



**35th  
Annual Report  
2010-11**

**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.T.HARI KRISHNAN (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-FIFTH 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 Monday, the 26th September, 2011 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, 2011, 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. G. Bansal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Surinder Kumar Vig, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors for the year 2011-12 and fix their remuneration.

By order of the Board

Place : Ludhiana  
Dated : 30.05.2011

POOJA DAMIR MIGLANI  
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 24.09.2011 to 26.09.2011 (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 Register 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 Number : 91 11 26387281-82

Fax Number : 91 11 26387384

E-Mail : mas\_serv@yahoo.com

By order of the Board

Place : Ludhiana  
Dated : 30.05.2011

POOJA DAMIR MIGLANI  
Company Secretary

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

### Mr. G. Bansal

Mr. G. Bansal is post Graduate and is a Financial Consultant. He has strong financial and accounting background and having more than 41 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 32 years of 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 & Spinning Industries Limited
2. Oswal Knit India Limited.



## MALWA COTTON SPINNING MILLS LIMITED

### FINANCIAL HIGHLIGHTS

(Rs. Lac)

|                                      | 2010-11         | 2009-10   | 2008-09   | 2007-08  | 2006-07  | 2005-06  | 2004-05  | 2003-04   | 2002-03  | 2001-02   |
|--------------------------------------|-----------------|-----------|-----------|----------|----------|----------|----------|-----------|----------|-----------|
| Share Capital                        | <b>3514.90</b>  | 3459.90   | 3404.90   | 3341.41  | 3341.41  | 3341.41  | 3341.41  | 3283.00   | 3283.00  | 3283.00   |
| Reserves                             | <b>1996.15</b>  | 2023.65   | 2086.15   | 5495.77  | 6087.79  | 5432.85  | 4244.98  | 3267.46   | 6037.44  | 6602.91   |
| Net Worth                            | <b>3423.04</b>  | *3032.83  | 4765.31   | 8837.19  | 9429.20  | 8774.26  | 7586.39  | 6550.46   | 9320.44  | 9885.91   |
| Fixed Assets (Gross)                 | <b>28764.70</b> | 28601.51  | 28588.40  | 28541.47 | 28220.17 | 27966.00 | 27545.99 | 27386.15  | 27229.28 | 26765.86  |
| Depreciation                         | <b>22531.40</b> | 22103.20  | 21559.16  | 20875.70 | 19977.91 | 18914.98 | 17672.65 | 16383.02  | 14988.16 | 13606.14  |
| Net Block                            | <b>6233.30</b>  | 6498.31   | 7029.24   | 7665.77  | 8242.26  | 9051.02  | 9873.34  | 11003.13  | 12241.12 | 13159.72  |
| Investments                          | <b>999.89</b>   | 999.89    | 999.89    | 997.89   | 999.64   | 1093.83  | 1205.91  | 1205.91   | 2599.76  | 2599.76   |
| Net Current Assets                   | <b>19976.21</b> | 18179.98  | 16185.09  | 17600.93 | 18490.34 | 18732.16 | 16152.74 | 14595.87  | 13809.89 | 12734.80  |
| Net Assets Employed                  | <b>27209.40</b> | 25678.18  | 24214.22  | 26369.77 | 27732.24 | 29038.08 | 27771.94 | 27060.62  | 28697.18 | 28570.35  |
| Book Value<br>Per Equity Share (Rs.) | <b>43.30</b>    | 41.23     | 70.03     | 143.23   | 152.82   | 142.21   | 122.96   | 117.26    | 166.85   | 176.98    |
| Gross Income                         | <b>45888.31</b> | 43763.20  | 45958.86  | 44994.84 | 42415.14 | 38059.29 | 36452.81 | 36285.74  | 35993.80 | 36860.69  |
| Export Sales (FOB)                   | <b>4035.85</b>  | 4212.97   | 9077.80   | 8479.00  | 8223.58  | 7133.26  | 7383.20  | 11573.78  | 13618.63 | 12339.88  |
| Gross Profit / (Loss)                | <b>836.30</b>   | (1148.25) | (3485.60) | 704.26   | 2052.98  | 2862.96  | 1760.41  | (1574.52) | 806.44   | (254.01)  |
| Depreciation                         | <b>473.31</b>   | 581.22    | 738.07    | 903.13   | 1112.89  | 1260.46  | 1318.17  | 1442.45   | 1382.02  | 1539.31   |
| Profit / (Loss) Before Tax           | <b>362.99</b>   | (1729.47) | (4223.67) | (198.87) | 940.09   | 1602.50  | 442.24   | (3016.97) | (575.58) | (1793.32) |
| Profit / (Loss) After Tax            | <b>362.71</b>   | (1724.98) | (4371.88) | (180.25) | 518.74   | 1188.62  | 748.15   | (1108.03) | (335.35) | (1761.29) |
| Earning Per Share (Rs.)              | <b>0.99</b>     | (29.54)   | (69.78)   | (8.82)   | 2.71     | 13.51    | 6.90     | (25.88)   | (11.58)  | (36.48)   |
| Cash Earning Per Share (Rs.)         | <b>7.12</b>     | (21.01)   | (58.81)   | 5.82     | 20.74    | 33.94    | 29.42    | (0.06)    | 13.16    | (8.92)    |

\*Includes equity share warrants application money Rs. 82.50 lac.



## MALWA COTTON SPINNING MILLS LIMITED

### DIRECTORS' REPORT

Dear Members,

The Directors of your Company are pleased to present their 35th Annual Report on the business of the Company together with the Audited Accounts of the Company for the year ended 31st March,2011.

|  | (Rs. Lac)      |           |
|--|----------------|-----------|
| <b>FINANCIAL RESULTS</b>                               | <b>2010-11</b> | 2009-10   |
| Profit/(Loss) before financial expenses & depreciation | <b>3747.63</b> | 1707.08   |
| Financial Expenses                                     | <b>2911.33</b> | 2855.33   |
| Depreciation   | <b>473.31</b>  | 581.22    |
| Profit/(Loss)before tax                                | <b>362.99</b>  | (1729.47) |
| Profit/(Loss) for the year after tax adjustments       | <b>362.71</b>  | (1724.98) |

### YEAR IN RETROSPECT

The company has recorded profit/(loss) before depreciation, interest & tax of Rs.3747.63 lac as compared to previous year Rs.1707.08 lac.

Indian textile industry was passing through difficult period but during the current Financial Year, the textile industry scenario improved considerably. The raw material prices and yarn prices increased steeply and remained very volatile. However position of textile industry was adversely affected by suspension of exports of cotton yarn by Government of India from 1st December, 2010 to 31st March,2011 while allowing small quantity for exports of yarn. This affected the domestic markets. Shortage of power, lack of transportation facility and higher financial cost, rising raw material prices and rupee appreciation has also adversely affected the Indian textile industry.

The company complied with the major terms and conditions of the CDR restructuring package and scheme was fully implemented during the year.

During the year, the Company has achieved total production of 201.00 lac kgs for all types of yarns compared to previous year's production of 205.00 lac kgs. The Cotton Yarn production was 108 lac kgs against 114.00 lac kgs in the previous year and other yarns production was 93.00 lac kgs against 91.00 lac kgs. in the pervious year. Thread production was 29.00 lac kgs against 34.00 lac kgs in the previous year.

### TURNOVER

During the year, your Company has recorded gross sales of Rs.45504.00 lac against Rs.43241.00 lac in the previous year. The Company has achieved Yarn sale of Rs.31509.00

lac, Thread sale of Rs.9830.00 lac and others of Rs.4165.00 lac in the current year ending 31st March,2011 against sale of Yarn Rs.23344.00 lac, Thread Rs.10850.00 lac and others Rs.9047.00 lac in the previous year. Export of Yarn was at Rs.4095.00 lac (CIF) against Rs.4312.00 lac (CIF) in the previous year.

### BARNALA UNIT

The Barnala unit has achieved production of 100.54 lac kgs of Yarn and capacity utilization of 82% 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 82% and had production of 86.34 lac kgs of yarns

### MACHHIWARA UNIT

There was production of 13.82 lac kgs of value added yarns and capacity utilization was 53%. The unit also achieved thread production of 28.67 lac kgs.

### 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 The Bombay Stock Exchange and National Stock Exchange . The Company has paid Annual Listing Fee to both the Exchanges for the Financial Year 2011-12.

### 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.



## **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 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(2AA) of the Companies Act, 1956 is attached as per Annexure 'C' and forms part of the report.

## **DIRECTORS**

Mr. G. Bansal and Mr. S.K Vig. 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.

Mr. N.C Jain, nominee of Punjab National Bank ceased to be Director of the Company w.e.f. 31.01.2011. The Board places

on record its appreciation for his services rendered during his tenure as Director of the Company.

Mr. Yashpal Barar, nominee of Punjab National Bank, 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.



# 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 31.03.2011.

| Name               | Age | Date of Employment | Qualification     | No. of years of Experience | Designation & Nature of Duties     | Remuneration (Rs.Lac) | Last Employment held        | Designation with last employer | Period of Service with last employer (Years) |
|--------------------|-----|--------------------|-------------------|----------------------------|------------------------------------|-----------------------|-----------------------------|--------------------------------|--|
| Mr.Jangi Lal Oswal | 59  | 09.04.1980         | B.A.<br>IInd Year | 41                         | Chairman-cum-<br>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

JANGI LAL OSWAL  
Chairman-cum-Managing Director

Place : Ludhiana  
Dated : 30.05.2011

## 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.
- 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

|                          |           | 2010-11        | 2009-10 |
|--------------------------|-----------|----------------|---------|
| <b>1. Electricity</b>    |           |                |         |
| a) Purchased             |           |                |         |
| Units                    | Lac Units | <b>933.42</b>  | 927.47  |
| Total Amount             | Rs. Lac   | <b>4226.50</b> | 3971.12 |
| Rate/Unit                | Rs.       | <b>4.53</b>    | 4.28    |
| b) Own generation        |           |                |         |
| Through diesel Generator |           |                |         |
| Units                    | Lac Units | <b>22.20</b>   | 31.55   |
| Unit/Litre               |           | <b>3.39</b>    | 3.39    |
| Rate/Unit                | Rs.       | <b>9.87</b>    | 8.73    |



## MALWA COTTON SPINNING MILLS LIMITED

### 2. Steam

|              |           |                 |          |
|--------------|-----------|-----------------|----------|
| Quantity     | Tonnes    | <b>75232.80</b> | 82043.46 |
| Total Cost   | Rs.Lac    | <b>803.79</b>   | 668.16   |
| Rate/Per Ton | Rs./Tonne | <b>1068.41</b>  | 814.39   |

### B CONSUMPTION PER UNIT OF PRODUCTION

|             |                           |                |         |
|-------------|---------------------------|----------------|---------|
| Electricity | Per Tonne in unit         | <b>4761.20</b> | 4678.26 |
| Steam       | Per kg of Fibre/Yarn Dyed | <b>12.30</b>   | 13.04   |

### 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.
- With the ongoing efforts by R&D, benefits derived are -
  - Improvement in quality of its products.
  - Development of specialized yarn
  - Consistency in work performance.
- 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

|  |              | (Rs. Lac) |
|--|--------------|-----------|
|  | 2010-11      | 2009-10   |
| a) Capital   | <b>0.41</b>  | 0.00      |
| b) Recurring   | <b>72.85</b> | 69.60     |
| c) Total   | <b>73.26</b> | 69.60     |
| d) Total R & D Expenditure as a percentage of turnover | <b>0.16%</b> | 0.16%     |

#### 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 :

|                               | 2010-11        | 2009-10 |
|-------------------------------|----------------|---------|
| Foreign Exchange earned (FOB) | <b>4035.85</b> | 4212.97 |
| Foreign Exchange used (CIF)   | <b>1230.72</b> | 517.65  |

## 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 : 30.05.2011

JANGI LAL OSWAL  
Chairman-cum-Managing Director





## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Industry Structure and Developments

Indian textiles industry is a well-established with 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 and USA. 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 revenues it generated.

Textiles industry is not limited to manufacture and export of garments. The cotton, jute, silk or wool and even synthetic material are also produced by this industry to complement and strengthen the garments manufacturing industry. Almost one quarter of the world's spindle activities is hosted in India, again positioning itself just after China. Looming is another important element that accounts for significant activity in this industry; in fact, it takes an impressive 61% share including handlooms

### 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 expected to arise out of the market freed from quota restrictions and other trade barriers. Industry operators are increasingly moving towards modernization and expansion as encouraged by the so-designated Textile Up gradation Fund Scheme implemented by Government. 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 of the international market. Many manufacturing companies in India are rushing towards expansion and modernization options. Business collaborations with foreign players, creation of buying offices and Government's effort to enhance quality production and export are many visible signs of Indians coming into force on the global market.

The industry should remain on its guards as its neighbours start to embark on similar global adventure with an enthusiasm and motivation packed attitude. Pakistan and Bangladesh are growing at fast pace, shortening the gap with India in an impressive manner. Pakistan, to note, is among the most important cotton producers worldwide and has been blessed by preference agreements with EU and US even during the quota-imposed periods. Others, countries like Turkey, Egypt are also in the race.

### Future Outlook

The country's textile industry which was passing through a recession has become the first to come out of it. The Indian textile industry has started showing signs of revival and it has become the first sector in the country to rebound. Considering the continual capital investments in the textile industry, the Govt. of India has extended the Technology Upgradation Fund Scheme (TUFS) in order to support the industry. There is substantial potential in Indian exports of technical textiles and home-textiles, as most European companies want to set up facilities near-by the emerging markets, such as China and India.

The future of the textiles industry seems to be bright in all aspects. As such Government places all its trust and relies sector for its strong 'employment creation' capability.

### Risks & Concerns

The textile industry in the country is highly fragmented and facing high competition and profitability is very low. India has low share in global textile exports, despite being the largest producer. The Indian textile industry has Scale disadvantage vis-à-vis competing countries. The rupee appreciation is hitting margins on exports. Labour regulations are a major concern in India causing great harms to the industry at various levels. With no clear legislations, strikes and similar issues often bring business to complete halts. The geographical location of India as compared to its competitors is a rather uncomfortable but natural disadvantage. Impacts are mainly felt on transportation cost, delivery times etc.

The home textile sector is in a good position to activate and encourage developments in the overall domestic textile industry. Those wishing to reap the benefits of opportunities have to show good preparatory dispositions as well as willingness to stay on the forefront of the global competition.

### 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. Lac)

| Particulars                  | 2010-11 | 2009-10 |
|------------------------------|---------|---------|
| Turnover & Other Income      | 45888   | 43763   |
| PBDIT                        | 3747    | 1707    |
| Interest & Financial Charges | 2911    | 2855    |
| Depreciation                 | 473     | 581     |
| Profit/(Loss) before Tax     | 363     | (1729)  |
| Profit /(Loss)after Tax      | 363     | (1725)  |
| Earning Per Share (Rs.)      | 0.99    | (29.54) |

### Human Resources/Industrial Relations

Human Resources are one of the valuable assets of the Company. Industrial Relations at all units of the Company remained cordial and peaceful during the year. The Company has not lost a single man day during the year and every member of the company contributed in the Company's growth and performance.

For and on behalf of the Board

Place : Ludhiana  
Dated : 30.05.2011

Jangi Lal Oswal  
Chairman-cum-Managing Director



## MALWA COTTON SPINNING MILLS LIMITED

### REPORT ON CORPORATE GOVERNANCE

In accordance with Clause 49 of Listing Agreement with Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE) and adopting best practices followed on Corporate Governance, this report, which forms a part of the Annual Report, contain the details of Governance, systems & processes followed at Malwa Cotton Spinning Mills Limited.

#### 1. Company's Philosophy

- Total Quality People
- Product Quality a way of life
- Integrated diversification/product range expansion
- Faith in individual potential and respect for human values
- Accepting change as a way of life.

#### 2. Board of Directors

##### (a) Board Meeting:

During the financial year 2010-2011, the Board met four times on the following dates

- 28th May, 2010,                      - 31st July, 2010
- 30th October, 2010                - 31st January, 2011

##### (b) Composition:

The Board of Directors has strength of eight Directors and includes;

- A Chairman cum Managing Director
- Seven Non-Executive Directors including Nominee Directors and Independent Directors. Out of eight Directors five are Independent Directors.

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 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 is given as follows:-

| S. No. | Name of the Directors                                | Category  | Number of Board Meetings held | Number 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 Chairmanship held in other companies |
|--------|--|---|-------------------------------|-----------------------------------|------------------------|---|---|---|
| 1      | Mr.Jangi Lal Oswal<br>Chairman-cum-Managing Director | Non-Independent,<br>Executive                     | 4                             | 4                                 | Yes                    | 7   | -   | 1   |
| 2      | Mr.Rishi Oswal                                       | Non-Independent,<br>Non-Executive                 | 4                             | 1                                 | No                     | 7   | -   | -   |
| 3      | Mr.Rahul Oswal                                       | Non-Independent,<br>Non-Executive                 | 4                             | 2                                 | No                     | 6   | -   | -   |
| 4      | Mr.G. Bansal   | Non-Executive,<br>Independent                     | 4                             | 3                                 | Yes                    | -   | -   | -   |
| 5      | Mr.Surinder Kumar Vig                                | Non-Executive<br>Independent                      | 4                             | 4                                 | Yes                    | 2   | -   | -   |
| 6      | Mr.Sanjay Kumar Suroya                               | Nominee of IDBI,<br>Non-Executive,<br>Independent | 4                             | 2                                 | No                     | -   | -   | -   |
| 7      | Mr.T.Hari Krishnan                                   | Nominee of IFCL,<br>Non-Executive,<br>Independent | 4                             | 4                                 | No                     | -   | -   | -   |
| 8      | Mr.N.C. Jain*  | Nominee of PNB,<br>Non-Executive,<br>Independent  | 3                             | 2                                 | No                     | -   | -   | -   |
| 9      | Mr. Yashpal Barar*                                   | Nominee of PNB,<br>Non-Executive,<br>Independent  | 1                             | 0                                 | No                     | 1   | -   | -   |

Mr.Rishi Oswal and Mr.Rahul Oswal are related to Mr.Jangi Lal Oswal. None of the other Directors is related to any other Director of the Company.

\*Mr. Yashpal Barar was appointed as nominee of PNB in place of Mr. N.C. Jain w.e.f. 31.01.2011.



**3. AUDIT COMMITTEE**

The Audit Committee comprises of four Non-Executive Independent Directors, namely Mr. G.Bansal, Chairman, Mr. T. HariKrishnan, Mr. Sanjay Kumar Suroya and Mr. S.K. Vig. All the members of Audit Committee possess Financial/Accounting experience. The composition of Audit Committee meets 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 terms of reference of the Audit Committee are, as contained in section 292A of the Companies Act, 1956, and also as contained in Corporate Governance Clause of the Listing Agreement. The Audit Committee met four times during the Financial Year 2010-2011 on the following dates:-

- 28th May, 2010, - 31st July, 2010
- 30th October, 2010 - 31st January, 2011

The attendance of members of the Audit Committee during the Financial Year 2010-2011:-

| Name of the Committee Member | No.of meetings attendend |
|------------------------------|--------------------------|
| Mr. G. Bansal                | 3                        |
| Mr. Surinder Kumar Vig       | 4                        |
| Mr. Sanjay Kumar Suroya      | 2                        |
| Mr. T. HariKrishnan          | 4                        |
| Mr. N.C. Jain*               | 2                        |

\* ceased to be member of the Audit Committee w.e.f. 31.01.2011.

**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 An Extraordinary General Meeting held on 29th April, 2008.

**i) Chairman-cum-Managing Director: (Rs. Lac)**

| Name               | Designation             | Salary and allowances | Other Perks | Contribution to Provident & other funds | Gross Salary |
|--------------------|-------------------------|-----------------------|-------------|---|--------------|
| Mr.Jangi Lal Oswal | Chairman & Mg. Director | 24.00                 | -           | 1.94                                    | 25.94        |

**ii) Non-Executive Directors:**

Non-Executive Directors have not been paid any remuneration except sitting fees for attending Board/Committee Meetings.

The details of sitting fee paid to Non-Executive Directors during the Financial Year 2010-11 is as below:-

| Name of Non-Executive Directors | Sitting Fee (Rs.) |
|---------------------------------|-------------------|
| Mr. Rishi Oswal                 | 1000.00           |
| Mr. Rahul Oswal                 | 3000.00           |
| Mr. Surinder Kumar Vig          | 14000.00          |
| Mr. Sanjay Kumar Suroya         | 8000.00           |
| Mr. T. HariKrishnan             | 14000.00          |
| Mr. N.C. Jain                   | 6000.00           |
| Mr. G. Bansal                   | 12000.00          |
| <b>Total</b>                    | <b>58000.00</b>   |

**5. SHAREHOLDING OF DIRECTORS AS ON 31.03.2011**

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

| Name of Director      | Number of Shares held |
|-----------------------|-----------------------|
| Mr.Jangi Lal Oswal    | 6090                  |
| Mr.Surinder Kumar Vig | 11098                 |

**6. SHAREHOLDERS/INVESTORS GRIEVANCES COMMITTEE:**

The Company has constituted a Shareholders'/Investors' Grievance Committee to look into the redressal of Investors' Complaints on various issues. Following Directors of the Company are members of the Committee:

- Mr Rahul Oswal - Chairman (Non Executive Non-Independent Director)
- Mr. G.Bansal - Member (Non-Executive Independent Director)
- Mr.S.K.Vig. - Member (Non-Executive Independent Director)

Two meetings of the Committee were held during the Finanacial Year on 31.07.2010 and 30.10.2010 respectively and same were attended by Mr. Rahul Oswal, Sh S.K Vig and Mr G.Bansal. Mrs. Pooja Damir Miglani, Company Secretary of the Company, is the Compliance Officer for this Committee w.e.f 24.01.2011.

During the year 2010-2011, the Company has received 18 complaints from its shareholders which have been duly resolved by the Company. No complaint was pending as on 31st March, 2011.

The complaints received are related to issue of duplicate Share Certificate, non receipt of dividend, Annual Report and Dematerialization of shares.

**7. GENERAL BODY MEETINGS:**

**i) General Meeting**

**a) Annual General Meeting**

| Details of Meeting | Date of Meeting | Time of Meeting | Venue of Meeting  |
|--------------------|-----------------|-----------------|---|
| 2007-08            | 25.09.2008      | 9.30 AM         | In the premises of Mohan Dai Oswal Treatment & Research Foundation, G.T. Road, Sherpur, Ludhiana. |
| 2008-09            | 26.09.2009      | 9.30 AM         | In the premises of Oswal Knit India Ltd. 230, Industrial Area-A, Ludhiana.                        |
| 2009-10            | 25.09.2010      |                 |   |

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 postal Ballot was conducted during the year.



# MALWA COTTON SPINNING MILLS LIMITED

## 8. DISCLOSURES:

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

No transactions were made by the Directors of the Company with the 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:

There is no non-compliance by the Company which attracts penalties of Stock Exchanges or Securities and Exchange Board of India (SEBI) or any other Statutory Authority during the last three years. Further, the Company has also complied with all mandatory requirements of Clause 49 of the Listing Agreement

## 9. MEANS OF COMMUNICATION:

The Company communicates with the shareholders at large through its Annual Reports, Publication of Financial Results, Press Release in leading Newspapers viz., Business Standard (English) and Des Sewak (Punjabi).

### General information for Shareholders

#### i) 35th Annual General Meeting

Date : 26.09.2011  
Time : 9.30 A.M.  
Venue : In the premises of  
Oswal Knit India Limited,  
230, Industrial Area 'A',  
Ludhiana -141003 (Punjab)

Particulars of Directors as per Clause 49(IV) G (i) of the Listing Agreement with the Stock Exchanges seeking re-appointments at the forthcoming Annual General Meeting (AGM) are given in the Annexure to the Notice of AGM to be held on September 26, 2011.

#### ii) Financial Calendar : 2011-12 (Tentative)

| Adoption of Quarterly Results Ended :- | Date of Submission to Stock Exchange |
|--|--------------------------------------|
| 30th June, 2011                        | Second week of August, 2011          |
| 30th September, 2011                   | Second week of Nov., 2011            |
| 31st December, 2011                    | Second week of February, 2012        |
| 31st March, 2012                       | Last week of May, 2012               |

#### iii) Book Closure Date : 24.09.2011 to 26.09.2011 (both days inclusive)

#### iv) Dividend :

No Dividend was recommended for the year 2010-11.

#### v) Listing :

The securities of the Company are listed on the following Stock Exchanges :-

1. Bombay Stock Exchange Ltd. (BSE)  
Floor 25, P J Towers, Dalal Street, MUMBAI - 400 001
2. The National Stock Exchange of India Ltd. (NSE)  
5th Floor, Exchange Plaza, Plot No. C/1, G Block, Bandra-Kurla Complex, MUMBAI - 400 051

The Company has paid the listing fee to both the aforesaid Stock Exchanges for the Financial Year 2011-12.

#### vi) Stock Code

BSE : 502995  
NSE : MALWA COTT

#### vii) Market Price Data (NSE) : (Rs.)

| Month        | High  | Low   |
|--------------|-------|-------|
| April,10     | 55.80 | 35.20 |
| May,10       | 44.75 | 35.40 |
| June,10      | 41.95 | 34.60 |
| July,10      | 52.00 | 38.80 |
| August,10    | 65.95 | 43.00 |
| September,10 | 68.00 | 53.00 |
| October,10   | 68.05 | 51.15 |
| November,10  | 65.95 | 45.10 |
| December,10  | 57.70 | 40.10 |
| January,11   | 54.40 | 41.85 |
| February,11  | 43.15 | 31.00 |
| March,11     | 44.70 | 33.65 |

#### viii) Unclaimed Dividend

There is no unclaimed dividend pending with the Company

#### ix) Registrar & Share Transfer Agent:

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

Phone Number : +91 11 26387281-82

Fax Number : +91 11 26387384

E-Mail : mas\_serv@yahoo.com

#### x) Share Transfer Systems:

The Equity Shares of the Company which is in electronic form represent 77.70% of the Equity Shares of the Company.

#### A. Electronic transfer

These shares can be transferred through depositories with no involvement of the Company.

#### B. Physical transfer

As regards transfer of shares held in physical form the transfer documents can be lodged with M/s Mas Services Pvt. Ltd at the above mentioned address and approved by Share Transfer Committee. Transfer of shares in physical form is normally processed within ten to fifteen days from the date of receipt if the documents are complete in all respects.



## MALWA COTTON SPINNING MILLS LIMITED

### xi) Shareholding as on March 31,2011

#### a) Distribution of Equity Shares as on 31st March, 2011

| No. of Shares  | Holding        | %age to Capital | No. of Accounts | %age to Total Accounts |
|----------------|----------------|-----------------|-----------------|------------------------|
| Upto 5000      | 869040         | 11.00           | 6817            | 89.85                  |
| 5001-10000     | 298189         | 3.77            | 358             | 4.72                   |
| 10001-20000    | 309211         | 3.91            | 206             | 2.72                   |
| 20001-30000    | 140236         | 1.77            | 57              | 0.75                   |
| 30001-40000    | 101590         | 1.29            | 29              | 0.38                   |
| 40001-50000    | 108263         | 1.37            | 23              | 0.30                   |
| 50001-100000   | 243600         | 3.08            | 34              | 0.45                   |
| 100001 & above | 5834899        | 73.81           | 63              | 0.83                   |
| <b>Total</b>   | <b>7905028</b> | <b>100.00</b>   | <b>7587</b>     | <b>100.00</b>          |

#### b) Categories of Equity shareholders as on 31st March, 2011

| Category  | Number of Shares | Percentage    |
|---|------------------|---------------|
| Promoters   | 4129615          | 52.24         |
| Mutual Funds and UTI  | 700              | 0.01          |
| Banks, Financial Institutions, Insurance Companies, Central/State Govt. Institutions/ Non-Government Institutions | 868902           | 10.99         |
| Private Corporate Bodies  | 790256           | 10.00         |
| Indian Public   | 2092448          | 26.47         |
| NRIs/OCBs   | 23107            | 0.29          |
| <b>Total</b>  | <b>7905028</b>   | <b>100.00</b> |

#### xii) Dematerialisation of shares :

The Company's shares are compulsorily traded in dematerialised form and are available on both depositories in India viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

The Company's Equity Shares are regularly traded on the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited, in electronic form Under Depository System. The International Securities Identification Number (ISIN) allotted to the Company's Equity Shares is INE272B1015.

#### xiii) Plant Locations:

Company's plants are located at :-

1. Village Harigarh, Raikot Road, Distt. Barnala (Punjab)
2. Village Patlian, Teh. Paonta Sahib, Distt. Sirmour (Himachal Pradesh)
3. Village Harrian, Kohara-Machhiwara Road, Distt. Ludhiana (Punjab)

#### xiv) Address for correspondence:

Registered Office : Industrial Area 'A',  
Ludhiana - 141003

Telephone : 0161-2224201-209

Fax : 0161-5013623,5026778

Designated

E-mail address for

Investor Services : company.secretary@malwagroup.com

Name of

Compliance Officer: Mrs. Pooja Damir Miglani

Company Secretary

Telephone Nos. : 0161-2224201-209

#### CHAIRMAN-CUM-MANAGING DIRECTOR'S DECLARATION

I, Jangi Lal Oswal, Chairman-cum-Managing Director of Malwa Cotton Spinning Mills Ltd. declare that all the Board Members and Senior Management personnel have affirmed compliance with 'Code of Conduct for Board & Senior Management Personnel' for the year ended 31st March, 2011.

Place : Ludhiana  
Dated : 30.05.2011

Jangi Lal Oswal  
Chairman-cum-Managing Director

### AUDITOR'S REPORT ON CORPORATE GOVERNANCE

To

The Members

Malwa Cotton Spinning Mills Limited,

We have examined the compliance of conditions of Corporate Governance by Malwa Cotton Spinning Mills Ltd., for the year ended on 31st March,2011 as stipulated in clause 49 of the Listing Agreement of the said company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representation made by the management, we certify

that the company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For S.C.VASUDEVA & CO.  
Chartered Accountants  
Firm Reg. No. 000235N

Place : Ludhiana  
Dated : 30.05.2011

(SANJIV MOHAN)  
Partner  
M.No.86066



**AUDITOR'S REPORT**

To

The Shareholders,  
M/s Malwa Cotton Spinning Mills Limited,

1. We have audited the attached Balance sheet of M/s Malwa Cotton Spinning Mills Ltd. as at 31st March 2011 and also the Profit and loss account and the Cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we report that :
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - c) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 except *non-disclosure of segment results separately in respect of sewing thread segment in accordance with the requirements of Accounting Standard (AS) -17 on "Segment Reporting" notified by The Companies (Accounting Standards) Rules, 2006;*
  - e) On the basis of the written representations received from the directors as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - f) In our opinion and to the best of our information and according to the explanations given to us, *subject to Note No.23 (Notes on Accounts) regarding non confirmation of balances of sundry debtors and advances aggregating to*

*Rs.4562.82 lac and no provision has been made for doubtful debts and advances in respect of these debtors and advances, the said accounts read together with the significant accounting policies, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:*

- i) in the case of balance sheet, of the state of affairs of the company as at 31st March, 2011;
- ii) in the case of profit and loss account, of the profit for the year ended on that date; and
- iii) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S.C.VASUDEVA & CO.  
Chartered Accountants  
Firm Reg. No. 000235N

Place : Ludhiana  
Dated : 30th May, 2011

(SANJIV MOHAN)  
Partner  
M.No.86066

**ANNEXURE TO THE AUDITOR'S REPORT**

(Referred to in paragraph 3)

- (1) a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - b) According to the information and explanations given to us, the fixed assets have been physically verified by the management during the year. The discrepancies noticed, as such physical verification of fixed assets which were not material, have been dealt in the books of account. In our opinion the frequency of physical verification of fixed assets is reasonable having regard to the size of the company and nature of its business.
  - c) According to information and explanations given to us, the company has not disposed off substantial part of its fixed assets during the year.
- (2) a) According to the information and explanations given to us, the inventories have been physically verified by the management at the close of the year. In our opinion the frequency of verification is reasonable.
  - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management as evidenced by the written procedures and instructions are reasonable and adequate in relation to the size of the company and nature of its business.
  - c) In our opinion, the company is maintaining proper records of inventory. As explained to us, no discrepancies were noticed on physical verification of inventory as compared to the book records.
- (3) a) According to the information and explanations given to us, the company has not granted loans secured or unsecured to companies, firm or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly the provisions of clause 4 (iii) (b) (c) and (d) of the above said order are not applicable to the company.



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- b) According to the information and explanations given to us, the Company has not taken loans secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly the provisions of clause 4 (iii) (f) and (g) of the above said order are not applicable to the company.
- (4) According to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (5) According to the information and explanations given to us, the company has not entered into any contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered in the register maintained under that section.
- (6) According to the information and explanations given to us, the company has not accepted any deposits from public. Therefore, the provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable to the company. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.
- (7) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- (8) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (9) (a) According to the information and explanations given to us and on an examination of the records of the company, we are of the opinion that the company has been regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other applicable statutory dues with the appropriate authorities. No undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March 2011, for a period of more than six months from the date of they becoming payable.
- (b) According to the information and explanations given to us, the disputed statutory dues aggregating to Rs. 246.08 lac that have not been deposited on account of matters pending before the appropriate authorities in respect of sales tax, service tax and excise duty are given below:

| Name of the Statute                    | Nature of the Dues (Rs. Lac) | Disputed Amount | Forum where dispute is pending                                |
|--|------------------------------|-----------------|---|
| The Punjab General Sales Tax Act, 1948 | Sales Tax                    | 58.83           | The Hon'ble High Court of Punjab and Haryana, Chandigarh      |
| The Central Sales Tax Act, 1956        | Central Sales Tax            | 4.53            | The Hon'ble High Court of Punjab and Haryana, Chandigarh      |
| The Central Sales Tax Act, 1956        | Central Sales Tax            | 98.60           | The Deputy Excise & Taxation Commissioner (Appeals), Patiala. |
| The Punjab Value Added Tax Act, 2005   | Value Added Tax              | 30.64           | The Deputy Excise & Taxation Commissioner (Appeals), Patiala. |
| Central Excise Act, 1944               | Excise Duty                  | 3.87            | Custom, Excise & Service Tax Appellate Tribunal               |
| Central Excise Act, 1944               | Excise Duty                  | 3.50            | Joint Secretary, Deptt. of Revenue                            |
| Central Excise Act, 1944               | Excise Duty                  | 27.85           | Additional Commissioner, Chandigarh                           |
| The Finance Act, 1994 (Chapter V)      | Service Tax                  | 2.30            | Commissioner of Central Excise (Appeals)                      |
| Central Excise Act, 1944               | Excise Duty                  | 11.91           | Assistant Commissioner of Central Excise (Appeals)            |
| Central Excise Act, 1944               | Service Tax                  | 4.05            | Deputy Commissioner, Sangrur                                  |

According to information and explanation given to us, there are no disputed statutory dues pending in respect of income tax, wealth tax and cess.

- (10) In our opinion and according to the information and explanations given to us, the accumulated losses at the end of financial year are more than fifty percent of its net worth. Further, the company has not incurred cash losses during the financial year covered under audit but has incurred cash losses in the immediately preceding financial year.
- (11) In our opinion and according to the information and explanations given to us, during the year the company has not defaulted in repayment of dues to banks and financial institutions.
- (12) In our opinion and according to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the above said order are not applicable to the company.
- (13) According to the information and explanations given to us, the company is not a chit fund, or a nidhi/mutual benefit fund/ society. Accordingly, the provisions of clause 4 (xiii) of the above said order are not applicable to the company.
- (14) According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the above said order are not applicable to the company.
- (15) According to the information and explanations given to us, the company has given guarantee for loans taken by others from banks and financial institutions. In our opinion and according to the information and explanations given to us, the terms and conditions of such guarantee are not prima-facie prejudicial to the interest of the company.
- (16) According to the information and explanations given to us, the company has applied the term loans for the purpose for which the loans were taken.



## **MALWA COTTON SPINNING MILLS LIMITED**

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- (17) In our opinion and according to information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
- (18) According to the information and explanations given to us, the Company has allotted 550,000 equity shares on conversion of equivalent number of equity shares warrants to the companies covered in the register maintained under section 301 of the Companies Act, 1956. According to the information and explanation given to us, the price at which equity shares has been issued are not prima-facie prejudicial to the interest of the company.
- (19) According to the information and explanations given to us, the company has not issued debentures during the year. Accordingly, the provisions of clause 4(xix) of the above said order are not applicable to the company.
- (20) According to the information and explanations given to us, the company has not raised money by way of public issue during the year. Accordingly, the provisions of clause 4(xx) of the above said order are not applicable to the company. However the money raised by way of allotment of equity shares on conversion of equity share warrants has been utilized for the purpose it was raised.
- (21) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the period covered by our audit.

For S.C.VASUDEVA & CO.  
Chartered Accountants  
Firm Reg. No. 000235N

Place : Ludhiana  
Dated : 30th May, 2011

(SANJIV MOHAN)  
Partner  
M.No.86066





# MALWA COTTON SPINNING MILLS LIMITED

## BALANCE SHEET AS AT 31ST MARCH, 2011

| Particulars  | Schedule No. |  | As at<br>31.03.2011<br>Rs. Lac | As at<br>31.03.2010<br>Rs. Lac |
|--|--------------|--|--------------------------------|--------------------------------|
| <b>I. SOURCES OF FUNDS</b>                                     |              |  |                                |                                |
| <b>(1) Shareholder's Fund</b>                                  |              |  |                                |                                |
| (a) Share Capital  | 01           |  | 3514.90                        | 3459.90                        |
| (b) Reserves and Surplus                                       | 02           |  | 1996.15                        | 1941.15                        |
| (c) Equity Share Warrants                                      |              |  | —                              | 82.50                          |
|  |              |  | <b>5511.05</b>                 | 5483.55                        |
| <b>(2) Loan Funds</b>  |              |  |                                |                                |
| (a) Secured Loans  | 03           |  | 23541.36                       | 22645.35                       |
| (b) Unsecured Loans  | 04           |  | 245.00                         | —                              |
| <b>TOTAL</b>   |              |  | <b>29297.41</b>                | <b>28128.90</b>                |
| <b>II. APPLICATION OF FUNDS</b>                                |              |  |                                |                                |
| <b>(1) Fixed Assets</b>  |              |  |                                |                                |
| (a) Gross Block  | 05           |  | 28741.27                       | 28587.52                       |
| (b) Less: Depreciation   |              |  | 22531.40                       | 22103.20                       |
| (c) Net Block  |              |  | 6209.87                        | 6484.32                        |
| (d) Capital Work in Progress                                   | 06           |  | 23.43                          | 13.99                          |
|  |              |  | <b>6233.30</b>                 | 6498.31                        |
| <b>(2) Investments</b>   |              |  |                                |                                |
|  | 07           |  | 999.89                         | 999.89                         |
| <b>(3) Current Assets, Loans and Advances</b>                  |              |  |                                |                                |
| (a) Inventories  | 08           |  | 15139.52                       | 12395.31                       |
| (b) Sundry Debtors   | 09           |  | 12265.29                       | 13060.05                       |
| (c) Cash and Bank Balances                                     | 10           |  | 315.53                         | 339.94                         |
| (d) Loans and Advances   | 11           |  | 2283.85                        | 2310.12                        |
|  | (A)          |  | <b>30004.19</b>                | 28105.42                       |
| <b>(4) LESS : Current Liabilities and Provisions</b>           |              |  |                                |                                |
| (a) Current Liabilities  | 12           |  | 8931.27                        | 8963.85                        |
| (b) Provisions   |              |  | 1096.71                        | 961.59                         |
|  | (B)          |  | <b>10027.98</b>                | 9925.44                        |
| <b>Net Current Assets (A-B)</b>                                |              |  | <b>19976.21</b>                | 18179.98                       |
| <b>Profit and Loss Account</b>                                 |              |  |                                |                                |
|  |              |  | 6954.01                        | 7316.72                        |
| Less: Shown as deduction from General Reserves (as per contra) |              |  | 4866.00                        | 4866.00                        |
| <b>TOTAL</b>   |              |  | <b>2088.01</b>                 | 2450.72                        |
|  |              |  | <b>29297.41</b>                | <b>28128.90</b>                |
| NOTES ON ACCOUNTS  | 21           |  |                                |                                |

As per our separate report of even date.

For **S.C.VASUDEVA & CO.**  
Chartered Accountants  
Firm Reg. No. 000235N

**SANJIV MOHAN**  
Partner  
M. No. 86066

**POOJA DAMIR MIGLANI**  
Company Secretary

**ANIL JAIN**  
Vice President  
(Accounts)

**SURINDER KUMAR VIG**  
Director

**JANGI LAL OSWAL**  
Chairman-cum-Managing  
Director

Place : Ludhiana  
Dated : 30.05.2011



# MALWA COTTON SPINNING MILLS LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

| Particulars   | Schedule No. | Current Year<br>Rs. Lac |                  | Previous Year<br>Rs. Lac |
|---|--------------|-------------------------|------------------|--------------------------|
| <b>INCOME</b>   |              |                         |                  |                          |
| Gross Turnover  |              | <b>45504.28</b>         |                  | 43241.40                 |
| Less: Excise Duty related to sale                           |              | <b>1.68</b>             |                  | —                        |
| Turnover  |              | <b>45502.60</b>         |                  | 43241.40                 |
| Other Income  | 13           | <b>385.71</b>           | <b>45888.31</b>  | 521.80                   |
| <b>EXPENDITURE</b>  |              |                         |                  |                          |
| Raw Material Consumed                                       | 14           | <b>29119.61</b>         |                  | 27626.75                 |
| Manufacturing Expenses                                      | 15           | <b>8672.87</b>          |                  | 8057.44                  |
| Personnel Expenses  | 16           | <b>5182.28</b>          |                  | 4787.06                  |
| Administrative and Other charges                            | 17           | <b>1041.45</b>          |                  | 925.45                   |
| Financial Expenses  | 18           | <b>2911.33</b>          |                  | 2855.33                  |
| Selling Expenses  | 19           | <b>1047.92</b>          |                  | 1224.45                  |
| (Increase)/Decrease in Work in Process and Finished Goods   | 20           | <b>(2923.45)</b>        |                  | (565.03)                 |
| Depreciation  |              | <b>473.31</b>           | <b>45525.32</b>  | 581.22                   |
| Profit/(Loss) for the year before Tax                       |              |                         | <b>362.99</b>    | (1729.47)                |
| Provision for Taxation                                      |              |                         | —                | —                        |
| Wealth Tax for earlier year                                 |              |                         | <b>0.28</b>      | —                        |
| Income Tax for earlier year                                 |              |                         | —                | (4.49)                   |
| Profit/(Loss) after Tax Adjustments                         |              |                         | <b>362.71</b>    | (1724.98)                |
| Balance Brought Forward                                     |              |                         | <b>(7316.72)</b> | (5591.74)                |
| Balance Carried to Balance Sheet                            |              |                         | <b>(6954.01)</b> | (7316.72)                |
| Earning per share (Equity share Nominal Value Rs.10/- each) |              |                         |                  |                          |
| Basic   |              |                         | <b>0.99</b>      | (29.54)                  |
| Diluted   |              |                         | <b>0.78</b>      | (5.59)                   |

NOTES ON ACCOUNTS

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As per our separate report of even date.

For **S.C.VASUDEVA & CO.**  
Chartered Accountants  
Firm Reg. No. 000235N

**SANJIV MOHAN**  
Partner  
M. No. 86066

**POOJA DAMIR MIGLANI**  
Company Secretary

**ANIL JAIN**  
Vice President  
(Accounts)

**SURINDER KUMAR VIG**  
Director

**JANGI LAL OSWAL**  
Chairman-cum-Managing  
Director

Place : Ludhiana  
Dated : 30.05.2011



# MALWA COTTON SPINNING MILLS LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

| Particulars   | Current Year<br>Rs. Lac | Previous Year<br>Rs. Lac |
|---|-------------------------|--------------------------|
| <b>A. Cash Flow From Operating Activities</b>                         |                         |                          |
| Net Profit Before Tax and Extra Ordinary Items                        | 362.99                  | (1729.47)                |
| <b>Adjustment For</b>   |                         |                          |
| Provision for doubtful debts  | 64.13                   | 21.96                    |
| Depreciation  | 473.31                  | 581.22                   |
| Profit on Sale of Fixed Assets(Net)                                   | (319.91)                | (409.21)                 |
| Sundry Balances Written off   | 18.16                   | 2.13                     |
| Interest Charged  | 2608.08                 | 2452.93                  |
| Interest Income   | (21.94)                 | (21.25)                  |
| Dividend Income   | (1.31)                  | (0.88)                   |
| Operating Profit Before Working Capital Changes                       | 3183.51                 | 897.43                   |
| <b>Adjustment For :</b>   |                         |                          |
| (Increase)/Decrease in Inventories                                    | (2744.21)               | (1806.89)                |
| (Increase)/Decrease in Trade and Other Receivables                    | 696.98                  | (275.01)                 |
| (Increase)/Decrease in Trade Payables and Other                       | (74.37)                 | (185.06)                 |
| Cash Generated from Operating Activities                              | 1061.91                 | (1369.53)                |
| (Taxpaid)/Refund  | 41.48                   | (28.82)                  |
| Net Cash From Operating Activities                                    | <b>1103.39</b>          | (1398.35)                |
| <b>B. Cash Flow From Investing Activities</b>                         |                         |                          |
| Purchase of Fixed Assets  | (238.21)                | (79.15)                  |
| Proceeds from sale of fixed Assets                                    | 349.82                  | 438.07                   |
| Interest Received   | 21.94                   | 21.25                    |
| Dividend Recived  | 1.31                    | 0.88                     |
| Net Cash From Investing Activities                                    | <b>134.86</b>           | 381.05                   |
| <b>C. Cash Flow From Financing Activities</b>                         |                         |                          |
| Proceeds from issue of Equity share Capital                           | 27.50                   | 192.50                   |
| Proceeds from Long Term Borrowing(net)                                | 1090.74                 | 3982.46                  |
| Proceeds from Short Term Borrowing(net)                               | 50.27                   | (786.02)                 |
| Interest Paid   | (2431.17)               | (2434.03)                |
| <b>Net Cash form Financing Activities</b>                             | <b>(1262.66)</b>        | 954.91                   |
| <b>Net Increase/(Decrease) In Cash &amp; Cash Equivalents(A+B+C)</b>  | <b>(24.41)</b>          | (62.39)                  |
| <b>Cash &amp; Cash Equivalents As on 01.04.2010 (Opening Balance)</b> | <b>339.94</b>           | 402.33                   |
| <b>Cash &amp; Cash Equivalents As on 31.03.2011 (Closing Balance)</b> | <b>315.53</b>           | 339.94                   |

As per our separate report of even date.

For **S.C.VASUDEVA & CO.**  
Chartered Accountants  
Firm Reg. No. 000235N

**SANJIV MOHAN**  
Partner  
M. No. 86066

**POOJA DAMIR MIGLANI**  
Company Secretary

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Vice President  
(Accounts)

**SURINDER KUMAR VIG**  
Director

**JANGI LAL OSWAL**  
Chairman-cum-Managing  
Director

Place : Ludhiana  
Dated : 30.05.2011



# MALWA COTTON SPINNING MILLS LIMITED

## SCHEDULES TO THE ACCOUNTS

| Particulars  | As at<br>31.03.2011<br>Rs. Lac | As at<br>31.03.2010<br>Rs. Lac |
|--|--------------------------------|--------------------------------|
| <b>1. SHARE CAPITAL</b>  |                                |                                |
| <b>AUTHORISED</b>  |                                |                                |
| 1,50,00,000 Equity Shares of Rs.10/- each  | 1500.00                        | 1500.00                        |
| 30,00,000 Redeemable Cumulative Preference Shares of Rs. 100/- each                                      | <u>3000.00</u>                 | <u>3000.00</u>                 |
|  | <b>4500.00</b>                 | <b>4500.00</b>                 |
| <b>ISSUED</b>  |                                |                                |
| 79,05,028 Equity Shares of Rs.10/- each<br>(Previous year 73,55,028)                                     | 790.51                         | 735.51                         |
| 10,00,000 9% Cumulative Redeemable Preference Shares of Rs.100/- each                                    | 1000.00                        | 1000.00                        |
| 17,50,000 9% Cumulative Redeemable Preference Shares of Rs.100/- each                                    | <u>1750.00</u>                 | <u>1750.00</u>                 |
|  | <b>3540.51</b>                 | <b>3485.51</b>                 |
| <b>SUBSCRIBED AND PAID-UP</b>  |                                |                                |
| 79,05,028 Equity Shares of Rs.10/- each<br>(Previous year 73,55,028)<br>Less: Calls in arrears by others | 790.51                         | 735.51                         |
|  | <u>0.22</u>                    | <u>0.22</u>                    |
|  | <b>790.29</b>                  | <b>735.29</b>                  |
| 10,00,000 9% Cumulative Redeemable Preference Shares of Rs.100/- each (See Note No 9)                    | 1000.00                        | 1000.00                        |
| 17,24,610 9% Cumulative Redeemable Preference Shares of Rs.100/- each (See Note No 9)                    | <u>1724.61</u>                 | <u>1724.61</u>                 |
|  | <b>3514.90</b>                 | <b>3459.90</b>                 |
| <b>2. RESERVES AND SURPLUS</b>   |                                |                                |
| <b>CAPITAL RESERVE</b>   |                                |                                |
| Central Investment Subsidy   | 15.00                          | 15.00                          |
| Capital Redemption Reserve   | 250.00                         | 250.00                         |
| Capital Subsidy  | 30.00                          | 30.00                          |
| <b>SHARE PREMIUM ACCOUNT</b>   |                                |                                |
| As per last account  | 1646.15                        | 1591.15                        |
| Add: Received during the year  | <u>55.00</u>                   | <u>55.00</u>                   |
|  | <b>1701.15</b>                 | <b>1646.15</b>                 |
| <b>RESERVE FOR BAD AND DOUBTFUL DEBTS AND ADVANCES</b>   |                                |                                |
| As per last account  | 200.00                         | 200.00                         |
| Less : Provision for doubtful debts (as per contra)  | <u>200.00</u>                  | <u>200.00</u>                  |
|  | -                              | -                              |
| <b>GENERAL RESERVE</b>   |                                |                                |
| As per last account  | 4866.00                        | 4866.00                        |
| Less : Debit balances in Profit and Loss Account shown (as per contra)                                   | <u>4866.00</u>                 | <u>4866.00</u>                 |
|  | <b>1996.15</b>                 | <b>1941.15</b>                 |



# MALWA COTTON SPINNING MILLS LIMITED

## SCHEDULES TO THE ACCOUNTS

| Particulars                                    | As at<br>31.03.2011<br>Rs. Lac | As at<br>31.03.2010<br>Rs. Lac |
|--|--------------------------------|--------------------------------|
| <b>3. SECURED LOANS</b>                        |                                |                                |
| <b>(a) LOANS AND ADVANCES FROM BANKS</b>       |                                |                                |
| WORKING CAPITAL BORROWINGS                     | 6622.59                        | 6573.85                        |
| <b>(b) OTHER LOANS &amp; ADVANCES</b>          |                                |                                |
| TERM LOANS FROM FINANCIAL INSTITUTIONS & BANKS | 16918.12                       | 15889.84                       |
| <b>(c) INTEREST ACCURED &amp; DUE ON ABOVE</b> | 0.65                           | 181.66                         |
|  | <b>23541.36</b>                | <b>22645.35</b>                |

[Repayment out of the above within one year for Secured Loan is Rs. 942.05 lac (Previous Year Rs. 209.90 lac)].

### SECURITY

- (i) For Term loans / WCTL/FITL :
- Primary - Pari-passu first charge on fixed assets of the company (present and future)  
Collateral - Pari-passu second charge on the current assets of the company
- (ii) For Working Capital :
- Primary - Pari-passu first charge on the current assets of the company  
Collateral - Pari-passu second charge on fixed assets of the company (present and future)
- (iii) Exclusive securities :
- IFCI/IDBI : The 7,86,700 Equity Shares of promoters pledged & 7,56,150 Equity Shares physically held with IFCI/IDBI.  
PNB/SBI : Equitable Mortgage of properties at Ludhiana & Barnala on Pari Passu basis to secure its enhanced WC Limits with PNB/SBI exclusively.
- (iv) Pledge of 24,88,715 equity shares of Promoters as Additional Collateral security for entire CDR debts (Existing and fresh) to be shared by all CDR lenders on pari-passu basis.
- Equitable Mortgage of immoveable properties situated at Kolkata, Bhilwara, Kanpur, Dehradun and Delhi as Additional Collateral Security for entire CDR debts (Existing and Fresh) to be shared by all CDR Lenders on pari-passu basis.
- (v) Personal Guarantee of three Promoter Directors of the company.

### **4. UNSECURED LOANS**

Other loans and advances - from others **245.00** —  
(Repayment of loan within one year Rs. Nil).

### **5. FIXED ASSETS**

(Rs. Lac)

| Particulars               | GROSS BLOCK         |               |                      |                     | DEPRECIATION        |                 |                      |                    | NET BLOCK           |                     |
|---------------------------|---------------------|---------------|----------------------|---------------------|---------------------|-----------------|----------------------|--------------------|---------------------|---------------------|
|                           | As at<br>01.04.2010 | Additions     | Sale/<br>Adjustments | As at<br>31.03.2011 | As at<br>01.04.2010 | For the<br>year | Sale/<br>Adjustments | Upto<br>31.03.2011 | As at<br>31.03.2011 | As at<br>31.03.2010 |
| <b>A. TANGIBLE</b>        |                     |               |                      |                     |                     |                 |                      |                    |                     |                     |
| 1. FREEHOLD LAND          | 317.99              | -             | -                    | 317.99              | -                   | -               | -                    | -                  | 317.99              | 317.99              |
| 2. BUILDING               | 6241.34             | -             | 41.19                | 6,200.15            | 2349.13             | 162.49          | 13.77                | 2497.85            | 3702.30             | 3892.21             |
| 3. PLANT AND MACHINERY    | 20869.62            | 180.31        | 16.47                | 21,033.46           | 18822.11            | 247.72          | 15.65                | 19054.18           | 1979.28             | 2047.51             |
| 4. FURNITURE AND FITTINGS | 485.13              | 9.58          | -                    | 494.71              | 429.73              | 12.37           | -                    | 442.10             | 52.61               | 55.40               |
| 5. VEHICLES               | 541.14              | 32.26         | 17.36                | 556.04              | 435.18              | 28.03           | 15.69                | 447.52             | 108.52              | 105.96              |
| <b>B. INTANGIBLE*</b>     |                     |               |                      |                     |                     |                 |                      |                    |                     |                     |
| COMPUTER SOFTWARE         | 132.30              | 6.62          | -                    | 138.92              | 67.05               | 22.70           | -                    | 89.75              | 49.17               | 65.25               |
| <b>TOTAL (A+B)</b>        | <b>28587.52</b>     | <b>228.77</b> | <b>75.02</b>         | <b>28741.27</b>     | <b>22103.20</b>     | <b>473.31</b>   | <b>45.11</b>         | <b>22531.40</b>    | <b>6209.87</b>      | <b>6484.32</b>      |
| PREVIOUS YEAR             | 28542.98            | 110.58        | 66.04                | 28587.52            | 21559.16            | 581.22          | 37.18                | 22103.20           | 6484.32             |                     |

\*Intangible assets are not internally generated.



## MALWA COTTON SPINNING MILLS LIMITED

### SCHEDULES TO THE ACCOUNTS

| Particulars  | As at<br>31.03.2011<br>Rs. Lac | As at<br>31.03.2010<br>Rs. Lac |
|--|--------------------------------|--------------------------------|
| <b>6. CAPITAL WORK IN PROGRESS</b>   |                                |                                |
| Building under construction  | 12.08                          | 13.99                          |
| Machinery under erection   | 11.35                          | –                              |
|  | <u>23.43</u>                   | <u>13.99</u>                   |
| <b>7. INVESTMENTS (AT COST)</b>  |                                |                                |
| <b>Long Term Investments</b>   |                                |                                |
| <b>a. Government Securities</b>  | 0.21                           | 0.21                           |
| <b>b. Trade (Unquoted)</b>   |                                |                                |
| - 96,30,700 (Previous year 96,30,700) equity shares of Rs.10/- each fully paid up of M/s Malwa Industries Limited                | 963.07                         | 963.07                         |
| <b>c. Others (Quoted)</b>  |                                |                                |
| 43,759 (Previous year 43,759) Equity Shares of Rs.10/- each fully paid up of M/s. Vardhman Textiles Ltd                          | 19.61                          | 19.61                          |
| - 2,55,000 (Previous year 2,55,000 )Equity Shares of Rs. 10/- each fully paid up of M/s Mukerian Papers Limited                  | 119.00                         | 119.00                         |
| Less : Allowance for diminution in value of investment   | <u>119.00</u>                  | <u>119.00</u>                  |
| <b>d. Others (Unquoted)</b>  |                                |                                |
| - 1,95,000 (Previous year 1,95,000) Equity Shares of Rs.10/-each fully paid up of M/s Manipur Vanaspati & Allied Industries Ltd. | 19.50                          | 19.50                          |
| Less :Allowance for diminuation in value of investment   | <u>19.50</u>                   | <u>19.50</u>                   |
| - 21,28,000 (Previous year 21,28,000) Equity Shares of Rs. 10/- each fully paid up of M/s Oswal Foods Limited                    | 536.28                         | 536.28                         |
| Less : Allowance for diminuation in value of investment  | <u>536.28</u>                  | <u>536.28</u>                  |
| - 1,50,000 (Previous year 1,50,000) Equity Shares of Rs. 10/- each fully paid up of M/s Oswal Knit India Limited                 | 15.00                          | 15.00                          |
| - 3,50,000 (Previous year 3,50,000) Equity Shares of Rs. 10/- each fully paid up of M/s Karnataka Oswal Oil Palms Ltd.           | 35.00                          | 35.00                          |
| Less : Allowance for diminuation in value of investment  | <u>35.00</u>                   | <u>35.00</u>                   |
| - 20,000 (Previous year 20,000) Equity Shares of Rs.10/- each fully paid up of M/s Shivalik Solid Waste Management Ltd.          | 2.00                           | 2.00                           |
|  | <u>999.89</u>                  | <u>999.89</u>                  |
| <b>NOTES</b>   |                                |                                |
| 1. Aggregate value of Quoted Investments   | 19.61                          | 19.61                          |
| 2. Aggregate value of Unquoted Investments   | 980.28                         | 980.28                         |
| 3. Market value of Quoted Investments  | 115.96                         | 123.40                         |



## MALWA COTTON SPINNING MILLS LIMITED

### SCHEDULES TO THE ACCOUNTS

| Particulars   | As at<br>31.03.2011<br>Rs. Lac | As at<br>31.03.2010<br>Rs.Lac |
|---|--------------------------------|-------------------------------|
| <b>8. INVENTORIES</b><br>(At cost or net realisable value whichever is lower)   |                                |                               |
| Raw Material  | 1839.63                        | 2044.41                       |
| Work in Process   | 5190.27                        | 3377.71                       |
| Finished Goods  | 7413.81                        | 6256.18                       |
| Stores and Spares   | 623.31                         | 608.82                        |
| Material in Transit   | 72.50                          | 108.19                        |
|   | <u>15139.52</u>                | <u>12395.31</u>               |
| <b>9. SUNDRY DEBTORS</b><br>(Considered good unless otherwise stated)   |                                |                               |
| a) Debtors outstanding for a period exceeding six months  |                                |                               |
| Secured   | 21.30                          | 25.30                         |
| Unsecured [(Includes debts considered doubtful<br>Rs.616.51Lac) (Previous Year Rs.552.38 Lac)]  | 5487.07                        | 5807.99                       |
|   | <u>5508.37</u>                 | <u>5833.29</u>                |
| Less: Allowance for doubtful debts (including shown<br>as per contra)   | <u>616.51</u>                  | <u>552.38</u>                 |
|   | 4891.86                        | 5280.91                       |
| b) Others   |                                |                               |
| Unsecured   | 7373.43                        | 7779.14                       |
|   | <u>12265.29</u>                | <u>13060.05</u>               |
| <b>10. CASH AND BANK BALANCES</b>   |                                |                               |
| Cash in hand  | 45.69                          | 34.91                         |
| Cheques in hand   | 223.26                         | 273.97                        |
| With Scheduled Banks  |                                |                               |
| In Current Accounts   | 46.58                          | 31.06                         |
|   | <u>315.53</u>                  | <u>339.94</u>                 |
| <b>11. LOANS AND ADVANCES</b><br>(Unsecured considered good unless otherwise stated)  |                                |                               |
| Advances recoverable in cash or in kind or for value to be<br>received [Includes advances considered doubtful<br>Rs.175.33 Lac (Previous year Rs.175.33 Lac)] | 2148.52                        | 2162.50                       |
| Less: Allowance for doubtful advances   | <u>175.33</u>                  | <u>175.33</u>                 |
| Advance Income tax  | 15.50                          | 57.26                         |
| Balance with excise authorities   | 295.16                         | 265.69                        |
|   | <u>2283.85</u>                 | <u>2310.12</u>                |
| <b>12. (a) CURRENT LIABILITIES</b>  |                                |                               |
| Acceptances   | 4336.82                        | 4584.80                       |
| Sundry Creditors  |                                |                               |
| -Dues of Micro, Small and Medium Enterprises  | -                              | -                             |
| -Dues of Creditors other than Micro, Small & Medium Enterprises   | 2763.33                        | 2855.25                       |
| Trade deposits and advances   | 21.30                          | 25.30                         |
| Other Liabilities   | 1614.01                        | 1479.60                       |
| Interest accrued but not due  | 195.81                         | 18.90                         |
|   | <u>8931.27</u>                 | <u>8963.85</u>                |
| <b>(b) PROVISIONS</b>   |                                |                               |
| (a) Provision for Taxation  | 0.50                           | -                             |
| (b) Provision for employee benefit scheme :   |                                |                               |
| Gratuity  | 738.70                         | 626.76                        |
| Leave Encashment  | <u>357.51</u>                  | <u>334.83</u>                 |
|   | <u>1096.21</u>                 | <u>961.59</u>                 |
|   | <u>10027.98</u>                | <u>9925.44</u>                |



## MALWA COTTON SPINNING MILLS LIMITED

### SCHEDULES TO THE ACCOUNTS

| Particulars  | Current Year<br>Rs. Lac | Previous Year<br>Rs.Lac |
|--|-------------------------|-------------------------|
| <b>13. OTHER INCOME</b>  |                         |                         |
| Interest received (Gross) [TDS Rs.3.42 Lac;<br>(Previous year Rs.3.67 Lac)]            | 21.94                   | 21.25                   |
| Dividend on long term investments (other than trade)                                   | 1.31                    | 0.88                    |
| Insurance claims received.   | 12.37                   | 25.50                   |
| Profit on sale of fixed assets   | 319.91                  | 409.27                  |
| Exchange difference in forward cover   | 9.17                    | 25.80                   |
| Miscellaneous  | 21.01                   | 39.10                   |
|  | <u>385.71</u>           | <u>521.80</u>           |
| <b>14. RAW MATERIAL CONSUMED</b>   |                         |                         |
| Opening Stock  | 2044.41                 | 1054.42                 |
| Add : Purchases  | <u>28914.83</u>         | <u>28616.74</u>         |
|  | 30959.24                | 29671.16                |
| Less: Closing Stock  | <u>1839.63</u>          | <u>2044.41</u>          |
|  | <u>29119.61</u>         | <u>27626.75</u>         |
| <b>15. MANUFACTURING EXPENSES</b>  |                         |                         |
| Power and fuel   | 5272.65                 | 4941.14                 |
| Oil and Lubricants   | 71.17                   | 73.28                   |
| Stores Consumed  | 471.47                  | 346.28                  |
| Dyeing Charges   | 1056.36                 | 1061.27                 |
| Machinery Repairs  | 21.85                   | 13.58                   |
| Electric Repairs   | 76.39                   | 38.18                   |
| Packing Material and Charges   | 1459.89                 | 1290.62                 |
| Others   | 243.09                  | 293.09                  |
|  | <u>8672.87</u>          | <u>8057.44</u>          |
| <b>16. PERSONNEL EXPENSES</b>  |                         |                         |
| Salaries, Wages and Bonus  | 4365.93                 | 4039.37                 |
| Contribution to Provident and other funds  | 490.00                  | 446.68                  |
| Staff Welfare  | 153.90                  | 153.65                  |
| Gratuity   | 172.45                  | 147.36                  |
|  | <u>5182.28</u>          | <u>4787.06</u>          |
| <b>17. ADMINISTRATIVE AND OTHER CHARGES</b>  |                         |                         |
| Rent   | 124.64                  | 120.22                  |
| Rates and Taxes  | 42.78                   | 29.65                   |
| Directors' Sitting Fee   | 0.58                    | 0.55                    |
| Directors' Travelling  | 31.81                   | 15.24                   |
| Managerial Remuneration  | 25.94                   | 25.94                   |
| Insurance  | 52.33                   | 54.19                   |
| Auditors' Remuneration:  |                         |                         |
| As Audit Fee   | 3.97                    | 3.97                    |
| As Tax Audit Fee   | 0.44                    | 0.44                    |
| As Certification Charges   | 1.37                    | -                       |
| Reimbursement of Expenses  | <u>0.37</u>             | <u>0.47</u>             |
| Legal and Professional Charges   | 6.15                    | 4.88                    |
| Travelling and Conveyance  | 90.66                   | 68.78                   |
| Vehicle Maintenance  | 204.32                  | 228.41                  |
| Motor car maintenance  | 45.64                   | 30.07                   |
| Printing and Stationery  | 33.60                   | 25.76                   |
| Postage, Telegram and Telephones   | 38.09                   | 37.81                   |
| Miscellaneous (includes provision for wealth tax<br>Rs.0.50 lac (Previous Year Rs.Nil) | 46.92                   | 56.91                   |
| General Repairs  | 101.81                  | 91.74                   |
| Charity and Donation   | 36.52                   | 37.22                   |
| Building Repairs   | 0.35                    | 0.49                    |
| Allowance for Doubtful Debts   | 68.05                   | 66.67                   |
| Others   | 64.13                   | 21.96                   |
|  | 27.13                   | 8.96                    |
|  | <u>1041.45</u>          | <u>925.15</u>           |





## MALWA COTTON SPINNING MILLS LIMITED

### SCHEDULES TO THE ACCOUNTS

| Particulars  | Current Year<br>Rs. Lac | Previous Year<br>Rs. Lac |
|--|-------------------------|--------------------------|
| <b>18. FINANCIAL EXPENSES</b>  |                         |                          |
| INTEREST   |                         |                          |
| Term Loans   | 1410.52                 | 1284.88                  |
| Working Capital (Net) (See Note No.19)                                   | 721.06                  | 620.63                   |
| Others   | 476.50                  | 547.42                   |
| BANK AND OTHER CHARGES   | 303.25                  | 402.40                   |
|  | <u>2911.33</u>          | <u>2855.33</u>           |
| <b>19. SELLING EXPENSES</b>  |                         |                          |
| Forwarding and Octroi  | 769.39                  | 937.21                   |
| Commission to selling agents   | 185.34                  | 139.78                   |
| Rebate and Discount  | —                       | 29.57                    |
| Advertisement  | 35.35                   | 48.98                    |
| Others   | 57.84                   | 68.91                    |
|  | <u>1047.92</u>          | <u>1224.45</u>           |
| <b>20. (INCREASE)/DECREASE IN WORK<br/>IN PROCESS AND FINISHED GOODS</b> |                         |                          |
| Opening Stock  |                         |                          |
| Work-in-Process  | 3377.71                 | 2445.86                  |
| Finished Goods   | 6256.18                 | 6404.42                  |
|  | <u>9633.89</u>          | <u>8850.28</u>           |
| Add : Purchases  | 46.74                   | 218.58                   |
| Less : Closing Stock   |                         |                          |
| Work-in-Process  | 5190.27                 | 3377.71                  |
| Finished Goods   | 7413.81                 | 6256.18                  |
|  | <u>(2923.45)</u>        | <u>(565.03)</u>          |



## 21. NOTES ON ACCOUNTS

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis for preparation of financial statements

The accounts are prepared on accrual basis under the historical cost convention in accordance with the applicable accounting standards referred to in sub section (3C) of section 211 and other relevant provisions of the Companies Act, 1956.

#### b) Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amount of assets and liabilities as on the date of its financial statements and the reported amount of revenue and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results materialize.

#### C) Revenue Recognition

(i) The revenue in respect of sales is recognized when:

- a) all significant risks and rewards of ownership is transferred to the buyer and the company retains no effective control of the goods transferred to a degree usually associated with ownership; and
- b) no significant uncertainty exists regarding the amount of consideration that will be derived from the sale of goods.

(ii) Interest in respect of bank deposits is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. Interest from customers and insurance claim received is recognized provided the ability to assess the ultimate collection with reasonable certainty is not lacking at the time of raising of any claim. Revenue recognition in both these cases i.e. interest from customers and insurance claims is postponed to the extent of uncertainty involved.

(iii) The revenue in respect of export benefits is recognized on post export basis at the rate at which the entitlement accrues.

(iv) Dividend:

Dividend Income is recognized as an income when the right to receive the payment is established.

#### d) Fixed Assets

Fixed assets are stated at historical cost less accumulated depreciation. Cost of fixed assets comprises its purchase price and any attributable expenditure ( both direct and indirect) for bringing an assets to the working condition for its intended use.

#### e) Intangible Assets

Intangible fixed assets are stated at historical cost less accumulated amount of amortization.

#### f) Depreciation

(i) Depreciation on Plant and Machinery and Building is provided on straight line method and on the other assets on written down value method in accordance with and in the manner specified in schedule XIV to the Companies Act, 1956.

(ii) Depreciation at 100% is provided on assets costing Rs.5000 or below acquired during the year.

#### g) Amortization

Intangible assets are amortized on straight line method over their estimated useful life.

#### h) Inventories

Inventories are valued at cost or net realisable value whichever is lower. The cost formula adopted in respect of items of inventories is as under:

|                       |  |
|-----------------------|--|
| - Raw material        | At weighted average cost plus direct expenses                                    |
| - Finished goods      | At raw material cost plus conversion cost and excise duty if applicable          |
| - Work in process     | At raw material cost plus conversion cost depending upon the stage of completion |
| - Stores and spares   | At weighted average cost   |
| - Material in transit | At invoice price plus other expenses, if applicable                              |

#### i) Investments

Long term investments are stated at cost less allowance, if any, for diminution in value which is other than temporary. Current investments are valued at lower of cost and fair value.

#### j) Cenvat

Cenvat credit on excise duty paid goods is accounted for by reducing the purchase cost of related goods.

#### k) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of the qualifying asset are capitalized as part of the cost of the qualifying asset. Qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are recognized as expense in the period in which these are incurred.

#### l) Foreign Currency Transactions

i) Foreign currency transaction is recorded on initial



recognition in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of transaction except export sale effected in foreign currency which is recorded at exchange rate applicable on the date of negotiation of export invoice, such rate approximates the actual rate at the date of transaction.

- ii) Monetary items denominated in foreign currency are reported using the closing rate.
  - iii) Non-monetary items, which are carried in terms of historical cost denominated in foreign currency are reported at the exchange rate as at the date of transaction.
  - iv) Exchange differences arising on the settlement of monetary items or on reporting the monetary items at rates different from those at which they are initially recorded during the period or reported in previous financial statements are recognized as income or expenses in the period in which they arise.
  - v) The premium or discount arising at the inception of a forward exchange contract is amortized as expense or income over the life of the contract. Exchange difference in such a contract is recognized in the statement of profit and loss account in the reporting period in which the exchange rates change. Profit or loss arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period.
  - vi) The exchange difference to the extent of loss, arising on forward contract to hedge the transaction in the nature of firm commitments and/or highly probable forecast transactions is recognized in the profit and loss account. The profit, if any, arising thereon is ignored.
- m) Employees' Benefits**

**a) Short Term Employee Benefits**

Short term employee benefits are recognized as an expense on an undiscounted basis in the profit and loss account of the year in which the related service is rendered.

**b) Post Employment Benefits:**

**i) Defined Contribution Plans:**

**Provident Fund:**

Contribution to Provident Fund is made in accordance with the provisions of the Employees Provident Fund and Miscellaneous Provisions Act, 1952 and is recognised as an expense to the profit and loss account.

**ii) Defined Benefit Plans**

**(1.1) Gratuity:**

Provision for gratuity liability to employees is made on the basis of actuarial valuation as at the close of the year.

**(1.2) Leave Encashment:**

Provision for leave encashment is made on the basis of actuarial valuation as at the close of the year.

- c) The actuarial gain or loss is recognized in statement of profit and loss account.

**n) LEASES:**

Assets acquired on lease wherein significant risk and rewards incident to ownership are retained by lessor are classified as operating leases. Lease rent paid for such leases are recognized as expense on systematic basis over the term of lease

**o) Earning per Share**

Basic earning per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of computing diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average of number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

**p) Accounting for Taxes on Income**

- i) Provision for taxation for the year comprises of current tax and deferred tax.
- ii) Current tax is the amount of income tax determined to be payable in respect of taxable income for the year. Deferred tax is the tax effect of timing difference between taxable income and accounting income for a period that originate in one period and is capable of reversal in one or more subsequent periods.

**q) Impairment of Assets**

At each balance sheet date an assessment is made whether any indication exists that an asset has been impaired. If any such indication exists, an impairment loss i.e. the amount by which the carrying amount of an assets exceeds its recoverable amount is provided in the books of account.

**r) Provision and Contingent Liabilities**

- i) Provisions are recognized for liability that can be measured by using a substantial degree of estimation if -



## MALWA COTTON SPINNING MILLS LIMITED

- a) there is a present obligation arising as a result of past event
  - b) it is probable that an outflow of resources embodying economic benefits is expected to settle the obligation; and
  - c) a reliable estimate can be made of the amount of the obligation.
- ii) Contingent liability is disclosed in the case of :
- a) a present obligation that arises from past events
    - i) when it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or
    - ii) a reliable estimate of the amount of the obligation cannot be made.
  - b) a possible obligation, that arises from past events and existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the enterprise.

### 2. CONTINGENT LIABILITIES NOT PROVIDED FOR

- a) Bank Guarantees and letters of credit outstanding Rs.5.00 lac (Previous Year Rs. 5.00 lac). There is no likelihood of any outflow on account of the issuance of such Bank Guarantees. The Letter of credits are issued against normal non-fund facilities and additional out flow is not expected.
  - b) Guarantees given by Company on behalf of others Rs.3850.00 lac (Previous year Rs.3850.00 lac). There is no likelihood of any outflow on account of the issuance of such Guarantees.
  - c) Export Bills discounted with Banks against irrevocable letters of credit Rs.3271.16 lac (Previous year Rs.1229.53 lac). There is no likelihood of any outflow on account of such Export Bills discounted with Banks against irrevocable letters of credit.
  - d) Claims against company not acknowledged as debts Rs.1.16 lac (Previous year Rs.1.16 lac). There is no likelihood of any outflow on account of such Claims.
  - e) Arrears of fixed cumulative dividend in respect of Redeemable Preference Shares Rs.3065.00 lac (Previous year Rs.2820.00 lac )
3. Estimated amount of contracts remaining to be executed on capital account Rs. 456.11 lac (Previous year Rs.486.61 Lac) (Net of advances).
4. The Company has executed excise duty bond aggregating to Rs.1670.00 lac (Previous year Rs.1670.00 lac) in favour of President of India under the Central Excise Act, 1944. There is no likelihood of any outflow on account of executed excise duty bond.

5. Cenvat receivable shown under the head advances recoverable in cash or in kind includes Rs. 20.98 lac (Previous year Rs.20.98 lac) not allowed by the authorities. The Company has contested and filed an appeal for the recovery of the above amount. Pending decision thereof no provision has been made in this regard.
6. The Company has contested the additional demands of excise duty, service tax and sales tax amounting to Rs. 386.10 Lac (Gross) (Previous year Rs. 392.98 lac). Out of this a sum of Rs.140.02 lac (Previous year Rs. 81.44 lac) has been deposited with the concerned authorities under protest. No provision has been made in the books of account as company is confident to get desired relief at the appellate level. The said amount stands included in advances receivable in cash or in kind for value to be received.
7. The Company is entitled to benefit under Duty Entitlement Pass Book (DEPB)/ Focus Market Scheme (FMS)/Duty Drawback on export sales made during the year. DEPB benefit can be availed as input duty credit or can be transferred in the open market. The Company has realized Rs.9.68 lac (Previous year Rs.335.49 lac) in respect of export entitle benefits during the year.
8. During the year, the Company has allotted 5,50,000 Equity Shares of Rs 10 each at premium of Rs 10 on conversion of equivalent number of equity share warrants. The proceeds received from such issue has been utilized for the purpose it was raised.
9. The preference share shall be redeemable in eight installment at a premium of 5% as per following schedule.

| Years            | FY 12 | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 | FY 18 | FY 19 | Total |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Principal Amount | 0.80  | 1.64  | 1.64  | 2.73  | 4.09  | 5.45  | 5.45  | 5.45  | 27.25 |

- The earliest date of redemption is 30th September,2011.**
10. Disclosure regarding the foreign currency exposure of the company.
- a) The company has entered into forward contracts to hedge its risk associated with fluctuations in foreign currency transactions. The company does not use forward contracts for speculative purpose. There is single forward contract for USD 1.08 lac against export outstanding as at the close of the year.
  - b) The foreign currency exposures remaining unhedged at the year end,
- | Particulars   | Amount       |               |
|---|--------------|---------------|
|   | Current Year | Previous Year |
| Against Debtors & Export<br>[In US Dollars (million)] | -            | 0.084         |
| Equivalent approximate<br>In Rs. Lac                  | -            | 38.03         |
11. The summarized position of post-employment benefits



## MALWA COTTON SPINNING MILLS LIMITED

and long term employee benefits recognized in the profit and loss account and balance sheet in accordance with Accounting Standard (AS) -15 on 'Employee Benefits' issued under the Companies (Accounting Standard) Rules, 2006 is as under:-

- (a) Changes in the present value of the defined benefit obligation.

| Particulars   | Current Year |            | Previous Year |            |
|---|--------------|------------|---------------|------------|
|   | Gratuity     | Leave      | Gratuity      | Leave      |
|   | (Funded)     | (Unfunded) | (Funded)      | (Unfunded) |
| Present Value of obligation as at beginning of the year | 709.89       | 334.83     | 627.50        | 333.09     |
| Interest Cost   | 55.75        | 24.23      | 50.24         | 24.91      |
| Current Service Cost                                    | 80.69        | 90.12      | 81.06         | 94.77      |
| Benefits Paid   | (107.90)     | (99.42)    | (72.79)       | (80.09)    |
| Actuarial Loss/(gain) on obligations                    | 40.84        | 7.74       | 23.88         | (37.85)    |
| Present value of obligation as at close of the year     | 779.28       | 357.50     | 709.89        | 334.83     |

- (b) Change in Fair Value of Plan Assets

| Particulars   | Current Year |            | Previous Year |            |
|---|--------------|------------|---------------|------------|
|   | Gratuity     | Leave      | Gratuity      | Leave      |
|   | (Funded)     | (Unfunded) | (Funded)      | (Unfunded) |
| Fair Value of Plan Assets as at beginning of the year |              | 83.13      |               | 96.10      |
| Expected return on plan assets                        |              | 5.44       |               | 7.71       |
| Contribution  |              | 60.50      |               | 52.00      |
| Benefits Paid   |              | (107.90)   |               | (72.79)    |
| Actuarial (Loss)/gain on obligations                  |              | (0.59)     |               | 0.11       |
| Fair Value of Plan Assets as at close of the year.    |              | 40.58      |               | 83.13      |

Reconciliation of the change in Fair Value of Plan Assets in respect of unfunded leave encashment is not applicable.

- (c) Amount recognized in Balance Sheet

| Particulars  | Current Year |            | Previous Year |            |
|--|--------------|------------|---------------|------------|
|  | Gratuity     | Leave      | Gratuity      | Leave      |
|  | (Funded)     | (Unfunded) | (Funded)      | (Unfunded) |
| Estimated present value of obligations as at the end of the year | 779.28       | 357.51     | 709.89        | 334.83     |
| Fair value of Plan Assets as at the end of the year              | 40.58        | -          | 83.13         | -          |
| Unfunded Net (Liability) Assets recognized in Balance Sheet      | (738.70)     | (357.51)   | (626.76)      | (334.83)   |

- (d) Expenses recognized in the Profit and Loss Account

| Particulars  | Current Year |            | Previous Year |            |
|--|--------------|------------|---------------|------------|
|  | Gratuity     | Leave      | Gratuity      | Leave      |
|  | (Funded)     | (Unfunded) | (Funded)      | (Unfunded) |
| Current Service Cost                                 | 80.70        | 90.12      | 81.06         | 94.77      |
| Interest Cost  | 55.76        | 24.23      | 50.24         | 24.91      |
| Expected return on Plan Assets                       | 5.44         | -          | 7.71          | -          |
| Net Actuarial (Gain)/Loss recognized in the year     | 41.43        | 7.74       | 23.77         | (37.85)    |
| Total expenses recognized in profit and loss account | 172.45       | 122.09     | 147.36        | 81.83      |

- (e) The principal actuarial assumptions used as at the balance sheet date (expressed as weighted average)

| Particulars                            | Current Year                 |                              | Previous Year                |                              |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
|  | Gratuity                     | Leave                        | Gratuity                     | Leave                        |
|  | (Funded)                     | (Unfunded)                   | (Funded)                     | (Unfunded)                   |
| Discount Rate                          | 8.50%                        | 8.50%                        | 8.50%                        | 8.50%                        |
| Expected rate of return on Plan Assets | 9.15%                        | -                            | 9.00%                        | -                            |
| Expected rate of salary increase       | 5.00%                        | 5.00%                        | 5.00%                        | 5.00%                        |
| Method Used                            | Projected unit credit method | Projected unit credit method | Projected unit credit method | Projected unit credit method |

- f) The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in employment market. The above information is certified by actuary.

- g) The financial assumption considered for the calculations are as under:

Discount Rate: The discount rate has been chosen by reference to market yield on government bonds as on date of valuation.

Expected Rate of Return: In case of gratuity, the actual return has been taken.

Salary increase: On the basis of past data provided by the company.

- h) Short term leave encashment liability as on 31.03.2011 was Rs.124.74 lac (Previous year Rs.121.16 lac) During the year the company has recognized an expense of Rs.99.99 lac as contribution to provident fund (Previous year Rs.119.05 lac)
- i) The plan assets are maintained with Life Insurance Corporation of India (LIC). The details of Investments maintained by LIC are not available with the company and have not been disclosed.



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### 12. Segment Reporting

Segment information as required by Accounting Standard (AS)-17 on "Segment Reporting" issued under the Companies (Accounting Standard) Rules, 2006 has been compiled on the basis of the financial statements and is disclosed below:

The Company has identified two segments as reportable segments viz. Yarn and Thread. The yarn segment comprises manufacturing of various types of yarns and yarn processing activities. The thread segment comprises sewing thread and other industrial thread.

#### a) Primary Segment Information :-

| Revenue                                   | Yarn         |               | Thread       |               | Total        |               |
|---|--------------|---------------|--------------|---------------|--------------|---------------|
|   | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| External sales                            | 35671.89     | 32389.67      | 9832.39      | 10851.73      | 45504.28     | 43241.40      |
| Inter- segment sales                      | 8875.20      | 8693.80       | 1059.41      | 925.39        | 9934.61      | 9619.19       |
| Other income                              | 347.65       | 466.83        | 5.64         | 7.04          | 353.29       | 473.87        |
| Total revenue                             | 44894.74     | 41550.30      | 10897.44     | 11784.16      | 55792.18     | 53334.46      |
| Segment results*                          | 4355.62      | 2091.64       |              |               | 4355.62      | 2091.64       |
| Unallocated corporate expenses (Net)      |              |               |              |               | 1081.30      | 965.78        |
| Operating profit                          |              |               |              |               | 3274.32      | 1125.86       |
| Interest expenses                         |              |               |              |               | 2911.33      | 2855.33       |
| Tax - Current tax                         |              |               |              |               | 0.28         | (4.49)        |
| Profit/(Loss) from ordinary activities    |              |               |              |               | 362.71       | (1724.98)     |
| Extra Ordinary loss/(income)              |              |               |              |               | -            | -             |
| Net Profit/(Loss)                         |              |               |              |               | 362.71       | (1724.98)     |
| <b>Other Information</b>                  |              |               |              |               |              |               |
| Segment Assets                            | 26523.04     | 25089.19      | 9488.66      | 9230.69       | 36011.70     | 34319.88      |
| Unallocated corporate assets              |              |               |              |               | 1225.69      | 1283.75       |
| Total Assets                              |              |               |              |               | 37237.39     | 35603.63      |
| Segment Liabilities                       | 9240.90      | 8890.91       | 786.58       | 1034.53       | 10027.48     | 9925.44       |
| Unallocated corporate Liabilities         |              |               |              |               | 23786.86     | 22645.35      |
| Total Liabilities                         |              |               |              |               | 33814.34     | 32570.79      |
| Capital Expenditure                       | 180.23       | 45.71         | 0.08         | 0.16          | 180.31       | 45.87         |
| Unallocated Capital Expenditure           |              |               |              |               | 48.46        | 64.71         |
| Total Capital Expenditure                 |              |               |              |               | 228.77       | 110.58        |
| Depreciation                              |              |               |              |               | 410.21       | 518.75        |
| Non-Cash expenses other than depreciation |              |               |              |               | -            | -             |

\* Also Includes result of Thread segment

#### b) Secondary segment information

|   | (Rs. Lac)    |               |
|---|--------------|---------------|
|   | Current Year | Previous Year |
| i) Revenue (external turnover)  |              |               |
| Within India  | 41409.34     | 38929.78      |
| Outside India   | 4094.94      | 4311.62       |
| ii) Other items of secondary segment information are not applicable to the company. |              |               |

#### Segment Revenue and Expenses

Segment revenue comprises sales to external customer and inter-segment sales. Segment expenses comprises expenses that are directly attributable to the segment and expenses relating to transactions with other segment of the enterprise.

#### Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist of cash and bank balances, debtors, inventories and fixed assets. Segment liabilities include all operating liabilities and consist of creditors and other liabilities. Segment assets and liabilities do not include deferred income taxes.

#### Inter Segment Transfer

Inter segment transfer are accounted for at prevailing market prices. These transfers are eliminated on consolidation.

### 13. Related Party Disclosures

- a) Disclosure of Related Parties with whom Business transactions took place during the year and relationship between parties as required under Accounting Standard (AS)-18 on 'Related Party Disclosures' issued under Companies (Accounting Standards) Rules, 2006.

- Key Management Personnel : Mr.Jangi Lal Oswal
- Associates : Malwa Industries Ltd.

- b) Description of the nature of transactions with the related parties:

| Particulars               | (Rs. Lac)                      |               |              |               |
|---------------------------|--------------------------------|---------------|--------------|---------------|
|                           | Key Management Personnel (KMP) |               | Associates   |               |
|                           | Current Year                   | Previous Year | Current Year | Previous Year |
| Managerial Remuneration   | 25.94                          | 25.94         | —            | —             |
| Rent received             | —                              | —             | 7.19         | 6.54          |
| Rent paid                 | —                              | —             | 14.00        | 24.00         |
| Job work charges received | —                              | —             | —            | 1.93          |
| Sale of goods             | —                              | —             | 211.44       | 187.45        |
| Purchase of goods         | —                              | —             | 577.70       | 125.40        |
| Job work charges paid     | —                              | —             | 24.52        | 20.55         |

14. The company has leased facilities under cancelable and non cancelable operating leases agreements with the lease terms ranging from less than year to later than one year but not later than five years which are subject to renewal at mutual consent thereafter. The lease rent expenses recognized during the year amounting to Rs.



# MALWA COTTON SPINNING MILLS LIMITED

124.64 lac (Previous year Rs.120.22 lac). The future minimum lease payment under non cancelable operating leases for each of the following period:

|   | Current Year | Previous Year |
|---|--------------|---------------|
| i) not later than one year                            | 67.43        | 23.60         |
| ii) later than one year but not later than five years | 39.60        | 198.16        |
| iii) later than five years                            | -            | -             |

15. (a) Deferred Tax Liability/Asset (net) as on 31st March, 2011 is as follows:

| Particulars  | Current Year | Previous Year |
|--|--------------|---------------|
| Deferred tax liability arising on account of timing difference due to Depreciation                       | 1128.18      | 1080.19       |
| Less : Deferred tax assets arising on Unabsorbed depreciation ( to the extent of deferred tax liability) | 1128.18      | 1080.19       |
| <b>Net Deferred Tax Asset/Liability</b>  | <b>-</b>     | <b>-</b>      |

## 16. Earning Per Share

|  | Current Year | Previous Year |
|--|--------------|---------------|
| Profit/(Loss) for the year attributable to Equity shares   | 362.71       | (1724.98)     |
| Less: Preference dividends for the cumulative preference shares  | 285.94       | 286.89        |
| (i) Add: Increased earning on account of interest saving on dilutive potential equity shares (Net of Taxes)            | 76.77        | (2011.87)     |
| Total (ii)   | 203.16       | 194.54        |
| Weighted average number of equity shares (Nos.)  | 7722699      | 6809549       |
| Weighted average number of equity shares that would be issued on conversion on dilutive potential equity shares (Nos.) | 27984204     | 25717233      |
| Total (iv)   | 35706903     | 32526782      |
| Basic Earning per share of Rs.10/- each (Rs.) (i/iii)  | 0.99         | (29.54)       |
| Diluted Earning per share of Rs. 10/- each ( Rs.) (ii/iv)  | 0.78         | (5.59)        |

17. In accordance with Accounting of Accounting Standard (AS) 28 on "Impairment of Assets" issued under the Companies (Accounting Standard) Rule 2006, the company has assessed as on balance sheet date, whether there are any indications (listed on paragraphs 8 to 10 of the standard) with regard to the impairment of any of the assets. Based on such assessment it has been ascertained that no potential loss is present and therefore, formal estimate of recoverable amount has not been made. Accordingly no impairment loss has been provided in the books of account.

18. Managerial Remuneration paid to the Chairman-cum-Managing Director amounting to Rs. 25.94 lac. This represents the minimum remuneration approved by the members in accordance with the provisions of schedule XIII to the Companies Act, 1956. The details are as under:-

| Particulars                    | Current Year | Previous Year |
|--------------------------------|--------------|---------------|
| Salary and Allowances          | 24.00        | 24.00         |
| Contribution to Provident Fund | 1.94         | 1.94          |
|                                | <u>25.94</u> | <u>25.94</u>  |

- Remuneration does not include contribution to gratuity fund which are actuarially determined on a overall basis.

- The above said remuneration has been approved by the shareholders in its meeting held on 29.04.2009 and is the minimum remuneration to be paid in case of no profit or profits are inadequate.

19. The interest paid in respect of working capital borrowings has been netted against interest received from customers.

20. The useful life of intangible assets has been estimated to be 5 years and such assets are being amortized on straight-line method @ 20%.

21. The company has identified Micro, Small and Medium Enterprises on the basis of information made available. Accordingly there are no dues to Micro, Small and Medium Enterprises that are reportable under the Micro, Small and Medium Enterprises Development Act, 2006.

The details of amount outstanding to Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act), based on the available information with the Company are as under :

| Sr. No. | Particulars  | As at 31.03.2011 | As at 31.03.2010 |
|---------|--|------------------|------------------|
| 1       | Principal Amount due and remaining unpaid                                | -                | -                |
| 2       | Interest due on (1) above and the unpaid interest                        | -                | -                |
| 3       | Interest paid on all delayed payments under the MSMED Act                | -                | -                |
| 4       | Payment made beyond the appointed day during the year                    | -                | -                |
| 5       | Interest due and payable for the period of delay other than (3) above    | -                | -                |
| 6       | Interest accrued and remaining unpaid                                    | -                | -                |
| 7       | Amount of further interest remaining due and payable in succeeding years | -                | -                |

22. Creditors and Debtors are shown net of advances.

23. Sundry debtors, Sundry creditors and advances balances amounting to Rs.4562.82 lac are subject to confirmation.

24. In the opinion of the Board of Directors, the Current Assets and Loans and Advances are having the value at which they are stated in the Balance Sheet, if realized in the ordinary course of business.

25. Previous year's figures have been regrouped/recasted to make them comparable with the current year figures wherever necessary.

26. Schedules 1 to 21 forms an integral part of the Balance Sheet and Profit and Loss Account and have been duly authenticated as such.



## MALWA COTTON SPINNING MILLS LIMITED

### SCHEDULES TO THE ACCOUNTS

#### 27. THE INFORMATION REQUIRED BY PARA 3 & 4 OF PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

| Particulars  | Current Year        |                  | Previous Year       |                  |
|--|---------------------|------------------|---------------------|------------------|
|  | Quantity<br>Kgs Lac | Value<br>Rs. Lac | Quantity<br>Kgs Lac | Value<br>Rs. Lac |
| <b>A. SALES (Gross)</b>  |                     |                  |                     |                  |
| Yarn   | 168.71              | 31509.09         | 168.52              | 23344.51         |
| Threads  | 29.79               | 9829.63          | 36.37               | 10850.20         |
| Raw Material   | 22.26               | 3294.80          | 82.25               | 7784.75          |
| Others   | –                   | 870.76           | –                   | 1261.94          |
|  |                     | <u>45504.28</u>  |                     | <u>43241.40</u>  |
| <b>B. RAW MATERIAL CONSUMED</b>  |                     |                  |                     |                  |
| Cotton   | 131.93              | 13836.39         | 168.83              | 11785.12         |
| Man made Fibre   | 113.24              | 14653.57         | 147.55              | 15241.36         |
| Others   | –                   | 629.65           | –                   | 600.27           |
|  |                     | <u>29119.61</u>  |                     | <u>27626.75</u>  |
| <b>C. TRADING GOODS PURCHASED</b>  |                     |                  |                     |                  |
| Others   | –                   | 34.53            | –                   | 35.00            |
| <b>D. VALUE OF OPENING AND CLOSING STOCK OF GOODS PRODUCED &amp; TRADED IN</b> |                     |                  |                     |                  |
| <b>Opening Stock</b>   |                     |                  |                     |                  |
| Yarn   | 7.66                | 1399.91          | 6.85                | 922.44           |
| Thread   | 16.51               | 4625.04          | 18.79               | 5277.37          |
| Others   | –                   | 231.23           | –                   | 204.61           |
| <b>Closing Stock</b>   |                     |                  |                     |                  |
| Yarns  | 10.67               | 2449.50          | 7.66                | 1399.91          |
| Thread   | 14.78               | 4753.86          | 16.51               | 4625.04          |
| Others   | –                   | 210.45           | –                   | 231.23           |
| <b>E. CAPACITY</b>   |                     |                  |                     |                  |
| Licensed Capacity  |                     | N.A              |                     | N.A.             |
| Installed Capacity   |                     | 143856 Spindles  |                     | 143856 Spindles  |

Note : The installed capacity is as certified by the management but not verified by the auditors being a technical matter.





# MALWA COTTON SPINNING MILLS LIMITED

## SCHEDULES TO THE ACCOUNTS

| Particulars  | Current Year               |                             | Previous Year       |                  |                            |                             |                 |                  |
|--|----------------------------|-----------------------------|---------------------|------------------|----------------------------|-----------------------------|-----------------|------------------|
|  | Quantity<br>Kgs Lac        | Value<br>Rs. Lac            | Quantity<br>Kgs Lac | Value<br>Rs. Lac |                            |                             |                 |                  |
| <b>F. ACTUAL PRODUCTION</b>  |                            |                             |                     |                  |                            |                             |                 |                  |
| Yarn*  | 200.71                     |                             | 204.99              |                  |                            |                             |                 |                  |
| Thread   | 28.67                      |                             | 34.13               |                  |                            |                             |                 |                  |
| * includes Thread production, goods processed for others on job basis and consumed for captive consumption.        |                            |                             |                     |                  |                            |                             |                 |                  |
| <b>G. C.I.F. VALUE OF IMPORTS</b>  |                            |                             |                     |                  |                            |                             |                 |                  |
| Raw Material   |                            | 1100.37                     |                     | 452.40           |                            |                             |                 |                  |
| Consumables  |                            | 49.59                       |                     | 35.09            |                            |                             |                 |                  |
| Capital Goods  |                            | 47.27                       |                     | –                |                            |                             |                 |                  |
| <b>H. EXPENDITURE IN FOREIGN CURRENCY</b>  |                            |                             |                     |                  |                            |                             |                 |                  |
| Commission   |                            | 4.27                        |                     | 13.59            |                            |                             |                 |                  |
| Travelling   |                            | 24.69                       |                     | 10.45            |                            |                             |                 |                  |
| Others   |                            | 4.53                        |                     | 6.12             |                            |                             |                 |                  |
| <b>I. EARNING IN FOREIGN EXCHANGE</b>  |                            |                             |                     |                  |                            |                             |                 |                  |
| FOB Value of Exports   |                            | 4035.85                     |                     | 4212.97          |                            |                             |                 |                  |
| <b>J. VALUE OF IMPORTED &amp; INDIGENOUS RAW MATERIALS, STORES &amp; SPARES CONSUMED &amp; PERCENTAGE THEREOF.</b> |                            |                             |                     |                  |                            |                             |                 |                  |
| ITEM   | INDIGENOUS                 |                             | PERCENTAGE          |                  | IMPORTED                   |                             | PERCENTAGE      |                  |
|  | Current<br>Year<br>Rs. Lac | Previous<br>Year<br>Rs. Lac | Current<br>Year     | Previous<br>Year | Current<br>Year<br>Rs. Lac | Previous<br>Year<br>Rs. Lac | Current<br>Year | Previous<br>Year |
| 1) Raw Material  | 27967.64                   | 26911.39                    | 96.04               | 97.41            | 1151.97                    | 715.36                      | 3.96            | 2.59             |
| 2) Component,<br>Stores & Spares   | 439.87                     | 319.12                      | 93.30               | 92.16            | 31.60                      | 27.16                       | 6.70            | 7.84             |

As per our separate report of even date.

For **S.C.VASUDEVA & CO.**  
Chartered Accountants  
Firm Reg. No. 000235N

**SANJIV MOHAN**  
Partner  
M. No. 86066

**POOJA DAMIR MIGLANI**  
Company Secretary

**ANIL JAIN**  
Vice President  
(Accounts)

**SURINDER KUMAR VIG**  
Director

**JANGI LAL OSWAL**  
Chairman-cum-Managing  
Director

Place : Ludhiana  
Dated : 30.05.2011



# MALWA COTTON SPINNING MILLS LIMITED

## SCHEDULES TO THE ACCOUNTS

### 23. INFORMATION REQUIRED AS PER PART IV OF SCHEDULE VI TO THE COMPANIES ACT,1956.

#### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

|  |                  |                              |                         |
|--|------------------|------------------------------|-------------------------|
| <b>A. Registration Details</b>   |                  |                              |                         |
| Registration No.   | 3702             | State Code                   | 16                      |
| Balance Sheet Date   | 31st March, 2011 |                              |                         |
| <b>B. Capital Raised during the year (Rs. Lac)</b>   |                  |                              |                         |
| Public Issue   | Nil              | Right Issue                  | Nil                     |
| Bonus Issue  | Nil              | Private Issue                | 27.50                   |
| <b>C. Position of Mobilisation and Deployment of Funds (Rs. Lac)</b>                       |                  |                              |                         |
| Total Liabilities  | 29297.41         | Total Assets                 | 29297.41                |
| <b>SOURCE OF FUNDS</b>   |                  |                              |                         |
| Paid-up-Capital  | 3514.90          | Reserves & Surplus           | 1996.15                 |
| Secured Loans  | 23541.36         | Equity Share Warrants        | Nil                     |
| Unsecured Loans  | 245.00           |                              |                         |
| <b>APPLICATION OF FUNDS</b>  |                  |                              |                         |
| Net Fixed Assets   | 6233.30          | Investments                  | 999.89                  |
| Deferred Tax Assets  | Nil              | Net Current Assets           | 19976.21                |
| Miscellaneous Expenditure  | Nil              | Accumulated Losses           | 2088.01                 |
| <b>D. Performance of Company (Rs. Lac)</b>   |                  |                              |                         |
| Total Turnover   | 45888.31         | Total Expenditure            | 45523.32                |
| Profit/(Loss) Before Tax   | 362.99           | Profit/(Loss) After Tax      | 362.71                  |
| Earning Per Share (Rs.)  | 0.99             | Preference Dividend Rate (%) | 9.00                    |
| <b>E. Generic Names of Principal Products/Services of Company (As per Mandatory Terms)</b> |                  |                              |                         |
| Item Code No. (ITC Code)   | 55.11            | Product Description          | Acrylic Yam             |
| Item Code No. (ITC Code)   | 52.05            | Product Description          | Cotton Yam              |
| Item Code No. (ITC Code)   | 55.11            | Product Description          | Polyester Viscose Yam   |
| Item Code No. (ITC Code)   | 52.04            | Product Description          | Cotton Sewing Thread    |
| Item Code No. (ITC Code)   | 54.01            | Product Description          | Polyester Sewing Thread |

Place : Ludhiana  
Dated: 30.05.2011

**POOJA DAMIR MIGLANI**  
Company Secretary

**ANIL JAIN**  
Vice President  
(Accounts)

**SURINDER KUMAR VIG**  
Director

**JANGI LAL OSWAL**  
Chairman-cum-Managing  
Director



# MALWA COTTON SPINNING MILLS LIMITED

## MALWA COTTON SPINNING MILLS LIMITED

Regd. Office : Industrial Area - 'A',  
LUDHIANA

### ATTENDENCE SLIP

I hereby record my/our presence at the Thirty-Fifth Annual General Meeting held on Monday, the 26th September, 2011 at 9.30 A.M. in the premises of Oswal Knit India Limited, 230, Industrial Area 'A', Ludhiana - 141003 (Punjab).

Full Name of Shareholder/Proxy\* attending the Meeting \_\_\_\_\_

Folio No. /DP ID No. and Client ID No. \_\_\_\_\_ No. of Shares \_\_\_\_\_

Signature of Shareholder/Proxy

\* Delete whichever is not applicable.

(Member/Proxy attending the Meeting must fill in this attendance slip and hand it over at the entrance of the Meeting hall).

..... ✂ ..... (TEAR HERE) ..... ✂ ..... ✂

## MALWA COTTON SPINNING MILLS LIMITED

Regd. Office : Industrial Area - 'A',  
LUDHIANA

### PROXY FORM

Folio No. \_\_\_\_\_ No. of Shares held \_\_\_\_\_

DP ID No. and Client ID No. \_\_\_\_\_

I/We \_\_\_\_\_

of \_\_\_\_\_ in the district of \_\_\_\_\_

being a Member(s) of the above named Company hereby appoint

Mr. / Ms. \_\_\_\_\_ of \_\_\_\_\_

in the district of \_\_\_\_\_ or failing him/her

Mr. / Ms. \_\_\_\_\_ of \_\_\_\_\_ in the district of

..... as my/our proxy to vote for me/us and on my/our behalf at the Thirty-Fifth Annual General Meeting of the Company to be held on Monday, the 26th September, 2011 at 9.30 A.M. and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

Affix Re. 1/-  
Revenue  
Stamp

Signature of Shareholder

Notes :

1. A member entitled to attend and vote is entitled to appoint a proxy to attend & vote on poll instead of himself/herself.
2. The Proxy form, in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the Meeting. The Proxy need not be a member of the Company.

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*Industrial Area - 'A',*

*Ludhiana - 141 003.*



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