and Concerns:** The key raw material for our industry is cotton and major area under cotton cultivation is rain-fed and hence it is dependent on vagaries of monsoon. Adequate availability of raw cotton is crucial for the company. Any disruption in the supply and / or violent changes in the cost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

**Internal Control system 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 incurred a Loss of Rs.491.20 Lacs (Previous year Post tax profit of Rs.447.15 Lacs) after providing for current Income Tax and deferred Tax. The Financial performances of the company are explained in detail in the Directors 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



SHYAMLAL AGARWALA  
Chairman

Place: Coimbatore  
Date: 29<sup>th</sup> June, 2012



# **SALONA COTSPIN LIMITED**

## **REPORT ON CORPORATE GOVERNANCE**

(Pursuant to Clause 49 of the Listing Agreement)

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

The Company's philosophy on Corporate Governance envisages the endeavor 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 6 (Six) Directors viz., one Chairman cum Managing Director, one Joint Managing Director both of whom represent Promoters; of the remaining Four Directors, three are Non-Executive Independent Directors, who bring in a wide range of skills and experience to the Board and has no business relationship with the Company. The number of independent directors is one-half of the total number of Directors. It also ensures a balanced combination of Executive and Non Executive Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement.

#### **B) Ceiling of Directorship/Committee position**

None of the Directors on the Company's Board is a member of more than ten committees and Chairman of more than five committees across all companies in which he is a Director. The necessary disclosures regarding committee positions have been made by the Directors.

#### **C) Board Meeting and General Meeting:**

The Board met 5 (Five) times during the financial year on the dates mentioned below:

28 <sup>th</sup> May, 2011	4 <sup>th</sup> August, 2011	11 <sup>th</sup> November, 2011	13 <sup>th</sup> February, 2012	23 <sup>rd</sup> March, 2012
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The Annual General Meeting for last year was held on 08<sup>th</sup> September, 2011. The gap between two meetings did not exceed four months. The information as required under Annexure-IA to Clause 49 of the Listing Agreement is being made available to the Board for discussion and consideration at Board Meetings.



## SALONA COTSPIN,LIMITED

The attendance record of the each Director at the Board Meetings and at the last Annual General Meeting is given below:

Directors Name	No. of Board Meeting attended	Last AGM Attended Yes / No	No. of Directorship held in other Companies	No of Board Committee Member-ships held in Other Companies	
				As Chairman	As Member
Sri Shyamlal Agarwala Managing Director	5	Yes	2	1	1
Sri Manoj Kumar Jhaharia Joint Managing Director	5	Yes	1	Nil	2
Sri G. V. S. Desikan	5	Yes	7	3	2
Sri Mahesh Kumar Agarwal	3	Yes	6	Nil	Nil
Sri Dulichand Pansari	1	Yes	Nil	Nil	Nil
Sri SP. Sekar **	2	Yes	2	Nil	1
Sri.C.Thirumurthy	2	No	2	Nil	Nil

\*No Extra Ordinary General Meeting held during the year.

\*\*Till 17<sup>th</sup> May, 2012

### D) COMMITTEES OF BOARD:

The Board of Directors and its Committees meet at periodic intervals. Policy formulation, setting up of goals and evaluation of performance and control function vest with the Board. The Board has constituted four committees, namely, Audit Committee, Remuneration Committee, Share Transfer Committee and Investors Grievances Committee.

### 3. AUDIT COMMITTEE:

#### A) Composition, Names of members and Chairperson:

The Audit Committee members are, Sri G.V.S. Desikan, Sri Mahesh Kumar Agarwal , Sri.S.P.Sekar (Till 17<sup>th</sup> May, 2012) and Sri C.Thirumurthy.

The role of the Audit Committee is to review the internal control procedures, internal audit system, financial reporting process, accounting policies and annual statements before submission to the Board and other related aspects as per the guidelines of Clause 49 and other applicable clauses of the Listing Agreement.

Except Sri Mahesh Kumar Agarwal, all the members are Non Executive and Independent Directors. Sri G.V.S.Desikan, Non-Executive Independent Director, is the Chairman of the Committee and has good financial and accounting knowledge. The Audit Committee met four times during the year under review, on the following dates:

28 <sup>th</sup> May,2011	04 <sup>th</sup> August,2011	11 <sup>th</sup> November,2011	13 <sup>th</sup> February,2012
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## SALONA COTSPIN LIMITED

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.
- (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.



## SALONA COTSPIN LIMITED

- (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.

#### 4. Remuneration Committee:

The Board of Directors have constituted a remuneration committee to suggest suitable remuneration package payable to managerial and non managerial personnel 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
4. Sri SP.Sekar\* - Member

\*Till 17<sup>th</sup> May, 2012

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 2011-2012 (Rs.)		
			Salary & Perquisites	Commission	Total
1. Shyamlal Agarwala, Managing Director	Father of Joint Managing Director	Promoter	13,61,692		13,61,692
2. Manoj Kumar Jhaharia, Joint Managing Director	Son of Managing Director	Promoter	12,30,923		12,30,923

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



## SALONA COTSPIN LIMITED

Non Executive Directors and details of remuneration paid:

Serial * No.	Name of the Director	Position	Sitting Fees in Rupees
1.	Sri G.V.S.Desikan	Non Executive Independent	15,000
2.	Sri SP.Sekar*	Non Executive Independent	6,000
3.	Sri Mahesh Kumar Agarwal	Non Executive Non Independent	6,000
4.	Sri.C.Thirumurthy	Non Executive Independent	2,000

\*Till 17<sup>th</sup> May, 2012

### 5. SHAREHOLDERS GRIEVANCE COMMITTEE:

The role is to redress the grievances of shareholders complaints for transfer / transmission of shares; complaints of shareholders are attended without delay and are dealt within a month's time.

The members of the Committee are Sri Shyamlal Agarwala, Sri Manoj Kumar Jhahharia and Sri G.V.S. Desikan.

The Chairman of the Committee is Sri G.V.S. Desikan. The Committee met five times during the year under review as under:

28 <sup>th</sup> May,2011	04 <sup>th</sup> August,2011	11 <sup>th</sup> November,2011	13 <sup>th</sup> February,2012
---------------------------	------------------------------	--------------------------------	--------------------------------

### NO OF COMPLAINTS RECEIVED FROM SHAREHOLDERS DURING THE FINANCIAL YEAR:

- |  |   |
|--|---|
| a. Number of Complaints received from Shareholders | : Nil   |
| b. Number of Complaints not solved                 | : Nil   |
| c. Number of pending Transfers                     | : Nil   |
| d. Compliance Officer                              | : Sri. Manoj Kumar Jhahharia<br>Joint Managing Director |

### Code of Conduct

The Board of Directors has adopted a Code of Conduct and Ethics ("the Code") to help ensure compliance with the legal requirements and standards of business conduct. The purpose of the Code is to deter wrong doing and promote ethical conduct.



## **SALONA COTSPIN LIMITED**

The Code applies to all Directors and members of Senior Management of the Company. All Board Members and personnel of the Senior Management of the company have affirmed compliance with the Code. A declaration to this effect, signed by the Managing Directors is annexed. The Company has posted the code in its website.

### **6. ANNUAL GENERAL MEETINGS:**

#### **a) Particulars of past three Annual General Meetings:**

<b>A.G.M</b>	<b>YEAR</b>	<b>VENUE</b>	<b>DATE</b>	<b>TIME</b>
15 <sup>th</sup>	2009	Registered Office at Pungampalli	24 <sup>th</sup> September, 2009	10.30AM
16 <sup>th</sup>	2010	Registered Office at Pungampalli	13 <sup>th</sup> September, 2010	10.30AM
17 <sup>th</sup>	2011	Registered Office at Pungampalli	08 <sup>th</sup> September, 2011	10.30AM

#### **b) Postal Ballot:**

The Company did not have any special resolutions to put through postal ballot during the last three years. The Company does not have any proposal to pass any Special Resolution by way of Postal Ballot.

### **7. DISCLOSURES:**

- During the year, there were no transactions of material nature, with its Promoters, the Directors and the Management, their relatives or subsidiaries etc. that may have potential conflict with the interests of the Company at large.
- The Audit Committee is periodically briefed of related party transactions entered into by the company in the ordinary course of business.
- The senior management has made disclosures to the Board relating to all material financial and commercial transactions stating that they did not have personal interest that may have a potential conflict with the interest of the company at large.
- There were no instances of non-compliance, penalties and strictures imposed on the Company by the Stock exchanges or SEBI or any Statutory Authority, on any matter related to capital markets during the last three years.
- The Company has followed all relevant Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 while preparing the Financial Statements..
- Managing Director and CFO have certified to the Board in accordance with Clause 49 V of the Listing Agreement pertaining to CEO / CFO certification for the financial year ended 31st March 2012.



## **SALONA COTSPIN LIMITED**

### **Nomination Facility**

The Company is accepting nomination forms from shareholders in the prescribed Form No.2B. Any shareholder, who is desirous of making a nomination, is requested to contact the share department at the registered office of the company or the Registrar and Share Transfer Agents. Nomination is only optional and can be cancelled or varied by the shareholder at any time.

### **8. MEANS OF COMMUNICATION:**

- a. The Quarterly / Half yearly unaudited financial results and the annual audited financial results together with the relative notices are published in Newspapers, both in English and in Vernacular Language (Tamil) and the immediate transmission of data's are also made to Stock Exchanges as per the listing Agreement.
- b. The printed Annual Report containing, inter alia, Audited Annual Accounts, Director's Report, Auditor's Report, the Management Discussion and Analysis report, which forms part of the Annual Report and Cash flow Statements etc., are being dispatched to individual shareholders.
- c. The financial results are also accessible on the Company's website [www.salonagroup.com](http://www.salonagroup.com)

### **9. GENERAL SHAREHOLDERS INFORMATION:**

#### **(i) Annual General Meeting:**

The Eighteenth Annual General Meeting of the Company will be held on Thursday, the 20<sup>th</sup> September, 2012 at 10.30 AM at the Registered Office of the Company at S.F.No.74/12 and 75/3, Sathy Main Road, Pungampalli, Valipalayam (Post), Sathy Taluk, Erode District, Tamilnadu.

- |                                     |   |   |
|-------------------------------------|---|---|
| (ii) Name of the Compliance Officer | : | Sri. Manoj Kumar Jhaharia,<br>Joint Managing Director.  |
| (iii) Financial Year                | : | 12 months ending 31 <sup>st</sup> March, 2012   |
| (iv) Date of Book Closure:          | : | 18 <sup>th</sup> September, 2012 to 20 <sup>th</sup> September, 2012<br>(Both days inclusive) |

The Register of Members and Share Transfer Books of the Company will remain closed from 18<sup>th</sup> September, 2012 to 20<sup>th</sup> September, 2012 (both days inclusive) for the purpose of Annual General Meeting.



## SALONA COTSPIN LIMITED

### (v) Financial Calendar (Tentative):

1	Publication of unaudited financial results for the quarter ended 30 <sup>th</sup> June, 2012	2 <sup>nd</sup> Week of August 2012
2	Publication of unaudited financial results for the quarter ended 30 <sup>th</sup> September, 2012	2 <sup>nd</sup> Week of November 2012
3	Publication of unaudited financial results for the quarter ended 31 <sup>st</sup> December, 2012	2 <sup>nd</sup> Week of February 2013
4	Publication of unaudited financial results for the quarter ended 31 <sup>st</sup> March, 2013	Last week of May 2013 in case of Audited and Second week of May 2013 in case of Un-audited Financial Results.
5	Annual General Meeting	20 <sup>th</sup> September 2012

The Company's shares are listed in Coimbatore, Chennai, Ahmadabad and Calcutta Stock Exchanges. The Company's shares are permitted for Trading in BSE Indonext segment of Bombay Stock Exchange Limited with effect from 5<sup>th</sup> July, 2006 and as per the Strategic agreement / arrangement made by the Madras Stock Exchange Limited, the NSE has admitted the Securities of our Company to dealings on the **National Stock Exchange** (Capital Market Segment) with effect from 9<sup>th</sup> August, 2010 and all the shareholders are requested to make use of this facility.

### (vi) Market Price data:

Month	Salona Cotspin Limited		BSE Sensex	
	High	Low	High	Low
April 2011	32.00	27.25	19811.14	18976.19
May 2011	31.90	27.40	19253.87	17786.13
June 2011	25.00	23.00	18873.39	17314.38
July 2011	25.50	21.50	19131.70	18131.87
August 2011	20.50	17.10	18440.07	15765.53
September 2011	17.85	15.50	17211.80	15801.01
October 2011	18.00	14.45	17908.13	15745.43
November 2011	18.50	14.50	17702.26	15478.69
December 2011	14.75	13.00	17003.71	15135.86
January 2012	15.00	12.15	17258.97	15358.02
February 2012	15.00	14.75	18523.78	17061.55
March 2012	15.70	14.00	18040.69	16920.61



## SALONA COTSPIN LIMITED

- (vii) The Company has appointed Registrars & Share Transfer Agents for physical and demat segment. The Name and Address is given below:

M/s. S K D C Consultants Limited  
Kanapathy Towers, 3<sup>rd</sup> Floor, 1391/A-1, Sathy Road,  
Ganapathy, Coimbatore – 641 006  
Phone No: 0422-6549995  
Fax No: 0422-2539837  
e mail – info@skdc-consultants.com  
Contact person: Mr. Marimuthu, Manager

- (viii) Share Transfer Systems:

All transfers received are processed by the Registrars and Share transfer agents and are approved by the Share Transfer Committee. Share transfers are registered and returned to the shareholders within the stipulated time if the documents are in order.

Pursuant to Clause 47(c) of the Listing Agreement with the Stock Exchanges, certificates, on half yearly basis, have been issued by a Company Secretary in practice for due compliance of share transfer formalities by the Company.

Pursuant to SEBI (Depositories and Participant's) Regulations 1996, certificates have also been received from a Company Secretary in Practice for timely dematerialization of shares of the company and for conducting a secretarial audit on a quarterly basis for reconciliation of the share capital of the company.

- (ix) Dematerialisation of shares:

As on 31<sup>st</sup> March, 2012, 40,90,300 shares constituting 77.73 % of the total paid up Share Capital of the Company have been dematerialized with CDSL and NSDL.

- (x) Distribution of Shareholding :

No of Shares held	No of Share-holders	% of Share-holders	No of Shares	% of Share-holding
1-500	962	63.16	318510	6.05
501-1000	276	18.12	260163	4.94
1001-2000	144	9.46	235968	4.48
2001-3000	46	3.02	124767	2.37
3001-4000	12	0.79	43550	0.83
4001-5000	14	0.92	65560	1.25
5001-10000	22	1.44	174150	3.31
Above 10000	47	3.09	4039732	76.77
TOTAL	1523	100.00	5262400	100.00



## SALONA COTSPIN LIMITED

(xi) Category –wise distribution of Shareholding :

Sl. No.	Category	No of Shares	Percentage
	Promoter's Holding		
1.	Promoters	2735546	51.983
2.	Persons acting in concert	400000	7.601
	<b>Sub Total</b>	<b>3135546</b>	<b>59.584</b>
	Non Promoters Holding		
3.	Banks, Financial Institutions, Insurance Companies.	38500	0.732
	<b>Sub Total</b>	<b>38500</b>	<b>0.732</b>
	Others	--	-
4.	Private Corporate Bodies	478814	9.099
5.	Indian Public	1607065	30.538
6.	NRI's / OCB's	2475	0.047
	<b>Sub Total</b>	<b>2088354</b>	<b>39.684</b>
	<b>Total</b>	<b>5262400</b>	<b>100.00</b>

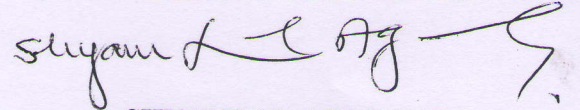
(xii) Company Plants:

The Company's plant (Textile Mill) is located at SF No.74/12 and 75/13, Sathy Main Road, Pungampalli Village, Valipalayam (Post), Sathy TK, Erode District.

(xiii) Address for Correspondence:

Administrative Office : 9, Ramalinga Nagar,  
IV Cross, Saibaba Colony.  
Coimbatore 641 011  
Tamilnadu

BY ORDER OF THE BOARD



SHYAMLAL AGARWALA  
Chairman

Place: Coimbatore  
Date: 29<sup>th</sup> June, 2012



## SALONA COTSPIN LIMITED

### CORPORATE GOVERNANCE- NON MANDATORY REQUIREMENTS – EXTENT ADOPTED

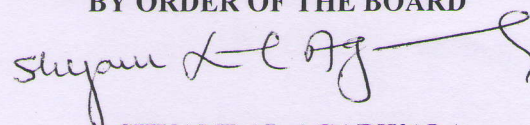
1.	<p>The Board – A Non executive Chairman may be entitled to maintain a Chairman's Office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties</p> <p>Independent Directors may have tenure not exceeding , in aggregate , a period of nine years, on the 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 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.
6.	Mechanism for evaluating non executive	At present, the Company does not



## SALONA COTSPIN LIMITED

	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	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.

BY ORDER OF THE BOARD



SHYAMLAL AGARWALA  
Chairman.

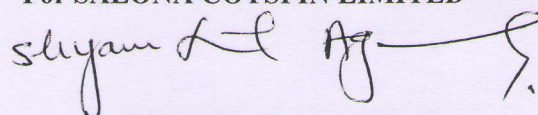
Place : COIMBATORE

Date : 29<sup>th</sup> June, 2012

### 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



SHYAMLAL AGARWALA  
Chairman

Place: Coimbatore

Date: 29<sup>th</sup> June, 2012



# **SALONA COTSPIN LIMITED**

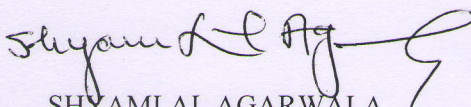
## **CEO AND CFO CERTIFICATION**

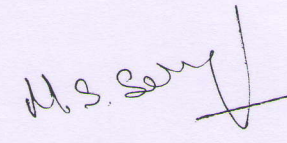
### **To the Board of Directors of SALONA COTSPIN LIMITED**

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 31<sup>st</sup> March 2012 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 2011-12, which are fraudulent, illegal or violation 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.

COIMBATORE  
29<sup>th</sup> June, 2012

  
SHYAMLAL AGARWALA  
Managing Director (CEO)

  
M.S. SELVARAJ  
General Manager - Accounts (CFO)



## **SALONA COTSPIN LIMITED**

### **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 2012, 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 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<sup>st</sup> March, 2012 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 & CO**  
Chartered Accountants  
**ICAI Firm Reg No.00066S**



**N. RAMESH NATARAJAN**  
Partner  
Membership No.200/23443

Place : COIMBATORE  
Date : 29<sup>th</sup> June, 2012



# **SALONA COTSPIN LIMITED**

## **V K S AIYER & CO.,**

### **Auditors' Report**

**To the Members,**

#### **SALONA COTSPIN LIMITED**

We have audited the attached Balance Sheet of **SALONA COTSPIN LIMITED** as at 31st March 2012 and the Profit & 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in 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 the 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 purposes of our audit;
  - b) In our opinion, proper books of account, 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 2012, from being appointed as directors in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

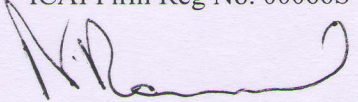


## **SALONA COTSPIN LIMITED**

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 2012;
- (ii) In so far as it relates to the Profit and Loss Account, of the Loss 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;

Place: COIMBATORE  
Dated: 29<sup>th</sup> June, 2012

**for VKS AIYER & CO**  
Chartered Accountants  
ICAI Firm Reg No. 00066S  
  
**N.RAMESH NATARAJAN**  
PARTNER  
Membership No. 200/23443



## **SALONA COTSPIN LIMITED**

### **SALONA COTSPIN LIMITED**

#### **Annexure to Auditors' 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.
  - b) The fixed assets have been physically verified by the management during the year in accordance with a regular programme of verification which, in our opinion, provides for physical verification of the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such physical verification.
  - c) The fixed assets disposed off during the year, in our opinion do not constitute a substantial part of the fixed assets of the Company.
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 services. During the course of our audit, we have not observed any major weaknesses in internal controls.
5. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.



## SALONA COTSPIN LIMITED

Therefore, the provisions of sub-clauses (e), (f) and (g) of clause 4(iii) of CARO are not applicable to the Company.

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 Textile and Wind energy. 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, 2012 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 incurred cash losses during the financial year covered by our audit but not 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.
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.



## **SALONA COTSPIN LIMITED**

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.

Place: COIMBATORE  
Dated: 29<sup>th</sup> June, 2012

**for VKS AIYER & CO**  
Chartered Accountants  
ICAI Firm Reg No. 00066S



**N. RAMESH NATARAJAN**  
PARTNER  
Membership No. 200/23443



**SALONA COTSPIN LIMITED**  
**BALANCE SHEET AS AT 31ST MARCH 2012**

No	Particulars	Note No.	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
<b>I</b>	<b>EQUITY AND LIABILITIES</b>			
(1)	<b>Shareholder's Funds</b>			
(a)	Share Capital	BS - 1	53,288,927	53,288,927
(b)	Reserves and Surplus	BS - 2	72,974,177	122,094,424
(c)	Money received against share warrants	-	-	-
	Sub Total of 1		126,263,104	175,383,351
(2)	<b>Share application money pending allotment</b>		-	-
(3)	<b>Non-Current Liabilities</b>			
(a)	Long term borrowings	BS - 3	226,677,892	264,431,058
(b)	Deferred Tax Liabilities (Net)	BS - 4	22,969,700	43,600,000
(c)	Other Long Term Liabilities	-	-	-
(d)	Long -Term Provisions	BS - 5	3,121,941	2,762,656
	Sub Total of 3		252,769,533	310,793,714
(4)	<b>Current Liabilities</b>			
(a)	Short -Term Borrowings	BS - 6	161,356,591	246,094,953
(b)	Trade Payables	BS - 7	15,773,374	48,681,123
(c)	Other Current Liabilities	BS - 8	78,354,674	89,735,735
(d)	Short - Term Provisions	BS - 9	-	10,845,643
	Sub Total of 4		255,484,639	395,357,454
	<b>TOTAL (1+2+3+4)</b>		<b>634,517,276</b>	<b>881,534,519</b>
<b>II</b>	<b>ASSETS</b>			
(1)	<b>Non-current assets</b>			
(a)	<b>Fixed Assets</b>	BS - 10		
(i)	Tangible assets		337,549,675	379,937,847
(ii)	Intangible assets		91,136	85,956
(iii)	Capital work-in-progress		934,706	341,596
(iv)	Intangible assets under development		-	-
	Sub Total of 1 (a)		338,575,517	380,365,399
(b)	Non - Current Investments	BS - 11	277,920	277,920
(c)	Deferred Tax Assets (Net)	-	-	-
(d)	Long - Term Loans and advances	BS - 12	12,643,504	11,079,219
(e)	Other Non - Current Assets	BS - 13	2,477,080	3,096,351
	Sub Total of 1		353,974,021	394,818,889
(2)	<b>Current assets</b>			
(a)	Current Investments	-	-	-
(b)	Inventories	BS - 14	188,140,341	387,796,421
(c)	Trade Receivables	BS - 15	54,753,542	63,781,574
(d)	Cash and Cash Equivalents	BS - 16	15,846,596	17,415,382
(e)	Short - Term Loans and Advances	BS - 17	11,535,862	10,183,824
(f)	Other Current Assets	BS - 18	10,266,914	7,538,429
	Sub Total of 2		280,543,255	486,715,630
	<b>TOTAL (1+2)</b>		<b>634,517,276</b>	<b>881,534,519</b>

Notes referred to above and further notes attached there to form an integral part of Balance Sheet

Subject to our report of even date attached  
for V K S AIYER & CO  
Chartered Accountants

N.RAMESH NATARAJAN  
Partner  
Membership No. 200/23443

Place : Coimbatore  
Date : 29th June 2012

For and on Behalf of the Board

*Shyam Agarwal*  
Shyam Agarwal  
Managing Director

*Manoj Kumar Jhajharia*  
Manoj Kumar Jhajharia  
Joint Managing Director



## SALONA COTSPIN LIMITED

## STATEMENT OF PROFIT &amp; LOSS FOR THE YEAR ENDED 31ST MARCH 2012

No	Particulars	Note No.	For the Year ended 31st March 2012 Rs.	For the Year ended 31st March 2011 Rs.
I	Revenue from operations	PL - 1	790,080,374	796,193,375
II	Other Income	PL - 2	3,652,556	2,212,390
III	<b>Total Revenue (I + II)</b>		<b>793,732,930</b>	<b>798,405,765</b>
IV	<b>Expenses:</b>			
	Cost of Materials Consumed	PL - 3	578,709,208	558,418,598
	Purchase of Stock-in-Trade	PL - 4	1,441,079	47,427,340
	Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	PL - 5	60,457,433	(97,126,678)
	Employee Benefit Expenses	PL - 6	22,255,442	18,971,679
	Finance Costs	PL - 7	46,881,467	45,989,242
	Depreciation and Amortisation Expenses	PL - 8	51,321,267	59,403,623
	Other Expenses	PL - 9	102,152,294	105,468,998
	<b>Total Expenses (IV)</b>		<b>863,218,191</b>	<b>738,552,802</b>
V	Profit before exceptional and extraordinary items and tax (III - IV)		(69,485,261)	59,852,963
VI	Exceptional Items		-	-
VII	Profit before extraordinary items and tax (V - VI)		(69,485,261)	59,852,963
VIII	Extraordinary Items		-	-
IX	Profit before tax (VII - VIII)		(69,485,261)	59,852,963
X	<b>Tax expense:</b>			
	(1) Current Tax, etc	PL - 10	265,286	12,128,196
	(2) Deferred Tax (Credit)	PL - 11	(20,630,300)	3,010,000
XI	Profit (Loss) for the period from continuing operations (After Tax) (IX - X)		(49,120,247)	44,714,767
XII	Profit/(Loss) from discontinuing Operations		-	-
XIII	Tax expense of discontinuing operations		-	-
XIV	Profit/(Loss) from Discontinuing operations (After Tax) (XII - XIII)		-	-
XV	Profit/(Loss) for the period (XI + XIV)		(49,120,247)	44,714,767
XVI	Earnings Per Equity Share	PL - 12		
	(1) Basic		(9.33)	8.50
	(2) Diluted		(9.33)	8.50

Notes referred to above and further notes attached there to form an integral part of Statement of Profit and Loss

Subject to our report of even date attached  
for V K S AIYER & CO  
Chartered Accountants

For and on Behalf of the Board

N.RAMESH NATARAJAN  
Partner  
Membership No. 200/23443

Shyam Lal Agarwala  
Managing Director

Manoj Kumar Jhajharia  
Joint Managing Director

Place : Coimbatore  
Date : 29th June 2012



**SALONA COTSPIN LIMITED**  
**NOTES TO BALANCE SHEET AS AT 31ST MARCH 2012**

**NOTE NO. BS - 1 : SHARE CAPITAL**

**i) Particulars of each class of Share Capital:**

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
	Authorised: 6000000 Equity Shares of Rs.10/- each	60,000,000	60,000,000
		<b>60,000,000</b>	<b>60,000,000</b>
	Issued Capital: 5262400 Equity Shares of Rs.10/- each	52,624,000	52,624,000
		<b>52,624,000</b>	<b>52,624,000</b>
	Subscribed, Called Up and Paid Up Capital 5262400 Equity Shares of Rs.10/- each fully paid up	52,624,000	52,624,000
		<b>52,624,000</b>	<b>52,624,000</b>
	88700 Equity Shares Forfeited (Originally Paid Up)	664,927	664,927
		<b>53,288,927</b>	<b>53,288,927</b>

**ii) Reconciliation in Number and Amount of Equity Shares:**

No	Particulars	No. of shares		Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
		As at 31st March 2012	As at 31st March 2011		
	At the commencement of the year (Shares @ Rs.10/- each)	5,262,400	5,262,400	52,624,000	52,624,000
	Add: Issued during the Year	5,262,400	5,262,400	52,624,000	52,624,000
	Less: Buy back during the year	-	-	-	-
	Less: Forfeited during the year	-	-	-	-
	At the close of the year	<b>5,262,400</b>	<b>5,262,400</b>	<b>52,624,000</b>	<b>52,624,000</b>

**iii) Specified details on each class of shares for a period of five years immediately preceding the date as at which Balance Sheet is prepared :-**

No	Particulars	31.03.2011	31.3.2010	31.3.2009	31.3.2008	31.3.2007
1	Aggregate Number and class of Shares allotted for contract without payment being received in cash.	There were no shares allotted for contract without payment being received in cash during the reporting period nor in the preceding five years				
2	Aggregate number and Class of shares allotted as fully paid by way of bonus shares (Fully paidup)	No bonus shares were allotted during the reporting period nor in the preceding five years.				
3	Aggregate number and Class of shares bought back	No shares were bought back during the reporting period nor in the preceding five years.				



**SALONA COTSPIN LIMITED**  
**NOTES TO BALANCE SHEET AS AT 31ST MARCH 2012**

**iv) Details of Shareholders holding more than five percent of equity shares:**

No	Name of the Person	As at 31st March 2012		As at 31st March 2011	
		% of holding	Number of shares	% of holding	Number of shares
1	Shyamlal Agarwala	7.742%	407393	6.575%	345,993
2	Manoj Kumar Jhajharia	5.628%	296188	5.628%	296,188
3	Pramod Kumar Jhajharia	5.547%	291901	5.547%	291,901
4	Arun Kumar Jhajharia	5.659%	297801	5.659%	297,801
5	Krishna Agarwal	5.870%	308901	5.511%	290,001
6	Pansari Textiles & Investments Ltd	7.601%	400000	7.601%	400,000

**v) Rights, Preferences and restrictions attaching to each class of shares including restrictions on distribution of dividends and repayments of capital:**

The Company has one only class of equity shares having a par value of Rs.10 each. Each shareholder is eligible for one vote for every share held. The dividend approved by the shareholders in any annual general meeting and in case of an interim dividend is payable to the equity shareholders in proportion to their holding. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company in proportion to their shareholding.

**vii) Terms of any securities convertible into Equity/Preference Shares issued alongwith earliest date of conversion in descending order starting from earliest such date:**

There are no securities convertible into equity or preference shares

**viii) Shares reserved for issue under option and Contract/ Commitments for the sale of shares / disinvestment including terms and amounts:**

There are no shares reserved under any option

**NOTE NO. BS - 2 : RESERVES AND SURPLUS**

No	Particulars	Current Year As at 31st March 2012 Rs.		Previous Year As at 31st March 2011 Rs.	
	<b>Surplus in Statement of Profit and Loss after all allocations and appropriations:-</b>				
	Opening Balance (i)	122,094,424		83,495,750	
	Add : Profit after tax for the year (ii)	(49,120,247)		44,714,767	
	Total (iii = i+ii)	72,974,177		128,210,517	
	Less: (a) Transfer from / to Reserve	-		-	
	(b) Provision for Proposed Equity Dividend	-		5,262,400	
	(c) Provision for Tax on Equity Dividend	-		853,693	
	Total (iv)	-		6,116,093	
	Total of Surplus (v = (iii) - (iv))	72,974,177		122,094,424	
	Total of Reserves & Surplus	72,974,177		122,094,424	



**SALONA COTSPIN LIMITED**  
**NOTES TO BALANCE SHEET AS AT 31ST MARCH 2012**

**NOTE NO. BS - 3 : LONG TERM BORROWINGS**

**A. Classifications:-**

No	Particulars	Current Year As at 31st March 2012 Rs.		Previous Year As at 31st March 2011 Rs.	
(a)	Term Loans - From Banks (Secured)		194,053,701		229,993,567
(b)	Deferred Payment Liabilities (Secured)		22,768,707		33,828,979
(c)	Long term maturities of Finance Lease Obligation (Secured)		110,425		608,512
(d)	Other Loans and Advances (Unsecured)		9,745,059		-
	<b>Total</b>		<b>226,677,892</b>		<b>264,431,058</b>

**B. Other Disclosures:**

**(a) (i) Term Loans from Banks**

No	Particulars	Limit sanctioned (Rs. in Lakhs)	Terms of repayment	Amount outstanding	
				Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
1	Secured : Union Bank of India				
	Term Loan - 334506390014008	390	72 months commencing from October 2005 @ Rs.5.42 Lacs Per instalment (variable ROI Basic PLR )	4,259,907	8,993,026
	Term Loan - 334506390014018	1094	84 months commencing from May 2007 @ Rs.13.02 Lacs Per instalment (variable ROI Basic PLR)	48,575,513	60,141,231
	Term Loan - 334506390014024	248	24 Quarters commencing from June 2011 @ Rs.10.33 Lacs Per instalment (variable ROI Basic PLR)	17,014,195	20,206,410
2	State Bank of India				
	Term Loan - 10496095732	721	24 Quarters commencing from June 2005 @ Rs.30.00 Lacs Per instalment (variable ROI 4.50% above Base rate)	3,192,136	15,114,604
	Term Loan - 30024546889	432	72 months commencing from April 2006 @ Rs.6.00 Lacs Per instalment (variable ROI 4.50% above Base rate)	8,699,000	20,699,020
3	Oriental Bank of Commerce				
	Term Loan - 10447021000355	1368	84 months commencing from January 2011 @ Rs.16.29 Lacs Per instalment (variable ROI Base rate + 3.75%)	112,312,950	104,839,276
				<b>194,053,701</b>	<b>229,993,567</b>
	<b>Total</b>			<b>194,053,701</b>	<b>229,993,567</b>



**SALONA COTSPIN LIMITED**  
**NOTES TO BALANCE SHEET AS AT 31ST MARCH 2012**

**Nature of Security and details of guarantee**

- a The above facilities are secured on first charge on the specific fixed assets acquired besides a charge on all other fixed assets
- b All the above facilities pursuant to an agreement rank pari passu amongst the bankers and the company.
- c An equitable mortgage by deposit of the title deeds for the credit facilities availed, besides secured by mortgage of the personal property of the Joint Managing Director
- d Managing Director and three other directors have furnished their personal guarantee to bankers for the loans so availed.
- e The details of security listed above also covers current maturities of long term debts for the above term loans

**(b) Deferred Payment Liabilities:**

No	Particulars	Credit Availed Rs. In Lakhs	Terms of repayment	Amount outstanding	
				Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
	Secured Interest Free Sales Tax Deferral Scheme	745.81	MONTHLY	22,768,707	33,828,979
	<b>Total</b>			<b>22,768,707</b>	<b>33,828,979</b>

Liability to Sales tax Deferral scheme is guaranteed by the Managing Director personally and hundred percent on the gross total fixed assets  
Amount of loan repayable per month is variable and depends upon the amount availed earlier.

**(c) Long Term Maturity of Finance Lease Obligations:-**

No	Name of the Lessor	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
	<b>Secured</b>		
1	Union Bank of India	25,525	208,657
2	Kotak Mahindra Prime Ltd	84,900	399,855
	<b>Total</b>	<b>110,425</b>	<b>608,512</b>

The Hire Purchase finance credits have been secured by the hypothecation of the vehicles acquired for which necessary endorsement for the hypothecation is made in vehicle registration certificate furnished by the Regional Transport Authority.

**(d) Other Loans & Advances**

No	Nature of Loan	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
	<b>Unsecured</b>		
1	Inter-corporate Loans	9,745,059	-
	<b>Total</b>	<b>9,745,059</b>	<b>-</b>

Loans are repayable after 31st March 2014. The Loans carry interest at the rate of 12%. Amount of loan repayable per month is variable and depends upon the amount availed earlier.



**SALONA COTSPIN LIMITED**  
**NOTES TO BALANCE SHEET AS AT 31ST MARCH 2012**

**NOTE NO. BS - 4 : DEFERRED TAX LIABILITIES (NET)**

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
A.	Deferred Tax Liability		
	Opening Balance	62,010,000	56,200,000
	Add : Additions during the year	5,450,000	5,810,000
		67,460,000	62,010,000
	Less: Reversed During the year	10,135,100	-
	( A )	<b>57,324,900</b>	<b>62,010,000</b>
B	Opening Balance	18,410,000	15,610,000
	Add : Additions during the year	16,405,200	2,800,000
		34,815,200	18,410,000
	Less: Reversed During the year	460,000	-
	( B )	<b>34,355,200</b>	<b>18,410,000</b>
	Deferred Tax Liability (Net) <b>A-B</b>	<b>22,969,700</b>	<b>43,600,000</b>

**NOTE NO. BS - 5 : LONG -TERM PROVISIONS**

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
1	Provision for Employee Benefits		
	Provision for Gratuity	3,121,941	2,762,656
	<b>Total</b>	<b>3,121,941</b>	<b>2,762,656</b>

**NOTE NO. BS - 6 : SHORT -TERM BORROWINGS**

**A. Classifications :**

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
(a)	Loans repayable on demand		
	i) From Banks	161,356,591	246,094,953
	<b>Total</b>	<b>161,356,591</b>	<b>246,094,953</b>



**SALONA COTSPIN LIMITED**  
**NOTES TO BALANCE SHEET AS AT 31ST MARCH 2012**

**B. Other Disclosure**

**(i) Loans Repayable on Demand from Bank**

No	Particulars	Limit Sanctioned Rs. In Lakhs	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
	<b>Secured</b>			
1	Cash Credit From Banks			
	The Catholic Syrian Bank Ltd - 71001	750.00	50,488,546	63,072,471
	Oriental Bank of Commerce	200.00	4,912,744	11,311,582
	Union Bank of India	910.00	13,613,944	55,766,021
	State Bank of India	356.00	30,647,822	25,649,268
	Axis Bank - Key Loan	300.00	-	29,973,201
2	FCNRB Loans			
	The Catholic Syrian Bank Ltd - 725803 & 4	(sub-limit)	19,970,850	10,112,360
	State Bank of India FCNRB	(sub-limit)	-	9,701,892
	Union Bank of India 33450640000009	(sub-limit)	25,000,000	-
3	Packing credit loans			
	Oriental Bank of Commerce - 10448511000237	(sub-limit)	3,025,943	-
	Union Bank of India - 334507220000005	(sub-limit)	13,696,742	29,603,017
4	Foreign Bills Purchased by Banks			
	Union Bank of India (Foreign Documentary Bills Purchase a/c)	300.00	-	10,905,141
	<b>Total</b>	<b>2,816.00</b>	<b>161,356,591</b>	<b>246,094,953</b>

**(ii) Nature of Security and terms of guarantee**

- The above facilities are secured by way of hypothecation and / or pledge of stocks in trade, besides a first charge on its fixed assets.
- All the above facilities are pursuant to an agreement rank pari passu amongst the bankers and the company has created an equitable mortgage by deposit of the title deeds for the credit facilities availed. The equitable mortgage is listed with the Registrar of Assurances, while a charge is registered with the Registrar of Companies.
- The loans are further secured by mortgage of the personal property of the Joint Managing Director.
- Managing Director and three other directors have furnished their personal guarantee to bankers for the loans so availed.

**NOTE NO. BS - 7 : TRADE PAYABLES**

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
	For goods and services		
1	Micro, Small and Medium Enterprises Creditors	-	-
2	Others	15,773,374	48,681,123
	<b>Total</b>	<b>15,773,374</b>	<b>48,681,123</b>



**SALONA COTSPIN LIMITED**  
**NOTES TO BALANCE SHEET AS AT 31ST MARCH 2012**

**NOTE NO. BS - 8 : OTHER CURRENT LIABILITIES**

**A. Classifications:-**

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
a	Current maturities of Long Term Debt (Refer note (i) below)	61,152,156	77,035,572
b	Interest accrued and due on Term Loans (Refer note (ii) below)	4,530,288	2,265,899
c	Current Maturities of Finance Lease Obligations (Refer note (iii) below)	498,088	447,694
d	Unpaid dividends (Refer note (iv) below)	975,920	760,047
e	Other payables		
	Expenses Payable	7,422,493	5,818,602
	Statutory Liabilities (duties and taxes payable)	2,003,901	2,405,635
	Advances From Customers	1,771,828	1,002,286
	<b>Total</b>	<b>78,354,674</b>	<b>89,735,735</b>

**B. Other Disclosures:**

**(i) Current maturities of Long Term Debt**

No	Particulars	Limit sanctioned (Rs. In Lakhs)	Terms of repayment	Amount outstanding	
				Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
1	Union Bank of India				
	Term Loan - 334506390014008	390	72 months commencing from October 2005 @ Rs.5.42 Lacs Per instalment (variable ROI Basic PLR )	5,679,808	5,679,808
	Term Loan - 334506390014018	1094	84 months commencing from May 2007 @ Rs.13.02 Lacs Per instalment (variable ROI Basic PLR)	13,878,744	13,878,744
	Term Loan - 334506390014024	248	24 Quarters commencing from June 2011 @ Rs.10.33 Lacs Per instalment (variable ROI Basic PLR)	4,133,332	4,041,280
2	State Bank of India				
	Term Loan - 10496095732	721	24 Quarters commencing from June 2005 @ Rs.30.00 Lacs Per instalment (variable ROI 4.50% above Base rate)	12,000,000	12,000,000
	Term Loan - 30024546889	432	72 months commencing from April 2006 @ Rs.6.00 Lacs Per instalment (variable ROI 4.50% above Base rate)	12,000,000	12,000,000
3	Oriental Bank of Commerce				
	Term Loan - 10447021000355	1368	84 months commencing from January 2011 @ Rs.16.29 Lacs Per instalment (variable ROI Base rate + 3.75%)	2,400,000	19,548,000
4	Interest Free Sales Tax Loan	745.81	monthly	11,060,272	9,887,740
	<b>Total</b>			<b>61,152,156</b>	<b>77,035,572</b>



**SALONA COTSPIN LIMITED**  
**NOTES TO BALANCE SHEET AS AT 31ST MARCH 2012**

**Nature of Security and details of guarantee**

- a The above facilities are secured on first charge on the specific fixed assets acquired besides a charge on all other fixed assets
- b All the above facilities pursuant to an agreement rank pari passu amongst the bankers and the company.
- c An equitable mortgage by deposit of the title deeds for the credit facilities availed, besides secured by mortgage of the personal property of the Joint Managing Director
- d Managing Director and three other directors have furnished their personal guarantee to bankers for the loans so availed.
- e The details of security listed above also covers current maturities of long term debts for the above term loans

**(ii) Interest accrued and due on Term Loans**

No	Particulars	Limit sanctioned (Rs. In Lakhs)	Terms of repayment	Amount outstanding	
				Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
1	Union Bank of India				
	Term Loan - 334506390014008	390	72 months commencing from October 2005 @ Rs.5.42 Lacs Per instalment (variable ROI Basic PLR )	241,805	-
	Term Loan - 334506390014018	1094	84 months commencing from May 2007 @ Rs.13.02 Lacs Per instalment (variable ROI Basic PLR)	1,666,875	-
	Term Loan - 334506390014024	248	24 Quarters commencing from June 2011 @ Rs.10.33 Lacs Per instalment (variable ROI Basic PLR)	535,281	-
2	State Bank of India				
	Term Loan - 10496095732	721	24 Quarters commencing from June 2005 @ Rs.30.00 Lacs Per instalment (variable ROI 4.50% above Base rate)	390,746	387,554
	Term Loan - 30024546889	432	72 months commencing from April 2006 @ Rs.6.00 Lacs Per instalment (variable ROI 4.50% above Base rate)	254,910	354,189
3	Oriental Bank of Commerce				
	Term Loan - 10447021000355	1368	84 months commencing from January 2011 @ Rs.16.29 Lacs Per instalment (variable ROI Base rate + 3.75%)	1,440,671	1,524,156
	<b>Total</b>			<b>4,530,288</b>	<b>2,265,899</b>

**Nature of Security and details of guarantee**

- a The above facilities are secured on first charge on the specific fixed assets acquired besides a charge on all other fixed assets
- b All the above facilities pursuant to an agreement rank pari passu amongst the bankers and the company.
- c An equitable mortgage by deposit of the title deeds for the credit facilities availed, besides secured by mortgage of the personal property of the Joint Managing Director
- d Managing Director and three other directors have furnished their personal guarantee to bankers for the loans so availed.
- e The details of security listed above also covers current maturities of long term debts for the above term loans

**(iii) Current Maturities of Finance Lease Obligations**

No	Name of the Lessor	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
i)	Union Bank of India	183,133	155,909
ii)	Kotak Mahindra Prime Limited	314,955	291,785
	<b>Total</b>	<b>498,088</b>	<b>447,694</b>



**SALONA COTSPIN LIMITED**  
**NOTES TO BALANCE SHEET AS AT 31ST MARCH 2012**

The Hire Purchase finance credits have been secured by the hypothecation of the vehicles acquired for which necessary endorsement for the hypothecation is made in vehicle registration certificate furnished by the Regional Transport Authority

**(iv) Unpaid dividends**

No	Particulars	Current Year As at 31st March 2012 Rs.		Previous Year As at 31st March 2011 Rs.	
	Unpaid Dividend for the Years:				
	2003-04		-		108,194
	2004-05		99,245		99,245
	2005-06		126,105		126,605
	2006-07		157,282		157,282
	2009-10		245,228		268,721
	2010-11		348,060		-
	<b>Total</b>		<b>975,920</b>		<b>760,047</b>

Unpaid dividends do not include any amounts due and outstanding, to be credited to Investor Education and Protection fund.

**NOTE NO. BS - 9 : SHORT - TERM PROVISIONS**

No	Particulars	Current Year As at 31st March 2012 Rs.		Previous Year As at 31st March 2011 Rs.	
1	Others				
	a. Provision for Dividends		-		6,116,093
	b. Provsion for Taxation		-		4,729,550
	<b>Total</b>		<b>-</b>		<b>10,845,643</b>



**SALONA COTSPIN LIMITED**  
**NOTES TO BALANCE SHEET AS AT 31ST MARCH 2012**

**NOTE NO. BS - 10 : FIXED ASSETS**

No.	PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK		
		As on 01.04.2011	Additions / Acquisitions through Business Combinations	Deletions / Disposals	As on 31.03.2012	Upto 01.04.2011	For the year	With Drawn on Account of Disposal	With Drawn on Account of Impairment	Upto 31.03.2012	As on 31.03.2012	As on 31.03.2011
A	TANGIBLE ASSETS											
1	FREE HOLD LAND	1,588,882	-	-	1,588,882	-	-	-	-	-	1,588,882	1,588,882
2	BUILDING	61,195,864	6,542,275	-	67,738,139	15,931,337	1,965,020	-	-	17,896,357	49,841,782	45,264,527
3	PLANT & EQUIPMENTS	602,791,051	1,831,875	-	604,622,926	274,634,053	51,617,660	-	3,474,823	322,776,890	281,846,036	328,156,998
4	FURNITURE & FIXTURES	930,254	107,310	-	1,037,564	480,544	51,110	-	-	531,654	505,910	449,710
5	VEHICLES	6,825,919	-	692,076	6,133,843	3,245,128	648,460	624,938	4,070	3,264,580	2,869,263	3,580,791
6	OFFICE EQUIPMENTS	3,660,140	473,957	-	4,134,097	2,763,205	473,090	-	-	3,236,295	897,802	896,935
	TOTAL A	676,992,110	8,955,417	692,076	685,255,451	297,054,267	54,755,340	624,938	3,478,893	347,705,776	337,549,675	379,937,843
B	INTANGIBLE ASSETS **											
7	COMPUTER SOFTWARE	90,000	50,000	-	140,000	4,044	44,820	-	-	48,864	91,136	85,956
	TOTAL B	90,000	50,000	-	140,000	4,044	44,820	-	-	48,864	91,136	85,956
C	CAPITAL WORK-IN-PROGRESS											
8	BUILDING	341,596	7,135,385	6,542,275	934,706	-	-	-	-	-	934,706	341,596
	TOTAL C	341,596	7,135,385	6,542,275	934,706	-	-	-	-	-	934,706	341,596
D	INTANGIBLE ASSETS UNDER CONSTRUCTION											
	TOTAL D	-	-	-	-	-	-	-	-	-	-	-
	CURRENT YEAR FIGURES (TOTAL (A+B+C+D))	677,423,706	16,140,802	7,234,351	686,330,157	297,058,311	54,800,160	624,938	3,478,893	347,754,640	338,575,517	380,365,395
	PREVIOUS YEAR FIGURES	632,455,655	70,113,663	25,145,613	677,423,705	259,857,408	59,403,623	22,202,725	-	297,058,306	380,365,399	372,598,247



No.	PARTICULARS	<----- GROSS BLOCK ----->			<----- DEPRECIATION ----->				<--- NET BLOCK ---->			
		As on 01.04.2011	Additions / Acquisitions through Business Combinations	Deletions / Disposals	As on 31.03.2012	Upto 01.04.2011	For the year	With Drawn on Account of Disposal	With Drawn on Account of Impairment	Upto 31.03.2012	As on 31.03.2012	As on 31.03.2011
	BUILDING											
1	Factory Buildings	55,332,882	-	-	55,332,882	14,702,575	1,848,120	-	-	16,550,695	38,782,187	40,630,307
2	Other Buildings	5,862,982	6,542,275	-	12,405,257	1,228,762	1,16,900	-	-	1,345,662	11,059,595	4,634,220
		61,195,864	6,542,275	-	67,738,139	15,931,337	1,965,020	-	-	17,896,357	49,841,782	45,264,527
	PLANT AND MACHINERY											
1	Plant and Equipments	399,311,948	1,831,875	-	401,143,823	195,536,581	30,588,630	-	3,391,502	222,733,709	178,410,114	203,775,367
2	Wind Electric Generator	203,287,402	-	-	203,287,402	79,056,919	21,019,920	-	83,321	99,993,518	103,293,884	124,230,483
3	Canteen Equipments	191,701	-	-	191,701	40,553	9,110	-	-	49,663	142,038	151,148
		602,791,051	1,831,875	-	604,622,926	274,634,053	51,617,660	-	3,474,823	322,776,890	281,846,036	328,156,998



**SALONA COTSPIN LIMITED**  
**NOTES TO BALANCE SHEET AS AT 31ST MARCH 2012**

**NOTE NO. BS - 11 : NON - CURRENT INVESTMENTS**

**A. Classifications:**

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
a	Investments in Equity Instruments valued at cost	277,920	277,920
	<b>Total</b>	<b>277,920</b>	<b>277,920</b>

**B. Break up details for Investments:**

**1) Details for Investments in Equity, Etc.**

No	Name of the Script	No of Shares / Units	Cost of Acquisition	Market Rate as at 31st March 2012	Market Value as at 31st March 2012	Provision for fall in value	Carrying amount As at 31st March 2012 Rs.	Carrying amount As at 31st March 2011 Rs.
i)	<b>Equity Instruments: Non-trade Quoted</b>							
1	Union Bank of India 3272 Equity shares of Rs.10/- each (Previously 3272 equity shares of Rs.10/- each)	3,272	77,920	234.85	768,429	-	77,920	77,920
	<b>Trade - Unquoted</b>							
1	Sarmangal Synthetics 20000 Equity shares of Rs.10/- each.	20,000	200,000	10.00	200,000	-	200,000	200,000
	<b>Sub Total</b>	<b>23,272</b>	<b>277,920</b>		<b>968,429</b>	<b>-</b>	<b>277,920</b>	<b>277,920</b>

**2. Abstract of Investments in Equity, etc**

No	Particulars	Current Year As at 31st March 2012	Previous Year As at 31st March 2011
a	Aggregate amount of quoted investments [Market value Rs. 7,68,429/- (Previous Year Rs.965405.60)]	77,920	77,920
b	Aggregate amount of unquoted investments	200,000	200,000
	<b>Net Carrying amount of Investments</b>	<b>277,920</b>	<b>277,920</b>

**NOTE NO. BS - 12 : LONG - TERM LOANS AND ADVANCES**

**A. Classifications:**

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
	Unsecured and Considered good		
1	Capital Advances	5,556,640	5,607,754
2	Security Deposits	7,011,864	5,396,465
3	Other Loans and Advances	75,000	75,000
	<b>Total</b>	<b>12,643,504</b>	<b>11,079,219</b>



**SALONA COTSPIN LIMITED**  
**NOTES TO BALANCE SHEET AS AT 31ST MARCH 2012**

**B. Disclosures:**

**1) Capital advances**

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
i)	Unsecured, considered Good	5,556,640	5,607,754
	<b>Total</b>	<b>5,556,640</b>	<b>5,607,754</b>

**2) Security Deposits:**

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
i)	Unsecured, considered Good	7,011,864	5,396,465
	<b>Total</b>	<b>7,011,864</b>	<b>5,396,465</b>
	Security deposits are held with Statutory authorities and other Government departments.		

**3) Other loans and advances**

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
ii)	Unsecured, considered Good	75,000	75,000
	<b>Total</b>	<b>75,000</b>	<b>75,000</b>

**NOTE NO. BS - 13 : OTHER NON - CURRENT ASSETS**

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
a)	<b>Others</b>		
	Deferred Revenue Expenditure		
	Opening Balance	3,096,351	3,715,622
	Less: Amortised during the year	619,271	619,271
	Closing Balance	<b>2,477,080</b>	<b>3,096,351</b>
	<b>Total</b>		
		619,271	619,271



**SALONA COTSPIN LIMITED**  
**NOTES TO BALANCE SHEET AS AT 31ST MARCH 2012**

**NOTE NO. BS - 14 : INVENTORIES**

**A. Classification**

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
	<b>Inventory on Hand</b>		
a)	Raw materials	110,485,171	253,364,467
b)	Work in progress	33,510,831	39,263,231
c)	Finished goods	41,157,733	92,038,533
d)	Stores & Spares	2,986,606	3,130,190
	<b>Total</b>	<b>188,140,341</b>	<b>387,796,421</b>
	(Mode of valuation stated in Sl.no.4 of Significant Accounting Policies)		

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
	<b>Work-in-progress</b>		
1	Raw Material - Cotton	8,956,453	5,132,220
2	Finished goods - Yarn Stage	5,460,033	4,177,174
3	Fabrics Conversion	19,094,345	29,953,837
		<b>33,510,831</b>	<b>39,263,231</b>

**NOTE NO. BS - 15 : TRADE RECEIVABLES**

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
	<b>Unsecured, Considered Good</b>		
a)	Outstanding for a period exceeding six months	499,487	499,487
	<b>Sub Total</b>	<b>499,487</b>	<b>499,487</b>
b)	Others	54,254,055	63,282,087
	<b>Sub Total</b>	<b>54,254,055</b>	<b>63,282,087</b>
	<b>Total</b>	<b>54,753,542</b>	<b>63,781,574</b>



**SALONA COTSPIN LIMITED**  
**NOTES TO BALANCE SHEET AS AT 31ST MARCH 2012**

**NOTE NO. BS - 16 : CASH AND CASH EQUIVALENTS**

**A. Classification:**

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
a)	Cash on hand	508,353	670,138
b)	Balances with banks:		
	- Cheques, draft on hand	10,396,278	10,441,778
	- Earmarked balances(Dividend Account)	995,919	780,045
c)	Other bank balances		
	- Margin money Deposit	3,946,046	5,523,421
	<b>Total</b>	<b>15,846,596</b>	<b>17,415,382</b>

**NOTE NO. BS - 17 : SHORT - TERM LOANS AND ADVANCES**

**A. Classifications:-**

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
1	Loans and advances to Related Parties		
	-Unsecured, considered Good	60,000	60,000
	<b>Sub Total</b>	<b>60,000</b>	<b>60,000</b>
2	Other loans and advances		
	-Secured, considered Good	399,900	201,465
	-Unsecured, considered Good	11,075,962	9,922,359
	<b>Sub Total</b>	<b>11,475,862</b>	<b>10,123,824</b>
	<b>Total</b>	<b>11,535,862</b>	<b>10,183,824</b>

**B. Other Disclosures:**

**(i) Loans and advances to related parties**  
**Unsecured and Considered good**

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
1	Sabitha Agarwal - Rent advance	60,000	60,000
		<b>60,000</b>	<b>60,000</b>

**(ii) Other Loans and advances**

**(a) Unsecured and Considered good**

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
1	Advances to Staff and Other Operatives	399,900	201,465
		<b>399,900</b>	<b>201,465</b>



**SALONA COTSPIN LIMITED**  
**NOTES TO BALANCE SHEET AS AT 31ST MARCH 2012**

(iii) Other Loans and advances

(b) Unsecured and Considered good

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
1	Trade Advances	4,279,611	2,063,386
2	Rent advance	95,000	138,000
3	Tax Deducted at source	81,414	-
4	Advance Towards Indirect Taxes Excise Duty/CENVAT Advances	6,201,694	7,381,570
5	Other Advances	418,243	339,403
		<b>11,075,962</b>	<b>9,922,359</b>

**NOTE NO. BS - 18 : OTHER CURRENT ASSETS**

**A. Classifications:-**

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
a)	Other current assets (Refer note below)	10,266,914	7,538,429
	<b>Total</b>	<b>10,266,914</b>	<b>7,538,429</b>

**B. Other Disclosures:**

**(i) Current assets**

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
1	Accruals Accrued income	923,781	226,036
2	Other receivables Duty Draw Back Receivable   Evening Peak Energy & Demand Charges Receivable Income tax Refund Due Interest Receivable WEG Unit generation Receivable C.S.T IFST Credit Insurance Cash Deposit Prepaid Expenses	352,065 214,240 280,391 8,018,251 - 13,448 22,301 442,437	- - - 6,430,110 479,412 13,447 22,881 366,543
		<b>10,266,914</b>	<b>7,538,429</b>



**SALONA COTSPIN LIMITED**  
**NOTES TO STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED AS AT 31ST MARCH 2012**

**NOTE NO. PL - 1 : REVENUE FROM OPERATIONS**

**A. Classifications:-**

No	Particulars	For the Year ended 31st March 2012 Rs.	For the Year ended 31st March 2011 Rs.
1	Sale of Products	784,032,159	793,602,838
2	Other Operating Revenues (Refer note (i) below)	6,048,215	2,590,537
		790,080,374	796,193,375
	<b>Total</b>	<b>790,080,374</b>	<b>796,193,375</b>

**B. Other Disclosures:**

**(i) Other operating revenues**

No	Particulars	For the Year ended 31st March 2012 Rs.	For the Year ended 31st March 2011 Rs.
1	Duty Draw Back	1,781,080	272,140
	DEPB Licence	4,249,615	2,309,509
	Miscellaneous Income	17,520	8,888
		6,048,215	2,590,537

**NOTE NO. PL - 2 : OTHER INCOME**

**A. Classifications:-**

No	Particulars	For the Year ended 31st March 2012 Rs.	For the Year ended 31st March 2011 Rs.
1	Interest Income (Refer note (i) below)	1,200,758	877,247
2	Dividend Income (Refer note (ii) below)		
	From Others	26,176	17,996
3	Other Non- Operating Income (Net of Expenses directly attributable to such Income) (Refer note (iii) below)	2,425,622	1,317,147
	<b>Total</b>	<b>3,652,556</b>	<b>2,212,390</b>

**B. Other Disclosures:**

**(i) Interest Income**

No	Particulars	For the Year ended 31st March 2012 Rs.	For the Year ended 31st March 2011 Rs.
	From Current Investments		
1	Banks - Fixed Deposits	485,997	781,791
2	Inland Bill Discounting	324,403	-
3	Electricity Board Security Deposit	368,679	-
4	Others	21,679	95,456
	<b>Total</b>	<b>1,200,758</b>	<b>877,247</b>



**SALONA COTSPIN LIMITED**  
**NOTES TO STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED AS AT 31ST MARCH 2012**

<b>(ii) Dividend Income</b>			
<b>No</b>	<b>Particulars</b>	<b>For the Year ended 31st March 2012 Rs.</b>	<b>For the Year ended 31st March 2011 Rs.</b>
	<b>From Others:</b>		
	From Long Term Investments		
1	UBI*Share investment	26,176	17,996
	<b>Total</b>	<b>26,176</b>	<b>17,996</b>
<b>(iii) Other Non Operating Income:</b>			
<b>No</b>	<b>Particulars</b>	<b>For the Year ended 31st March 2012 Rs.</b>	<b>For the Year ended 31st March 2011 Rs.</b>
1	Profit on sale of Fixed Assets	6,195	1,317,147
2	Insurance Income (Keyman Policy)	2,419,427	
	<b>Total</b>	<b>2,425,622</b>	<b>1,317,147</b>

**NOTE NO. PL - 3 : COST OF MATERIALS CONSUMED**

<b>No</b>	<b>Particulars</b>	<b>For the Year ended 31st March 2012 Rs.</b>	<b>For the Year ended 31st March 2011 Rs.</b>
1	Consumption of Raw Materials	574,789,104	554,092,512
2	Consumption of Other Consumables	3,920,104	4,326,086
	<b>Total</b>	<b>578,709,208</b>	<b>558,418,598</b>

**A. Disclosures:**

<b>No</b>	<b>Particulars</b>	<b>For the Year ended 31st March 2012 Rs.</b>	<b>For the Year ended 31st March 2011 Rs.</b>
1	<b>Consumption of Raw Materials</b>		
	<b>Cotton:</b>		
	Opening stock of Raw Materials	253,364,467	154,126,335
	Work-in Process	5,132,220	3,943,005
	Add: Purchases during the year	435,734,041	654,519,859
		694,230,728	812,589,199
	Less: Closing stock of raw materials	110,485,171	253,364,467
	Work- in-process	8,956,453	5,132,220
		<b>574,789,104</b>	<b>554,092,512</b>
2	<b>Consumption of Other Consumables</b>		
	Opening stock	419,237	706,504
	Add: Purchases during the year	3,663,761	4,038,819
		4,082,998	4,745,323
	Less: Closing stock	162,894	419,237
	Consumption of other materials	<b>3,920,104</b>	<b>4,326,086</b>



**SALONA COTSPIN LIMITED**  
**NOTES TO STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED AS AT 31ST MARCH 2012**

**NOTE NO. PL - 4 : PURCHASE OF STOCK-IN-TRADE**

No	Particulars	For the Year ended 31st March 2012 Rs.	For the Year ended 31st March 2011 Rs.
1	Yarn	581,911	47,427,340
2	Fabric	172,975	-
3	Waste	686,193	-
	<b>Total</b>	<b>1,441,079</b>	<b>47,427,340</b>

**NOTE NO. PL - 5 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE**

No	Particulars	For the Year ended 31st March 2012 Rs.	For the Year ended 31st March 2011 Rs.
a	Inventories at the beginning of the year	126,169,544	29,042,866
b	Less: Inventories at the end of the year	65,712,111	126,169,544
	<b>Total</b>	<b>60,457,433</b>	<b>(97,126,678)</b>

**Disclosure on Changes in Inventories:**

No	Particulars	For the Year ended 31st March 2012 Rs.	For the Year ended 31st March 2011 Rs.
1	<b>Opening Stock:</b>		
	Finished Goods - Yarn	86,381,036	15,402,599
	Finished Goods - Fabrics	627,745	1,053,736
	Work in Process	34,131,011	9,984,304
	By-Product - Waste Cotton	5,029,752	2,602,227
		<b>126,169,544</b>	<b>29,042,866</b>
2	<b>Less: Closing Stock:</b>		
	Finished Goods - Yarn	27,901,666	86,381,036
	Finished Goods - Fabrics	6,768,540	627,745
	Work in Process	24,554,378	34,131,011
	By Product - Waste Cotton	6,487,527	5,029,752
		<b>65,712,111</b>	<b>126,169,544</b>
	<b>Total</b>	<b>60,457,433</b>	<b>(97,126,678)</b>

**NOTE NO. PL - 6 : EMPLOYEE BENEFIT EXPENSES**

No	Particulars	For the Year ended 31st March 2012 Rs.	For the Year ended 31st March 2011 Rs.
1	Salaries & Wages	14,874,534	12,924,680
2	Contribution to Provident and Other Funds (Refer note (i) below)	1,099,298	1,245,856
3	Staff Welfare Expenses	6,281,610	4,801,143
	<b>Total</b>	<b>22,255,442</b>	<b>18,971,679</b>



**SALONA COTSPIN LIMITED**  
**NOTES TO STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED AS AT 31ST MARCH 2012**

**Disclosure on Employee Benefit Expenses:**

(i)	<b>Notes</b>		
	<b>Contribution to Provident and Other funds for other than contract labour</b>		
	Contribution to Provident fund	844,945	740,341
	Contribution to Gratuity fund	249,670	501,084
	Contribution to Labour Welfare Fund	4,683	4,431
	<b>Total</b>	<b>1,099,298</b>	<b>1,245,856</b>

**NOTE NO. PL - 7 : FINANCE COSTS**

No	Particulars	For the Year ended	For the Year ended
		31st March 2012	31st March 2011
		Rs.	Rs.
1	Interest Expenses (Refer note (i) below)	43,837,569	42,030,363
2	Other Borrowing Costs (Refer note (ii) below)	3,043,898	3,958,879
	<b>Total</b>	<b>46,881,467</b>	<b>45,989,242</b>

**Disclosure on Finance Cost:**

<b>Notes</b>			
(i)	<b>Interest Expense:</b>		
	Interest on borrowings from Banks	43,149,841	41,936,086
	Interest on borrowings from Others	605,621	-
	Finance Charges on Finance Lease	82,107	94,277
	<b>Total</b>	<b>43,837,569</b>	<b>42,030,363</b>
(ii)	<b>Other Borrowing Costs</b>		
	Discounts / premiums on borrowings	1,533,752	1,407,966
	Bank Charges	1,510,147	2,550,913
	<b>Total</b>	<b>3,043,898</b>	<b>3,958,879</b>

**NOTE NO. PL - 8 : DEPRECIATION AND AMORTISATION EXPENSES**

No	Particulars	For the Year ended	For the Year ended
		31st March 2012	31st March 2011
		Rs.	Rs.
1	Depreciation	51,276,447	59,399,579
2	Amortization Expense	44,820	4,044
	<b>Total</b>	<b>51,321,267</b>	<b>59,403,623</b>

**NOTE NO. PL - 9 : OTHER EXPENSES**

No	Particulars	For the Year ended	For the Year ended
		31st March 2012	31st March 2011
		Rs.	Rs.
1	Manufacturing expenses (Refer note (i) below)	55,831,085	60,032,951
2	Administrative expenses (Refer note (ii) below)	8,530,963	8,793,385
3	Repairs and maintenance (Refer note (iii) below)	13,858,962	15,308,868
4	Sales and distribution expenses (Refer note (iv) below)	21,047,269	17,824,807
5	Miscellaneous expenses (Refer note (v) below)	2,884,015	3,508,987
	<b>Total</b>	<b>102,152,294</b>	<b>105,468,998</b>



**SALONA COTSPIN LIMITED**

**NOTES TO STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED AS AT 31ST MARCH 2012**

**Disclosure on Other expenses**

<b>Notes</b>			
<b>(i) Manufacturing expenses</b>			
a Power and Fuel *		61,000,823	66,743,318
Less: WEG Unit Generation		33,741,465	32,129,116
* net of consumption on account of internal generation of wind energy		27,259,358	34,614,202
b Consumption of Stores and Spare Parts		7,429,824	12,022,622
c Fabric Conversion / Processing Charges		21,141,902	13,396,127
<b>Total</b>		<b>55,831,085</b>	<b>60,032,951</b>
<b>(ii) Administrative expenses</b>			
a Payments to Auditors			
Cost Auditor		16,545	16,545
Statutory Auditor		231,164	189,526
b Insurance		1,074,162	1,810,331
c Rates and taxes, excluding taxes on income		345,823	426,733
d Remuneration to Directors & Sitting Fees		2,621,615	3,182,145
e Travelling Expenses		3,118,957	1,911,858
f Telephone Charges		309,786	-
g Postage & Telegram		167,734	496,612
h Printing & Stationary		257,797	342,345
i Rent		387,380	417,290
<b>Total</b>		<b>8,530,963</b>	<b>8,793,385</b>
<b>(iii) Repairs and maintenance</b>			
a Buildings		2,136,115	3,180,166
b Machinery		9,821,770	9,280,278
c Vehicles		863,652	1,154,709
d Other Assets		1,037,425	1,693,715
<b>Total</b>		<b>13,858,962</b>	<b>15,308,868</b>
<b>(iv) Sales and distribution expenses</b>			
a Consumption of Packing Materials			
Opening Stock of Packing Materials		396,938	284,539
Add: Purchases during the year		3,037,068	2,486,094
		3,434,006	2,770,633
Less: Closing Stock of Packing Materials		317,544	396,938
Consumption of Packing Materials		3,116,462	2,373,695
b Advertisement Expenses		167,200	297,557
c Commission Payments on sales / services		7,076,824	9,071,884
d Discounts Allowed		161,334	206,048
e Sales and Distribution Expenses		10,525,449	5,875,623
<b>Total</b>		<b>21,047,269</b>	<b>17,824,807</b>
<b>(v) Miscellaneous expenses</b>			
a Other Miscellaneous Expenses		2,101,922	3,112,232
b Net loss on the Forex transactions / translations (Other than Borrowing Cost)		782,093	396,755
<b>Total</b>		<b>2,884,015</b>	<b>3,508,987</b>



SALONA COTSPIN LIMITED  
NOTES TO STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED AS AT 31ST MARCH 2012

**NOTE NO. PL - 10 : (1) CURRENT TAX, ETC**

No	Particulars	For the Year ended 31st March 2012 Rs.	For the Year ended 31st March 2011 Rs.
1	Current tax	-	12,135,000
2	Excess / Short Provision of Taxes for Earlier Years *	(218,282)	(6,804)
3	Prior year income tax paid during the year *	483,568	-
		<b>265,286</b>	<b>12,128,196</b>
	* Settled during the year		

**NOTE NO. PL - 11 : (2) DEFERRED TAX (CREDIT)**

No	Particulars	For the Year ended 31st March 2012 Rs.	For the Year ended 31st March 2011 Rs.
1	Provision for Deferred Tax Liability (Dr.)	5,450,000	5,810,000
2	Reversal of Deferred Tax Liability (Cr.)	(10,135,100)	-
3	Provision for Deferred Tax Asset (Cr.)	(16,405,200)	(2,800,000)
4	Reversal of Deferred Tax Asset (Dr.)	460,000	-
	<b>Net Deferred Tax</b>	<b>(20,630,300)</b>	<b>3,010,000</b>



# **SALONA COTSPIN LIMITED**

## **SALONA COTSPIN LIMITED**

### **Significant Accounting Policies**

#### **1. Basis of Accounting**

The financial statements are prepared under historical cost convention and on accrual basis and in accordance with applicable Accounting Standards referred to in Subsection 3C of Section 211 of the Companies Act, 1956 and normally accepted accounting principles. The accounting is on the basis of a going concern concept. Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 have been followed to the extent applicable in the preparation of annual accounts and no material departures are made.

#### **2. Use of estimates:**

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

#### **3. Inventories**

Inventories are valued on the following basis.

- a) Stores and Spares - Cost including excise duty
- b) Raw Materials - Cotton - Lower cost or Net Realisable Value
- c) Finished Goods - Cotton hosiery yarn and Fabrics - Lower of Cost or Net Realisable Value.
- d) By product - Net Realisable value
- e) Process Stock - Lower of Cost or Net Realisable Value

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

#### **4. 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 expenses 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.



## **SALONA COTSPIN LIMITED**

### **5. Depreciation and amortisation**

The Company provides for depreciation on written down value method applying the rates specified in Schedule XIV to 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, which has no revenue impact. Intangible assets are amortised over their estimated useful life. The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation method is revised to reflect the changed pattern as per the Revised Schedule VI.

### **6. 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 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.
- iii. Carbon credit is taken as income only when the credit is considered eligible for grant and realized from its users.
- iv. 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.
- v. 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.
- vi. Input credit against goods are accounted for by adjustments against cost of relevant goods; Unadjusted State VAT Credit is carried over as advance.

### **7. Fixed Assets**

- (a) Fixed assets are stated at cost of acquisition, including and attributable cost for bringing the assets to its working condition for its intended use, less accumulated depreciation.
- (b) CENVAT credit / Value Added Tax, where eligible, has been reduced from the cost of fixed assets.

### **8. Foreign Currency Transaction**

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. Foreign currency monetary assets and liabilities are translated at the exchange rate prevailing on the balance sheet date or at forward exchange rate, as may be applicable.

### **9. Investments.**

Investments classified as non - current and are carried at their cost unless there is a permanent diminution in value of investments. Dividend and yields if any, are accounted on actual receipt.



## **SALONA COTSPIN LIMITED**

### **10. Retirement Benefits**

- a) Retirement benefits such as periodical Contribution to Provident fund and Pension Fund being defined contribution plans are charged to revenue. Such contributions are on predetermined statutory rates payable to competent authority.
- b) Gratuity, which is a defined benefit, is accrued and provided for based on independent actuarial valuations as at the balance sheet date. Gratuity claims are settled on the occurring of the event / claim.
- c) Gratuity to working directors, the liability is ascertained on accounting principles as laid down by the formula prescribed by Payment of Gratuity Act, 1972, and they are not funded but only provided for.

### **11. Borrowing Cost:**

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

### **12. Leases:**

Assets leased by the Group in its capacity as lessee, where the Group has substantially all the risks and rewards of ownership are classified as finance lease. Such leases are capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is recognised for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

### **13. Taxes on Income:**

Current tax is determined as per the provisions of the Income - Tax, 1961 in respect of taxable income for the year and based on the expected outcome of assessments / appeals. Deferred tax assets and liabilities are recognised 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 recognised 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 realised.

### **14. 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.



## **SALONA COTSPIN LIMITED**

### **15. 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.

### **16. Dividend**

Dividend proposed by Directors, if any, is provided for in the books of accounts.

### **17. 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.



## I. ADDITIONAL INFORMATION TO BALANCE SHEET

## A Contingent Liabilities:

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
a)	Claims against the Company not acknowledged as Debt	1,190,000	1,190,000
b)	Claims against the Company acknowledged as Debt		
	The company is liable to pay electricity tax on own generation which is disputed in a writ petition before Madras High Court which had granted a stay against such levy. Stay stands vacated subsequently and will be met on demand	433,591	-
c)	Guarantees	4,442,354	4,442,354
d)	Other money for which the Company is contingently liable	-	-

## B Commitments:

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
a)	Estimated amount of contracts remaining to be executed on Capital Account and not provided for	62,100,000	62,100,000

## C Proposed Dividends:

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
a)	On Equity Shares:		
	Total Amount of Proposed Dividend	-	5,262,400
	Number of Shares	5,262,400	5,262,400
	Amount of Dividend per Share	-	1

## D Dues to Micro, Small &amp; Medium Enterprises:

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
	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 31st March 2012 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.		
a)	The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.	NIL	NIL
b)	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
c)	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
d)	The amount of interest accrued and remaining unpaid at the end of the period	NIL	NIL
e)	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



- E In the opinion of the Board of Directors, any of the assets other than fixed assets and non-current investments do not have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated, the fact that the Board is of that opinion, shall be stated.

## II. ADDITIONAL INFORMATION TO STATEMENT OF PROFIT AND LOSS:

No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
1	Adjustments to the carrying amount of Investments (Any adjustments to carrying amount of Investments pursuant to diminution in value of the Investment (or reversal thereof) should be disclosed here.)	-	-
2	Net Gain or Loss on Foreign currency transaction (other than considered as finance cost) normally arising from settlement / restatement of monetary items.	(782,093)	(396,755)
3	Payments to Auditors Statutory Auditor's Remuneration (a) For Audit (b) For Taxation matters, (c) For company law matters, (d) For other services, (e) For reimbursement of service tax;	125,000 72,000 9,000 15,250 9,914	90,000 47,000 - 38,750 13,776
		231,164	189,526
	Cost Auditor's Remuneration Audit Fees Reimbursement of service tax	15,000 1,545 16,545	15,000 1,545 16,545
4	Provision for Current tax is arrived as follows:		
No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
a]	Prior year income tax paid during the year	483,568	-
b]	Excess / Short Provision of Taxes for Earlier Years	(218,282)	(6,804)
		265,286	(6,804)
5	<b>Turnover</b>		
i)	Indigenous Sales Cotton Yarn Knitted Fabrics	253,101,944 351,080,937	291,962,583 321,140,294
ii)	Export Sales Cotton Yarn Knitted Fabrics	111,107,293 3,690,661	71,747,009 6,221,024
iii)	By Products-Waste - Indigenous - Export	51,669,106 13,382,218	48,169,857 8,568,353
iv)	Traded Goods Cotton Yarn Export Cotton Yarn Local	-	45,793,718
	<b>Total</b>	<b>784,032,159</b>	<b>793,602,838</b>
6	<b>Closing Inventory</b> Cotton Yarn Hosiery Knitted Cloth By Product	27,901,666 6,768,540 6,487,527	86,381,036 627,745 5,029,752
	<b>Total</b>	<b>41,157,733</b>	<b>92,038,533</b>
7	<b>Opening Inventory</b> Cotton Yarn Hosiery Knitted Cloth By Product	86,381,036 627,745 5,029,752	15,402,599 1,053,736 2,602,227
	<b>Total</b>	<b>92,038,533</b>	<b>19,058,562</b>



8 Break Up for Consumption				
No	Particulars		Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
a)	Raw materials			
	Indigenous	Rs.	574,789,104	554,092,512
		%	100%	100%
	<b>Total</b>		<b>574,789,104</b>	<b>554,092,512</b>
b)	Stores and spares			
	Indigenous	Rs.	3,920,104	4,326,086
		%	100%	100%
	<b>Total</b>		<b>3,920,104</b>	<b>4,326,086</b>
9	Value of imports calculated on C.I.F basis by the company during the Financial Year in respect of			
	I. Raw materials;		-	-
	II. Components and spare parts;		-	-
	III. Capital goods;		201,281	16,069,541
10	Expenditure in foreign currency:			
	Purchase of spares		1,734,411	477,504
	Interest & Bank charges		1,472,175	1,580,533
	Commission on exports		-	2,303,655
	Travelling expenses to directors		1,035,761	-
11	The amount remitted during the year in foreign currencies on account of dividends with a specific mention of the total number of non-resident shareholders, the total number of shares held by them on which the dividends were due and the year to which the dividends related;			
No	Particulars		Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
i)	Total No. of Non-resident Shareholders	No.	Nil	5
ii)	Total No. of Shares held	No.	Nil	2,485
iii)	Total Amount of Dividend due / paid	No.	-	2,485
iv)	Year to which the Dividend Related		2011 - 12	2010-11
12	Earnings in foreign exchange classified under the following heads, namely:-			
	I. Export of goods calculated on F.O.B. basis;		125,548,329	128,721,716
	II. Royalty, know-how, professional and consultation fees;		-	-
	III. Interest and dividend;		-	-
	IV. Other income, indicating the nature thereof		-	-

13 These financial statements have been prepared in the format prescribed by the Revised Schedule to the Companies Act 1956. Previous period figures have been recasted / restated to confirm to the classification of the current period.

*(Signature)*

*(Signature)*  
Manoj Kumar Thakur



III. DISCLOSURES PURSUANT TO ACCOUNTING STANDARDS			
I. DISCLOSURES PURSUANT TO ACCOUNTING STANDARD-15 RETIREMENT BENEFITS			
No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
i)	Defined Contribution Plans  The Company makes Provident Fund and Superannuation Fund contributions to defined contribution retirement benefit plans for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. In case of provident fund, the contributions as specified under the law are paid to the Regional Provident Fund Commissioner and the Central Provident Fund under the State Pension Scheme. The Company is generally liable for annual contribution and any shortfall in the fund assets based on the government specified minimum rate of return and recognises such contribution and shortfall, if any as an expense in the year it is incurred.		
	Payment to Defined Contribution Benefit Plans:		
	Contribution to Provident Fund	249,586	211,849
	Contribution to Employees Pension Fund	498,930	442,890
ii)	Defined benefit plans  The company has an unfunded defined benefit gratuity plan. Every employee who has qualified and completed five years or more of service gets a gratuity on separation equal to 15 days salary (last drawn salary) for each completed year of continuous service or part thereof in excess of six months, subject to a maximum laid down by law.  The company has undertaken an actuarial valuation in respect of gratuity liability and provides for it in its books of accounts; but does not contribute the amount to any fund or trust.		
	Opening balance	1,885,733	1,404,649
	Add: Provision for the year	249,670	501,084
		2,135,403	1,905,733
	Less: Payments during the year	-	20,000
	Closing balance	2,135,403	1,885,733
II. DISCLOSURES PURSUANT TO ACCOUNTING STANDARD-16 BORROWING COSTS			
	Borrowing costs capitalised during the year	-	-
III. DISCLOSURES PURSUANT TO ACCOUNTING STANDARD- 17 SEGMENT REPORTING			
	The company operates only on one segment which is the company's primary segment i.e.	Cotton Textiles	Cotton Textiles
IV. DISCLOSURES PURSUANT TO ACCOUNTING STANDARD-18 RELATED PARTY DISCLOSURES			
1	In terms of the Accounting Standard 18 requiring disclosure of related parties, the following persons have been identified as Related Parties:		
i)	Key Management Personnel:		
	Shyamlal Agarwala	Managing Director	
	Manoj Kumar Jhajharia	Joint Managing Director	
	Pramod Kumar Jhajharia	Chief Executive	
ii)	Associates:		
	Shristi Cotspinn Private Limited		
	Sri Sadhyaa Exports Private Limited		



2 Transactions with related parties: Nature of transactions			
No	Particulars	Current Year As at 31st March 2012 Rs.	Previous Year As at 31st March 2011 Rs.
a)	Key Management Personnel:		
i)	Rent payments to Related Parties - Administrative office (Relative of Managing Director)	240,000	240,000
ii)	Advance towards Rent payments to Related parties - Administrative Office (Relative of Managing Director)	60,000	60,000
c)	Remuneration to Managing Director	1,361,692	1,940,222
d)	Remuneration to Joint Managing Director	1,230,923	1,215,923
e)	Sitting fees to other Directors	29,000	26,000
f)	Travelling reimbursement to Other Directors	28,000	26,000
g)	Remuneration to chief executive:		
	Salary	540,000	540,000
	Company's contribution to PF and Other funds	9,360	9,360
		549,360	549,360
2	Associates:		
	Sale of Goods		
	Shristi Cotspinn Private Limited	30,812,290	11,117,180
	Sri Sadhyaa Exports Private Limited	853,657	-
	Purchase of Goods		
	Shristi Cotspinn Private Limited	686,193	-

#### V. DISCLOSURES PURSUANT TO ACCOUNTING STANDARD-20 EARNINGS PER SHARE

No	Particulars	For the Year ended 31st March 2012 Rs.	For the Year ended 31st March 2011 Rs.
	Profit after tax (A)	(49,120,247)	44,714,767
	Number of equity shares (B)	5,262,400	5,262,400
	<b>Basic EPS (A/B)</b>	<b>(9.33)</b>	<b>8.50</b>
	Number of equity shares (B1)	5,262,400	5,262,400
	<b>Diluted EPS (A/B1)</b>	<b>(9.33)</b>	<b>8.50</b>

#### VI. DISCLOSURES PURSUANT TO ACCOUNTING STANDARD-22 TAXES ON INCOME

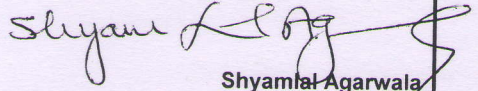
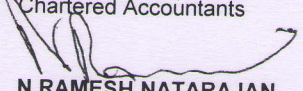
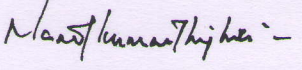
No	Particulars	For the Year ended 31st March 2012 Rs.	For the Year ended 31st March 2011 Rs.
	In terms of Accounting Standard 22 working for Deferred Tax Asset has been recognised on account of prudence and the estimated realisability within a reasonable point of time.		
	Net Deferred Tax Asset/Liability in respect of the year ending 31st March 2012 and earlier credited / debited to profit & loss account and Net Deferred Tax Liability as on 31st March, 2012 are computed as below:		
	Deferred Tax Liability:		
	On Depreciation Difference	57,324,900	60,960,000
	On Deferred Revenue Expenditure	-	1,050,000
		57,324,900	62,010,000
	Deferred Tax Asset:		
	On MAT Credit	17,465,800	17,910,000
	On unabsorbed depreciation and other expenses	16,889,400	500,000
		34,355,200	18,410,000
	Net Deferred Tax Liability	22,969,700	43,600,000
	Deferred Tax Liability at the beginning	43,600,000	40,590,000
	Net Deferred Tax Liability debited to Profit and Loss account	-	3,010,000
	Net Deferred Tax Liability credited to Profit and Loss account	20,630,300	-



**SALONA COTSPIN LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2012**

	31st Mar,2012	31st Mar,2011
<b>A Cash flow from operating activities:</b>		
Net Profit before taxation and extra ordinary items	(694.85)	598.53
<b>Adjustments for:</b>		
Depreciation	513.21	594.04
Deferred Expenses written off	-	-
Profit on sale of Investments	-	-
Profit on sale of fixed assets	(0.06)	(13.17)
Interest and financial charges paid	468.81	459.89
Dividend Income	(0.26)	(0.18)
Interest receipts	-	-
Direct Taxes	(2.65)	(121.28)
Operating profit before working capital changes	284.20	1,517.82
<b>Adjustments for working capital changes</b>		
(Increase)/Decrease in Operating assets		
Inventories	1,996.56	(1,976.07)
Trade receivables	90.28	63.84
Loans and Advances - short term	(13.52)	(34.43)
Loans and Advances - other bank balances	-	-
Other Current Assets	(27.28)	6.24
Other non-current assets	6.19	6.19
Increase/(Decrease) in Operating liabilities		
Trade payables	(329.08)	486.81
Other Current Liabilities	(113.81)	266.94
Other long term liabilities	-	-
Short term Provisions	(108.46)	43.23
Deferred Tax	-	-
Loans and Advances - long term	(15.64)	163.65
Long Term Provisions	3.59	5.91
<b>Net cash flow from operating activities (A)</b>	<b>1,773.03</b>	<b>550.14</b>
<b>B Cash flow from investing activities:</b>		
Purchase of Fixed Assets	(95.99)	(687.79)
Sale of Fixed Assets	0.73	29.25
Sale of Investments	-	-
Advance for Capital Goods	-	-
Deferred Revenue Expenditure	-	-
Interest receipts	-	-
Dividend Income	0.26	0.18
<b>Net cash from investing activities (B)</b>	<b>(94.99)</b>	<b>(658.36)</b>



<b>C Cash flow from financing activities:</b>		
Proceeds from long term borrowings		
Repayment of long term borrowings		
Proceeds from short term borrowings		
Repayment of short term borrowings		
Increase/(Decrease) in Secured Loan		
Increase/(Decrease) in long term borrowings	(377.53)	(159.37)
Increase/(Decrease) in Unsecured Loan		
Increase/(Decrease) in short term borrowings	(847.38)	756.93
Interest and financial charges paid	(468.81)	(459.89)
Dividend Paid	-	(61.16)
<b>Net cash from financing activities</b>	<b>(1,693.73)</b>	<b>76.51</b>
Net increase/(decrease) in cash and cash equivalents	(15.69)	(31.71)
Cash & cash equivalents at the beginning of the year	174.16	205.87
Cash & cash equivalents at the close of the year	158.47	174.16
Cash and Cash equivalents at the close of the year comprise of		
Cash on hand	5.08	6.70
Cash at bank in current accounts	113.92	112.22
Other bank balances	39.46	55.23
	158.47	174.16
As per our Report of Even date attached	For and on Behalf of the Board	
for V K S AIYER & CO Chartered Accountants	 <b>Shyamal Agarwal</b> Managing Director	
 <b>N. RAMESH NATARAJAN</b> Partner Membership No. 200/23443	 <b>Manoj Kumar Jhaharia</b> Joint Managing Director	
Place : Coimbatore		
Date : 29th June 2012		