



37th Annual Report 2012-13

MALWA COTTON SPINNING MILLS LTD.



MALWA COTTON SPINNING MILLS LIMITED

THE MANAGEMENT

BOARD OF DIRECTORS	:	MR.JANGI LAL OSWAL Chairman-cum-Managing Director MR.RISHI OSWAL MR.RAHUL OSWAL MR.ATUL SAXENA (Nominee of IFCI) MR.ARUN KUMAR AHLUWALIA (Nominee of PNB) MR.SANJAY KUMAR SUROYA (Nominee of IDBI) MR.GYANESHWAR BANSAL MR.SURINDER KUMAR VIG
AUDITORS	:	S.C.Vasudeva & Co., New Delhi
BANKERS	:	Punjab National Bank State Bank of India Vijaya Bank The Jammu & Kashmir Bank Ltd. IDBI Bank Ltd. IFCI Ltd.
REGISTERED OFFICE	:	Industrial Area - 'A', Ludhiana - 141 003
WORKS	:	i) Village Harigarh, Raikot Road, Barnala (Punjab) ii) Village Patlian, Paonta Sahib (Himachal Pradesh) iii) Village Harian, Kohara-Machhiwara Road, Distt. Ludhiana (Punjab)

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MALWA COTTON SPINNING MILLS LIMITED

NOTICE

Notice is hereby given that the THIRTY SEVENTH ANNUAL GENERAL MEETING of the Members of Malwa Cotton Spinning Mills Limited will be held in the premises of Oswal Knit India Ltd., 230, Industrial Area-A, Ludhiana on 31st August, 2013 at 9.30 AM to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2013, Profit and Loss Account & Cash Flow Statement for the year ended on that date together with the Report of Auditors and Directors thereon.
2. To appoint a Director in place of Mr. Surinder Kumar Vig, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Gyaneshwar Bansal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors for the year 2013-14 and fix their remuneration.

SPECIAL BUSINESS

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

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

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

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

The details of perquisites and other allowances are as follows:

- a) Housing: Free residential accommodation will be provided. In case free residential accommodation is not provided, HRA shall be paid as per Company's rules and the Company shall provide gas, electricity and water free of charge at the residence of Managing Director.
- b) Medical Expenses (Hospitalization): Reimbursement of expenses incurred for self and his family in accordance with the rules of the Company.
- c) Leave Travel Concession: Leave Travel Concession for self and his family in accordance with the rules of the Company.
- d) Personal Accident Insurance: Coverage of Personal Accident Insurance as per rules of the Company and the annual premium shall be paid by the Company.

- e) Provident Fund: Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of ceiling of perquisites to the extent these either singly or put together are not taxable under Income Tax Act, 1961.
- f) Gratuity: Gratuity payable shall be in accordance with rules of the Company.
- g) Encashment of Leave: Encashment of Leave at the end of the Tenure will not be included in the computation of the ceiling of perquisites.
- h) Club Fee: Fee of Club subject to maximum of two clubs. This does not include admission and life membership fee.

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

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

By order of the Board

PLACE : LUDHIANA

POOJA DAMIR MIGLANI

DATED: 15.04.2013

Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING. THE BLANK PROXY FORM IS ENCLOSED.
2. The information pursuant to Corporate Governance Clause of the Listing Agreement(s) regarding the Directors seeking appointment/re-appointment in the Annual General Meeting as proposed in Item No. 2 & 3 of the Notice is also being annexed hereto respectively and forms part of the Notice.
3. The Register of members and shares transfer books of the Company shall remain closed from 29-08-2013 to 31-08-2013 (both days inclusive).
4. Members holding shares in physical form are requested to notify the change in their addresses, if any, to the Registrar & Transfer Agent/Company immediately quoting their Folio Number(s). However, Members holding shares in electronic mode may notify change in the address, if any, to their



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respective Depository Participants.

5. Members desiring any information, as regards Accounts are requested to write to the Company at its Registered Office at least 10 days before the date of Annual General Meeting so as to enable the Management to keep the information ready.
6. The copies of relevant documents can be inspected at the Registered Office of the Company on any working day between 10.30 AM to 12.30 PM.
7. Members are requested to bring their copy of Annual Report along with them at the Annual General Meeting.
8. The Ministry of Corporate affairs (MCA) has vide Circular Nos. 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively, taken a Green Initiative in Corporate Governance by allowing paperless compliances through electronic mode, allowing to send documents such as Notice convening General Meetings, Audited Financial Statements, Directors' Report, Auditors' Report, etc. and any other notice/documents, henceforth in electronic form in lieu of the paperform.

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

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

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

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

E-Mail: info@masserv.com

By order of the Board

PLACE: LUDHIANA

POOJA DAMIR MIGLANI

DATED: 15.04.2013

Company Secretary

ANNEXURE "I" TO THE NOTICE

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

Mr. Gyaneshwar Bansal

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

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

any Director.

Mr. Surinder Kumar Vig

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

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

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

By order of the Board

PLACE: LUDHIANA

POOJA DAMIR MIGLANI

DATED: 15.04.2013

Company Secretary

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

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

In compliance with the provisions of Companies Act, 1956, the terms of remuneration specified above are now being placed before the members in the General Meeting for their approval.

The draft agreement between the Company and Shri Jangi Lal Oswal is available for inspection by the Members of the Company at its registered office between 11.00 AM to 1.00 PM on any working day of the Company.

Shri Jangi Lal Oswal is interested in the item.

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

This may be treated as extract of the terms of contract and Memorandum of interest in relation to the re-appointment of Shri Jangi Lal Oswal pursuant to section 302 of the Companies Act, 1956.

By order of the Board

PLACE: LUDHIANA

POOJA DAMIR MIGLANI

DATED: 15.04.2013

Company Secretary



MALWA COTTON SPINNING MILLS LIMITED

DIRECTORS' REPORT

Dear Members,

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

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

YEAR IN RETROSPECT

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

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

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

TURNOVER

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

Barnala Unit

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

Paonta Sahib Unit

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

Machhiwara Unit

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

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

FIXED DEPOSITS

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

INDUSTRIAL RELATIONS

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

COMPLIANCE OF LISTING AGREEMENT

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

CORPORATE GOVERNANCE

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

AUDITORS

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

COST AUDITORS

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



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

- For the year 2011-12 was 28th February, 2013 and was filed on 20th February, 2013.
- For the year 2012-13 is 27th September, 2013 and is expected to be filed in due course of time.

AUDITORS' REPORT

The Auditors' Report on the Accounts is self-explanatory and required no comments except i) non-disclosure of segment results separately in respect of sewing thread segment in accordance with Accounting Standard (AS-17). Results of the operations of the sewing thread segment is compiled to the extent it could be computed from the books of account however results of the textile segment (yarn & sewing thread) is disclosed as per Accounting Standard (AS-17). ii) The slow moving items of inventories to the tune of Rs. 236.14 lac have been valued at cost as the market value is not ascertainable iii) Due to recession there is delay in realization of debtors and the Company is settling with parties for its recovery and confident of recovery of debtors in respect of which balances were not confirmed and therefore, no provision has been made for doubtful debts in respect of these debtors as doubtful amount can not be ascertained at this stage.

DIRECTORS' RESPONSIBILITY STATEMENT

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

DIRECTORS

Mr. Surinder Kumar Vig & Mr. Gyaneshwar Bansal retire at the ensuing Annual General Meeting and are eligible for re-appointment as Directors subject to retirement by rotation.

They offer themselves for the re-appointment.

Mr. Surendra Prasad Bhatt, nominee of IFCI Ltd. and Mr. Yashpal Barar, nominee of PNB ceased to be Director of the Company w.e.f. 14.02.2013 and 20.10.2012 respectively. The Board places on record its appreciation for their services rendered during their tenure as Directors of the Company.

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

ACKNOWLEDGEMENT

The Board of Directors place on record its appreciation for the valuable assistance, support and guidance extended to the Company by the Financial Institutions and Banks. The Company also acknowledges the support and co-operation received from dealers, retailers and agents for promoting various products of the Company. The Board also wish to express its deep gratitude for the continued support from its shareholders and the employees and appreciate the co-operation and unstinted support extended to the Company.

DISCLOSURE OF PARTICULARS

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

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

ANNEXURE 'A' TO THE DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES

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

Name	Age	Date of Employment	Qualification	No. of Years of Experience	Designation & Nature of Duties	Remuneration (In Lacs)	Last Employment	Designation With Last Employer	Period of Service With Last Employer
Mr. Jangi Lal Oswal	61	09.4.1980	B.A IIInd Year	43	Chairman-cum-Managing Director	25.94	Oswal Woollen Mills Ltd.	Commercial Manager	9

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

PLACE : LUDHIANA
DATED : 15.04.2013

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



MALWA COTTON SPINNING MILLS LIMITED

ANNEXURE 'B' TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

I. CONSERVATION OF ENERGY

The Company continues to accord high priority for energy conservation.

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

FORM A

(Disclosure of particulars with respect to conservation of energy)

A. POWER AND FUEL CONSUMPTION

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

B. CONSUMPTION PER UNIT OF PRODUCTION

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

II. TECHNOLOGY ABSORPTION

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



MALWA COTTON SPINNING MILLS LIMITED

FORM - B

RESEARCH AND DEVELOPMENT (R&D)

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

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

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

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

ANNEXURE 'C' TO THE DIRECTORS' REPORT

Directors' Responsibility Statement

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

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

PLACE : LUDHIANA
DATED : 15.04.2013

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

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

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

Opportunities and Threats

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

Future Outlook

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

Risks and Concerns

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

Internal Control System and their adequacy

The internal Control system of the Company is commensurate with the size of the company and is proper and adequate. The Internal Audit Department of the Company ensures adherence to all internal control policies and procedures.

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

Financial/operational Performance

(Rs. Lacs)		
Particulars	2012-13	2011-12
Turnover & Other Income	31518.47	39850.94
PBDIT	(12489.14)	2919.65
Financial Charges	3295.43	3241.58
Depreciation	387.10	434.32
Profit/(Loss) before Tax	(16171.67)	(756.25)
Profit/(Loss) after Tax	(16171.67)	(756.25)
Earning Per Share (Rs.)	(208.18)	(13.17)

Human Resources/Industrial Relations

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

For and on behalf of the Board

JANGI LAL OSWAL

Place: Ludhiana

Chairman cum

Dated: 15.04.2013

Managing Director



MALWA COTTON SPINNING MILLS LIMITED

REPORT ON CORPORATE GOVERNANCE

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

1. COMPANY'S PHILOSOPHY :

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

2. BOARD OF DIRECTORS :

(a) Board Meeting:

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

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

(b) Composition:

The Board of Directors comprises of eight Directors and includes:

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

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

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

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

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

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

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

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

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

3. AUDIT COMMITTEE :

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

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

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

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

The attendance of Members of the Audit Committee during the Financial Year 2012-2013:-

Name of the Committee Member	No. of Audit Committee meetings attended
Mr. Gyaneshwar Bansal	2
Mr. Surinder Kumar Vig	4
Mr. Sanjay Kumar Suroya	2
Mr. Surendra Prasad Bhatt	2
Mr. Atul Saxena	Nil

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

4. DIRECTORS' REMUNERATION:

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

i) Chairman cum Managing Director: (Rs. lacs)

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

ii) Non-Executive Directors:

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

The details of Sitting Fee paid to Non-Executive Directors during the Financial Year 2012-13 are as below:-

Name of Non-Executive Directors	Sitting fee (Rs.)
Mr. Rishi Oswal	6000.00
Mr. Rahul Oswal	10000.00
Mr. Surinder Kumar Vig	18000.00
Mr. Sanjay Kumar Suroya	10000.00
Mr. Surendra Prasad Bhatt	10000.00
Mr. Yashpal Barar	NIL
Mr. Gyaneshwar Bansal	8000.00
Mr. Atul Saxena	2000.00
Mr. Arun Kumar Ahluwalia	6000.00
Total	70000.00

5. SHAREHOLDING OF DIRECTORS AS ON 31.03.2013:

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

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

6. SHAREHOLDERS / INVESTORS' GRIEVANCE COMMITTEE:

The Company has constituted a Shareholders Investors' Grievance Committee for the redressal of Investors'

Complaints on various issues. The Committee also monitors and reviews the performance and service standards of Registrar and Share Transfer Agent 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 10.11.2012 and same was attended by Mr. Gyaneshwar Bansal and Mr. Surinder Kumar Vig. Mrs. Pooja Damir Miglani, Company Secretary is the Compliance Officer of this Committee.

During the year 2012-2013, the Company has received 4 complaints from its Shareholders which have been duly resolved by the Company. No complaint was pending as on 31st March, 2013.

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

7. GENERAL BODY MEETINGS :

i) General Meetings :

a) Annual General Meeting :

Year	Date of Meeting	Time of Meeting	Venue of Meeting
2009-10	25.09.2010	9.30 A.M	In the premises of Oswal Knit India Ltd., 230, Ind. Area -A, Ludhiana.
2010-11	26.09.2011		
2011-12	26.09.2012		

A Special Resolution was passed in the Annual General Meeting held on 26-09-2009 with requisite majority under section 81(1A) of the Companies Act, 1956.

b) Extraordinary General Meeting :

An Extraordinary General Meeting was conducted during the year on 24.11.2012 to file a reference to BIFR under section 23 of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA).

ii) Postal Ballot :

No resolution was passed through Postal Ballot during the year.

8. DISCLOSURES :

A) Disclosure on material significant Related Party transactions:

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



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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/The Financial Express (English) and Des Sewak (Punjabi).

GENERAL INFORMATION FOR SHAREHOLDERS :

i) 37th Annual General Meeting :

Date : 31st August, 2013
Time : 9:30 a.m.
Venue : In the premises of
Oswal Knit India Ltd.,
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 31st August, 2013.

ii) Financial Calendar : 2013-14 (Tentative)

Approval of Results for the period ended	Date of Submission to Stock Exchange
30th June, 2013 (Quarter)	Second week of Aug, 2013
30th Sept, 2013 (Quarter)	Second week of Nov, 2013
31st Dec, 2013 (Quarter)	Second week of Feb, 2014
31st Mar, 2014 (Yearly)	Last week May, 2014

iii) Book Closure date : 29-08-2013 to 31-08-2013 (both days inclusive)

iv) Dividend : No dividend was recommended for the year 2012-13.

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

- Bombay Stock Exchange Limited, Mumbai (BSE), Floor 25, PJ Towers, Dalal Street, Fort, Mumbai – 400 001
 - 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 2012-13 and will pay Listing Fees for the Financial Year 2013-14 in due course of time.

vi) Stock Code :

BSE : 502995
NSE : MALWACOTT

vii) Market Price Data (NSE) :

Month	High	Low	Month	High	Low
April, 12	23.50	17.65	Oct, 12	22.45	19.15
May, 12	23.00	18.50	Nov, 12	21.80	18.05
June, 12	22.85	18.40	Dec, 12	20.80	18.05
July, 12	20.95	18.80	Jan, 13	20.70	17.00
Aug, 12	19.00	16.60	Feb, 13	18.00	13.00
Sept, 12	21.00	16.75	Mar, 13	14.80	8.80

viii) Unclaimed Dividend :

There is no unclaimed dividend pending with the Company.

ix) Registrar & Share Transfer Agent :

M/s Mas Services Ltd., T-34, 2nd Floor, Okhla Industrial Area, Phase-II, New Delhi-110020
Ph. No.: 91 11 26387281-83, Fax No. : 91 11 26387384
E-Mail : info@masserv.com

x) Share Transfer Systems:

The Equity Shares of the Company which are in electronic form represent 77.76 % 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 effected. 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 31st March, 2013 :

a) Distribution of Equity Shares as on 31st March, 2013 :

No. of Shares	Holding	% to Capital	No. of Share holders	% of total No. of Shareholders
Upto 5000	803782	10.17	6356	88.99
5001-10000	302498	3.82	364	5.10
10001-20000	307037	3.88	200	2.80
20001-30000	144027	1.82	57	0.80
30001-40000	139529	1.77	40	0.56



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40001-50000	144806	1.83	31	0.43
50001-100000	247041	3.13	32	0.45
100001 & above	5816308	73.58	62	0.87
Total	7905028	100.00	7142	100.00

b) Categories of Equity Shareholders as on 31st March, 2013 :

Category	No. 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)	865797	10.95
Private Corporate Bodies	701986	8.88
Indian Public	2184090	27.63
NRI/OCBs	22840	0.29
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, 2013.

For and on behalf of the Board

Place: Ludhiana

JANGI LAL OSWAL

Dated: 15.04.2013

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, 2013 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 Reg. No. 000235N

Place : Ludhiana

(SANJIV MOHAN)

Dated : 15.04.2013

Partner

M.No.86066



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, 2013, 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. 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 ₹ 16171.67 lacs during the year ended 31st March, 2013, which together with brought forward losses of ₹ 848.11 lacs exceeds the

net worth of the company, and as of that date, the company's current liabilities exceeded its current assets by ₹ 6972.79 lacs and its total liabilities exceeded its total assets by ₹ 13504.88 lacs. This condition indicates the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern.

Basis for Qualified Opinion

5. Further we report that:

- i. Non confirmation of balances of trade receivables, trade payables, loans and advances and recoverables and its impact on loss, assets and liabilities is not ascertainable.
- ii. Refer note no. 37 In absence of availability of net realizable value of slow moving items of inventories to the tune of ₹ 236.14 lacs, these have been valued at cost instead of lower of cost and net realizable value. The impact of valuation on loss and current assets is not ascertainable.
- iii. Refer note no. 36 No provision has been made for doubtful trade receivables, advances and other recoverables aggregating to ₹ 6,591.94 lacs. Had the impact of our observation been considered, then loss for the year would have been ₹ 22,763.61 lacs (against the reported figure of ₹ 16,171.67 lacs) and reserves and surplus would have been ₹ (23,611.72) lacs (against the reported figure of ₹ (17,019.78) lacs and Current assets would have been ₹ 10,169.86 lacs (against the reported figures of ₹ 16,997.94 lacs.)

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, 2013;
 - (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 Act, 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



MALWA COTTON SPINNING MILLS LIMITED

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, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, 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

(SANJIV MOHAN)

Partner
M. No. 86066

PLACE : LUDHIANA
DATED : 15th April, 2013

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 3)

- 1. a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) According to the information and explanations given to us, the fixed assets 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

ended 31st March 2011. 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	Amt. (Rs. in Lacs)	Period to which amount relates	Due Date	Date of Payment
Income Tax Act, 1961	Tax deducted at Source	29.06	F.Y. 2012-13	Various	Not yet paid
Income Tax Act, 1961	Tax collected at Source	1.08	F.Y. 2012-13	Various	Not yet paid
Employees' Provident Fund and Miscellaneous Provisions Act, 1952	Provident Fund	198.57	F.Y. 2011-12 & 2012-13	Various	Not yet paid

Employees' State Insurance Act, 1948	Employee State Insurance	76.32	F.Y. 2011-12 & 2012-13	Various	Not yet paid
Punjab Labour Welfare Fund Act, 1965	Labour Welfare Fund	0.43	F.Y. 2012-13	Various	Not yet paid
Punjab Value Added Tax Act, 2005/ Central Sales Tax Act, 1956	VAT/CST	85.48	F.Y. 2011-12	Various	Not yet paid

- d) According to the information and explanations given to us, the disputed statutory dues aggregating to Rs. 584.82 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 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	117.48	2006 and 2009	The Deputy Excise & Taxation Commissioner (Appeals) Patiala
The Punjab Value Added Tax Act, 2005	Value Added Tax	190.19	2006 - 2012	The Deputy Excise & Taxation Commissioner (Appeals) Patiala
Himachal Pradesh Tax on Entry of Goods into Local Area Act, 2010	Entry Tax	83.82	2011- 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 Act, 1944	Excise Duty	3.50	2009	Joint Secretary, Deptt. of Revenue
Central Excise Act, 1944	Excise Duty	27.85	2009	Additional Commissioner, Chandigarh
The Finance Act, 1994 (Chapter V)	Service Tax	2.30	1996	Commissioner of Central Excise (Appeals)
Central Excise Act, 1944	Excise Duty	36.03	2012 and 2013	Commissioner of Central Excise (Appeals), Chandigarh
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. in Lacs)	Nature of Dues	Period of default of repayment
1.	IFCI Ltd.	707.59	Term loan -Principal	April 2012 – Jan 2013
		752.22	Term loan -Interest	Jan 2012 – Jan 2013
		52.31	Cash Credit – Principal and Interest	Jan 2012 – Jan 2013
2.	IDBI Bank Ltd.	166.07	Term loan -Principal	April 2012 – March 2013
		127.49	Term loan -Interest	April 2012 – March 2013
		12.25	Cash Credit – Principal and Interest	June 2012 – March 2013
3.	SIDBI	16.31	Term loan -Principal	June 2012 – March 2013
		14.15	Term loan -Interest	June 2012 – March 2013
4.	Punjab National Bank	283.55	Term loan -Principal	Sept 2012 – March 2013
		150.71	Term loan -Interest	Sept 2012 – March 2013
		3046.90	Cash Credit – Principal and Interest	Sept 2012 – March 2013
5.	State Bank of India	172.50	Term loan -Principal	Sept 2012 – March 2013
		127.62	Term loan -Interest	Aug 2012 – March 2013
		1083.69	Cash Credit – Principal and Interest	Aug 2012 – March 2013
6.	Vijaya Bank	32.02	Term loan -Principal	Sept 2012 – March 2013
		19.56	Term Loan-Interest	Sept 2012 – March 2013
		507.48	Cash Credit – Principal and Interest	Aug 2012 – March 2013
7.	J & K Bank	7.00	Term loan -Principal	Dec 2012 – March 2013
		5.81	Term loan -Interest	Oct 2012 – March 2013
		185.50	Cash Credit – Principal and Interest	Sept 2012 – March 2013

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 ₹ 16178.28 lacs raised on short-term basis has been used for repayment of long term borrowings, 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 : 15th April, 2013



MALWA COTTON SPINNING MILLS LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2013

Particulars	Note No.	As at 31st March, 2013 Rs. Lacs	As at 31st March, 2013 Rs. Lacs
I. EQUITY AND LIABILITIES			
(1) Shareholder's funds			
(a) Share capital	03	3514.90	3514.90
(b) Reserves and surplus	04	(17019.78)	(848.11)
		(13504.88)	2666.79
(2) Non - current liabilities			
(a) Long-term borrowings	05	12802.76	14947.90
(b) Deferred tax liabilities (net)	06	-	-
(c) Long-term provisions	07	781.18	873.47
		13583.94	15821.37
(3) Current liabilities			
(a) Short-term borrowings	08	13057.64	8882.59
(b) Trade payables	09	2664.11	7052.00
(c) Other current liabilities	10	7938.55	3734.40
(d) Short-term provisions	07	310.43	387.25
		23970.73	20056.24
TOTAL		24049.79	38544.40
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets	11		
(i) Tangible assets		5401.09	5765.65
(ii) Intangible assets		27.52	36.62
(iii) Capital work in progress		12.50	12.50
(b) Non-current investments	12	984.20	999.89
(c) Long-term loans and advances	13	626.54	640.78
		7051.85	7455.44
(2) Current assets			
(a) Inventories	14	4483.63	14400.52
(b) Trade receivables	15	10771.79	13777.00
(c) Cash and bank balances	16	469.25	504.79
(d) Short-term loans and advances	13	1273.27	2406.65
		16997.94	31088.96
TOTAL		24049.79	38544.40

See accompanying notes forming part of the financial statements

As per our separate report of even date.

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

For and on behalf of the Board

SANJIV MOHAN
Partner
M. No. 86066

POOJA DAMIR MIGLANI
Company Secretary

ANIL JAIN
Vice President
(Accounts)

SURINDER KUMAR VIG
Director

JANGI LAL OSWAL
Chairman-cum-Managing
Director

Place : Ludhiana
Dated : 15.04.2013



MALWA COTTON SPINNING MILLS LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2013

Particulars	Note No.	Current year Rs. Lacs	Previous year Rs. Lacs
INCOME			
Revenue from operations (gross)	17	31324.25	39823.24
Less: Excise duty		1.01	21.27
Revenue from operations (net)		31323.24	39801.97
Other income	18	195.23	48.97
Total revenue		31518.47	39850.94
EXPENSES			
Cost of materials consumed (Includes dyes & chemical consumed)	19	21845.50	24966.30
Purchase of stock-in-trade	20	585.61	34.57
Change in inventories of finished goods, work-in-progress and stock-in-trade	21	9251.58	241.51
Employee benefits expense	22	4231.80	4569.20
Finance costs	23	3295.43	3241.58
Depreciation and amortisation expense	11	387.10	434.32
Other expenses	24	8093.12	7119.71
Total expenses		47690.14	40607.19
Profit/(loss) before tax		(16171.67)	(756.25)
Tax expense		-	-
Profit/(loss) for the year		(16171.67)	(756.25)
Earning per share (Equity share Nominal value of Rs.10/- each)			
Basic	25	(208.18)	(13.17)
Diluted		(65.12)	(3.01)

See accompanying notes forming part
of the financial statements

As per our separate report of even date.

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

For and on behalf of the Board

SANJIV MOHAN
Partner
M. No. 86066

POOJA DAMIR MIGLANI
Company Secretary

ANIL JAIN
Vice President
(Accounts)

SURINDER KUMAR VIG
Director

JANGI LAL OSWAL
Chairman-cum-Managing
Director

Place : Ludhiana
Dated : 15.04.2013



MALWA COTTON SPINNING MILLS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013

Particulars	Current Year Rs. Lacs	Previous Year Rs. Lacs
A. Cash flow from operating activities		
Net profit/(loss) before tax and extra ordinary items	(16171.67)	(756.25)
Adjustment for		
Provision for doubtful trade receivables	10.86	7.10
Excess provision written back	(73.99)	-
Depreciation & amortisation	387.10	434.32
Profit on sale of fixed assets(net)	-	(5.06)
Profit on sale of investment	(82.90)	-
Sundry balances written off	56.59	14.11
Interest expense	3154.14	2973.87
Interest income	(0.45)	(21.05)
Dividend income	(1.97)	(1.97)
Operating profit before working capital changes	(12722.29)	2645.07
Changes in working capital		
(Increase)/decrease in inventories	9916.89	739.00
(Increase)/decrease in trade recivables and other current assets	4086.68	(2294.70)
Increase/(decrease) in trade payables and other liabilities	(2035.88)	1121.83
Cash generated from operating activities	(754.60)	2211.20
(Taxpaid)/refund	0.67	(2.27)
Net cash from operating activites (A)	(753.93)	2208.93
B. Cash flow from investing activities		
Purchase of fixed assets including capital advances	(15.41)	(19.26)
Proceeds from sale of fixed assets	-	8.50
Proceeds from sale of investment	98.59	-
Interest received	0.45	21.05
Dividend received	1.97	1.97
Net cash from investing activities (B)	85.60	12.26
C. Cash flow from financing activities		
Repayment of long-term borrowing(net)	(2145.14)	(1448.17)
Proceeds from short-term borrowing(net)	4175.05	2260.00
Interest paid	(1397.12)	(2843.76)
Net cash form financing activities (C)	632.79	(2031.93)
Net increase/(decrease) in cash & cash equivalents(A+B+C)	(35.54)	189.26
Cash & cash equivalents as on 01.04.2012 (opening balance)	504.79	315.53
Cash & cash equivalents as on 31.03.2013 (closing balance)	469.25	504.79

As per our separate report of even date.

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

For and on behalf of the Board

SANJIV MOHAN
Partner
M. No. 86066

POOJA DAMIR MIGLANI
Company Secretary

ANIL JAIN
Vice President
(Accounts)

SURINDER KUMAR VIG
Director

JANGI LAL OSWAL
Chairman-cum-Managing
Director

Place : Ludhiana
Dated : 15.04.2013



MALWA COTTON SPINNING MILLS LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

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. Amortisation

Intangible assets are amortised 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

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

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

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:

Provident Fund:

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

ii) Defined benefit plans
a) Gratuity:

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

b) Leave encashment:

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

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

N. Leases:

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

O. Earning per share

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

P. Accounting for taxes on income

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

Q. Impairment of assets

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

R. Provision and contingent liabilities

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



MALWA COTTON SPINNING MILLS LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

Particulars	As at 31st March, 2013		As at 31st March, 2012	
	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		<u>0.22</u>		<u>0.22</u>
		790.29		790.29
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>
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.

c. Terms/rights attached with cumulative redeemable preference shares

The company has presently issued 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



MALWA COTTON SPINNING MILLS LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

The earliest date of redemption was 30th September, 2011

Arrear of fixed cumulative dividend on preference shares as at 31st March, 2013 Rs. 3555.00 Lac (As at 31st March, 2012 Rs. 3310.00 Lac).

Cumulative preference shares due for redemption during the year and in the preceeding 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	No of share held	As at 31st March, 2013	No of shares held	As at 31st March, 2012
			% holding in that class of share		% holding in that class of share
Equity shares	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 years immediately preceeding the Balance sheet date :

Class of shares	As at 31st March, 2013	As at 31st March, 2012
	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	-	-
- Share bought back by the company	-	-

4. Reserves and surplus	Rs. Lacs	Rs. Lacs
(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	(7710.26)	(6954.01)
Surplus/(deficit) in the statement of profit and loss	(16171.67)	(756.25)
Net Surplus/(deficit) in the statement of profit and loss	(23881.93)	(7710.26)
Total reserves and surplus	(17019.78)	(848.11)

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



MALWA COTTON SPINNING MILLS LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

5. Long-term borrowings.

	Long-term		Current maturities	
	As at 31st March, 2013	As at 31st March, 2012	As at 31st March, 2013	As at 31st March, 2012
	Rs. Lacs	Rs. Lacs	Rs. Lacs	Rs. Lacs
Term loans				
From Banks (secured)	6010.49	7147.70	1843.69	975.77
From Financial Institutions (secured)	6345.27	7353.20	1731.83	845.56
Other loans and advances				
From others (unsecured)	447.00	447.00	-	-
	12802.76	14947.90	3575.52	1821.33
The above amount includes				
Total Secured borrowings	12355.76	14500.90	-	-
Total Unsecured borrowings	447.00	447.00	-	-
Amt disclosed under the head "other current liabilities"(note 10)	-	-	(3575.52)	(1821.33)
Net amount	12802.76	14947.90	-	-

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	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	Total
TERM LOAN/ WCTL								Rs. Lac
From Banks	9% p.a.	637.00	638.00	637.00	1145.20	1272.00	1313.32	5642.52
From Financial Institutions	9% p.a.	722.72	722.72	722.72	1300.88	1445.40	1516.95	6431.39
FUNDED INTEREST TERM LOAN								
From Banks	6% p.a.	500.22	500.22	504.75	-	-	-	1505.19
From Financial Institutions	6% p.a.	285.24	285.24	351.33	-	-	-	921.81

Security :

- 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.
- Exclusive securities:
 - 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. 9834.95 lacs).
 - PNB/SBI: Equitable mortgage of immovable properties situated at Ludhiana and Barnala as additional collateral security for long term loans out standing of Rs.5477.27lacs(previous year Rs 5630.90 lac).
- Pledge of 24,88,715 equity shares of Promoters as Additional Collateral security for entire CDR debts (Existing and fresh) to be shared by all CDR lenders on pari-passu basis.
- Equitable Mortgage of 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.
- Personal Guarantee of three Promoter Directors of the Company.

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

	As at 31st March, 2013		As at 31st March, 2012	
	Period of default	Rs Lacs	Period of default	Rs Lacs
Term Loans from Banks				
Principal	Apr,12 -Mar,13	661.14	March, 2012	103.01
Interest	Apr,12 -Mar,13	431.19	March, 2012	41.65
Term Loans from Financial Institutions				
Principal	Apr,12 -Mar,13	723.90	Oct, 11- Mar, 12	119.27
Interest	Jan,12 -Mar,13	766.37	Oct, 11- Mar, 12	74.43



MALWA COTTON SPINNING MILLS LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

6. Deferred tax liability (net)

	As at 31st March 2013	As at 31st March 2012
Deferred tax liability	Rs. Lacs	Rs. Lacs
On difference between book balance and tax balance of Fixed Assets	1159.16	1195.12
Gross deferred tax liability	1159.16	1195.12
Deferred tax assets		
On account of unabsorbed depreciation carried forward (to the extent of deferred tax liability)	1159.16	1195.12
Gross deferred tax assets	1159.16	1195.12
Net deferred tax liability	-	-

7. Provisions (Long-term/ short-term)

	Long-term		Short-term	
	As at 31st March 2013	As at 31st March 2012	As at 31st March 2013	As at 31st March 2012
	Rs. Lacs	Rs. Lacs	Rs. Lacs	Rs. Lacs
Provision for employee benefits				
Provision for gratuity (note 26)	513.61	559.61	155.66	214.79
Provision for leave encashment (note 26)	267.57	313.86	154.77	172.46
	781.18	873.47	310.43	387.25

8. Short-term borrowings

	As at 31st March 2013	As at 31st March 2012
Loans repayable on demand	Rs. Lacs	Rs. Lacs
cash credit from banks (secured)	13057.64	8882.59
	13057.64	8882.59

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 :

- 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).
- Exclusive securities:
 - 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 456.54 lacs).
 - 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 of outstanding of Rs.11054.41lacs (previous year Rs.7623.19 lacs).
- Pledge of 24,88,715 equity shares of Promoters as additional collateral security for entire CDR debts (existing and fresh) to be shared by all CDR lenders on pari-passu basis.
- Equitable mortgage of 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.
- Personal guarantee of three promoter directors of the company.

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

	As at 31st March, 2013	As at 31st March, 2012
Period of default	Rs Lacs	Rs Lacs
Cash credit from Banks		
Principal and Interest	4888.13	-
9. Trade Payables		
Acceptances	17.26	4097.50
Other than acceptances	2646.85	2954.50
	2664.11	7052.00
10. Other current liabilities		
Current maturities of long-term debts (note 5)	3575.52	1821.33
Interest accrued but not due on borrowings	236.20	210.49
Interest accrued and due on borrowings	1847.38	74.43



MALWA COTTON SPINNING MILLS LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

Other payables

Statutory remittances (contribution to PF and ESIC,
Excise Duty, Vat, Service Tax etc)
Trade/security deposits received from customers
Due to employees
Others

629.18	390.37
27.92	22.29
1173.41	1054.57
448.94	160.92
<u>7938.55</u>	<u>3734.40</u>

11. Fixed assets

(Rs. Lacs)

	GROSS BLOCK					ACCUMULATED DEPRECIATION				NET BLOCK		
Particulars	Balance As at 01.04.2012	Additions	Disposal	Other Adjustments	Balance As at 31.03.2013	Balance As at 01.04.2012	Depreciation/amo- rtisation expenses for the year	Eliminated on Disposal of assets	Other Adjustments	Balance As at 31.03.2013	Balance As at 31.03.2013	Balance As at 31.03.2012
A. TANGIBLE (OWN USE)												
1. FREE HOLD LAND	317.99	-	-	-	317.99	-	-	-	-	-	317.99	317.99
2. BUILDING	6200.15	2.89	-	-	6,203.04	2663.36	159.66	-	-	2823.02	3380.02	3536.79
3. PLANT AND MACHINERY	21039.34	1.54	-	-	21,040.88	19260.31	184.66	-	-	19444.97	1595.91	1779.03
4. FURNITURE AND FITTINGS	173.13	-	-	-	173.13	164.59	0.99	-	-	165.58	7.55	8.54
5. VEHICLES	529.14	-	-	-	529.14	444.29	18.55	-	-	462.84	66.30	84.85
6. OFFICE EQUIPPMENTS	325.95	2.27	-	-	328.22	287.50	7.40	-	-	294.90	33.32	38.45
Sub-Total	28585.70	6.70	-	-	28592.40	22820.05	371.26	-	-	23191.31	5401.09	5765.65
B. INTANGIBLE												
COMPUTER SOFTWARE	145.54	6.74	-	-	152.28	108.92	15.84	-	-	124.76	27.52	36.62
TOTAL (A+B)	28731.24	13.44	-	-	28744.68	22928.97	387.10	-	-	23316.07	5428.61	5802.27
PREVIOUS YEAR	28741.27	30.16	40.19	-	28731.24	22531.40	434.32	36.75	-	22928.97	5802.27	
Capital work in progress #	-	-	-	-	-	-	-	-	-	-	12.50	12.50

Capital work in progress include building under construction amounting Rs. 12.50 lac (Previous Year Rs. 12.50 lac).

12. Non-current investments

As at 31st March 2013
Rs. Lacs

As at 31st March 2012
Rs. Lacs

Long-term investment (valued at cost unless stated otherwise)

A. Trade

Investment in Equity instruments of associates (Unquoted)

- 96,30,700 (Previous year 96,30,700) equity shares of Rs.10/- each fully paid up of M/s Malwa Industries Limited. 963.07 963.07

B. Others

Investments in Equity instruments of others

a) Unquoted

- 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 : Provision for diminuation 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 Limited 536.28 536.28
- Less : Provision for diminuation 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 : Provision for diminuation 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 Limited 15.00 15.00
- 20,000 (Previous year 20,000) Equity Shares of Rs.10/- each fully paid up of M/s Shivalik Solid Waste Management Ltd. 2.00 2.00



MALWA COTTON SPINNING MILLS LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

	As at 31st March 2013 Rs. Lacs	As at 31st March 2012 Rs. Lacs
b) Quoted		
- Nil (Previous year : 43,759) equity shares of Rs. 10/- each fully paid up of M/s Vardhman Textiles Ltd.	-	15.69
- 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: Provision 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	999.89
Aggregate amount of quoted investments	3.92	19.61
Aggregate market value of quoted investments	2.32	91.94
Aggregate amount of unquoted investments	980.28	980.28
Aggregate provision for diminution in value of investments	709.78	709.78
13. Loans and advances (Long-term/short-term)		
(Unsecured consider good, unless otherwise stated)		
	Long-term	Short-term
	As at 31st March 2013 Rs. Lacs	As at 31st March 2012 Rs. Lacs
	As at 31st March 2013 Rs. Lacs	As at 31st March 2012 Rs. Lacs
Capital advances	57.10	55.13
(A)	57.10	55.13
Security deposits	411.42	400.58
(B)	411.42	400.58
Other loan and advances		
Advance income tax (net of provision for taxes of Rs. Nil) (Previous year Rs. Nil)	-	-
Loans and advances to employees	-	-
Prepaid expenses	2.53	2.53
Balances with government authorities	155.49	182.54
Other loans and advances consider good	-	-
Doubtful	-	-
(C)	158.02	185.07
Allowances for doubtful loan and advances (D)	-	-
Total (A+B+C-D)	626.54	640.78
	16.60	17.27
	82.14	179.54
	27.63	144.73
	662.28	790.48
	482.07	1269.83
	172.88	175.33
	1443.60	2577.18
	(172.88)	(175.33)
	1273.27	2406.65

14. Inventories (valued at lower of cost and net realizable value)

	As at 31st March 2013 Rs. Lacs	As at 31st March 2012 Rs. Lacs
a) Raw materials	1026.44	1396.94
Raw materials in-transit	57.29	63.63
b) Work-in-progress	1173.27	4906.40
c) Finished goods	1929.72	7446.68
d) Stock-in-trade	8.00	9.49
e) Stores and Spares	287.31	574.30
Stores and Spares in-transit	1.60	3.08
	4483.63	14400.52



MALWA COTTON SPINNING MILLS LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

	As at 31st March 2013 Rs. Lacs	As at 31st March 2012 Rs.Lacs
15. Trade receivables		
a) Outstanding for a period exceeding six months from the date they are due for payment		
Secured, considered good	27.92	22.29
Unsecured, considered good	6559.59	5314.59
Doubtful	634.46	623.61
Less : Allowance for doubtful trade receivables	(634.46)	(623.61)
	<u>6587.51</u>	<u>5336.88</u>
b) Other trade receivable		
Unsecured, considered good	4184.28	8440.12
Total (a + b)	<u>10771.79</u>	<u>13777.00</u>
16. Cash and bank balances		
Cash and cash equivalents		
Balances with banks:		
In current accounts	98.26	67.66
Cheques/ drafts on hand	197.20	252.06
Cash on hand	173.79	185.07
	<u>469.25</u>	<u>504.79</u>
17. Revenue from operations	Current Year Rs. Lacs	Previous Year Rs.Lacs
Sale of products	31162.51	39557.02
Sale of services	54.94	64.00
Other operating revenue	106.80	202.22
Revenue from operations (gross)	<u>31324.25</u>	<u>39823.24</u>
Less: Excise duty relating to sale	1.01	21.27
Revenue from operations (net)	<u>31323.24</u>	<u>39801.97</u>
(i) Sale of product comprise		
Manufactured goods		
Yarn	19092.02	25012.93
Thread	8569.82	8793.49
Others	2915.03	5710.74
	<u>30576.87</u>	<u>39517.16</u>
Stock-in-trade		
Readymade garments	31.82	39.86
Fabric	553.82	-
Total	<u>31162.51</u>	<u>39557.02</u>
(ii) Sale of services comprise		
Processing charges	54.94	64.00
(iii) Other operating revenue comprise		
Scrap sale	71.72	84.71
Exports benefits	35.08	117.51
Total	<u>106.80</u>	<u>202.22</u>
18. Other income		
Interest Income	0.45	21.05
Dividend income on long-term investments	1.97	1.97
Insurance claims received(Net)	16.46	2.31
Gain on sale of long term investment	82.90	-
Gain on sale of fixed assets	-	5.06
Gain on foreign currency transaction	4.94	-
Excess provision wirtten back	73.99	-
Miscellaneous	14.52	18.58
	<u>195.23</u>	<u>48.97</u>
19. Cost of material consumed		
Inventory at the beginning of the year	1396.94	1839.63
Add : Purchases	20379.78	23550.96
	<u>21776.72</u>	<u>25390.59</u>
Less: Inventory at the end of the year	1026.44	1396.94
Cost of raw material consumed	<u>20750.28</u>	<u>23993.65</u>
Dyes and chemical consumed	1095.22	972.65
	<u>21845.50</u>	<u>24966.30</u>



MALWA COTTON SPINNING MILLS LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

	<u>Current Year</u> Rs. Lacs	<u>Previous Year</u> Rs. Lacs
Materials consumed comprise		
Cotton	3651.63	4974.46
Man made fibre	11027.89	15898.88
Dyes & chemicals	1095.22	972.65
Others	6070.76	3120.31
	<u>21845.50</u>	<u>24966.30</u>
Details of Inventory		
Raw materials		
Cotton	11.05	69.84
Man made fibre	724.72	1004.23
Other	290.67	322.87
	<u>1026.44</u>	<u>1396.94</u>
20. Purchase of stock-in-trade		
Readymade garments	32.64	34.57
Fabric	552.97	-
	<u>585.61</u>	<u>34.57</u>
21. Change in inventories of finished goods, work-in-progress and stock-in-trade Inventories at the end 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
	<u>3110.99</u>	<u>12362.57</u>
Inventories at the beginning of the year		
i) Finished goods	7446.68	7404.71
ii) Work-in-progress	4906.40	5190.27
iii) Stock-in-trade	9.49	9.10
	<u>12362.57</u>	<u>12604.08</u>
	<u>9251.58</u>	<u>241.51</u>
Detail of inventory		
i) Finished goods		
Yarn	731.05	1287.70
Thread	1134.03	5984.18
Others	64.64	174.80
	<u>1929.72</u>	<u>7446.68</u>
ii) Work-in-progress		
Yarn	516.45	2468.61
Thread	656.82	2437.79
	<u>1173.27</u>	<u>4906.40</u>
iii) Stock-in-trade		
Readymade garments	8.00	9.49
	<u>8.00</u>	<u>9.49</u>
22. Employee benefits expense		
Salaries, wages and bonus	3684.66	3909.32
Contribution to provident and other funds	409.82	502.09
Staff welfare expenses	137.32	157.79
	<u>4231.80</u>	<u>4569.20</u>
23. Finance costs		
(a) Interest expense on :		
Borrowings	2747.31	2370.87
Trade payables	405.15	603.00
(b) Others	142.97	267.71
	<u>3295.43</u>	<u>3241.58</u>



MALWA COTTON SPINNING MILLS LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

	Current Year Rs. Lacs	Previous Year Rs. Lacs
24. Other expenses		
Consumption of stores and spare parts	293.97	302.72
Consumption of packing material	1240.69	1144.65
Power and fuel	4563.25	3657.38
Rent	118.77	114.69
Repairs and maintenance - building	41.43	34.94
Repairs and maintenance - machinery	10.40	14.16
Insurance	63.95	58.94
Rates and taxes	22.66	34.09
Payments to auditor (refer note below)	6.86	6.45
Allowance for doubtful debts	10.86	7.09
Loss on foreign currency transaction	0.26	-
Others	1720.02	1744.60
	<u>8093.12</u>	<u>7119.71</u>
Payments to auditor		
As audit fee	5.62	5.62
As Tax audit fee	0.45	0.44
In other capacity:		
Other services (certification fee)	0.25	-
Reimbursement of expenses	0.54	0.39
	<u>6.86</u>	<u>6.45</u>
25. Earning per share (EPS)		
Profit/(loss) for the year	(16171.67)	(756.25)
Less: Preference dividends for the cumulative preference shares	284.99	284.99
(i)	<u>(16456.66)</u>	<u>(1041.24)</u>
Add: Increased earning on account of interest saving on dilutive potential equity shares (net of taxes)	197.13	200.52
Increased earning on account of dividend saving	25.65	-
Total (ii)	<u>(16233.88)</u>	<u>(840.72)</u>
Weighted average number of equity shares (Nos.) (iii)	7905028	7905028
Weighted average number of equity shares that would be issued on conversion on dilutive potential equity shares (Nos.)	14573382	20049218
Weighted average number of equity shares that would be issued on conversion of CRPS default equity shares (Nos.)	2452500	-
Total (iv)	<u>24930910</u>	<u>27954246</u>
Basic earning per share of Rs. 10/- each (Rs.) (i/iii)	(208.18)	(13.17)
Diluted Earning per share of Rs. 10/- each (Rs.) (ii/iv)	(65.12)	(3.01)

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013
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.

Particulars	Current Year		Previous Year	
	Gratuity	Leave	Gratuity	Leave
	(Funded)	(Unfunded)	(Funded)	(Unfunded)
Present Value of obligation as at beginning of the year	782.31	313.86	779.28	357.50
Interest Cost	62.85	19.81	65.37	25.11
Current Service Cost	71.54	75.27	77.22	82.77
Benefits Paid	(22.34)	(141.52)	(64.34)	(141.10)
Actuarial Loss/(gain) on obligations	(208.07)	0.15	(75.22)	(10.42)
Present value of obligation as at close of the year	686.29	267.57	782.31	313.86

(b) Change in Fair Value of Plan Assets

Particulars	Current Year	Previous Year
	Gratuity (Funded)	Gratuity (Funded)
Fair Value of Plan Assets as at beginning of the year	7.91	40.58
Expected return on plan assets	1.14	2.16
Contribution	31.14	30.00
Benefits Paid	(22.34)	(64.34)
Actuarial (Loss)/gain on obligations	(0.83)	(0.49)
Fair Value of Plan Assets as at close of the year.	17.02	7.91

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

(c) Amount recognized in Balance Sheet

Particulars	Current Year		Previous Year	
	Gratuity	Leave	Gratuity	Leave
	(Funded)	(Unfunded)	(Funded)	(Unfunded)
Estimated present value of obligations as at the end of the year	686.29	267.57	782.31	313.86
Fair value of Plan Assets as at the end of the year	17.02	-	7.91	-
Unfunded Net (Liability) Assets recognized in Balance Sheet	(669.27)	(267.57)	(774.40)	(313.86)

(d) Expenses recognized in the Profit and Loss Account

Particulars	Current Year		Previous Year	
	Gratuity	Leave	Gratuity	Leave
	(Funded)	(Unfunded)	(Funded)	(Unfunded)
Current Service Cost	71.54	75.27	77.22	82.77
Interest Cost	62.85	19.81	65.37	25.11
Expected return on Plan Assets	(1.14)	-	(2.17)	-
Net Actuarial (Gain)/Loss recognized in the year	(207.24)	0.15	(74.73)	(10.43)
Total expenses recognized in profit and loss account	(73.99)	95.23	65.69	97.45

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

Particulars	Current Year		Previous Year	
	Gratuity	Leave	Gratuity	Leave
	(Funded)	(Unfunded)	(Funded)	(Unfunded)
Discount Rate	8.15%	8.15%	8.75%	8.75%
Expected rate of return on Plan Assets	9.25%	-	9.25%	-
Expected rate of salary increase	5.00%	5.00%	5.00%	5.00%
Method Used	Projected unit credit method	Projected unit credit method	Projected unit credit method	Projected unit credit method

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

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

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

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

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

(h) Short term leave encashment liability as on 31.03.2013 Rs.154.77 lacs (Previous year Rs. 172.46 lacs)

During the year the company has recognized an expense of Rs.120.43 lacs as contribution to provident fund (Previous year Rs.125.15 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.



MALWA COTTON SPINNING MILLS LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

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.

a) Primary segment information :-

	Yarn		Thread		Total	
Revenue	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
External sales	22754.40	31029.65	8569.85	8793.59	31324.25	39823.24
Inter- segment sales	7963.91	7963.10	209.32	-	8173.23	7963.10
Other income	152.35	23.13	40.46	2.82	192.81	25.95
Total revenue	30870.66	39015.88	8819.63	8796.41	39690.29	47812.29
Segment results*	(11909.67)	3453.32	-	-	(11909.67)	3453.32
Unallocated corporate expenses (Net)	-	-	-	-	966.57	967.99
Operating profit/ (loss)					(12876.24)	2485.33
Finance Cost					3295.43	3241.58
Tax - Current tax					-	-
Profit/(Loss) from ordinary activities					(16171.67)	(756.25)
Extra Ordinary loss/(income)					-	-
Net Profit/(Loss)					(16171.67)	(756.25)
Other Information						
Segment Assets	18380.82	25818.74	4533.51	11540.05	22914.33	37358.79
Unallocated corporate assets					1135.46	1185.61
Total Assets						24049.79
38544.40						
Segment Liabilities	4846.65	9069.53	1188.52	871.34	6035.17	9940.87
Unallocated corporate Liabilities					31519.50	25936.74
Total Liabilities					37554.67	35877.61
Capital Expenditure	3.36	14.54	1.07	-	4.43	14.54
Unallocated Capital Expenditure					9.01	15.62
Total Capital Expenditure					13.44	30.16
Depreciation					344.31	379.86
Non-Cash expenses other than depreciation					-	-

* Also Includes result of Thread segment



MALWA COTTON SPINNING MILLS LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

b) Secondary segment information

	(Rs. Lacs)	
	Current Year	Previous Year
i) Revenue (external turnover)		
Within India	30265.60	37283.07
Outside India	1058.65	2540.17
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.

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

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

	(Rs. Lacs)			
Particulars	Key Management Personnel (KMP)		Associates	
	Current Year	Previous Year	Current Year	Previous Year
Managerial Remuneration	25.94	25.94	-	-
Rent received	-	-	7.19	7.19
Sale of goods	-	-	740.21	567.89
Purchase of goods	-	-	899.74	1150.77
Job work charges paid	-	-	11.73	47.05
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

Particulars	As at 31.03.2013	As at 31.03.2012
i. Contingent Liabilities:		
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 Rs.488.50 lacs (Previous Year Rs.479 lacs).	3850.00	3850.00
c) Export Bills discounted with Banks against irrevocable letters of credit.	-	130.41
d) Bank Guarantees and letters of credit outstanding.	12.00	4085.00

- e) 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 Rs740.31 (Gross) (Previous year Rs. 446.66 lac). Out of this a sum of Rs.155.49 lac (Previous year Rs. 161.57 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:

a) Estimated amount of contracts remaining to be executed on capital account (Net of advances).	461.07	456.11
b) 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
c) Export obligation outstanding against import of raw material.	824.76	1125.37

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.35.08 lac amount (Previous year Rs117.51 lac) in respect of export entitle benefits during the year.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013
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.118.77 lac (Previous year Rs.114.69 lac). The future minimum lease payment under non cancelable operating leases for each of the following period:

	As at 31.03.13	As at 31.03.12
i) not later than one year	Rs.48.90 lac	Rs 59.44 lac
ii) later than one year but not later than five years	Rs.29.17 lac	Rs. 57.19 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 31.03.2013	As at 31.03.2012
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.6591.94 lac (previous year Rs.5079.45 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. During the year the company had sold old items of inventories and slow moving not useable and not readily saleable items of inventories at loss. Slow moving items of inventories amounting to Rs. 236.14 lacs have been valued at cost in absence of availability of net realizable value of these inventories.

38. The company has received notice from IFCL, the Preference shareholder, for conversion of defaulted amount of Cumulative Redeemable Preference Shares due on 15-10-2011 into equity shares at par. The company is seeking legal opinion for conversion and issuance of equity shares at par.

39. The company has incurred a net loss of Rs.16171.67 lacs during the year ended 31st March, 2013, which together with brought forward losses of Rs.848.11 lacs exceeds the net worth of the company, and as of that date, the company's current liabilities exceeded its current assets by Rs.6972.79 lacs and its total liabilities exceeded its total assets by Rs.13504.88 lacs. As the total net worth of the company has eroded, the company is in the process of referring to the Board for Industrial and Financial Reconstruction with suitable plan.



MALWA COTTON SPINNING MILLS LIMITED

40. Prior period expenses under the head Other expenses include:

Particulars	Rs. Lacs	
	Current Year	Previous Year
Power and fuel	374.69	-
Repair and maintenance - machinery	0.84	-
Interest	1.67	-
Others	11.27	18.44
Total	388.47	18.44

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

(A) C.I.F. value of imports

Raw material	-	7.15
Components & spare parts	9.40	20.99
Capital goods	-	-

(B) Expenditure in foreign currency

Commission	7.24	5.63
Travelling	17.73	24.43
Others	7.06	8.00

(C) Foreign exchange earned

Export of goods calculated on FOB basis	1024.59	2494.00
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(D) Detail of consumption of imported and indigenous items

	IMPORTED		PERCENTAGE		INDIGENOUS		PERCENTAGE	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Raw material	-	9.02	-		21845.50	24957.28	100	99.96
Components, & Spares parts	9.22	9.95	3.14	4.50	284.75	211.25	96.86	95.50

42. 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 the Board

SANJIV MOHAN
Partner
M. No. 86066

POOJA DAMIR MIGLANI
Company Secretary

ANIL JAIN
Vice President
(Accounts)

SURINDER KUMAR VIG
Director

JANGI LAL OSWAL
Chairman-cum-Managing
Director

Place : Ludhiana
Dated : 15.04.2013



MALWA COTTON SPINNING MILLS LIMITED

FINANCIAL HIGHLIGHTS

(Rs. Lacs)

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Share Capital	3514.90	3514.90	3514.90	3459.90	3404.90	3341.41	3341.41	3341.41	3341.41	3283.00
Reserves	(17019.78)	(848.11)	1996.15	2023.65	2086.15	5495.77	6087.79	5432.85	4244.98	3267.46
Net Worth	(13504.88)	2666.79	3423.04	*3032.83	4765.31	8837.19	9429.20	8774.26	7586.39	6550.46
Fixed Assets (Gross)	28757.18	28743.74	28764.70	28601.51	28588.40	28541.47	28220.17	27966.00	27545.99	27386.15
Depreciation	23316.07	22928.97	22531.40	22103.20	21559.16	20875.70	19977.91	18914.98	17672.65	16383.02
Net Block	5441.11	5814.77	6233.30	6498.31	7029.24	7665.77	8242.26	9051.02	9873.34	11003.13
Investments	984.20	999.89	999.89	999.89	999.89	997.89	999.64	1093.83	1205.91	1205.91
Net Current Assets	(6972.79)	11032.72	19976.21	18179.98	16185.09	17600.93	18490.34	18732.16	16152.74	14595.87
Net Assets Employed	79.06	18488.16	27209.40	25678.18	24214.22	26369.77	27732.24	29038.08	27771.94	27060.62
Book Value Per Equity Share (Rs.)	(170.84)	33.74	43.30	41.23	70.03	143.23	152.82	142.21	122.96	117.26
Gross Income	31518.47	39850.94	45888.31	43763.20	45958.86	44994.84	42415.14	38059.29	36452.81	36285.74
Export Sales (FOB)	1024.59	2494.00	4035.85	4212.97	9077.80	8479.00	8223.58	7133.26	7383.20	11573.78
Gross Profit / (Loss)	(15784.57)	(321.93)	836.30	(1148.25)	(3485.60)	704.26	2052.98	2862.96	1760.41	(1574.52)
Depreciation	387.10	434.32	473.31	581.22	738.07	903.13	1112.89	1260.46	1318.17	1442.45
Profit / (Loss) Before Tax	(16171.67)	(756.25)	362.71	(1729.47)	(4223.67)	(198.87)	940.09	1602.50	442.24	(3016.97)
Profit / (Loss) After Tax	(16171.67)	(756.25)	362.71	(1724.98)	(4371.88)	(180.25)	518.74	1188.62	748.15	(1108.03)
Earning Per Share (Rs.)	(208.18)	(13.17)	0.99	(29.54)	(69.78)	(8.82)	2.71	13.51	6.90	(25.88)
Cash Earning Per Share (Rs.)	(203.28)	(7.68)	7.12	(21.01)	(58.81)	5.82	20.74	33.94	29.42	(0.06)

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



MALWA COTTON SPINNING MILLS LIMITED

MALWA COTTON SPINNING MILLS LIMITED

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

ATTENDANCE SLIP

I hereby record my/our presence at the Thirty-Seventh Annual General Meeting held on Saturday, the 31st August, 2013 at 9.30 A.M. in the premises of Oswal Knit India Limited, 230, Industrial Area 'A', Ludhiana - 141003 (Punjab).

Full Name of Shareholder/Proxy* attending the Meeting _____

Folio No. /DP ID No. and Client ID No. _____ No. of Shares _____

Signature of Shareholder/Proxy

* Delete whichever is not applicable.

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

..... (TEAR HERE)

MALWA COTTON SPINNING MILLS LIMITED

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

PROXY FORM

Folio No. _____ No. of Shares held _____

DP ID No. and Client ID No. _____

I/We _____

of _____ in the district of _____

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

Mr. / Ms. _____ of _____

in the district of _____ or failing him/her

Mr. / Ms. _____ of _____ in the district of _____

..... as my/our proxy to vote for me/us and on my/our behalf at the Thirty-Seventh Annual General Meeting of the Company to be held on Saturday, the 31st August, 2013 at 9.30 A.M. and at any adjournment thereof.

Signed this _____ day of _____, 2013.

Affix Re. 1/-
Revenue
Stamp

Signature of Shareholder

Notes :

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

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Regd. Office :

MALWA COTTON SPINNING MILLS LIMITED

*Industrial Area - 'A',
Ludhiana - 141 003.*



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