

23rd
ANNUAL REPORT 1998-99



MALWA COTTON SPINNING MILLS LTD.



MALWA COTTON SPINNING MILLS LIMITED

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. 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 - 141 003.

WORKS

- : i) Village Harigarh,
 Raikot Road, Barnala (Punjab)
- ii) Village Patlian,
 Paonta Sahib (Himachal Pradesh)
- iii) Village Harian, Kohara-Machhiwara Road,
 Distt. Ludhiana (Punjab)

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MALWA COTTON SPINNING MILLS LIMITED

FINANCIAL HIGHLIGHTS

(Rs. in Lac)

	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90
Share Capital	1556.04	489.89	489.89	489.89	489.89	489.88	489.88	489.80	489.78	489.72
Reserves	10244.22	9561.81	8138.55	7136.03	6844.99	5930.28	4856.23	3955.82	3201.85	2190.16
Net Worth	*11825.91	**10117.85	8628.44	7625.92	7334.88	6420.16	5346.11	4445.62	3691.63	2679.88
Fixed Assets (Gross)	23170.15	19915.08	16305.26	13992.24	13227.40	11707.15	8969.30	6599.30	5202.36	4085.68
Depreciation	9063.38	7685.69	6457.37	5305.07	4235.40	3254.82	2461.08	1927.41	1510.56	1369.54
Net Block	14106.77	12229.39	9847.89	8687.17	8992.00	8452.33	6508.22	4671.89	3691.80	2716.14
Investments	2627.04	2279.04	1033.27	1052.76	700.93	469.96	273.35	239.50	55.00	15.00
Net Current Assets	14356.70	13218.12	11191.36	9186.87	9986.39	8457.54	6962.37	4679.94	3051.49	2126.67
Net Assets Employed	31293.55	27733.56	22072.52	18926.80	19679.32	17379.83	13743.94	9591.33	6798.29	4857.81
Book Value Per Equity Share (Rs.)	212.58	206.44	176.05	155.60	149.66	131.00	109.08	90.71	75.32	54.68
Gross Income	35176.23	37053.60	31956.50	32529.72	27153.33	21435.98	18622.71	15039.41	11680.20	8895.33
Export Sales (FOB)	11904.82	13197.20	11688.41	5717.52	5576.68	3928.59	2515.48	2366.63	265.54	7.84
Gross Profit	1735.69	3081.05	2478.80	1571.14	2162.01	2317.89	2162.82	1842.02	1785.57	1282.72
Depreciation	1413.68	1317.87	1166.71	1076.30	992.07	793.58	535.71	423.96	357.37	441.79
Profit Before Tax	322.01	1763.18	1312.09	494.84	1169.94	1524.31	1627.11	1418.06	1428.20	840.93
Profit After Tax	286.01	1563.18	1112.09	484.84	1069.94	1264.31	1102.11	923.06	1003.20	622.93
Equity Dividend (%)	15	40	40	37	37	37	37	35	35	33
Earning Per Share (Rs.)	5.14	31.89	22.69	9.89	21.83	25.80	22.49	18.88	20.46	12.71
Cash Earning Per Share (Rs.)	30.55	58.78	46.50	31.85	42.07	42.00	33.42	27.48	27.76	21.72

* Includes Application money for shares and warrants Rs. 25.65 Lac.

**Includes Application money for warrants Rs. 66.15 Lac.



MALWA COTTON SPINNING MILLS LIMITED

NOTICE

Notice is hereby given that the Twenty-third 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 Thursday, September 30, 1999 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, 1999 and Profit & Loss Account for the year ended on that date together with Auditors' and Directors' Report thereon.
2. To declare dividend on equity shares.
3. To declare dividend on preference shares.
4. To appoint a director in place of Shri Rahul Oswal who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a director in place of Shri Rajdeep Jain who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a director in place of Shri B. S. Mann who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint Auditors of the Company and fix their remuneration.

SPECIAL BUSINESS :

8. 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 wheresover 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 its loan of Rs. 1550 Lac 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 and/or all agreements/documents 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."

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 wheresover 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 Industrial Development Bank of India (IDBI) in connection with its loan of Rs. 1000 Lac lent & advanced by IDBI to the Company under its Term Loans facilities."

"RESOLVED FURTHER THAT the mortgage/charge created and/or all agreements/documents 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 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 wheresover 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 their Working Capital Facilities of Rs. 129 Crores (Fund based and non-fund based) and need based foreign bills facilities lent & advanced/agreed to be lent and advanced by bankers to the Company."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do and execute all such acts, deeds and things as may be necessary for giving effect to the above resolution."

NOTES :

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of special business under Items No. 8 to 10 set out above is annexed hereto.



MALWA COTTON SPINNING MILLS LIMITED

2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH A PROXY NEED NOT TO BE A MEMBER.
3. The Register of Members and the share transfer books of the Company will remain closed from Thursday, the 16th September, 1999 to Thursday, the 30th September, 1999 (both days inclusive).
4. Members are requested to notify the change in their addresses, if any, to the Company immediately quoting their Folio Number(s).
5. Dividend on equity shares for the year ended March 31, 1999, if declared at the meeting, will be paid to those Members whose names appear in the Company's Register of Members on 30th September, 1999.
6. 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.
7. 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 the Annual General Meeting so as to enable the Management to keep the information ready.
8. Pursuant to section 205 of the Companies Act, 1956, the unpaid dividend upto the financial year 1994-95 has been deposited in the General Revenue Account of the Central Government.
9. The Members holding shares in the same/identical name(s) under different folios are requested to apply for consolidation of such folios and send relevant Share Certificates.
10. Members are requested to bring their copy of Annual Report alongwith them at the Annual General Meeting.

By order of the Board

Regd. Office :
Industrial Area 'A'
Ludhiana.
Dated : 31st July, 1999

DINESH GUPTA
Company Secretary

EXPLANATORY STATEMENT

Explanatory Statement in terms of Section 173(2) of the Companies Act, 1956 annexed to and forming part of the notice conveying the 23rd Annual General Meeting.

Item No. 8

Your Company has been sanctioned Term Loan of Rs. 1550 lac by The Industrial Finance Corporation of India Ltd (IFCI).

Section 293 (1) (a) of the Companies Act, 1956, interalia, provides that the Board of Directors of a public limited company shall not, without the consent of the Company in General Meeting, sell, lease or otherwise dispose off the whole or

substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole, or substantially the whole, of any such undertaking.

Since the mortgage by the Company of its immovable properties, as aforesaid, in favour of IFCI may be regarded as disposal of Company's properties/undertakings, the approval of the members under Section 293 (1) (a) of the Companies Act, 1956, is solicited.

MEMORANDUM OF INTEREST :

None of the Directors of the Company is concerned or interested in this Resolution except Shri N. K. Baksi, nominee director of IFCI.

Item No. 9

Your Company has been sanctioned Term Loan of Rs. 1000 Lac by Industrial Development Bank of India (IDBI).

Section 293 (1) (a) of the Companies Act, 1956, interalia, provides that the Board of Directors of a public limited company shall not, without the consent of the Company in General Meeting, sell, lease or otherwise dispose off the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole, or substantially the whole, of any such undertaking.

Since the mortgage by the Company of its immovable properties, as aforesaid, in favour of IDBI may be regarded as disposal of Company's properties/undertakings, the approval of the members under Section 293 (1) (a) of the Companies Act, 1956, is solicited.

MEMORANDUM OF INTEREST :

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

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/agreed to be enhanced the Working Capital Facilities from Rs. 120.00 Crores to Rs. 129.00 Crores (fund based and non fund based) and foreign bills facilities need based, the approval of Shareholders being sought pursuant to Section 293 (1) (a) of the Companies Act, 1956 to create third charge on all the movable and immovable properties of the Company for their enhanced Working Capital Facilities.

MEMORANDUM OF INTEREST :

None of the Directors is interested in this Resolution.

By order of the Board

Regd. Office :
Industrial Area 'A'
Ludhiana.
Dated : 31st July, 1999

DINESH GUPTA
Company Secretary



MALWA COTTON SPINNING MILLS LIMITED

DIRECTORS' REPORT

The Directors are pleased to present their Twenty Third Annual Report on the business of the Company and the Audited Statement of Accounts of the Company for the year ended 31st March, 1999.

(Rs. in Lac)
1998-99 1997-98

FINANCIAL RESULTS

Profit before financial expenses & depreciation	4719.83	5755.84
Financial expenses	2984.14	2674.79
Depreciation	1413.68	1317.87
Net Profit before tax	322.01	1763.18
Provision for taxation	36.00	200.00
Profit after tax	286.01	1568.18
Balance brought forward	512.58	267.99
Prior period adjustment		
Investment Allowance Reserve written back	93.00	20.00
Income Tax Refund for earlier year	27.67	19.61
Depreciation written back for earlier year	—	27.35
Profit available for appropriation	919.26	1898.13
Proposed Dividend	145.88	195.96
Corporate Dividend Tax	14.59	19.59
Reserve for Bad & Doubtful debts/advances	—	170.00
General Reserve	30.00	1000.00
Surplus in Profit & Loss Account carried to Balance Sheet	728.79	512.58

DIVIDEND

Your Directors recommend 15% Dividend which if approved at the forthcoming Annual General Meeting will be paid to all those equity shareholders whose names appear on the Register of Members as on date of Annual General Meeting. During the year, the Company has raised 11.25% cumulative redeemable preference share capital of Rs. 10.00 Crores. The Board of Directors has also recommended preference dividend @ 11.25% pro-rata on cumulative redeemable preference share of Rs. 100/- each.

YEAR IN RETROSPECT

During the year 1998-99, there was all over recession in textile industry due to South-East Asian Currency Crisis and bad cotton crop affected performance of Textile Industry. Slowdown in export shipments and pressure on export realisations have adverse impact on domestic market due to over supply in the

system. The bottom line of the Company has been affected due to the above factors. However, your management is striving hard to improve the bottom line by optimising the present operations as well as further value addition to existing line of operations by way of dyeing, processing, changing product mix and adding new higher value added products.

PRODUCTION

The total production of all types of yarn during the year was recorded 260.95 Lac Kgs. against 274.02 Lac Kgs. in the previous year which shows decline of 4.77%. The production of cotton yarn was 153.64 Lac Kgs. against 153.59 Lac Kgs. in the previous year. The production of other Synthetic yarns during the year was 107.31 Lac Kgs. against 120.43 Lac Kgs. in the previous year. Total production include 2.30 Lac Kgs. of Synthetic yarn during trial run period.

TURNOVER

During the year, your Company recorded a turnover of Rs. 35176.23 Lac against Rs. 37053.60 Lac in the previous year. The above sales includes Rs. 172.59 Lac for trial run production of the Worsted Unit & Dye House at Machhiwara. The total sales is declined by 5.06% in the current year. The turnover is declined in the current year on account of lower sales realisation due to recession in the market and partial diversion of spindleage to finer counts of yarns.

EXPORTS

Due to South East Asian currency crisis and recession all around, the performance of all sectors have been affected badly. The South East Asian countries where nearly 50% of India's cotton yarn exports are made, have given a major set-back to the cotton textile exports in 1998-99 in terms of quantity and value. In view of the adverse business conditions prevailing in the overseas market throughout the year, the exports of cotton yarn has been affected very badly. Actual exports of cotton yarn from India in 1998-99 could reach only USD 1416 Million as compared to USD 1576 Million in the previous year indicating a fall of about 10%. In quantity terms, shipments of cotton yarn in 1998-99 were fractionally better by 0.33% at 486.78 Million Kgs. compared with 485.17 Million Kgs. in the previous year which means average unit sale realisation in 1998-99 has been lower as compared to 1997-98 affecting the bottom line of the textile industry. However, due to increase in shipments in March' 99 over March' 98, the Company feels to do better in the current year 1999-2000. However, your Company is able to register the export of Rs. 122.57 Crores (CIF) against Rs. 136.37 Crores (CIF) in the previous year which is declined by 10.12% over the previous year.



MALWA COTTON SPINNING MILLS LIMITED

Barnala Unit

The Barnala Unit is doing well so far efficiencies and production are concerned. Some machinery is added/replaced for value addition to the products and to optimize efficiency of the plant.

The EOU unit is also operating at optimum capacity utilisation.

Paonta Sahib Unit

The Paonta Sahib unit is also operating at optimum capacity utilisation.

Machhiwara Unit

The Company has put up a Dyeing House at Village Harian, Kohara Machhiwara Road, Distt. Ludhiana with a capacity of 12 tonnes per day. The commercial production has been started partially with effect from February, 99. The total project cost of the unit is Rs. 18.65 Crores and the same is likely to be completed by September'99. The Company is also putting up Worsted Unit with a complement of 10,000 spindles with project cost of Rs. 27.25 Crores (Out of which 4620 spindles have been installed and commercial production is partially started in July' 99). The project will be completed by December'99. The trial run production has already been started.

SUBSIDIARY COMPANIES

As required under section 212 of the Companies Act, 1956 the audited statement of accounts, alongwith the report of Board of Directors of M/s Malwa Industries Limited and report of their Auditors for the year ended 31st March' 1999 are annexed. We have not received the audited accounts of M/s Oswal Chartak, Uzbekistan. Therefore, the same are not annexed. However, statement under section 212 of the Companies Act, 1956 is annexed.

FIXED DEPOSITS

There is no unclaimed fixed deposits as on date of this report.

INDUSTRIAL RELATIONS

The Company continued to receive good support from its employees at all levels of the organisation, which helped in achieving optimum level of efficiency in production of all products.

COMPLIANCE OF LISTING AGREEMENT

The equity shares of the Company are listed at Ludhiana, Delhi, Bombay and National Stock Exchange. The Company has paid annual listing fee for the year 1999-2000 to all these Stock Exchanges in time.

AUDITORS

M/s S. C. Vasudeva & Co., auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS' REPORT

The Auditors' report on the accounts is self explanatory and requires no comments.

DIRECTORS

Shri Rahul Oswal, Shri Rajdeep Jain and Shri B. S. Mann retire at the ensuing Annual General Meeting and are eligible for appointment as Directors subject to retirement by rotation. They offer themselves for the re-appointment.

YEAR 2000 (Y2K)

Your Company had timely initiated a series of activities to formulate a time bound programme towards mitigating any risks to its IT Systems & Hardware, that could adversely affect its working due to Year 2000 (Y2K) issues. We have tested all our Hardware, Software, Operating Systems and RDBMS functions on Year 2000 related issues and resolved almost the same. We have fixed a target to resolve all the Y2K issues by October, 1999.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation for the assistance and co-operation extended by Financial Institutions and Banks. Your Directors also place on record their appreciation for the continuous co-operation of the workers, staff and the executives of the Company. The Board desires to place on record its appreciation for the support and co-operation that Company has received from dealers, retailers & agents for promoting various products of the Company.

DISCLOSURE OF PARTICULARS

Statement of particulars of employees pursuant to Section 217(2A) of the Companies Act, 1956 is attached as per Annexure 'A'. Information as per the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earning and outgo is given in Annexure 'B' forming part of this report.

For and on behalf of the Board

Place : Ludhiana

Dated : 31.05.1999

JANGI LAL OSWAL

Chairman-cum-Managing Director



MALWA COTTON SPINNING MILLS LIMITED

DIRECTORS' REPORT

ANNEXURE 'A' TO THE DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES

Statement of Particulars of Employees under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and Forming Part of Directors' Report for the year ended 31.03.1999

Name	Age	Date of Employment	Qualification	No. of years Experience	Designation & Nature of Duties	Remuneration (Rs. in Lac)	Last Employment held	Designation with last employer	Period of Service with last employer (Years)
1. Oswal Jangi Lal	48	09.04.1980	B.A.II Year	28	Chairman-cum-Managing Director	11.76	Oswal Woollen Mills Limited	Commercial Manager	9

- The employee whose name appears in the statement is on Non-Contractual basis and is subject to rules & regulations of the Company in force from time to time.
- Sh. Jangi Lal Oswal is related to Sh. N. K. Oswal, Sh. Rishi Oswal and Sh. Rahul Oswal, Directors of the Company.
- The remuneration includes salary, cash allowances/and perquisite value of other non cash perquisites.

For and on behalf of the Board

Place : Ludhiana
Dated : 31.05.1999

JANGI LAL OSWAL
Chairman-cum-Managing Director

ANNEXURE 'B' TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

I. CONSERVATION OF ENERGY

- Energy conservation measures taken
 - Technical upgradation and modernisation of various machines.
 - Power capacitor banks further strengthened on different load centres to reduce power losses.
 - Electronic Soft starters units with power saving features installed in new Simplex machines to get power saving.
- Further proposed and investment for reduction of energy consumption.
 - Modernisation/replacement of old plant & machinery.
- Overall impact of measures of above resulting in energy saving.
 - Not ascertainable precisely.
 - Reduction in Cost of production.
- Total energy consumption and energy consumption per unit of production as per Form A in respect of industries specified in the schedule.



MALWA COTTON SPINNING MILLS LIMITED

FORM - A

(Disclosure of particulars with respect to conservation of energy)

A. POWER AND FUEL CONSUMPTION

		1998-99	1997-98
1. Electricity			
a) Purchased			
Unit	Lac Units	786.78	797.16
Total Amount	Rs. in Lac	1966.46	1771.79
Rate/Unit	Rs.	2.50	2.22
b) Own Generation			
Through Diesel Generator			
Unit	Lac Units	83.72	87.83
Unit/Litre		3.37	3.59
Rate/Unit	Rs.	2.76	2.52
2. Coal (B&C grade)/Husk			
Quantity	Tonnes	7576.53	7541.00
Total Cost	Rs. in Lac	93.30	94.74
Average Rate	Rs./Tonne	1231.43	1256.33

B. CONSUMPTION PER UNIT OF PRODUCTION

Electricity	Per Tonne in Unit	3362.32	3229.65
Coal/Husk	Per Tonne of Fibre Dyed	2.93	3.20

II. TECHNOLOGY ABSORPTION

e) Efforts are being made in Technology Absorption as per Form B.

FORM - B

RESEARCH AND DEVELOPMENT (R&D)

- Continuous efforts being made for developing new products and processes and to bring about improvement in existing products and processes in Research and Development wing.
- With the ongoing efforts by R&D, benefits derived are :
 - Improvement in yarn quality and productivity.
 - Development of new products.
 - Consistency in work performance and reduction in waste.
- Future plan of action
New products and processes and improvement in the existing products on continuous basis.
- Expenditure on R&D

	(Rs. in Lac)	1998-99	1997-98
a) Capital		6.18	38.43
b) Recurring		35.36	30.29
c) Total		41.54	68.72
d) Total R&D expenditure as a percentage of total turnover		0.12%	0.19%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- Efforts in brief, made towards technology absorption, adaptation and innovation.
 - Absorption and adaptation of new indigenous technology are being made.
- Benefit derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.
 - Not ascertainable.
- Information regarding technology imported during the last 5 years : Nil

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

- f) Activities relating to exports; initiatives taken to increase exports; development of new export market for products and services; and export plans.
The Company had made efforts to increase the exports & the response of the market was not very good due to recession all-over. The future strategy of the Company is to increase the share of value added products.

- g) Total Foreign Exchange earned and used :

	(Rs. in Lac)	1998-99	1997-98
Foreign Exchange Earned (FOB)		11904.82	13197.20
Foreign Exchange Used (CIF)		3349.49	4532.12

For and on behalf of the Board

Place : Ludhiana
Dated : 31.05.1999

JANGI LAL OSWAL
Chairman-cum-Managing Director



MALWA COTTON SPINNING MILLS LIMITED

AUDITORS' REPORT

The Members,
Malwa Cotton Spinning Mills Limited

We have audited the attached Balance Sheet of Malwa Cotton Spinning Mills Limited as at 31st March, 1999 and also the Profit and Loss Account for the year ended on that date annexed thereto and report that :

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company, as we considered appropriate, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said order.
2. Further to our comments in annexure referred to in paragraph (1) above :
 - 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 appears from our examination of such books.
 - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Profit and Loss Account and Balance Sheet comply with the Accounting Standards referred to in the sub-section (3) (C) of section 211 of the Companies Act, 1956.
 - e) In our opinion and to best of our information and according to the explanations given to us, the said accounts, read together with the Accounting Policies and Notes on Accounts (Schedule 23) give the information required by the Companies Act, 1956 in the manner so required and give a true & fair view :
 - i) in the case of Balance Sheet of the State of affairs of the Company as at 31st March, 1999 and
 - ii) in the case of Profit and Loss Account of the Profit for the year ended on that date.

For S. C. VASUDEVA & CO.
Chartered Accountants

Place : Ludhiana
Dated : 31.05.1999

(SANJIV MOHAN)
Partner

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph (1) of our report of even date.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets except the situation of furniture & fixtures and office equipments has not been mentioned. All the fixed assets have been physically verified by the management during the year and no material discrepancies between the book records and physical verification were noticed. However, in case of furniture & fixtures and office equipments, discrepancies could not be determined in absence of complete location of such assets. The management has taken necessary steps for completion of records in respect of furniture & fixtures and office equipments, and same are under compilation.
2. None of the fixed assets of the Company have been revalued during the year.
3. The stock of finished goods, stores and spare parts and raw materials have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
4. The procedures of physical verification of stocks followed by the management as evidenced by the written procedures and instructions are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on verification between physical stocks and book records were not material and have been suitably adjusted.
6. On the basis of our examination of the stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. According to the information & explanations given to us the Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. We have been informed that there are no companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
8. The Company has granted unsecured loans to companies listed in the register maintained under section 301 of the Companies Act, 1956. In our opinion, the rate of interest and other terms and conditions of such loans are not prima-facie prejudicial to the interest of the Company except loans granted to Manipur Vanaspati & Allied