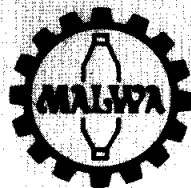


20th
Annual Report
2001-2002



Malwa Cotton Spinning Mills Limited



MALWA COTTON SPINNING MILLS LIMITED

THE MANAGEMENT

BOARD OF DIRECTORS	:	MR. JANGI LAL OSWAL <i>Chairman-Cum-Managing Director</i> MR. RISHI OSWAL MR. RAHUL OSWAL MR. V. S. PANDEY (<i>Nominee of IFCI</i>) MR. G. BANSAL MR. RAJDEEP JAIN MR. B. S. MANN
AUDITORS	:	S. C. Vasudeva & Co., New Delhi
BANKERS	:	Punjab National Bank State Bank of India Vijaya Bank The Jammu & Kashmir Bank Ltd. American Express Bank Ltd.
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)

	2001-2002	2000-2001	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93
Share Capital	3283.00	1558.39	1558.39	1556.04	489.89	489.89	489.89	489.89	489.88	489.88
Reserves	***6602.91	8515.35	10666.37	10244.22	9561.81	8138.55	7136.03	6844.99	5930.28	4856.23
Net Worth	***9885.91	10713.74	12224.76	*11825.91	**10117.85	8628.44	7625.92	7334.88	6420.16	5346.11
Fixed Assets (Gross)	26765.86	25950.52	24708.51	23170.15	19915.08	16305.26	13992.24	13227.40	11707.15	8969.30
Depreciation	13606.14	12120.44	10559.11	9063.38	7685.69	6457.37	5305.07	4235.40	3254.82	2461.08
Net Block	13159.72	13830.08	14149.40	14106.77	12229.39	9847.89	8687.17	8992.00	8452.33	6508.22
Investments	2599.76	2718.76	2627.04	2627.04	2279.04	1033.27	1052.76	700.93	469.96	273.35
Net Current Assets	12734.80	12696.10	14313.20	14356.70	13218.12	11191.36	9186.87	9986.39	8457.54	6962.37
Net Assets Employed	***28570.35	29350.68	31116.71	31293.55	27733.56	22072.52	18926.80	19679.32	17379.83	13743.94
Book Value Per Equity Share (Rs.)	***176.98	191.80	218.84	212.58	206.44	176.05	155.60	149.66	131.00	109.08
Gross Income	36860.69	39001.73	37101.60	35176.23	37053.60	31956.50	32529.72	27153.33	21435.98	18622.71
Export Sales (FOB)	12339.88	14671.15	13334.27	11904.82	13197.20	11688.41	5717.52	5576.68	3928.59	2515.48
Gross Profit/ (Loss)	(254.01)	8.18	2175.00	1735.69	3081.05	2478.80	1571.14	2162.01	2317.89	2162.82
Depreciation	1539.31	1618.86	1522.85	1413.68	1317.87	1166.71	1076.30	992.07	793.58	535.71
Profit/(Loss) Before Tax	(1793.32)	(1610.68)	652.15	322.01	1763.18	1312.09	494.84	1169.94	1524.31	1627.11
Profit/(Loss) After Tax	(1761.29)	(1611.28)	552.15	286.01	1563.18	1112.09	484.84	1069.94	1264.31	1102.11
Equity Dividend (%)	---	---	---	15	40	40	37	37	37	37
Earning Per Share (Rs.)	(36.48)	(31.11)	9.89	5.14	31.89	22.69	9.89	21.83	25.80	22.49
Cash Earning Per Share (Rs.)	(8.92)	(2.14)	37.14	30.55	58.78	46.50	31.85	42.07	42.00	33.42

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

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

***Includes deferred tax liability of Rs. 1231.21 Lac.



MALWA COTTON SPINNING MILLS LIMITED

NOTICE

Notice is hereby given that the Twenty Sixth Annual General Meeting of the Members of Malwa Cotton Spinning Mills Limited will be held in the premises of Mohan Dai Oswal Cancer Treatment & Research Foundation, Sherpur, G. T. Road, Ludhiana on Monday, the 30th September, 2002 at 9.30 A.M. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2002 and Profit & Loss Account for the year ended on that date together with Auditors' and Directors' Report thereon.
2. To appoint a director in place of Shri Rajdeep Jain who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Shri B. S. Mann who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company and fix their remuneration.

NOTES :

1. 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.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, the 28th September, 2002 to Monday, the 30th September, 2002 (both days inclusive).
3. Members are requested to notify the change in their addresses, if any, to the Company immediately quoting their Folio Number(s).
4. Member(s) 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.
5. Dividend remaining unpaid/unclaimed, upto the financial year 1994-95 had been transferred to the General Revenue Account of the Central Government. Pursuant to the provisions of Section 205A read with Section 205C of the Companies Act, 1956, dividend declared in the financial year 1995-96 and onwards, which remain unpaid/unclaimed for a period of 7 years, is required to be transferred to the Investor Education and Protection Fund(Fund) of the Central Government. It may be noted that no claim will lie against the Company or the 'Fund' in respect of the said unclaimed dividend amount so transferred to the 'Fund'. Accordingly, Members who have not claimed their dividend for the financial year 1995-96 and onwards are requested to make their claim to the Company.
6. Members are requested to bring their copy of Annual Report alongwith them at the Annual General Meeting.
7. INFORMATION PURSUANT TO CORPORATE GOVERNANCE CLAUSE OF THE LISTING AGREEMENT REGARDING THE RE-APPOINTMENT OF DIRECTORS IN THE ANNUAL GENERAL MEETING.
 - 1) Sh. Rajdeep Jain is Graduate and is a industrialist. He is the Managing Directors of Deep Tools Pvt. Ltd. having more than 12 years experience in steel industry. His date of birth is 13.06.1966 and date of appointment is 30.11.1996.
 - 2) Sh. B.S. Mann is a Diploma holder in Knitting Technology from FTC (London) and is a Technologist having 40 years experience in textile industry. His date of birth is 04.06.1935 and date of appointment is 6.05.1997

Regd. Office
Industrial Area 'A'
Ludhiana.
Dated : 29.06.2002

By order of the Board

DINESH GUPTA
Company Secretary



MALWA COTTON SPINNING MILLS LIMITED

DIRECTORS' REPORT

The Directors are pleased to present their Twenty Sixth Annual Report on the business of the Company and the Audited Statement of Accounts of the Company for the year ended 31st March, 2002.

FINANCIAL RESULTS	(Rs. in Lac)	
	2001-2002	2000-2001
Profit before financial expenses & depreciation	3073.98	3482.07
Financial expenses	3327.99	3473.89
Depreciation	1539.31	1618.86
(Loss) before tax	(1793.32)	(1610.68)
Provision for taxation		
- Current Tax	---	---
- Deferred Tax	43.57	---
Provision for Wealth Tax	0.60	0.60
Income Tax for earlier year written back	0.48	31.54
Reversal of Deferred Tax Liability (Net)	76.20	---
Loss for the year after tax adjustments	(1760.81)	(1579.74)
Balance brought forward	(232.60)	1287.14
Provision for diminution in value of investments	(119.00)	(571.28)
Amount transferred from General Reserve for diminution in value of investments	119.00	571.28
Prior period adjustment		
Debiture Redemption Reserve written back	---	60.00
Balance Carried to Balance Sheet	(1993.41)	(232.60)

YEAR IN RETROSPECT

Textile exports notched up a minus 12 percent growth during the year 2001-02. Overall textile export during 2001-02 fetched \$ 10,715 million against \$ 12,037 million in 2000-01. 12% decline stemmed essentially from the tepid performance of readymade garments, cotton textiles, wool & woollen textiles, and handicrafts.

India has lost its share in the US textiles market to its geo-political neighbours Pakistan, China, Sri-Lanka & Bangla Desh. This is largely due to the rupee-dollar value, resulting in a drastic reduction in unit value realisation. The Indian textile industry is grappling with problems like high excise structure, little growth in demand in the overseas market.

Raw Cotton prices for most of the varieties have shown declining trend right from the beginning of the season. World cotton production is 21.05 million tons in 2001-02 while consumption is 19.60, million tons. Cotton prices collapsed from 66 cents per pound to 35 cents per pound by end of October, 2001. Indian cotton has become so much interlinked with International cotton that any change internationally will have its impact on our market as well.

Your Company has decided to go in for high value added

products. The company has already introduced and successfully launched Sewing Thread, Mercerising Yarn, Embroidery Yarn, Indigo Yarn and other specialised high value added yarns. The Company has widened its products portfolio with in-built flexibility to change over between high value added yarn by replacing its existing capacity for synthetic and cotton yarn.

PRODUCTION

The total production of all types of yarn during the year was recorded 256.55 Lac Kgs. against 279.58 Lac Kgs. in the previous year. The production of cotton yarn was 150.72 Lac Kgs. against 167.95 Lac Kgs. in the pervious year. The production of other yarns during the year was 105.83 Lac Kgs. against 111.63 Lac Kgs. in the previous year. Production of yarn decreased due to manufacturing of fine counts for value added yarns instead of conventional yarn. Due to global slowdown and recession, the production of yarn was also hampered on account of stoppage of part spindleage in the third quarter.

TURNOVER

During the year, your Company recorded a turnover of Rs. 36860.69 Lac against Rs. 39001.73 Lac in the previous year. Decrease in turnover is due to lower production of yarn and also lower per unit sale realisation.

EXPORTS

Country's textile exports, a key foreign exchange earner, has been adversely affected due to economic slowdown and terrorist incidence in September, 2001 in United States. Textiles account for one third of country's annual exports of around \$ 45 bn. Twenty five percent of India's textile exports go directly to the United States and large chunk of yarn which is sold to other countries gets routed to the USA in the form of garments. India, whose textile exports depend critically on US orders, is desconsorted by this development. With markets already shrunk due to recession, the decision of European Union to grant increased quota and duty free access to Pakistan's textile exports, caused most in the textile industry to give up in despair. Your company's Export Turnover declined to Rs. 125.27 crores (CIF) against Rs. 149.19 crores (CIF) in the previous year. The export amounts to 34% of the total turnover of the company.

Barnala Unit

The Barnala Unit is doing well so far efficiencies and production are concerned. Some Plant & Machinery is replaced/added to optimize efficiency of plant and increase in production.

The EOU unit is also operating at optimum capacity utilisation.

Paonta Sahib Unit

The Paonta Sahib unit is also operating at optimum capacity



MALWA COTTON SPINNING MILLS LIMITED

utilisation. Some Plant & Machinery like Ring Doubling Frame are added to have the better efficiencies from the operations and manufacturing of high value added yarns.

Machhiwara Unit

The Company has to widen its products portfolio and introduced new high value added yarns. Such yarn fetches better realisation as compared to conventional yarn. Machines viz. Gas Singeing, Reeling, Hank Yarn Mercerising, Soft Cone Winder, Dyeing, Dryer and Tube Winding Machines have been installed at Processing House & Sewing Thread Unit at Machhiwara.

The Company is also putting up Worsted Unit with a complement of 10,000 spindles with project cost of Rs. 27.25 Crores. 5040 spindles have already been installed and operating. Due to slowdown and recessionary market conditions in the acrylic yarn market the balance spindleage has been put on hold for the time being.

SUBSIDIARY COMPANIES

Malwa Industries Ltd. a subsidiary of your Company, has extended its financial year upto 15 months i.e. upto 30th June, 2002. So the audited statements of accounts, alongwith the report of Board of Directors of M/s Malwa Industries Ltd. and the report of their auditors will be adopted in the next Board Meeting and will be annexed with the balance sheet as required under section 212 of the Companies Act, 1956. We have not received the audited accounts of M/s Oswal Chartak, Uzbekistan. However, there were no operations in the Company during the year. Therefore, the same are not annexed. However, statement under section 212 of the Companies Act, 1956 is annexed.

FIXED DEPOSITS

The Company has not accepted/renewed any deposits from the public during the year under review under section 58A of the Companies Act, 1956.

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, Mumbai and National Stock Exchange. The Company has paid annual listing fee for the year 2002-2003 to all these Stock Exchanges in time.

CORPORATE GOVERNANCE

The Securities & Exchange Board of India has, through the Listing Agreement, required listed companies to follow a uniform code of Corporate Governance with the necessary

disclosures in the Annual Report by 31st March, 2002. Accordingly the Company has set up an Audit Committee. Share Holders/Investors Greivance Committee. Share Transfer Committee.

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' RESPONSIBILITY STATEMENT

Directors' Responsibility Statement pursuant to the provisions of section 217(2AA) of the Companies Act, 1956 is attached as per Annexure 'C' and forms part of the report.

DIRECTORS

S/Shri Rajdeep Jain and 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.

The nomination of Shri S. P. S. Mann was withdrawn by IFCL and in his place Shri V. S. Pandey is nominated. The Board placed on record their appreciation of services rendered by Shri S. P. S. Mann as Director.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation for the assistance and co-operation extended by Financial Institutions, Banks and PSIDC. 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 : 29.06.2002

JANGI LAL OSWAL
Chairman-cum-Managing Director



MALWA COTTON SPINNING MILLS LIMITED

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 31.03.2002

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)
Sh. Jangi Lal Oswal	51	09.04.1980	B.A.II Year	31	Chairman-cum-Managing Director	25.80	Oswal Woollen Mills Limited	Commercial Manager	9

1. The appointment of Sh. Jangi Lal Oswal is on contractual basis. 2. Sh. Jangi Lal Oswal is related to Sh. Rishi Oswal and Sh. Rahul Oswal, Directors of the Company.
3. The remuneration includes salary, cash allowances/and perquisite value of other non cash perquisites.

For and on behalf of the Board

Place : Ludhiana
Dated : 29.06.2002

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

a) Energy conservation measures taken

- Technical upgradation and modernisation of various machines.
- Power capacitor banks are 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.
- Machines Motors having load upto 60% are connected in Star thereby effecting power saving.
- In the Humidification system, Supply Air and Return Air fans are being updated with energy efficient FRP Fans.

b) Further proposed and investment for reduction of energy consumption.

- Modernisation/replacement of old plant & machinery.

c) Overall impact of measures of above resulting in energy saving.

- Not ascertainable precisely.
- Reduction in Cost of production.

d) Total energy consumption and energy consumption per unit of production as per Form A in respect of industries specified in the schedule.

FORM - A

(Disclosure of particulars with respect to conservation of energy)

A. POWER AND FUEL CONSUMPTION

		2001-2002	2000-2001
1. Electricity			
a) Purchased			
Unit	Lac Units	876.76	828.80
Total Amount	Rs. in Lac	2636.53	2453.76
Rate/Unit	Rs.	3.01	2.96
b) Own Generation			
Through Diesel Generator			
Unit	Lac Units	134.70	156.15
Unit/Litre		3.37	3.45
Rate/Unit	Rs.	4.49	4.16
2. Coal (B&C grade)/Husk			
Quantity	Tonnes	16200.50	12212.61
Total Cost	Rs. in Lac	262.71	160.37
Average Rate	Rs./Tonne	1621.61	1313.18



MALWA COTTON SPINNING MILLS LIMITED

B. CONSUMPTION PER UNIT OF PRODUCTION

Electricity	Per Tonne in Unit	3415.27	3534.53
Coal/Husk	Per Tonne of Fibre Dyed	3.66	3.25

II. TECHNOLOGY ABSORPTION

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

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

	2001-2002	(Rs. in Lac)	2000-2001
a) Capital	20.54		4.13
b) Recurring	38.51		46.07
c) Total	59.05		50.20
d) Total R&D expenditure as a percentage of total turnover	0.17%		0.13%

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

- 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 very good. The future strategy of the Company is to increase the share of value added products.
- Total Foreign Exchange earned and used :

	2001-2002	(Rs. in Lac)	2000-2001
Foreign Exchange Earned (FOB)	12339.88		14671.15
Foreign Exchange Used (CIF)	3171.68		2919.20

ANNEXURE 'C' TO THE DIRECTORS' REPORT

Directors' Responsibility Statement

Pursuant to the provisions of section 217(2AA) of the Companies Act, 1956 it is hereby confirmed :

- That in preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- That the Directors have prepared the annual accounts on a going concern basis.

For and on behalf of the Board

Place : Ludhiana
Dated : 29.06.2002

JANGI LAL OSWAL
Chairman-cum-Managing Director



MALWA COTTON SPINNING MILLS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Developments

The Indian textile industry is one of the oldest industries in the country and has a significant presence in the Indian Economy. Its contribution to the Indian Economy is manifested in terms of its contribution to the industrial production, employment generation and foreign exchange earnings. This industry contributes about 21 percent to the world spindleage. The textile industry accounts for 29 percent of India's exports. It provides employment to nearly 30 percent of the country's total labour force. The industry is highly fragmented, with over 2000 players.

The global slowdown compounded by terrorist attack in USA in September 11, 2001 has had dampening effect in the textile industry. However, with stabilizing of USA and European economies, the exports has started picking-up and also prices showed upward trend.

Opportunities & Threats

Due to higher production costs, the spindleage capacity is increasingly being shifted from the developed world to third world countries like China, India and Pakistan. India, as the fourth largest cotton grower is expected to utilize the situation best in its favour. Further, with the international companies growing preference to source their requirements of yarn from countries with a raw material base, India's importance is bound to grow in future.

With the acceptance of GATT agreement, the Indian textile industry has to become more competitive by modernising plants and improving the quality of textiles. The industry should be in a position to supply good quality fabrics to the garment industry at competitive prices; Otherwise when the import duties are slashed, Indian fabrics may not be preferred by the garment industry, which is the single largest export item for the country. The textile industry, especially the Cotton textile industry, is based on the agricultural produce and availability of cotton depends upon the production of the crop in the year.

Segment wise Product wise performance

Your Company has not performed well due to global slowdown and recessionary trend prevailing in the past in the market. The detailed performance has already been discussed in Director's report.

Future Outlook

The textile industry in our country is one of the few industries which has the potential to emerge as a true global player. The Government has already embarked on a role of industry-friendly, pro-active 'facilitator'. Recognising the fact that industry needs a concerted strategy and time-bound action plan to convert its core competence in availability of all major raw materials, skilled manpower, managerial competence and entrepreneurial skill to a competitive strength as a producer and supplier of top quality textiles at competitive prices while protecting its domestic turf, the Government has initiated the policy measures. With the growing awareness in the industry of its strengths and

weaknesses and the need for exploiting the opportunities and averting the threats, coupled with the Government's catalytic role, the Indian textile industry has the potential to scale new heights in the globalised economy. Malwa Cotton Spinning Mills Ltd. strategy will be to achieve a higher market share by relentlessly pursuing and renewing efforts that sharply focus on growth in the value added markets and on building and strengthening customer relationship.

Risks and Concerns

The Indian textile industry is uncompetitive due to several factors including a distorted fiscal regime, inefficient labour laws, widespread entry/exit barriers, high infrastructure cost and above all an investment environment that is discouraging. If we do not undertake bold policy initiatives, the fortune of the industry may take a downturn and exports of the industry may actually decline. In the second scenario, given major policy reforms, the industry can grow at over 12 per cent and the size of the industry may grow. We thus need to improve the investment environment for the organised players and international producers. Although the industry has basic strengths like availability of natural and man made fibres, abundant supply of labour and skills, a large domestic market and entrepreneurial drive, the government has to provide the necessary facilitating conditions for growth.

Internal Control System and their adequacy

Malwa Cotton Spinning Mills Ltd has a proper and adequate system of internal control commensurate with the size of the Company. The Company is also having Internal Audit Department, which ensures adherence to all internal control policies and procedures.

The Audit Committee of Board of Directors reviews the adequacy of internal controls.

Financial/operation performance

	(Rs. in Lac)	
Particulars	2001-02	2000-01
Sales & other Income	36861	39002
PBDIT	3074	3482
Interest & Financial Charges	3328	3474
Depreciation	1539	1619
Profit/(Loss) before Tax	(1793)	(1611)
Profit/(Loss) after tax	(1761)	(1611)
Earning Per Share (Rs.)	(36.48)	(31.11)

Human Resources/Industrial Relations

Human resource is the most significant asset of the Company. Your Company has a team of able, qualified and experienced staff. The Company provides various facilities and opportunities to staff to attend the external training programmes to sharpen their skills and abilities to deliver efficient services.

For and on behalf of the Board

Place : Ludhiana
Dated : 29.06.2002

JANGI LAL OSWAL
Chairman-cum-Managing Director



MALWA COTTON SPINNING MILLS LIMITED

CORPORATE GOVERNANCE REPORT

1. Company's philosophy on Corporate Governance

Your company has always believed in managing its affairs with due diligence, responsibility and accountability. We feel great pleasure while informing you that your company's existing policies are in conformity with the requirements stipulated under clause 49 of the listing agreement.

2. Board of Directors

The board of Directors comprises of six directors out of

which five are non-executive Directors, three of whom are non executive independent Directors. Sh. Jangi Lal Oswal, the Chairman-cum-Managing Director is the Director in Executive Capacity. The names and categories of the Directors on the Board, their attendance at Board Meeting during the period and last Annual General Meeting as also the number of Directorship and Committee Membership/ Chairmanship held by them in public companies (including the company) as on March 31,2002 are given below.

S. No.	Name of the Director	Category of Director	No. of Board Meetings held	No. of Board Meetings attended	No. of other Director-ships*	Committee Memberships	Committee Chairmanships	Attendance at last AGM
1.	Mr. Jangi Lal Oswal **	Chairman-cum- Mg. Director	8	8	4	1	--	Yes
2.	Mr. Rishi Oswal**	Non-Executive Director	8	2	6	--	--	No
3.	Mr. Rahul Oswal**	Non-Executive Director	8	6	2	2	1	Yes
4.	Mr. S.P.S. Mann#	Nominee of IFCI Independent Director	8	3	--	--	--	No
5.	Mr. G. Bansal	Non-Executive (Independent) Director	8	6	--	3	1	Yes
6.	Mr. B. S. Mann	Non-Executive (Independent) Director	8	8	--	2	--	Yes
7.	Mr. Rajdeep Jain	Non-Executive (Independent) Director	8	4	--	2	--	Yes

*Includes Directorship in Public Limited Companies

** Mr. Rishi Oswal & Mr. Rahul Oswal are related to Mr. Jangi Lal Oswal

The nomination of Mr. S.P.S. Mann as nominee director has been withdrawn by IFCI w.e.f. 17.10.2001

Board Meetings and Attendance

During the year 2001-02, the board of directors met eight times on the following dates :

S. No.	Date of Board Meeting	Board's Strength	No. of Directors present
1.	9th April, 2001	7	4
2.	28th April, 2001	7	4
3.	28th May, 2001	7	4
4.	29th June, 2001	7	5
5.	31st July, 2001	7	4
6.	21st August, 2001	7	6
7.	31st October, 2001	6	4
8.	31st January, 2002	6	6

Further none of the Director of the company is a member of more than 10 committees and acts as Chairman of more

than five committees.

Information supplied to the Board

The Board of the Company is presented with all the relevant and necessary information at their meetings such as Production, Sales, actual performance statistics, share transfer and demat compliance, quarterly financial results, minutes of Audit Committee Meeting.

3. Committees of the Board

The Board of Directors has constituted three committees of the Board - the Audit Committee, the Share Transfer Committee and the Investors Grievance Committee.

A. Audit Committee

The Company has already constituted audit committee comprises of the following Directors :