



32nd
Annual Report
2007-08

Malwa Cotton Spinning Mills Ltd.



MALWA COTTON SPINNING MILLS LIMITED

THE MANAGEMENT

BOARD OF DIRECTORS

Mr. Jangi Lal Oswal
Chairman-cum-Managing Director
Mr. Rattan Singh (Nominee of IFCI)
Mr. J.P. Leelrain (Nominee of IDBI)
Mr. S.C. Bithal (Nominee of PNB)
Mr. Rishi Oswal
Mr. Rahul Oswal
Mr. G. Bansal
Mr. S.K. Vig

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)

CONTENTS	PAGE
Notice	1-2
Financial Highlights	3
Directors' Report	4-7
Management Discussion & Analysis Report	8
Corporate Governance	9-13
Auditors' Report	14-15
Balance Sheet	16
Profit and Loss Account	17
Cash Flow Statement	18
Schedules to the Accounts	19-32



MALWA COTTON SPINNING MILLS LIMITED

NOTICE

Notice is hereby given that the Thirty Second 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 Thursday the 25th September, 2008 at 9.30 AM to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2008, 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. Rishi Oswal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Rahul Oswal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors for the year 2008-09 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 Mr. Surinder Kumar Vig, who was appointed as an Additional Director by the Board of Directors under section 260 of the Companies Act, 1956 and holds office upto the date of AGM and in respect of whom the company has received a notice under Section 257 of the Companies Act, 1956 be and is hereby appointed as Director of the company, liable to retire by rotation under the Articles of Association of the company.

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

"RESOLVED THAT pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Members be and is hereby given to the Board of Directors of the Company to mortgage and/or charge the movable and immovable properties, both present and future, of the Company, wheresoever situated in favour of Punjab National Bank to secure a Corporate Loan of Rs.10.00 crore (Rupees ten crore only) together with interest

thereon at the respective rates, additional interest, liquidated damages, compound interest, commitment charges, premium on pre-payment or on redemption payable under Loan Agreement, 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 charge and to do all such acts, deeds and things as deemed fit or considered necessary or incidental thereto in order to give effect to the said resolution"

By order of the Board

Place : Ludhiana
Dated : 30.06.2008

DINESH GUPTA
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING, THE BLANK PROXY FORM IS ENCLOSED.
2. The information pursuant to Corporate Governance Clause of the Listing Agreement(s) regarding the directors seeking appointment/re-appointment in the Annual General Meeting as proposed in Item No. 2, 3 & 5 of the Notice is also being annexed hereto respectively and forms part of the Notice.
3. The Register of Members and the Share Transfer Books of the Company shall remain closed from Tuesday the 23rd September, 2008 to Thursday the 25th September, 2008 (both days inclusive).
4. 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 electronic mode may notify the change in the address, if any, to their respective Depository Participants.
5. Members desiring any information, as regards Accounts are requested to write to the Company at its Registered Office at least 10 days before the date



MALWA COTTON SPINNING MILLS LIMITED

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.

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. Rishi Oswal

Rishi Oswal is the Director of the Company. He has experience of over 14 years in the textile and apparel industry. He is a commerce graduate. He is Managing Director of Malwa Industries Limited and is with the company since its incorporation and involved in strategic planning and mapping the future growth of Malwa Industries Ltd. He was also the Chairman of Indo Turkish Business Council. His date of birth is 26.11.1972 and date of appointment is 29.07.1994. He holds the position of Managing Director/Director on the board of the following companies :

Malwa Industries Limited
Oswal Multimedia K.I.D. Limited
Malwa Capital and Finance Limited
Jangi Growth Fund Private Limited
Neelam Growth Fund Private Limited
Rishi Growth Fund Private Limited
Oswal Dreamz Limited
Malwa Corp. Limited
Oswal Corp. Limited
Sunnycroft Holdings Limited, Cyprus
Third Dimension Apparels LLC, Jordan
Emmetre Tintolavanderie Industriali S.r.l., Italy
Malwa Millennium Designs Limited

Mr. Rahul Oswal

Rahul Oswal is the Director of the Company. He has experience of over 12 years in the textile and apparel business. He is a commerce graduate. His date of birth is 07.01.1974 and date of appointment is 29.07.1994. He holds the position of Executive Director/Director on the board of the following companies:

Malwa Industries Limited
Oswal Multimedia K.I.D. Limited
Malwa Corp. Limited
Oswal Corp. Limited
Oswal Exim Trade Limited
Oswal Dreamz Limited

By order of the Board

Regd. Office
Industrial Area 'A'
Ludhiana

Dated : 30.06.2008

DINESH GUPTA
Company Secretary

ANNEXURE TO THE NOTICE

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

ITEM NO.5 OF THE SPECIAL BUSINESS

The Board of Directors in its meeting held on 31.01.2008 has appointed Mr. Surinder Kumar Vig as an Additional Director on the Board of the company. Mr. Surinder Kumar Vig is an advocate and has rich experience of more than 25 years. The company has received a notice from one of the members of the company u/s 257 of the Companies Act, 1956, together with the requisite deposit, proposing the candidature of Mr. Surinder Kumar Vig as a Director of the Company.

None of the Directors except Mr. Surinder Kumar Vig, the appointee himself is concerned or interested in this resolution.

ITEM NO.6 OF THE SPECIAL BUSINESS

The company has been granted facility of corporate loan of Rs.10 crore by Punjab National Bank, leader of the consortium of Working Capital Facilities against the security of Block assets of the company and availed partly.

Section 293 (1) (a) of the Companies Act, 1956 inter-alia provides that the Board of Directors of a Public Limited company shall not without the consent of company in general meeting, sell, lease or otherwise dispose off the whole or substantially the whole of the undertaking of the company or where the company owns more than one undertaking, of the whole substantially the whole of any such undertaking. As the assets of the company shall be mortgaged to Punjab National Bank as security against the aforesaid facility of Rs.10 crores, the approval of the members is solicited for the same pursuant to section 293(1)(a) of the Companies Act, 1956

MEMORANDUM OF INTEREST:

None of the Directors of the company is concerned or interested in this resolution except Mr. S.C.Bittal, nominee of PNB.

By order of the Board

Regd. Office
Industrial Area 'A'
Ludhiana
Dated : 30.06.2008

DINESH GUPTA
Company Secretary



MALWA COTTON SPINNING MILLS LIMITED

FINANCIAL HIGHLIGHTS

(Rs. in Lac)

	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99
Share Capital	3341.41	3341.41	3341.41	3341.41	3283.00	3283.00	3283.00	1558.39	1558.39	1556.04
Reserves	5495.77	6087.79	5432.85	4244.98	3267.46	6037.44	6602.91	8515.35	10666.37	10244.22
Net Worth	8837.18	9429.20	8774.26	7586.39	6550.46	9320.44	9885.91	10713.74	12224.76	*11825.91
Fixed Assets(Gross)	28541.47	28220.17	27966.00	27545.99	27386.15	27229.28	26765.86	25950.52	24708.51	23170.15
Depreciation	20875.70	19977.91	18914.98	17672.65	16383.02	14988.16	13606.14	12120.44	10559.11	9063.38
Net Block	7665.77	8242.26	9051.02	9873.34	11003.13	12241.12	13159.72	13830.08	14149.40	14106.77
Investments	997.89	999.64	1093.83	1205.91	1205.91	2599.76	2599.76	2718.76	2627.04	2627.04
Net Current Assets	17600.93	18490.34	18732.16	16152.74	14595.87	13809.89	12734.80	12696.10	14313.20	14356.70
Net Assets Employed	26264.59	27732.24	29038.08	27771.94	27060.62	28697.18	28570.35	29350.68	31116.71	31293.55
Book Value Per Equity Share(Rs.)	143.23	152.82	142.21	122.96	117.26	166.85	176.98	191.80	218.84	212.58
Gross Income	44994.84	42415.14	38059.29	36452.81	36285.74	35993.80	36860.69	39001.73	37101.60	35176.23
Export Sales(FOB)	8479.00	8223.58	7133.26	7383.20	11573.78	13618.63	12339.88	14671.15	13334.27	11904.82
Gross Profit/(Loss)	704.26	2052.98	2862.96	1760.41	(1574.52)	806.44	(254.01)	8.18	2175.00	1735.69
Depreciation	903.13	1112.89	1260.46	1318.17	1442.45	1382.02	1539.31	1618.86	1522.85	1413.68
Profit/(Loss)Before Tax	(198.87)	940.09	1602.50	442.24	(3016.97)	(575.58)	(1793.32)	(1610.68)	652.15	322.01
Profit/(Loss) After Tax	(180.25)	518.74	1188.62	748.15	(1108.03)	(335.35)	(1761.29)	(1611.28)	552.15	286.01
Equity Dividend (%)	-	-	-	-	-	-	-	-	-	15.00
Earning Per Share (Rs.)	(8.82)	2.71	13.51	6.90	(25.88)	(11.58)	(36.48)	(31.11)	9.89	5.14
Cash Earning Per Share(Rs.)	5.82	20.74	33.94	29.42	(0.06)	13.16	(8.92)	(2.14)	37.14	30.55

* Includes Application money for shares and warrants Rs.25.65 Lacs
Reserves include deferred tax liability.



MALWA COTTON SPINNING MILLS LIMITED

DIRECTORS' REPORT

Dear Members,

The Directors of your Company are pleased to present their 32nd Annual Report on the business of the Company together with the Audited Accounts of the Company for the year ended 31st March, 2008.

	(Rs. in Lac)	
FINANCIAL RESULTS	2007-08	2006-07
Profit before financial expenses & depreciation	3469.31	4776.44
Financial expenses	2765.05	2723.46
Depreciation	903.13	1112.89
Profit/(Loss) before tax	(198.87)	940.09
Profit/(Loss) for the year after tax adjustments	(180.25)	530.66

YEAR IN RETROSPECT

The Company has recorded profit before depreciation, interest & tax of Rs.3469 lac as compared to previous year Rs.4776 lac. The performance of the Company has declined due to decrease in selling prices of yarns on account of appreciation of Rupee and increase in raw material prices. The Company is identifying loss making products, shifting spindles to higher margin products and making arrangement for hedging the Cotton-basic raw material to strengthen production activity and maintaining quality of yarn.

PRODUCTION

During the year, the Company has achieved total production of 251 lac kgs for all types of yarns compared to previous year's production of 249 lac kgs. The cotton yarn production was 129 lac kgs. against 145 lac kgs. in the previous year and other yarns production was 122 lac kgs. against 104 lac kgs. in the previous year. Thread production of 41 lac kgs. was also achieved by the Company against 42 lac kgs. in the previous year.

TURNOVER

During the year, your Company has recorded gross sales of Rs.44969 lac against Rs. 42038 lac in the previous year. The Company has achieved yarn sale of Rs.26507 lac, Thread sale of Rs. 11652 lac and others of Rs. 6810 lac in the current year ending 31st March, 2008 against sale of yarn Rs. 26412 lac, Thread of Rs. 12283 lac and others of Rs.3343 lac in the previous year. Export of yarn was at Rs. 8854 lac (CIF) against Rs. 8519 lac (CIF) in the previous year.

BARNALA UNIT

The Barnala unit has achieved production of 136 lac kgs of Yarn and capacity utilization of 97% in the current year. The plant is equipped with latest technology machines to meet the demand of domestic as well international markets.

PAONTA SAHIB UNIT

The Paonta Sahib unit was also operating at capacity utilization of 94% and has production of 99 lac kgs of yarns.

MACHHIWARA UNIT

The Company's strength lies in value added products. At present, the focus is on the production of value added products and specialized yarn. Dyeing machines are installed at Machhiwara. The unit had achieved production of 41 lac kgs of value added products during the year.

The capacity utilisation of Worsted unit was 71%. The unit had achieved production of 16 lac kgs of yarn. The Company has changed its product-mix for increasing the capacity utilisation and also introducing new products with better realisation.

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 wholehearted support in achieving optimum level of efficiency.

COMPLIANCE OF LISTING AGREEMENT

The equity shares of the Company are listed at Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd. The Company has paid annual listing fee up to 31st March, 2009.

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 except non-disclosure of segment results separately in respect of sewing thread segment in accordance with Accounting Standard (AS)-17. Results of the operations of the sewing thread segment is compiled to the extent it could be computed from the books of



MALWA COTTON SPINNING MILLS LIMITED

account, however results of the textile segment (yarn & sewing thread) is disclosed as per Accounting Standard (AS)-17.

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

The Board of Directors have expressed their condolences on the demise of Sh. B.S. Mann, who passed away on 13th January, 2008 and appreciated the services rendered by him.

Sh. Rishi Oswal and Sh. Rahul Oswal retire at the forthcoming Annual General Meeting and are eligible for appointment as Directors subject to retirement by rotation. They offer themselves for the re-appointment.

Sh. S.P. Arora, nominee of IFCI ceased to be Director of the Company. The Board places on record its appreciation for the services rendered during his tenure as Director of the Company.

Sh. Rattan Singh nominee of IFCI, was appointed as Director on the Board of the Company. He is welcome on the board.

Sh. S.K. Vig was appointed as an Additional Director of the Company w.e.f. 31st January, 2008 pursuant to the provision of Section 260 of the Companies Act, 1956. He is welcome on the board.

ACKNOWLEDGEMENT

The Board of Directors place on record its appreciation for the valuable assistance, support and guidance extended to the Company by the Financial Institutions and Banks. 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

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 JANGI LAL OSWAL
Dated : 30.06.2008 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 31.03.2008.

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)
Mr. Jangi Lal Oswal	56	09.04.1980	B.A. II Year	37	Chairman-cum- Managing Director	25.94	Oswal Woollen Mills Limited	Commercial Manager	9

1. The appointment of Mr. Jangi Lal Oswal is on contractual basis.
2. Mr. Jangi Lal Oswal is related to Mr. Rishi Oswal and Mr. 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 : 30.06.2008

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

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

		2007-2008	2006-2007
1. Electricity			
a) Purchased			
Units	Lac units	1021.72	1057.31
Total Amount	Rs. Lacs	3998.40	3879.81
Rate/Unit	Rs.	3.91	3.67
b) Own generation			
Through diesel Generator			
Units	Lac units	35.38	54.59
Unit/Litre		3.47	3.43
Rate/Unit	Rs.	8.14	8.52
2. Steam			
Quantity	Tonnes	72731.04	67189.99
Total Cost	Rs. Lacs	564.66	443.70
Average rate	Rs./Tonne	776.36	660.37



MALWA COTTON SPINNING MILLS LIMITED

B CONSUMPTION PER UNIT OF PRODUCTION

Electricity	Per Tonne in unit	4208.09	4467.18
Steam	Per kg of Fibre/Yarn Dyed	10.64	10.01

II. TECHNOLOGY ABSORPTION

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

	2007-2008	(Rs. in Lac) 2006-2007
a) Capital	3.13	0.55
b) Recurring	67.63	62.96
c) Total	70.76	63.51
d) Total R&D Expenditure as a percentage of total turnover	0.16%	0.15%

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.
- Total Foreign Exchange earned and used :

	2007-2008	(Rs. in Lac) 2006-2007
Foreign Exchange earned (FOB)	8479.00	8223.58
Foreign Exchange used (CIF)	106.94	141.19

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 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 : 30.06.2008

JANGI LAL OSWAL
Chairman-cum-Managing Director



MALWA COTTON SPINNING MILLS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Developments

Indian textile industry is a well-established showing strong features and a bright future. In fact, the country is the second biggest textiles manufacturer worldwide, right after China. Similar force is demonstrated in the cotton production and consumption trend where India ranks just after China. The textiles manufacturing business is a pioneer activity in the Indian manufacturing sector and it has a primordial importance in the economic life of the country, which is still predominantly based on the agro-alimentary sector. Employing around 35 million people, textiles industry stands as a major foreign currency revenue generator and further proves it in its 14% share of industrial production and the 16% of export revenue it generated. Indirect employment including the manpower engaged in agricultural based raw-material production like cotton and related trade and handling could be stated to be around another 60 million.

Opportunities & Threats

Indians have well understood the importance of staying one step ahead of developments in the world economic environment. The industry is now preparing itself to take share of opportunities. The Indian textile industry is one of the largest in the world with a massive raw material and textiles manufacturing base. The local textile sector is now at a critical stage where it should prepare itself to rise and grab the opportunities that are available through liberalization

The Indian textile sector enjoyed competitive advantages to step up its share in global trade in the free market environment. Factors favouring are low cost of cotton sourcing compared to other countries, average wage rates lower by 50-60 per cent than in developed countries enabling India to benefit from global outsourcing trends. The textile industry in India has a strong multi-fibre raw material production base, vast pool of skilled personnel, entrepreneurial talent, good export potential and low import content. Production systems are flexible, dynamic and vibrant.

However, the industry's above strengths get substantially diluted on account of production process disadvantages in certain areas in terms of technology and supply-chain management deficiencies. It is high time that adequate corrective measures were taken to prepare a technology savvy industry to meet the challenges ahead. The ongoing globalisation process is replete with threats from our competitors, particularly the export-led economies like China to destabilise our export and local markets. At the same time, one should also realize that it offers unlimited opportunities.

The textile industry has been the worst victim of the rupee appreciation. The rupee strengthened 12.3% against the US dollar in calendar year 2007, the biggest rally in more than three decades. While inflation touched three-year high of 7% for the week ended 22nd March, pushing up labour costs, the increase in cotton prices to the textile industry's woes.

Segment wise Product wise performance

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

Future Outlook

India is fast emerging as a key player in the \$395 billion global textiles and clothing market. A key driver of global textile trade is low cost sourcing of textiles and clothing. India too will be a major beneficiary, thanks largely to its low cost labour, its skilled manpower and the fact that it is a low cost sourcing base for cotton. Modernization would enable companies provide quality and volume solutions which is in constant demand by international buyers.

The textiles industry has given clear indications as regards its objectives and targets concerning export market. India can envisage its textile sector becoming \$100b industry by 2010. This will include exports of \$50b. The proposed targets would be achieved provided

reforms are initiated in textile sector and local manufacturers adopt measures to improve their competitiveness. A 5-pronged strategy by aiming to attract FDI by making reforms in local market, replacement of existing indirect taxes with a single nationwide VAT, liberalization of contract norms for textile and garments units, elimination of restrictions that cause poor operation and organizational performance or manufacturers, is suggested.

Recognising the immense potential of the textile industry to spur economic growth and drive exports, the Indian government has taken initiatives to encourage investment and enhance global competitiveness of the sector.

Risks & Concerns

India is somewhat lagging behind in technology and this seriously hinders increase in exportable production. Labour regulations are a major concern in India causing great harms to the industry. The geographical location of India as compared to its competitors is rather uncomfortable but natural disadvantage. Impacts are mainly felt on transportation cost, delivery times, etc. Logistics still account for 12% of the total costs, compared to 6% world over and the infrastructure facility catered to the industry needs improvement. The growth of export industry can be ensured only if it remains competitive in the foreign markets.

Indian exporters need to shore up their mass production techniques. The focus should be on moving up the value chain instead of exporting intermediate stage products. Infrastructure development is the need of the hour. On the technology front, the Technology Upgradation Fund Scheme does not get utilized in the appropriate manner as the technology imported is obsolete and virtually no new technology is developed indigenously.

The Indian textile industry is structurally flawed and its efficiency and growth depends upon the corrective measures and their effectiveness.

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/operational Performance

(Rs. In Lac)

Particulars	2007-08	2006-07
Turnover & Other Income	44994	42382
PBDT	3469	4776
Interest & Financial Charges	2765	2723
Depreciation	903	1113
Profit/(Loss) before Tax	(199)	940
Profit/(Loss) after Tax	(180)	531
Earning Per Share (Rs.)	(8.82)	2.71

Human Resources/Industrial Relations

Human resource is the most significant and valuable asset of the Company. Industrial relations at all units of the company remained 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 : 30.06.2008

JANGI LAL OSWAL
Chairman-cum-Managing Director