

**NINETEENTH ANNUAL REPORT
2012 - 2013**

BOARD OF DIRECTORS

SHRI. SHYAMLAL AGARWALA	Managing Director
SHRI. MANOJ KUMAR JHAJHARIA	Joint Managing Director
SHRI. G.V.S.DESIKAN	Director
SHRI. DULICHAND PANSARI	Director
SHRI. C. THIRUMURTHY	Director

AUDITORS

M/s. VKS AIYER & CO,
Chartered Accountants
34, A.S.Apartments, Bharathi Park, 8th Cross
Saibaba Colony, Coimbatore - 641 011

BANKERS

UNION BANK OF INDIA
THE CATHOLIC SYRIAN BANK LTD
STATE BANK OF INDIA
ORIENTAL BANK OF COMMERCE

REGISTERED OFFICE

S.F.No.74/12 & 75/3, Sathy Main Road
Pungampalli, 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, 3rd Floor
1391/A-1, Sathy Road, Ganapathy Post,
Coimbatore - 641 006.

WIND MILLS

Panakudi Village, Radhapuram Taluk
Sinjuvadi Village, Pollachi Taluk.
Vadambhacherri Village, Palladam Taluk,
Kozhumankondan Village, Palani Taluk.

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NOTICE

Notice is hereby given that the NINETEENTH Annual General Meeting of the Company will be held on Monday, the 16th day of September, 2013 at 10.00 A.M 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, Pin - 638 402 to transact the following business.

AGENDA

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31 March 2013, Statement of Profit & Loss for the year ended on that date, the Reports of Directors and Auditors thereon.
2. To appoint a Director in the place of Sri. G.V.S. Desikan, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Sri. Dulichand Pansari, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

5. To consider and if thought fit to pass with or without modification the following Ordinary Resolution:-

RESOLVED THAT consent of Shareholders of the Company be and is hereby accorded under Sections 198, 269, 309 and Schedule XIII and other applicable provisions of the Companies Act 1956 for payment of the following revised remuneration to Sri Shyamlal Agarwala, Chairman cum Managing Director of the Company with effect from 1st April 2013 for the remaining tenure of his office;

I. **SALARY:** Rs. 1,50,000/- per month.

II. PERQUISITES:

In addition to the salary, Sri Shyamlal Agarwala shall also be entitled to the following perquisites:-

- (a) Contribution to Provident and Superannuation Funds to the extent not taxable under the Income Tax Act, 1961.
- (b) Gratuity at the rate of half a month salary for each completed year of service, and
- (c) Encashment of leave at the end of tenure as per the rules of the Company.

III.COMMISSION:

1% commission on the net profits of the Company, subject to the maximum ceiling specified in Section 309(3) of the Companies Act, 1956.

IV. OTHER PERQUISITES:

At the discretion of the Board of Directors up to a sum not exceeding annual salary, i.e. Rs.18.00 Lacs (Rupees Eighteen Lacs only)

V. MINIMUM REMUNERATION:

ALSO RESOLVED that subject to the limits prescribed in Section II of Part II of Schedule XIII to Companies Act, 1956, the above salary and perquisites, excepting commission, be paid as minimum remuneration in the event of loss or inadequacy of profits in any financial year, during the remaining tenure of office of Sri Shyamlal Agarwala, as Chairman cum Managing Director.

FURTHER RESOLVED THAT Sri Shyamlal Agarwala be and entrusted with all the powers of day to day management and administration of the business of the Company, subject to the overall superintendence and control of the Board of Directors of the Company.

6. To consider and if thought fit to pass with or without modification the following Ordinary Resolution:-

RESOLVED THAT consent of Shareholders of the Company be and is hereby accorded under Sections 198, 269, 309 and Schedule XIII and other applicable provisions of the Companies Act 1956 for payment of the following revised remuneration to Sri Manoj Kumar Jhajharia, Joint Managing Director of the Company with effect from 1st April 2013 for the remaining tenure of his office;

I. SALARY: Rs. 1,25,000/- per month.

II. PERQUISITES:

In addition to the salary, Sri Manojkumar Jhajharia shall also be entitled to the following perquisites:-

- (a) Contribution to Provident and Superannuation Funds to the extent not taxable under the Income Tax Act, 1961.
- (b) Gratuity at the rate of half a month salary for each completed year of service, and
- (c) Encashment of leave at the end of tenure as per the rules of the Company.

III. OTHER PERQUISITES:

At the discretion of the Board of Directors up to a sum not exceeding annual salary, i.e. Rs.15.00 Lacs (Rupees Fifteen Lacs only)

IV. MINIMUM REMUNERATION:

ALSO RESOLVED THAT, subject to the limits prescribed in Section II of Part II of Schedule XIII to the Companies Act, 1956, the above salary and perquisites, excepting commission, be paid as minimum remuneration in the event of loss or inadequacy of profits in any financial year, during the remaining tenure of office of Sri Manojkumar Jhajharia as Joint Managing Director.

FURTHER RESOLVED THAT Sri Manojkumar Jhajharia, as Joint Managing Director, be entrusted with all powers for day to day administration of the business of the Company, subject to the overall supervision and control of the Managing Director of the Company and the Board of Directors 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 and 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.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from 10th September, 2013 to 16th September, 2013 (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 31st March 2005 to General Revenue Account / Investor Education and Protection Fund of the Central Government. The dividend declared for the financial year 2005-2006 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 :

Serial No	Financial Year	Date Of Declaration	Amount of Dividends Remaining Unclaimed	Due date for transfer to IEPF
1	31 st March, 2006	27th September 2006	1,26,605.00	25th October 2013
2	31 st March, 2007	22nd September 2007	1,55,782.00	20th October 2014
3	31 st March, 2010	13th September 2010	2,42,228.00	11th October 2017
4	31 st March, 2011	8th September 2011	3,39,060.00	6th 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.

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

Item No. 5 :

Sri Shyamlal Agarwala was reappointed by the Shareholders of the Company as Managing Director for a period of five years with effect from 1st April 2010, on payment of remuneration, perquisites, commission and other terms and conditions, as set out in the resolution passed by the Shareholders at the Annual General Meeting held on 13th September 2010.

Considering his rich business experience and functional responsibilities as Chairman cum Managing Director of the Company and taking note of the significance growth achieved by the Company during his present tenure of office, the Board of Directors thought it appropriate to enhance the remuneration payable to Sri Shyamlal Agarwala as Chairman cum Managing Director for the remaining tenure of his office with effect from 1st April 2013. The Remuneration Committee, recommended enhancement of the monthly salary from Rs.1,00,000/- to Rs.1,50,000/-, payable with effect from 1st April 2013 and recommended for payment of perquisites and commission as already approved by the Shareholders in the Resolution passed on 13th September 2010. The Board approved payment of revised remuneration to Sri Shyamlal Agarwala as Chairman cum Managing Director, accepting the recommendations of the Remuneration Committee. The proposed revised remuneration will be within the limits prescribed in Schedule XIII of the Companies Act 1956 and requires approval of the Shareholders. The text of the resolutions set out in Item No.5 of the Agenda, which contains details of the monthly salary, perquisites and other terms and conditions of remuneration, as approved by the Board of Directors, is placed for approval of Shareholders of the Company.

Sri Shyamlal Agarwala may be deemed to be concerned or personally interested in the above appointment as it relates to his remuneration

Sri Manoj Kumar Jhajharia, Joint Managing Director of the Company is concerned or personally interested on this item of agenda as his relative.

This may be treated as a Memorandum issued pursuant to provisions of Section 302 of the Companies Act, 1956.

Item No.6:

Sri Manoj Kumar Jhajharia was appointed as Joint Managing Director of the Company for a period of five years with effect from 1st July 2011, as per terms of appointment and remuneration, approved by the Shareholders of the Company at the Annual General Meeting held on 8th September 2011. Considering his present functional responsibilities and significant growth achieved by the Company during his tenure of office as Joint Managing Director, the Board of Directors thought it appropriate to pay revised remuneration to Sri Manojkumar Jhajharia for the remaining tenure of his office and with effect from 1st April 2013.

The Remuneration Committee recommended for enhancement of monthly remuneration by way of salary from Rs.90,000/- to Rs.1,25,000/- with effect from 1st April 2013 and for continuation of all other perquisites and commission as per terms and conditions set out in the resolution passed by the Shareholders at the meeting held on 8th September 2011. The Board accepted the recommendations of the Remuneration Committee for payment of revised remuneration to Sri Manojkumar Jhajharia with effect from 1st April 2013. The proposed revised remuneration will be within the limits prescribed in Schedule XIII of the Companies Act 1956 and requires approval of Shareholders. The text of the Resolution set out in Item No.6 of the Agenda, containing the details of the revised remuneration payable to Sri Manojkumar Jhajharia, is recommended by the Board of Directors and placed before the Shareholders of their approval.

Sri Manojkumar Jhajharia may be deemed to be concerned or personally interested in the above appointment as it relates to his remuneration

Sri Shyamlal Agarwala, Managing Director of the Company is also personally interested on this item of agenda as his relative.

This may be treated as a Memorandum issued pursuant to provisions of Section 302 of the Companies Act, 1956.

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 Director	: Sri. G.VS. Desikan	Sri. Dulichand Pansari
Date of Birth & Age	: 80 Years	74 Years
Qualifications	: B.Sc., B.Sc., (Tech)	Intermediate
Date of Appointment	: 23rd February, 1995	23rd February, 1995
Expertise in Specific Functional area	: More than 58 years of experience in Textile Industries	More than 52 years of experience in Textile & General Management
Directorships held in other public companies	: 4	NIL
Memberships/Chairmanships of Committee across public Companies	: 3	1
No. of Equity shares held	: 1000	71500

FOR AND ON BEHALF OF THE BOARD

(Sd)..

SHYAMLAL AGARWALA
Managing Director

Place: COIMBATORE
Date : 27th May, 2013

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have great pleasure in presenting their **NINETEENTH** Annual Report together with audited final statements of the Company for the year ended 31st March 2013.

Working Results

	Rs. in Lacs	
Details	31 st March 2013	31 st March 2012
INCOME		
Sales and Other Operating Receipts :	8570.34	7900.80
Other Income	13.29	36.53
Total	8583.63	7937.33
Gross profit before interest, depreciation and tax	1407.28	287.17
Less : Interest	488.31	468.81
Profit/(Loss) after interest, but before depreciation	918.97	(181.64)
Less : Depreciation	547.91	513.21
PROFIT BEFORE TAX	371.06	(694.85)
Less : Provision for Income Tax - Current Tax	78.00	2.65
Less : Provision for Deferred Tax Liability (Net)	(18.30)	(206.30)
Less : Prior Year Taxes	0.11	0.00
NET PROFIT/(LOSS) AFTER TAX	311.25	(491.20)
Add : Opening Surplus	729.75	1220.95
Total profit available for appropriation	<u>1041.00</u>	<u>729.75</u>

DIVIDEND

In view of lower cash generation and to strengthen the long term internal resources of the Company, the Board of Directors has not recommended any dividend for the financial year, under review

REVIEW OF OPERATIONS

During the year under review, the Company achieved better working results due to improvement in production and sales of yarn and fairly stable prices of cotton, when compared with the previous year. However, the uncertainty on supply of power by the State controlled Electricity undertaking / Department and also the steep increase in the cost of purchased power had impacted the profitability of the Company. Yet the Company achieved much better working results than in the previous year due to better capacity utilisation in spite of frequent disruption in supply of power.

The sales turnover was Rs.8518.13 Lacs as against Rs.7840.32 Lacs in the previous due to increase in Yarn production and increase in yarn prices. Even the yarn production increased to 36.23 Lacs Kgs as against 31.87 Lacs Kgs. in last year. The mill has produced Knitted fabrics of 18.44 Lacs Kgs. as against 17.72 Lacs Kgs. in last year. The windmills generated 83.20 Lacs units (net) of wind electricity as against 83.99 Lacs units in the previous year. The Wind electricity was captively consumed by use in the Textile Mill.

The overall performance should be considered as satisfactory.

OUTLOOK FOR THE IMMEDIATE FUTURE

Though the crisis are prevailing in the textile market, the company has earned profit during 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 the credit balance in the Profit and Loss account stood at Rs. 1041.00 Lacs (Rs. 729.75 Lacs. credit balance in the previous year). The Liability for interest free sales Tax deferred credit stood at Rs.229.48 Lacs. (Rs. 338.29 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 periodical 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. 98,550/- 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.

FIXED DEPOSITS

The Company has not accepted any deposits from the Public during the year and there is no outstanding on the account of public deposits.

INDUSTRIAL RELATIONS

The Industrial relations continued to remain cordial during the period. The Board of Directors wishe 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 (1) of 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 31st March 2013 is given in Annexure to 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 G.V.S. Desikan and Sri Dulichand Pansari Directors of the Company will retire by rotation at the ensuing Annual General Meeting and being eligible, they offer themselves for reappointment. The Directors recommend their re-appointment. The details as required under clause 49 of the listing Agreement is given as part of the notice convening the Nineteenth annual general meeting.

Shri Mahesh Agarwal resigned from his directorship on 3rd December, 2012 and the board places on record its appreciation of the services rendered during his tenure of office.

DIRECTORS' RESPONSIBILITY STATEMENT :

In term of the provisions of Sec.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 as at the end of the financial year and of the profit 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.

COST AUDITOR

The Company has appointed Sri B. Venkateswar, Cost Accountant as the Cost Auditor of the Company for the year 2013-14 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 Chennai, Ahmedabad and Calcutta and the Company has paid the annual listing fees to Stock Exchanges for the financial year 2012-13.

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 9th 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 and Shareholder's for their appreciation of the managements's efforts expressed at the general meetings of the Company.

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

FOR AND ON BEHALF OF THE BOARD

(Sd)..

SHYAMLAL AGARWALA
Chairman

Place: COIMBATORE
Date : 27th May 2013

**ANNEXURE TO THE DIRECTORS REPORT
FORM A**

Information pursuant to the Companies (Disclosure of Particulars in the report of 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	31st March 2013	31st March 2012
1. ELECTRICITY		
a) Purchased :		
Units	8904994	9584880
Total amount (Rs.)	58667700	45950261
Rate per Unit (Average)	6.59	4.79
b) Own generation through Diesel Generators:-		
Units (KWH)	3351856	1321678
Consumed (Litres)	903711	389317
Total amount (Rs.)	40261937	14875753
Units per litre of diesel (KWH)	3.71	3.39
Cost per unit (Rs.)	12.01	11.27
2. COAL	—	—
3. FURNACE OIL	—	—
4. OTHERS/INTERNAL GENERATION		
Wind Electricity through own WEG's (Unit)	8319696	8399278
Total Amount (Rs.)	44608497	33741465
5. Consumption per unit of Production:-		
Production in Kgs	3622771	3187093
Electricity Units	12256850	10906558
Unit/Kg of Yarn	3.38	3.42

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 & INNOVATION

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

3. FOREIGN EXCHANGE EARNINGS & OUTGO :-

EARNED

Total Foreign exchange earned :-	Rs. in Lacs	Rs. in Lacs
F.O.B Value of Exports of finished and Traded goods	1957.57	1255.48

USED

Remittances in Foreign exchange :-		
Purchase of Capital goods, Spares, Commission on Exports & Interest on FCL	72.13	44.44

BY ORDER OF THE BOARD

(Sd)..

SHYAMLAL AGARWALA
Chairman

Place: COIMBATORE
Date : 27th May 2013

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Industry Structure and Developments : The Textile Industry is a major export earner for the country by export of cotton yarn and value added products like fabrics and garments. The revival of economy in the overseas market will add stimulus to the Industry. The Industry depends upon availability of cotton at a stable price besides availability of uninterrupted supply of power from the State Controlled Electricity undertakings. The Management continues to upgrade the quality of yarn produced to ensure competitive advantage in marketing its products more through exports and sustain profitability.

Opportunities and Threats : The cotton textile industry has large potential for growth through ever growing demands for cotton fabrics / garments; however, the textile industry in India, continues to face the threat of availability of quality cotton at a stable price as the domestic supply of cotton depends upon vagaries of monsoon. The adverse fluctuation of rupee as against dollar, is more than off set by the constant rise in the prices of imported raw material and cost of fuel, which leads to increase in the cost of power purchased from the State Controlled Electricity undertakings or from other private suppliers. Hence the company is exposed to the threat of erosion of profit in spite of optimum production and exports.

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

The Company's Financial Performance & Analysis : The Company earned post tax profit of Rs. 311.25 Lacs (Previous year Loss of Rs. 491.20 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

(Sd)..

Place: COIMBATORE
Date : 27th May 2013

SHYAMLAL AGARWALA
Chairman



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 endeavour to attain high levels of transparency, accountability, fairness and equity in all its facts of operation, to serve the best interest of all the stake holders in the Company, including Shareholders, Lenders, Employees and the Government.

2. BOARD OF DIRECTORS :-

A) Composition of the Board :-

The Board of Directors comprises of 5(Five) Directors viz., one Chairman cum Managing Director, one Joint Managing Director both whom represent Promoters; of the remaining three Directors, 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 more than 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 6 (Six) times during the financial year on the dates mentioned below :

1) 11th May 2012	2) 29th June 2012	3) 13th August 2012	4) 9th November 2012	5) 5th December 2012	6) 13th February 2013
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The Annual General Meeting for last year was held on 20th September, 2012. 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.

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 Memberships held in other companies	
				As Chairman	As Member
Sri Shyamlal Agarwala Managing Director	6	Yes	2	1	1
Sri Manoj Kumar Jhajharia Joint Managing Director	6	Yes	1	Nil	2
Sri G.V.S. Desikan	6	Yes	7	3	2
Sri Mahesh Kumar Agarwal**	NIL	Yes	6	Nil	Nil
Sri Dulichand Pansari	1	Yes	Nil	Nil	Nil
Sri C. Thirumurthy	6	Yes	1	Nil	Nil

* No Extra Ordinary General Meeting held during the year.

** Till 3rd December, 2012

D) Committees of Board : -

The Board of Directors and its Committees meet at periodic intervals. Policy formulation, setting up of goals, evaluation of performance and control function vested 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 (Till 3rd December 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.

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 five times during the year under review, on the following dates:

1) 11 th May 2012	2) 29 th June 2012	3) 13 th August 2012	4) 9 th November 2012	5) 13 th February 2013
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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 auditors and the fixation of audit fees.
- (3) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- (4) Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - (a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - (b) Changes, if any, in accounting policies and practices and reasons for the same.
 - (c) Major accounting entries involving estimates based on the exercise of judgment by management.
 - (d) Significant adjustments made in the financial statements arising out of audit findings.
 - (e) Compliance with listing and other legal requirements relating to financial statements.
 - (f) Disclosure of any related party transactions.
 - (g) Qualifications in the draft audit report.

- (5) Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- (6) Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- (7) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- (8) Discussion with internal auditors any significant findings and follow up thereon.
- (9) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- (10) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- (11) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

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. C. Thirumurthy - Member

* Till 3rd December 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 2012 - 2013 (Rs.)		
			Salary & Perquisites	Commission	Total
1. Shyamlal Agarwala Managing Director	Father of Joint Managing Director	Promotor	13,61,692	NIL	13,61,692
2. Manoj Kumar Jhajharia Joint Managing Director	Son of Managing Director	Promotor	12,30,923	NIL	12,30,923

Sri Shyamlal Agarwala and Sri Manoj Kumar Jhajharia are related to each other as father and son respectively and Sri Mahesh Agarwal (till 13th December 2012) is related to Sri Shyamlal Agarwala as brother.

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. C. Thirumurthy	Non Executive Independent	11,000

* Till 3rd December 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 Jhajharia and Sri G.V.S. Desikan.

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

1) 11 th May 2012	2) 13 th August 2012	3) 9 th November 2012	4) 13 th February 2013
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NO OF COMPLAINTS RECEIVED FROM SHAREHOLDERS DURING THE FINANCIAL YEAR:

- Number of Complaints received from Shareholders : Nil
- Number of Complaints not solved : Nil
- Number of pending Transfers : Nil
- Compliance Officer : Sri. Manoj Kumar Jhajharia
Joint Managing Director

6. 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.

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.

7. ANNUAL GENERAL MEETINGS :-

A) Particulars of past three Annual General Meeting :-

AGM	Year	Venue	Date	Time
16th	2010	Registered Office at Pungampalli	13 th September 2010	10.30 AM
17th	2011	Registered Office at Pungampalli	08 th September 2011	10.30 AM
18th	2012	Registered Office at Pungampalli	20 th September 2012	10.30 AM

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.

8. 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 2013.

9. 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.

10. MEANS OF COMMUNICATIONS :-

- 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.
- 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.
- The financial results are also accessible on the Company's website www.salonagroup.com

11. GENERAL SHAREHOLDERS INFORMATION :-

- (i) Annual General Meeting:
The Nineteenth Annual General Meeting of the Company will be held on Monday, the 16th September, 2013 at 10.00 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 Jhahharia,
Joint Managing Director.
- (iii) Financial Year : 12 months ending 31st March, 2013
- (iv) Date of Book Closure: : 10th September 2013 to 16th September 2013 (Both days inclusive)
The Register of Members and Share Transfer Books of the Company will remain closed from 10th September 2013 to 16th September 2013 (both days inclusive) for the purpose of Annual General Meeting.
- (v) Financial Calendar (Tentative):

1	Publication of unaudited financial results for the quarter ended 30 th June 2013	2 nd week of August 2013
2	Publication of unaudited financial results for the quarter ended 30 th September 2013	2 nd week of November 2013
3	Publication of unaudited financial results for the quarter ended 31 st December 2013	2 nd week of February 2014
4	Publication of unaudited financial results for the quarter ended 31 st March 2014	Last week of May 2014 in case of audited & 2 nd week of May 2014 in case of unaudited financial results
5	Annual General Meeting	September 2014

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 5th 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 9th 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 2012	14.94	13.90	17664.10	17010.16
May 2012	13.90	11.79	17432.33	15809.71
June 2012	13.75	11.85	17448.48	15748.98
July 2012	15.00	13.25	17631.19	16598.48
August 2012	14.40	13.00	17972.54	17026.97
September 2012	14.00	12.50	18869.94	17250.80
October 2012	15.00	13.31	19137.29	18393.42
November 2012	21.02	13.99	19372.70	18255.69
December 2012	24.65	18.50	19612.18	19149.03
January 2013	23.20	20.35	20203.66	19508.93
February 2013	23.00	20.00	19966.69	18793.97
March 2013	20.00	14.75	19754.66	18568.43

- (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
Kanamathy Towers, 3rd 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 31st March 2013, 41,85,300 Shares constituting 79.53% 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 Shareholders	% of Shareholders	No. of Shares	% of Shareholding
1 to 500	945	62.79	313537	5.96
501 to 1000	276	18.34	259100	4.92
1001 to 2000	145	6.93	238005	4.52
2001 to 3000	44	2.92	118514	2.25
3001 to 4000	14	0.93	49954	0.95
4001 to 5000	13	0.86	60461	1.15
5001 to 10000	22	1.46	173683	3.30
Above 10000	46	3.06	4049146	76.94
Total	1505	100.00	5262400	100.00

xi) Category-wise distribution of shareholding :

S.No.	Category	No. of Shares	Percentage
	Promoter's Holding		
1.	Promoters	2751480	52.286
2.	Persons acting in concert	400000	7.601
	Sub Total	3151480	59.887
	Non Promoters Holding		
3.	Banks, Financial Institutions, Insurance Companies	38500	0.732
	Sub Total	38500	0.732
	Other	---	---
4.	Private Corporate Bodies	549689	10.446
5.	Indian Public	1520256	28.888
6.	NRI's/OCB's	2475	0.047
	Sub Total	2072420	39.381
	Total	5262400	100.000

xii) Company Plants :

The Company's plant (Textile Mill) is located at SF No.74/12 and 75/3, 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 Tamil Nadu.

BY ORDER OF THE BOARD

(Sd)..

SHYAMLAL AGARWALA
Chairman

Place: COIMBATORE
Date : 27th May 2013

CORPORATE GOVERNANCE - NON MANDATORY REQUIREMENTS - EXTENT ADOPTED

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

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

Place : COIMBATORE
Date : 27th May 2013

By order of the Board

(Sd)..
SHYAMLAL AGARWALA
Chairman

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

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

For **SALONA COTSPIN LIMITED**

Place : COIMBATORE
Date : 27th May 2013

(Sd)..
SHYAMLAL AGARWALA
Chairman



CEO AND CFO CERTIFICATION

To the Board of Directors of SALONA COTSPIN LIMITED

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

- (a) We have reviewed financial statements and the cash flow statements for the year ended 31st March 2013 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 2012-13, 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
27th May 2013

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

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



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 31st March 2013, 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 31st March 2013 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

Place: COIMBATORE
Date : 27th May 2013

(Sd)..
N. RAMESH NATARAJAN
Partner
Membership No. 200/23443



V K S AIYER AND CO
Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Members

SALONA COTSPIN LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **SALONA COTSPIN LIMITED**, ("the Company"), which comprise the Balance Sheet as at 31st March, 2013, the statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India including Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and the best of our information and according to the explanations given to us, the aforesaid financial statement give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

- (a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2013;
- (b) In the case of the Statement of Profit and Loss of the "PROFIT" for the year ended on that date; and
- (c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date;

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003("the Order") issued by the Central Government of India in terms of Section 227 (4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order,
2. As required by Section 227(3) of the Act, 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, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.
 - e) On the basis of the written representations, received from the directors as on March 31, 2013, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of Section 274(1) (g) of the Act.

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

(Sd).

N. RAMESH NATARAJAN
Partner
Membership No. 200/23443

Place : COIMBATORE
Date : 27th May 2013

ANNEXURE TO INDEPENDENT AUDITOR'S REPORT

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.
 - a. In respect of transactions that need to be entered in a register in pursuance of Section 301 of the Act, transactions have been so entered;
 - b. For transactions each of which exceeding the value of Rs.5 Lacs in respect of any party, these transactions each of these transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public.
7. In our opinion, the internal audit system of the Company is commensurate with its size and nature of its business.
8. The Central Government has prescribed maintenance of Cost Records under Section 209(1) (d) of the Companies Act, 1956 for Textiles & Wind 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 31st March, 2013 for a period of more than six months from the date of becoming payable.
 - b) The details of disputed statutory dues are as under :

Name of the Statute	Nature of the Dues	Amount	Asst. Year	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	Nil	2010-11	Commissioner of Income Tax (Appeals), Coimbatore

10. The Company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit but in the immediately preceding financial year.

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 and debenture holders.

11. 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.
12. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society, Therefore, clause 4(xiii) of the companies (Auditors report) order 2003 is not applicable to the company.
13. 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.
14. The Company has not given any guarantee for loans taken by others from Bank and Financial Institutions.
15. The Term loans raised by the Company have been applied for the purpose for which they were raised.
16. 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.
17. 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.
18. The Company has not issued any debentures during the period under audit.
19. The Company has not raised any money by way of public issue during the year.
20. In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year, that causes the financial statements to be materially misstated.

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

(Sd)..

N. RAMESH NATARAJAN
Partner
Membership No. 200/23443

Place: COIMBATORE
Date : 27th May 2013



BALANCE SHEET AS AT 31ST MARCH 2013

No	Particulars	Note No.	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
I	EQUITY AND LIABILITIES			
(1)	Shareholder's Funds			
(a)	Share Capital	2	53,288,927	53,288,927
(b)	Reserves and Surplus	3	104,099,443	72,974,177
(c)	Money received against share warrants	-	0	0
	Sub Total of 1		157,388,370	126,263,104
(2)	Share application money pending allotment		0	0
(3)	Non-Current Liabilities			
(a)	Long term borrowings	4	181,998,933	226,132,833
(b)	Deferred Tax Liabilities (Net)	5	21,139,600	22,969,700
(c)	Other Long Term Liabilities	-	0	0
(d)	Long -Term Provisions	6	3,298,471	3,121,941
	Sub Total of 3		206,437,004	252,224,474
(4)	Current Liabilities			
(a)	Short -Term Borrowings	7	165,709,188	161,356,591
(b)	Trade Payables	8	16,726,607	20,595,768
(c)	Other Current Liabilities	9	61,795,173	74,077,339
(d)	Short - Term Provisions	10	2,642,956	0
	Sub Total of 4		246,873,924	256,029,698
	TOTAL (1+2+3+4)		610,699,298	634,517,276
II	ASSETS			
(1)	Non-current assets			
(a)	Fixed Assets	11		
(i)	Tangible assets		285,448,591	337,549,675
(ii)	Intangible assets		35,136	91,136
(iii)	Capital work-in-progress		7,701,624	934,706
(iv)	Intangible assets under development		0	0
	Sub Total of 1 (a)		293,185,351	338,575,517
(b)	Non - Current Investments	12	277,920	277,920
(c)	Deferred Tax Assets (Net)	-		
(d)	Long - Term Loans and advances	13	10,827,086	12,783,504
(e)	Other Non - Current Assets	14	1,857,809	2,477,080
	Sub Total of 1		306,148,166	354,114,021
(2)	Current assets			
(a)	Current Investments	-	0	0
(b)	Inventories	15	186,139,833	188,140,341
(c)	Trade Receivables	16	94,390,618	54,772,594
(d)	Cash and Cash Equivalents	17	5,448,027	15,846,596
(e)	Short - Term Loans and Advances	18	6,247,524	7,598,564
(f)	Other Current Assets	19	12,325,130	14,045,160
	Sub Total of 2		304,551,132	280,403,255
	TOTAL (1+2)		610,699,298	634,517,276

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

For and on Behalf of the Board

N.RAMESH NATARAJAN
Partner
Membership No. 200/23443

Shyam Lal Agarwala
Managing Director

Place: Coimbatore
Date: 27th May 2013

Manoj Kumar Jhajharia
Joint Managing Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2013

No	Particulars	Note No.	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
I	Revenue from operations	20	857,034,160	790,080,374
II	Other Income	21	1,328,856	3,652,556
III	Total Revenue (I + II)		858,363,016	793,732,930
IV	Expenses:			
	Cost of Materials Consumed	22	509,773,728	578,709,208
	Purchase of Stock-in-Trade	23	10,401,379	1,441,079
	Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	24	27,437,535	60,457,433
	Employee Benefit Expenses	25	27,578,794	24,848,057
	Finance Costs	26	48,830,814	46,881,467
	Depreciation and Amortisation Expenses	27	54,791,273	51,321,267
	Other Expenses	28	142,443,148	99,559,679
	Total Expenses (IV)		821,256,670	863,218,191
V	Profit before exceptional and extraordinary items and tax (III - IV)		37,106,346	(69,485,261)
VI	Exceptional Items			
VII	Profit before extraordinary items and tax (V - VI)		37,106,346	(69,485,261)
VIII	Extraordinary Items			
IX	Profit before tax (VII - VIII)		37,106,346	(69,485,261)
X	Tax expense:			
	(1) Current Tax	29	7,800,000	-
	(2) Deferred Tax (Net)	30	(1,830,100)	(20,630,300)
	(3) Prior Year Taxes (Net)	31	11,180	265,286
	Sub Total for Taxes		5,981,080	(20,365,014)
XI	Profit (Loss) for the period from continuing operations (After Tax) (IX - X)		31,125,266	(49,120,247)
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)		31,125,266	(49,120,247)
XVI	Earnings Per Equity Share	32		
	(1) Basic		5.91	(9.33)
	(2) Diluted		5.91	(9.33)

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

Manoj Kumar Jhajharia
Joint Managing Director

Shyamal Agarwala
Managing Director

Place: Coimbatore
Date : 27th May 2013

NOTES TO BALANCE SHEET AS AT 31ST MARCH 2013

NOTE NO. 2 : SHARE CAPITAL

i) Particulars of each class of Share Capital:

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
	Authorised: 6000000 Equity Shares of Rs.10/- each	60,000,000	60,000,000
		60,000,000	60,000,000
	Issued Capital: 5262400 Equity Shares of Rs.10/- each	52,624,000	52,624,000
		52,624,000	52,624,000
	Subscribed, Called Up and Paid Up Capital 5262400 Equity Shares of Rs.10/- each fully paid up	52,624,000	52,624,000
		52,624,000	52,624,000
	Forfeited Shares - 88700 Nos. (Originally Paid up)	664,927	664,927
		53,288,927	53,288,927

ii) Reconciliation in Number and Amount of Equity Shares:

No	Particulars	No. of shares		As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
		As at 31st March 2013	As at 31st March 2012		
	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	5,262,400	5,262,400	52,624,000	52,624,000

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	31.03.2012	31.3.2011	30.3.2010	31.3.2009	31.3.2008
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.				

NOTES TO BALANCE SHEET AS AT 31ST MARCH 2013

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

No	Name of the Person	As at 31st March 2013		As at 31st March 2012	
		% of holding	Number of shares	% of holding	Number of shares
1	Shyamlal Agarwala	7.742%	407393	7.742%	407,393
2	Manoj Kumar Jhaharia	5.628%	296188	5.628%	296,188
3	Pramod Kumar Jhaharia	5.547%	291901	5.547%	291,901
4	Arun Kumar Jhaharia	5.659%	297801	5.659%	297,801
5	Krishna Agarwal	5.870%	308901	5.870%	308,901
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 only one class of share namely 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 any interim dividend declared is payable to the equity shareholders in proportion to their holding. The equity shareholders are eligible to receive the remaining assets of the Company on the occurrence of an event, requiring repayment of capital, in proportion to their shareholding.

vi) **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

vii) **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. 3 : RESERVES AND SURPLUS

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
	Surplus in Statement of Profit and Loss after all allocations and appropriations:-		
	Opening Balance (i)	72,974,177	122,094,424
	Add : Profit after tax for the year (ii)	31,125,266	(49,120,247)
	Total (iii = i+ii)	104,099,443	72,974,177
	Less: (a) Transfer from / to Reserve	-	-
	(b) Provision for Proposed Equity Dividend	-	-
	(c) Provision for Tax on Equity Dividend	-	-
	Total (iv)	-	-
	Total of Surplus (v = (iii) - (iv))	104,099,443	72,974,177
	Total of Reserves & Surplus	104,099,443	72,974,177

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NOTES TO BALANCE SHEET AS AT 31ST MARCH 2013

NOTE NO. 4 : LONG TERM BORROWINGS

A. Classifications:-

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
	Secured:		
(a)	Term Loans - From Banks (Secured)	158,639,839	194,053,701
(b)	Deferred Payment Liabilities (Secured)	10,659,094	22,768,707
(c)	Long term maturities of Finance Lease Obligation (Secured)	-	110,425
	Unsecured:		
(d)	Other Loans and Advances (Unsecured)	12,700,000	9,200,000
	Total	181,998,933	226,132,833

B. Other Disclosures:

(a) (i) Term Loans from Banks - Classification

No	Particulars	Limit sanctioned (Rs. In Lacs)	Terms of repayment	Amount outstanding	
				As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
1	Secured : Union Bank of India			-	
	Term Loan - 334506390014008	390	72 months commencing from October 2005 @ Rs.5.42 Lacs Per installment (variable ROI Basic PLR)	0	4,259,907
	Term Loan - 334506390014018	1094	84 months commencing from May 2007 @ Rs.13.02 Lacs Per installment (variable ROI Basic PLR)	33,539,517	48,575,513
	Term Loan - 334506390014024	248	24 Quarters commencing from June 2011 @ Rs.10.33 Lacs Per installment (variable ROI Basic PLR)	12,880,674	17,014,195
2	State Bank of India				
	Term Loan - 10496095732	721	24 Quarters commencing from June 2005 @ Rs.30.00 Lacs Per installment (variable ROI 4.50% above Base rate)	-	3,192,136
	Term Loan - 30024546889	432	72 months commencing from April 2006 @ Rs.6.00 Lacs Per installment (variable ROI 4.50% above Base rate)	-	8,699,000
3	Oriental Bank of Commerce				
	Term Loan - 10447021000355	1368	84 months commencing from January 2011 @ Rs.16.29 Lacs Per installment (variable ROI Base rate + 3.75%)	109,600,000	112,312,950
4	The Catholic Syrian Bank Ltd.,				
	Term Loan - 0263-00130411-690001	60	90 months commencing from June 2012@ Rs. 1.08 Lacs Per installment (variable ROI Base rate + 300 bps.)	2,038,417	-
	Mortgage Loan - 0263-00130411-640001	26	90 months commencing from June 2012@ Rs. 0.47 Lacs Per installment (variable ROI Base rate + 300 bps.)	581,231	-
	Total			158,639,839	194,053,701
				158,639,839	194,053,701

NOTES TO BALANCE SHEET AS AT 31ST MARCH 2013

ii) Nature of Security and Details of Guarantee

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

iii) Terms of Repayment of Term Loans etc.

No	Particulars	Limit sanctioned	Terms of repayment
	Secured :		
1	Union Bank of India		
	Term Loan - 334506390014008	390	72 months commencing from October 2005 @ Rs.5.42 Lacs Per installment (variable ROI Basic PLR)
	Term Loan - 334506390014018	1094	84 months commencing from May 2007 @ Rs.13.02 Lacs Per installment (variable ROI Basic PLR)
	Term Loan - 334506390014024	248	24 Quarters commencing from June 2011 @ Rs.10.33 Lacs Per installment (variable ROI Basic PLR)
2	State Bank of India		
	Term Loan - 10496095732	721	24 Quarters commencing from June 2005 @ Rs.30.00 Lacs Per installment (variable ROI 4.50% above Base rate)
	Term Loan - 30024546889	432	72 months commencing from April 2006 @ Rs.6.00 Lacs Per installment (variable ROI 4.50% above Base rate)
3	Oriental Bank of Commerce		
	Term Loan - 10447021000355	1368	84 months commencing from January 2011 @ Rs.16.29 Lacs Per installment (variable ROI Base rate + 3.75%)
4	The Catholic Syrian Bank Ltd.,		
	Term Loan - 0263-00130411-690001	60	90 months commencing from June 2012@ Rs. 1.08 Lacs Per installment (variable ROI Base rate + 300 bps.)
	Mortgage Loan - 0263-00130411-640001	26	90 months commencing from June 2012@ Rs. 0.47 Lacs Per installment (variable ROI Base rate + 300 bps.)

NOTES TO BALANCE SHEET AS AT 31ST MARCH 2013

(b) Deferred Payment Liabilities:

No	Particulars	Credit Availed Rs. In Lacs	Terms of repayment	Amount outstanding	
				As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
	Secured Interest Free Sales Tax Deferral Scheme	745.81	MONTHLY	10,659,094	22,768,707
	Total			10,659,094	22,768,707

The Liability under Sales Tax deferral scheme is fully secured on the gross value of fixed assets acquired by the undertaking and is personally guaranteed by the Managing Director.

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

No	Name of the Lessor	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
	Secured		
1	Union Bank of India	-	25,525
2	Kotak Mahindra Prime Ltd	-	84,900
	Total	-	110,425

The vehicle 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	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
1	Unsecured Inter-corporate Loans	12,700,000	9,200,000
	Total	12,700,000	9,200,000
	(Terms of repayment - exceeding 24 months and carrying rate of interest of 12% per annum) (Amount of Loan Repayable per period is variable and depends upon the amount availed earlier)		

NOTES TO BALANCE SHEET AS AT 31ST MARCH 2013

NOTE NO. 5 : DEFERRED TAX LIABILITIES (NET)

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
A.	Deferred Tax Liability		
	Opening Balance	57,324,900	62,010,000
	Add : Additions during the year		5,450,000
		57,324,900	67,460,000
	Less: Reversed During the year	9,903,000	10,135,100
	(A)	47,421,900	57,324,900
B	Deferred Tax Asset		
	Opening Balance	34,355,200	18,410,000
	Add : Additions during the year	-	16,405,200
		34,355,200	34,815,200
	Less: Reversed During the year	8,072,900	460,000
	(B)	26,282,300	34,355,200
C	Deferred Tax Liability (Net) A-B	21,139,600	22,969,700

NOTE NO. 6 : LONG -TERM PROVISIONS

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
1	Provision for Employee Benefits		
	Provision for Gratuity	3,298,471	3,121,941
	Total	3,298,471	3,121,941

NOTE NO. 7 : SHORT -TERM BORROWINGS

A. Classifications :

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
(a)	Loans repayable on demand		
	i) From Banks	165,709,188	161,356,591
	Total	165,709,188	161,356,591

NOTES TO BALANCE SHEET AS AT 31ST MARCH 2013

B. Other Disclosure

(i) Loans Repayable on Demand from Bank

No	Particulars	Limit Sanctioned Rs. In Lacs	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
	Secured			
1	Cash Credit From Banks			
	The Catholic Syrian Bank Ltd - 0263-00130411-710001	750.00	7,993,427	50,488,546
	Oriental Bank of Commerce - 10444011000289	200.00	1,598,322	4,912,744
	Union Bank of India - 334505010880253	910.00	1,864,823	13,613,944
	State Bank of India - 10496077213	356.00	2,410,162	30,647,822
2	FCNRB Loans			
	The Catholic Syrian Bank Ltd - 0263-00130411-725805	(sub-limit)	10,000,000	9,970,850
	The Catholic Syrian Bank Ltd - 0263-00130411-725806	(sub-limit)	10,000,000	10,000,000
	State Bank of India FCNRB	(sub-limit)	-	-
	Union Bank of India - 33450640000009	(sub-limit)	50,000,000	25,000,000
3	Packing credit loans			
	Oriental Bank of Commerce - 10448511000237	(sub-limit)	-	3,025,943
	Union Bank of India - 334507220000005	(sub-limit)	31,811,768	13,696,742
	State Bank of India	(sub-limit)	23,970,577	-
4	Foreign Bills Purchased by Banks			
	Union Bank of India (FDBP A/c) - 334509030000008	300.00	10,173,066	-
	State Bank Of India		8,131,546	-
5	Inland Bills Purchased By Banks			
	State Bank of India		7,755,497	-
	Total	2,516.00	165,709,188	161,356,591

(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 or 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 and the guarantee is for the amount outstanding to the said banker.

NOTE NO. 8 : TRADE PAYABLES

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
1	For goods and services		
	Micro Small & Medium Enterprises	-	-
2	Others	16,726,607	20,595,768
	Total	16,726,607	20,595,768

NOTES TO BALANCE SHEET AS AT 31ST MARCH 2013

NOTE NO. 9 : OTHER CURRENT LIABILITIES

A. Classifications:-

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
a	Current maturities of Long Term Debt	50,232,517	61,152,156
b	Interest accrued and due on Term Loans	2,401,592	4,530,288
c	Interest accrued and due on Unsecured Loans	1,768,863	545,059
d	Current Maturities of Finance Lease Obligations	83,630	498,088
e	Interest accrued and due on Working Capital Loans	1,338,295	-
h	Unpaid dividends	863,675	975,920
i	Other payables		
	↳Liability For Expenses	3,318,648	2,600,099
	Statutory Liabilities (duties and taxes payable)	1,787,953	2,003,901
	Advances From Customers	-	1,771,828
	Total	61,795,173	74,077,339

NOTE NO. 10 : SHORT - TERM PROVISIONS

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
1	Others		
	a. Provision for Dividends	-	-
	b. Provision for Taxation (net)	2,642,956	
	Total	2,642,956	-

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NOTES TO BALANCE SHEET AS AT 31ST MARCH 2013

NOTE NO. 11 : FIXED ASSETS										AMOUNT - Rs.	
No.	PARTICULARS	<----- GROSS BLOCK ----->			<----- DEPRECIATION ----->			<----- NET BLOCK ----->			
		As on 01.04.2012	Additions / Acquisitions through Business Combinations	Deletions / Disposals	As on 31.03.2013	Upto 01.04.2012	For the year	With Drawn on Account of Disposal	Upto 31.03.2013	As on 31.03.2013	As on 31.03.2012
A TANGIBLE ASSETS											
1	FREE HOLD LAND	1,588,882	-	-	1,588,882	-	-	-	1,588,882	1,588,882	
2	BUILDING	67,738,139	-	-	67,738,139	17,896,357	2,050,330	-	47,791,452	49,841,782	
3	PLANT & EQUIPMENTS	604,622,926	2,248,904	950,508	605,921,322	322,776,890	51,586,129	837,263	232,395,566	281,846,036	
4	FURNITURE & FIXTURES	1,037,564	13,200	-	1,050,764	531,654	56,460	-	462,650	505,910	
5	VEHICLES	6,133,843	-	-	6,133,843	3,264,580	578,650	-	2,290,613	2,869,263	
6	OFFICE EQUIPMENTS	4,134,097	485,330	-	4,619,427	3,236,295	463,704	-	919,428	897,802	
TOTAL A		685,255,451	2,747,434	950,508	687,052,377	347,705,776	54,735,273	837,263	285,448,591	337,549,675	
B INTANGIBLE ASSETS **											
7	COMPUTER SOFTWARE	140,000	-	-	140,000	48,864	56,000	-	104,864	91,136	
TOTAL B		140,000	-	-	140,000	48,864	56,000	-	104,864	91,136	
C CAPITAL WORK-IN-PROGRESS											
8	BUILDING	934,706	3,416,511	-	4,351,217	-	-	-	4,351,217	934,706	
PLANT & EQUIPMENTS		-	3,350,407	-	3,350,407	-	-	-	3,350,407	-	
TOTAL C		934,706	6,766,918	-	7,701,624	-	-	-	7,701,624	934,706	
D INTANGIBLE ASSETS UNDER CONSTRUCTION											
TOTAL D		-	-	-	-	-	-	-	-	-	
CURRENT YEAR FIGURES (TOTAL (A+B+C+D))		686,330,157	9,514,352	950,508	694,894,001	347,754,640	54,791,273	837,263	293,185,351	338,575,517	
PREVIOUS YEAR FIGURES		677,423,706	16,140,802	7,234,351	686,330,157	297,058,311	51,321,267	624,938	338,575,517	380,365,395	

NOTES TO BALANCE SHEET AS AT 31ST MARCH 2013

NOTE NO. 12 : NON - CURRENT INVESTMENTS

A. Classifications:

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
a	Investments in Equity Instruments valued at cost	277,920	277,920
	Total	277,920	277,920

B. Break up details for Investments:

1) Details for Investments in Equity.

No	Name of the Script	No of Shares / Units	Cost of Acquisition	Carrying amount As at 31st March 2013 Rs.	Carrying amount As at 31st March 2012 Rs.
i)	Equity Instruments:				
	<u>Non-trade Quoted</u>				
1	Union Bank of India 3272 Equity shares of Rs.10/- each (Previously 3272 equity shares of Rs.10/- each)	3,272	77,920	77,920	77,920
	<u>Trade - Unquoted</u>				
1	Sarmangala Synthetics Limited 20000 Equity shares of Rs.10/- each.	20,000	200,000	200,000	200,000
	Sub Total	23,272	277,920	277,920	277,920

2. Abstract of Investments in Equity

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
a	Aggregate amount of quoted investments	77,920	77,920
b	Market Value of Quoted Investments	713,296	768,429
c	Aggregate amount of unquoted investments	200,000	200,000
	Net Carrying amount of Investments	277,920	277,920

NOTES TO BALANCE SHEET AS AT 31ST MARCH 2013

NOTE NO. 13 : LONG - TERM LOANS AND ADVANCES

A. Classifications:

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
	Unsecured and Considered good		
1	Capital Advances	5,556,640	5,556,640
2	Security Deposits	5,095,446	7,011,864
3	Loans and advances to related parties	60,000	60,000
4	Other Loans and Advances	115,000	155,000
	Total	10,827,086	12,783,504

B. Disclosures:

1) Capital advances

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
i)	Unsecured, considered Good Advances for acquisition of capital assets/ expenditure	5,556,640	5,556,640
	Total	5,556,640	5,556,640

2) Security Deposits:

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
i)	Unsecured, considered Good Deposits with Statutory Authorities (Security deposits are placed with Electricity, Telephone and other Statutory authorities.)	5,095,446	7,011,864
	Total	5,095,446	7,011,864

3) Loans and advances to Related Parties

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
i)	Unsecured, considered Good Rental Advance for Office Premises	60,000	60,000
	Total	60,000	60,000

4) Other loans and advances

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
ii)	Unsecured, considered Good Rental Advance for Office Premises	80,000	80,000
	Amount due from Officers of the Company	35,000	75,000
	Total	115,000	155,000

NOTES TO BALANCE SHEET AS AT 31ST MARCH 2013

NOTE NO. 14 : OTHER NON - CURRENT ASSETS

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
a)	Others		
	Deferred revenue expenditure, (Secured Considered Good)		
	Opening balance	2,477,080	3,096,351
	Less: Amortised during the year	619,271	619,271
	Closing balance	1,857,809	2,477,080

NOTE NO. 15 : INVENTORIES

A. Classification

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
	Inventory on Hand		
a)	Raw materials	138,747,131	110,485,171
b)	Work in progress	23,049,528	33,510,831
c)	Finished goods	20,396,812	41,157,733
d)	Stores & Spares	3,946,362	2,986,606
	Total	186,139,833	188,140,341
	(Mode of valuation stated in Sl.no.5 of Significant Accounting Policies)		

NOTE NO. 16 : TRADE RECEIVABLES

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
a)	Outstanding for a period exceeding six months		
	-Unsecured, considered good	211,781	518,539
	Sub Total	211,781	518,539
b)	Others		
	-Unsecured, considered good	94,178,837	54,254,055
	Sub Total	94,178,837	54,254,055
	Total	94,390,618	54,772,594
(Note : Trade receivables due by directors / officers and due by firms or private limited companies in which any director is a partner or a director is NIL)			

NOTE NO. 17 : CASH AND CASH EQUIVALENTS

A. Classification:

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
a)	Cash on hand	221,252	508,353
b)	Balances with banks:		
	- Cheques, draft on hand	313,967	10,396,278
	- In earmarked accounts		
	Unpaid dividend accounts	883,675	995,919
c)	Other bank deposits		
	- Margin Money Deposits held under lien by Banks	4,029,134	3,946,046
	Total	5,448,027	15,846,596

NOTES TO BALANCE SHEET AS AT 31ST MARCH 2013

NOTE NO. 18 : SHORT - TERM LOANS AND ADVANCES

A. Classifications:-

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
1	Other loans and advances -Secured, considered Good -Unsecured, considered Good -Other Parties	6,247,524 0	7,598,564 0
	Total	6,247,524	7,598,564
(Note : Trade receivables due by directors / officers and due by firms or private limited companies in which any director is a partner or a director is NIL)			

B. Other Disclosures:

Unsecured and Considered good

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
1	Trade Advances	3,980,752	4,279,611
2	Advance Towards Direct Taxes (Net)	-	81,414
3	Advance Towards Indirect Taxes	1,158,731	1,945,262
4	Prepaid Expenses	622,853	478,186
5	Advances to Staff and Other Operatives	458,353	399,900
6	Other Advances	26,836	414,191
	Total	6,247,524	7,598,564

NOTE NO. 19 : OTHER CURRENT ASSETS

A. Classifications:-

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
a)	Other current assets (refer note below)	12,325,130	14,045,160
	Total	12,325,130	14,045,160

NOTES TO STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED AS AT 31ST MARCH 2013

NOTE NO. 20 : REVENUE FROM OPERATIONS

A. Classifications:-

No	Particulars	As at 31 st March 2013 Rs.	As at 31 st March 2012 Rs.
1	Sale of Products	851,813,214	784,032,159
2	Other Operating Revenues	5,220,946	6,048,215
		857,034,160	790,080,374
	Less: Excise Duty	-	-
	Total	857,034,160	790,080,374

B. Other Disclosures:

(i) Other operating revenues

No	Particulars	As at 31 st March 2013 Rs.	As at 31 st March 2012 Rs.
	Export Incentives		
1	Duty Draw Back	4,309,396	1,781,080
2	DEPB Licence	31,953	4,249,615
3	Other Miscellaneous Income	879,597	17,520
		5,220,946	6,048,215

NOTE NO. 21 : OTHER INCOME

A. Classifications:-

No	Particulars	As at 31 st March 2013 Rs.	As at 31 st March 2012 Rs.
1	Interest Income	1,290,925	1,200,758
2	Dividend Income	26,176	26,176
3	Other Non- Operating Income (Net of Expenses directly attributable to such Income) (Refer note (iii) below)	11,755	2,425,622
	Total	1,328,856	3,652,556

B. Other Disclosures:

(i) Interest Income

No	Particulars	As at 31 st March 2013 Rs.	As at 31 st March 2012 Rs.
1	From Current Investments		
	Interest Receipts:		
	Banks Fixed Deposits	359,134	485,997
	Inland Bill Discounting	514,679	324,403
	Energy Security Deposit	409,996	368,679
	From Other Accounts		
2	Interest Receipts-Other parties/ accounts	7,116	21,679
	Total	1,290,925	1,200,758

NOTES TO STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED AS AT 31ST MARCH 2013

(ii) Dividend Income			
No	Particulars	As at 31 st March 2013 Rs.	As at 31 st March 2012 Rs.
1	From Others:		
	From Long Term Investments		
	Union Bank Of India	26,176	26,176
	Total	26,176	26,176
(iii) Other Non Operating Income:			
No	Particulars	As at 31 st March 2013 Rs.	As at 31 st March 2012 Rs.
1	Profit on sale of Fixed Assets	11,755	6,195
2	Insurance Income (Surrender of Keyman Insurance Policy)	-	2,419,427
	Total	11,755	2,425,622

NOTE NO. 22 : COST OF MATERIALS CONSUMED

No	Particulars	As at 31 st March 2013 Rs.	As at 31 st March 2012 Rs.
1	Raw Materials	505,406,823	574,789,104
2	Other Consumables	4,366,904	3,920,104
	Total	509,773,728	578,709,208

A. Disclosures:

No	Particulars	As at 31 st March 2013 Rs.	As at 31 st March 2012 Rs.
1	Consumption of Raw Materials		
	Cotton:		
	Opening stock of Raw Materials	110,485,171	253,364,467
	Work-in Progress	8,956,453	5,132,220
	Add: Purchases during the year	529,884,094	435,734,041
		649,325,718	694,230,728
	Less: Closing stock of raw materials	138,747,131	110,485,171
	Work-in Progress	5,171,764	8,956,453
	Consumption of raw materials	505,406,823	574,789,104
2	Consumption of Other Consumables		
	Packing Consumables:		
	Opening stock	162,894	419,237
	Add: Purchases during the year	4,382,595	3,663,761
		4,545,489	4,082,998
	Less: Closing stock	178,585	162,894
	Consumption of other materials	4,366,904	3,920,104

NOTES TO STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED AS AT 31ST MARCH 2013

NOTE NO. 23 : PURCHASE OF STOCK-IN-TRADE

No	Particulars	As at 31 st March 2013 Rs.	As at 31 st March 2012 Rs.
1	Yarn	8,572,763	581,911
2	Fabric	-	172,975
3	Waste	1,825,713	686,193
4	Scrap	2,903	-
	Total	10,401,379	1,441,079

NOTE NO. 24 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN TRADE

No	Particulars	As at 31 st March 2013 Rs.	As at 31 st March 2012 Rs.
a	Inventories at the commencement of the year	65,712,111	126,169,544
b	Less: Inventories at the close of the year	38,274,576	65,712,111
	Total	27,437,535	60,457,433

Disclosure on Changes in Inventories:

No	Particulars	As at 31 st March 2013 Rs.	As at 31 st March 2012 Rs.
1 Opening Stock:			
	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 - Seconds Cotton	6,487,527	5,029,752
		65,712,111	126,169,544
2 Less: Closing Stock:			
	Finished Goods - Yarn	16,460,693	27,901,666
	Finished Goods - Fabrics	969,794	6,768,540
	Work in Process	17,877,764	24,554,378
	By-Product - Seconds Cotton	2,966,326	6,487,527
		38,274,576	65,712,111
	Total	27,437,535	60,457,433

NOTE NO. 25 : EMPLOYEE BENEFIT EXPENSES

No	Particulars	As at 31 st March 2013 Rs.	As at 31 st March 2012 Rs.
1	Salaries & Wages	15,648,015	14,874,534
2	Contribution to Provident and Other Funds	1,201,192	1,099,298
3	Expenses on Employee Stock Option	-	-
4	Staff Welfare Expenses (refer note no (1) below)	8,136,972	6,281,610
5	Managerial Remuneration	2,592,615	2,592,615
	Total	27,578,794	24,848,057

NOTES TO STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED AS AT 31ST MARCH 2013

Disclosure on Employee Benefit Expenses:

No	Particulars	As at 31 st March 2013 Rs.	As at 31 st March 2012 Rs.
(i)	Notes		
	Staff Welfare Expenses		
	Medical Expenses Reimbursed/Insurance Premium	109,259	149,824
	Water Expenses	1,501,362	1,198,923
	Staff & Workers Welfare Expenses	3,454,036	2,141,722
	Canteen Expenses	3,072,315	2,791,141
	Total	8,136,972	6,281,610

NOTE NO. 26 : FINANCE COSTS

No	Particulars	As at 31 st March 2013 Rs.	As at 31 st March 2012 Rs.
1	Interest Expenses (Refer note (i) below)	39,505,213	43,837,569
2	Other Borrowing Costs (Refer note (ii) below)	9,325,601	3,043,898
	Total	48,830,814	46,881,467

Disclosure on Finance Cost:

Notes

(i)	Interest Expense:		
	Interest on borrowings from Banks	37,434,026	43,149,841
	Interest on borrowings from Others	2,050,420	605,621
	Finance Charges on Finance Lease	20,767	82,107
	Total	39,505,213	43,837,569
(ii)	Other Borrowing Costs		
	Foreign Exchange difference / Net loss on the Forex	5,951,199	-
	Discounts / premiums on borrowings	2,410,712	1,533,752
	Bank Charges	963,690	1,510,147
	Total	9,325,601	3,043,898

NOTE NO. 27 : DEPRECIATION AND AMORTISATION EXPENSES

No	Particulars	As at 31 st March 2013 Rs.	As at 31 st March 2012 Rs.
1	Depreciation	54,735,273	51,276,447
2	Amortization Expense	56,000	44,820
	Total	54,791,273	51,321,267

NOTES TO STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED AS AT 31ST MARCH 2013

NOTE NO. 28 : OTHER EXPENSES

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
1	Manufacturing Expenses (Refer note (i) below)	86,235,866	55,831,085
2	Administrative Expenses (Refer note (ii) below)	8,089,598	7,738,330
3	Repairs and Maintenance (Refer note (iii) below)	18,552,464	13,858,962
4	Sales and Distribution Expenses (Refer note (iv) below)	29,250,756	21,047,269
5	Miscellaneous Expenses (Refer note (v) below)	314,463	1,084,033
		142,443,148	99,559,679

Disclosure on Other expenses

Notes			
(i) Manufacturing Expenses			
a	Power and Fuel *	99,036,842	61,000,823
	Less: Value of electric units produced by Wind Electric Generator	44,608,497	33,741,465
	* net of consumption on account of internal generation of wind energy	54,428,345	27,259,358
b	Consumption of Stores and Spare Parts	14,528,633	7,429,824
c	Other Manufacturing Expenses	17,278,888	21,141,902
	Total	86,235,866	55,831,085
(ii) Administrative Expenses			
a	Rent	336,000	387,380
b	Rates and taxes, excluding taxes on income	1,096,030	345,823
c	Payments to Auditors		
	Statutory Auditor	254,953	247,709
d	Insurance	918,496	1,074,162
e	Sitting Fees to Non whole Time Directors	29,101	29,000
f	Travelling Expenses	2,390,376	3,118,957
g	Telephone Charges	290,025	309,786
h	Postage & Telegram	289,860	167,734
i	Printing & Stationary	294,519	257,797
j	Donation	261,000	9,000
k	General Expenses	298,451	320,796
l	Professional & Legal Fees	649,191	793,850
m	Security Service Charges	629,096	636,336
n	Subscription to Trade Associations	352,500	40,000
	Total	8,089,598	7,738,330
(iii) Repairs and Maintenance			
a	Buildings	3,248,343	2,136,115
b	Machinery	12,359,601	9,821,770
c	Vehicles	1,240,218	863,652
d	Other Assets	1,704,302	1,037,425
	Total	18,552,464	13,858,962

NOTES TO STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED AS AT 31ST MARCH 2013

(iv)	Sales and Distribution Expenses		
a	Consumption of Other Packing Materials		
	Opening Stock of Packing Materials	317,544	396,938
	Add: Purchases during the year	3,984,027	3,037,068
		4,301,571	3,434,006
	Less: Closing Stock of Packing Materials	232,356	317,544
	Consumption of Packing Materials	4,069,214	3,116,462
b	Advertisement Expenses	279,702	167,200
c	Commission Payments on sales / services	9,486,916	7,076,824
d	Discounts Allowed	197,154	161,334
e	Other Sales Expenses	15,217,770	10,525,449
	Total	29,250,756	21,047,269
(v)	Miscellaneous Expenses		
a	Other Miscellaneous Expenses	314,463	301,940
b	Net loss on the Forex transactions / translations (Other than Borrowing Cost)	-	782,093
	Total	314,463	1,084,033

NOTE NO. 29 : (1) CURRENT TAX

No	Particulars	As at 31 st March 2013 Rs.	As at 31 st March 2012 Rs.
1	Current tax	7,800,000	-
	Current Tax Liability	7,800,000	-

NOTE NO. 30 : (2) DEFERRED TAX (NET)

No	Particulars	As at 31 st March 2013 Rs.	As at 31 st March 2012 Rs.
1	Provision for Deferred Tax Liability (Dr.)		5,450,000
2	Reversal of Deferred Tax Liability (Cr.)	(9,903,000)	(10,135,100)
3	Provision for Deferred Tax Asset (Cr.)	-	(16,405,200)
4	Reversal of Deferred Tax Asset (Dr.)	8,072,900	460,000
	Net Deferred Tax per statement of Profit & Loss	(1,830,100)	(20,630,300)

NOTE NO. 31 : (3) PRIOR YEAR TAXES

No	Particulars	As at 31 st March 2013 Rs.	As at 31 st March 2012 Rs.
1	Excess / Short Provision of Taxes for Earlier Years	-	(218,282)
		-	(218,282)
2	Prior year income tax paid during the year	11,180	483,568
	Net Prior year Tax per statement of Profit & Loss	11,180	265,286

NOTE NO.1 : SIGNIFICANT ACCOUNTING POLICIES

(1) BASIS OF ACCOUNTING :

The financial statements are prepared under historical cost convention as a going concern 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.

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) 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.

(4) 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 their entitlement.

(5) 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) Work-in-progress - 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.

(6) 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.

(7) 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 are net of 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. Input credit against goods are accounted for by adjustments against cost of relevant goods; Unadjusted State VAT Credit is carried over as advance.

(8) 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.

(9) FOREIGN CURRENCY TRANSACTIONS :

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

(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. The present value of the obligation under such plan is determined based on the actuarial valuation using the projected unit credit method which recognizes each period of service as giving rise to an additional unit of employee benefit entitlement and measures each unit separately to build up the financial obligation.
- d. Gratuity to working directors, is ascertained on accounting principles as laid down by the formula prescribed by Payment of Gratuity Act, 1972, and the liability is not funded but only provided for.

(11) BORROWING COSTS :

- a) Borrowing costs including interest and other costs as specified in paragraph 4 of the Accounting standard 16 incurred in connection with borrowing funds, if any, are capitalized as per the method prescribed in the said standard, with the value of the qualifying asset, which takes a substantial period exceeding 12 months to get ready for its intended use or sale.
- b) Interest on borrowings, if any, attributable to acquisition of qualifying assets are capitalised and included in the cost of the asset, as considered appropriate.

(12) RELATED PARTY TRANSACTIONS :

Transactions with the directors or similar key management personnel of an enterprise with respect to the name of the related party and nature of the related party relationship where control exists, have been disclosed irrespective of whether or not there have been transactions between the related parties.

(13) 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.

(14) EARNINGS PER SHARE

Earnings per share is arrived by dividing profits attributable to shareholders by the number of equity shares

(15) TAXES ON INCOME :

Current Tax is determined as per the provisions of the Income - Tax Act, 1961 in respect of taxable income for the year and based on the expected outcome of assessments/appeals.

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

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

(16) CASH FLOW STATEMENTS :

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

(17) 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.

(18) DIVIDEND :

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

(19) 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.

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OTHER NOTES

I. ADDITIONAL INFORMATION TO BALANCE SHEET

CONTINGENT LIABILITIES & COMMITMENTS :

A CONTINGENT LIABILITIES:

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 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. The company has contested a claim by an employee who has claimed compensation for injury; the company has filed an appeal in the High Court of Madras against the order of the District	1,223,019 147,564	433,591 -
c)	Guarantees given to customs department against import of capital goods	4,442,354	4,442,354
d)	Other money for which the Company is contingently liable : Appeals have been filed by the Company for the Tax Assessment Year 2010-11 before the Appellate Commissioner. However the company is advised that there is no tax impact as regards this appeal and hence no provision is made in its books.		-

B. COMMITMENTS:

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
a)	Estimated amount of contracts remaining to be executed on Capital Account and not provided for	62,100,000	62,100,000
b)	Uncalled liability on shares and other investments partly paid	-	-
c)	Other Commitments	-	-

II. ADDITIONAL INFORMATION TO STATEMENT OF PROFIT AND LOSS:

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 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)
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;	97,800 36,000 23,000 24,200 22,373	97,800 9,000 42,450 72,000 9,914
		203,373	231,164
	Cost Auditor's Remuneration (a) For Audit (b) For reimbursement of service tax;	30,000 21,580	15,000 1,545
		51,580	16,545
	Total Payments to auditor	254,953	247,709

OTHER NOTES

4	BREAK UP OF MANAGERIAL REMUNERATION		
A	MANAGING DIRECTOR		
i)	Salary	1,200,000	1,200,000
ii)	Perquisites	84,000	84,000
iii)	Medical Reimbursement	20,000	20,000
iv)	Gratuity Provision	51,923	51,923
v)	Commission to Managing Director		
		1,355,923	1,355,923
B	JOINT MANAGING DIRECTOR		
i)	Salary	1,080,000	1,080,000
ii)	Perquisites	84,000	84,000
iii)	Medical Reimbursement	15,000	15,000
iv)	Gratuity Provision	57,692	57,692
		1,236,692	1,236,692
	Total	2,592,615	2,592,615
5	The managing directors are paid minimum remuneration in accordance with provisions of Section 309 (3) of Companies Act 1956, which is the minimum remuneration payable to them.	2,592,615	2,592,615
6	BREAK UP OF REMUNERATION TO CHIEF EXECUTIVE		
i)	Salary	540,000	540,000
ii)	Company's contribution to PF and Other funds	9,360	9,360
		549,360	549,360
C	OTHER DISCLOSURES:		
No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
7	Turnover		
i)	Indigenous		
	Cotton Yarn	245,029,836	253,101,944
	Knitted Fabrics	371,019,204	351,080,937
ii)	Export		
	Cotton Yarn	147,007,560	111,107,293
	Knitted Fabrics	13,971,748	3,690,661
iii)	By Products-Waste		
	- Indigenous	39,336,795	51,669,106
	- Export	26,902,072	13,382,218
iv)	Traded Goods		
	Cotton Yarn Local		
	Cotton Yarn Export	8,520,007	-
v)	Knitting charges	25,992	-
	Total	851,813,214	784,032,159
		-	-

OTHER NOTES

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
8	Closing Inventory		
	Cotton Yarn	16,460,693	27,901,666
	Hosiery Knitted Cloth	969,794	6,768,540
	By Product	2,966,326	6,487,527
	Total	20,396,812	41,157,733
9	Opening Inventory		
	Cotton Yarn	27,901,666	86,381,036
	Hosiery Knitted Cloth	6,768,540	627,745
	By Product	6,487,527	5,029,752
	Total	41,157,733	92,038,533

10 Break Up for Consumption				
No	Particulars		As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
a)	Raw Materials			
	Indigenous	Rs.	505,406,823	574,789,104
		%	100%	100%
	Total		505,406,823	574,789,104
			-	-
b)	Stores and Spares			
	Indigenous	Rs.	4,366,904	3,920,104
		%	100%	100%
	Total		4,366,904	3,920,104
			-	-
11	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
12	Expenditure in foreign currency:			
	Purchase of spares		1,293,538	1,734,411
	Interest & Bank charges		4,934,061	1,472,175
	Commission on exports		985,153	-
	Travelling expenses to directors		-	1,035,761
13	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;			

OTHER NOTES

No	Particulars		As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
i)	Total No.of Non-resident Shareholders	No.	4	4
ii)	Total No. of Shares held	No.	2,475	2,475
iii)	Total Amount of Dividend due / paid	No.	-	2,475
iv)	Year to which the Dividend Related		-	2010 - 11
14	Earnings in foreign exchange classified under the following heads, namely:-			
	I. Export of goods calculated on F.O.B. basis;		195,756,575	125,548,329
	II. Royalty, know-how, professional anc consultation fees;		-	-
	III. Interest and dividend;		-	-
	IV. Other income, indicating the nature thereof		-	-
15	The company has contributed to trade related research institutions by way of annual subscriptions		27,343	26,843

III. DISCLOSURES PURSUANT TO ACCOUNTING STANDARDS

I. DISCLOSURES PURSUANT TO ACCOUNTING STANDARD-15 RETIREMENT BENEFITS

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
i)	Defined Contribution Plans The Company makes Provident Fund, Pension Fund and Insurance 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 , pension fund and Insurance Fund the contributions as specified under the law are paid to the Regional Provident Fund Commissioner and the Central Provident Fund under the Employees Pension Scheme.		
	<u>Payment to Defined Contribution Benefit Plans:</u>		
	Contribution to Provident Fund	230,694	249,586
	Contribution to Employees Pension Fund	523,672	498,930
	Contribution to Deposit Linked Insurance Fund	69,153	65,882
	Contribution to Tamil Nadu Labour Welfare Fund	4,452	4,683
	TOTAL	827,971	819,081
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	2,135,403	1,885,733
	Add: Provision for the year	341,211	249,670
		2,476,614	2,135,403
	Less: Payments during the year	274,296	-
	Closing balance	2,202,318	2,135,403

II. DISCLOSURES PURSUANT TO ACCOUNTING STANDARD-16 BORROWING COSTS

	<u>Borrowing costs capitalised during the year</u>	<u>NIL</u>	<u>NIL</u>
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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
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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		

OTHER NOTES

2 Transactions with related parties : Nature of transactions					
No	Particulars	As at 31st March 2013	Rs.	As at 31st March 2012	Rs.
a)	Key Management Personnel:				
i)	Remuneration to Managing Director	1,355,923		1,355,923	
ii)	Remuneration to Joint Managing Director	1,236,692		1,236,692	
iii)	Remuneration to Chief Executive	549,360		549,360	
b)	Other Payments:				
i)	Rent payments	336,000		387,380	
ii)	Sitting fees to other Directors	27,000		29,000	
iii)	Travelling reimbursement to Other Directors	27,000		28,000	
c)	Outstandings:				
i)	Advance towards rent payments	60,000		60,000	
		450,000		504,380	
d)	Associates:				
	<u>Sale of Goods</u>				
i)	Shristi Cotspinn Private Limited	10,735,004		30,812,290	
ii)	Sri Sadhyaa Exports Private Limited	-		853,657	
	<u>Purchase of Goods</u>				
i)	Shristi Cotspinn Private Limited	6,329,123		686,193	

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

No.	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
	Profit after tax (A)	31,125,266	(49,120,247)
	Number of equity shares (B)	5,262,400	5,262,400
	Basic EPS (A/B)	5.91	(9.33)
	Number of equity shares (B1)	5,262,400	5,262,400
	Diluted EPS (A/B1)	5.91	(9.33)

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

No.	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
	In terms of Accounting Standard 22 working for Deferred Tax Asset has been recognised on account of prudence and the estimated reliability within a reasonable point of time.		

1	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 Rs.
	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, 2013 are computed as below:		
	Deferred Tax Liability:		
	On Depreciation	47,422,000	57,324,900
		-	
		47,422,000	57,324,900
	Deferred Tax Asset:		
	On MAT Credit	24,884,700	17,465,800
	On unabsorbed depreciation and other expenses	1,397,700	16,889,400
		26,282,400	34,355,200
	Net Deferred Tax Liability at the close of the year	21,139,600	22,969,700
	Deferred Tax Liability at the beginning of the year	22,969,700	43,600,000
	Net Deferred Tax Liability debited to Statement of Profit and Loss	-	
	Net Deferred Tax Liability credited to Statement of Profit and Loss	1,830,100	20,630,300

D. DISCLOSURES PURSUANT TO MICRO SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

Dues to Micro, Small & Medium Enterprises:

No	Particulars	As at 31st March 2013 Rs.	As at 31st March 2012 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 2013 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.		
	Other disclosure regarding dues to Micro, Small & Medium Enterprises		
a)	The principal amount and the interest due thereon remaining unpaid to 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. OTHER DISCLOSURES :			
1	The company has contributed to trade related research institutions by way of annual subscriptions.	27,343	26,843
2	In the opinion of the Board of Directors,: i) The assets other than fixed assets and non-current investments, do have a value on realization in the ordinary course of business, at least equal to the amount at which they are stated. ii) No amounts are required to be transferred to Investor Education & Protection Fund		
3	Previous year figures have been reworked and regrouped to confirm to the current year classification to make it comparable.		
Signatories for notes and additional notes which form part of Balance Sheet and Statement of Profit and Loss			
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: 27th May 2013		For and on Behalf of the Board Shyamlal Agarwala Managing Director Manoj Kumar Jhahharia Joint Managing Director	

19th Annual Report

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2013

31st March 2013

31st March 2012

A Cash flow from operating activities:	Rs.	Rs.
Net Profit before taxation and extra ordinary items	37,106,346	(69,485,261)
Adjustments for:		
Depreciation	54,791,273	51,321,267
Deferred Expenses written off	-	-
Profit on sale of Investments	(11,755)	(6,195)
Profit on sale of fixed assets	48,830,814	46,881,467
Interest and financial charges paid	(26,176)	(26,176)
Dividend Income	(1,290,925)	(1,200,758)
Interest receipts	(7,811,180)	(265,286)
Direct Taxes		
Operating profit before working capital changes	131,588,397	27,219,059
Adjustments for working capital changes		
(Increase)/Decrease in Operating assets		
Inventories	2,000,508	199,656,080
Trade receivables	(39,618,025)	9,028,032
Loans and Advances - short term	1,351,041	(1,352,038)
Loans and Advances - other bank balances		
Other Current Assets	1,749,187	(1,366,984)
Other non-current assets	619,271	619,271
Increase/(Decrease) in Operating liabilities		
Trade payables	(3,869,161)	(32,907,749)
Other Current Liabilities	(12,282,166)	(11,381,061)
Other long term liabilities	-	
Short term Provisions	2,642,956	(10,845,643)
Deferred Tax		
Loans and Advances - long term	1,956,418	(1,564,285)
Long Term Provisions	176,530	359,285
Net cash flow from operating activities (A)	86,314,956	177,463,966
B Cash flow from investing activities:		
Purchase of Fixed Assets	(9,514,352)	(9,598,527)
Sale of Fixed Assets	125,000	73,333
Sale of Investments	-	-
Advance for Capital Goods	-	-
Deferred Revenue Expenditure	-	-
Interest receipts	1,290,925	1,200,758
Dividend Income	26,176	26,176
Net cash from investing activities (B)	(8,072,251)	(8,298,260)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2013

C	Cash flow from financing activities:		
	Proceeds from long term borrowings		
	Repayment of long term borrowings	44,133,900	37,753,166
	Proceeds from short term borrowings	4,352,597	
	Repayment of short term borrowings		84,738,362
	Interest and financial charges paid	(48,830,814)	(46,881,467)
	Dividend Paid	-	-
	Net cash from financing activities	(88,612,117)	(169,372,996)
	Net increase/(decrease) in cash and cash equivalents	(10,369,413)	(207,289)
	Cash & cash equivalents at the beginning of the year	10,904,631	11,111,916
	Cash & cash equivalents at the close of the year	535,218	10,904,631
	Cash and Cash equivalents at the close of the year comprise of		
	Cash on hand	221,252	508,353
	Cash at bank in current accounts	313,967	10,396,278
		535,219	10,904,631
As per our Report of Even date attached		For and on Behalf of the Board	
For V K S AIYER & CO		Shyam Lal Agarwala	
Chartered Accountants		Managing Director	
N.RAMESH NATARAJAN		Manoj Kumar Jhajharia	
Partner		Joint Managing Director	
Membership No. 200/23443			
Place : Coimbatore			
Date : 27th May 2013			



Salona
Cotspin
LIMITED

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Corporate Relation Department
1st Floor, New Trading Ring
Rotunda Building,
P.J.Tower, Dalal Street,
Mumbai - 400 001.

FORM-A

Format of covering letter of the annual audit report

1.	Name of the Company:	SALONA COTSPIN LIMITED
2.	Annual Financial statements for the year ended	31 st March-2013
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	Repetitive from inception
5.	• Managing Director	Slyam L E Ag -
	• CFO	M.S. Sanyal
	• Auditor of the company	N. Ramesh
	• Audit Committee Chairman	Mr. S. Sanyal