



VISHAL COTSPIN LIMITED

14th Annual Report 2006-2007



Board Of Directors:

Shri Balkishan Boob
Chairman & Managing Director

Shri Ramanujdas Boob
Executive Director

Shri R. P. Shantakumar
Independent Director

Shri S. Venkatakrishna
Independent Director

Bankers :

State Bank of Hyderabad, IFB
Bangalore - 560 025

Canara Bank
Raichur - 584 102

Auditors :

M/s. Dagliya & Co
Chartered Accountants
L Block, Unity Building,
Bangalore 560 002

Secretarial Auditors:

Uday Shankar R.M.
Company Secretaries

Corporate & Regd.office:

S-916, Manipal Centre,
47, Dickenson Road,
Bangalore 560 042

Works:

Deosugur Industrial Area
Shakthinagar



VISHAL COTSPIN LIMITED

S-916, Manipal Centre, 47 Dickenson Road, Bangalore - 560 042

NOTICE

NOTICE is hereby given that the 14th Annual General Meeting of the Members of the Company will be held on Saturday, the 29th September 2007 at 10.00. A.M. at S-916, Manipal Centre, South Block, 47, Dickenson Road, Bangalore 560 042 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Audited Balance Sheet as on 31st March 2007 and the Profit and Loss Account of the Company for the year ended on that date together with the reports of the Auditors and Directors thereon.
2. To appoint Mr. S. Venkatakrishnan, Director who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Mr. Ramanujdas Boob, Director who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors to hold the office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting.

SPECIAL BUSINESS

5. To consider and if thought fit to pass with or without modifications the following Resolution proposed as a SPECIAL RESOLUTION:

“RESOLVED THAT subject to the sanction of the Board of Industrial and Financial Reconstruction (BIFR) established under the provisions of Sick Industrial Companies [Special Provisions Act, 1985 (SICA)], Bank/Financial Institutions and subject to such other approvals as may be required, a rehabilitation scheme in the nature of merger of M/s Vishal Cotspin Limited (VCL) with M/s Madanapalle Spinning Mills Limited (MSM) (the scheme) with an exchange ratio of 1 equity share of Rs. 10/- each of Madanapalle Spinning Mills Limited for every 5 equity shares of Rs. 10/- each held in Vishal Cotspin Limited as laid down before the meeting and initialed by the Chairman for the purpose of identification be and is hereby approved.”

RESOLVED FURTHER THAT the revised draft scheme of merger between VCL and MSM be and is hereby approved.

RESOLVED FURTHER THAT the Directors of the Company be and are hereby severally authorized to accept such alterations and modifications in the scheme, if any, as may be stipulated or required by BIFR, Operating Agency, State or Central Government Authorities while approving, sanctioning or participating in the said scheme as they deem fit in the interest of the Company, and further they are also authorized to do all such acts, deeds and things as may be necessary to give effect to the said foregoing resolution(s).”



For VISHAL COTSPIN LIMITED

Registered Office:
S-916, Manipal Centre,
South Block, 47, Dickenson Road,
Bangalore 560 042
Date : 3rd September 2007

BALKISHAN BOOB
Chairman & managing director

NOTES: -

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE TIME SCHEDULED FOR COMMENCEMENT OF THE MEETING.
- 2) The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of item No. 5, of the Notice is annexed hereto.
- 3) The Register of Members and Transfer books of the Company will remain closed from 28th September 2007 to 29th September 2007 (Both days inclusive).
- 4) Shareholders are requested to lodge the Share Transfer Deeds duly executed and intimate change of address to the Company's Share Transfer Agents M/s Cameo Corporate Services Ltd., No.1, Subramaniam Building, Club House Road, Chennai 600 002.



ANNEXURE TO THE NOTICE:

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

In conformity with the provision of Section 173(2) of the Companies Act 1956 the following explanatory statement sets out all material facts relating to the Special business mentioned in the accompanying notice and should be taken as forming part of the Notice.

ITEM NO. 5

It was proposed that to get critical mass in the industry in which it exists, the company would need to get amalgamated with M/s Madanapalle Spinning Mills Limited a company in the same Industry. It was informed that the amalgamation would be subject to the approval of the BIFR (Board for Industrial & Financial Reconstruction, New Delhi) and subject to completion of reduction of capital as per BIFR orders.

The Board recommends the Resolution for Shareholders approval.

No Director of the Company is concerned or interested in the Resolution.

FOR VISHAL COTSPIN LIMITED

BALKISHAN BOOB
CHAIRMAN & MANAGING DIRECTOR

Place : Bangalore
Date : 3rd September 2007



DIRECTORS REPORT

To The Members,

Your Directors have great pleasure in presenting their Fourteenth Annual report on the Business and operations of your Company and audited accounts for the year-ended 31.03.2007.

OPERATING RESULTS:

Your Company's performance during the year as compared with that during the previous year is summarized below.

Particulars	Year Ended 31.03.2007	Year Ended 31.03.2006
Sales and Other Income	1274.46	1449.90
Gross Profit/(Loss)	(79.01)	65.87
Less Interest	36.76	85.33
Depreciation	90.14	83.90
(Loss) before tax	(205.91)	(103.36)
Provision for Income Tax - Current tax - fringe benefit Tax - Deferred Tax	1.6	1.20
Profit /(Loss) after tax but before Extra-ordinary Items	(207.51)	(104.57)
Waiver of interest by Financial Institutions under OTS	158.23	93.40
Loss for the year after Extraordinary Items	(143.41)	(11.16)
Balance in Profit/(Loss) Account brought forward	(696.39)	(685.22)
Profit / (Loss) carried over	(515.02)	(696.39)

MANAGEMENT DISCUSSION & ANALYSIS (MD& A)

Textile Orbit, Structure and Development

The Indian Textile Industry plays a vital role in the Indian economy by contributing significantly to industrial production, generating employment and foreign exchange earnings. An estimated 35 million people are directly employed in the textile industry making it the second largest employment provider in India, after agriculture and contributes to 4% of India's GDP and 16.24% of India's overall exports. The size of the domestic textile market is estimated at US \$ 25 billion, with imports forming about 5% of the market size. The export basket includes a wide range of items including cotton yarn and fabrics, man-made yarn and fabrics, wool, silk fabrics, made-ups and a variety of garments. (Source: Ministry of Textiles, Government of India, Annual Report 2005-06).

India is the world's third largest producer of cotton, second largest producer of cotton yarn, third largest exporter of cotton fabrics and fourth largest exporter of synthetic fabric

Overview and outlook

The Industry trend is likely to move to the following initiatives-enhanced economies of scale, product integration chain, higher productivity, cost competitiveness, niche productisation, shrinking delivery schedules and aggressive marketing.

Developing countries with both downstream and upstream facilities in textiles are better able to prosper in the new competitive environment. Relatively inexpensive labour, favourable demographics, increasing presence in the textile value chain and availability of raw material continue to attract investment into the Asia-pacific region, especially as a consequence of the continued liberalization of its core markets, China and India.

On the basis of the current spinning capacity, operating units, utilization rates and the estimated demand growth for spun yarn, investments worth around Rs.300 billion are expected to be made in the Indian spinning

Uncertainties and inaccurate assumptions. Actual results, performance and achievements might differ substantially or materially from those expressed or implied. The company's performance could also be affected due to major political and economic changes, interest rate scenario, statutory legislations and regulations affecting the operations including tax obligations and other allied factors.



Industry before 2010-11 and around 15.50 million new spindles are expected to be added during this period. (Source: CRIS INFAC Cotton Yarn Annual Review, May 2006).

The appreciation of INR vis-à-vis with USD has impacted the overall realization of the upstream manufacturers and consequently the spinning segment is not realizing potential demand/prices. However the stability in currency of neighbouring countries viz., Pakistan & China results in selling their products at more competitive prices. In the long run it will severely affect the performance of the industry in our country. In so far as it relates to domestic segment the demand is good with better prices for the products.

Opportunities

The Indian Textile Industry is on a high growth path. It's competitive advantage, both in raw material and high quality cost effective labour have positioned the country as a strong supplier of textile products to the world.

There is a good demand for the speciality yarn viz Compact Cotton Yarn both in the international and domestic markets as the same is required for manufacturing premium cotton / Knitwear products.

In the current year i.e., 2007-08, the cotton production in our country is likely to surpass all earlier targets and the Industry expects that the Indian cotton crop will be around 315/325 lacs bales a steep increase from 275 lacs bales produced in the year 2006-07. This will help the Industry to have the raw material requirement available in abundance at reasonable prices.

Risks and Concerns

Risks are of both internal and external and shall include, but not limited to, on our ability to procure quality cotton, the primary raw material for the manufacture of yarn with a share of 60% in the basket of raw materials consumed. Cotton is an agricultural product and its supply are subject to the forces of nature. Changes in Policies of the Government and the sudden increase in the cost of finance will be the major Factors having a bearing on the operations of the Company.

As the cotton production in our country is estimated at 315/325 lacs bales, the export of raw cotton may go up Substantially from 45 lacs bales exported in 2006-07 and this may affect the price advantage which the

Industry should have got from increased crop production.

Challenges

Availability of quality cotton at reasonable prices, manufacturing of cotton yarn without market orientation by the other manufacturers, appreciation of INR vis-à-vis USD, and increase in rate of interest by the lending banks are some of the challenges which may have an impact over the margins and the profitability of the Company.

Internal controls

VISHAL COTSPIN LTD has put in place proper and adequate internal control systems. By following these systems and procedures, the Company safeguards and protects all its assets against loss from unauthorized use or disposition and further ensures that the transactions are authorised, recorded and reported correctly.

Internal controls are supplemented by an extensive programme of internal audits, review by management, documented policies, guidelines and procedures. These controls are designed to ensure that financial and other records are reliable for preparing financial information and reports and for maintaining regular accountability of the company's asset.

Human Resources

Vishal Cotspin Ltd recognizes that nurturing and recruiting the best talent is vital to the success of the enterprise. Substantial investment is made in people, people processes and skill development.

Workers are provided with opportunities for getting trained in the training centre within the premises which is the key driver for their growth. A comprehensive induction program ensures that all new recruits are oriented seamlessly into the Company.

Cautionary Statement

Statements in this management discussion and analysis describing the company's objective and expectations may be 'forward looking' that set forth anticipated results based on management assumptions. Achievement of future results is subject to risks,



Review of Operations:

During the year under review, your company registered a Production Value / Total income of Rs. 1274.46 against Rs.1449.90 lacs representing about 6.90% decline when compared to previous year. It posted a gross loss (Earnings Before Interest Depreciation and Tax) of Rs.(79.01) lakhs against Rs.65.87 lakhs in the previous year, decrease of about 19.9%. The finance and interest charge is lower by about 56.9% At Rs.36.76 lakhs. It incurred a net loss of Rs.205.91 lakhs against Rs.103.36 lakhs in the previous year. The finance/interest alone represents about 17.00% of net loss. The upswing in textile yarn markets, both domestic and overseas, could give further fillip to operational performance of the Company. Given the need based working capital support the operational performance is expected to grow further.

The concerted efforts in manpower rationalization, review of product mix in tune with the market trend initiated in improved performance of the operations of the Company. Your Directors endeavors to make further improvements during current fiscal 2007-08 in over all performance of the Company.

Exports:

Your Company's Deemed exports stood at Rs.243.74 Lakhs compared to Rs. 143.73 Lakhs in previous year. Your Directors hope that the performance during the fiscal 2007-08 would improve as your Company is focusing on new markets.

Future Outlook:

Despite working capital shortage and financial crunch, your Directors have endeavored and prioritized vigorous improvement in capacity utilisation which manifests in operational performance; certain investments in critical plant and equipments helped your Company to improve the quality of yarn leading to better sales realisation; these efforts would be followed up in other thrust areas within the constraints. The Company in its proposal submitted to Hon'ble BIFR / Operating Agency, has identified thrust areas like value addition. The reliefs and concessions sought by your Company helped in reducing its debts. As already stated in the previous year's Report, Strategic Investors have funded the Company to an extent of Rs.74.40 lakhs by way of long-term loans as part of rehabilitation package and further the Company had been successful to get Equity from a Strategic Investor which helped in servicing of OTS commitments. The Management looks to the future with optimism.

BIFR Proceedings:

We are pleased to inform you the honorable BIFR had conducted a hearing on merger dated 9-07-2007. In the said hearing after considering view points of various parties the honorable BIFR has asked the secured creditors and the company to mutually settle all the issues pertaining to the merger. There after meeting of the secured creditors and the company held on 13-08-2007 and your director's are confident that they will convince the secured creditors to agree for the merger which will add a lot of strength to the company.

Dividend:

Considering the Company's present situation the Board is compelled not to recommend dividend for the year under review.

Deposits:

In terms of provision of Section 58A of Companies Act, 1956 read with Companies (Acceptance of Deposit) Rules 1975, the company has not accepted any amount during the year under review.

Corporate Governance:

The Company is in conformity with the code of Corporate Governance enunciated in Clause 49 of the Listing Agreement with Stock Exchanges. A separate report on Corporate Governance is annexed hereto and form part of Directors' Report together with a certificate from the Auditors of the Company confirming compliance of the conditions of Corporate Governance.

Particulars of Employees:

There are no employees drawing remuneration in excess of the limits laid down in section 217(2A) of the Companies Act 1956 read with Companies (particulars of employees) Rules 1975.

Directors:

Mr. Venkatakrisnan and Mr. Ramanujdas Boob, Directors of the Company retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment as per the provisions of the Companies Act 1956.



Auditors:

M/s. Dagliya & Co. Chartered Accountants, Auditors of the company hold office as Auditor until the conclusion of ensuing Annual General Meeting and are eligible for re-appointment and have expressed their willingness for re-appointment. The observations of the Auditors read with relevant notes to the account and form of this report are explained in Annexure- B.

Audit Committee:

Pursuant to the provisions of Section 292A of the Companies Act, 1956, your Company has constituted the Audit Committee.

The role and terms of reference of the Audit Committee covers related areas mentioned in Section 292A of the Companies Act, 1956, besides other terms as may be referred to by the Board of Directors.

The Board has constituted the Audit Committee in line with the requirement under Section 292A of the Companies Act, 1956 comprising the following Directors as its members:

Mr. Shantakumar R P

Mr. Venkatakrishna S

Mr. Ramanjudas Boob

The Committee acts in accordance with the terms of reference specified by the Board of Directors of the Company.

Directors' Responsibility Statement:

Pursuant to provisions contained in Section 217 (2AA) of the Companies Act, 1956, the Directors of your Company confirm:

- (I) That in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- (ii) That they have such accounting polices and applied them consistently and made judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of profit or loss of the company for that period;

(iii) That they have 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;

(iv) That they have prepared annual accounts prepared on a going concern basis;

Information On Energy Conservation, Technology Absorption, Foreign Exchange Earnings & Out Flow:

The details required under the Companies (Disclosure of Particulars in the Report in the Report of Board of Directors) Rules, 1988 are given in Annexure-A to this report.

Acknowledgments:

Your Directors acknowledge with gratitude the guidance and assistance rendered by the Hon'ble BIFR, Auditors, State Government, Stock Exchanges and other Regulatory Authorities. Your Directors thank the Commercial Banks, KSIIDC and other Institutions for their continued help and assistance and large body of customers who have continued their patronage to your Company's products.

for and on behalf of the Board

BALKISHAN BOOB
Chairman & Managing Director.

Place: Bangalore
Date: 3rd September 2007



ANNEXURE A

COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

The electricity is captively generated through Diesel Generator (DG) and purchased from Gulbarga Electricity Supply Company, (GESCOM) and used for production as well as for commissioning of the Plant and Machinery.

Total Energy Consumption and Energy Consumption per unit of production as per Form A:

Form - A

(Rs. In Lakhs)

A. Power & Fuel Consumption	Year Ended 2006-07	Year Ended 2005-06
1. Electricity		
a) Purchased		
Units (In Lakhs)	34.39	25.12
Total Amount (Rs in Lakhs)	164.52	124.52
Average Rate Per Unit (Rs)	4.77	4.96
b) Own Generation		
i) Through Diesel Generator		
Units (in Lakhs)	4.04	3.46
Units Per Lt of Diesel	3.39	3.35
Cost Per Unit (Rs)	9.09	8.5
ii) Through Steam Turbine/Generator	NIL	NIL
2. Coal	NIL	NIL
3. Furnace Oil	NIL	NIL
4. Other Internal Generation	NIL	NIL
B. Consumption Per Unit of Production	24.46	8.89
Electricity/Kg (Rs/ 40's Conv.)		

B. TECHNOLOGY ABSORPTION

Indigenous technology is used and R & D is carried out by Separate Textile Research Associations. Efforts are being made in technology absorption as per Form 'B' prescribed to improve productivity and reduce product wastage's

C. FOREIGN EXCHANGE EARNINGS AND OUTGO.

Particulars	Year Ended 2006-07	Year Ended 2005-06
1. Total Foreign Exchange Earned	NIL	NIL
2. Total Foreign Exchange Used		
a) On Travel	NIL	NIL
b) Commission on Export Sales	NIL	NIL
c) Imports of Cotton	NIL	NIL
d) Import of Spares	NIL	NIL
Capital Goods	NIL	NIL



ANNEXURE B

ANNEXURE TO AND FORMING PART OF THE DIRECTORS REPORT

AUDITORS OBSERVATION	COMPANY'S REPLY
Item (f) (i) of para 4 of the Audit Report:	The PF liability of Rs. 9.99 lacs is been disputed since it is an unreasonable demand and a stay has been taken from the High Court of Karnataka.
Item (f) (ii) & (iii) of para 4 of the Audit Report	Overstatement of Deferred Tax Asset (DTA) is as per the accounting policies of the Company, since the Company has business losses and depreciation etc. This matter has been satisfied by the Management in the notes to the accounts which will generally help the shareholders to access on the profit or loss made by the Company.
Para 3 of Annexure to Audit Report:	The Company is a BIFR registered Company. To hide over its financial crisis, it has borrowed from companies in which Directors are interested by way of Inter Company Deposits on call basis and there is interest due in nature.
Para-5b of Annexure to Audit Report	In respect of related party transactions, the said transactions were approved in the Board. In the meanwhile, the company is moving a petition in this regard before The Company law board.
Para 6 of Annexure to Audit Report	The Company has made a reference to BIFR. Pursuant to the State Bank of Hyderabad (Operating Agency -SBH) directions, a Strategic Investor has deposited Rs.262.40 Lakhs, towards the rehabilitation scheme. The Company has sought exemption from applicability under Sec 58A in its Rehabilitation Scheme. The Honorable BIFR has sanctioned the "Rehabilitation Scheme".
Para 10 of Annexure to Audit Report	The management is looking at ways and means to shore up its net worth during the current year and also looking at revenues for transfer of its undertaking to one other entity under section 391 to 394 of the Companies Act.
Para 11 of Annexure to Audit Report	The financial position has continued to be tight.
Auditors Certificate on Corporate Governance: The Company has not appointed any Company Secretary	The Company could not employ a full time Company Secretary due to the financial constraints on remuneration and also the fact that no candidate was willing to join a BIFR referred company. However the company has obtained the services of a Practicing Company Secretary to ensure strict compliance of the provisions of the Company Law.



Report on Corporate Governance

A. Compliance Of Mandatory Requirements

In compliance with clause 49 of the Listing Agreement with Stock Exchanges, the Company submits the report on the matters mentioned in the said clause and lists the practices followed by the Company

Philosophy On The Code Of Governance

Vishal Cotspin Limited's philosophy on corporate governance envisages transparency, accountability, integrity, consistent value systems, delegation and responsibility. The Company tries to work by these principles in all its interactions with Shareholders, Employees, customers, suppliers and statutory authorities.

The Corporate Governance comprises of a unique combination of factors like regulations, compliance, policies and economic environments, voluntary practices and disclosures.

1. Board of Directors

Composition and provisions as to Board and Committees

Your company's Board comprises of 4 Directors out of which 2 are executive. The details of directors with regard to outside directorships, committee positions as well as attendance at Board/general meetings are as follows:

The Board of the Company consists of eminent persons with considerable professional experience and expertise in the field in which the Company operates and in related industries.

Sl. No.	Name of the Director	Executive/ Non-Executive/ Independent	No. of Outside Directorships Held		No. of Outside Committee Positions Held		No. of Board Meeting	
			Public	Private	Member	Chairman	Held	Attendance
1.	Mr. Balkishan Boob	Chairman and Managing Director	1		NIL		7	6
2.	Mr.R.P. Shantakumar	Independent Director		1	NIL		7	7
3.	Mr.S. Venkatakrishnan	Independent Director		NIL	NIL		7	7
4.	Mr. Ramanujdas Boob	Executive Director		NIL	NIL		7	5

Board meetings held during the year:

During the financial year ended 31 March 2007, seven Board meetings were held on:

- (i) 28th April 2006
- (ii) 26th July 2006
- (iii) 6th September 2006
- (iv) 30th October 2006
- (v) 20th December 2006
- (vi) 30th Jan 2007
- (vii) 26th March 2007

The gap between any two consecutive meetings did not exceed four months.

Pursuant to the provisions of the Companies Act 1956, Mr. S. Venkatakrishnan and Mr. Ramanujdas, Directors retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for reelection.

The Last AGM was held on 29th September, 2006 and Two Directors attended the AGM.



Code of Conduct

The Board of Directors of your Company have laid down a Code of Conduct ('the Code') applicable to all Board Members and Senior Management personnel of your Company. A Declaration from the CEO of your Company to the effect that all Board Members and Senior Management personnel of your Company have affirmed Compliance with the Code, forms a part of this Report. The Code has been posted on the website of your Company www.vishalcotspin.com

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct for the year ended 31st March 2007

2. AUDIT COMMITTEE

The Audit Committee consists of two Independent Directors, One Executive Director. The role and terms of reference of the Audit Committee cover the areas mentioned under Clause 49 of the Listing Agreement and Section 292 A of the Companies Act, 1956 besides other terms as may be referred to by the Board of Directors from time to time. During the year the committee of Directors met 5 times.

The details are given below:

S1. No.	Name of the Members	Category	Present position
1.	R. P. Shantakumar	Independent director	Independent director
2.	Mr. S. Venkatakrishna	Independent director	Independent director
3.	Mr. Ramanujdas Boob	Executive director	Executive director

The attendance of the members are given below:

S1. No.	Name of the Members	Attendance	Changes during the year	
			Inducted on	Ceased on
1.	R. P. Shantakumar	5	30-10-2004	
2.	Mr. S. Venkatakrishna	5	30-10-2004	
3.	Mr. Ramanujdas Boob	4	30-10-2004	

The Audit Committee has the following powers:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.
5. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
6. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
7. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.



8. 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.
9. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
10. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
11. 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.
12. Discussion with internal auditors any significant findings and follow up there on.
13. 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.
14. 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.
15. 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.
16. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
17. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
18. Management discussion and analysis of financial condition and results of operations.
19. Statement of significant related party transactions (as defined by the audit committee), submitted by management.
20. Management letters / letters of internal control weaknesses issued by the statutory auditors.
21. Internal audit reports relating to internal control weaknesses; and
22. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

During the year 2007, five audit committee meetings were held. The requirements on periodicity and time gap between two meetings were in accordance with the requirements of clause 49 of the listing agreements.

3. Remuneration Committee:

The Company has constituted a Remuneration Committee. The Remuneration Committee determines the remuneration payable to the whole-time Directors taking into account their qualifications, experience, expertise, contribution and the prevailing levels of remuneration in companies of corresponding size and nature.

Details of Remuneration for the Year Ended 31st March 2007:



Sl. No.	Name of the Member	Category	Present Position
1.	Mr. Balkishan Boob	Executive director	Chairman and managing director
2.	Mr. Ramanjudas Boob	Executive director	Executive director

The committee reviews and decides the overall remuneration of the key employees of the company and the Whole time Directors.

The Committee has been empowered to review/ recommend appointment and remuneration of the executive & Non-executive Directors. No meeting was held during the year.

The details of the Attendance & remuneration paid to the Directors / Officers during the year 2007 are given below.

Name of the Director	Attendance	Change during the year		Salary	Perquisites	Provident Fund	Retirement Benefits
		Inducted on	Ceased on				
Mr. Balakishan Boob	6		— ---	3.60	—	0.24	Gratuity, etc
Mr. Ramanujdas Boob	5		— ---	6.72	—	0.42	Gratuity, etc

Note:

The remuneration of the Whole-time Directors is decided by the Board of directors subject to the approval of the Shareholders. No remuneration is paid to Non-Working Directors and Independent Directors

4. SHAREHOLDER'S / INVESTORS' GRIEVANCE COMMITTEE:

The shareholders and Investors Grievance Committee has not met since there were no grievances received by the Company.

5. General Body Meetings.

a) Last 3 Annual General Meetings

Sl. No.	Year	Date	Time	Venue
1.	2003 - 04	29th September 2004	11 a.m	S-916, Manipal Centre, 47 Dickenson Road, Bangalore - 42
2.	2004- 05	29th September 2005	11 a.m	S-916, Manipal Centre, 47 Dickenson Road, Bangalore - 42
3.	2005 - 06	29th September 2006	10 a.m	S-916, Manipal Centre, 47 Dickenson Road, Bangalore - 42

B) Postal Ballot

There were no resolutions that were passed through postal ballot during the financial year 2006-07

6. DISCLOSURES

(A) Basis of Related party transaction

a) Particulars of related party transactions are listed out in Note No 18 of Part 19. of Schedule to Notes on Accounts. However, all these transactions are on normal commercial arm's length basis.

B) Disclosure of accounting treatment

Your Company has followed all relevant Accounting Standards while preparing the financial statements.



C) Risk Management

Your Company is aware of the risk associated with the business. It regularly analysis the risks and takes corrective action for managing/ mitigating the same. Your Company has developed a risk management policy.

D) Proceeds from public issues, Right Issues, Preferential issues etc

During the year under review, your Company has not raised any funds by way of Public issues etc..

E) The Company needs to disclose all pecuniary relationship or transactions of the non-executive directors vis-avis the company

Apart from sitting fees that are paid to the Directors for attending Board / Committee meetings, no significant material transactions have been made with the non-executive Directors Vis-à-vis the Company.

Details of Directors shareholding in the Company are as follows:

Sl. No.	Name of the Director	No. of Shares
1.	Mr. Balakishan Boob	210320
2.	Mr. Ramanujdas Boob	189755
3.	Mr. Venkatakrisna	5
4.	Mr. Shanthakumar	NIL

(F) Management

The Management Discussion and Analysis Report forms part of the Annual Report and is in accordance with the requirement laid out in Clause 49 of the Listing Agreement.

(G) Shareholders

Details of the Directors Seeking appointment / re-appointment at the ensuing AGM are provided in the Notice convening the AGM

Press Releases and financial results are made available on the website of your Company (www.vishalcotspin.com).

A shareholders' Grievances Committee was constituted under the chairmanship of a non-executive director and no meeting held during the year as there were no complaints from the shareholders.

7. Means Of Communication

The annual, half yearly and quarterly results are regularly submitted to the Stock Exchanges in accordance with the listing agreement and published in leading newspapers like Business standard and other local news papers.

Annual Report containing inter alia Audited Accounts, Consolidated Financial Statements, Directors Report, Auditors Report, and other important information is circulated to members and others entitled thereto.

Other information of significant importance like take over, change in management, information of subsidiaries/ offices, major projects, status/recognition received etc. are promptly intimated to Stock Exchanges and also to the public by way of Press releases in leading newspapers.

8. Management Discussion And Analysis.

The management discussions and Analysis report forms part of the annual report and is captioned "Management Discussion and Analysis" in the Directors Report.

9. General Shareholder Informaiton

- | | |
|-------------------------------------|---|
| 1. Date, Time and Venue of the AG M | 29th September 2007
10.00 a.m
S-916, Manipal Centre, 47,
Dickenson Road,
Bangalore 42 |
|-------------------------------------|---|



2. Financial/ Calendar year
 Financial Year April 1 to March 31
 For the year ended March 31, 2007, results were announced on:
- First quarter 27.07.2006
 - Second quarter 01.11.2006
 - Third quarter 01.02.2007
 - Fourth quarter 01.05.2007
3. Book Closure Date Friday 28th Sept 2007 & Saturday 29th Sept 2007

4. Listing on Stock Exchanges:
 The Company's Equity Shares are listed on the following Stock Exchanges:
- i) Hyderabad Stock Exchange Ltd
 - ii) Bombay Stock Exchange Ltd
 - iii) Bangalore Stock Exchange (Delisted in current year)

5. Stock Code
- a) Trade Symbol at Stock Exchanges
 Stock Code - BSE : 531822
 - b) Demat ISIN in CDSL : INE513E 01016

Note: Annual Listing Fees for the Year 2006-07 has been duly paid to all the above Stock Exchanges.

6. **Market Price Data:**

The Company has reduced its paid up capital by way of adjusting the 50% paid - up capital towards accumulated losses and accordingly has accepted 1 fully paid equity share of Rupees 10/- each for every 2 equity shares held of Rs. 10/- each. The record date for reduction of capital was 25th January 2007.

During the year 2006-07, in the month of April 2006, the lowest value was Rs.12.31 and highest was 14.58, in the month of May 2006 the lowest was 10.28 and highest was 12.29, in the month of June 2006 the highest was 10.79, in the month of September 2006, the lowest value was 7.99 and the highest was 9.81 and in the month of October 2006, the highest value was 7.60 and in the month of December 2006 the highest value was 7.00.

7. **Share Transfer System:**

Shares lodged for transfer at the Registrar's address are normally processed and approved on a fortnightly basis. All requests for dematerialization of shares are processed and the confirmation is given to the Depositories within 15 days. Grievances received from Members and other miscellaneous correspondences on change of address, mandates, etc are processed by the Registrars within 30 days.

Share Transfers and other communications regarding Share Certificates.

Change of address, demat and other matters, please write to or contact Share Transfer Agent of the Company at the address given below.

M/s Cameo Corporate Services Ltd
 Subramanian Buildings,
 No 1 Club House Road,
 Chennai 600 002.
 Phone 044-28460390- 94

8. **Secretarial Audit:**

The Secretarial Audit of the Company is being carried every quarter by a qualified Practicing Company Secretary to reconcile the total admitted capital with Central Depository Services (India) Ltd and Physical shares with the total issued and listed capital. The audit confirms that the total paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares.

- 9. A) Distribution of Equity Shareholding as on 31st March 2007.
- b) Pattern of Equity Shareholding as on 31st March 2007



Vishal Cotspin Ltd
Distribution Schedule as on March 31st, 2007

No of Equity Shares	Share Holders		No of Share	
	Number	% toTotal	No of Share	% toTotal
Up to 500	701	65.70	201130	6.19
501 to 1000	68	6.37	44950	1.38
1001 to 2000	148	13.87	187900	5.79
2001 to 3000	26	2.44	65350	2.01
3001 to 4000	14	1.31	51200	1.58
4001 to 5000	9	0.84	43600	1.34
5001 to 10000	35	3.28	284650	8.76
10001 & Above	66	6.19	2369120	72.94
Total	1067	100.00	3247900	100.00

Vishal Cotspin Ltd			
Distribution of Share Holding			
Share Holding Pattern as on March 31st, 2007 (in accordance with Clause 35 of the Listing Agreement)			
	Category	No of Equity Shares	Percentage of Holding
A	Promoters Holding		
1.	Promoters - Indian Promoters - Foreign Promoters	806835 NIL	24.84
2.	Persons Acting in Concert	1389065	42.76
	Sub Total	2195900	67.60
B	Promoters Holding		
3.	Institutional Investors a. Mutual Funds & UTI b. Banks, Financial Institutions/Insurance Companies c. FIIs	125000	3.85
	Sub Total	125000	3.85
4.	Others a. Private Corporate Bodies b. Indian Public c. NRIs/OCBs d. Any other	35350 766450 125000 200	1.088 23.60 3.85 .006
	Sub Total	927000	28.54
	Grand Total	3247900	100

11. Dematerialisation of Shares and Liquidity:

51.14% of the Equity Shares are in physical format and 48.86% have been dematerialized as on 31st March 2007. The Company has entered into Agreement with CDSL whereby shareholders have the option to dematerialize their shares.

12. Plant Location: Karnataka

Deosugar Industrial Area, Shaktinagar, Raichur 584 170. Karnataka
PH: 08532-246503,246501
FAX: 08532-246471 E Mail: mills@vishalcotspin.com



13 Vishal Cotspin Ltd,
S-916, Manipal Centre, 47, Dickenson Road,
Bangalore 560 042
PH: 080-25321194/95
Fax: 080-25321225
E Mail : vcl@bgl.vsnl.net.in

B. Non-Mandatory Requirements:

1. The Board :

The Chairman of the company shri Balakishan Boob does not have any office in the Company and no expenses related to his office are reimbursed to him.

2. Remuneration Committee

The company have Remuneration Committee as mentioned under serial no of the mandatory requirement .

3. Shareholders Rights :

Half yearly results including the summary of significant events are presently not being sent to the Shareholders of the Company.

4. Audit Qualifications :

The company will try to move towards unqualified financial statements.

5. Expert Training of Board members

There was no directors training programme during the year ended 31.03.2007.

6. Mechanism for evaluating Non-Executive board members.

Non- executive directors were being always evaluated by their own peer in the board meeting during year 2006-07, although there was no formal peer group review by the entire Board except the directors concerned.

7. whistle blower policy:

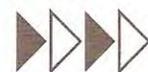
The company does not have any whistle blower policy as of now, but no personnel is being denied any access to the Audit committee.

Declaration By The Ceo Under Clause 49 Of The Listing Agreement Regarding Adherence To The Code Of Conduct.

In accordance with the sub-clause I(D)of the Listing Agreement with the Stock Exchange, I hereby confirm that, all the directors and senior Management personnel of the Company have affirmed compliance to their Respective codes of conduct, as applicable to them for the Financial Year ended March 31, 2007.

For Vishal Cotspin ltd

Balakishan Boob
Chairman and Managing Director



AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

The Members
Vishal Cotpsin Limited
BANGALORE - 560 042

We have examined the compliance of conditions of Corporate Governance by Vishal Cotpsin Limited for the year ended on March 31, 2007 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 implementation 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 and the representations made by the directors and the management, subject to the following we certify that the company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement

1. The Company has not appointed any Company Secretary.
2. As informed to us by the management, there were no investor grievances received by the company during the year.

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

Bangalore
Dated: 3rd Sep. 2007

For Dagliya & Company
Chartered Accountants

O D Golcha
Partner
M.No 12502



AUDITORS' REPORT

The Members,

VISHAL COTSPIN LIMITED,

Bangalore.

We have audited the attached Balance Sheet of VISHAL COTSPIN LIMITED as at 31st March 2007 and the Profit & Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order:

Further to our comments in the Annexure referred to above, we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- e) On the basis of written representations received from the directors, as on March 31, 2007 and taken on record by the Board of Directors, we report that, none of the directors of the company is disqualified as on March 31, 2007 from being appointed as director of the company as per section 274 (1) (g) of the companies Act, 1956.
- F)
 - i) No provision has been made in the accounts towards PF Liability amounting to Rs.9.99 Lacs as stated in Note No 10 (iii) of Schedule 19 to the Accounts.
 - ii) Reference is invited to Accounting Policy (viii) and Note No 17 of Schedule 19 to the Accounts where the Company continues to recognize Deferred Tax Asset (DTA) on account of unabsorbed loss and depreciation available up to 31.03.2004, under the provisions of Income Tax Act, 1961, amounting to Rs.393.41 Lakhs. In view of ASI-9 issued by ICAI subsequent to recognition of the DTA, the Company has not recognized the DTA on account of business losses and depreciation for the year, however, the DTA recognized up to 31.03.2004 remains recognized as such. To this extent there is over statement of DTA amounting to Rs. 393.41 lacs.
 - iii) Had the matters stated in paragraphs (i) & (ii) above been considered, Accumulated losses at the end of the year would have been Rs.918.41 Lakhs as against declared amount of Rs.515.01 lakhs. Current liabilities would have been Rs.808.21 as against declared amount of Rs.798.22 lakhs, and Deferred Tax Asset would have been nil as against declared amount of Rs.393.41 lakhs.



- (iv) Reference is also invited to Note No 4 for non disclosure of information in respect of dues to SSI units and micro, small and medium enterprises;
- G). Subject to the above, in our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read together with the Notes thereon and attached thereto give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
- i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
 - ii) In the case of Profit and Loss Account, of the Loss for the year ended on that date, and
 - iii) In the case of the Cash Flow statement, of the cash flow of the company for the year ended on that date.

For Dagliya & Company
Chartered Accountants

O D Golcha
Partner
M.No 12502

Place : Bangalore
Dated : : 3.09.07



Annexure to the Auditors Report

(Referred to in our report to the members of Vishal Cotspin Ltd on the accounts for the year ended March 31, 2007)

1. (A) The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.
 - (B) The fixed assets of the company have been physically verified during the year by the management which in our opinion is reasonable having regard to the size of the company and the nature of its fixed assets and no material discrepancies between the book records and the physical inventory have been noticed.
 - (C) No substantial part of fixed assets of the Company has been disposed off during the year.
2. (a) The inventories of the company at all its locations have been physically verified by the management at reasonable intervals during the year.
 - (b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - (c) The Company has maintained proper records of inventories and the discrepancies between the physical inventories and the book records, which have been properly dealt with in the books of account, were not material.
3. (a) The company has taken loan from one party covered in the register maintained under section 301 of the Companies Act, 1956. the maximum amount involved during the year was Rs 300 Lacs and the year-end balance of loans taken from such party was Rs 251.31 Lacs.
 - (b) In the absence of terms of repayment, payment of interest, we are unable to state whether the company is regular in repayment of principal amounts and in payment of interest. However the company has neither paid interest on this loan nor provided for the same in the books of account.
 - (c) The company has not granted any loans to companies, firms or other parties covered by the register maintained under section 301 of the Companies Act, 1956. In view of the above, clauses 4(iii) (b), (c) and (d) of the Order are not applicable to the Company and no further comments are made.
4. In our opinion and according to the information and explanations given to us, and as per our evaluation, it appears that there are adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
5. (a) Based on the audit procedures applied by us and according to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained u/s 301 of the Companies Act 1956, have been so entered.
 - (B) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956 in respect of any party during the year we are unable to state whether the prices charged/paid are reasonable having regard to fluctuating market prices and variations in quality for the products dealt and in the absence of similar transactions with other parties. Moreover, these transactions have been made with out Obtaining prior approval from Central Government as required under section 297 of the Companies Act 1956.
6. In our opinion and according to the information and explanations given to us the Company has not accepted any deposits within the meaning of section 58A and 58AA of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975. We have been informed that no order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in this regard. However, an amount of Rs.262.40 Lakhs is received from a strategic investor in pursuance of the undertaking given by the promoters to the Banks and Financial institutions and such investment from strategic investor is exempted from the provisions of Sec 58 A of the companies Act 1956. as per the scheme sanctioned by Hon'ble BIFR vide its order dated 28th November 2006 (case no 328/99 Bench II).
7. The Company has an internal audit system, which in our opinion is commensurate with the size and nature of its business.
8. On the basis of the records produced, we are of the opinion that, prima facie, the cost records prescribed by the Government of India under Section 209 (1) (d) of the Act have been maintained. However, we have not carried out any detailed examination of such accounts and records with a view to determine whether they are accurate and complete.



9. (A) According to the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and protection Fund, ESI, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other material Statutory Dues to the extent applicable to it with the appropriate authorities during the year. As explained to us, no undisputed amounts payable were in arrears as at 31st March 2007 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us there were no dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute.
10. The company has incurred cash loss during the year and also during the immediate previous year. ~~The accumulated losses as at the end of the financial year exceed its Net worth~~ *Poh. Jive*
11. The company has borrowed loans from banks and financial institutions and the installments were over due. During the year, the Honorable BIFR Sanctioned rehabilitation package and granted extension of time in repayment of dues to banks & financial institutions vide its order dated 28.11.2006 (case no 328/99 Bench II). As per the approved scheme there are no defaults in repayments of loans to financial institution. However the company has marginally delayed in making the following payments to the banks:

Sl. No.	Name of the Financial Institution	Payable Amount	Due Date	Payment date
1.	State Bank of Hyderabad	33.25 lacs	28.03.07	19.04.2007
2.	Canara Bank	24.75 Lacs	27.03.07	24.04.2007

12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities during the year.
13. In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund / society. Therefore the provisions of clause 4(xiii) of the Companies (Auditors Report), Order 2003 are not applicable to the company.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
15. As informed to us the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. As informed to us, the company has not raised any term loan during the year.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
18. The company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained u/s 301 of the Companies Act, 1956.
19. According to the information and explanations given to us the Company has not issued any debentures during the year.
20. As informed to us the Company has not raised any money through a public issue.
21. Based on the audit procedures performed and the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For Dagliya & Company
Chartered Accountants

Place : Bangalore
Dated : : 3.09.07

O D Golcha
Partner
M.No 12502



VISHAL COTSPIN LIMITED

Balance Sheet As At 31.03.2007

Particulars	Schedule	As at 31-Mar-07 (Rs)	As at 31-Mar-06 (Rs)
SOURCES OF FUNDS			
Shareholder's Funds			
Share Capital	1	4,59,83,750	8,10,62,750
Reserves & Surplus	2	25,00,000	25,00,000
		4,84,83,750	8,35,62,750
Loan Funds			
Secured Loans	3	5,67,07,496	8,30,53,264
Unsecured Loans	4	5,13,71,074	3,74,40,334
		10,80,78,571	12,04,93,599
Total		156,562,321	20,40,56,349
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	18,64,08,068	18,57,95,401
Less: Depreciation		8,60,85,023	7,73,89,749
Net Block		10,03,23,045	10,84,05,651
		10,03,23,045	10,84,05,651
Investments	6	10,500	10,500
Deferred Tax Asset		3,93,40,890	3,93,40,890
Net Block			
Current Assets, Loans & Advances			
Inventories	7	2,17,02,174	2,72,20,635
Sundry Debtors	8	1,63,52,719	63,09,113
Cash & Bank Balances	9	27,34,065	15,71,454
Loans & Advances	10	48,79,986	96,60,928
		4,54,91,929	4,47,62,130
Less: Current Liabilities & Provisions			
Current Liabilities & Provisions	11	8,01,06,014	5,81,01,949
Net Current Assets		(34,614,084)	(13,339,818)
Profit & Loss Account		5,15,01,970	6,96,39,126
Total		15,65,62,321	20,40,56,349
Notes to the Accounts	19		
The Schedules referred to above form part of the Accounts			

As per our Report Attached
For Dagliya & Company
Chartered Accountants

On behalf of the Board
Chairman and Managing Director

Balkishan Boob
Chairman & Managing Director

Ramanujdas Boob
Executive Director

O D Golcha
Partner
M.No 12502
Place: Bangalore
Dated: 3-09-2007



VISHAL COTSPIN LIMITED
Profit And Loss Account For The Year Ended 31.03.2007

Particulars	Schedule	For the year ended 31-Mar-07 (Rs)	For the year ended 31-Mar-06 (Rs)
INCOME			
Sales	12	12,89,79,949	13,85,45,477
Increase/(Decrease) in Stock	13	(2,660,351)	4,885,970
Other Income	14	11,44,446	15,58,225
		12,74,64,044	14,49,89,671
EXPENDITURE			
Cost of Material Consumed	15	8,34,96,288	8,62,77,277
Manufacturing and Administrative Expenses	16	4,75,31,375	4,76,15,742
Selling and Distribution Expenses	17	43,37,429	45,09,266
Financial Expenses	18	36,76,426	85,33,538
Depreciation		90,14,074	83,90,558
		14,80,55,592	15,53,26,382
PROFIT (LOSS) FOR THE YEAR		(20,591,548)	(10,336,711)
Provision for Income Tax:		-	-
Fringe Benefit Tax		160,000	120,000
Current Tax		-	-
Deferred Tax		-	-
Profit(loss)after Tax For The Year Before Extraordinary Items		(20,751,548)	(10,456,711)
Extraordinary items:			
Less: Interest waiver by Financial Institutions under OTS		15,823,840	9,339,706
Add: Sales Tax & Entry Tax Provision as per BIFR Sanctioned scheme		(9,414,138)	
PROFIT / LOSS FOR THE YEAR AFTER EXTRAORDINARY ITEMS		(14,341,846)	(1,117,005)
3. Loss Brought forward		(69,639,124)	(68,522,119)
Less: Adjusted against Capital reduction (Refer Note no. 8)		3,24,79,000	-
BALANCE CARRIED TO BALANCE SHEET		(51,501,970)	(69,639,124)
Basic and Diluted Earnings Per Share of Rs 10/- Each		(3.47)	(1.59)
Notes to the Accounts	19		
The Schedules referred to above form part of the Accounts			

As per our Report Attached
For Dagliya & Company

On behalf of the Board

Chartered Accountants
O D Golcha
Partner
M.No 12502

Balkishan Boob
Chairman & Managing Director

Bangalore : Bangalore
Dated: 3-9-2007

Ramanujdas Boob
Executive Director



VISHAL COTSPIN LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st March 2007

Sch	Particulars	For the year ended 31-Mar-07 (Rs)	For the year ended 31-Mar-06 (Rs)
1.	SHARE CAPITAL		
	Authorised 9000000 Equity Shares of Rs. 10/- each	9,00,00,000	9,00,00,000
	Issued, Subscribed and Paid up:		
	3247900 (P.Y 6495800) Equity shares of Rs. 10/- each fully paid (Refer Note No 8)	3,24,79,000	6,49,58,000
	Add: Forfeited Shares Account	19,70,750	19,70,750
	(303000 Equity Shares at Rs 5 per share & 182400 equity shares at Rs 2.50 per Share amount)		
	Add: Share Application money Pending Allotment	1,15,34,000	1,41,34,000
	TOTAL	4,59,83,750	8,10,62,750
2.	RESERVES & SURPLUS		
	State Capital Subsidy from Govt of Karnataka for setting up New Industry in Notified Area	25,00,000	25,00,000
	TOTAL	25,00,000	25,00,000
3.	SECURED LOANS		
	From Banks :		
	i) Term Loans: Secured against Mortgage/hypothecation of and first charge on all the immovable and movable properties (present & future) of the company	4,64,05,424	5,64,05,424
	Interest accrued & due	22,01,072	1,58,23,840
	From Financial Institutions :(KSIIDC)		
	I) Term Loans: Secured against Mortgage/hypothecation of all the immovable and Movable properties (present & future) of the company	81,01,000	1,08,24,000
	TOTAL	5,67,07,496	8,30,53,264
4.	UNSECURED LOANS		
	From Bodies Corporates	2,51,30,740	3,00,00,000
	From Share Holders	2,62,40,334	74,40,334
	TOTAL	5,13,71,074	3,74,40,334



5. Schedules forming part of balance sheet as at 31st March, 2007

Fixed Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01-Apr. -06	Additions	Sale/ Adjustments	As at 31-Mar-07	Up To 31-Mar-06	For the Year	Sale/ Adjustments	Up to 31-Mar-07	As at 31-Mar-07	As at 31-Mar-06
1. LAND-LEASE CUM SALE	1,568,468			1,568,468			-		1,568,468	1,568,468
2. OFFICE EQUIPMENTS	867,523	131,324		998,847	347,569	45,091		392,660	606,187	519,954
3. COMPUTERS	1,447,549	25,654		1,473,203	1,261,375	188,772	-	1,450,147	23,055	186,174
4. BUILDINGS - FACTORY & Others	20,144,748 8,120,909	- 1,815,384		20,144,747 9,936,293	6,196,904 894,118	672,835 148,231		6,869,739 1,042,349	13,275,009 8,893,943	13,947,844 7,226,790
5. PLANT & MACHINERY	135,786,391	15,516,709	1,235,910	150,067,190	67,327,606	7,815,942	318,801	74,824,747	75,242,444	68,458,784
6. FURNITURE & FIXTURES	1,631,317	151,894	-	1,783,211	1,007,701	111,212		1,118,913	664,298	623,616
7. VEHICLES	386,467	-	-	386,467	354,477	31,990	-	386,467	0	31,990
8. CAPITAL WORK IN PROGRESS	15,842,030	469,045	16,261,434	49,641	-			-	49,641	15,842,030
	185,795,401	1,81,10,010	17,497,344	186,408,068	77,389,750	9,014,074	318,801	86,085,023	100,323,045	108,405,651
PREVIOUS YEAR	169,904,281	158,42,030	-	185,795,401	68,999,191	8,390,558	-	77,389,749	108,405,651	100,905,090



Sch	Particulars	For the year ended 31-Mar-07 (Rs)	For the year ended 31-Mar-06 (Rs)
6.	INVESTMENTS (At cost, unquoted others)		
	National savings certificate	10,500	10,500
		10,500	10,500
7.	INVENTORIES [As taken, valued & certified by the Management]		
	Stores & Spares	62,12,111	57,18,805
	Raw Materials	59,38,954	92,90,370
	Salcable Waste	35,040	7,80,808
	Reusable waste	30,240	0.00
	Finished Goods-Yarn at Mill	57,71,981	57,44,190
	Finished Goods-Yarn with Consignment Agents	11,01,426	25,11,634
	Work in Progress	26,12,422	31,74,828
	TOTAL	2,17,02,174	2,72,20,635
8.	SUNDRY DEBTORS [Unsecured, considered good]		
	Exceeding Six Months	11,59,744	,0
	Others	1,51,92,975	63,09,113
	TOTAL	1,63,52,719	63,09,113
9.	CASH & BANK BALANCES		
	Cash in hand	2,69,830	1,75,360
	Balances with Scheduled Banks in Current Account	15,765,57	6,91,172
	Fixed Deposits	8,87,677	7,04,922
	[Fixed Deposit Receipt of Rs 887677/- (P Y Rs 704922/-) are under lien with Bankers for Bank Guarantees & Letter of Credits issued by them]		
	5% Cut back (Canara bank)	1,77,014	
	TOTAL	27,34,065	15,71,454
10.	LOANS & ADVANCES (Unsecured, Considered good)		
	Advances Recoverable in cash or in kind or for value to be		
	Received	26,73,260	78,94,866
	Deposits	17,27,468	17,21,543
	Balance with Central Excise(PLA)	-	,576
	Excise Duty Recoverable Account(Cenvat)	17,896	, 43,943
	TOTAL	44,18,625	96,60,928
11.	CURRENT LIABILITIES & PROVISIONS		
	Creditors for Goods & Services	6,13,14,213	4,85,97,294
	Other Liabilities	1,57,75,572	81,71,819
	ICICI Bank Balance overdrawn	10,24,735	
	Provision for FBT	2,80,000	1,20,000
	Provision for Gratuity	14,27,144	13,32,771
	TOTAL	7,98,21,667	5,82,21,884



Sch	Particulars	For the year ended 31-Mar-07 (Rs)	For the year ended 31-Mar-06 (Rs)
12.	SALES		
	Cotton Yarn- Domestic	9,73,33,122	11,75,10,570
	Cotton Yarn- Deemed Export	2,43,74,116	1,43,72,955
	Cotton Waste	72,72,710	66,61,952
		12,89,79,949	13,85,45,477
	Less Excise Duty	,0	,0
	TOTAL	12,89,79,949	13,85,45,477
13.	INCREASE/(DECREASE) IN STOCK		
	Opening stock		
	Finished Goods (Yarn)	57,44,190	8,06,774
	With Agents	25,11,634	16,47,346
	Saleable Waste	7,80,808	20,84,534
	Work in Progress including Reusable Waste	31,74,828	27,86,837
		1,22,11,460	73,25,491
	Less: Closing Stock		
	Finished Goods (Yarn)	57,71,981	57,44,190
	With Agents	11,01,426	25,11,634
	Saleable Waste	35,040	7,80,808
	Reusable waste	30,240	,0
	Work in Progress including Reusable Waste	26,12,422	31,74,828
		95,51,109	1,22,11,460
	Net Increase/(Decrease)	-2660,351	48,85,970
14.	OTHER INCOME		
	Interest (Others)[TDS Rs.Nil (P.Y. Rs.17686/-)]	1,82,755	60,000
	Liabilities not Required Withdrawn	1,29,656	7,27,314
	Miscellaneous Income	8,32,035	7,70,910
	TOTAL	11,44,446	15,58,225
15.	COST OF MATERIALS CONSUMED		
	Opening Stock- Cotton	92,90,370	1,19,06,588
	Add: Purchases	8,01,44,871	8,91,52,120
	Less: Closing Stock of FP Cotton Bales	59,38,954	92,90,370
	Cotton Sales	,0	54,91,060
	TOTAL	8,34,96,288	8,62,77,277



Sch	Particulars	For the year ended 31-Mar-07 (Rs)	For the year ended 31-Mar-06 (Rs)
16.	MANUFACTURING & ADMINISTRATIVE EXPENSES		
	Stores & Spares Consumed	56,78,643	55,65,902
	Power and Fuel	2,00,99,626	1,54,83,238
	Payment to employees		
	- Salaries, Wages & Other Allowances	1,23,16,971	1,17,56,479
	- Contribution to provident fund	2,88,729	2,49,808
	- Workmen and Staff Welfare Expenses	4,30,420	4,43,052
	- Director's Remuneration	11,52,000	12,05,650
	Insurance	2,52,843	6,37,910
	Repair & Maintenance - Plant & Machinery	11,81,802	10,32,057
	- Buildings	,0	2,320
	- Vehicles	1,62,824	1,08,847
	- Others	4,13,496	2,82,670
	Travelling & Conveyance	18,04,352	18,62,461
	Rates & Taxes	6,23,502	1,11,958
	Rent	2,22,744	2,22,744
	Telephone and Postage expenses	6,46,690	7,51,746
	Printing & Stationery	2,82,690	3,13,742
	Remuneration to Auditors	68,837	71,797
	Legal, Consultancy & Professional Expenses	3,04,291	2,62,761
	Watch & Ward Expenses	5,86,515	4,60,763
	Listing Fees	54,350	2,61,150
	Advertisement Expenses	88,646	80,972
	Prior Period Expenses	95,179	10,70,696
	Testing Charges Paid	,0	31,241
	Bad Debts Written off	,0	49,18,954
	Miscellaneous Expenses	6,93,189	4,21,825
	Loss on Sale of Assets	39,037	,0
	Directors Sitting Fees	44,000	5,000
	TOTAL	4,75,31,375	4,76,15,742
17.	SELLING & DISTRIBUTION EXPENSES		
	Packing Materials	22,79,158	23,93,716
	Brokerage & Commission	11,18,152	8,25,065
	Freight outward , Coolie & Cartage	7,64,689	8,57,264
	Hamali	69,058	8,57,264
	Foreign Exchange Fluctuation Loss	,0	12,837
	Handling Charges on Export Sales	,0	16,086
	Discount allowed & Other Selling Expenses	1,06,373	4,04,297
	TOTAL	43,37,429	53,66,530
18.	FINANCIAL EXPENSES		
	Interest to others	10,22,616	9,41,311
	Interest to Banks (OTS)	25,11,196	69,36,800
	Bank Charges/Discounting Charges	1,42,614	6,55,427
	TOTAL	36,76,426	85,33,538



19. NOTES ON ACCOUNTS:

1. Significant Accounting Policies.

- i. The accounts have been prepared on accrual basis.
 - ii. Fixed assets have been stated at cost (Net of Cenvat) less depreciation.
 - iii. Investments are for long term and stated at cost.
 - iv. Depreciation on fixed assets has been provided on straight-line method (SLM) and at the rates prescribed in schedule XIV to the Companies Act, 1956.
 - v. Stores and spares, Raw Material, Work in progress and finished goods are valued at lower of cost or net realizable value. Stock of saleable waste is valued at estimated realizable value. The cost of material is arrived at first in first out (FIFO) basis. Cost of Finished goods and Raw Material in Process is arrived at including direct materials, direct labour and appropriate production overheads.
 - vi. i) Liability towards retirement gratuity to employees is accounted on accrual basis.
ii) Contribution to Employees provident fund are made on monthly basis and charged to revenue on accrual basis.
 - vii. Transactions in foreign currencies have been accounted at the exchange rate prevailing at the time of entering into transaction. Gains / Losses arising out of the settled transaction have been adjusted in accounts on realization of payments. Transactions remaining unsettled at the year-end are translated at the exchange rate prevailing at the year-end and the difference, if any, is adjusted in the accounts.
 - viii. Deferred tax resulting from timing differences between taxable profit and book profit is accounted for using the tax rates and tax laws that have been enacted at the balance sheet date. The deferred tax asset (net of Deferred Tax Liability) is recognized only to the extent that there is a reasonable certainty that the assets will be realized in future. However, in respect of unabsorbed depreciation and the business losses carried forward after 31st March, 2004 are only recognized to the extent that there is a virtual certainty that the assets will be realized in future.
 - ix. Accounting Policies, which are not specifically referred to, are consistent with generally accepted accounting practices.
2. As the carrying amount of assets does not exceed the future recoverable amount, no adjustment is considered Necessary for impairment of assets.
 3. The details of remuneration paid to Managing Director and The Executive Director as required under Schedule XIII to the Companies Act, 1956 are as given below.

Particulars	2006 - 07		2005-06	
	M D	Directors	M D	Directors
Remuneration	240,000	420,000	240,000	525,000
House Rent Allowance	120,000	252,000	120,000	315,000
PF Contribution	24,000	42,000	24,000	52,500
Other Perks	Nil	Nil	59,050	Nil
Provision for Gratuity	11333	19833	Nil	20193

4. A. Based on the information available with the company, no creditors have been identified as micro, small or medium enterprises with in the meaning of Micro, small and medium enterprises development Act 2006. necessary disclosures under the said act can only be considered once the relevant information to identify the suppliers who are covered under the said act or received from such parties /suppliers.
- B. Particulars of amounts due to SSI units, if any, could not be ascertained and disclosed in the Balance Sheet as necessary information is not received from the creditors.



5. The Company has acquired land at Deosugar Industrial Area, Raichur District from Karnataka Industrial Areas Development Board (KIADB) on Lease-cum-Sale basis vide agreement-dated 18.08.1993. The formalities with regard to conveyance of title in the name of the Company are under process as the lease period of 11 (eleven) years expired in August 2004.
6. Shortages/excesses found on the physical verification of stocks remain adjusted in consumption of Raw Materials and Consumables Stores. Profit or loss on sale of Cotton adjusted in the Raw material consumption.
7.
 - i. Certain Parties Balances and Bank Balances are subject to confirmation and reconciliation.
 - ii. Cash at bank includes balance of Rs.395/- with Ichalkaranaji Sahakari Bank. There were no transactions during the year. The maximum balance during the year Rs.395/-.
8. Pursuing to the scheme sanctioned Honorable BIFR on 28.11.2006 and subsequent approval of share holders on 20.12.2006, duly registered with registrar of companies on 17.02.2007 for reduction of share capital, each share holder to have one equity share of Rs 10/- each in lieu of 2 Shares held by them. This has resulted in the issued, subscribed paid up equity share capital of the company Rs 6,49,58,000.00 consisting of 64,95,800 equity shares of Rs 10.00 each being reduced to Rs 3,24,79,000/- consisting of 32,47,900 equity shares of Rs 10.00 of fully paid up with effect from 25.02.2007.
9. Extra ordinary items.
 - I. The company's proposals of OTS with state bank of Hyderabad and Canara Bank sanctioned by the bankers on 29.01.2006 and on 11.03.2006 respectively, and approved by the BIFR vide there sanction order dt: 28.11.2006, as per the terms of OTS interest payable to the above banks amounting to Rs 158.23 Lacs has been credited to Profit & loss A/c as extra ordinary item.
 - ii. Pursuant to sanctioned scheme by honorable BIFR vide its order Dt 28.11.2006, the company has made provision for Sales Tax and Entry Tax amounting to Rs 94.14 Lacs. And the same has been disclosed under the extra ordinary item.
10. Contingent liabilities not provided for:
 - i. Income tax liabilities for interest & penalty that may arise on account of non- Payment of TDS under various sections of I.T Act 1961. The Amount is not ascertainable.
 - ii. No provision has been made for Rs.300000/- being Central Excise duty modvat credit reversed by Central Excise department as the company has disputed the same before Appellate Authorities. However, the company has made payment of Rs.300000/- under protest, which is included in other advances.
 - iii. No Provision has been made for Rs.999232 being Provident Fund Arrears relating to period from Sept 1997 to March 2001 under the provisions of EPF Scheme 1952, Employees Pension Scheme 1995 and Employee Deposit Linked Insurance Scheme 1976 in respect of trainees stipend, in view of the pendency of the appeal before EPF Appellate Tribunal, New Delhi. In the meantime the Company has paid Rs.499616 on 26.04.2004, being 50 % of the dues demanded as per the directions of the High Court of Karnataka, Bangalore in writ petition No 7044/2004 (L-PF).
11. Auditors Remuneration:

Break Up	31.03.07	31.03.06
Audit Fees	22472	22040
Tax Audit	11236	11020
Tax Matters	NIL	10000
Certification Work	22464	22040
Reimbursement of Expenses	10681	11037
Total	66853	76137



12. Quantitative information

	Year Ended 31.03.2007		Year Ended 31.03.2006	
a) Licensed Capacity	Not Applicable		Not Applicable	
b) Installed Capacity	12160 Spindles		15204 Spindles	
c) Actual Production	Qty (Kg)	Value	Qty (Kg)	Value
Cotton Yarn	1122496.36		1231402	
Waste	526445		518294	
a) Finished Goods (Cotton Yarn)				
i) Opening Stock				
Yarn	78513	8,255,824	29034	2454120
Waste	64914	780,808	100382	2084534
ii) Closing Stock				
Yarn	69117	6,873,407	78513	8255824
Waste	2746	65,280	64914	780808
iii) Turnover				
Yarn	1126291	121,707,238	1182193	131883525
Waste	559668	7,272,709	553762	661952
B) Raw Material Consumed	1586753	83,496,288	1732766	86277277
Cotton				
c) Raw Materials Sales			145617	5491060
d) Consumption of Raw Materials, Stores & Spares	Value Rs.	% of Total Value	Value Rs.	% of Total Value
Cotton - Imported			1044641.00	1.21
- Indigenous	83496288.00	100%	85232636.00	98.79
Total	83496288.00	100%	86277277.00	100
Stores & Spares				
Imported	-		NIL	
Indigenous	5012673.00	100%	5565902.00	100.00
Total	5012673.00	100%	5565902.00	100.00

H) CIF Value of Imports	Value(Rs)
Raw Materials (Cotton)	NIL
Stores, components & spares	NIL

	Amount in Rs	Amount in Rs
i) Earnings in Foreign Exchange		
1) FOB Value of Exports		3626986
2) Deemed exports exports through merchant exporters		10745970
j) Expenditure in Foreign Exchange		
On Travels	Nil	Nil
On Raw Materials	Nil	Nil
On Spares	Nil	Nil



13. In the opinion of the Board and to the best of its knowledge, the value on realization of current assets, loans and advances in the ordinary course of business would not be less than the amount at which they are stated in the Balance Sheet.
14. The company operates solely in the Textile Intermediary Products (Cotton Yarn) and the operations are with in the country risks and returns do not defer significantly. In view of the above, segment wise disclosures either primary or secondary as per AS 17 issued by ICAI are not applicable to the company during the year.
15. There are no amounts required to be credited to 'Investors Education and Protection Fund' as at the year end.
16. The proposed scheme to merge our company with the M/s Madanapalle Spinning Mills Ltd., with effect from 31.03.2007, duly approved by the board of directors of both companies is pending before the Board for Industrial and Financial Reconstruction (BIFR) and is also subject to approval of the companies in general meeting. Pending approval of the scheme as above no accounting entries have been made in these accounts for the same.
17. Consequent to the introduction of AS-22 'Accounting for Taxes on Income' issued by ICAI, the Company has recognized deferred tax asset/liabilities in terms of accounting policy No (i) up to 31.03.2004. Deferred Tax Assets are recognized on carry forward of unabsorbed depreciation and tax losses that such deferred tax assets can be realized against future taxable profits. However, after 1-04-2004, the Company has not recognized incremental Deferred Tax Asset on account of Business Loss and Depreciation for the year in view of the ASI-9 issued by ICAI. The DTA recognized as of 31.03.2004 is, however, still retained in the accounts. Major components of deferred tax asset/liabilities are as under

Particulars	Year Ended 31-03-07	Year Ended 31-03-06
Deferred Tax Assets		
Carried forward losses/ depreciation	Not Considered	Not Considered
Sec 43B Items		
Gratuity		
Defferes Tax Liabilities/ Depreciation	Not Considered	Not Considered
Net Deferred Tax Asset	39340890	39340890

18. Related party disclosures: (As identified by the Management and relied upon by the Auditors) Related party disclosures as required by AS 18 issued by ICAI are given below:

Category I- Associates:

Bhagwan Cotton Ginners Pvt Ltd (BCGPL), Bankatlal Boob Cottons (P) Ltd (BBCPL), Vinod Marketing P Ltd (VMPL) Vinod Securities & Investments (P) Ltd., Madanapalle spinning Mills Ltd

Particulars	Year Ended 31-03-07	Year Ended 31-03-06
a) Cotton Purchases	32,633,691.00	13,337,969.00
b) Cotton Sales	Nil	2,031,861.00
c) Cotton Yarn Waste Interstate	1,430,772.80	Nil
d) Outstanding Balance included in Receivable	712,320.00	1,166,437.00
e) Outstanding Balance included in Payable	22,227,779.00	28,266,525.00



Category II Key Management Personnel

Particulars	Year Ended 31-03-07	Year Ended 31-03-06
Mr. Balkishan Boob Chairman & MD	395333	443050
Mr. Ramanujdas Boob Whole Time Director	733833	714000
Mr. Vikas Boob-Director	Nil	178500

(Includes Perquisites, Contribution to PF and other Funds)

19. The company has opted exemption route as permitted under central Excise Act/ Rules vide notification no. 30/31 dated 9-07-2004.
20. Paise's have been rounded off to the nearest Rupee.
21. Previous year figures have been rearranged/regrouped/recast wherever necessary.
22. Earnings per share (AS 20)

Particulars	Year Ended 31-03-07	Year Ended 31-03-06
Profit (Loss) After Tax as per Profit & Loss Account (Rs. in Lakhs)	-205.91	-103.37
Weighted Avg. Number of Equity Shares	5917406	6495800
Basic & Diluted Earnings Per Share-In Rs	(3.47)	(1.51)

Signature on Schedule 1 to Schedule 19 As per our Report attached

For Dagliya & Company
Chartered Accountants

O D Golcha
Partner
M.No 12502

Bangalore : Bangalore
Dated: 3-09-2007



VISHAL COTSPIN LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st March 2007

	31-Mar-07 (Rs)	31-Mar-06 (Rs)
A. Cash flow from Operating Activities :		
Net profit/(Loss) before Tax & extraordinary items	(20,591,548)	(10,336,711)
Add: a. Depreciation	9,014,074	83,90,558
b. Interest	3,533,812	78,78,111
c. (Profit) / Loss on Sale of Assets	39,037	
Less: Interest Income	(182,755)	
Less: Extraordinary Items: Sales Tax & Entry Tax Provision	(9,414,138)	-
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	(17,601,518)	59,31,958
ADJUSTMENT FOR:		
(Increase)Decrease in trade /other receivables	(4,801,303)	9,510,978
(Increase)Decrease in Inventories	5,518,463	(2,534,241)
Increase(Decrease) in Trade / Other payable	21,719,718	(4,572,196)
CASH GENERATED FROM OPERATION	4,835,360	8,336,499
B. NET CASH INFLOW/ (OUTFLOW) FROM OPERATION (A)	4,835,360	4,835,360
Cash flow from Investing Activities:		
Investments for the Year	-	-
Purchase of Fixed assets	(1,848,576)	(15,891,120)
Sale of Fixed Assets	878,072	,0
C. NET CASH USED IN INVESTING ACTIVITIES (B)	(970,504)	(15,891,120)
Cash flow from Financing Activities:		
Interest RECEIVED	182,756	-
Increase in Un secured loan	13,930,740	10,000,000
Payment of fringe benefit tax	(160,000)	(120,000)
interest & financial charges	(3,533,812)	(941,311)
Decrease in Capital (share Application money)	(2,600,000)	-
Repayment to Financial Institutions	(10,521,928)	(2,163,000)
NET CASH INFLOW/ (OUTFLOW) FROM FINANCING	(2,702,244)	6,775,689
ACTIVITIES		
D. NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS	1,162,611	(778,932)
Cash and Cash Equivalents as at Opening		
Cash & Bank Balance	1,571,454	23,50,386
Total	1,571,454	23,50,386



	31-Mar-06 (Rs)	31-Mar-05 (Rs)
Cash and Cash Equivalents as at Closing		
Cash & Bank Balance	2,734,065	23,50,386
Total	2,734,065	15,71,454
Net	1,162,611	(778,932)

On Behalf of the Board

Balkishan Boob
Managing Director

Ramanujdas Boob
Executive Director

Auditors Report

We have examined the above cash flow statement of M/s Vishal Cotspin Limited for the year ended 31st March, 2007. The Statement has been prepared by the company in accordance with the requirements of Clause 32 of the Listing agreement with the stock exchanges and is based on and in agreement with the corresponding Profit and Loss account and Balance Sheet of the company covered by our report of to the members of the company.

Bangalore : Bangalore
Dated: 3rd September 2007

For Dagliya & Company
Chartered Accountants

O D Golcha
Partner
M.No 12502



20. Information Pursuant to part iv of schedule vi to the companies Act , 1956

I. Registration details

Registration no.	08-14326
State code	08
Balance sheet date	31st March ,2007

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	Nil
Right Issue	Nil
Bonus Issue	Nil
Private placement	Nil

III. Position of mobilisation and deployment of funds(Amount in thousands)

Total Liabilities	1,56,562	Total Assets	1,56,562
Sources of Funds		Application of Funds	
Paid up capital	45,984	Net Fixed Assets	1,00,322
Reserve & Surplus	2,500	Investments	,11
Secured Loans	56,707	Net Current Assets	(34,614)
Unsecured Loans	51,371	Accumulated Losses	51,502
		Deferred Tax Asset	39,341

(*Includes Rs.1971 Share forfeiture amount and Rs.14134 Deferred Tax Asset 39,341 Share application money)

IV. Performance of Company (Amount in Rs. Thousands)

Turnover	1,30,124
Total Expenditure	1,50,716
Profit/ (Loss) Before tax	(20592)
Profit/ (Loss) After tax	(20752)
Earning per share in Rs.	(3.47)
Dividend Rate %	Nil

V. Generic names of Two principle products/ service of companyItem code no.Product description
52051101 Cotton yarn (Other than Sewing thread)52030000Yarn / Carded / Combed

On Behalf of the Board

Balkishan Boob
Chairman & Managing Director

Ramanujdas Boob
Executive Director

Bangalore : Bangalore
Dated: 3-09-2007



VISHAL COTSPIN LIMITED

CORPORATE & REGISTERED OFFICE

S-916, Manipal Centre, 47 Dickenson Road, Bangalore - 560 042



Please complete this attendance slip and hand it over at the entrance of the Meeting hall.

DP. Id*	
Client Id*	
Folio No	

I here by record my presence at the Annual General Meeting of the Company being held on Saturday, the 29th September, 2007 at 10-00 a.m. At the Registered office of the company at S-916, Manipal Centre, 47, Dickenson Road, Bangalore - 560 042

Name of the Share Holder _____

Name of the Proxy # _____

To be filled in case the proxy attends instead of Shareholder.

Signature of the Shareholder/ Proxy _____



VISHAL COTSPIN LIMITED

CORPORATE & REGISTERED OFFICE

S-916, Manipal Centre, 47 Dickenson Road, Bangalore - 560 042

DP. Id*	
Client Id*	
Folio No	

I/we _____

of _____

being members of Vishal Cotspin Limited hereby appoint _____

of _____

or failing him of _____

as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of Vishal Cotspin Limited to be held on Saturday the 29th Sep. 2007 or at any adjournment thereof.

Signed this _____ day of _____ 2007

(*Applicable for investor holding shares in electronic/dmat form)

