



**36th  
Annual Report  
2011-12**

**MALWA COTTON SPINNING MILLS LTD.**



**THE MANAGEMENT**

**BOARD OF DIRECTORS**

MR.JANGI LAL OSWAL  
Chairman-cum-Managing Director  
MR.RISHI OSWAL  
MR.RAHUL OSWAL  
MR.SURENDRA PRASAD BHATT (Nominee of IFCI)  
MR.YASHPAL BARAR (Nominee of PNB)  
MR.SANJAY KUMAR SUROYA (Nominee of IDBI)  
MR.G.BANSAL  
MR.SURINDER KUMAR VIG

**AUDITORS**

S.C.Vasudeva & Co., New Delhi

**BANKERS**

Punjab National Bank  
State Bank of India  
Vijaya Bank  
The Jammu & Kashmir Bank Ltd.  
IDBI Bank Ltd.  
IFCI 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 THIRTY SIXTH ANNUAL GENERAL MEETING of the Members of Malwa Cotton Spinning Mills Limited will be held in the premises of Oswal Knit India Ltd., 230, Industrial Area-A, Ludhiana on Wednesday the 26th September, 2012, 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, 2012, 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 2012-13 and fix their remuneration.

By order of the Board

PLACE: LUDHIANA

**POOJA DAMIR MIGLANI**

DATED: 30.05.2012

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 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 24.9.2012 to 26.09.2012 (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 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. The Ministry of Corporate affairs (MCA) has vide Circular Nos. 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively, taken a Green Initiative in Corporate Governance by allowing paperless compliances through electronic mode, allowing to send documents such as Notice convening General Meetings, Audited Financial Statements, Directors' Report, Auditors' Report, etc. and any other notice/documents, henceforth in electronic form in lieu of the paper form.

In case you wish to support your Company's concern to prevent global environment degradation, you are requested to please register your E-mail Id with your DP, if you hold Company's Shares in electronic form under intimation to the Registrar and Transfer Agent through your registered E-mail ID.

If you hold Company's Shares in physical form then you may register your E-mail ID with the Registrar and Transfer Agent of the Company by sending under your registered signature a letter at the below mentioned address:

M/s Mas Services Pvt. Ltd, T-34, 2nd Floor, Okhla Industrial Area, Phase-II, NEW DELHI-110020

Phone No. : 91 11 26387281-82, Fax No.: 91 11 26387384

E-Mail : mas\_serv@yahoo.com

By order of the Board

PLACE: LUDHIANA

**POOJA DAMIR MIGLANI**

DATED: 30.05.2012

Company Secretary

### ANNEXURE TO THE NOTICE

INFORMATION PURSUANT TO CORPORATE GOVERNANCE CLAUSE OF THE LISTING AGREEMENT(S) REGARDING THE DIRECTORS APPOINTMENT/ RE-APPOINTMENT IN THE ANNUAL GENERAL MEETING.

#### Mr. Rishi Oswal

Mr. Rishi Oswal has the experience of over 18 years in Textile and Apparel Industry. He is a commerce graduate. He is the Managing Director of Malwa Industries Ltd and is with the Company since its incorporation and involved in strategic planning and mapping the future growth of Malwa Industries Ltd. 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 Ltd., Oswal Multimedia K.I.D. Ltd., Malwa Capital and Finance Ltd., Jangi Growth Fund Pvt. Ltd., Neelam Growth Fund Pvt. Ltd., Rishi Growth Fund Pvt. Ltd., Oswal Dreamz Ltd., Malwa Corp. Ltd., Sunnycroft Holdings Ltd. Cyprus, Third Dimension Apparels LLC, Jordon, Emmetre Tintolavanderie Industriali S.R.I. Italy, R.N.A. Ores & Minerals Private Ltd., Oswal Corp. Ltd.

#### Mr. Rahul Oswal

Mr. Rahul Oswal has the experience of 16 years in Textile and Apparel business. He is commerce graduate. His date of birth is 07.01.1974 and date of appointment is 29.07.1994. He holds a position of Executive Director/Director on the Board of the following Companies:

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

**DIRECTORS' REPORT**

Dear Members,

The Directors of your Company are pleased to present their 36th Annual Report on the business of the Company together with the Audited Accounts of the Company for the year ended on 31st March, 2012.

(Rs. Lacs)

<b>FINANCIAL RESULTS</b>	<b>2011-12</b>	<b>2010-11</b>
Profit/(Loss) before Financial		
Expenses & Depreciation	<b>2919.65</b>	3747.35
Financial Expenses	<b>3241.58</b>	2911.33
Depreciation	<b>434.32</b>	473.31
Profit/(Loss) before tax	<b>(756.25)</b>	362.71
Profit/(Loss) for the year after tax adjustments	<b>(756.25)</b>	362.71

**YEAR IN RETROSPECT**

The Company has recorded profit/(loss) before depreciation, interest & tax of Rs. 2919.65 lac as compared to previous year Rs. 3747.35 lac.

Cotton Textile Industry is obsessed with many problems. Outdated machinery, low labour productivity and slowdown of global economic scenario has adversely affected the Indian Textile Industry. This has made textile mills inefficient and uneconomic due to which many units became sick and were closed down.

During the year, the Company has achieved total production of 116.45 lac kgs for all types of yarns compared to previous year's production of 200.71 lac kgs. The Cotton Yarn production was 38.73 lac kgs against 107.05 lac kgs in the previous year and other yarns production was 77.72 lac kgs against 93.66 lac kgs. in the pervious year. Thread production of 20.83 lac kgs was also achieved by the company against 28.67 lac kgs in the previous year.

**TURNOVER**

During the year, your Company has recorded gross sales of Rs 39823.24 lac against Rs. 45504.28 lac in the previous year. The Company has achieved Yarn sale of Rs 25012.93 lac, Thread sale of Rs.8793.49 lac and others of Rs. 6016.82 lac in the current year ended on 31st March, 2012 against sale of Yarn Rs. 31509.09 lac, Thread Rs. 9829.63 lac and others Rs. 4165.56 lac in the previous year. Export of Yarn was at Rs.2540.16 lac (CIF) against Rs. 4095.00 lac (CIF) in the previous year.

**Barnala Unit**

The Barnala unit has achieved production of 52.92 lac kgs of Yarns and capacity utilization of 43.14% in the current year. The plant is equipped with latest technology machines to meet the demand of Domestic as well as International Markets.

**Paonta Sahib Unit**

The Paonta Sahib unit was operating at capacity utilization of 46.16% and had production of 45.60 lac kgs of yarns.

**Machhiwara Unit**

The Company's strength lies in value added products. The unit had achieved production of 20.83 lac kgs of value added products during the year.

The Worsted unit was operating at capacity utilization of 35.25% and had production of 17.93 lac kgs of yarns.

**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 on Bombay Stock Exchange and National Stock Exchange of India Ltd. The Company has paid Annual Listing Fee to both the Exchanges for the Financial Year 2012-13 and have fully complied with the clauses of Listing Agreement.

**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., Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offered themselves for re-appointment.

**COST AUDITORS**

M/s Khushwinder Kumar & Co., Cost Auditors of the Company, being eligible for re-appointment offered themselves for same and are reappointed as Cost Auditors of the Company for the year 2012-13.

The due date of filing Cost Audit Report is as under:

- For the year 2010-11 was on 28th September, 2011 and was filed on 28th August, 2011.
- For the year 2011-12 is on 27th September, 2012 and is expected to be filed in due course of time.

**AUDITORS' REPORT**

The Auditors' Report on the Accounts is self-explanatory and required no comments except i) 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 account however, results of the textile segment (yarn & sewing thread) is disclosed as per Accounting Standard (AS-17). ii) The slow moving items of inventories to the tune of Rs.2198 lac have been valued at cost as the market value is not ascertainable iii) The Company is confident of recovery of debtors in respect of which balances were not confirmed and therefore, no provision has been made for doubtful debts in respect of these debtors as doubtful amount can not be ascertained at this stage.

## DIRECTORS' RESPONSIBILITY STATEMENT

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

## DIRECTORS

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

Mr. T. Harikrishnan, nominee of IFCI Ltd. ceased to be Director of the Company w.e.f. 14.02.2012. The Board places on record its appreciation for his services rendered during his tenure as Director of the Company.

Mr. Surendra Prasad Bhatt, nominee of IFCI Ltd., was appointed as Director on the Board of the Company. 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

## 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 31.03.2012

Name	Age	Date of Employment	Qualifi- cation	No. of Years of Experience	Designation & Nature of Duties	Remuneration (In Lacs)	Last Employment	Designation With Last Employer	Period of Service With Last Employer
Mr. Jangi Lal Oswal	60	09.4.1980	B.A.IIInd Year	42	Chairman-cum- Managing Director	25.94	Oswal Woollen Mills Ltd.	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.

PLACE : LUDHIANA  
DATED : 30.05.2012

For and on behalf of the Board  
**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 for energy conservation.

- a) Some of the initiatives undertaken for conservation of energy are -
  - Use of energy efficient motors and 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.
- 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**

		<u>2011-2012</u>	<u>2010-2011</u>
<b>1. Electricity</b>			
a) Purchased			
Units	Lac Units	550.36	933.42
Total Amount	Rs. Lacs	2781.35	4226.50
Rate/Unit	Rs.	5.05	4.53
b) Own generation			
Through diesel			
Generator			
Units	Lac Units	2.74	22.20
Unit/Litre		3.36	3.39
Rate/Unit	Rs.	11.73	9.87
<b>2. Steam</b>			
Quantity	Tonnes	76084.28	75232.80
Total Cost	Rs. Lacs	815.84	803.79
Rate/Per Tonne	Rs./Tonne	1072.28	1068.41

**B. CONSUMPTION PER UNIT OF PRODUCTION**

Electricity	Per Tonne in unit	4030.67	4761.20
Steam	Per kg of Fibre/Yarn Dyed	13.19	12.30

**II. TECHNOLOGY ABSORPTION**

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

**FORM - B**
**RESEARCH AND DEVELOPMENT (R&D)**

1. Continuous efforts are being made for developing new products and to improve the existing products.
2. With the ongoing efforts by R&D, benefits derived are -
  - a. Improvement in quality of its products.
  - b. Development of specialized yarn.
  - c. Consistency in work performance.
3. 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.
4. Expenditure on R & D
 

	<u>2011-12</u>	<u>2010-11</u>
a) Capital	-	0.41
b) Recurring	72.73	72.85
c) Total	72.73	73.26
d) Total R & D Expenditure as a percentage of turnover	0.18%	0.16%

**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**

- a) Activities relating to exports; initiatives taken to increase exports; development of new export market for products and services; and export plans.
- b) Total Foreign Exchange earned and used :
 

	<u>2011-12</u>	<u>2010-11</u>
Foreign Exchange earned (FOB)	2494.00	4035.85
Foreign Exchange used (CIF)	66.20	135.32

**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.

PLACE : LUDHIANA

DATED : 30.05.2012

For and on behalf of the Board

**JANGI LAL OSWAL**

Chairman-cum-Managing Director





Name of the Committee Member	No. of Audit Committee meetings attended
Mr. Gyaneshwar Bansal	2
Mr. Surinder Kumar Vig	4
Mr. Sanjay Kumar Suroya	3
Mr. T. HariKrishnan	2
Mr. Surendra Prasad Bhatt	1

Mr. Surendra Prasad Bhatt was appointed as nominee of IFCI Ltd in place Mr. T. HariKrishnan w.e.f. 14.02.2012

#### 4. DIRECTORS' REMUNERATION:

As per the provisions of Section 269,198,309 read together with Schedule XIII of the Companies Act, 1956, the Company pays remuneration to Chairman cum Managing Director as approved by the Board of Directors and the Members of the Company in the Extraordinary General Meeting held on 29th April, 2008.

##### i) Chairman cum Managing Director:

Name	Designation	Salary and allowances	Other Perks	Contribution to Provident and other funds	Gross Salary (Rs. lacs)
Mr. Jangi Lal Oswal	Chairman-cum -Mg. Director	24.00	-	1.94	25.94

##### ii) Non-Executive Directors:

Non-Executive Directors have not been paid any remuneration except Sitting Fee for attending Board and Committee Meetings.

The details of Sitting Fee paid to Non-Executive Directors during the Financial Year 2011-12 are as below:-

Name of Non-Executive Directors	Sitting fee (Rs.)
Mr. Rishi Oswal	6000.00
Mr. Rahul Oswal	6000.00
Mr. Surinder Kumar Vig	18000.00
Mr. Sanjay Kumar Suroya	12000.00
Mr. T. HariKrishnan	8000.00
Mr. Yashpal Barar	4000.00
Mr. Gyaneshwar Bansal	8000.00
Mr. Surendra Prasad Bhatt	4000.00
<b>Total</b>	<b>66000.00</b>

#### 5. SHAREHOLDING OF DIRECTORS AS ON 31.03.2012

The shareholdings of Directors in the Equity Share Capital of the Company is as under:-

Name of Director	No. of Shares held
Mr. Jangi Lal Oswal	6090
Mr. Surinder Kumar Vig	11098

#### 6. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE:

The Company has constituted a Shareholders'/Investors' Grievance Committee for the redressal of Investors' Complaints on various issues. The Committee also monitors and reviews the performance and service standards of Registrar and Share Transfer Agents of the Company and provides continuous guidance to improve service levels to the investors. Following Directors of the Company are Members of the said Committee:

Mr. Rahul Oswal	- Chairman (Non-Executive Non-Independent Director)
Mr. Gyaneshwar Bansal	- Member (Non-Executive Independent Director)
Mr. Surinder Kumar Vig.	- Member (Non-Executive Independent Director)

A Meeting of the Committee was held on 14.11.2011 and same was attended by Mr. Rahul Oswal, Mr. Gyaneshwar Bansal and Mr. Surinder Kumar Vig. Mrs. Pooja Damir Miglani, Company Secretary of the Company, is the Compliance Officer of this Committee.

During the year 2011-2012, the Company has received 7 complaints from its Shareholders which have been duly resolved by the Company. No complaint was pending as on 31st March, 2012.

The complaints received are related to issue of Duplicate Share Certificate, Annual Report and Dematerialization of Shares.

#### 7. GENERAL BODY MEETINGS:

##### i) General Meetings :

##### a) Annual General Meeting-

Year	Date of Meeting	Time of Meeting	Venue of Meeting
2008-09	26.09.2009	9.30 A.M	In the premises of Oswal Knit India Ltd., 230, Ind. Area -A, Ludhiana.
2009-10	25.09.2010		
2010-11	26.09.2011		

A Special Resolution was passed in the Annual General Meeting held on 26-09-2009 with requisite majority.

##### b) Extraordinary General Meeting -

No Extraordinary General Meeting was conducted during the year.

##### ii) Postal Ballot-

No resolution was passed through Postal Ballot during the year.

#### 8. DISCLOSURES:

##### A) Disclosure on material significant Related Party transactions:

During the year no transactions were made by the Directors of the Company with any of the Related Parties that has any potential conflict with the interest of the Company.

##### B) Detail of non-compliance by the Company and any penalty imposed thereof: