

# 21st ANNUAL REPORT

## 1996 - 97

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CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
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YE	<input checked="" type="checkbox"/>			

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MALWA COTTON  
SPINNING MILLS LTD.



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## THE MANAGEMENT

### BOARD OF DIRECTORS

MR. JANGI LAL OSWAL  
Chairman-Cum-Managing Director  
MR. N.K.OSWAL  
MR. RISHI OSWAL  
MR. RAHUL OSWAL  
MR. N.K. BAKSI (Nominee of IFCI)  
MR. K.B.JAIN  
MR. MANHARLAL MAGANLAL BADIANI  
MR. G.BANSAL  
MR. ASHWANI KUMAR CHAUHAN  
MR. RAJDEEP JAIN  
MR. B.S.MANN

### AUDITORS

S.C. Vasudeva & Co., New Delhi

### BANKERS

Punjab National Bank

Indian Bank

Vijaya Bank

State Bank of India

Standard Chartered Bank

American Express Bank

### REGISTERED OFFICE

Industrial Area 'A',  
LUDHIANA -141003

### WORKS

- i) Village Harigarh,  
Raikot Road, Barnala (Punjab)
- ii) Village Patlian,  
Paonta Sahib (Himachal Pradesh)



# FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89*	1987-88
Share Capital	489.89	489.89	489.89	489.88	489.88	489.80	489.78	489.72	330.73	330.63
Reserves	8138.55	7136.03	6844.99	5930.28	4856.23	3955.82	3201.85	2190.16	1212.96	845.83
Net Worth	8628.44	7625.92	7334.88	6420.16	5346.11	4445.62	3691.63	2679.88	1543.69	1176.46
Fixed Assets (Gross)	16305.26	13992.24	13227.40	11707.15	8969.30	6599.30	5202.36	4085.68	2616.62	1783.96
Depreciation	6457.37	5305.07	4235.40	3254.82	2461.08	1927.41	1510.56	1369.54	931.78	755.85
Net Block	9847.89	8687.17	8992.00	8452.33	6508.22	4671.89	3691.80	2716.14	1684.84	1028.11
Investments	1033.27	1052.76	700.93	469.96	273.35	239.50	55.00	15.00	—	—
Net Current Assets	11191.36	9186.87	9986.39	8457.54	6962.37	4679.94	3051.49	2126.67	1313.41	1252.04
Net Assets Employed	22072.52	18926.80	19679.32	17379.83	13743.94	9591.33	6798.29	4857.81	2998.25	2280.15
Book Value Per Equity Share(Rs.)	176.05	155.60	149.66	131.00	109.08	90.71	75.32	54.68	46.62	35.53
Gross Income	31956.50	32529.72	27153.33	21435.98	18622.71	15039.41	11680.20	8895.33	4664.69	4550.67
Export Sales (FOB)	11688.41	5717.52	5576.68	3928.59	2515.48	2366.63	265.54	7.84	—	79.95
Gross Profit	2478.80	1571.14	2162.01	2317.89	2162.82	1842.02	1785.57	1282.72	712.98	654.42
Depreciation	1166.71	1076.30	992.07	793.58	535.71	423.96	357.37	441.79	178.45	163.61
Profit Before Tax	1312.09	494.84	1169.94	1524.31	1627.11	1418.06	1428.20	840.93	534.53	490.81
Profit After Tax	1112.09	484.84	1069.94	1264.31	1102.11	923.06	1003.20	622.93	441.53	412.81
Equity Dividend	40%	37%	37%	37%	37%	35%	35%	33%	22.5%	25%
Earning Per Share(Rs.)	22.69	9.89	21.83	25.80	22.49	18.88	24.65**	12.71	13.34	12.47
Cash Earning Per Share (Rs.)	46.50	31.85	42.07	42.00	33.42	27.48	27.76	21.72	18.72	17.40

\* Nine months

\*\*After considering reversal of excess depreciation.



# NOTICE

## NOTICE

Notice is hereby given that the Twenty First Annual General Meeting of the Members of Malwa Cotton Spinning Mills Limited, will be held in the premises of Punjab Woolcombers Limited, Dhandari Kalan, G.T. Road, Ludhiana on Tuesday, the 30th September 1997 at 10.30 A.M. to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 1997 and Profit and Loss Account for the year ended on that date together with Auditors' and Directors' Report thereon.
2. To declare dividend.
3. To appoint a director in place of Shri Manharlal Maganlal Badiani who retires by rotation and who, being eligible, offers himself for reappointment.
4. To appoint a director in place of Shri G. Bansal who retires by rotation and who, being eligible, offers himself for reappointment.
5. To appoint a director in place of Shri Ashwani Kumar Chauhan who retires by rotation and who, being eligible, offers himself for reappointment.
6. To appoint Auditors of the Company from the conclusion of this meeting until the conclusion of next Annual General Meeting and fix their remuneration. M/s. S.C. Vasudeva & Co., Chartered Accountants, the retiring Auditors of the Company are eligible for reappointment.

### SPECIAL BUSINESS:

7. To consider and if thought fit, to pass with or without modification(s), the following resolutions as Ordinary Resolution:
  - (a) "RESOLVED THAT Mr. Rajdeep Jain who was appointed as an Additional Director and in respect of whom the company has received Notice from a shareholder proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company liable to retire by rotation."
  - (b) "RESOLVED THAT Mr. Bakhtawar Singh Mann, who was appointed as an Additional Director and in respect of whom the Company has received Notice from a shareholder proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company liable to retire by rotation."
8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
 

"RESOLVED THAT in supersession of Resolution No. 8 passed at the Annual General Meeting of the Company held on 16 September, 1994 and pursuant to Section 293(1)(d), and all other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to

time any sum or sums of monies which together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business), may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided such excess as determined by the amount so borrowed by the Board and outstanding shall not at any time exceed the limit Rs. 300 Crores."

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors of the Company in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging of all the immovable and movable properties of the Company wheresoever situated, present and future, and the whole of the undertaking of the Company and/or conferring power to take over management of the business and concern and/or undertaking of the Company in certain events (whether such power is contained in the documents creating the mortgage/charge or otherwise), to or in favour of The Industrial Finance Corporation of India Ltd. (IFCI) in connection with Foreign Currency Loan of Rs. 1300 lacs (on conversion of undischarged balance Rupee Loan of Rs. 1300 lacs out of Rupee Term Loan of Rs. 2600 lacs) lent & advanced/agreed to be lent and advanced by IFCI to the Company under its Term Loans facilities."

"RESOLVED FURTHER THAT the mortgage/charge created/to be created and/or all agreements/documents executed/to be executed and all acts done in terms of the above resolution by and with the authority of the Board of Directors are hereby confirmed and ratified."

10. To consider and if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution:

"RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors of the Company in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging of all the immovable and movable properties of the Company wheresoever situated, present and future, and the whole of the undertaking of the Company to or in favour of bankers (PNB, IB, VB, SBI, SCB and AMEX) in connection with Rs. 104 Crores (Fund Based Limit) and Rs. 30 Crores (Non-Fund Based Limit) lent & advance/agreed to be lent and advanced by bankers to the company under their Working Capital Facilities."

"RESOLVED FURTHER THAT the mortgage/charge created/to be created and/or all agreements/documents



executed/to be executed and all acts done in terms of the above resolution by and with the authority of the Board of Directors are hereby confirmed and ratified."

11. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT subject to the provisions of Section 370 and other enabling provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby granted to the Board of Directors for giving any guarantee or guarantees and/or by providing any securities on behalf of the Company in connection with any loans made by any person to, or to other person by anybody corporate upto the amount not exceeding Rs. 100 Crores (Rupees One Hundred Crores) in the aggregate"

12. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 372 of the Companies Act, 1956 and subject to the approval of Central Govt., if required, the Company hereby sanctions the investments aggregating upto Rs. 100 Crores (Rupees One Hundred Crores only) in the shares of other bodies corporate to be made by the Board of Directors from time to time as they deem fit notwithstanding that such investments in all the bodies corporate together with companies existing investments, if any, shall be in excess of any or all the percentages laid down in sub-section (2) of Section 372 of the Act and the provisions thereto or the percentages to be prescribed by the Central Govt. under the said sub-section and provisos, as the case may be, and the Board of Directors be and is hereby authorised to invest the said sum aggregating to Rs. 100 Crores in the manner as they deem fit and to settle all questions and matters arising out of and incidental to the investments."

13. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310 & 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the revised terms, remuneration and perquisites of Sh. Jangi Lal Oswal, Managing Director for the remaining period of his tenure of office effective from April 01, 1997 as set out below:

Salary:	Rs. 2,00,000 (Rupees Two lacs only) per month.
Commission:	1% of the net profits of the Company in addition to salary and perquisites.
Minimum Remuneration:	Notwithstanding anything to the contrary therein contained where in any financial year during the currency of the tenure of the appointee, the Company has no profit or its profits

are inadequate, the Company will pay remuneration by way of salary and perquisites as specified above subject to the ceiling laid down in section II of part II of Schedule XIII to the Companies Act, 1956.

All other terms and conditions of Appointment, Remuneration and the Agreement remain the same."

#### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING, THE BLANK PROXY FORM IS ENCLOSED.
2. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of item No.7 to 13 is annexed hereto and forms part of the Notice.
3. The Dividend declared, if any, will be paid to those Members whose names appear in the Register of Members of the Company as on 30.09.1997.
4. The Register of Members and the Share Transfer Books of the Company shall remain closed from 16.09.1997 to 30.09.1997 (Both days inclusive).
5. The Members are requested to notify the change in their addresses, if any, at the earliest.
6. Members desiring any information as regards Accounts are requested to write to the Company at its Registered Office at least 10 days before the date of Annual General Meeting so as to enable the Management to keep the information ready.
7. The copies of relevant documents can be inspected at the Registered Office of the Company on any working day between 10.30 A.M. to 12.30 P.M.
8. Pursuant to Section 205 of the Companies Act, 1956, the unpaid dividend upto the financial year 1992-93 has been deposited in the General Revenue Account of the Central Government and the unpaid dividend for the financial year 1993-94 will be deposited with the Central Government in the month of November, 1997. Therefore, the Members who have not claimed the dividend for the Year 1993-94, are requested to apply to the Company for the payment of dividend before 15.10.1997.
9. Members are requested to bring their copy of Annual Report alongwith them to the Annual General Meeting.

By order of the Board

Regd. Office:  
Industrial Area 'A',  
LUDHIANA  
Dated : 26th August, 1997

(DINESH GUPTA)  
Company Secretary





## EXPLANATORY STATEMENT

As required under Section 173 of the Companies Act, 1956 the following explanatory statement set out all the materials, facts relating to item Nos. 7 to 13 mentioned in the accompanying notice dated 26th August, 1997.

### ITEM NO. 7

(a) Sh. Rajdeep Jain was appointed as an Additional Director of the Company in the meeting of Board of Directors held on 30th November, 1996 to hold office upto the date of forthcoming Annual General Meeting. The Company has received a notice from a member under Section 257 of the Act, signifying his intention to propose the appointment of Sh. Rajdeep Jain. He is a Commerce Graduate and has wide and varied experience in Industry. The Board of Directors has recommended his appointment as a Director of the Company.

(b) Sh. B.S. Mann was appointed as an Additional Director of the Company in the meeting of Board of Directors held on 6th May, 1997 to hold office upto the date of forthcoming Annual General Meeting. The Company has received a notice from a member under Section 257, of the Act, signifying his intention to propose the appointment of Sh. B.S. Mann. The Board of Directors has recommended his appointment as a Director of the Company.

None of the Directors is interested in this resolution.

### ITEM NO. 8

At the Annual General Meeting of the Company held on 16th September, 1994, the Shareholders had authorised the Directors of the Company to borrow monies not exceeding the aggregate Rs. 200 Crores over and above the paid up capital and free reserves. It is considered that the said limit would be inadequate for expansion programme undertaken/ to be undertaken by the Company, therefore it may be necessary for the Company to borrow additional funds. The approval of the Shareholders is being sought pursuant to Section 293(1)(d) of the Companies Act, 1956 to increase the borrowing limit to Rs. 300 Crores.

None of the Directors is interested in this resolution.

### ITEM NO. 9

The Shareholders of the Company have already accorded approval to the Board of Directors to mortgage and/or charge the properties of the Company both immovable and moveable. The Company has further taken Foreign Currency Loan and Financial Institutions have stipulated to create additional securities in the matter set out in the resolution.

None of the Directors of the Company is, in any way, interested in the resolution except Shri N.K. Baksi who is a Director on the Board nominated by the IFCI.

### ITEM NO. 10

The Company has been availing Working Capital Facilities from bankers under consortium arrangement. The bankers have third charge on the movable & immovable properties of the Company. As the banks have enhanced the Working Capital facilities. The approval of Shareholders being sought pursuant to Section 293(1)(a) of the Companies Act, 1956 to create third charge on the properties of the Company for enhanced facilities.

None of the Directors is interested in this resolution.

### ITEM NO. 11

The Directors consider that in the course of the Company's business, it is necessary to give guarantees and/or to provide securities in connection with loans made by any persons to or to any other person by any body corporate.

Section 370 of the Companies Act, 1956 lays down certain restrictions on a Company providing any guarantee, or providing any security for any loan unless the same has been previously authorised by special resolution of the guaranteeing Company. The proposed resolution is to authorise the Board of Directors to give guarantees or to provide securities not exceeding Rs. 100 Crores. The members are requested to approve the resolution.

None of the Directors is concerned or interested in this resolution.

### ITEM NO. 12

Section 372 of the Companies Act, 1956 seeks to regulate investments by a Company in other bodies corporate beyond certain limits prescribed by the Central Government from time to time. The proposed resolution is to authorise the Board of Directors to make investments, if they deem fit, beyond the limits prescribed by the Central Government under the said Section of the Act provided that the aggregate of such investments in all the bodies corporate at any time shall not exceed Rs. 100 Crores (Rupees One Hundred Crores only). The prior approval of the Central Government will be obtained whenever necessary.

None of the Directors is concerned or interested in the Resolution.

### ITEM NO. 13

Sh. Jangi Lal Oswal, was reappointed Managing Director of the Company w.e.f. 1st January, 1994 for 5 years by the Board of Directors in its meeting held on 28.08.1993. The Shareholders in the 17th Annual General Meeting held on 29.09.1993 had approved the appointment of Shri Jangi Lal Oswal. The Central Government have made amendments in Schedule XIII to the Companies Act, 1956 w.e.f. 1st February, 1994 thereby giving greater freedom to the companies in



regard to managerial appointment and remuneration. Now, a Company with adequate Net Profits have full freedom to work out a suitable remuneration package for its managerial personnel within the limits of 5% of its net profits if it has one and 10% of its net profits if it has more than one managerial person. Such remuneration may be paid as minimum remuneration without the approval of Central Government depending upon the effective capital of the Company specified under Section II of part II of Schedule XIII. In view of the aforesaid amendment in Schedule XIII it is proposed to increase the remuneration of Sh. Jangi Lal Oswal, Managing Director from Rs. 1,50,000/- per month to Rs. 2,00,000/- per month & Commission is being paid as 1% of the net profits of the Company. Other terms and conditions of his Appointment and Remuneration remain the same. Accordingly no fresh approval of Central Government is required so long as these are within the provisions of Schedule XIII. In compliance with the provisions of Section 198, 269, 309, 310 & 311 of the Companies Act, 1956, the terms of remuneration specified above are now being placed before the members in the Annual General Meeting for their approval.

The draft Agreement between the Company and Sh. Jangi Lal Oswal is available for inspection by the members

of the Company at its Registered Office between 10.00 A.M. to 12.00 Noon on any working day of the Company.

#### Memorandum of Interest

Sh. Jangi Lal Oswal is interested in this item.

Sh. N.K. Oswal, Sh. Rishi Oswal and Sh. Rahul Oswal being relatives of Sh. Jangi Lal Oswal, may also be deemed to be concerned or interested in this item.

This may be treated as an abstract of the draft Agreement between the Company and Sh. Jangi Lal Oswal pursuant to Section 302 of the Companies Act, 1956.

By order of the Board

Regd. Office:  
Industrial Area 'A',  
LUDHIANA  
Dated : 26th August, 1997

(DINESH GUPTA)  
Company Secretary

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## DIRECTORS' REPORT

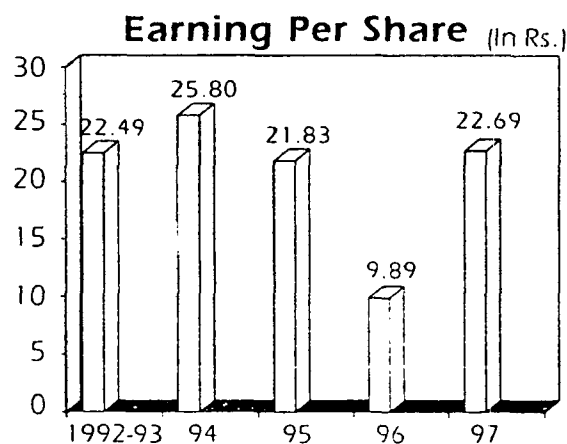
The Directors are pleased to present their Twenty First Annual Report on the business of the Company and the Audited Statement of Accounts of the Company for the year ended 31st March, 1997.

### FINANCIAL RESULTS

	1996-97 (Rs. Lacs)	1995-96 (Rs. Lacs)
Profit before financial expenses & depreciation	4936.41	3515.86
Financial expenses	2457.61	1944.72
Depreciation	1166.71	1076.30
Net profit before taxes	1312.09	494.84
Provision for taxation	200.00	10.00
Profit after tax	1112.09	484.84
Balance brought forward	278.80	338.76
<b>Prior period adjustment</b>		
Investment Allowance		
Reserve Written back	28.00	19.00
Income Tax Refund/(for earlier years)	133.70	(10.88)
Depreciation(provided)/		
Written back for earlier year	0.95	(1.66)
Profit available for appropriation	1553.54	830.06
Proposed Dividend	195.96	181.26
Tax on Proposed Dividend	19.59	—
Debenture Redemption Reserve	40.00	20.00
Reserve for Bad and Doubtful		
Debts & Advances	30.00	—
General Reserve	1000.00	350.00
Surplus in Profit & Loss Account carried to Balance Sheet	267.99	278.80

### DIVIDEND

Your Directors recommend 40% Dividend.



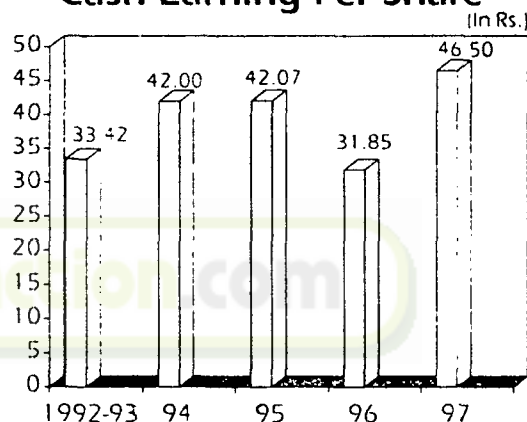
### YEAR IN RETROSPECT

Another successful year of higher production and export has been completed by your Company.

### PRODUCTION

The total production of all type of yarns during the year recorded 248.44 Lac Kgs against 234.34 Lac Kgs in the previous year which shows an increase of 6.02%. The production of cotton yarn was 139.72 Lac Kgs against 110.77 Lac Kgs in the previous year. The production of other Synthetic Yarns during the year was 108.72 Lac Kgs against 123.57 Lac Kgs. There was a change in product mix due to higher value addition in cotton yarn.

### Cash Earning Per Share



### TURNOVER

During the year your Company recorded a turnover of Rs. 31956.50 Lacs against previous year total turnover of Rs. 32529.72 Lacs. However there was increase in sales in quantitative terms. The turnover was marginally lower due to lesser sales realisation on account of overall down trend in prices of raw materials & change in product mix.

### PROJECTS

#### Barnala Unit

The Barnala unit is doing well in field of production, sales, exports and productivity. The unit is equipped with modern & sophisticated Laboratory to maintain & upgrade the quality of the yarns. The company has taken in hand implementation of 100% E O U for manufacturing of Cotton yarn with a complement of