



Malwa Cotton Spinning Mills Ltd.

38th Annual Report

2013-14



THE MANAGEMENT

- BOARD OF DIRECTORS** : MR.JANGI LAL OSWAL
Chairman-cum-Managing Director
MR.RISHI OSWAL
MR.RAHUL OSWAL
MR.ARUN KUMAR AHLUWALIA (Nominee of PNB)
MR.GYANESHWAR BANSAL
MR.SURINDER KUMAR VIG
- AUDITORS** : S.C. Vasudeva & Co., New Delhi
- BANKERS** : Punjab National Bank
State Bank of India
Vijaya Bank
The Jammu & Kashmir Bank Ltd.
IDBI Bank Ltd.
IFCI Ltd.
- REGISTERED OFFICE** : Industrial Area-‘A’,
Ludhiana-141003
- 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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NOTICE

Notice is hereby given that the THIRTY EIGHTH 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 September 29, 2014 at 9.30 AM to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Audited financial statement of the Company for the Financial Year March 31, 2014, the reports of the Board of directors and Auditors thereon; and
2. To appoint a Director in place of Mr. Rahul Oswal (DIN: 00257658), who retires by rotation at this Annual General Meeting and being eligible has offered himself for re-appointment.
3. To appoint a Director in place of Mr. Rishi Oswal (DIN: 00202889), who retires by rotation at this Annual General Meeting and being eligible has offered himself for re-appointment.
4. To appoint Auditors for the year 2014-15 and fix their remuneration and in this regard to consider and if thought fit, with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT M/s. S.C. Vasudeva & Co., Chartered Accountants (Registration No.000235N) be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting of the Company at such Remuneration as shall be fixed by the Board of Directors of the Company.”

SPECIAL BUSINESS

5. **To appoint Shri. Gyaneshwar Bansal (DIN 01376659) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:**

“RESOLVED THAT pursuant to the provisions of section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014(including any statutory enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Sh. Gyaneshwar Bansal (DIN 01376659) be and is hereby appointed as Independent Director of the Company to hold office for 5 (five) consecutive years for a term upto March, 2019.”

6. **To appoint Shri. Surinder Kumar Vig. (DIN 00764596) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:**

“RESOLVED THAT pursuant to the provisions of section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014(including any statutory enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Sh. Surinder Kumar Vig (DIN 00764596) be and is hereby appointed as Independent Director of the Company to hold office for 5 (five) consecutive years for a term upto March, 2019.”

7. **To take note of the appointment of Sh. Jangi Lal Oswal (DIN 00257644) as Managing Director and in this regard to consider and if thought fit, to pass, with or without modifications(s) the following resolution as an Ordinary Resolution:**

“RESOLVED THAT in accordance with the provisions of sec 198, 269, 309 and schedule XIII of Companies act 1956 and other applicable provisions of prevailing for the time being in force, approval of Company be and is hereby accorded to take note the reappointment of Sh. Jangi Lal Oswal(DIN 00257644) as Managing Director of the Company, for a period of 5 (five) years with effect from Jan 01, 2014, without any remuneration;

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”



8. **To adopt new Articles of Association of the Company containing regulations in conformity with the Companies Act, 2013 and in this regard to consider and if thought fit, to pass, with or without modifications(s) the following resolution as an special Resolution:**

“RESOLVED THAT pursuant to the provisions of Section 14 and all other applicable provisions of the Companies Act, 2013 read with Companies (incorporation) Rules, 2014 ((including any statutory enactment thereof for the time being in force), the draft regulations contained in Article of Association submitted to this Meeting be and are hereby approved and adopted in substitution, and to the entire exclusion, of the regulations contained in the existing Article of Association of the Company;

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

9. **To take shareholder approval in terms of section 180 subsection c of Companies Act, 2013 to borrow money in excess of aggregate of paid up capital and free reserves of the Company and in this regard to consider and if thought fit, to pass, with or without modifications(s) the following resolution as an Special Resolution:**

“RESOLVED THAT in supersession of Resolution no. 8 passed at the Annual General Meeting of the company held on 16 September 1994 and pursuant to Section 180(c), and all other applicable provisions, of any of the Companies Act 2013 the consent of the company be and is hereby accorded to the Board of Directors of the company for borrowing from time to time any sum or sums of monies which together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company’s bankers in the ordinary course of business), may exceed the aggregate of the paid up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided such access as determined by the amount so borrowed by the Board and outstanding shall not at any time exceed the limit Rs. 300 crores.”

Place: Ludhiana
Dated: 30.05.2014

By order of the Board

POOJA DAMIR MIGLANI
Company Secretary

NOTE:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself . The proxy need not be a member of the Company. The proxy in order to be effective must be received at the registered office of the company not less than 48 hours before the meeting.
2. Explanatory statement pursuant to the provisions of Sections 173(2) of the Companies Act is annexed.

Place: Ludhiana
Dated: 30.05.2014

By order of the Board

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 of the Notice is also being annexed hereto respectively and forms part of the Notice.
3. The Register shall remain closed from 26.09.2014 TO 29.09.2014 both days inclusive.
4. Members holding shares in physical form are requested to notify the change in their addresses, if any, to the Registrar & Transfer Agent/Company immediately quoting their Folio Number(s). However, Members holding shares in electronic mode may notify change in the address, if any, to their respective Depository Participants.
5. Members desiring any information, as regards Accounts are requested to write to the Company at its Registered Office at least 10 days before the date of Annual General Meeting so as to enable the Management to keep the information ready.
6. The copies of relevant documents can be inspected at the Registered Office of the Company on any working day between 10.30 AM to 12.30 PM.
7. Members are requested to bring their copy of Annual Report along with them at the Annual General Meeting.
8. The Ministry of Corporate affairs (MCA) has vide Circular Nos. 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively, taken a Green Initiative in Corporate Governance by allowing paperless compliances through electronic mode, allowing to send documents such as Notice convening General Meetings, Audited Financial Statements, Directors' Report, Auditors' Report, etc. and any other notice/documents, henceforth in electronic form in lieu of the paper form.

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

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

M/s Mas Services Pvt. Ltd, T-34, 2nd Floor, Okhla Industrial Area, Phase-II, NEW DELHI-110020
Phone Number : 91 11 26387281-82, Fax Number : 91 11 26387384, E-Mail: info@masserv.com

Place: Ludhiana
Dated : 30.05.2014

By order of the Board

POOJA DAMIR MIGLANI
Company Secretary

ANNEXURE TO THE NOTICE

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

Mr. Rishi Oswal.

Mr. Rishi Oswal has the experience of over 20 years in Textile and Apparel Industry. He is a commerce graduate. He is the Managing Director of Malwa Industries Ltd and is with the Company since its incorporation and involved in strategic planning and mapping the future growth of Malwa Industries Ltd. His date of birth is 26.11.1972 and date of appointment is 29.07.1994. He holds the position of Managing Director/Director on the Board of the following Companies:



Malwa Industries Ltd , Oswal Multimedia K.I.D. Ltd. , Malwa Capital and Finance Ltd., Jangi Growth Fund Pvt. Ltd., Neelam Growth Fund Pvt. Ltd., Rishi Growth Fund Pvt. Ltd., Oswal Exim Trade Limited, Malwa Corp. Ltd. R.N.A. Ores & Minerals Private Ltd., Oswal Corp. Ltd., Oswal Wool & Allied Limited

Mr. Rahul Oswal

Mr. Rahul Oswal has the experience of 18 years in Textile and Apparel business. He is commerce graduate. His date of birth is 07.01.1974 and date of appointment is 29.07.1994. He holds a position of Executive Director/Director on the Board of the following Companies:

Malwa Industries Ltd. , Oswal Multimedia K.I.D. Ltd., Malwa Corp. Ltd., Oswal Corp. Ltd., Oswal Grandeur Ltd

Place: Ludhiana
Dated: 30.05.2014

By order of the Board

POOJA DAMIR MIGLANI
Company Secretary

EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 102(1) OF THE COMPANIES ACT, 2013

The following statement sets out all

ITEM 5

As per the provisions of Section 149,152 read with Schedule IV, a listed Public Company shall have atleast one-third of the total number of directors as an independent directors. Therefore Shri Gyaneshvar Bansal will be appointed as an independent director by passing an ordinary resolution, if thought fit, to hold the office for the term of 5 consecutive years upto March 2019.

ITEM 6

As per the provisions of Section 149,152 read with Schedule IV, a listed Public Company shall have atleast one-third of the total number of directors as an independent directors. Therefore Shri Surinder Kumar Vig will be appointed as an independent director by passing an ordinary resolution, if thought fit, to hold the office for the term of 5 consecutive years upto March 2019.

ITEM 7

Keeping in view the financial position of the Company, Board of Directors in their meeting held on 15.04.2013, superseded the decision of shareholders to appoint Sh Jangi Lal Oswal Oswal at a remuneration of Rs 2 Lacs per Month and it was decided to appoint Sh. Jangi Lal Oswal as Managing director of the Company for a period of 5 years effective 01.01.2014 without any remuneration, so in this meeting shareholder will be requested to ratify this decision of Board.

ITEM 8

With the coming into force of the Companies Act 2013, Act several regulations of the existing Article of Association of the Company require alteration or deletions in several articles. Given this position, it is considered expedient to wholly replace the existing Article of Association by a new set of Articles. The proposed new draft Article of Association is being uploaded on the Company's website for perusal by the shareholders.

The drafted rules and regulations contained in the Articles of association will be submitted to the meeting of the Board of Directors and the same shall be approved and adopted in substitution to the regulations contained in the existing Article of Association of the Company.

ITEM 9

As per the terms of section 180 (C) of the Companies Act 2013, with respect to supersession of resolution No. 8 at the Annual general Meeting of the company held on 16th September 1994 the consent of the company will be accorded to the Board of Directors of the company for borrowing from time to time any sum or sums of monies which together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business), may exceed the aggregate of the paid up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided such access as determined by the amount so borrowed by the Board and outstanding shall not at any time exceed the limit Rs. 300 crores

Place: Ludhiana
Dated: 30.05.2014

By order of the Board

POOJA DAMIR MIGLANI
Company Secretary



DIRECTORS' REPORT

Dear Members,

The Directors of your Company are pleased to present their 38th Annual Report on the business of the Company together with the Audited Accounts of the Company for the year ended on 31st March, 2014.
(Rs Lacs)

FINANCIAL RESULTS	2013-14	2012-13
Profit/(Loss) before Financial Expenses & Depreciation	(4485.94)	(12489.14)
Financial Expenses	48.39	3295.43
Depreciation	331.34	387.10
Profit/(Loss) before tax	(4865.67)	(16171.67)
Profit/(Loss) for the year after tax adjustments	(4865.67)	(16171.67)

YEAR IN RETROSPECT

The net worth of the company has been eroded due to continuous losses suffered by the company and there was negative net worth as at 31st March, 2013 resulting in the Sickness of the company. M/s Malwa Cotton Spinning Mills Ltd (MCSML), based on its audited balance sheet as at 31st March, 2013 had filed a reference under Sick Industrial Companies (Special provisions) Act 1985 and the reference was registered on 24th May, 2013 with Board for Industrial & Financial Reconstruction (BIFR).

The Company has recorded net loss before depreciation, interest & tax of Rs 4485.94 lac as compared to previous year loss before depreciation, interest & tax of Rs.12489.14 lac.

Due to sluggish demand in domestic and export markets for the last 3-4 years, the performance of the company deteriorated resulting in losses of the Company. There was delay in realization of old debtors due to prevailing recession in the market, thus affecting the liquidity and working capital cycle. Due to high inflation, the disposable income skewed and lesser consumption pattern is being formed and resulting tight money market conditions. These factors adversely affected the capacity utilization of the Company which fell to 23.79% during the year 2013-14. The company could not absorb its fixed manufacturing cost due to lower capacity utilization which adversely affected the efficiency of the company.

During the year, the Company has achieved total production of 66.48 lac kgs for all types of yarns compared to previous year's production of 102.02 lac kgs. The Cotton Yarn production was 8.56 lac kgs against 35.75 lac kgs in the previous year and other yarns production was 57.92 lac kgs against 66.27 lac kgs. in the previous year. Thread production of 19.57 lac kgs was also achieved by the company against 21.14 lac kgs in the previous year.

TURNOVER

During the year, your Company has recorded gross sales of Rs 18838.16 lac against Rs. 31324.25 lac in the previous year. The Company has achieved Yarn sale of Rs 10306.65 lac, Thread sale of Rs 7893.91 lac and others of Rs 637.60 lac in the current year ended on 31st March, 2014 against sale of Yarn Rs. 19092.02 lac, Thread Rs.8569.82 lac and others Rs. 3662.41lac in the previous year. Export of Yarn was at Rs.677.56 lac (CIF) against Rs. 1058.65 lac (CIF) in the previous year.

BARNALA UNIT

The Barnala unit has achieved production of 23.88 lac kgs of Yarn and capacity utilization of 6.77% in the current year.

PAONTA SAHIB UNIT

The Paonta Sahib unit was operating at capacity utilization of 48.11 %and had production of 37.22 lac kgs of yarns.

MACHHIWARA UNIT

The Worsted Unit had achieved production of 5.38 lac kgs during the year and the unit was operating at capacity utilization of 21.51 %.

FIXED DEPOSITS

The Company has not accepted/renewed any deposits from the public during the year under review under section 58A of the Companies Act, 1956.



INDUSTRIAL RELATIONS

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

COMPLIANCE OF LISTING AGREEMENT

The Equity Shares of the Company are listed on Bombay Stock Exchange and National Stock Exchange of India Ltd. The Company will pay Annual Listing Fee to both the Exchanges in due course.

CORPORATE GOVERNANCE

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

AUDITORS

M/s. S.C.VASUDEVA & Co., Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offered themselves for re-appointment.

COST AUDITORS

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

- i) For the year 2012-13 on 27th September, 2013 and was filed on 21st Sept, 2013.
- ii) For the year 2013-14 on 27th September, 2014 and is expected to be filed in due course of time.

AUDITORS' REPORT

The Auditors' Report on the Accounts is self-explanatory and required no comments except i) non-disclosure of segment results separately in respect of sewing thread segment in accordance with Accounting Standard (AS)-17. Results of the operations of the sewing thread segment is compiled to the extent it could be computed from the books of account however results of the textile segment (yarn & sewing thread) is disclosed as per Accounting Standard (AS-17)

ii) Due to recession there is delay in realization of debtors and the Company is settling with parties for its recovery and confident of recovery of debtors in respect of which balances were not confirmed and however the company has made a provision for doubtful debts for Rs.1017.51 lac in respect of these debtors during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

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

DIRECTORS

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

Mr. Atul Saxena, nominee of IFCI Ltd. and Mr. Sanjay Kumar suroya (Nominee of IDBI) ceased to be Director of the Company w.e.f. 25.09.2013 and 24.09.2013 respectively. The Board places on record its appreciation for their services rendered during their tenure as Directors of the Company.

ACKNOWLEDGEMENT

The Board of Directors place on record its appreciation for the valuable assistance, support and guidance extended to the Company by 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 wishes to express its deep gratitude for the continued support from its shareholders and the employees and appreciate the co-operation and unstinted support extended to the Company.

DISCLOSURE OF PARTICULARS

Statement of particulars of employees pursuant to Section 217(2A) of the Companies Act, 1956 is attached as per Annexure 'A'.

Information as per the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earning and outgo is given in Annexure 'B' forming part of this Report.

ANNEXURE 'A' TO THE DIRECTORS' REPORT
PARTICULARS OF EMPLOYEES

Statement of Particulars of Employees under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report for the year ended 31.03.2013

Name	Age	Date of Employment	Qualification	No. of Years of Experience	Designation & Nature of Duties	Remuneration (Rs. Lacs)	Last Employment	Designation with last employer	Period Of Service with last employer
Mr. Jangi Lal Oswal	62	09.4.1980	B.A.II Year	44	Chairman-cum-Managing Director	19.21	Oswal Woolen Mills Ltd	Commercial Manager	9

1. The appointment of Mr. Jangi Lal Oswal is on contractual basis.
2. Mr. Jangi Lal Oswal is related to Mr. Rishi Oswal and Mr. Rahul Oswal, Directors of the Company.
3. The remuneration is upto 31-12-2013 includes salary, cash allowances and/or perquisite value of other non cash perquisites.

Place: Ludhiana
Date : 30.05.2014

For and on behalf of Board

JANGI LAL OSWAL
Chairman-cum-Managing Director

ANNEXURE 'B' TO THE DIRECTORS' REPORT
INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.
I. CONSERVATION OF ENERGY

The Company continues to accord priority for energy conservation.

- a) Some of the initiatives undertaken for conservation of energy are -
 - Use of energy efficient motors and various machines.
 - Improvement in power factors by providing capacitor on different load centers.
 - Electronic soft start units with Power Saving features installed at various machines.
 - Installation of flat belt, flat pulley & FRP fans at humidification plant.
 - Energy efficient lighting system.
- b) Further proposed and investment for reduction of energy consumption.
 - Modernization/replacement of obsolete plant & machinery.
- c) Overall impact of measures of above resulting in energy saving
 - Not ascertainable precisely.
- d) Total energy consumption and energy consumption per unit of production as per Form A in respect of industries specified in the schedule.

FORM A

(Disclosure of particulars with respect to conservation of energy)

		2013-14	2012-13
1.Electricity			
a) Purchased			
Units	Lac Units	366.26	492.54
Total Amount	Rs. Lacs	2487.66	2995.21

Rate/Unit	Rs.	6.79	6.08
b) Own generation			
Through diesel			
Units	Lac Units	4.13	1.82
Unit/Litre		3.28	3.31
Rate/Unit	Rs.	15.54	11.09
2.Steam			
Quantity	Tonnes	60379.310	121217.56
Total Cost	Rs.Lacs	843.32	1524.10
Rate/Per Ton	Rs./Tonne	1396.72	1257.33
Electricity	Per Tonne in unit	4682.72	4234.02
Steam	Per kg of Fibre/Yarn	12.48	16.32

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.

1. With the ongoing efforts by R&D, benefits derived are –
 - A. Improvement in quality of its products.
 - B. Development of specialized yarn
 - C. Consistency in work performance.
2. Future plan of action
3. The Company is doing R&D on continuous basis to improve the quality of existing products and introduction of new products.
4. Expenditure on R & D

	(Rs. Lacs)	
	2013-14	2012-13
a) Capital	-	-
b) Recurring	35.72	59.28
c) Total	35.72	59.28
d) Total R & D Expenditure as a percentage of turnover	0.19%	0.19%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief, made towards Technology Absorption, Adaptation and Innovation-
 - Absorption and adaptation of new indigenous technology are being made.
2. Benefit derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.
 - Not ascertainable.
3. Information regarding technology imported during the last 5 years : Nil

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

(Rs Lac)

	2013-14	2012-13
Foreign Exchange earned (FOB)	659.60	1024.59
Foreign Exchange used (CIF)	15.99	41.43

ANNEXURE 'C' TO THE DIRECTORS' REPORT

Directors' Responsibility Statement

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

1. That in preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures.
2. That the Directors had selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the Profit or Loss of the Company for that period.
3. That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. That the Directors have prepared the Annual Accounts on a going concern basis.

PLACE : LUDHIANA
Dated : 30.05.2014

For and on behalf of Board

JANGI LAL OSWAL
Chairman-cum-Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT
Industry Structure and Developments

The textile industry in India has been a pioneer industry. India's industrialisation in other fields has mainly been achieved on the back of the resources generated by this industry. However, the industry was neglected, as measures taken by the Government with the apparent objective of protecting the cotton growers and the large labour force have continuously eroded its profitability. For the Indian economy, the textile industry accounts for huge chunk of its industrial production employing over 15 million people. Major chunk of India's export basket consists of textiles and garments making it the largest contributors

Opportunities and Threats

Globalisation has brought opportunities for Indian textile industry. At the same time it is also exposed to threats, particularly from cheap imported fabrics. Thus, the industry has to fight for its share in international textile trade. Even if it is assumed that WTO will mean better distribution of the world trade, in no way will it be free for all and only the fittest will survive. The WTO benefits for India will not be any different from that of the other developing countries. Indian textile industry should not only rely on its strengths, but should also endeavour to remove its weakness.

Future Outlook

A stable outlook on cotton and synthetic textiles would require favorable policy environment, improvements in demand-supply position, continued stability in input costs and consequent improvement in margins/liquidity. It is unlikely that the sector's outlook will turn positive until fundamental issues such as power shortage, lack of technology and modern machinery and demand slowdown are resolved. However, foreign direct investment (FDI) in retail is an opportunity that would unleash demand in the long run and offset any slowdown in exports.

Risks and concerns

The Indian textile industry has natural advantages of strong multi-fibre base traditional skills and cheap labour. However, these strengths get diluted due to high contamination of cotton, lack of technology/upgradation, low productivity, and an absence of focused and co-ordinated development strategy. Indian textile industry global market share continues to stagnate due to inadequate product diversification and value addition and our inability to meet the quality and market compliance..The industry will have to look for competing and surviving purely on its strength and competitive edge. A comprehensive strategy, involving the Government and industry partnership is the need of the hour to convert the threats into opportunities and, sustain and enlarge our domestic and international market shares.

Internal Control System and their adequacy

The Company has well defined internal control system. The Company takes abundant care to design, review and monitor the working of internal control system. Internal Audit in the organization is an independent appraisal activity and it measures the efficiency, adequacy and effectiveness of other controls in the organization. All significant issues are brought to the attention of the Audit Committee of the Board.

The Audit Committee of Board of Directors continuously reviews the adequacy of internal controls.

Financial/operational Performance

(Rs.Lac)

Particulars	2013-14	2012-13
Turnover & Other Income	18904.94	31518.47
PBDIT	(4485.94)	(12489.14)
Financial Charges	48.39	3295.43
Depreciation	331.34	387.10
Profit/(Loss) before Tax	(4865.67)	(16171.67)
Profit/(Loss) after Tax	(4865.67)	(16171.67)
Earnings Per Share (Rs.)	(65.16)	(208.18)

Human Resources/Industrial Relations

The Company continues to lay emphasis on building and sustaining an excellent organization climate. Industrial Relations at all units of the Company remained cordial and peaceful during the year.

Place: Ludhiana

Dated : 30.05.2014

For and on behalf of Board

 JANGI LAL OSWAL
 Chairman-cum-Managing Director

REPORT ON CORPORATE GOVERNANCE

As per Clause 49 of Listing Agreement entered with Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE) in India and some of best practices followed on Corporate Governance, this report, being a part of Annual Report, ensures that the Company has complied with all the regulations which cast upon the Board of Directors and the Audit Committee, onerous responsibilities to improve the Company's operating efficiencies. This report ensures fairness, transparency and integrity of the management of Malwa Cotton Spinning Mills Limited. Corporate Governance Report besides being in compliance of Listing Agreement gives an insight into the functioning of Company and it meets its obligations to provide timely and balanced disclosures of all material information concerning the Company to all stakeholders

1. COMPANY'S PHILOSOPHY:

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

2. BOARD OF DIRECTORS:
(a) Board Meeting:

During the Financial Year 2013-14, the Board met five times on the following dates:-

- 15th April, 2013 - 14th August, 2013 - 21th September, 2013
- 14th November, 2013 - 10th February, 2014

(b) Composition:

The Board of Directors comprises of six Directors and includes:

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

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

The detail of composition of the Board of Directors and their attendance at the Board Meetings during the year and last Annual General Meeting of the Company and also the number of other Directorships/Chairmanships in Indian Public Limited Companies along with explanatory notes are as follows :-

Name of the Director	Category	No. of Board meetings held	No. of Board meetings attended	Attendance at last AGM	No. of directorship held in other companies	No. of Board Committee membership held other companies	No. of Board Chairmanship held in other companies
Mr. Jangi Lal Oswal , Chairman cum Mg. Director	Non-Independent, Executive	5	4	Yes	17	-	-
Mr. Rishi Oswal	Non-Independent, Non-Executive	5	3	No	13	-	-
Mr. Rahul Oswal	Non-Independent, Non-Executive	5	4	Yes	6	-	-
Mr. Gyaneshwar Bansal	Non-Executive, Independent	5	3	No	Nil	-	-
Mr. Surinder Kumar Vig	Non-Executive, Independent	5	5	Yes	2	-	-
Mr. Sanjay Kumar Suroya	Nominee of IDBI Non-Executive, Independent	3	1	No	nil	-	-
Mr. Arun Kumar Ahluwalia	Nominee of PNB, Non-Executive, Independent	5	1	No	nil	-	-
Mr. Atul Saxena	Nominee of IFCI Ltd. Non-Executive, Independent	3	0	No	nil.	-	-

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

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

Mr. Atul Saxena and Mr. Sanjay Kumar Suroya retired from the directorship effective 25.09.2013 and 24.09.2013 respectively

3. AUDIT COMMITTEE

The Audit Committee comprise of three directors, namely Mr. Gyaneshwar Bansal, Chairman, Mr. Surendra Kumar Vig and Mr Jangi Lal Oswal. Sh. Gyaneshwar Bansal, member of Audit Committee have Financial and Accounting experience.

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

The Audit Committee met four times during the Financial Year 2013-2014 on the following dates:-

- 15th April, 2013 - 14th August, 2013
- 14th November, 2013 - 10th February, 2014

The attendance of Members of the Audit Committee during the Financial Year 2013-2014:-

Name of the Committee Member	No. of Audit Committee meetings attended
Mr. Jangi Lal Oswal	1
Mr. Gyaneshwar Bansal	3
Mr. Surinder Kumar Vig	4
Mr. Sanjay Kumar Suroya	1
Mr. Atul Saxena	0

Mr. Atul Saxena and Mr. Sanjay Kumar Suroya retired from the Audit Committee effective 25.09.2013 and 24.09.2013 respectively

Mr. Jangi Lal Oswal was appointed as member of Audit Committee effective 14.11.2013.

4.) DIRECTORS' REMUNERATION:

As per the provisions of Section 269,198,309 read together with Schedule XIII of the Companies Act, 1956, the Company paid remuneration to Chairman cum Managing Director as approved by the Board of Directors and the Members of the Company in the Extraordinary General Meeting held on 29th April, 2008 upto 31.12.2013 and for the period from 01.01.2014 till 31.03.2014 he is working without any remuneration.

i) Chairman cum Managing Director:

Name	Designation	Salary and allowances	Other Perks	Contribution to Provident and other funds	Gross Salary (Rs. in lacs)
Mr. Jangi Lal Oswal	Chairman-cum-Mg. Director	18.00	-	1.21	19.21

ii) Non-Executive Directors:

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

The details of Sitting Fee paid to Non-Executive Directors during the Financial Year 2013-14 are as below:-

Name of Non-Executive Directors	Sitting fee (Rs.)
Mr. Rishi Oswal	6000.00
Mr. Rahul Oswal	8000.00
Mr. Surinder Kumar Vig	18000.00
Mr. Sanjay Kumar Suroya	4000.00
Mr. Yashpal Barar	NIL
Mr. Gyaneshwar Bansal	12000.00
Mr. Atul Saxena	NIL
Mr. Arun Kumar Ahluwalia	2000.00
Total	50000.00

5. SHAREHOLDING OF DIRECTORS AS ON 31.03.2014

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

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

6. SHAREHOLDERS' /INVESTORS' GRIEVANCE COMMITTEE:

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

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

A Meeting of the Committee was held on 14.11.2013 and same was attended by Mr. Gyaneshwar Bansal and Mr. Surendra Kumar Vig. Mrs. Pooja Damir Miglani, Company Secretary of the Company, is the Compliance Officer of this Committee.

During the year 2013-2014, the Company has not received any complaint from its Shareholders No complaint was pending as on 31st March, 2014.

7. GENERAL BODY MEETINGS:
i) General Meetings:
a) Annual General Meeting-

Year	Date of Meeting	Time of Meeting	Venue of Meeting
2010-11	26.09.2011	9:30 AM	In the premises of Oswal Knit India Ltd. 230 Industrial Area-A, Ludhiana.
2011-12	26.09.2012		
2012-13	31.08.2013		

Extraordinary General Meeting –

- i) No Extraordinary General Meeting was conducted during the year
- ii) Postal Ballot-
No resolution was passed though Postal Ballot during the year.

8. DISCLOSURES:
A) Disclosure on material significant Related Party transactions:

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

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

There is no non-compliance by the Company which attracts penalties either by Stock Exchanges or Securities 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), The Financial Express (English) and Des Sewak (Punjabi).

GENERAL INFORMATION FOR SHAREHOLDERS
i) 38th Annual General Meeting

Date :	September 29, 2014
Time :	9.30 A.M.



Venue : In the premises of Oswal Knit India Limited
230 Industrial Area-A, Ludhiana

Particulars of Directors as per Clause 49(IV) G (i) of the Listing Agreement with the Stock Exchanges regarding re-appointments at the forthcoming Annual General Meeting (AGM) are given in the Annexure to the Notice of AGM to be held on September 29, 2014.

ii) **Financial Calendar** : 2014-15 (Tentative)

Adoption of Results for the period ended	Date of Submission to Stock Exchange
30 th June, 2014(Quarter)	Second week of August, 2014
30 th September, 2014(Quarter)	Second week of Nov., 2014
31 st December, 2014(Quarter)	Second week of February, 2015
31 st March, 2015(Yearly)	Last week of May, 2015

iii) **Book Closure date:** 26.09.2014 to 29.09.2014 (both days inclusive)

iv) **Dividend:** No dividend was recommended for the year 2013-14.

v) **Listing:** The Securities of the Company are listed on the following Stock Exchanges:-

1. Bombay Stock Exchange Limited, Mumbai (BSE)-
Floor 25, P J Towers, Dalal Street, Fort, MUMBAI – 400 001

2. The National Stock Exchange of India Limited (NSE)-
5th Floor, Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla complex, MUMBAI – 400 051

The Company has paid the Listing Fees to both the Stock Exchanges for the Financial Year 2013-2014 and will pay Listing Fees for the Financial Year 2014-15 in due course of time.

vi) **Stock Code**

BSE : 502995
NSE : MALWACOTT

vii) **Market Price Data (NSE)**

Month	High	Low	Month	High	Low
April,13	11.10	09.15	Oct,13	08.05	06.70
May,13	09.35	08.05	Nov,13	08.00	08.00
June,13	10.15	09.25	Dec,13	09.35	08.15
July,13	10.15	09.25	Jan,14	10.10	08.00
Aug,13	09.05	09.05	Feb,14	09.00	07.85
Sept,13	08.60	06.15	March, 14	08.55	07.25

viii) **Unclaimed Dividend**

There is no unclaimed dividend pending with the Company.

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

Name & Address : M/s Mas Services Ltd, T-34, 2nd Floor, Industrial Area, Phase-II ,NEW DELHI-110020
Phone Number : 91 11 26387281-82 , Fax Number : 91 11 26387384 E-Mail : info@masserv.com

x) **Share Transfer Systems:**

The Equity Shares of the Company which are in electronic form represent 77.80 % of the Equity Shares of the Company.

Electronic Transfer:

These shares can be transferred through depositories without any involvement of the Company.

Physical Transfer:

As regards transfer of shares held in physical form, the transfer documents can be lodged with the Company M/s Mas Services Ltd. and after being approved by Share Transfer Committee transfer is affected. 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.

xi) Shareholding as on March 31, 2014
a) Distribution of Equity Shares as on 31st March, 2014

Numbers of shares	Holding	Percentage to capital	No. of shareholders	% age of total No. of shareholders
Upto 5000	793100	10.03	6282	88.63
5001-10000	303416	3.84	365	5.15
10001-20000	329616	4.17	214	3.02
20001-30000	148092	1.87	59	0.83
30001-40000	142507	1.80	41	0.58
40001-50000	140568	1.78	30	0.42
50001-100000	300168	3.80	40	0.57
100001 & above	5747561	72.71	57	0.80
Total	7905028		7088	

b) Categories of Equity Shareholders as 31st March, 2014

Category	Numbers 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)	865811	10.95
Private Corporate Bodies	628230	7.95
Indian Public	2257242	28.55
NRI/OCBs	23430	0.30
TOTAL	7905028	100.00

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, Dist. 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 on 31st March, 2014.

For and on behalf of the Board

Place: Ludhiana
Dated: 30.05.2014

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, 2014 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 was limited to review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. 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 Directors and 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 state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders Investors Grievance Committee. 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 Regd. No.: 00235N

(SANJIV MOHAN)
Partner
M. No. 86066

Place: Ludhiana
Date: 30.05.2014

AUDITOR'S REPORT

The Members,
Malwa Cotton Spinning Mills Limited
Ludhiana.

Report on the Financial Statements

1. We have audited the accompanying financial statements of Malwa Cotton Spinning Mills Limited, which comprise the Balance sheet as at March 31, 2014, and the Statement of profit and loss and Cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by The Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis on Matter

4. Without qualifying our opinion, we draw attention to note no. 39 in the financial statements. The Company has incurred a net loss of Rs.4,866 lacs during the year ended 31st March, 2014, which together with brought forward losses of Rs.17,020 lacs exceeds the net worth of the company, and as of that date, the company's current liabilities exceeded its current assets by Rs.13,811 lacs and its total liabilities exceeded its total assets by Rs.18,370 lacs. The Consortium banks have recalled their total debts due from the company. These events cast significant doubt on the ability of the company to continue as a going concern. The appropriateness of the going concern assumption is dependent on the company's ability to establish consistent profitable operations and generate positive cash flows as well as raising adequate finance to meet its short term and long term obligations. Based on the mitigating factors stated in the said note, the management of the company believes that the going concern assumption is appropriate.

Basis for Qualified Opinion

5. *We report that:*
 - i. *The company has not arranged to make available the confirmations and/or reconciliations to verify the balances stated in the financial statements in respect of:*
 - i. *Trade Receivables Rs. 3796 lacs*
 - ii. *Loans and Advances: Rs. 4005 lacs*
 - iii. *Trade payables: Rs.6515 lacs,*
We have also not been able to perform any alternative procedures with regard to verification of the aforesaid balances and thereby have been unable to obtain sufficient appropriate audit evidence regarding the aforesaid accounts .We are unable to comment upon the difference, if any, which may arise upon the receipt of confirmations and/or the carrying out of such reconciliation.
 - ii. *The management of the company has represented to us that the recoverable amount of assets within the meaning of Accounting Standard 28 "Impairment of Assets" is more than their carrying value and as such no amount needs to be recognized in the financial statements for impairment loss. In the absence of the workings*

- of impairment having been prepared and made available to us for our review, we are unable to comment on whether the company needs to make a provision in respect of impairment loss on such assets and the amount of such provision.
- iii. Refer note no.36 of the financial statements, the company has not made provision in respect of balances recoverable from Trade Receivables, Loans and Advances and Other Recoverable, which are doubtful in nature amounting to Rs. 5807lacs as on the date of the financial Statements.
 - iv. Refer note no.38 of the financial statements, the Company has not provided for the Interest on borrowings amounting to Rs. 2,935 lacs pertaining to year ended on 31st March, 2014.
 - v. We further report that, except for the effect, if any, of the matters stated in paragraph (i) and (ii) above which are not ascertainable, had the impact of our observation made in paragraph (iii) and (iv) above been considered, then loss for the year ended 31st March, 2014 would have been Rs. 13,608 lacs (against the reported figure of Rs. 4,866 lacs) and reserves and surplus would have been Rs. (30,627) lacs (against the reported figure of Rs. (21,885) lacs) and current assets would have been Rs. 4,492 lacs (against the reported figure of Rs. 13,234 lacs).
 - vi. The earning (loss) per share for the year ended 31st March, 2014 would have been Rs. (175.75) against reported earning (loss) per share of Rs. (65.16).

Qualified Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, *subject to our comments in paragraph 5 above*, the said financial statements read together with significant accounting policies and notes thereon 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:
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
 - b. In the case of Statement of Profit and Loss, of the loss for the year ended on that date; and
 - c. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. 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 give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
8. As required by section 227(3) of the Companies Act, 1956, 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 purpose 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, Statement of profit and loss, and Cash flow statement dealt with by this Report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement 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 written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

FOR S.C. VASUDEVA & CO.

Chartered Accountants
Firm Reg. No. 000235N

PLACE: Ludhiana
DATED: 30th May, 2014

(SANJIV MOHAN)
Partner
M. No. 86066

Annexure to the Auditor's Report

(Referred to in paragraph 7)

- (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 except furniture and fittings and office equipments have been physically verified by the management during the year under the supervision of internal auditors of the company (an independent firm of Chartered Accountants). In respect of furniture and fittings and office equipments, the company has adopted a policy of physical verification of these assets at least once in every three year. The entire block of these assets have been physically verified by the management during the year. The discrepancies noticed on physical verification of fixed assets which were not material, have been properly 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 during the year, in our opinion the frequency of physical verification of inventories 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 is adequate having regard to the size of the company and nature of its business.
 - c) In our opinion and according to the information and explanations given to us, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to the book records which were not material have been properly dealt with the books of account.
- (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.
 - b) According to the information and explanations given to us, the company has not taken loans secured or unsecured from 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) (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 the said 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, the company has not been regular in depositing undisputed dues in respect of provident fund, employees' state insurance, sales tax (VAT and CST), tax deducted at source and tax collected at source.
 - (b) According to the information and explanations given to us, there are no amounts to be deposited towards investor education and protection fund. The undisputed dues in respect of wealth tax, income tax, custom duty, excise duty and cess have been regularly deposited with appropriate authorities.
 - (c) *In our opinion and according to the information and explanations given to us, undisputed dues in respect of provident fund, employees' state insurance, labour welfare fund, sales tax (VAT and CST), tax deducted at source and tax collected at source which were outstanding at the year end for a*

period of more than six months from the date they became payable are as follows:

Nature of Statute	Nature of Dues	Amount (Rs. in Lacs)	Period to which the amount relates	Due Date	Date of Payment
<i>Income Tax Act, 1961</i>	<i>Tax deducted at Source</i>	<i>17.98</i>	<i>F.Y 2013-14</i>	<i>Various</i>	<i>Not yet paid</i>
<i>Income Tax Act, 1961</i>	<i>Tax collected at Source</i>	<i>0.65</i>	<i>F.Y 2013-14</i>	<i>Various</i>	<i>Not yet paid</i>
<i>Employees' Provident Fund and Miscellaneous Provisions Act, 1952</i>	<i>Provident Fund</i>	<i>169.85</i>	<i>F.Y 2011-12, 2012-13 & 2013-14</i>	<i>Various</i>	<i>Not yet paid</i>
<i>Employees' State Insurance Act, 1948</i>	<i>Employee State Insurance</i>	<i>129.10</i>	<i>F.Y 2011-12, 2012-13 & 2013-14</i>	<i>Various</i>	<i>Not yet paid</i>
<i>Punjab Labour Welfare Fund Act, 1965</i>	<i>Labour Welfare fund</i>	<i>0.60</i>	<i>F.Y 2012-13 & 2013-14</i>	<i>Various</i>	<i>Not yet paid</i>
<i>Punjab Value Added Tax Act, 2005/ Central Sales Tax Act, 1956</i>	<i>VAT/CST</i>	<i>36.62</i>	<i>F.Y 2013-14</i>	<i>Various</i>	<i>Not yet paid</i>

- (d) According to the information and explanations given to us, the disputed statutory dues aggregating to Rs.769.22 lacs 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 Dues	Disputed Amount (Rs. in Lacs)	Period to which amount relates	Forum where Dispute is pending
The Punjab General Sales Tax Act, 1948	Sales Tax	58.83	2003	The Hon'ble High Court of Punjab and Haryana, Chandigarh
The Punjab Value Added Tax Act, 2005	Value Added Tax	378.72	2006, 2009, 2010 and 2012	The Deputy Excise & Taxation Commissioner (Appeals) Patiala
The Central Sales Tax Act, 1956	Central Sales Tax	4.53	2003	The Hon'ble High Court of Punjab and Haryana, Chandigarh
The Central Sales Tax Act, 1956	Central Sales Tax	117.56	2006, 2008, 2009, 2010 and 2012	The Deputy Excise & Taxation Commissioner (Appeals) Patiala
Himachal Pradesh Tax on Entry of Goods into Local Area Act, 2010	Entry Tax	78.77	2011, 2012 and 2013	Hon'ble High Court of Himachal Pradesh
Himachal Pradesh Sales Tax Act	Sales Tax	0.98	2005	Himachal Pradesh Tax Tribunal
Himachal Pradesh Value Added Tax Act, 2005	VAT	0.46	2006	Himachal Pradesh VAT Tribunal
Central Excise Act, 1944	Excise Duty	3.87	1995, 1999 and 2005	Custom, Excise & Service Tax Appellate Tribunal
Central Excise	Excise Duty	2.77	2005, 2006, 2007,	Additional

Act,1944				2012 and 2013	Commissioner, Shimla
Central Excise Act,1944	Excise	Excise Duty	27.85	2009	Additional Commissioner, Chandigarh
Central Excise Act,1944	Excise	Excise Duty	36.03	2011 and 2012	Commissioner of Central Excise Chandigarh
The Finance Act,1994 (Chapter V)	Finance	Service Tax	2.30	1996	Commissioner of Central Excise (Appeals)
Central Excise Act,1944	Excise	Excise Duty	1.16	2013	Commissioner of Central Excise, Sangrur
Central Excise Act,1944		Excise Duty	0.41	2014	Commissioner of Central Excise , Sangrur
Central Excise Act,1944		Excise Duty	42.24	2007-2013	Additional Commissioner of Central Excise, Sangrur
Central Excise Act,1944		Excise Duty	11.91	2002	Assistant Commissioner of Central Excise (Appeals)
Central Excise Act,1944		Service Tax	0.83	2007	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 incurred cash losses during the financial year covered under audit and in the immediately preceding financial year.
- (11) According to the information and explanations given to us, the company has defaulted in repayment of dues to banks and financial institutions. The details of the defaults are as under:

Sr.No.	Particulars	Amount (Rs Lacs)	Nature of Dues	Period of Default of repayment
1.	IFCI Ltd.	7862.57	Term loan – Principal	Refer Note 11(a) below
		1616.56	Term loan – Interest	
		462.55	Cash Credit – Principal and Interest	
2.	IDBI Bank Ltd.	1834.55	Term loan – Principal	Refer Note 11(a) below
		329.73	Term loan – Interest	
		135.43	Cash Credit – Principal and Interest	
3.	SIDBI	214.53	Term loan – Principal	Refer Note 11(a) below
		34.32	Term loan – Interest	
4.	Punjab National Bank	3165.07	Term loan – Principal	Refer Note 11(a) below
		407.59	Term loan – Interest	
		9754.42	Cash Credit – Principal and Interest	

5.	State Bank of India	2290.40	Term loan – Principal	Refer Note 11(a) below
		321.80	Term loan – Interest	
		3145.84	Cash Credit – Principal and Interest	
6.	Vijaya Bank	377.76	Term loan – Principal	Refer Note 11(a) below
		51.44	Term loan – Interest	
		1258.31	Cash Credit – Principal and Interest	
7.	J & K Bank	141.07	Term loan – Principal	Refer Note 11(a) below
		18.25	Term loan – Interest	
		473.24	Cash Credit – Principal and Interest	

a) The long term and short term borrowings recalled by the consortium banks not paid by the company have been considered as defaulted for the purpose of above disclosures.

b) Interest includes interest accrued on long term and short term borrowings not provided in the statement of profit and loss. (Refer note no.38)

- (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 had applied the term loans for the purpose for which the loans were taken.
- (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 Rs. 2344.45 lacs raised on short-term basis has been used for purchase of fixed assets and funding of cash losses.
- (18) According to the information and explanations given to us, the company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under section 301 of the companies Act, 1956.
- (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.
- (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

(SANJIV MOHAN)
 Partner
 M. No. 86066

PLACE: LUDHIANA
 DATED: 30th May, 2014



BALANCE SHEET AS AT 31ST MARCH, 2014

Particulars	Notes No.	As at 31st March,2014 Rs. Lacs	As at 31st March,2013 Rs. Lacs
I. EQUITY AND LIABILITIES			
(1) Shareholder's Fund			
(a) Share Capital	3	3514.90	3514.90
(b) Reserves and Surplus	4	(21885.45)	(17019.78)
		(18370.55)	(13504.88)
(2) Non-current liabilities			
(a) Long-term borrowings	5	10657.62	12802.76
(b) Deferred tax liabilities (net)	6	-	-
(c) Long-term provisions	7	630.09	781.18
		11287.71	13583.94
(3) Current liabilities			
(a) Short-term borrowings	8	12945.49	13057.64
(b) Trade payables	9	3154.54	2664.11
(c) Other current liabilities	10	10622.97	7938.55
(d) Short-term provisions	7	321.80	310.43
		27044.80	23970.73
TOTAL		19961.96	24049.79
II. ASSETS			
1.Non-current assets			
(a) Fixed Assets	11		
(i) Tangible assets		5084.24	5401.09
(ii) Intangible assets		15.21	27.52
(iii) Capital Work in Progress		12.50	12.50
(b) Non-current investments	12	984.20	984.20
(c) Long term loans and advances	13	631.62	626.54
		6727.77	7051.85
2. Current assets			
(a) Inventories	14	3699.32	4483.63
(b) Trade receivables	15	8359.97	10771.79
(c) Cash and bank balances	16	376.02	469.25
(d) Short-term loans and advances	13	798.88	1273.27
		13234.19	16997.94
TOTAL		19961.96	24049.79

See accompanying notes forming part of the financial statement

As per our separate report of even date

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

For and on behalf of Board of Directors

(SANJIV MOHAN)
Partner

POOJA DAMIR MIGLANI
Company Secretary

ANIL JAIN
Vice President
(Accounts)

SURINDER KUMAR VIG
Director

JANGI LAL OSWAL
Chairman-cum-Managing
Director

M. No. 86066
Place : Ludhiana
Dated : 30.05.2014



MALWA COTTON SPINNING MILLS LTD.

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2014

Particulars	Notes No.	Current year Rs. Lacs	Previous year Rs. Lacs
INCOME			
Revenue from operations (gross)	17	18838.16	31324.25
Less: Excise Duty		0.00	1.01
Revenue from operations (net)		18838.16	31323.24
Other Income	18	66.78	195.23
Total Revenue		18904.94	31518.47
EXPENSES			
Cost of materials consumed (Includes dyes & chemical consumed)	19	11008.65	21845.50
Purchase of Stock-in-Trade	20	200.84	585.61
Change in inventories of finished goods, work-in-progress and stock-in-trade	21	481.38	9251.58
Employee benefits expense	22	3382.05	4231.80
Finance costs	23	48.39	3295.43
Depreciation and amortization expense	11	331.34	387.10
Other expenses	24	8317.96	8093.12
Total Expenses		23770.61	47690.14
Profit/(loss)before tax		(4865.67)	(16171.67)
Tax Expense		-	-
Profit/(loss)for the year		(4865.67)	(16171.67)
Earning per share (Equity share Nominal value of Rs. 10/- each)			
Basic	25	(65.16)	(208.18)
Diluted		(42.59)	(65.12)

See accompanying notes forming part of the financial statement

As per our separate report of even date

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

For and on behalf of Board of Directors

(SANJIV MOHAN)
Partner

POOJA DAMIR MIGLANI
Company Secretary

ANIL JAIN
Vice President
(Accounts)

SURINDER KUMAR VIG
Director

JANGI LAL OSWAL
Chairman-cum-Managing
Director

M.No.86066
Place : Ludhiana
Dated : 30.05.2014



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2014

Particulars	Current year Rs Lacs	Previous year Rs Lacs
A Cash Flow From Operating Activities		
Net profit/(loss) before tax and extra ordinary items	(4865.67)	(16171.67)
Adjustment for		
Provision for doubtful trade receivables and advances	1017.50	10.86
Excess provision written back	(7.05)	(73.99)
Depreciation & amortization	331.34	387.10
Profit on sale of fixed assets(net)	(0.71)	-
Profit on sale of long term investment	-	(82.90)
Sundry balances written off	1188.70	56.59
Interest expense	20.01	3154.14
Interest income	(35.08)	(0.45)
Dividend income	(0.10)	(1.97)
Operating profit before working capital changes	(2351.06)	(12722.29)
Changes in working capital		
(Increase)/decrease in inventories	784.31	9916.89
(Increase)/decrease in trade receivables and current assets	682.03	4086.68
Increase/(decrease) in trade payables and other liabilities	897.03	(2035.88)
Cash generated from operating activities	12.31	(754.60)
(Tax paid)/refund	(4.05)	0.67
Net cash from operating activities (A)	8.26	(753.93)
B Cash flow from investing activities		
Purchase of fixed assets	(5.87)	(15.41)
Proceeds from sale of fixed assets	1.36	-
Proceeds from sale of investment	-	98.59
Interest received	35.08	0.45
Dividend received	0.10	1.97
Net cash from investing activities (B)	30.67	85.60
C Cash flow from financing activities		
Change in long term borrowing(net)	-	(2145.14)
Proceeds from short term borrowing(net)	(112.15)	4175.05
Interest paid	(20.01)	(1397.12)
Net cash form financing activities (C)	(132.16)	632.79
Net increase/(decrease) In cash & cash equivalents(A+B+C)	(93.23)	(35.54)
Cash & cash equivalents as on 01.04.2013(opening balance)	469.25	504.79
Cash & cash equivalents as on 31.03.2014(closing balance)	376.02	469.25

As per our separate report of even date

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

For and on behalf of Board of Directors

(SANJIV MOHAN)
Partner

POOJA DAMIR MIGLANI
Company Secretary

ANIL JAIN
Vice President
(Accounts)

SURINDER KUMAR VIG
Director

JANGI LAL OSWAL
Chairman-cum-Managing
Director

M.No.86066
Place : Ludhiana
Dated : 30.05.2014

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014

1. Corporate Information

Malwa Cotton Spinning Mills Limited (the company) domiciled in India and incorporated under the provisions of Companies Act, 1956. The equity shares of the company are listed on two stock exchanges in India. The company is engaged in the manufacturing and selling of Yarn and Thread.

2. Significant Accounting Policies

A. Basis for preparation of financial statements

The financial statements 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. The accounting policies adopted in the preparations of financial statements are consistent with those of the previous year.

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 sale of goods and services 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 asset 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 realizable 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

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014

I. Investments

Long term investments are stated at cost less allowances, if any, for diminution in value 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 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 statement of profit and loss. The profit, if any, arising thereon is ignored.

M. EMPLOYEE BENEFITS:

(a) Short Term Employee Benefits:

Short Term Employee Benefits are recognized as an expense on an undiscounted basis in the statement of profit and loss of the year in which the related service is rendered.

(b) Post Employment Benefits:

(i) Defined Contribution Plans:

(1.1) Provident Fund: The Employer's contribution to Provident Fund and Employees Pension Scheme, a defined contribution plan is made in accordance with the Provident Fund Act, 1952 read with the Employees Pension Scheme, 1995.

(1.2) Superannuation: The liability in respect of eligible employees covered under the scheme is provided through a policy taken from Life Insurance Corporation of India by an approved trust formed for the purpose. The premium in respect of such policy is recognized as an expense in the period in which it falls due.

(ii) Defined Benefit Plans

(1.1) Gratuity: The Employees Gratuity Fund Scheme, managed by Employee's Group Gratuity Trust is a defined benefit plan. The liability for gratuity is provided on the basis of actuarial valuation carried out by an independent actuary at the balance sheet date using projected unit credit method. The Present Value of the company's obligation is determined on the basis of actuarial valuation at the year end and the fair value of plan assets is reduced from the gross obligations under the gratuity scheme to recognize the obligation on a net basis.

(iii) Actuarial gain or loss is recognized immediately in the statement of profit or loss.

(iv) Long Term Employee Benefits:

The liability for leave encashment and other compensated absences is recognized on the basis of actuarial valuation carried out by an independent actuary at the balance sheet date by using projected unit credit method.

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.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014

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 –
 - 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.



NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH. 2014

Particular	As at 31st March, 2014		As at 31st March, 2013	
	No. of shares	Rs Lacs	No. of shares	Rs Lacs
3 Share capital				
a) Authorised				
Equity shares of Rs. 10/-each	1,50,00,000	1500.00	1,50,00,000	1500.00
9% Cumulative redeemable preference shares of Rs. 100/- each	30,00,000	3000.00	30,00,000	3000.00
		<u>4500.00</u>		<u>4500.00</u>
b) Issued				
Equity shares of Rs. 10/- each	79,05,028	790.51	79,05,028	790.51
9% Cumulative redeemable preference shares of Rs. 100/- each	27,50,000	2750.00	27,50,000	2750.00
		<u>3540.51</u>		<u>3540.51</u>
c) Subscribed and fully paid-up				
Equity shares of Rs. 10/-each	79,05,028	790.51	79,05,028	790.51
Less: Calls in arrears by others		0.22		0.22
		<u>790.29</u>		<u>790.29</u>
9% Cumulative redeemable preference shares of Rs. 100/- each	27,24,610	2724.61	27,24,610	2724.61
		<u>3514.90</u>		<u>3514.90</u>
	Total			
		<u>3514.90</u>		<u>3514.90</u>
a. Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period				
Equity shares				
At the beginning of the reporting period	79,05,028	790.29	79,05,028	790.29
Issued during the period	-	-	-	-
Outstanding at the end of the reporting period	<u>79,05,028</u>	<u>790.29</u>	<u>79,05,028</u>	<u>790.29</u>
9% Cumulative redeemable preference shares				
At the beginning of the reporting period	27,24,610	2724.61	27,24,610	2724.61
Issued during the period	-	-	-	-
Outstanding at the end of the reporting period	<u>27,24,610</u>	<u>2724.61</u>	<u>27,24,610</u>	<u>2724.61</u>

b. Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of Rs 10 per share. Each holder of equity share is entitled to one vote per share. The dividend proposed by the board of directors is subject to the approval of the shareholders in the ensuing annual general meeting and each equity share is entitled for the such dividend. In the event of liquidation of the company, the holder of equity shares will be entitled to receive remaining assets the company after distribution of all preferential amounts.



NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014

c. Terms/rights attached with Cumulative redeemable preference shares

The company has presently 9% cumulative redeemable preference shares. These preference shares are redeemable at a premium of 5% payable at the time of redemption. Schedule of repayment of Cumulative redeemable preference shares.

Years	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	Total
Principal									
Amount Rs. Lacs	81.75	163.50	163.50	272.50	408.75	545.00	545.00	544.61	2724.61

The earliest date of redemption was 30th September, 2011

Arrear of fixed cumulative dividend on preference shares as at 31st March, 2014 Rs. 3800.00 Lac (As at 31st March, 2013 Rs. 3555.00 Lac).

Cumulative preference shares due for redemption during the year and in the proceeding year but not redeemed are shown as Preference shares capital.

The preference share holders have option to convert the defaulted cumulative Redeemable preference shares in to equity shares at par in terms of subscription agreement entered in to with the company.

d. Shares of the company held by the holding company, the ultimate holding company their subsidiaries and associates.

There is no holding or ultimate holding of the company.

e. Details of shares held by each shareholder holding more than 5% shares.

Class of Shares	Name of Shareholder	As at 31st March, 2014		As at 31st March, 2013	
		No of shares held	% holding in that class share	No of shares held	% holding in that class share
Equity	IFCI Ltd	634920	8.03%	634920	8.03%
	Jangi Growth Fund P Ltd	466525	5.90%	466525	5.90%
9% Redeemable cumulative preference share	IFCI Ltd	1724610	63.30%	1724610	63.30%
	IDBI Bank Ltd.	1000000	36.70%	1000000	36.70%

f. Aggregate number and class of shares allotted as fully paid-up pursuant to contract(s) without payment being received in cash, bonus shares and shares bought back for the period of 5 year immediately preceding the Balance sheet date:

	As at 31st March, 2014	As at 31st March, 2013
	Aggregate number of shares	Aggregate number of shares
Equity shares		
- Fully paid-up pursuant to contract(s) without payment being received in cash	-	-
- Fully paid-up by way of bonus shares	-	-
- Shares bought back by the company	-	-



NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014

	As at 31st March, 2014 Rs Lacs	As at 31st March, 2013 Rs Lacs
4 Reserves and surplus		
a) Capital Reserve *		
Balance as per last financial statements	45.00	45.00
b) Capital redemption reserve		
Balance as per last financial statements	250.00	250.00
c) Securities Premium account		
Balance as per last financial statements	1701.15	1701.15
d) Other Reserves		
General reserve		
Balance as per last financial statements	4866.00	4866.00
e) Surplus/(deficit) i.e. balance in the statement of profit and loss		
Balance as per last financial statements	(23881.93)	(7710.26)
Surplus/(deficit) in the statement of profit and loss	(4865.67)	(16171.67)
Net surplus/(deficit) in the statement of profit and loss	(28747.60)	(23881.93)
Total Reserves and Surplus	(21885.45)	(17019.78)

* Capital reserve represents capital investment subsidy received from Govt. is in the nature of promoter's contribution.

5 Long-term borrowings
(Refer note no. 38)

Term loans

From Banks (secured)
From Financial Institutions (secured)

Other loans and advances

From others (unsecured)

The above amount includes

Total Secured borrowings
Total Unsecured borrowings
Amt disclosed under the head
"other current liabilities"(note no.10)

Net amount

	<u>Long-term</u>		<u>Current maturities</u>	
	As at 31st March, 2014 Rs Lacs	As at 31st March, 2013 Rs Lacs	As at 31st March, 2014 Rs Lacs	As at 31st March, 2013 Rs Lacs
From Banks (secured)	4873.27	6010.49	2980.91	1843.69
From Financial Institutions (secured)	5337.35	6345.27	2739.75	1731.83
From others (unsecured)	447.00	447.00	-	-
	10657.62	12802.76	5720.66	3575.52
Total Secured borrowings	10210.62	12355.76	-	-
Total Unsecured borrowings	447.00	447.00	-	-
Amt disclosed under the head "other current liabilities"(note no.10)	-	-	(5720.66)	(3575.52)
Net amount	10657.62	12802.76	-	-



NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014

Detail of terms of repayment for the long- term borrowings and security provided in respect of secured long-term borrowings.

Schedule of repayment of Term Loan from Banks / Financial institution

	Rate of Interest	FY15	FY16	FY17	FY18	FY19	Total
<u>TERM LOAN/ WCTL</u>							Rs. Lac
From Banks	9% p.a.	638.00	637.00	1145.20	1272.00	1313.32	5005.52
From Financial Institutions	9% p.a.	722.74	722.72	1300.88	1445.40	1516.95	5708.69
<u>FUNDED INTEREST TERM</u>							
From Banks	6% p.a.	500.22	504.75	-	-	-	1004.97
From Financial Institutions	6% p.a.	285.26	351.33	-	-	-	636.59

Security :

i) 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) Exclusive securities:

a) IFCI/IDBI: The 7,86,700 Equity Shares of promoters pledged & 7,56,150 Equity Shares physically held with IFCI/IDBI for term loan outstanding of Rs. 9697.26 lacs (previous year Rs. 9697.26 lacs).

b) PNB/SBI: Equitable mortgage of immovable properties situated at Ludhiana and Barnala as additional collateral security for long term loans out standing of Rs. 5477.27 lacs(previous year Rs 5477.27 lac).

iii) 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.

iv) Equitable Mortgage of immovable 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.

The company has defaulted in repayment of loans and interest in respect of following:

	<u>As at 31st March 2014</u>		<u>As at 31st March 2013</u>	
	Period of default	Rs Lacs	Period of default	Rs Lacs
Term Loans from Banks				
Principal	April.12-Mar.14	1798.36	April.12-Mar.13	661.14
Interest	April.12-Mar.13	472.56	April.12-Mar.13	431.19
Term Loans from Financial Institutions				
Principal	April.12-Mar.14	1731.82	April.12-Mar.13	723.90
Interest	Jan.12-Mar..13	948.70	Jan.12-Mar.13	766.37
Interest	April.13-Mar.14	(Refer note no. 38)		-



MALWA COTTON SPINNING MILLS LTD.

6 Deferred tax liability (net)

Deferred tax liability

On difference between book balance and tax balance of Fixed Assets

Gross Deferred Tax liability

Deferred tax Assets

On account of unabsorbed depreciation carried forward (to the extent of deferred tax liability)

Gross Deferred Tax Assets

Net Deferred tax Liability

7 Provisions (Long term / Short term)

Provisions for employee benefits

Provisions for gratuity (note 26)

Provisions for leave encashment (note 26)

8 Short-term borrowings

Loan repayable on demand

Cash credit from banks (secured)

Detail of terms of repayment of short term borrowing and security provided in respect of secured short term borrowings security:

Cash credit is repayable on demand and carries interest @12.75% to 13.25%. Cash credit from banks is secured against :

i) Primary - Pari-passu first charge on the current assets of the company.

Collateral - Pari-passu second charge on the fixed assets of the company (present and future).

ii) Exclusive securities:

a) IFCI/IDBI: The 7,86,700 Equity Shares of promoters pledged & 7,56,150 Equity Shares physically held with IFCI/IDBI for working capital loans outstanding of Rs. 471.25 lacs (previous year Rs. 471.25 lacs).

b) PNB/SBI: Equitable Mortgage of properties at Ludhiana & Barnala on Pari Passu basis to secure its enhanced WC Limits with PNB/SBI exclusively for working capital loans outstanding of Rs. 10942.50 lac (previous year Rs. 11054.41 lac.).

iii) 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.

iv) Equitable Mortgage of immovable properties situated at Kolkata, Bhilwara, Kanpur, Dehradun and Delhi as Additional Collateral Security for entire CDR debts as long-term loan and short-term loans (Existing and Fresh) to be shared by all CDR Lenders on pari-passu basis.

	<u>As at</u> <u>31st March 2014</u>		<u>As at</u> <u>31st March 2013</u>	
	Rs. Lacs		Rs. Lacs	
	974.69		1159.16	
	974.69		1159.16	
	974.69		1159.16	
	974.69		1159.16	
	-		-	
	<u>Long-term</u>		<u>Short-term</u>	
	<u>As at</u> <u>31st March 2014</u>	<u>As at</u> <u>31st March 2013</u>	<u>As at</u> <u>31st March 2014</u>	<u>As at</u> <u>31st March 2013</u>
	Rs. Lacs	Rs. Lacs	Rs. Lacs	Rs. Lacs
	441.29	513.61	176.26	155.66
	188.80	267.57	145.54	154.77
	630.09	781.18	321.80	310.43
	12945.49		13057.64	
	12945.49		13057.64	



v) Personal guarantee of three promoters of the company.

The company has defaulted in repayment of loans and interest in respect of following:

	<u>As at</u> <u>31st March 2014</u>	<u>As at</u> <u>31st March 2013</u>
	Period of default Rs Lacs	Period of default Rs Lacs
Cash credit from Banks		
Principal and Interest	2012-13&2013-14 12945.49	2012-13 4888.13
9 Trade Payables	<u>As at</u> <u>31st March 2014</u>	<u>As at</u> <u>31st March 2013</u>
	Rs Lacs	Rs Lacs
Acceptances	-	17.26
Other than acceptances	3154.54	2646.85
	3154.54	2664.11
10 Other current liabilities		
Current maturities of long-term debts (note 5)	5720.66	3575.52
Interest accrued but not due on borrowings	-	236.20
Interest accrued and due on borrowings	2083.57	1847.38
Others payables		
Statutory remittances (Contribution to PF and ESIC, Excise duty, VAT, Service tax etc.)	664.17	629.18
Trade/security deposits received from customers	29.25	27.92
Due to employees	1557.83	1173.41
Others	567.49	448.94
	10622.97	7938.55



MALWA COTTON SPINNING MILLS LTD.

11 FIXED ASSETS

(Rs. Lac)

Particulars	GROSS BLOCK					ACCUMULATED DEPRECIATION					NET BLOCK	
	Balance as at 1st April, 2013	Additions	Disposal	Other Adjustments	Balance as at 31st March, 2014	Balance as at 1st April, 2013	Depreciation/amortization expenses for the year	Eliminated on disposal of assets	Other Adjustments	Balance as at 31st March, 2014	Balance as at 31st March, 2014	Balance as at 31st March, 2013
A. TANGIBLE (OWN USE)												
1. FREE HOLD LAND	317.99	-	-	-	317.99	-	-	-	-	-	317.99	317.99
2. BUILDING	6203.04	-	-	-	6,203.04	2823.02	159.71	-	-	2982.73	3220.31	3380.02
3. PLANT AND MACHINERY	21040.88	-	-	-	21,040.88	19444.97	139.41	-	-	19584.38	1456.50	1595.91
4. FURNITURE AND FITTINGS	173.13	0.07	-	-	173.20	165.58	0.83	-	-	166.41	6.79	7.55
5. VEHICLES	529.14	-	5.20	-	523.94	462.84	13.28	4.56	-	471.56	52.38	66.30
6. OFFICE EQUIPMENTS	328.22	2.75	-	-	330.97	294.90	5.79	-	-	300.69	30.28	33.32
Sub-Total	28592.40	2.82	5.20	0.00	28590.02	23191.31	319.03	4.56	0.00	23505.78	5084.24	5401.09
B. INTANGIBLE												
COMPUTER SOFTWARE	152.28	-	-	-	152.28	124.76	12.31	-	-	137.07	15.21	27.52
TOTAL (A+B)	28744.68	2.82	5.20	0.00	28742.30	23316.07	331.34	0.00	0.00	23642.85	5099.45	5428.61
PREVIOUS YEAR	28731.24	13.44	0.00	0.00	28744.68	22928.97	387.10	0.00	0.00	23316.07	5428.61	
Capital work in Progress #											12.50	12.50

Capital work in progress includes Building under construction amounting Rs. 12.50 lac (Previous year Rs. 12.50lac)



MALWA COTTON SPINNING MILLS LTD.

		<u>As at 31 March 2014</u>	<u>As at 31 March 2013</u>
		Rs Lacs	Rs Lacs
12	Non-current investments		
	Investment (valued at cost unless stated otherwise)		
	A. Trade	-	-
	B. Other		
	Investments in Equity instruments of others		
	(a) Unquoted		
	- 96,30,700 (Previous year : 96,30,700) equity shares of Rs. 10/- each fully paid up of M/s Malwa Industries Limited(Associates upto 31 Mar.2013)	963.07	963.07
	- 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: Provisions for diminution in value of investment	19.50	19.50
	- 21,28,000 (Previous year : 21,28,000) equity shares of Rs. 10/- each fully paid up of M/s Oswal Foods Ltd.	536.28	536.28
	Less: Provisions for diminution in value of investment	536.28	536.28
	- 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: Provisions for diminution in value of investment	35.00	35.00
	- 1,50,000 (Previous year : 1,50,000) equity shares of Rs. 10/- each fully paid up of M/s Oswal Knit India Ltd.	15.00	15.00
	- 20,000 (Previous year : 20,000) equity shares of Rs. 10/- each fully paid up of M/s Shivalik Soild waste Management Ltd.	2.00	2.00
	(b) Quoted		
	-8,751(Previous year : 8751) equity shares of Rs. 10/- each fully paid of M/s Vardhman Special Steel Ltd.	3.92	3.92
	- 2,55,000 (Previous year : 2,55,000) equity shares of Rs. 10/- each fully paid up of M/s Mukerian Papers Ltd.	119.00	119.00
	Less: Provisions for diminution in value of investment	119.00	119.00
	C. Investment in government or trust securities (Unquoted)		
	- Investment in government securities	0.21	0.21
		984.20	984.20
	Aggregate amount of quoted investments	3.92	3.92
	Aggregate market value of quoted investments	1.72	2.32
	Aggregate amount of unquoted investments	980.28	980.28
	Aggregate provision for diminution in value of investments	709.78	709.78



MALWA COTTON SPINNING MILLS LTD.

13 Loans and advances (Long-term/short-term)

(Unsecured consider good, unless otherwise stated)

	<u>Long-term</u>		<u>Short-term</u>	
	<u>As at</u> <u>31 March 2014</u> Rs. Lacs	<u>As at</u> <u>31 March 2013</u> Rs. Lacs	<u>As at</u> <u>31 March 2014</u> Rs. Lacs	<u>As at</u> <u>31 March 2013</u> Rs. Lacs
Capital advances	60.15	57.10	-	-
(A)	60.15	57.10	0.00	0.00
Security deposit	392.49	411.42	-	2.55
(B)	392.49	411.42	0.00	2.55
Other loan and advances				
Advance income tax (net of provision for taxes of Rs. Nil (Previous year Rs. Nil))	-	-	21.55	16.60
Loans and advances to employees	-	-	14.07	82.14
Prepaid expenses	0.03	2.53	21.92	27.63
Balances with government authorities	178.95	155.49	349.37	662.28
Other Loans and advances consider good	-	-	391.97	482.07
Doubtful	-	-	172.88	172.88
(C)	178.98	158.02	971.76	1443.60
Allowances for doubtful loan and advances	-	-	(172.88)	(172.88)
(D)	-	-	(172.88)	(172.88)
Total (A + B +C -D)	631.62	626.54	798.88	1273.27



MALWA COTTON SPINNING MILLS LTD.

	<u>As at 31st March 2014</u>	<u>As at 31st March 2013</u>
	Rs. Lacs	Rs. Lacs
14 Inventories (valued at lower of cost and net realizable value)		
a) Raw Materials	854.64	1026.44
Raw Materials in- transit	0.00	57.29
b) Work-in-progress	537.87	1173.27
c) Finished goods	2084.77	1929.72
d) Stock-in-Trade	6.97	8.00
e) Stores and Spares	215.04	287.31
Stores and Spares in- transit	0.03	1.60
	<u>3699.32</u>	<u>4483.63</u>
15 Trade receivables		
a) Outstanding for a period exceeding six months from the date they are due for payment		
Secured, Considered Good	29.25	27.92
Unsecured ,Considered Good	5236.78	6559.59
Doubtful	1651.97	634.46
Less : Allowance for doubtful trade receivables	(1651.97)	(634.46)
	<u>5266.03</u>	<u>6587.51</u>
b) Other trade receivable		
Unsecured, considered good	3093.94	4184.28
Total (a + b)	<u>8359.97</u>	<u>10771.79</u>
16 Cash and bank balances		
Cash and cash equivalents		
Balances with banks:		
In current accounts	49.82	98.26
Cheques/drafts on hand	166.49	197.20
Cash on hand	159.71	173.79
Total	<u>376.02</u>	<u>469.25</u>



MALWA COTTON SPINNING MILLS LTD.

	<u>Current Year</u>	<u>Previous year</u>
	Rs. Lacs	Rs. Lacs
17 Revenue from operations		
Sale of products	18714.01	31162.51
Sale of services	65.41	54.94
Other operating revenue	58.74	106.80
Revenue from operations (gross)	18838.16	31324.25
Less: Excise duty relating to sale	0.00	1.01
Revenue from operations (net)	18838.16	31323.24
(i) Sale of product comprise		
Manufactured goods		
Yarn	10306.65	19092.02
Thread	7893.91	8569.82
Other	312.46	2915.03
	18513.02	30576.87
Stock-in-trade		
Readymade garments	49.58	31.82
Fabric	151.41	553.82
Total	18714.01	31162.51
(ii) Sale of services comprise		
Processing charges	65.41	54.94
(iii) Other operating revenue comprise		
Scrap sale	38.22	71.72
Exports benefits	20.52	35.08
Total	58.74	106.80
18 Other Income		
Interest income	35.08	0.45
Dividend income on long-term investments	0.10	1.97
Insurance claims received(Net)	10.33	16.46
Gain on sale of long term investment	0.00	82.90
Gain on sale of fixed assets	0.71	-
Gain on foreign currency transaction	2.83	4.94
Excess Provision written back	7.05	73.99
Miscellaneous	10.68	14.52
	66.78	195.23



MALWA COTTON SPINNING MILLS LTD.

	<u>Current year</u>	<u>Previous year</u>
	Rs Lacs	Rs Lacs
19 Cost of materials consumed		
Inventory at the beginning of the year	1026.44	1396.94
Add: Purchases	9832.50	20379.78
	<u>10858.94</u>	<u>21776.72</u>
Less: Inventory at the end of the year	854.64	1026.44
Cost of raw material consumed	<u>10004.30</u>	<u>20750.28</u>
Dyes & chemical consumed	1004.35	1095.22
	<u>11008.65</u>	<u>21845.50</u>
Materials consumed comprise		
Cotton	1209.36	3651.63
Man made fibre	8122.95	11027.89
Dyes & chemicals	1004.35	1095.22
Others	671.99	6070.76
	<u>11008.65</u>	<u>21845.50</u>
Details of inventory		
Raw materials		
Cotton	189.80	11.05
Man made fibre	364.17	724.72
Other	300.67	290.67
	<u>854.64</u>	<u>1026.44</u>
20 Purchase of stock-in-trade		
Readymade garments	49.54	32.64
Fabric	151.30	552.97
	<u>200.84</u>	<u>585.61</u>



		<u>Current year</u>	<u>Previous year</u>
		Rs. Lacs	Rs. Lacs
21	Change in inventories of finished goods, work-in-progress and stock-in-trade		
	Inventories at the end of the year		
	(i) Finished goods	2084.77	1929.72
	(ii) Work-in-progress	537.87	1173.27
	(iii) Stock-in-trade	6.97	8.00
		2629.61	3110.99
	Inventories at the beginning of the year		
	(i) Finished goods	1929.72	7446.68
	(ii) Work-in-progress	1173.27	4906.40
	(iii) Stock-in-trade	8.00	9.49
		3110.99	12362.57
		481.38	9251.58
	Detail of inventory		
	(i) Finished goods		
	Yarn	454.82	731.05
	Thread	1586.90	1134.03
	Others	43.05	64.64
		2084.77	1929.72
	(ii) Work-in-progress		
	Yarn	315.92	516.45
	Thread	221.95	656.82
		537.87	1173.27
	(iii) Stock-in-trade		
	Readymade garments	6.97	8.00
		6.97	8.00



	<u>Current year</u>	<u>Previous year</u>
	Rs. Lacs	Rs. Lacs
22 Employee benefit expense		
Salaries , wages and bonus	3006.08	3684.66
Contribution to provident and other funds	257.93	409.82
Staff welfare expenses	118.04	137.32
	3382.05	4231.80
23 Finance costs		
(a) Interest expense on :		
Borrowings	0.00	2747.31
Trade payables	20.01	405.15
(b) Others	28.38	142.97
	48.39	3295.43
24 Other expenses		
Consumption of stores and spare parts	198.80	293.97
Consumption of packing material	1019.03	1240.69
Power and fuel	3421.22	4563.25
Rent	103.73	118.77
Repairs and Maintenance - building	16.79	41.43
Repairs and Maintenance - machinery	11.35	10.40
Insurance	40.23	63.95
Rates and taxes	18.38	22.66
Payments to auditor (Refer note below)	6.49	6.86
Allowance for doubtful debts & advances	1017.50	10.86
Loss on foreign currency transaction	-	0.26
Others	2464.44	1720.02
	8317.96	8093.12
Payments to auditor		
As Audit Fee	5.62	5.62
As Tax Audit Fee	0.45	0.45
In other capacity:		
Other services (Certification fee)	0.08	0.25
Reimbursement of Expenses	0.34	0.54
	6.49	6.86



		<u>Current year</u>	<u>Previous year</u>
		Rs. Lacs	Rs. Lacs
25	Earning per share (EPS)		
	Profit/(loss) for the year	(4865.67)	(16171.66)
	Less: Preference dividends for the cumulative preference shares	284.99	284.99
		<u>(5150.66)</u>	<u>(16456.65)</u>
	(i) Add: Increased earning on account of interest saving on dilutive potential equity shares (Net of Taxes)	-	197.13
	Increased earning on account of dividend saving	42.76	25.65
	Total (ii)	<u>(5107.90)</u>	<u>(16233.87)</u>
	(iii) Weighted average number of equity shares (Nos.)	7905028	7905028
	Weighted average number of equity shares that would be issued on conversion on dilutive potential equity shares (Nos.)	-	14573382
	Weighted average number of equity shares that would be issued on conversion on CRPS default equity shares (Nos.)	4087500	2452500
	Total (iv)	<u>11992528</u>	<u>24930910</u>
	Basic Earning per share of Rs. 10/- each (Rs.) (i/iii)	(65.16)	(208.18)
	Diluted Earning per share of Rs. 10/- each (Rs.) (ii/iv)	(42.59)	(65.12)

26. Gratuity and other post-employment benefit plans

The summarized position of post-employment benefits and long term employee benefits recognized in the statement of profit and loss and balance sheet in accordance with Accounting Standard AS-(15) – “Employee Benefits” issued under the Companies (Accounting Standard) Rules, 2006 is as under:-

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

(Rs. Lacs)

	Current year		Previous year	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Present Value of obligation as at beginning of the year	686.29	267.57	782.31	313.86
Interest Cost	59.78	17.87	62.85	19.81
Current Service Cost	64.11	58.80	71.54	75.27
Benefits Paid	(58.74)	(142.34)	(22.34)	(141.52)
Actuarial Loss/(gain) on obligations	(130.39)	(13.10)	(208.07)	0.15
Present value of obligation as at close of the year	621.05	188.80	686.29	267.57

(b) Change in Fair Value of Plan Assets

(Rs. Lacs)

	Current year	Previous year
	Gratuity (Funded)	Gratuity (Funded)
Fair Value of Plan Assets as at beginning of the year	17.02	7.91
Expected return on plan assets	0.67	1.14
Contribution	44.67	31.14
Benefits Paid	(58.74)	(22.34)
Actuarial (Loss)/gain on obligations	(0.12)	(0.83)
Fair Value of Plan Assets as at close of the year.	3.50	17.02

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

(Rs. Lacs)

	Current year		Previous year	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Estimated present value of obligations as at the end of the year	621.05	188.80	686.29	267.57
Fair value of Plan Assets as at the end of the year	3.50	-	17.02	-
Unfunded Net (Liability)/Assets recognized in Balance Sheet	(617.55)	(188.80)	(669.27)	(267.57)

d) Expenses recognized in the Profit and Loss Account

(Rs. Lacs)

	Current year		Previous year	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Current Service Cost	64.11	58.80	71.54	75.27
Interest Cost	59.78	17.87	62.85	19.81
Expected return on Plan Assets	(0.67)	-	(1.14)	-
Net Actuarial (Gain)/Loss recognized in the year	(130.27)	(13.10)	(207.24)	0.15
Total expenses recognized in profit and loss account	(7.05)	63.57	(73.99)	95.23

e) Principal actuarial assumption at the balance sheet date (expressed as weighted average)

(Rs. Lacs)

	Current year		Previous year	
	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
Discount Rate	9.10%	9.10%	8.15%	8.15%
Expected rate of return on Plan Assets	6.75%	-	9.25%	-
Expected rate of salary increase	5%	5%	5%	5%
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 31.03.2014 was Rs.145.54 lacs (Previous year Rs. 154.77 lacs). During the year the company has recognized an expense of Rs.27.58 lacs as contribution to provident fund (Previous year Rs. 120.43 lacs).

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 therefore have not been disclosed.

27. Segment Reporting

Segment information as required by Accounting Standard (AS)-17 on "Segment Reporting" issued by the Companies (Accounting Standard) Rules, 2006 has been complied 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.

Primary Segment Information:-

(Rs. Lacs)

	YARNS		THREADS		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue						
External sales	10944.22	22754.40	7893.94	8569.85	18838.16	31324.25
Inter- segment Sales	6879.69	7963.91	-	209.32	6879.69	8173.23
Other income	25.58	152.35	6.02	40.46	31.60	192.81
Total revenue	17849.49	30870.66	7899.96	8819.63	25749.45	39690.29
Segment results*	(1873.56)	(11909.67)	-	-	(1873.56)	(11909.67)
Unallocated corporate expenses(net)					2943.72	966.57
Operating profit/(Loss)					(4817.28)	(12876.24)
Finance Cost					48.39	3295.43
Tax - Current tax					-	-
Profit/(Loss) from ordinary activities					(4865.67)	(16171.67)
Extra-ordinary loss/(income)					-	-
Net Profit/(Loss)					(4865.67)	(16171.67)
Other Information						
Segment Assets	14641.05	18380.82	4210.54	4533.51	18851.59	22914.33
Unallocated corporate assets					1110.37	1135.46
Total Assets					19961.96	24049.79

Segment Liabilities	5479.04	4846.65	1446.13	1188.52	6925.17	6035.17
Unallocated corporate Liabilities					31407.34	31519.50
Total Liabilities					38332.51	37554.67
Capital Expenditure	-	3.36	-	1.07	-	4.43
Unallocated Capital Expenditure					2.82	9.01
Total Capital Expenditure					2.82	13.44
Depreciation					299.12	344.31
Non-Cash expenses other than depreciation					-	-

*Also includes results of Thread Segment.

b) Secondary segment information

	Current year	Previous year
i) Revenue(external Turnover)	Rs Lacs	Rs Lacs
Within India	18160.60	30265.60
Outside India	677.56	1058.65
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.

28. Related Party Disclosures

a) Disclosure of Related Parties with whom Business transactions took place during the year and relationship between parties.

i) Key Management Personnel : Mr. Jangi Lal Oswal

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

	(Rs. Lacs)	
	Current Year	Previous Year
Managerial Remuneration	19.21*	25.94

* Managerial remuneration paid upto 31-12-2013.

Remuneration paid to managing director is the minimum remuneration in accordance with Schedule XIII to the Companies Act, 1956 and duly approved by the shareholders.

29. **CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)** - No cash outflow is expected

i) **Contingent Liabilities:**

(Rs Lacs)

Particulars	As at 31.03.14	As at 31.03.13
a) Claims against company not acknowledged as debts	1.16	1.16
b) Guarantees given by Company on behalf of others utilized to the extent of Rs465.14lacs (Previous year Rs.488.50 lacs)	3850.00	3850.00
c) Bank Guarantees and letters of credit outstanding	-	12.00

d) Other monies for which the company is contingently liable :

The Company has contested the additional demands of Excise duty, service tax, sales tax and entry tax amounting to Rs 948.17 lacs (Gross) (Previous year Rs. 740.31 lac). Out of this a sum of Rs 178.95 lac (Previous year Rs. 155.49 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.

ii) Commitments:

Rs. Laacs

Particulars	As at 31.03.14	As at 31.03.13
a) Estimated amount of contracts remaining to be executed on capital account	456.10	461.10
i) The Company has executed excise duty bond 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.	1670.00	1670.00
ii) Export obligation outstanding against import of raw material.	211.98	824.76

30. Export entitle benefits

The Company is entitled to benefit under Focus Market Scheme (FMS)/Duty Drawback /SHIS on export sales made during the year. SHIS benefit availed can be transferred in the open market. The Company has realized Rs.20.52 lac amount (Previous year Rs35.08 lac) in respect of export entitle benefits during the year.

31. Leases

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.103.73 lac (Previous year Rs.118.77 lac). The future minimum lease payment under non cancelable operating leases for each of the following period:

	As at 31.03.14	As at 31.03.13
i) Not later than one year	Rs 65.56 lac	Rs 48.90 lac
ii) later than one year but not later than five years	Rs.86.38 lac	Rs. 29.17 lac
iii) later than five years	-	-

32. Impairment of assets

In accordance with Accounting of Accounting Standard (AS)-28 on "Impairment of Assets" issued by 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.

33. Disclosure under section 22 of Micro, Small and Medium Enterprises Development Act, 2006

Sr. No.	Particulars	As at 31.03.2014	As at 31.03.2013
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	-	-

The above in detail have been determined to the extent parties have been determined on the basis of information extracted by the management. This has been relied upon by the auditors.

34. Disclosure regarding the foreign currency exposure of the company.

- 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 no forward contract (Previous year Nil) against export outstanding as at the close of the year.
- The foreign currency exposures remaining unhedged at the year end Nil (Previous year Nil). The company has negotiated all the export bills with banks.

35. Trade Payables and Trade Receivables are shown net of advances.

36. Trade Receivables, Trade Payables and advances amounting to Rs.5806.68 lac (previous year Rs.6591.94 lac) are subject to confirmation on account of certain commercial disputes. The company is in the process of settling disputes with parties and hopeful of recovery.
37. The company has accumulated losses of Rs. 21885.45 lacs as at 31st March 2014. The total net worth as on date is minus Rs.18370.55 lacs. The consortium banks who had lent the money to the company have recalled their debts and taken action under SARFAESI Act, 2002. Although these events or conditions indicates material uncertainty that may cast significant doubt about the company's ability to continue on going concern. Based on detailed evaluation of its current situation and plans formulated and active discussion with prospective investor, the management is confident of raising adequate finance for its revival.

It has also filed application with BIFR and reference is registered as case no. 27/2013 on 24.05.2013. Therefore management holds the view that the company will realize its assets and discharge liabilities in the normal course of business.

Accordingly the financial statements have been prepared on the basis that company is going concern and that no adjustments are required to the carrying value of assets and liabilities.

38. The consortium banks have recalled their entire outstanding loans and taken action under SARFAESI ACT, 2002 during the year. The company has contested such action before appropriate forums. Accordingly, the borrowing outstanding to the consortium banks as at March31,2014 have been classified as long term and current liabilities without taking into cognizance of the recall but as per schedule of repayments stipulated.

Therefore, the interest accrued on long term and short term borrowings amount to Rs.2935.08 lacs for the period from 1st April,2013 to 31st March,2014 has not been provided in the statement of profit and loss account as these loans have been recalled by the banks and financial institutions.

39. **Prior period expenses under the head other expenses include:**

Particular	Rs. Lacs	
	Current year	Previous year
Power and fuel	-	374.69
Repair and maintenance	-	0.84
Interest	-	1.67
Others	<u>12.52</u>	<u>11.27</u>
Total	<u>12.52</u>	<u>388.47</u>

40. The information required by paragraph 5 of general instructions for preparation of the statement of profit and loss as per revised schedule-VI of the Companies Act, 1956:

(A) CIF value of imports

Rs. Lacs

	Current Year	Previous Year
Raw material	-	-
Components & spare parts	6.67	9.40
Capital Goods	-	-

(B) Expenditure in Foreign Currency

Rs. Lacs

	Current Year	Previous Year
Commission	2.92	7.24
Travelling	5.94	17.73
Others	0.46	7.06

(C) Foreign exchange

Rs. Lacs

	Current Year	Previous Year
Export of goods calculated on FOB basis	659.60	1024.59

(D) Detail of consumption of imported and indigenous items

Rs. Lacs

	IMPORTED		PERCENTAGE		INDIGENOUS		PERCENTAGE	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Raw Material	-	-	-	-	11008.65	21845.50	100.00	100.00
Component & Spares parts	8.66	9.22	4.36	3.14	190.14	284.75	95.64	96.86

41. Previous year's figures

Previous year figures have been regrouped/ reclassified wherever necessary to correspond with current year classification/disclosure.

As per our separate report of even date

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

For and on behalf of Board of Directors

(SANJIV MOHAN)
 Partner

POOJA DAMIR MIGLANI
 Company Secretary

ANIL JAIN
 Vice President
 (Accounts)

SURINDER KUMAR VIG
 Director

JANGILAL OSWAL
 Chairman-cum-Managing
 Director

M.No.86066
 Place : Ludhiana
 Dated : 30.05.2014



FINANCIAL HIGHLIGHTS

	(Rs .Lacs)									
	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Share Capital	3514.90	3514.90	3514.90	3514.90	3459.90	3404.90	3341.41	3341.41	3341.41	3341.41
Reserves	(21885.45)	(17019.78)	(848.11)	1996.15	2023.65	2086.15	5495.77	6087.79	5432.85	4244.98
Net Worth	(18370.55)	(13504.88)	2666.79	3423.04	*3032.83	4765.31	8837.19	9429.20	8774.26	7586.39
Fixed Assets(Gross)	28754.80	28757.18	28743.74	28764.69	28601.51	28588.40	28541.47	28220.17	27966.00	27545.99
Depreciation	23642.85	23316.07	22928.97	22531.39	22103.20	21559.16	20875.70	19977.91	18914.98	17672.65
Net Block	5111.95	5441.11	5814.77	6233.30	6498.31	7029.24	7665.77	8242.26	9051.02	9873.34
Investments	984.20	984.20	999.89	999.89	999.89	999.89	997.89	999.64	1093.83	1205.91
Net Current Assets	(13810.61)	(6972.79)	11032.72	19976.21	18179.98	16185.09	17600.93	18490.34	18732.16	16152.74
Net Assets Employed	(7082.84)	79.06	18488.16	27209.40	25678.18	24214.22	26369.77	27732.24	29038.08	27771.94
Book Value Per Equity Share(Rs.)	(232.39)	(170.84)	33.74	43.30	41.23	70.03	143.23	152.82	142.21	122.96
Gross Income	18904.94	31518.47	39850.94	45888.31	43763.20	45958.86	44994.84	42415.14	38059.29	36452.81
Export Sales(FOB)	659.60	1024.59	2494.00	4035.85	4212.97	9077.80	8479.00	8223.58	7133.26	7383.20
Gross Profit/(Loss)	(4534.33)	(15784.57)	(321.93)	836.30	(1148.25)	(3485.60)	704.26	2052.98	2862.96	1760.41
Depreciation	331.34	387.10	434.32	473.31	581.22	738.07	903.13	1112.89	1260.46	1318.17
Profit/(Loss)Before Tax	(4865.67)	(16171.67)	(756.25)	362.99	(1729.47)	(4223.67)	(198.87)	940.09	1602.50	442.24
Profit/(Loss) After Tax	(4865.67)	(16171.67)	(756.25)	362.71	(1724.98)	(4371.88)	(180.25)	518.74	1188.62	748.15
Earning Per Share (Rs.)	(65.16)	(208.18)	(13.17)	0.99	(29.54)	(69.78)	(8.82)	2.71	13.51	6.90
Cash Earning Per Share(Rs.)	(60.97)	(203.28)	(7.68)	7.12	(21.01)	(58.81)	5.82	20.74	33.94	29.42

*Includes Application money for equity share warrants Rs.82.50 Lacs



MALWA COTTON SPINNING MILLS LIMITED

Regd. Office: Industrial Area-'A'
LUDHIANA

ATTENDENCE SLIP

I hereby record my/our presence at the Thirty-Eighth Annual General Meeting held on Monday, the 29th September, 2014 at 9.30 A.M. in the premises of Oswal Knit India Limited, 230 , Industrial Area 'A' , Ludhiana- 141003(Punjab).

Full Name of the 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

No. of Shares held _____

Folio No. _____

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 falling 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-Eighth Annual General Meeting of the Company to be held on Monday, the 29th September, 2014 at 9.30 A.M. and at any adjournment thereof.

Signed this _____ day of _____ 2014.

Affix Re.1/-
Revenue
stamp

Signature of Shareholder

Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy & 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 to be a member of the Company.



MALWA
COTTON SPINNING MILLS LTD.

Form-B

1.	Name of the Company	Malwa Cotton Spinning Mills Limited
2.	Annual Financial Statements for the year ended	31 st March, 2014
3.	Type of Audit Qualification	Qualified
4.	Frequency of Qualification	Repetitive
5.	Draw attention to relevant notes in the Annual Financial Statements and Management response to the Qualification in the Director's Report	Management's Response to the Qualifications:
(a)	Non-disclosure of segment results separately in respect of sewing thread in accordance with the requirements of Accounting Standards (AS)-17 on "Segment Reporting" notified by The Companies (Accounting Standards) Rules, 2006	Results of the operations of the Sewing Thread segment is complied to the extent it could be computed from the Books of Accounts, however results of the Textile Segment (Yarn and Sewing Thread) is disclosed as per Accounting Standard (AS)-17
(b)	<p>i) The Company has not arranged to make available the confirmations and/or reconciliations to verify the balances stated in the financial statements in respect of :</p> <ul style="list-style-type: none">• Trade Receivables Rs.3796 lacs• Loans & Advances Rs. 4005 lacs and• Trade Payables Rs.6515 lacs <p>ii) Refer note No.36 of the financial statements, the company has not made provision in respect of balances recoverable from Trade Receivables, Loans and Advances and Other Recoverable, which are doubtful in nature amounting to Rs.5807 as on the date of as on the date of the financial Statements.</p>	<p>Due to recession there is delay in realization of debtors and the company is settling with parties for its recovery and is confident of recovery of debtors in respect of which balances were not confirmed and therefore, no provision has been made for Trade Receivables, Loans and Advances and Other Recoverable.</p>
(c)	The management of the company has represented that the recoverable amount of assets within the meaning of Accounting	The Management of the company has strongly represented and confident that the carrying cost of the assets exceeds its recoverable amount.

CIN No. L17115PB1976PLC003702

Industrial Area-A, LUDHIANA-141 003 (PB.) INDIA. Ph : +91-161-2224201-209 Fax : 5013623, 5026778 E-mail : finance@malwagroup.com Website : www.malwagroup.com

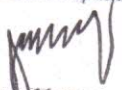
Works : Raikot Road, Barnala, Distt. SANGRUR (Pb.) Tel. : 01679-230262, 230907 Fax : 01679- 231962
Village Patlian, Tehsil Paonta Sahib, Distt. SIRMOUR (H.P.) Tel. : 01704-222255/222455 Fax : 01704-222990
Village Harijan, Kohara Machhiwara Road, Distt. LUDHIANA (Pb.) Tel. : 01628-252392,94,95 Fax : 250061

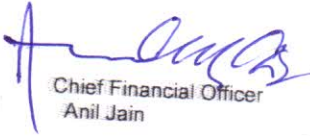


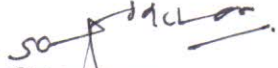
MALWA
COTTON SPINNING MILLS LTD.


<p>Standard 28 "Impairment of Assets" is more than their carrying value and as such no amount needs to be recognized in the financial statements for impairment loss. The company needs to make a provision in respect of impairment loss on such assets and the amount of such provision.</p>	
<p>(d) Refer note no.38 of the financial statements, the Company has not provided for the Interest on borrowings amounting to Rs.2935 lacs pertaining to year ended on 31st March, 2014</p>	<p>The accounts of the company has been declared NPA with the lenders and no interest is debited by the lenders in the account and therefore no provision for interest on borrowing is provided.</p>
<p>6. Additional Comments from the Board/ Audit Committee chair</p>	<p>Shri Surinder Kumar Vig, Chairman of the Audit Committee directed Mr.Anil Jain V.P. (Accounts) to remove the Qualifications in the Financial Statements as soon as possible.</p>

For Malwa Cotton Spinning Mills Limited


Chairman-cum Managing Director
Jangi Lal Oswal


Chief Financial Officer
Anil Jain


Statutory Auditor
Sanjiv Mohan
M/s S C Vasudeva & co.


Chairman of Audit Committee
Surinder Kumar Vig

CIN No. L17115PB1976PLC003702

Industrial Area-A, LUDHIANA-141 003 (PB.) INDIA. Ph : +91-161-2224201-209 Fax : 5013623, 5026778 E-mail : finance@malwagroup.com Website : www.malwagroup.com

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