



37th Annual Report 2012-13

MALWA COTTON SPINNING MILLS LTD.



MALWA COTTON SPINNING MILLS LIMITED

THE MANAGEMENT

BOARD OF DIRECTORS	:	MR.JANGI LAL OSWAL Chairman-cum-Managing Director MR.RISHI OSWAL MR.RAHUL OSWAL MR.ATUL SAXENA (Nominee of IFCI) MR.ARUN KUMAR AHLUWALIA (Nominee of PNB) MR.SANJAY KUMAR SUROYA (Nominee of IDBI) MR.GYANESHWAR 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)

CONTENTS	PAGE
Notice	1
Directors' Report	3
Management Discussion & Analysis Report	7
Report on Corporate Governance	8
Auditors' Report	12
Balance Sheet	16
Statement of Profit and Loss	17
Cash Flow Statement	18
Notes to Financial Statements	19



MALWA COTTON SPINNING MILLS LIMITED

NOTICE

Notice is hereby given that the THIRTY SEVENTH 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 31st August, 2013 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, 2013, Profit and Loss Account & Cash Flow Statement 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. Surinder Kumar Vig, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Gyaneshwar Bansal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors for the year 2013-14 and fix their remuneration.

SPECIAL BUSINESS

1. To re-appoint Shri Jangi Lal Oswal, Chairman-cum-Managing Director of the Company w.e.f. 01.01.2014 for further period of 5 years and approve remuneration as per schedule XIII of Companies Act, 1956 and to pass the following resolution:

To consider, and if thought fit, to pass, with or without modification, the following resolutions as "Ordinary Resolutions":-

"RESOLVED THAT pursuant to section 198, 269, 309 and schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and other applicable provisions of law prevailing for the time being, the Members hereby accords their approval for re-appointment of Shri Jangi Lal Oswal, Chairman cum Managing Director for further period of 5 years w.e.f. 01.01.2014 on the remuneration and the terms and conditions as detailed below:

Salary: Rs. 2,00,000/- per month including perquisites and other allowances.

The details of perquisites and other allowances are as follows:

- a) Housing: Free residential accommodation will be provided. In case free residential accommodation is not provided, HRA shall be paid as per Company's rules and the Company shall provide gas, electricity and water free of charge at the residence of Managing Director.
- b) Medical Expenses (Hospitalization): 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 of 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 Income Tax Act, 1961.
- f) Gratuity: Gratuity payable shall be in accordance with 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 the ceiling of perquisites.
- h) Club Fee: Fee of Club subject to maximum of two clubs. This does not include admission and life membership fee.

RESOLVED FURTHER THAT pursuant to section 198 and all other provisions of Companies Act, 1956, minimum remuneration be paid to Shri Jangi Lal Oswal, Chairman cum Managing Director, notwithstanding that in any financial year of the Company during his tenure as Chairman cum Managing Director, the Company has made no profits or inadequate profits.

RESOLVED FURTHER THAT the Board of Directors/ Remuneration Committee of the Company be and is hereby authorized to alter or vary the terms of remuneration of Shri Jangi Lal Oswal, Chairman cum Managing Director as it may, at its discretion deem fit from time to time so as not exceeding limits specified in Schedule XIII to the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) or any amendments made thereto."

By order of the Board

PLACE : LUDHIANA

POOJA DAMIR MIGLANI

DATED: 15.04.2013

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 shares transfer books of the Company shall remain closed from 29-08-2013 to 31-08-2013 (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 change in the address, if any, to their



MALWA COTTON SPINNING MILLS LIMITED

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 paperform.

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 a letter under your registered signature at the below mentioned address:

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

Phone No.: 91 11 26387281-83, Fax No.: 91 11 26387384

E-Mail: info@masserv.com

By order of the Board

PLACE: LUDHIANA

POOJA DAMIR MIGLANI

DATED: 15.04.2013

Company Secretary

ANNEXURE "I" 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. Gyaneshwar Bansal

Mr. Gyaneshwar Bansal is Post Graduate and is a Financial Consultant. He has strong financial and accounting background and having more than 43 years experience. His date of birth is 18.01.1941 and date of appointment is 18.08.1992.

He is Chairman of Audit Committee and Member of Share Transfer Committee, Shareholders/Investors Grievance Committee & Remuneration Committee of the Company and is not related to

any Director.

Mr. Surinder Kumar Vig

Mr. Surinder Kumar Vig is a Law graduate having more than 34 years experience in legal profession. His date of birth is 07.06.1950 and date of appointment is 31.01.2008 and is holding 11098 Equity Shares in Malwa Cotton Spinning Mills Limited.

He is a Member of Audit Committee, Shareholders/Investors Grievance Committee, Share Transfer Committee & Remuneration Committee of the Company and is also a Director in the following Companies:

1. Oswal Knitting and Spinning Industries limited and
2. Oswal Knit India Limited.

By order of the Board

PLACE: LUDHIANA

POOJA DAMIR MIGLANI

DATED: 15.04.2013

Company Secretary

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

Shri Jangi Lal Oswal was re-appointed as Chairman cum Managing Director of the Company w.e.f. 01.01.2008 and his present term of 5 Years shall expire on 31.12.2013. The Board of Directors of the Company in their Meeting held on 15.04.2013 has re-appointed Shri Jangi Lal Oswal as Chairman cum Managing Director for further period of 5 years w.e.f. 01.01.2014 on the terms and conditions as set out in the draft agreement to be entered into between Shri Jangi Lal Oswal and the Company. The salary and other perquisites have been duly approved by the Remuneration Committee in its Meeting held on 14.02.2013 and are in accordance with Schedule XIII of the Companies Act, 1956.

In compliance with the provisions of 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.

Shri Jangi Lal Oswal is interested in the item.

Shri Rishi Oswal and Shri Rahul Oswal being relatives of Shri Jangi Lal Oswal may also be deemed to be interested in this item.

This may be treated as extract of the terms of 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.

By order of the Board

PLACE: LUDHIANA

POOJA DAMIR MIGLANI

DATED: 15.04.2013

Company Secretary



MALWA COTTON SPINNING MILLS LIMITED

DIRECTORS' REPORT

Dear Members,

The Directors of your Company are pleased to present their 37th Annual Report on the business of the Company together with the Audited Accounts of the Company for the year ended on 31st March, 2013.

		(Rs. Lacs)
FINANCIAL RESULTS	2012-13	2011-12
Profit/(Loss) before Financial Expenses & Depreciation	(12489.14)	2919.65
Financial Expenses	3295.43	3241.58
Depreciation	387.10	434.32
Profit/(Loss) before tax	(16171.67)	(756.25)
Profit/(Loss) for the year after tax adjustments	(16171.67)	(756.25)

YEAR IN RETROSPECT

The Company has recorded net loss before depreciation, interest & tax of Rs 12489.14 lac as compared to previous year profit before depreciation, interest & tax of Rs. 2919.65 lac.

The year 2012-13 was very erratic both on demand front and price front in the international and domestic market. Global economic slowdown has adverse impact on the performance of the company. Also volatile & high raw material cost, power cost, labour cost, forex movements and financial cost have given negative impact on the profitability of the company. The company incurred net loss of Rs. 16171.67 lac during the year and net worth of the company was eroded and there was negative networth of Rs. 13504.88 Lac resulting in the Sickness of the Company. During the year the company had sold old items of inventories and slow moving not useable and not readily saleable items of inventories at loss. The net worth has been eroded due to continuous losses suffered by the company. The financial performance of the company over the year has shown declining trend. The performance of the company deteriorated as selling prices decrease was more than the decrease in raw material prices and also due to prevailing recession in global market, weak export market, labour shortage, high financial and power cost etc. Due to recession in the market, there is delay in realization of old debtors and affecting liquidity and working capital cycle and the company is in the process of settling disputes with parties and hopeful of recovery.

During the year, the Company has achieved total production of 102.02 lac kgs for all types of yarns compared to previous year's production of 116.45 lac kgs. The Cotton Yarn production was 35.75 lac kgs against 38.73 lac kgs in the previous year and other yarns production was 66.27 lac kgs against 77.72 lac kgs in the previous year. Thread production of 21.14 lac kgs was also achieved by the company against 20.83 lac kgs in the previous year.

TURNOVER

During the year, your Company has recorded gross sales of Rs 31324.25 lac against Rs. 39823.24 lac in the previous year. The Company has achieved Yarn sale of Rs. 18787.84 lac, Thread sale of Rs 8569.82 lac and others of Rs. 3966.59 lac in the current year ended on 31st March, 2013 against sale of Yarn Rs. 25012.93 lac, Thread Rs. 8793.49 lac and others Rs.6016.82 lac in the previous year. Export of Yarn was at Rs.1058.65 lac (CIF) against Rs. 2540.17 lac (CIF) in the previous year.

Barnala Unit

The Barnala unit has achieved production of 43.92 lac kgs of Yarn and capacity utilization of 27.27% in the current year.

Paonta Sahib Unit

The Paonta Sahib unit was operating at capacity utilization of 49.55% and had production of 39.27 lac kgs of yarns.

Machhiwara Unit

The unit had achieved production of 18.83 lac kgs of value added products during the year.

The Worstest unit was operating at capacity utilization of 21.35 %.

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

Human Resources is the most significant and valuable asset of the company. Industrial relations at all units of the company remain cordial and in harmony during the year. The Company is very thankful to its employees for the wholehearted support during the year.

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 will pay Annual Listing Fee to both the Exchanges in due course.

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 whose term of office has expired on 31-03-2013, being eligible for re-appointment offered themselves for the same and are re-appointed as Cost Auditors of the Company for the year 2013-14.



MALWA COTTON SPINNING MILLS LIMITED

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

- For the year 2011-12 was 28th February, 2013 and was filed on 20th February, 2013.
- For the year 2012-13 is 27th September, 2013 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. 236.14 lac have been valued at cost as the market value is not ascertainable iii) Due to recession there is delay in realization of debtors and the Company is settling with parties for its recovery and 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. Surinder Kumar Vig & Mr. Gyaneshwar Bansal 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. Surendra Prasad Bhatt, nominee of IFCI Ltd. and Mr. Yashpal Barar, nominee of PNB ceased to be Director of the Company w.e.f. 14.02.2013 and 20.10.2012 respectively. The Board places on record its appreciation for their services rendered during their tenure as Directors of the Company.

Mr. Arun Kumar Ahluwalia, nominee of PNB, and Mr. Atul Saxena, nominee of IFCI Ltd., were appointed as Director on the Board of the Company w.e.f. 20.10.2012 and 14.02.2013 respectively. They are 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 31.03.2013

Name	Age	Date of Employment	Qualification	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	61	09.4.1980	B.A IIInd Year	43	Chairman-cum-Managing Director	25.94	Oswal Woollen Mills Ltd.	Commercial Manager	9

- The appointment of Mr. Jangi Lal Oswal is on contractual basis.
- Mr. Jangi Lal Oswal is related to Mr. Rishi Oswal and Mr. Rahul Oswal, Directors of the Company.
- The remuneration includes salary, cash allowance and/or perquisite value of other non cash perquisites.

PLACE : LUDHIANA
DATED : 15.04.2013

For and on behalf of the Board
JANGI LAL OSWAL
Chairman-cum-Managing Director



MALWA COTTON SPINNING MILLS LIMITED

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>2012-2013</u>	<u>2011-2012</u>
1. Electricity			
a) Purchased			
Units	Lac Units	492.54	550.36
Total Amount	Rs. Lacs	2995.21	2781.35
Rate/Unit	Rs.	6.08	5.05
b) Own generation			
Through diesel generator			
Units	Lac Units	1.82	2.74
Unit/Litre		3.31	3.36
Rate/Unit	Rs.	11.09	11.73
2. Steam			
Quantity	Tonnes	121217.56	76084.28
Total Cost	Rs. Lacs	1524.10	815.84
Rate Per Tonne	Rs.	1257.33	1072.28

B. CONSUMPTION PER UNIT OF PRODUCTION

Electricity	Per Tonne in unit	4234.02	4030.67
Steam	Per kg of Fibre/Yarn Dyed	16.32	13.19

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 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>2012-13</u>	<u>2011-12</u>
a) Capital	-	-
b) Recurring	59.28	72.73
c) Total	59.28	72.73
d) Total R & D Expenditure as a percentage of turnover	0.19%	0.18%

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>2012-13</u>	<u>2011-12</u>
Foreign Exchange earned (FOB)	1024.59	2494.00
Foreign Exchange used (CIF)	41.43	66.20

ANNEXURE 'C' TO THE DIRECTORS' REPORT

Directors' Responsibility Statement

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

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 : 15.04.2013

For and on behalf of the Board
JANGI LAL OSWAL
Chairman-cum-Managing Director

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****Industry Structure and Developments**

Indian textile industry, in the present era, is one of the leading industries. Industry was predominantly unorganized. The structure of the textile industry is extremely complex with the modern, sophisticated and highly mechanised mill sector on the one hand and the handspinning, handweaving (handloom) and powerloom sector on the other. Over the years, the government has granted a whole range of concessions to the non-mill sector as a result of which the share of the decentralised sector has increased considerably in the total production. After phasing out of Quota Regime, most of the developing countries now can develop the potential market at both domestic and international level. These countries can develop the industry expertise and can have competitive advantage through implementing new technology, more skilled labour, improved distribution channel, cost effective operation and production with greater value addition in each step of value chain.

Opportunities and Threats

The country's domestic market offers much potential for growth and numerous business opportunities as demand for textile products is expected to keep step with increasing purchasing power proving well for the industry. In the era of cut throat competition, textile companies elsewhere are concentrating on the production of value-added items. Textile units have to compete not only in price, but also in quality and services. The business environment of the future will be intensely competitive. New consumer demands and expectations coupled with new techniques in the market will add a new dimension. E-commerce will unleash new possibilities. This will demand a new mindset to eliminate wastes, delays, and avoidable transaction costs. Effective entrepreneur-friendly institutional support will need to be extended by the Government, business and umbrella organisations.

Future Outlook

Given the challenging operating environment led by the uncertainty over demand growth, volatility in raw-material prices and persistent increases in other operating costs have put the stress on liquidity and survival of the industry. Textile companies hit by deteriorating debt repayment capacity due to funds tied up in inventories or cash losses or with large debt repayments due to the uncertain global demand recovery and consequently the uncertain overseas demand for textiles. Due to India's recent liberalization of foreign investment regulations, the country has become one of the fastest growing destinations for FDI inflows. India offers many advantages like economic growth leading to increased buying power by the middle class and educated work force.

Risks and Concerns

India's textile industry since its beginning continues to be predominantly cotton based. Cotton, being an agro product, is always prone to natural calamities. The majority of cotton coming from small-scale farmers and there are concerns about labour standards also. The continued dominance of yarn in exports of cotton, synthetics, and blends, is another cause for worry while exports of fabrics is not growing. The lack of value added products in textile exports do not augur well for India in a non-MFA world. To effectively tackle the situation, India needs to invest in research and development to develop new products, reduce transaction cost, reduce per unit cost, and finally, improve its raw material base. India needs to move from the lower-end markets to middle level value-for-money markets and export high value-added products of international standard. Thus the industry should diversify in design to ensure quality output and technological advancement.

Internal Control System and their adequacy

The internal Control system of the Company is commensurate with the size of the company and is proper and adequate. The Internal Audit Department of the Company 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. Lacs)		
Particulars	2012-13	2011-12
Turnover & Other Income	31518.47	39850.94
PBDIT	(12489.14)	2919.65
Financial Charges	3295.43	3241.58
Depreciation	387.10	434.32
Profit/(Loss) before Tax	(16171.67)	(756.25)
Profit/(Loss) after Tax	(16171.67)	(756.25)
Earning Per Share (Rs.)	(208.18)	(13.17)

Human Resources/Industrial Relations

Human Resources is the most significant and valuable assets of the Company. Industrial Relations at all units of the Company remained cordial and peaceful during the year.

For and on behalf of the Board

JANGI LAL OSWAL

Place: Ludhiana

Chairman cum

Dated: 15.04.2013

Managing Director



MALWA COTTON SPINNING MILLS LIMITED

REPORT ON CORPORATE GOVERNANCE

As per Clause 49 of Listing Agreement entered with Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE) in India and some of best practices followed internationally on Corporate Governance, this report, being a part of Annual Report, ensures that the Company meets its obligations to provide timely and balanced disclosures of all material information concerning the Company to all stakeholders. This report ensures fairness, transparency and integrity of the management of Malwa Cotton Spinning Mills Limited. Corporate Governance Report besides being in compliance of Listing Agreement gives an insight into the functioning of Company.

1. COMPANY'S PHILOSOPHY :

- Faith in individual potential and respect for Human Values.
- Accepting change as a way of life.
- Assignment of authority and responsibility to Board of Directors and its Committees and executive management, senior management, employees etc.
- Comply with legal and ethical responsibilities.
- Maintain high level of transparency.
- Timely flow of information to Board and its Committees to enable them to discharge their functions effectively.

2. BOARD OF DIRECTORS :

(a) Board Meeting:

During the Financial Year 2012-13, the Board met five times on the following dates:-

- 30th May, 2012
- 14th August, 2012
- 20th October, 2012
- 10th November, 2012
- 14th February, 2013

(b) Composition:

The Board of Directors comprises of eight Directors and includes:

- Chairman cum Managing Director,
- Five Non-Executive Independent Directors (including Nominee Directors),
- Two Non-Executive, Non-Independent Directors (Promoter Director)

The composition of Board is in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges and exceeds the percentages prescribed in the said Agreement.

The detail of composition of the Board of Directors and their attendance at the Board Meetings during the year and last Annual General Meeting of the Company and

also the number of other Directorships/Chairmanships in Indian Public Limited Companies along with explanatory notes are as follows:-

Name of the Director	Category	No. of Board meetings held	No. of Board meetings attended	Attendance at Last AGM	No. of directorship held in other companies	No. of Board committee membership held in other companies	No. of Board chairman ship held in other companies
Mr. Jangi Lal Oswal , Chairman cum Mg. Director	Non-Independent, Executive	5	5	Yes	17	-	-
Mr. Rishi Oswal	Non-Independent, Non-Executive	5	3	No	13	-	-
Mr. Rahul Oswal	Non-Independent, Non-Executive	5	5	Yes	6	-	-
Mr. Gyaneshwar Bansal	Non-Executive, Independent	5	2	No	-	-	-
Mr. Surinder Kumar Vig	Non-Executive, Independent	5	5	Yes	2	-	-
Mr. Sanjay Kumar Suroya	Nominee of IDBI Non-Executive, Independent	5	3	No	-	-	-
Mr. Arun Kumar Ahluwalia	Nominee of PNB Non-Executive, Independent	3	3	-	-	-	-
Mr. Atul Saxena	Nominee of IFCI Ltd. Non-Executive, Independent	1	1	-	-	-	-
Mr. Surendra Prasad Bhatt	Nominee of IFCI Ltd. Non-Executive, Independent	4	3	No	-	-	-
Mr. Yashpal Barar	Nominee of PNB Non-Executive, Independent	2	-	No	-	-	-

Mr. Rishi Oswal and Mr. Rahul Oswal are related to Mr. Jangi Lal Oswal.

None of the other Director is related to any other Director of the Company.

Mr. Atul Saxena was appointed as nominee of IFCI Ltd in place of Mr. Surendra Prasad Bhatt w.e.f. 14.02.2013.

Mr. Arun Kumar Ahluwalia was appointed as nominee of PNB in place of Mr. Yashpal Barar w.e.f. 20.10.2012.

3. AUDIT COMMITTEE :

The Audit Committee comprise of four Non-Executive Independent Directors, namely Mr. Gyaneshwar Bansal, Chairman, Mr. Atul Saxena, Mr. Sanjay Kumar Suroya and Mr. Surinder Kumar Vig. All the Members of Audit Committee have Financial/Accounting experience.

The composition and the terms of reference of Audit Committee meet the requirement of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. Mrs. Pooja Damir Miglani is the Secretary to the Audit Committee.

The Audit Committee met four times during the Financial Year 2012-2013 on the following dates:-

- 30th May, 2012
- 14th August, 2012
- 10th November, 2012
- 14th February, 2013