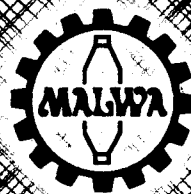


27th
Annual Report
2002 - 2003



Malwa Cotton Spinning Mills Limited



MALWA COTTON SPINNING MILLS LIMITED

THE MANAGEMENT

BOARD OF DIRECTORS	:	MR. JANGI LAL OSWAL Chairman-cum-Managing Director MR. V.S.PANDEY (Nominee of IFCI) MR. B. DAS GUPTA (Nominee of IDBI) MR. RISHI OSWAL MR. RAHUL OSWAL 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)

	2002-2003	2001-2002	2000-2001	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
Share Capital	3283.00	3283.00	1558.39	1558.39	1556.04	489.89	489.89	489.89	489.89	489.88
Reserves	6037.44	6602.91	8515.35	10666.37	10244.22	9561.81	8138.55	7136.03	6844.99	5930.28
Net Worth	9320.44	9885.91	10713.74	12224.76	*11825.91	**10117.85	8628.44	7625.92	7334.88	6420.16
Fixed Assets(Gross)	27229.28	26765.86	25950.52	24708.51	23170.15	19915.08	16305.26	13992.24	13227.40	11707.15
Depreciation	14988.16	13606.14	12120.44	10559.11	9063.38	7685.69	6457.37	5305.07	4235.40	3254.82
Net Block	12241.12	13159.72	13830.08	14149.40	14106.77	12229.39	9847.89	8687.17	8992.00	8452.33
Investments	2599.76	2599.76	2718.76	2627.04	2627.04	2279.04	1033.27	1052.76	700.93	469.96
Net CurrentAssets	13809.89	12734.80	12696.10	14313.20	14356.70	13218.12	11191.36	9186.87	9986.39	8457.54
Net AssetsEmployed	28697.18	28570.35	29350.68	31116.71	31293.55	27733.56	22072.52	18926.80	19679.32	17379.83
Book Value Per Equity Share (Rs.)	166.85	176.98	191.80	218.84	212.58	206.44	176.05	155.60	149.66	131.00
Gross Income	35993.80	36860.69	39001.73	37101.60	35176.23	37053.60	31956.50	32529.72	27153.33	21435.98
Export Sales(FOB)	13618.63	12339.88	14671.15	13334.27	11904.82	13197.20	11688.41	5717.52	5576.68	3928.59
Gross Profit/(Loss)	806.44	(254.01)	8.18	2175.00	1735.69	3081.05	2478.80	1571.14	2162.01	2317.89
Depreciation	1382.02	1539.31	1618.86	1522.85	1413.68	1317.87	1166.71	1076.30	992.07	793.58
Profit/(Loss) Before Tax	(575.58)	(1793.32)	(1610.68)	652.15	322.01	1763.18	1312.09	494.84	1169.94	1524.31
Profit/(Loss) After Tax	(335.35)	(1761.29)	(1611.28)	552.15	286.01	1563.18	1112.09	484.84	1069.94	1264.31
Equity Dividend (%)	---	---	---	---	15	40	40	37	37	37
Earning PerShare (Rs.)	(11.58)	(36.48)	(31.11)	9.89	5.14	31.89	22.69	9.89	21.83	25.80
Cash Earning Per Share (Rs.)	13.16	(8.92)	(2.14)	37.14	30.55	58.78	46.50	31.85	42.07	42.00

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

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

Reserves include deferred tax liability.



MALWA COTTON SPINNING MILLS LIMITED

NOTICE

Notice is hereby given that the Twenty Seventh 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 Tuesday, the 30th September, 2003 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, 2003 and Profit and 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 G. Bansal who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Shri Rishi Oswal who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company and fix their remuneration.

Special Business

5. 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 approval of the Central Government in accordance with provisions of Section 269, 198 & 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII thereof the approval be is hereby given to re-appointment of Shri Jangi Lal Oswal, Managing Director for a period of 5 years with effect from 1st January, 2004 on the terms and conditions set out in the Explanatory statement attached to this notice and that Board of Directors be and is hereby authorised to alter and vary the terms and conditions of the said appointment and/or agreement in such manner as may be directed by Central Government.

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

"Resolved that subject to the provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactments thereof for the time being in force and may be enacted hereinafter), Securities Controls (Regulation) Act, 1956, and the Rules framed thereunder, Listing Agreements, SEBI guidelines and all other applicable laws, rules, regulations and guidelines and subject to such approvals, permissions and sanction, as may be necessary, the Board of Directors of the company be and is hereby authorised to seek voluntarily de-listing of its equity shares listed at Delhi & Ludhiana Stock Exchanges.

"Resolved further that the Board of Directors of the Company be and is hereby authorised to apply to such Stock Exchanges/SEBI/and to comply with all the legal

and procedural formalities laid down by the Stock Exchanges, SEBI and further to authorise any of its committee or any of its director or any of the officers of the company to do all such acts, deeds or things to give effect to the above said resolution.

NOTES :

1. The Explanatory Statement pursuant to section 173 of the Companies Act, 1956 in respect of Special Business set out above is annexed hereto.
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 be closed from Monday, the 29th September, 2003 to Tuesday, the 30th September, 2003 (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. 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.
6. During the current financial year viz. 2003-04, the company will be required to transfer to the Investor Education & Protection Fund, the dividend for the year ended March 31, 1996. Those shareholders who have not encashed their warrants are requested to immediately return the outdated warrants to the company to enable the company to issue demand draft in lieu thereof.
7. Members are requested to bring their copy of Annual Report along with them at the Annual General Meeting.
8. INFORMATION PURSUANT TO CORPORATE GOVERNANCE CLAUSE OF THE LISTING AGREEMENT REGARDING THE RE-APPOINTMENT OF DIRECTORS IN THE ANNUAL GENERAL MEETING.
 - i. Sh. G. Bansal is Post Graduate and is a Financial Consultant. He has strong financial and accounting backgrounds and having more than 35 years experience. His date of birth is 18.01.1941 and date of appointment is 18.08.1992.
 - ii. Sh. Rishi Oswal is Commerce graduate and is an industrialist having 12 years experience in textile industry. His date of birth is 26.11.1972 and date of appointment is 29.07.1994.

By order of the Board

Regd. Office
Industrial Area 'A'
Ludhiana.
Dated : 30.06.2003

DINESH GUPTA
Company Secretary



MALWA COTTON SPINNING MILLS LIMITED

EXPLANATORY STATEMENT

As required under section 173 of the Companies Act, 1956 the following explanatory statement set out all the material facts relating to the business under item No. 5 & 6 mentioned in the accompanying notice dated 30th June, 2003.

Item No. 5

Shri Jangi Lal Oswal was re-appointed as Managing Director of the Company w.e.f. 1.1.1999 and his present term of five years shall expire on 31.12.2003. The Board of Directors of the Company in their meeting held on 30.06.2003 has re-appointed Shri Jangi Lal Oswal as Managing Director for a further period of five years w.e.f. 01.01.2004 on the terms and conditions as set out in the draft agreement to be entered into between Shri Jangi Lal Oswal and the Company which was already approved and that an application shall be made seeking approval of Central Government within a period of 90 days or within the extended time, as the Central Government may allow under section 637B of the Companies Act, 1956.

- i) Shri Jangi Lal Oswal, the Managing Director, shall, subject to the supervision and control of the Board of Directors, be entrusted with substantial powers of management and shall also perform such other duties as may from time to time be entrusted to him.
- ii) Period of Agreement : 5 Years w.e.f. 1st January, 2004.
- iii) Salary : Rs. 2,00,000 per month including perquisites and other allowances

The detail of perquisites and other allowances as under :

- a) Housing - Free residential accommodation, in case residential accommodation is not provided, HRA shall be paid as per company rules and company shall provide gas, electricity and water free of charge at the residence of Managing Director.
- b) Medical Expenses (Hospitalisation) : Reimbursement of expenses incurred for self and his family in accordance with the rules of the company.
- c) Leave Travel Concession : Leave Travel Concession for self and his family in accordance with the rules of the company.
- d) Personal Accident Insurance : Coverage for Personal Accident Insurance as per rules of the company and the Annual Premium shall be paid by the company.
- e) Provident Fund : Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- f). Gratuity - Gratuity payable shall be in accordance with the rules of the company.
- g) Encashment of leave - Encashment of leave at the end of the tenure will not be included in the computation of ceiling of perquisites.

In compliance with the provisions of the Companies Act, 1956, the terms of remuneration specified above are now being placed before the members in the General Meeting for their approval.

The draft agreement between the Company and Shri Jangi Lal Oswal is available for inspection by the members of the Company at its Registered Office between 11.00 AM to 1.00 PM on any working day of the Company.

Sh. Jangi Lal Oswal is interested in this item.

Sh. Rishi Oswal and Shri Rahul Oswal being relative of Sh. Jangi Lal Oswal may also be deemed to be concerned or interested in this item.

This may be treated as abstract of the terms of the contract and Memorandum of interest in relation to the re-appointment of Shri Jangi Lal Oswal pursuant to section 302 of the Companies Act, 1956.

Item No. 6

Presently the Company's Securities are listed on the following four Stock Exchanges of India :

- Ludhiana Stock Exchange Association Ltd. (LSE)
- Delhi Stock Exchange Association Ltd. (DSE)
- Bombay Stock Exchange (BSE) and
- National Stock Exchange Limited (NSE)

The bulk of the trading in company's equity share takes place on the BSE and the NSE and the depth and liquidity of trading in company's securities on LSE and DSE is NIL.

It is also observed that the Listing Fee paid to LSE and DSE is higher. As a part of its cost reduction measures, the company has proposed this resolution, which will enable it to de-list the securities from LSE and DSE at an appropriate time in the future.

In line with SEBI regulation, members approval is being sought by a special resolution for enabling voluntarily de-listing of its securities from the said Stock Exchanges.

The company's securities will continue to be listed at BSE, NSE apart from being traded on almost the major Exchanges in the country in the permitted category. The exact date on which de-listing will take effect will be suitably notified at that time.

Your directors recommend the special resolution for approval of the members.

None of the directors of the company is in any way concerned or interested in the resolution.

By order of the Board

Regd. office
Industrial Area 'A'
Ludhiana.
Dated : 30.06.2003

DINESH GUPTA
Company Secretary



MALWA COTTON SPINNING MILLS LIMITED

DIRECTORS' REPORT

The Directors are pleased to present their Twenty Seventh Annual Report on the business of the Company and the Audited Statement of Accounts of the Company for the year ended 31st March, 2003.

	(Rs. in Lac)	
FINANCIAL RESULTS	2002-03	2001-02
Profit before financial expenses & depreciation	3929.74	3073.38
Financial expenses	3123.30	3327.99
Depreciation	1382.02	1539.31
(Loss) before tax	(575.58)	(1793.92)
Provision for taxation		
- Deferred Tax	240.23	32.63
Income Tax for earlier year written back	10.11	0.48
Loss for the year after tax adjustments	(325.24)	(1760.81)
Balance brought forward	(1993.41)	(232.60)
Provision for diminution in value of investments	---	(119.00)
Amount transferred from General Reserve for diminution in value of investments	---	119.00
Balance Carried to Balance Sheet	(2318.65)	(1993.41)

YEAR IN RETROSPECT

India's textile industry contributes about 3% to the Gross Domestic Product (GDP), accounts for over 15% total industrial production, contributes about 28% of total exports. India is the third largest producer of cotton and cotton yarn, with a modernized spinning sector having the highest spindleage in the world with a share of 21%, and contributing 33% of the world loomage (excluding handlooms). Right now, under the quota system, it is very restricted market for Indian textile industry. The lifting of the quota system by 2005 is expected to give boost to Indian textiles. Exports during 2002-03 were valued at \$ 13.8 billion marginally falling short at the target of \$ 15 billion. The textile ministry has fixed export target for 2003-04 at \$ 16 billion, up by \$ 1 billion from the last year \$ 15 billion. However, disturbing trend is that India's cost competitiveness in relation to raw material cost, power cost and labour cost has been considerably eroded in comparison with major textile producing countries like China, Pakistan, Indonesia, Bangladesh etc. The domestic textile industry, which is estimated at Rs. 1,30,000 crore presently has only 3% share of global exports.

The historical low cotton prices in 2001 are leading to reduce production and increase consumption in 2003. World ending stocks are declining by the estimated 1.7 million tones this year. Cotlook A Index is projected to a average 56 cents per pound this season, up 14 cents from the 29-year low in 2001-02. World cotton consumption is projected to reach 21.1 million tones up 200,000 tons from 2002-03 and equal to forecast production.

India has adequate raw material for polyester production, but is deficit in cotton due to lowest yield per hectare. Country's cotton production will have to increase by about 45% in the next four years to meet this requirement level of 218 lakhs bales. To meet

demand for better quality of yarn in the domestic as well as export market industry needs fibre with higher strength and better micronaire. The textile industry is facing problem of non-availability of qualitative raw cotton, contaminated cotton, multiplicity of varieties of cotton and their mixing at various stages in maintaining uniformity in yarn. Pests and diseases on cotton destroy about 25% of the country's cotton crop. ICAR has approved some qualities of Bt cotton for plantation purposes. Bt cotton reduces the cost of cotton cultivation as well as increases cotton production. However, we are still a novice in spread of Bt cotton.

In the competitive market, your company has focussed on the production of value added and high quality yarn viz. Sewing Thread, Gassed Mercerized Yarn, Indigo Yarn & Lycra Yarn etc. due to better margin than conventional yarn. The company has received a tremendous response in the domestic thread market and open new sale centres to meet the local demand. Thread market is growing @ 20% per annum in contrast to conventional yarn where the supply is more than the demand.

PRODUCTION

The total production of all types of yarn during the year was recorded 235.96 Lac Kgs. against 256.55 Lac Kgs. in the previous year. The production of cotton yarn was 154.90 Lac kgs. against 150.72 Lac Kgs in the previous year. The production of other yarns during the year was 81.06 Lac Kgs. against 105.83 Lac Kgs. in the previous year. Production of yarn decreased due to manufacturing of finer counts for value added yarn instead of conventional yarn and stoppage of part spindleage of acrylic yarn at Barnala unit in the second quarter.

TURNOVER

During the year, your Company recorded a turnover of Rs.35421.23 Lac against Rs. 36447.46 Lac in the previous year. The company has achieved Cotton yarn sale of Rs.17705.28 lac, Acrylic yarn of Rs.6027.96 lac, PV yarn of Rs. 4414.69 lac, Thread sale of Rs. 4721.66 lac and others of Rs.2551.64 lac in the current year ending 31st March, 2003 against sale of Cotton yarn Rs.18046.02 lac, Acrylic yarn Rs.9926.58 lac, PV yarn Rs.4588.37 lac, Thread of Rs. 1765.75 lac and others of Rs.2120.74 lac in the previous year. Thread sale has increased by Rs.2955.91 lac in the current year 2002-03. Your company, new entrant to the value added market, has managed to make a niche in the competitive market.

EXPORTS

Textile export to the US & EU markets, thought to be the most lucrative, are currently restricted by quotas created under the Multi-Fibre Arrangement (MFA). India has 2% share of quotas to the US & 4% to the EU.

The major factors affecting exports of textiles from India is the relative cost of manufacture in comparison to corresponding costs in low cost supplying countries particularly in Asia. Producing products at a lower cost is the key to maintain the competitive edge in the international market.



MALWA COTTON SPINNING MILLS LIMITED

Your company has achieved Export Turnover of Rs. 140.17 crores (CIF) against Rs.125.27 crores (CIF) in the previous year. Exports amount to 39% of the total turnover of the company.

Barnala Unit

The Barnala unit has achieved production of 85.82 lac kgs of Cotton & Acrylic yarn and capacity utilization of 89.37% in the current year. Capacity utilization has decreased due to stoppage of part spindleage on acrylic yarn in second quarter, due to unabated rise in prices of acrylic fibre. Some obsolete machinery are replaced with the state of art technology to optimize efficiency of the plant.

The EOU unit is operating at optimum capacity utilization. The plant is equipped with the latest technology machinery to meet the demand of high quality yarn in the international market.

Paonta Sahib Unit

The Paonta Sahib unit is also operating at optimum capacity utilization. Ring Doubling Frame, Cheese Winder & Cone Winders are added for manufacturing of high value added yarns. The Company has replaced its existing capacity for production of Cotton & Synthetic Yarn partly with the finer count for value added yarn.

Machhiwara Unit

Your company has widened its product portfolio with value added yarn viz. Sewing Thread, Gassed Mercerized Yarn, Indigo Yarn, Embroidery Yarn etc. Such yarn fetches better realization as compared to conventional yarn. The company has increased the capacity of thread to 7 TPD. Dyeing plant, Soft Package Winder, Wets Scrubber, Tube Winding, Polishing, Cop Banding machine etc. are installed at Machhiwara. Your company has achieved production of 20.17 lac kgs of value added yarns during the year.

Worsted unit was planned for 9900 spindles at cost of Rs. 27.25 crore but only 5040 worsted spindles are installed. Acrylic yarn market was depressed for quite some time and is not showing the signs of recovery in the near future, due to erratic pricing of raw materials and finished products. In view of these reasons, your company has withheld the installation of balance spindleage. The capacity utilization in this unit was not upto the mark.

SUBSIDIARY COMPANIES

Malwa Industries Ltd. a subsidiary of your Company, has its financial year ended 30th June, 2003. 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 to 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.

Your company has received full and whole hearted support from its employees at all levels of the organization, 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 upto 31st March, 2003.

CORPORATE GOVERNANCE

Your company has been practicing the principles of good corporate governance. Certificate of the Auditors of your company regarding compliance of the conditions of corporate governance as stipulated in clause 49 of the listing agreement with stock exchange is annexed hereto.

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, offered themselves for re-appointment.

AUDITORS' REPORT

The Auditors' Report on the Accounts is self-explanatory. In regard to qualification of non-disclosure of Thread business as a separate business segment, the company is not maintaining separate records so the information relating to Thread business has been given to the extent possible.

DIRECTORS' RESPONSIBILITY STATEMENT

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

DIRECTORS

S/Shri G.Bansal and Rishi Oswal 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.

Sh. B.Das Gupta, nominee of IDBI, was appointed as Director on the Board of the company. He is welcome on the Board.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation for the valuable assistance and guidance extended to the company by the Financial Institutions and Banks and also acknowledges the support and co-operation received from dealers, retailers and agents for promoting various products of the company. The Board also desires to express its deep gratitude for the continued support from its shareholders and appreciate the contribution made by the employees at all levels.

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
Date: 30.06.2003

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 31.03.2003.

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	52	09.04.1980	B.A. II Year	32	Chairman-cum-Managing Director	25.80	Oswal Woollen Mills Limited	Commercial Manager	9

- The appointment of Sh. Jangi Lal Oswal is on contractual basis.
- Sh. Jangi Lal Oswal is related to 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
Date : 30.06.2003

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.

1. CONSERVATION OF ENERGY

- 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 start units with Power Saving features installed in 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 and improvement in quality.
- 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

		2002-2003	2001-2002
1. Electricity			
a) Purchased			
Unit	Lacs unit	894.59	876.76
Total Amount	Rs. Lacs	2755.97	2636.53
Rate/Unit	Rs.	3.08	3.01
b) Own generation			
Through diesel generator			
Unit	Lac unit	102.83	134.70
Unit/Litre		3.46	3.37
Rate/Unit	Rs.	3.78	4.49
2. Coal(B & C grade)/Husk			
Quantity	Tonnes	16237.60	16200.50
Total Cost	Rs.Lacs	264.26	262.71
Average rate	Rs./Tonne	1627.47	1621.61

B. CONSUMPTION PER UNIT OF PRODUCTION

Electricity	Per Tonne in unit	4227.09	3415.27
Coal/Husk	Per Tonne of Fibre Dyed	3.17	3.66

II. TECHNOLOGY ABSORPTION

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



MALWA COTTON SPINNING MILLS LIMITED

FORM - B

RESEARCH AND DEVELOPMENT (R&D)

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

	2002-2003	(Rs. in Lac) 2001-2002
a) Capital	2.88	20.54
b) Recurring	36.38	38.51
c) Total	39.26	59.05
d) Total R&D Expenditure as a percentage of total turnover	0.11%	0.17%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief, made towards technology absorption, adaptation and innovation.
 - Absorption and adaptation of new indigenous technology are being made.
2. Benefit derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.
 - Not ascertainable
3. 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 very good . The future strategy of the Company is to increase the share of value added products.
- g) Total Foreign Exchange earned and used :

	2002-2003	(Rs. in Lac) 2001-2002
Foreign Exchange earned (FOB)	13618.63	12339.88
Foreign Exchange used (CIF)	1118.86	3171.68

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:

1. That in preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. That the directors had 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.
3. That the directors had 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.
4. That the directors have prepared the annual accounts on a going concern basis.

For and on behalf of the Board



MALWA COTTON SPINNING MILLS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Developments

Textile sector is the largest employer after agriculture and its importance in India's economy is recognized for its contribution to industrial production, export earnings and direct employment, estimated at providing 35 million jobs. The scope for increasing India's share in the global textile trade is immense due to the inherent strength. With the phasing out of the Multi Fibre Agreement, prices of goods are expected to decline due to increased competition and entry of new suppliers. Suppliers offering competitive prices backed by the efficient production system and cost effective measures are likely to survive in the free global market.

Opportunities & Threats

With the removal of Quantitative Restrictions and scheduled dismantling of tariff barriers by the end of 2004, the industry will be required to achieve a competitive strength for its survival in the global environment. In the globally integrated scenario new opportunities will emerge for the Indian textile industry.

Cost of production in India vis-à-vis China, Pakistan, Indonesia, Bangladesh etc. is on higher side. Cotton yield per hectare in India is the lowest at 302 kg/hectare as compared to world average of 585 kg/hectare. Raw material cost is the key cost driver. Moreover, quality cotton is not available in sufficient quantity. India ranks amongst the highest in power and fuel cost in comparison to its competitors. Real interest rates in India are on higher side in comparison to China, Pakistan etc.

Segment wise Product wise performance

Detailed performance has already been discussed in Directors' Report.

Future Outlook

On January 2005 all quota restrictions across the world will be lifted. India will be able to freely access the \$ 150 billion US market and \$ 120 billion European Market. India and China will be the largest gainers of quota removal. It will result in increase of competition, which will eventually bring down prices, higher volume and shift to the value added products. Malwa Cotton Spinning Mills Ltd. has already focussed on the production of value added yarns. The Govt. of India has proposed major fiscal changes in the Union Finance Budget 2003-04 to boost this effort.

Risks & Concerns

India is becoming uncompetitive in manufacturing cost. In fiercely competitive world, an essential condition for survival is to maintain the cost of manufacturing at par/on lower side at

the international platform. Cotton, being the agricultural product is always prone to natural calamities. Moreover, the qualitative requirement of raw cotton for textile industry has undergone material changes. Industry needs fibre with higher strength and better micronaire to meet demand for better quality of yarn in the domestic as well as export market. The industry would need higher quality of cotton free from pests, diseases and contamination. In order to be competitive we will have to put in massive efforts to become a force in the global textile market. The Govt. of India has addressed the problems of textile industry and Honourable Finance Minister in his budget speech has announced for the textile package which is close to the finalization. The Govt. has to provide basic infrastructure, capital at lower rate of interest, abundant power at lower cost and investment friendly atmosphere for the growth of the textile industry.

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 Directors reviews the adequacy of internal controls.

Financial/operation Performance

Particulars	(Rs. In Lac)	
	2002-03	2001-02
Gross Turnover & Other Income	33919	35434
PBDIT	3929	3073
Interest & Financial Charges	3123	3328
Depreciation	1382	1539
Profit/(Loss) before Tax	(576)	(1794)
Profit/(Loss) after Tax	(325)	(1761)
Earning Per Share (Rs.)	(11.58)	(36.48)

Human Resources/Industrial Relations

Human resource is the most significant and valuable asset of the Company. Industrial relations at all units of the company remain cordial and peaceful during the year. Your company has not lost a single man day during the year and every member of the company contributes to the company's growth and reputation.

For and on behalf of the Board

Place: Ludhiana
Date : 30.06.2003

JANGI LAL OSWAL
Chairman-cum-Managing Director