

NOTICE

NOTICE is hereby given that the Seventh Annual General Meeting of the Company will be held on Friday the 22nd September, 2000 at Regd. Office 32, Chowringhee Road, Om Tower, 8th Floor, Calcutta - 700 071 at 10-00 A.M. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2000 and Profit & Loss Account for the year ended on that date and report of Directors and Auditors thereon.
2. To appoint a Director in place of Sri M.C. Agarwala who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Sri S.K. Jain who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

Dated : 1st August, 2000

By order of the Board
For MV Cotspin Limited

Registered Office :
32, Chowringhee Road
OM Tower, 8th Floor
Calcutta-700 071.

Vivek Agarwal
Managing Director

Notes :

1. A Member entitled to attend and vote is entitled to appoint a Proxy, to attend and vote instead of himself and the proxy need not be a Member.
2. Proxy in order to be effective must be received by the Company at the Registered Office of the Company at not later than 48 hours before the commencement of the Meeting
4. The Register of Members and share transfer books of the Company will remain closed from 16.9.2000 to 22.9.2000 (both days inclusive).
5. Members are requested to notify any change of address to the Registrar and Share Transfer Agent i.e. **M/s. ABS Consultants Pvt. Ltd.**, Stephen House, R.No. 99, 6th Floor, 4, B.B.D. Bag (East), Calcutta-700 001.

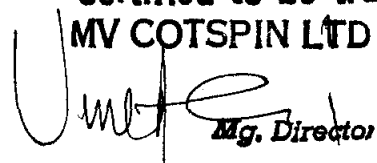
Dated : 1st August, 2000

By order of the Board
For MV Cotspin Limited

Registered Office :
32, Chowringhee Road
OM Tower, 8th Floor
Calcutta-700 071.

Vivek Agarwal
Managing Director

Certified to be true Copy
MV COTSPIN LTD


Mg. Director

DIRECTORS' REPORT

To
The Members

Your Directors have pleasure in presenting the 7th Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2000.

FINANCIAL HIGHLIGHTS

The working results of the Company for the year under review are as under :

(Rs. in Lacs)

	<u>31st March, 2000</u>	<u>31st March, 1999</u>
Turnover & other income	1433.55	2031.68
Operating Profit	71.37	273.34
Less : Interest	(142.82)	(227.48)
Gross Profit	(71.45)	45.86
Less : Depreciation	(101.75)	(96.84)
Provision for taxation	--	--
Net Profit / (Loss)	(173.20)	(50.98)

Current year Operations

In the year under review, depressed market conditions continued. The impact is amply reflected on the sales turnover which was dropped from Rs.2032 lacs to Rs.1434 lacs. During the year the company lost production of nearly 400 M.T. resulting in lower production of 1991 M.T.(2351 M.T.) due to inability to meet higher working capital needs due to higher current assets level during the year caused by poor market condition. Your directors are of the opinion that the coming year would enable the company to turn around and show improvement in the operations. In view of the loss incurred during the year, your directors regret their inability to recommend any dividend for the year.

Y2K PREPAREDNESS LEVEL

The company has achieved the Y2K transition without any disruption.

Public Deposits

The Company has not accepted any deposit from the public during the year under review.

Director

Shri M.C. Agarwala and Shri S.K. Jain, Director of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Auditors & Auditor's Report

M/s. P.K. Ajitsaria & Co., Chartered Accountants, Calcutta the present auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The observation made in the Auditor's Report read with notes of accounts are self explanatory.

Particulars of Employees

The information required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 regarding employees not required.

Conservation of Energy, Technology absorption and Foreign Exchange earnings and outgo

The information in accordance with the provisions of Section 217(i)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure to the Report and form an integral part thereof.

Acknowledgement

The Directors would like to place on record their grateful appreciation and thanks to IDBI, State Bank of Bikaner & Jaipur, State Bank of India, Global Trust Bank Ltd. for all the timely help and encouragement they have extended to the Company.

The Directors also wish to place on record their deep sense of appreciation for the devoted services rendered by the officers, employees and workers of the Company for its success.

For and on behalf of the Board of Directors

Place: Calcutta

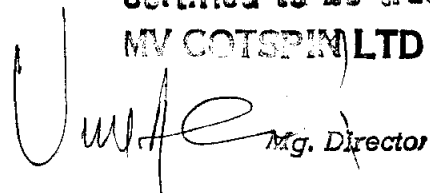
Dated: August 1, 2000

Vivek Agarwal

Managing Director

Certified to be true Copy

MV COTSPIN LTD


Mg. Director

A. DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY :

The Company is making all round efforts for the Conservation of energy, which will reduce consumption of energy in per unit of production. However, no specific investment is contemplated for reduction of Consumption of energy.

Form No. A
(See Rule 2)

(Amount in Rs.)

Current Year 1999-2000	Previous Year 1998-99
---------------------------	--------------------------

i) Power and Fuel Consumption

1. Electricity

a. Purchased	Nil	Nil
b. Own generation		
Through Diesel Generator		
Unit (KWH)	2405800	3422777
Units/Ltr. of diesel oil	2.82	3.45
Cost Unit (Rs.)	3.26	2.73
2. Coal (Specify quality and where used)	Nil	Nil
3. Furnace Oil	Nil	Nil
4. Others/Internal generation (Please give details)	Nil	Nil

ii) Consumption per unit of Production

Products (with details)

Cotton Yarn	Kgs	1991.101	2351.186
Average Count		--	--
Electricity	Unit /Kg	1.22	1.45
Furnace Oil		Nil	Nil
Coal (Specify Quality)		Nil	Nil
Others (Specify)		Nil	Nil

B. DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION.

Form No. B
(See Rule 2)

a) Research and Development (R&D)

During the year under review no significant research work has been undertaken by the Company.

Benefits Derived —
Not Applicable. —

b) Technology absorption, adaptation and innovation effort

The Company has installed the latest state-of-art imported Plant & Machinery at its unit to produce a superior quality product.

Benefits

Consequent to installation of latest plant & machinery, the Company produced good quality of cotton yarn which is well accepted in the premium segment both in domestic as well as in international market.

c) Foreign Exchange Earnings and Outgo

	(Amount in RS.)	
	Current Year 1999-2000	Previous Year 1998-99
1. Foreign Exchange earned		
Export of Cotton Yarn (F.O.B. Value)	74,828,753	84,799,576
2. Expenditure in foreign Currency		
Capital Goods (C.I.F. Value)	--	--
Spare Parts (C.I.F. Value)	3,77,085	2,089,110
Travelling Expenses	3,32,995	250,746
Export Commission	5,56,185	48,019

For and behalf of the Board of Directors

Place : Calcutta
Dated : 1.8.2000

Vivek Agarwal
Managing Director.

P. K. AJITSARIA & CO.

Chartered Accountants

"White Tower"

115, College Street,

Calcutta 700012

AUDITORS' REPORT

To,

The Members,

MV COTSPIN LTD.

We have audited the attached Balance Sheet of **MV COTSPIN LIMITED** as at 31st March, 2000 and the Profit & Loss Account for the year ended on that date and report as follows.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 we enclose in the annexure a statement on the matters as specified in paragraphs 4 & 5 of the said order, to the extent applicable to the Company.

Further to our comments in the Annexure referred to in Paragraph 1 above:

- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (b) In our opinion proper books of accounts as required by law have been kept by the Company, so far as it appears from our examination of the books of the Company.
- (c) The Balance Sheet and Profit & Loss Account dealt within the report are in agreement with the books of accounts of the Company.
- (d) In our opinion, the Balance sheet and profit and loss account comply with the Accounting standard referred to in sub-section 3(c) of section 211 of the Companies Act, 1956 except for valuation of closing stock of finished goods on standard cost (inclusive of financial expenses) and non-provision of expense on the stock of finished goods lying at the year end which is in contravention of AS-2, accounting of certain expenses on cash basis as per Note A(9) and A(10)(b) and treatment of interest on secured loan on cash basis as per Note A(11) which is in contravention of AS-1 and non-provision for leave liability which is in contravention of AS-15.
- (e) In our opinion and to the best of our information and according to the explanations given to us the said accounts subject to:
 - (a) Note no. A(11) regarding change in accounting treatment relating to interest on secured loan taken from IDBI from accrual basis to cash basis which has resulted into profit being overstated by Rs. 1,63,15,136 and secured loans being understated by the same amount.



- (b) Note No. B(10) regarding valuation of finished goods on standard cost which includes financial expenses and non determination of its effect on the profit & loss;
- (c) Note no. A(9) and A(10)(b) regarding treatment of certain items on cash basis
- (d) Note No. B(3)(b) regarding non-provision for diminution in the value of quoted investments;
- (e) Note No. B(11) regarding non-provision for debts against which legal proceedings has been initiated;
- (f) Deferred revenue expenditure written off to the extent of Rs. 566126/- which represents amount deferred for increase in liability of foreign currency loan due to exchange rate fluctuation in the previous year.

read together with the other notes as appearing in Schedule "R" thereon give the information required by the Companies Act, 1956 in the manner so required and also give a true and fair view :

- i) In the case of the Balance Sheet, of the state of affairs of the Company as on 31st March 2000
- ii) In the case of Profit & Loss Account, of the Loss of the Company for the year ended on that date.

For P.K. AJITSARIA & CO.
Chartered Accountants

P. K. Ajtsaria
(Pawan Kr. Ajtsaria)
Proprietor

Place : Calcutta
Date : 1st August, 2000.

(Referred to in Paragraph 1 of our report of even date on the accounts of *MV COTSPIN LIMITED* for the year ended 31st March, 2000.)

1. The Company has not maintained fixed assets register to show full particulars, including quantitative details and location of fixed assets. As informed to us the assets have been physically verified by the Management at reasonable interval & no material discrepancies were noticed on such verification as compared to the book records.
2. None of the fixed assets has been revalued during the year.
3. According to the explanations and information given to us, the procedure of physical verification of stock followed by Management are reasonable and adequate in relation to the size of the company and the nature of its business.
4. No material discrepancies were noticed on such verification between the physical stocks and the book records.
5. On the basis of the examination of books and records, we are of the opinion that valuation of stocks is not according to generally accepted accounting as the finished goods for the year have been valued at standard cost which includes financial expenses also, which is in contravention to AS-2 issued by ICAI, resultant gain or loss was not determined by the management and hence not given. Upto last year they were valued at cost or market price whichever is lower.
6. The Company has not granted any loan to or taken any loan (secured or unsecured) from companies, firms or other parties listed in the register required to be maintained under section 301 of the Companies Act 1956, or from companies under the same management as defined under section 370 (IB) of the Companies Act 1956, the rate of interest and other terms and conditions of which are prejudicial to the interest of the company.
7. In respect of the loans and advances in the nature of loans given by the company, where stipulations have been made, the parties are generally repaying the principal amounts as stipulated and have also been regular in the payment of interest where applicable.
8. The Company has not accepted any deposits from the public within the meaning of Section 58A of the Companies Act, 1956.
9. According to the information and explanations given to us, and the records examined by us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding as at the end of the year for a period of more than six months from the date they became payable except TDS payable of Rs.1375.
10. There are adequate internal control procedure commensurate with the size of the company and the nature of its business for the purchase of raw materials, plant and machineries, equipments, stores and sale of goods and services.
11. The Company has not produced any internal audit report before us, hence we are unable to comment about the adequacy of internal audit.



12. According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to the Profit & Loss Account other than those payable under contractual obligations or in accordance with generally accepted business practice.
13. There are no transactions of purchase and sale of products made in pursuance of contracts or arrangements entered in the Register required to be maintained under section 301 and aggregating during the year to Rs. 50,000 or more in respect of each party.
14. As explained to us the Company has a regular procedure for the determining of unserviceable or damaged stores and raw materials and finished goods on the basis of technical evaluation and adequate amounts have been written off on such stocks in the accounts.
15. The Company is maintaining reasonable records for the sale and disposable of realisable scraps/cotton waste.
16. The Company is irregular in depositing the provident fund dues for its unit at Neemrana and no deduction has been made at its offices in Delhi & Calcutta. As explained to us, ESI Act is not applicable to the Company during the year under report.
17. We have not received the books of accounts maintained by the company pursuant to the rules by the central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in regard to the production of cotton yarn, hence we are unable to form an opinion whether the prescribed records have been maintained in accordance with the rules.
18. The Company is not a sick industrial company within the meaning of Clause (O) of sub-Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
19. Other provisions of the said order, in our opinion are not applicable to the Company for the year under Report.

For P.K.AJITSARIA & CO.
Chartered Accountants

Place : Calcutta
Date : 1st August, 2000

P. K. Ajitsaria
(Pawan Kr. Ajitsaria)
Proprietor



M V COTSPIN LTD.

BALANCE SHEET AS AT 31st MARCH, 2000

(Amount in Rupees)

SOURCES OF FUNDS	Sch.No	As at 31-Mar-2000	As at 31-Mar-99
1. SHAREHOLDERS FUNDS			
(a) Share Capital	"A"	53,897,000.00	62,135,000.00
Total (1)		53,897,000.00	62,135,000.00
2. LOAN FUNDS			
(a) Secured Loans	"B"	188,455,617.77	196,923,660.40
(b) Unsecured Loans	"B"	15,309,521.36	18,342,616.38
Total (2)		203,765,139.13	215,266,276.78
TOTAL (1 + 2)		257,662,139.13	267,401,276.78
APPLICATION OF FUNDS			
1. FIXED ASSETS			
(a) Gross Block	"D"	210,388,338.12	190,720,828.79
(b) Less: Depreciation		32,587,577.98	22,412,954.97
(c) Net Block		177,800,760.16	177,307,873.82
(d) Capital Work in Progress			3,590,133.59
2. INVESTMENTS			
	"E"	208,300.00	208,300.00
3. CURRENT ASSETS, LOANS & ADVANCES			
(a) Inventories	"F"	33,577,018.91	30,621,276.45
(b) Sundry Debtors		34,784,993.39	55,782,665.39
(c) Cash & Bank Balances		3,788,477.08	6,063,651.04
(d) Other Current Assets		208,000.00	1,194,500.00
(e) Loans & Advances		6,580,689.72	6,649,369.98
		78,919,179.10	100,311,462.86
Less: Current Liabilities & Provisions	"G"		
(a) Liabilities		22,275,303.82	20,801,106.41
(b) Provisions		292,000.00	640,000.00
NET CURRENT ASSETS		56,351,875.28	78,870,354.45
4. MISCELLANEOUS EXPENDITURE			
(a) MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	"H"	1,881,144.00	2,257,372.00
(b) Profit & Loss a/c (As per annual a/c)		19,723,681.89	2,904,740.90
(c) Deferred Revenue Expenditure		1,898,378.00	2,264,504.00
TOTAL (1 + 2 + 3 + 4)		257,662,139.13	267,401,276.78

Significant Accounting policies & notes of Accounts: As per schedule "R"

Schedules referred to hereinabove form an integral parts of Balance Sheet.
This is the Balance Sheet referred to in our report of even date.

For P.K.AJITSARIA & CO.
Chartered Accountants

P.K. Ajitsaria
(Pawan Kr. Ajitsaria)
Proprietor

Place: Calcutta
Dated: 1st Day of August 2000



MV COTSPIN LTD
DIRECTORS

[Signature]
Mg. Director
MV COTSPIN LTD

Director.

M V COTSPIN LTD.

PROFIT & LOSS A/C FOR THE YEAR ENDED 31st MARCH 2000

INCOME	Sch. No	(Amount in Rupees)	
		For the year ended 31st March, 2000	For the year ended 31st March, 1999
Sales	"I"	142,871,059.00	201,781,966.80
Other Income	"J"	483,961.40	1,387,192.13
Increase/(Decrease) in Stock	"K"	3,779,267.43	207,244.81
TOTAL (A)		147,134,287.83	203,376,403.74
EXPENDITURE			
Raw Materials Consumed	"L"	102,914,236.93	140,178,506.89
Excise Duty		3,751,991.00	4,460,470.00
Manufacturing Expenses	"M"	14,394,476.45	14,109,641.11
Payment to & Provisions for Employees	"N"	4,419,814.93	4,406,622.20
Administrative Expenses	"O"	6,011,541.43	4,741,201.19
Selling & Distribution Exp.	"P"	7,563,732.45	7,203,776.19
TOTAL (B)		139,055,793.19	175,100,217.58
Profit Before Providing Interest, Dep. & Non Cash Expenditure C=(A-B)		8,078,494.64	28,276,186.16
Financial Expenses	"Q"	14,282,244.32	22,748,063.01
Depreciation		10,174,622.99	9,684,585.97
Expenditure Written Off		942,354.00	942,353.65
TOTAL (D)		25,399,221.31	33,375,002.63
PROFIT/(LOSS) BEFORE TAXATION (D-C)		(17,320,726.67)	(5,098,816.47)
Prior Period Items		502,385.88	(1,465,392.05)
Income Tax for earlier year		(600.00)	
Income Tax Paid			(40,685.00)
Provision for Taxation			(7,004,893.52)
PROFIT/(LOSS) AFTER TAXATION		(16,818,940.79)	(7,004,893.52)
Balance brought from Last Year		(2,904,740.90)	4,100,152.62
Balance Carried to Balance Sheet		(19,723,681.69)	(2,904,740.90)
Significant Accounting policies & Notes to the Accounts	"R"		

Schedules referred to hereinaabove form an integral parts of the Profit & Loss A/C
This is Profit & Loss A/C as referred to in our report of even date.

For P.K.AJITSARIA & CO.
Chartered Accountants
P.K. Ajitsaria
(Pawan Kr. Ajitsaria)
Proprietor



MV COTSPIN LTD
DIRECTORS

[Signature]
Mg. Director
MV COTSPIN LTD

[Signature]
Director.

Place : Calcutta
Dated. 1st Day of August 2000

M V COTSPIN LTD.

**SCHEDULES "A" TO "R" ANNEXED TO AND FORMING PART OF ACCOUNTS
FOR THE YEAR ENDED 31st March 2000**

(Amount in Rupees)

	As at 31-Mar-2000	As at 31-Mar-99
SCHEDULE "A"		
SHARE CAPITAL		
Authorised :		
8500000 Equity Shares of Rs. 10/- each (Previous year 8500000 Equity Shares of Rs 10/- each)	85,000,000.00	85,000,000.00

Issued, Subscribed & Paid up :		
6310000 Equity Shares of Rs 10/- each	63,100,000.00	63,100,000.00
Less : Allotment Money unpaid	9,203,000.00	10,965,000.00
	53,897,000.00	52,135,000.00
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SCHEDULE "B"

SECURED LOANS

(a) From Financial Institutions		
-Foreign Currency Loan	92,791,545.79	92,780,699.79
-Rupee Term Loan	19,024,935.00	19,024,935.00
- 17.5% Optionally Fully Convertible Debenture	15,724,456.00	15,724,456.00
(b) From Banks		
-Cash Credit	31,468,306.80	30,529,915.47
-Export Packing Credit	16,271,682.00	20,679,802.00
-Foreign Bills Purchase	12,269,028.00	18,098,171.00
-Car Finance	905,664.18	85,681.14
	188,455,617.77	196,923,660.40
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[Refer Note B (1)]



SCHEDULE "D" FIXED ASSETS

(Amount in Rupees)

PARTICULARS	GROSS BLOCK		DEPRECIATION				NET BLOCK	
	As on 1.4.99	Addition/(Deduction)	As on 31.3.00	Upto 31.3.99	For the year	Total	As on 31.3.00	As on 31.3.99
Land (Leasehold)	1,623,841.00	—	1,623,841.00	65,908.00	16,402.00	82,010.00	1,541,831.00	1,558,233.00
Factory Building	23,829,883.08	2,992,134.84	26,822,017.72	2,049,401.25	795,918.09	2,845,319.34	23,976,698.38	21,760,481.83
Tubewell	173,917.00	—	173,917.00	11,338.70	2,834.85	14,174.55	159,742.45	162,577.30
Plant & Machinery	169,717,904.35	6,711,903.59 *	175,429,807.94	19,452,585.69	8,861,105.35	28,413,691.04	147,016,116.90	150,265,318.68
Electrical Installations	2,451,277.54	0.00	2,451,277.54	479,342.36	129,427.45	608,769.81	1,842,507.73	1,971,935.18
Motor Vehicles	539,247.00	1,438,287.00	1,977,534.00	115,709.30	128,171.89	243,881.21	1,733,652.80	423,537.60
Office Equipments & Air Conditioners	524,132.00	38406.00	562,538.00	53,579.34	26,060.14	79,639.48	482,898.52	470,552.68
Computer & Accessories	386,838.00	123925.00	510,764.00	113,143.21	75,206.02	188,349.23	322,414.77	273,895.79
Furniture & Fittings	473,787.82	362853.10	836,640.92	72,246.12	39,487.20	111,743.32	724,897.60	401,541.70
Total	199720828.79	10667509.33	210388338.12	22412964.97	10174622.89	32587577.98	177800780.14	177307873.80
Previous year	128,713,889.66	71,006,939.13	199720828.79	12728369.00	9684585.97	22,412,954.97	177307873.80	-

* Due to Currency fluctuation Rs.1804482/- (Previous year Rs.4642615/-)



(Amount in Rupees)

	As at 31-Mar-2000	As at 31-Mar-99
SCHEDULE "C"		
UNSECURED LOANS		
From Body Corporates	6,689,833.00	11,512,119.00
Sales Tax Deferment	7,979,957.36	6,270,868.36
From Director	639,731.00	559,831.00
	15,309,521.36	18,342,618.36
SCHEDULE "E"		
INVESTMENTS		
National Savings Certificate (Pledged with Sales Tax Authorities)	20,000.00	20,000.00
In Equity Shares of Quoted companies State Bank of Bikaner & Jaipur (Market value as on 31.3.00 Rs. 94702/- previous year Rs. 81075/-)	186,300.00	186,300.00
	206,300.00	206,300.00
SCHEDULE "F"		
CURRENT ASSETS, LOANS & ADVANCES		
(A) INVENTORIES (As taken, Valued & Certified by Management)		
(a) Raw Materials	629,066.80	1,242,353.20
(b) Finished Goods	20,430,274.83	16,206,924.00
(c) Work in Process	4,757,976.60	5,202,060.00
(d) Stores & Spares	5,748,600.68	5,789,717.41
(e) Packing Materials	2,011,100.00	7,180,221.84
[Refer Note no B(2)]	33,577,018.91	30,621,276.45
(B) SUNDRY DEBTORS (Secured, Considered Good) Not exceeding six months		
	2,934,537.00	26,955,605.00
(Unsecured, Considered Good) Not exceeding six months	19,579,140.59	23,026,469.86
Exceeding six months	12,251,315.80	5,800,590.53
	34,764,993.39	55,782,665.39



	(Amount in Rupees)	
	As at 31-Mar-2000	As at 31-Mar-99
(C) CASH & BANK BALANCES		
(a) Cash in Hand (as certified by Management)	1,494,785.48	508,499.01
(b) Balance with Scheduled Bank		
-in Current Accounts	242,291.60	1,601,966.03
-in Fixed Deposit Accounts	2,051,400.00	2,844,700.00
-in Margin Accounts	-	1,108,486.00
	3,788,477.08	6,063,651.04
(D) OTHER CURRENT ASSETS		
Security & Other Deposits	208,000.00	1,194,500.00
	208,000.00	1,194,500.00
(E) LOANS & ADVANCES		
(a) Loans (Unsecured, Considered good)	111,481.00	117,456.00
(b) Advances Recoverable in Cash or in kind or for value to be received	6,055,382.72	5,934,957.98
(c) Interest on FDR accrued but not due	112,405.00	327,466.00
(d) Balance with Excise Authorities	2,229.00	9,650.00
(e) Prepaid Expenses	299,192.00	259,840.00
	6,580,689.72	6,649,369.98
SCHEDULE "G"		
(a) CURRENT LIABILITIES		
Sundry Creditors	20,928,739.80	18,519,767.32
Other liabilities	1,346,564.02	1,349,244.09
Interest Accrued but not due		932,037.00
	22,275,303.82	20,801,108.41
(b) PROVISIONS		
Provision for Income Tax	292,000.00	640,000.00
	292,000.00	640,000.00



(Amount in Rupees)

	For the year ended 31-Mar-2000	For the year ended 31st March, 1999
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SCHEDULE "H"

MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

Preliminary Expenses	19,980.00	23,975.00
Share Issue Expenses	1,861,164.00	2,233,397.00
	1,881,144.00	2,257,372.00

SCHEDULE "I"

SALES

Cotton Yarn Sales (Domestic)	42,696,622.00	74,865,276.00
Cotton Yarn Sales (Export & Deemed Export)	96,258,836.00	125,098,716.00
Export Incentive (DEPB)	2,525,915.00	-
Waste Sales	1,321,505.00	1,817,974.80
Misc Sales	68,181.00	-
	142,871,059.00	201,781,966.80

SCHEDULE "J"

OTHER INCOME

Exchange Rate Difference	122,588.00	(105,592.00)
Interest on Fixed Deposits & Others	328,331.00	1,310,621.00
Misc Income	0.00	2,041.24
Sundry Bal w/off	22,692.40	177,200.89
Dividend (Tax free)	10,350.00	2,921.00
	483,961.40	1,387,192.13

SCHEDULE "K"

INCREASE/ (DECREASE) IN STOCK

Closing Stock

Finished Goods	20,430,274.83	16,106,924.00
Work in Process	4,757,976.60	5,202,060.00
	Total (a)	25,188,251.43

Opening Stock

Finished Goods	16,206,924.00	19,851,727.19
Work in Process	5,202,060.00	1,350,012.00
	Total (b)	21,408,984.00

	Total (a-b)	3,779,267.43
	207,244.81	



(Amount in Rupees)

	For the year ended 31-Mar-2000	For the year ended 31st March, 1999
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SCHEDULE "L"

RAW MATERIALS CONSUMED

Opening Stock	801,520.20	8,606,192.57
Add : Purchases	102,300,950.53	132,373,834.52
	103,102,470.73	140,980,027.09
Less : Closing Stock	188,233.80	801,520.20
	102,914,236.93	140,178,506.89
Consumed	102,914,236.93	140,178,506.89

SCHEDULE "M"

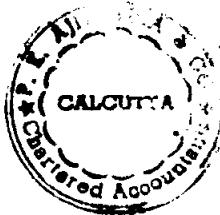
MANUFACTURING EXPENSES

Power & Fuel	9,263,586.00	9,311,158.70
Packing Material Consumed	2,896,440.21	2,943,329.47
Stores / Spares consumed	1,728,921.64	1,725,681.94
Testing Charges	331,588.70	129,471.00
Hank Yarn Obligation	173,965.00	-
	14,394,476.45	14,109,641.11

SCHEDULE "N"

PAYMENT TO & PROVISION FOR EMPLOYEES

Salary, Wages & Allowances	3,577,654.68	3,596,253.02
Managing Director's Salary	300,000.00	300,000.00
Contribution to P.F. & Others	148,777.00	169,593.00
Staff Welfare Expenses	328,170.25	287,976.18
Rent of Staff Quarters	115,213.00	52,800.00
	4,419,814.93	4,406,622.20



(Amount in Rupees)

For the year ended 31-Mar-2000	For the year ended 31st March, 1999
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SCHEDULE "O"

ADMINISTRATION EXPENSES

Advertisement	23,383.60	22,131.80
Books & Periodicals	15,987.50	13,750.00
Car Running & Maintenance	627,681.15	339,151.59
Conveyance	224,687.25	188,028.75
Charity & Donation	86,100.00	20,000.00
Directors' Sitting Fees	1,000.00	1,000.00
Electricity Charges	88,527.34	152,074.00
Filing Fees	2,860.00	2,290.00
General Expenses	372,655.82	269,546.16
Inspection charges	63,992.00	52,706.00
Insurance	504,182.00	418,727.00
Lease Rent	30,950.00	42,840.00
Legal Expenses	-	100.00
Listing Fees	37,750.00	37,750.00
Postage & Telegram	158,258.75	126,636.55
Printing & Stationery	163,708.85	133,929.60
Professional Charges	345,400.00	175,238.00
Rent	665,100.00	606,400.00
Rates & Taxes	17,950.00	10,022.00
Seminar fees	-	5,500.00
<u>Repairs & Maintenance</u>		
- Buildings	294,984.00	318,206.98
- Plant & Machinery	110,001.50	98,057.46
- Others	96,841.70	121,399.20
Subscription	33,775.00	38,709.33
Telephone & Telex	1,140,771.55	1,099,344.77
Travelling	594,003.42	251,396.00
Vehicle Hire Charges	279,490.00	164,766.00
<u>Auditors' Remuneration</u>		
As Audit Fees	26,250.00	26,250.00
As Tax Audit Fees	5,250.00	5,250.00
	6,011,541.42	4,741,201.19
	6,011,541.42	4,741,201.19

(Amount in Rupees)

	For the year ended 31-Mar-2000	For the year ended 31st March, 1999
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SCHEDULE "P"

SELLING & DISTRIBUTION EXPENSES

Business Promotion Expenses	209,302.86	221,968.67
Brokerage & Commission	1,572,365.00	1,065,266.00
Travelling Expenses	661,343.84	896,107.02
Clearing & Forwarding	258,365.50	209,259.50
Carriage Outward	4,747,302.25	4,802,779.00
Insurance	50,643.00	8,401.00
Rebate & Discount	64,410.00	
	7,563,732.45	7,203,776.19
	7,563,732.45	7,203,776.19

SCHEDULE "Q"

FINANCIAL EXPENSES

Interest	9,947,366.27	18,927,273.69
Bank Charges	4,234,878.05	3,663,189.32
Documentation Charges	100,000.00	157,500.00
	14,282,244.32	22,748,063.01
	14,282,244.32	22,748,063.01

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

- (A) The Accounts of the Company are prepared under historical cost convention using accrual basis of accounting except otherwise stated and on presumption of Going Concern concept. Accounting policies not referred to otherwise are consistent with generally accepted accounting principles.
- (B) Liability on account of Excise Duty in respect of goods manufactured but not cleared from the factory premises is accounted only at the time of removal of goods from the place of manufacture.

2. Fixed Assets

Fixed Assets are stated at cost of acquisition inclusive of duties (except for those assets on which modvat has been availed the figures have been stated at net of excise duty), taxes, incidental expenses, erection /commissioning expenses, and other related expenses.

3. Depreciation

~~FOR INFORMATION THE FOLLOWING METHOD HAS BEEN ADOPTED AS PER COMPANY LAW~~
Method at the rates specified in Schedule XIV to the Companies Act, 1956 on prorata basis and includes amount written off for leasehold land over the period of lease. Exchange difference added to the cost of assets is depreciated equally over the balance useful life of the assets.

4. Investments

Investments (Long term) are stated at cost.

5. Foreign Currency Transactions

- i) All loans and deferred credits repayable in Foreign Currency and outstanding at the close of the year are expressed in Indian Currency at the appropriate rates of exchange prevailing on the date of the Balance Sheet, except in cases where these borrowings are covered by forward exchange contracts. Any increase or reduction in these liabilities, to the extent they relate to borrowings for financing fixed assets, is shown as addition to or deduction from the cost of the assets acquired out of such borrowings, and the balance is booked to revenue ;



ii) Balances in the form of Current Assets and Current Liabilities in foreign currency, outstanding at the close of the year, are converted in Indian Currency at the appropriate rates of exchange prevailing on the date of the Balance Sheet. Resultant gain or loss is accounted during the year.

iii) All other incomes or expenditure in foreign currency, are recorded at the rates of exchanges prevailing on dates when the relevant transactions take place.

6. Sales

Sales includes excise duty. Sales including export have been accounted for on the basis of invoicing. Export incentive in the form of Duty entitlement Pass Book have been accounted for on accrual basis and have been shown under sales.

7. Miscellaneous Expenditure

a) Miscellaneous Expenditure have been written off over a period of ten years in equal instalments.

b) Deferred revenue expenditure have been written off over a period of five years in equal instalments.

8. Inventories

Inventories have been valued as under :

(a)	Raw Materials	..	At Cost
(b)	Finished Goods	..	At Standard Cost.
(c)	Work in progress	..	At estimated cost.
(d)	Consumables	..	At Cost
(e)	Packing Materials	..	At Cost
(f)	Damaged Cotton	..	At estimated realisable value.

9. Service charges on Leasehold Land, payment made towards Hank Yarn obligation and commission on sales are accounted for on cash basis

10. Retirement benefits

a) Gratuity is being accounted for on accrual basis, however there are no employees who have put in qualified no. of years of service for being eligible to gratuity.



b) No provision has been made for leave liability in respect of employees (amount unascertained) and the same, as per consistent practices is accounted for on cash basis.

c) Contribution to provident and pension funds are accounted on accrual basis.

11. Interest on Secured loan including Foreign Currency Loan

Interest on Secured loan including foreign currency Loan have been accounted for on cash basis which hitherto was being accounted for on accrual basis. This has resulted in profit being overstated by Rs.16315136/- and secured loan being understated by Rs.16315136/-.

B. NOTES ON ACCOUNTS

1. Secured Loans

(a) Term loan from Financial Institutions are secured by First charge/mortgage of all the immovable properties & movable properties (save and except book debts) both present and future subject to prior charge in favour of Bankers by way of security for borrowings for working capital.

The mortgage & charges referred to herein above shall rank pari-passu with the Mortgage & Charges created in favour of IDBI for its foreign currency loan and is guaranteed by Promoter Directors.

(b) Working Capital Loans from Banks are secured by way of first charge on stock, book debts and all other Current Assets and second charge on Fixed Assets and personal guarantee of Promoter Directors.

2. The Company has changed the rates of depreciation in the year 1998 in respect of Plant and Machinery from shiftwise basis to continuous process plant with retrospective effect.

3.(a) In the absence of profits no transfer has been made to the Debenture Redemption Reserve.

(b) No Provision has been made for diminution in the market value of quoted investment.

4. Stock of Raw Materials include Rs 440833/- (Previous year Rs.440833/-) worths of cotton affected by fire.

5. Events Occuring after Balance sheet Date

The Company has forfeited 1524500 Equity shares as on 19.04.2000 in respect of which a sum of Rs.92.03 Lacs was due. a sum of Rs.67.42 Lacs has been transferred to Capital redemption Reserve account representing the amount received against forfeited shares.



- 6.(a) Fixed Deposits are under Bank lien.
 (b) Investments purchases during the year -
7. In view of the multiplicity and identification of accounts relating to Small Scale Industrial undertakings, information for determining the particulars relating to current indebtedness to such undertakings as required under schedule VI to the Companies Act, 1956 are not readily available.
8. Deferred revenue expenditure represents unamortised portion of interest on increased liability of Foreign Currency Loan due to foreign exchange fluctuation.
9. In the opinion of the Board, all current assets, loans and advances and other receivables are approximately of the value stated, if realised in the ordinary course of business.
10. Valuation of Finished Goods
 Finished Goods have been valued at standard Cost which hitherto being valued at cost or market price whichever is lower. Cost of Finished goods is determined by taking Material, Labour, Administration overhead, Factory overhead and financial expenses although liability towards financial expenses have not been fully provided for in the account books. The impact due to the change in the valuation method has not been determined and has not been stated.
11. Sundry Debtors include debts amounting to Rs.49,47,667.80 against which legal proceeding have been initiated. Efforts are being made for recovery of these dues, however no provision has been made there against.
12. Prior period items represents : Rs. 502385.88/- Out of which Credit of Rs.651649/- as liabilities towards commission which is no longer required and hence written back. Credit of Rs.2396/- as liabilities towards sales tax on sale of scrap, no more payable, hence written back. Debit (net) of Rs.151659.12 written off for provision not made less made during previous years, and or for reconciling various party account.
13. Estimated amount of Contract remaining to be executed on Capital Account and not provided for..Nil (Previous Year - Rs.Nil)
14. Contingent Liabilities not provided for :
- | | Amount (Rs) | Previous Year (Rs) |
|------------------|-------------|--------------------|
| Bank Guarantees | 13634359 | 19477488 |
| Bills Discounted | 12269028 | 18098171 |
15. No provision for taxation has been made as there are no taxable profits.



16. Additional information pursuant to the provisions of Para 3, 4C & 4D of
~~Part II of Schedule VI to the Companies Act, 1956.~~

A. Raw Materials Consumed

<u>Item</u>	<u>Unit</u>	<u>Qty.</u>	<u>Qty.</u>	<u>Amount</u>	<u>Amount (Rs.)</u>
Raw Cotton	M.T.	2267.764	(2730.240)	102914236	(140178506)

B. Capacity and Production

	<u>Installed Capacity</u>	<u>Licensed Capacity</u>	<u>Actual - Production</u>
	<u>Qty.(Rotors)</u>	<u>Qty.(Rotors)</u>	<u>Qty.(M.T)</u>
1. Cotton Yarn	720	N.A.	1991.101
	(720)	N.A.	(2351.186)
2. Cotton Waste	--	--	338.409
	(--)	(--)	(314.411)

Note :

- No license is required for manufacturing above products, hence requirement as to licensed capacity is not applicable.

C. Opening Stock, Sales & Closing Stock of Goods Manufactured

	<u>Opening Stock</u>		<u>Sales</u>		<u>Closing Stock</u>	
	<u>Qty.(M.T)</u>	<u>Amount.</u>	<u>Qty.(M.T)</u>	<u>Amount.</u>	<u>Qty.(M.T)</u>	<u>Amount</u>
1. Cotton Yarn	195.483	16138828	1938.767	141481373	247.817	20367788
	(240.809)	(19805926)	(2396.51)	(199963992)	(195.483)	(16138828)
2. Cotton Waste	8.512	68096	339.978	1321498	6.943	62487
	(6.543)	(45801)	(312.442)	(1817975)	(8.512)	(68096)



D Earning / Expenditure in Foreign Currency :

a)	<u>Earning</u>	<u>F.O.B value</u>	<u>Previous Year</u>
	Export of cotton yarn	Rs.74828753	Rs.84799576
b)	<u>Expenditure</u>	<u>Amount (Rs)</u>	<u>Previous Year</u>
	Capital Goods (C.I.F. Value)	---	---
	Spare Parts (C.I.F. Value)	377085	2089110
	Travelling Expenses	332995	250746
	Export Commission	556185	48019

E. Value of Imported /Indigenous Raw Materials/Stores Consumed:

<u>Raw Materials</u>	<u>Amount (Rs)</u>	<u>Amount (Rs.)</u>	<u>Percentage</u>	<u>Percentage</u>
Imported	--	(--)	--	(--)
Indigenous	102914236	(140178507)	100%	(100%)
Stores & Spare Parts				
Imported	--	(--)	--	(--)
Indigenous	1104230	(1371319)	100%	(100%)

17. Balance Sheet abstract and General business profile as required by Part IV of Schedule VI to the Companies Act, 1956 is annexed forming part of the Accounts.
18. Figures in brackets represents previous year's figures.
19. Previous year's figures have been regrouped, rearranged and recasted wherever considered necessary.

Signed for identification Schedule 'A' to 'R'

For P.K. Ajitsaria & Co.
Chartered Accountants

P.K. Ajitsaria
(Pawan.Kumar Ajitsaria)
Proprietor

Place : Calcutta
Dated : August 1, 2000.

MV COTSPIN LTD
Directors

[Signature]
Director

MV COTSPIN LTD

Director.



ANNEXURE TO THE NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2000

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

i. **Registration Details**

Registration	60752
State Code	21
Balance Sheet Date	31-03-00

ii. **Capital Raised during the year (Amount Rs. in Thousands)**

Public Issue	Nil	Right Issue	Nil
Private Placement	Nil	Bonus Issue	Nil

iii. **Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities	257602.14	Total Assets	257662.14
Sources of Funds		Application of Funds	
Paid up Capital	53897.00	Net Fixed Assets *	177800.76
Reserves & Surplus	----	Investment	206.30
Secured Loan	188455.62	Net Current Assets	56351.88
Unsecured Loan	15309.52	Misc. Expenditure	3579.52
		Accumulated Losses	19723.08

iv. **Performance of Company (Amount in Rs. Thousands)**

Turnover (include other income)	143355.02	Total Expenditure	164455.01
Profit before Tax	(16818.94)	Profit After Tax	(16818.94)
Earning per share	----	Dividend (%)	Nil

v. **Generic Name of Three Products/Services of the Company
As per Monetary Terms)**

Item Code No.	Product Description
1. 520511.01	1. Cotton Yarn-Grey
2. 520299.01	2. Soft Waste

MV COTSPIN LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2000

	(Amount in Rupees)	
	For the year ended 31st March, 2000	For the year ended 31st March, 1999
A. Cash Flow from Operating Activities		
Net Profit / (Loss) before Tax and extraordinary items	(17,320,727)	(5,095,816)
Interest due to foreign Exchange fluctuation treated as deferred revenue		(2,830,630)
Adjustments for		
Depreciation	10,174,623	9,684,586
Misc Expenditure Written Off	942,354	942,354
Prior Period Items	502,386	(1,906,077)
Interest Income	(328,331)	(1,310,621)
Dividend	(10,350)	(2,921)
Interest Payment	9,947,366	18,927,374
Operating Profit / (Loss) before Working Capital change	3,907,321	18,405,248
Adjustments for		
Inventories (Decrease)	(2,955,742)	3,895,838
Trade & other Receivables (Increase)	21,017,672	(25,767,744)
Loans, advances and other Current Assets (Increase)	1,055,180	2,281,477
Current Liabilities Decreased	1,126,195	1,272,509
Net Cash generated from operations	24,150,627	90,328
Interest Paid	(9,947,366)	(18,927,374)
Net cash from operating activities (A)	14,203,260	(18,837,045)

