

**29th**  
**Annual Report**  
**2004-05**

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**Malwa Cotton Spinning Mills Ltd.**



## **MALWA COTTON SPINNING MILLS LIMITED**

### **THE MANAGEMENT**

BOARD OF DIRECTORS	:	MR. JANGI LAL OSWAL Chairman-cum-Managing Director MR. Y. P. GUPTA (Nominee of IFCI) MR. B.DASGUPTA (Nominee of IDBI) MR. JAGAT RAM (Nominee of PNB) MR. RISHI OSWAL MR. RAHUL OSWAL MR. G.BANSAL 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.
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

### NOTICE

Notice is hereby given that the Twenty Ninth 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, Ludhiana on Friday, 30<sup>th</sup> September, 2005 at 9.30 AM to transact the following business:

#### ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2005, Profit and Loss Account for the year ended on that date together with the report of Auditors and Directors thereon.
2. To appoint a director in place of Mr. B.S. Mann, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of G. Bansal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors for the year 2005-2006 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 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 mortgage and/or charge the movable and immovable properties of the Company both present and future, and/or the whole or any part of the undertaking(s) of the Company together with the power to take over management of the business and concern of the Company in certain events of defaults( whether such power is contained in the documents creating the mortgage/charge or otherwise) in favour of Punjab National Bank, State Bank of India, Vijaya Bank & The Jammu & Kashmir Bank Limited for their Working Capital Term Loan of Rs.30 Crore under consortium arrangement together with interest thereof, additional interest, liquidated damages, compound interest, commitment charges, premium on prepayment of the Loan Agreement(s) as amended from time to time.

Resolved further that the Board of Directors be and is hereby authorized to finalize, settle and execute such documents/ deeds/agreements/papers as may be required for creating aforesaid mortgage and/or charge and to do all such acts, deeds and things as may be decided fit or considered necessary or incidental thereto in order to give effect to the said resolution."

6. 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 mortgage and/or charge the movable and immovable properties of the Company both present and future, and/or the whole or any part of the undertaking(s) of the Company together with the power to take over management of the business and concern of the Company in certain events of defaults( whether such power is contained in the documents creating the mortgage/charge or otherwise) in favour of bankers( PNB, SBI, VB & J & K Bank) for the Working Capital facilities of Rs. 56 Crore Fund based and Rs.41.50 Crore Non-fund based and Export Bills limit of Rs. 42 Crore together with interest thereof, additional interest, liquidated damages, compound interest, commitment charges, premium on prepayment of the Loan Agreement(s) as amended from time to time.

Resolved further that the Board of Directors be and is hereby authorized to finalize, settle and execute such documents/ deeds/agreements/papers as may be required for creating aforesaid mortgage and/or charge and to do all such acts, deeds and things as may be decided fit or considered necessary or incidental thereto in order to give effect to the said resolution."

7. 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 mortgage and/or charge the movable and immovable properties of the Company both present and future, and/or the whole or any part of the undertaking(s) of the Company together with the power to take over management of the business and concern of the Company in certain events of defaults( whether such power is contained in the documents creating the mortgage/charge or otherwise) in favour of Industrial Development Bank of India (IDBI) in connection with its loan of Rs.900 Lac lent & advanced by IDBI to the Company under its Term Loans facilities together with interest thereof, additional interest, liquidated damages, compound interest, commitment charges, premium on prepayment of the Loan Agreement(s) as amended from time to time.

Resolved further that the Board of Directors be and is hereby authorized to finalize, settle and execute such documents/ deeds/agreements/papers as may be required for creating aforesaid mortgage and/or charge and to do all such acts, deeds and things as may be decided fit or considered necessary or incidental thereto in order to give effect to the said resolution."

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

"Resolved that pursuant to provision of Section 198 & 309 read with Schedule XIII and other applicable provisions if any of the Companies Act, 1956, subject to the approval of Financial Institutions and Central Government if required, Sh. Jangi Lal Oswal, Managing Director of the company be and is hereby paid remuneration w.e.f. 01.04.2005 as detailed below :

Salary : Rs. 2,00,000 per month ( including perquisites & allowances)

#### Perquisites & Allowances

- a) Housing - Free residential accommodation, or in case residential accommodation is not provided, HRA shall be paid as per Company rules and company shall provide gas, electricity and water etc. 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 of 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 or perquisites.
- h) Club Fee : Fees of clubs subject to a maximum of two clubs. This does not include admission and life membership fee.

**Explanation "Family"** means the spouse, the dependent children and dependent parents of the appointee."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to vary/alter at any time the remuneration of the said appointee in such manner as may be approved by the Board of Directors of the company and acceptable to Shri Jangi Lal Oswal.



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"RESOLVED FURTHER THAT wherein any financial year the company has no profits or its profits are inadequate, the company may pay Sh. Jangi Lal Oswal, Managing Director remuneration by way of salary, commission, perquisites and allowances not exceeding the ceiling limits specified under section II of part II of schedule XIII to the Companies Act, 1956".

RESOLVED FURTHER THAT Sh. B.S. Mann, director of the company be is hereby authorized to execute an agreement on behalf of the company with Shri Jangi Lal Oswal".

## NOTES:

1. Explanatory Statement pursuant to section 173 (2) of the Companies Act, 1956 in respect of item Nos. 5 to 8 are annexed thereto and forms part of the Notice.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING, THE BLANK PROXY FORM IS ENCLOSED.
3. The Register of Members and the Share Transfer Books of the Company shall remain closed from 29<sup>th</sup> September, 2005 to 30<sup>th</sup> September, 2005 (both days inclusive).
4. The members holding shares in physical form are requested to notify the change in their addresses, if any, to the Registrar & Transfer Agent/Company immediately quoting their Folio Number(s). However, members holding shares in dematerialised mode are requested to intimate the change in address, if any, to their respective Depository Participant.
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. The copies of relevant documents can be inspected at the Registered Office of the company on any working day between 10.30 AM to 12.30 PM.
7. Members are requested to bring their copy of Annual Report along with them at the Annual General Meeting.
8. INFORMATION REQUIRED PURSUANT TO CORPORATE GOVERNANCE CLAUSE OF THE LISTING AGREEMENT(S) REGARDING THE DIRECTORS RE-APPOINTMENT IN THE ANNUAL GENERAL MEETING AS PROPOSED IN ITEM NO.2 AND 3 OF THE NOTICE IS AS UNDER:

### Mr. B.S. Mann

Mr. B.S. Mann is Commerce graduate and is Technocrat having more than 50 years experience in textile industry. His date of birth is 04.06.1935 and date of appointment is 06.05.1997.

He is member of Audit Committee, Shareholders/Investors Grievance Committee & Remuneration Committee of the Company.

### Mr. G.Bansal

Mr. 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.

He is member of Audit Committee, Share Transfer Committee, Shareholders/Investors Grievance Committee & Remuneration Committee of the Company.

By order of the Board

Regd. Office  
Industrial Area 'A'  
Ludhiana.  
Dated : 30th July, 2005

DINESH GUPTA  
Company Secretary

## ANNEXURE TO THE NOTICE

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

#### Item No. 5

The company has been sanctioned Working Capital Term Loan by Punjab National Bank, State Bank of India, Vijaya Bank & The Jammu & Kashmir Bank Limited as part of restructuring of working capital facilities. The bankers have stipulated for creation of 1st pari-passu charge on the moveable & immovable properties of company. According your approval is solicited for the same pursuant to section 293(1)(a) of the Companies Act, 1956.

#### Memorandum of Interest

None of the Directors is interested in this resolution.

#### Item No. 6

The company has been availing Working Capital facilities from Bankers under consortium arrangement. The Bankers have 1<sup>st</sup> charge on the moveable & immovable properties of the company against earlier sanctioned working capital facilities. As the bankers have restructured their working capital facilities, it needs to modify 1<sup>st</sup> charge on the properties of the Company for their working capital facilities under restructuring. Accordingly, your approval is solicited for the same pursuant to section 293(1)(a) of the Companies Act, 1956.

#### Memorandum of Interest

None of the Directors is interested in this resolution.

#### Item No. 7

The company has been sanctioned ACS Loan of Rs.900 lac by IDBI. As per restructuring of their term liabilities, IDBI has stipulated for creation of 1<sup>st</sup> pari-passu charge on all the moveable & immovable properties of the company. Accordingly, your approval is solicited for the same pursuant to section 293(1)(a) of the Companies Act, 1956.

#### Memorandum of Interest

None of the Directors is interested in this resolution.

#### Item No. 8

Sh. Jangi Lal Oswal was re-appointed as Managing Director of the company w.e.f. 1st January, 2004 for 5 years by the Board of Directors in their meeting held on 30.06.2003. The Shareholders in their AGM held on 30.09.2003 had approved the appointment of Shri Jangi Lal Oswal. Now the company has decided to pay remuneration of Rs.2 lakh per month w.e.f. 01.04.2005 upto 31.12.2008 as per Schedule XIII. The remuneration committee has approved the remuneration in their meeting held on 16.07.2005 and same was further approved by the Board of directors in their meeting held on 30.07.2005. Accordingly your approval is solicited for the same.

#### Memorandum of Interest

Except the appointee i.e. Sh. Jangi Lal Oswal, Shri Rishi Oswal and Shri Rahul Oswal being relative of Sh. Jangi Lal Oswal, none of the other directors is interested or concerned in this resolution.

By order of the Board

Regd. Office  
Industrial Area 'A'  
Ludhiana.  
Dated : 30th July, 2005

DINESH GUPTA  
Company Secretary



# MALWA COTTON SPINNING MILLS LIMITED

## FINANCIAL HIGHLIGHTS

(Rs. in Lac)

	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000	1998-99	1997-98	1996-97	1995-96
Share Capital	3341.41	3283.00	3283.00	3283.00	1558.39	1558.39	1556.04	489.89	489.89	489.89
Reserves	4244.98	3267.46	6037.44	6602.91	8515.35	10666.37	10244.22	9561.81	8138.55	7136.03
Net Worth	7586.39	6550.46	9320.44	9885.91	10713.74	12224.76	*11825.91	**10117.85	8628.44	7625.92
Fixed Assets (Gross)	27545.99	27386.15	27229.28	26765.86	25950.52	24708.51	23170.15	19915.08	16305.26	13992.24
Depreciation	17672.65	16383.02	14988.16	13606.14	12120.44	10559.11	9063.38	7685.69	6457.37	5305.07
Net Block	9873.34	11003.13	12241.12	13159.72	13830.08	14149.40	14106.77	12229.39	9847.89	8687.17
Investments	1205.91	1205.91	2599.76	2599.76	2718.76	2627.04	2627.04	2279.04	1033.27	1052.76
Net Current Assets	16152.74	14595.87	13809.89	12734.80	12696.10	14313.20	14356.70	13218.12	11191.36	9186.87
Net Assets Employed	27771.94	27060.62	28697.18	28570.35	29350.68	31116.71	31293.55	27733.56	22072.52	18926.80
Book Value Per Equity Share (Rs.)	122.96	117.26	166.85	176.98	191.80	218.84	212.58	206.44	176.05	155.60
Gross Income	36452.81	36285.74	35993.80	36860.69	39001.73	37101.60	35176.23	37053.60	31956.50	32529.72
Export Sales (FOB)	7336.03	11573.78	13618.63	12339.88	14671.15	13334.27	11904.82	13197.20	11688.41	5717.52
Gross Profit/(Loss)	1760.41	(1574.52)	806.44	(254.01)	8.18	2175.00	1735.69	3081.05	2478.80	1571.14
Depreciation	1318.17	1442.45	1382.02	1539.31	1618.86	1522.85	1413.68	1317.87	1166.71	1076.30
Profit/(Loss) Before Tax	442.24	(3016.97)	(575.58)	(1793.32)	(1610.68)	652.15	322.01	1763.18	1312.09	494.84
Profit/(Loss) After Tax	748.15	(1108.03)	(335.35)	(1761.29)	(1611.28)	552.15	286.01	1563.18	1112.09	484.84
Equity Dividend (%)	—	—	—	—	—	—	15	40	40	37
Earning Per Share (Rs.)	6.90	(25.88)	(11.58)	(36.48)	(31.11)	9.89	5.14	31.89	22.69	9.89
Cash Earning Per Share (Rs.)	29.42	(0.06)	13.16	(8.92)	(2.14)	37.14	30.55	58.78	46.50	31.85

\* 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

### DIRECTORS' REPORT

The Directors are pleased to present their Twenty Ninth Annual Report on the business of the Company and the Audited Statement of Accounts of the Company for the year ended 31<sup>st</sup> March, 2005.

	(Rs. in Lac)	
FINANCIAL RESULTS	2004-05	2003-04
Profit before financial expenses & depreciation	4135.53	1535.01
Financial expenses	2375.12	3109.53
Depreciation	1318.17	1442.45
Profit/(Loss) before tax	442.24	(3016.97)
Provision for taxation		
- Deferred Tax	(883.35)	(2030.58)
- Deferred Tax Adjustments	577.44	121.64
Wealth Tax for earlier year written back	0.30	-
Income Tax for earlier year written back	7.14	12.28
Depreciation for earlier year	-	0.67
Profit/(Loss) for the year after tax adjustments	755.59	(1095.08)
Balance brought forward	(3413.73)	(2318.65)
Balance Carried to Balance Sheet	(2658.14)	(3413.73)

### YEAR IN RETROSPECT

The textile industry is the second largest industry in the country and has the distinction of being the largest foreign exchange earner. The industry, undoubtedly is one of the most significant and vibrant segment of the Indian economy. It also generates substantial tax revenue, jobs and income up stream and down stream, such as agricultural activities, machine manufacturing, packaging, transport, domestic trade and export so on.

The demand for cotton yarn has increased at 6% as against negative growth of around 2% between 2000-01 & 2003-04. The spinning industry has performed better in the second half of 2004-05 as cotton prices are on lower side and comfortable supply. The Finance Budget 2004-05 has also provided much needed boost to the textile industry by removing the mandatory Cenvat, and allowing to opt for complete excise exemption.

Multi-Fibre Agreement (MFA), which permitted developed countries to impose restriction on the import of textile goods from developing countries, ended on 1<sup>st</sup> January, 2005. With the end of MFA, the textile exporter companies have unrestricted access to developed markets.

The company has approached the FIs and the banks for the restructuring of its high cost outstanding debts and much needed restructuring by FIs and banks has been sanctioned for reduction in interest rates/other charges and rescheduling of instalments of term loan and working capital loans.

The company has recorded profit before depreciation, interest & tax of Rs.4136 lac as compared to previous year Rs.1535 lac. The performance of the company has been improved mainly in the second half of the year due to increase in production of value added products, soft cotton prices, product innovation, quality consciousness, better value chain

management and reduction in financial expenses on account of restructuring of high cost debts and one time settlement with AMEX Bank for its outstanding working capital facilities.

### PRODUCTION

During the year, the company has achieved total production of 233 lac kgs. for all types of yarns equal to previous year's production. The cotton yarn production was 137 lac kgs. against 146 lac kgs. in the previous year and other yarns production was 96 lac kgs. against 87 lac kgs. in the previous year. Thread production of 29 lac kgs. was also achieved by the company against 23 lac kgs. in the previous year. The value added yarn production was increased by 26%.

### TURNOVER

During the year, your company has recorded gross sales of Rs.35738 lac against Rs.36103 lac in the previous year. The company has achieved yarn sale of Rs.26032 lac, Thread sale of Rs. 8111 lac and others of Rs.1595 lac in the current year against previous year's sale of yarn Rs.27127 lac, Thread Rs. 6474 lac and others Rs.2502 lac respectively. Thread sale has increased by Rs.1637lac (25%) in the current year. Export of yarn was at Rs.7635 lac (CIF) against Rs.11918 lac (CIF) in the previous year. The export sale decreased due to better realization in the domestic markets. Depreciation of the dollar against rupee has also partially affected exports. Increase in ocean freight and reduction in DEPB rates has also reduced exports margin.

### Barnala Unit

The Barnala unit has achieved production of 85 lac kgs of Yarn and capacity utilization of 92% in the current year. Part of the capacity for production of conventional yarn is shifted for production of finer count of value added yarns/threads.

The EOU unit was operating at 92% capacity utilization and production of 44 lac kgs of yarn recorded during the year. The plant is equipped with the machinery of latest technology to meet the demand for high quality yarn in the international market.

### Paonta Sahib Unit

The Paonta Sahib unit was operating at capacity utilization of 91% and has production of 95 lac kgs of yarns. Ring Doubling Frame, Cheese Winder & Cone Winders were added for manufacturing of high value added yarns. The Company has partly replaced its existing capacity for production of Cotton & Synthetic Yarn with the finer count of value added yarn.

### Machhiwara Unit

The company's strength lies in value added products. At present, the focus is on the production of value added products. The company has increased its capacity of thread, specialized yarns and value added products to 8 TPD. Dyeing machines, Soft Packaging Winder, Wet Scrubber, Tube Winding machines, Polishing machines, Cop Banding machines etc. are installed at Machhiwara. The unit had achieved production of 29 lac kgs of value added products during the year, showing an increase of 26% over the previous year production.



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The capacity utilisation of Worsted unit, with installed capacity of 5,040 spindles, was 64% due to market constraints. The unit had achieved production of 9 lac kgs of yarn. The company has changed its product-mix for increasing the capacity utilisation and also introducing new products with better realisation.

### SUBSIDIARY COMPANIES

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.

Malwa Industries Ltd. ceased to be a subsidiary of the company w.e.f. 31<sup>st</sup> March, 2004.

### 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

Your company has cordial relations with employees and no man-day was lost during the year. The company is very thankful to its employees for the whole hearted support in achieving optimum level of efficiency.

### COMPLIANCE OF LISTING AGREEMENT

The equity shares of the Company are listed at The Bombay Stock Exchange and National Stock Exchange. The Company has paid annual listing fee up to 31<sup>st</sup> March, 2006.

### CORPORATE GOVERNANCE

As per Clause 49 of the Listing agreement, a separate Report on Corporate Governance together with Management Discussion and Analysis and certificate from Company's Auditors is annexed and forms part of the report.

### 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 and required no comments.

### DIRECTORS' RESPONSIBILITY STATEMENT

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

### DIRECTORS

S/Shri G.Bansal 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.

Sh. B.Dass Gupta, nominee of IDBI, Sh. V.K. Gupta, nominee of PNB and Sh. Rajdeep Jain ceased to be Director of the company. The Board places on records its appreciation for the services rendered during their tenure as Directors of the Company.

### ACKNOWLEDGEMENT

The Board of Directors place on record its appreciation for the valuable assistance, support and guidance extended to the company by IFCI, IDBI, LIC, Punjab National Bank, State Bank of India, Vijaya Bank, J& K Bank Ltd. and American Express Bank Ltd. for the much needed restructuring of term loans and working capital facilities during the year. The company also acknowledges the support and co-operation received from dealers, retailers and agents for promoting various products of the company. The Board also wish to express its deep gratitude for the continued support from its shareholders and the employees and appreciate the co-operation and unstinted support extended to the company.

### DISCLOSURE OF PARTICULARS

There was no employee covered under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 for the year. 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 'A' forming part of this Report.

For and on behalf of the Board

Place : Ludhiana  
Dated : 30.06.2005

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 31.03.2005.

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	54	09.04.1980	B.A. II Year	34	Chairman-cum- Managing Director	Nil	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 : 30.06.2005

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

The company continues to accord high priority to energy conservation.

- a) Some of the initiatives undertaken for conservation of energy
  - Use of energy efficient motors and modernization of various machines.
  - Improvement in power factors by providing capacitor on different load centers.
  - Electronic Soft start units with Power Saving features installed at various machines.
  - Installation of flat belt, flat pulley & FRP fans at humidification plant.
  - Energy efficient lighting system and modernize mechanical devices.
- b) Further proposed and investment for reduction of energy consumption.
  - Modernization/replacement of obsolete plant & machinery.
- c) Overall impact of measures of above resulting in energy saving.
  - Not ascertainable precisely.
- 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

		2004-2005	2003-2004
1. Electricity			
a) Purchased			
Unit	Lacs unit	969.26	970.13
Total Amount	Rs. Lacs	3246.14	3155.98
Rate/Unit	Rs.	3.35	3.25
b) Own generation			
Through diesel generator			
Unit	Lac unit	72.44	78.24
Unit/Litre		3.57	3.44
Rate/Unit	Rs.	6.22	4.74
2. Coal (B & C grade)/Husk			
Quantity	Tonnes	14428.01	15309.98
Total Cost	Rs./Lacs	231.52	245.47
Average rate	Rs./Tonne	1604.68	1603.44





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## B. CONSUMPTION PER UNIT OF PRODUCTION

Electricity	Per Tonne in unit	4467.97	4499.62
Coal/Husk	Per Kg. of Fibre/Yarn Dyed	2.54	2.95

## II. TECHNOLOGY ABSORPTION

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

### FORM - B

#### RESEARCH AND DEVELOPMENT (R&D)

- Continuous efforts are being made for developing new products and to improve the existing products. The company has successfully launched and captured new markets in value added yarn due to its R&D efforts.
- With the ongoing efforts by R&D, benefits derived are -
  - Improvement in quality of its products.
  - Development of specialized yarn
  - Consistency in work performance and reduction in waste.
- Future plan of action  
The company is doing R&D on continuous basis to improve the quality of existing products and introduction of new products.
- Expenditure on R & D

	2004-2005	(Rs. in Lac) 2003-2004
a) Capital	---	--
b) Recurring	36.38	37.29
c) Total	36.38	37.29
d) Total R&D Expenditure as a percentage of total turnover	0.11%	0.11%

#### 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.		
g) Total Foreign Exchange earned and used :		(Rs. in Lac)
	2004-2005	2003-2004
Foreign Exchange earned (FOB)	7336.06	11573.78
Foreign Exchange used (CIF)	82.14	2108.47

## ANNEXURE 'B' 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 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.
- 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.
- That the directors have prepared the annual accounts on a going concern basis.

For and on behalf of the Board

Place : Ludhiana  
Dated : 30.06.2005

JANGI LAL OSWAL  
Chairman-cum-Managing Director



## MALWA COTTON SPINNING MILLS LIMITED

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

#### Industry Structure and Developments

The textiles industry is one of the largest and most prominent sectors of Indian economy, in terms of output, foreign exchange earnings and employment generation. The textile sector provides direct employment to more than 35 million and has been able to generate additional employment in various sub-sectors. Indian textile industry is multi-fibre based, using cotton, jute, wool, silk and man made fibres. In the spinning segment, India has an installed capacity of around 40 million spindles (23% of world), 0.05 million rotors (6% of world).

The organized mill (spinning) sector recorded a significant growth during the last decade. The organized sector accounts for production of almost all of spun yarn. There are little over 200 composite mills in India leaving the production of fabric and processing to the decentralized small weaving and processing firms. The processing industry in India has been the weakest wing in the value chain. Since our textile industry is largely unorganized, vertical integration in value chain is rarely happening. To encourage establishment of state of art processing units, the finance budget has provided 10% capital subsidy in addition to the interest subsidy available under TUFs loan. The budget provides strong boost to the industry by providing 100% Cenvat exemption and de-reservation of certain textile items.

#### Opportunities & Threats

The textile industry is one of the few industries, which has the potential to emerge as a true global player. India is one of the major producers of raw cotton and yarn. Cotton yarn producers have the flexibility to reduce prices and remain competitive due to lower cotton cost on account of higher cotton production. In the manmade fibre sector, India is ranked at fifth position in terms of capacity. India has resource based advantages in cotton, silk, wool and manmade fibres. India has capacity based advantages in the textile spinning. The hourly wage costs in textile industry in India is very low as compared to many developed/developing countries.

However, the capacity and technology infusion in this sector need to be enhanced. The determinants of increase / decrease in market share would depend upon the cost, quality, timely delivery, productivity level and removal of structural anomalies. Very few exporters have gone in for integrated production facility. India needs to cut down the production cycle time substantially to stay in the market. Besides, erratic supply and high cost of power, inadequate road connectivity, port facilities and other infrastructure facilities have been adversely affecting the competitiveness of Indian textiles sector. However, these bottlenecks have been adequately addressed in the finance budget 2005-06.

#### Segment wise Product wise performance

Detailed performances have already been discussed in Director's Report.

#### Future Outlook

In the post quota regime, the market share would eventually be determined by capability of productivity, raw material base, quality, cost of inputs including labour and operation of economies of scale. It was believed that quotas, by limiting the supply of goods had kept export prices artificially high. Thus, it is estimated that there would be price war in the post quota regime, with competitive price cuts. The price and quantity effects would depend on the efficiency in production process and supply chain management etc.

Quota restrictions would continue beyond 2005 in various forms. It is also widely recognized that removal of quota may not directly provide easy and unrestricted access to developed country markets. There would be non-tariff barriers as well. Standards related to health,

safety, environment, quality of work life and child labour would gain further momentum in international trade in textiles. An era of high competitive environment would result in better resource reallocation and expected fall in yarn prices. India has advantages of availability of raw cotton in abundance at competitive rates, low labour cost, cheap access to funds and traditional textile expertise.

#### Risks & Concerns

India needs to develop a strategic approach to tackle the challenges of the quota free textile market. India needs to sharpen its competitive edge by lowering the cost of operations through efficient use of production inputs and scale operations. Indian players should achieve operating leverage and demonstrate high bargaining power. In India, organized players in this sector would require huge investments to remain competitive in the quota free world. Technology would play a lead role. Indian textile industry should also turn into high technology mode to reap the benefits of scale operations, quality and integrate the operations in spinning.

Logistics and supply chain would also play a crucial role as timely delivery would be an important requirement for success in international trade. The logistics and supply chain management of Indian textile firms are relatively weak and needs improvement and efficiency.

To take advantage of new quota free regime, textile industry needs to enhance its overall competitiveness through exploitation of economies of scale in manufacturing and improve its supply chain, quality standards and focus on product innovation. Improvement in infrastructure facilities have significant bearing on improving the competitiveness of the textile industry and needs immediate attention of the govt.

#### Internal Control System and their adequacy

The company 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 continuously reviews the adequacy of internal controls.

#### Financial/operation Performance

(Rs. In Lac)

Particulars	2004-05	2003-04
Turnover & Other Income	35189	34237
PBDIT	4135	1535
Interest & Financial Charges	2375	3110
Depreciation	1318	1442
Profit/(Loss) before Tax	442	(3017)
Profit/(Loss) after Tax	756	(1095)
Earning Per Share (Rs.)	6.90	(25.88)

#### 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  
Dated : 30.06.2005

JANGI LAL OSWAL  
Chairman-cum-Managing Director