



# **Malwa Cotton Spinning Mills Ltd.**

## **40th Annual Report**

### **2015-16**



**THE MANAGEMENT**

**BOARD OF DIRECTORS** : MR.JANGI LAL OSWAL (DIN00257644)  
Chairman-cum-Managing Director  
MR.RISHI OSWAL (DIN00202889)  
MR.RAHUL OSWAL (DIN00257658)  
MR.ARUN KUMAR AHLUWALIA (DIN06416335)  
(Nominee of PNB)  
MR.SURINDER KUMAR VIG (DIN00764596)  
Ms. NARINDER KAUR (DIN07142179)

**AUDITORS** : S.C. Vasudeva & Co., New Delhi

**BANKERS** : Punjab National Bank  
State Bank of India  
Vijaya Bank  
The Jammu & Kashmir Bank Ltd.  
IDBI Bank Ltd.  
IFCI Ltd.

**REGISTERED OFFICE** : Industrial Area-‘A’,  
Ludhiana-141003

**WORKS** : i) Village Harigarh,  
Raikot Road , Barnala (Punjab)  
  
ii) Village Patlian,  
Paonta Sahib (Himachal Pradesh)  
  
iii) Village Harian, Kohara- Machhiwara Road,  
Distt. Ludhiana( Punjab)

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Reg. Off: INDUSTRIAL AREA "A", LUDHIANA- 141003  
Ph: 0161-2224201 Fax: 0161-5013623, CIN NO: L17115PB1976PLC003702  
Website: [www.malwagroup.com](http://www.malwagroup.com); E-MAIL: [company.secretary@malwagroup.com](mailto:company.secretary@malwagroup.com)

**NOTICE**

**NOTICE is hereby given that 40<sup>th</sup> Annual General Meeting of the members of MALWA COTTON SPINNING MILLS LIMITED will be held at the Registered Office of the Company at Oswal Knit India Ltd., 230, Industrial Area-A, Ludhiana on Friday, the 30<sup>th</sup> day of September, 2016 at 10.00 am to transact the following businesses:**

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Directors' Report and Audited Balance Sheet as at 31st March 2016 and Profit and Loss Account for the year ended on that date, together with Auditors' Report thereon.
2. To appoint Sh. Rishi Oswal (DIN:00202889) as Director of the Company, who retires by rotation in terms of Section 152(6) of the Companies Act, 2013 and being eligible, offers himself for re-appointment.
3. To appoint Auditors for the year 2016-17 and to fix their remuneration:  
"RESOLVED THAT pursuant to the provisions of Sections 139 of the Companies Act, 2013 ("Act") and other applicable provisions of the Act, if any and the Rules framed thereunder, as amended from time to time, and pursuant to the recommendation of the Audit Committee, M/s S.C. Vasudeva & Co., Chartered Accountants, Ludhiana (Firm Reg.No. 000235N), be and are hereby appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM) till the conclusion of the next Annual General Meeting, at such remuneration as may be fixed by the Board of Directors of the Company."

By Order of the Board

**Place: Ludhiana  
Date: 30.05.2016**

**Pooja Malhotra**  
Company Secretary

**NOTES:**

1. **A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on poll instead of him/her and the proxy need not be a member of the company. Proxy Form, in order to be effective, must be delivered at the Regd. office of the Company atleast 48 hours before the scheduled time of the meeting. The blank Proxy Form is enclosed.**  
**A person can act as proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of total share capital of company carrying voting rights. A Member holding more than ten percent of total share capital of Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person as shareholder.**
2. The Register of Members and Share Transfer Books of the company will remain closed from Tuesday, the 25<sup>th</sup> September, 2016 to Friday, the 30<sup>th</sup> September, 2016. (both days inclusive)
3. Members holding shares in physical mode are requested to notify the change in their address, if any, at the earliest to the Registrar & Share Transfer Agents of the company. However, members holding shares in electronic mode may notify the change in their address, if any, to their respective Depository Participants (DPs).
4. Members are requested to send their queries on the accounts and operations of the Company, if any, so as to reach the Registered Office of the Company at least seven days before the meeting to enable the company to have relevant information ready at the meeting.
5. Members are requested to bring their Attendance slips along with their copy of Annual Report to the Annual General Meeting.
6. Members may also note that the equity shares of the company have been included in the list of securities for compulsory trading in dematerialized form under ISIN No. INE 272B01015. Shareholders are, therefore, advised to dematerialize their shareholding to avoid inconvenience in future. They are requested to send their Dematerialization Request Form (DRF) through their Depository Participant (DP).
7. Members are requested to quote their Registered Folio Number or Demat Account Number & Depository Participant (D.P.) ID Number on all correspondence with the Company.

8. As per Regulation 36 of Sebi (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect of Directors seeking appointment/reappointment at the Annual General Meeting, forms integral part of the notice. The Directors have furnished the requisite declarations for their appointment/reappointment.
9. The SEBI has mandated the submission of Permanent Account Number (PAN) by every participant in Securities Market. Members holding shares in electronic form are, therefore, requested to submit detail of PAN to their Depository Participants with whom they maintain their Demat Account(s). Members holding shares in physical form can submit their PAN to Company.
10. Relevant Documents referred to in the accompanying notice and the statements are available for inspection by the members at the registered office of the Company on all working days during business hours upto the date of Annual General Meeting.
11. In compliance with the provisions of Section 108 of the Companies Act, 2013 and the Rules framed thereunder, Members have been provided with the facility to cast their vote electronically through the e-voting services provided by Central Depository Services Ltd, on all resolutions set forth in this notice.
12. Notice of the 40th Annual General Meeting of the Company, inter alia, indicating the process and manner of e-voting along with Attendance Slips is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes through electronic mode unless any member has requested for a physical copy of the same. For members who have not registered their email address, physical copies of the Notice of the 40th Annual General Meeting of the Company, inter alia, indicating the process and manner of e-voting is being sent through the permitted mode.

**13. PROCESS AND MANNER FOR E-VOTING:**

**The instructions for shareholders voting electronically are as under:**

- (i) The voting period shall commence on Tuesday, 27<sup>th</sup> September, 2016 at 9.30 A.M. and end on Thursday, 29<sup>th</sup> September, 2016 at 05.00 P.M. During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com) during the voting period
- (iii) Click on “Shareholders” tab.
- (iv) Now Enter your User ID
  - a. For CDSL: 16 digits beneficiary ID,
  - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
  - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

<b>For Members holding shares in Demat Form and Physical Form</b>	
PAN	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> <li>• Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.</li> <li>• In case the sequence number is less than 8 digits enter the applicable number of 0’s before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.</li> </ul>
DOB	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.

Details	<ul style="list-style-type: none"> <li>Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).</li> </ul>
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- (viii) After entering these details appropriately, click on “SUBMIT” tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach ‘Password Creation’ menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN 160902039 for Malwa Cotton Spinning Mills Limited to vote and cut off date is 23-09-2016.
- (xii) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.
- (xvii) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) Note for Institutional Shareholders
- Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves as Corporates.
  - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be e-mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
  - After receiving the login details they have to create compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
  - The list of accounts should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
  - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com) under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
- (xx) The Company has appointed Mr. Rajeev Bhambri, Practicing Company Secretary (Membership No. FCS – 4327 & C.P. No. 9491) as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- (xxi) The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in employment of the Company and make a Scrutinizer’s Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- (xxii) The results shall be declared on or after the AGM of the Company. The results declared along with the Scrutinizer’s Report shall be placed on the Company’s website [www.malwagroup.com](http://www.malwagroup.com) within 48 hours after passing of the resolutions at the 40<sup>th</sup> AGM.
14. The Ministry of Corporate Affairs (“MCA”) has vide Circular Nos. 17/2011 and 18/2011 dated 21st April, 2011 and 29th April, 2011, respectively, taken a ‘Green Initiative in Corporate Governance’, by allowing paperless compliances through electronic mode, allowing to send documents such as Notice convening General Meetings, Audited Financial Statements, Directors’ Report, Auditors’ Report, etc. and any other Notice/Documents, henceforth in electronic form in lieu of the paper form.



We strongly urge you to support your Company's concern for this 'Green Initiative' by opting for electronic mode of communication. You are requested to please register your e-mail ID with your Depository Participant (DP), if you hold the Company's shares in electronic form, under intimation to the Registrar & Share Transfer Agents through your registered e-mail ID. However, if you hold the shares in physical form then you may register your e-mail ID with Registrar & Share Transfer Agents of the Company by sending a letter under your Registered Signature at the below mentioned address:

**MAS SERVICES LIMITED**

Regd. Off-T-34, 2nd Floor,  
Okhla Industrial Area, Phase-II,  
New Delhi-110020 Phone: 011-26387281, 82, 83

**Place: Ludhiana**  
**Date: 30.05.2016**

By Order of the Board

**Pooja Malhotra**  
Company Secretary



Regd. Off: INDUSTRIAL AREA “A”, LUDHIANA- 141003  
Ph: 0161-2224201 Fax: 0161-5013623, CIN NO: L17115PB1976PLC003702  
Website: [www.malwagroup.com](http://www.malwagroup.com); EMAIL: [company.secretary@malwagroup.com](mailto:company.secretary@malwagroup.com)

Please fill in attendance slip and hand it over at the entrance of the factory.

Name and address of the shareholder  
No. of shares held:

Folio No.:

I hereby record my presence at the Annual General Meeting of the Company held on Friday, the 30<sup>th</sup> day of September, 2016 at 10:00 a.m. at Oswal Knit India Limited, 230, industrial Area-A, Ludhiana.

**SIGNATURE OF THE SHAREHOLDERS OR PROXY**

**PROXY FORM**

Name of the member(s) :  
DP. ID\*:  
Client ID\* :

Registered Address:  
Folio No. :  
No. of Share(s) held:

I/We, being the member/members of **MALWA COTTON SPINNING MILLS LIMITED**, hereby appoint:

1. Name \_\_\_\_\_ 2. Name \_\_\_\_\_ 3. Name \_\_\_\_\_  
Address \_\_\_\_\_ Address \_\_\_\_\_ Address \_\_\_\_\_  
E-mail id \_\_\_\_\_ E-mail id \_\_\_\_\_ E-mail id \_\_\_\_\_

Signature or failing him/her      Signature or failing him/her      Signature \_\_\_\_\_

Resolution No.	Resolution	I/We assent to the Resolution	I/We dissent to the Resolution
	<b>Ordinary Business</b>	<b>For</b>	<b>Against</b>
1.	Consider and adopt Audited Financial Statements, Reports of the Board of Directors and Auditors.		
2.	To appoint Mr. Rishi Oswal (DIN: 00202889) as Director of the Company, who retires by rotation in terms of Section 152(6) of the Companies Act, 2013 and being eligible, offers himself for re-appointment.		
3.	Appointment of Statutory Auditor and fixing their remuneration.		

as my/our proxy to attend and vote for me/us on my/our behalf at the 40<sup>th</sup> Annual General Meeting of the Company to be held on Friday, the 30<sup>th</sup> day of September, 2016 at 10:00 a.m. and at any adjournment thereof in respect of such resolutions as are indicated below:

Signed this \_\_\_ day of \_\_\_\_\_ 2016.      Signature \_\_\_\_\_

\* Applicable for investors holding shares in electronic form.

Affix  
Revenue  
Stamp

Notes:

- (i) A Member entitled to attend & vote at the meeting is entitled to appoint a proxy to attend & vote on poll instead of himself/herself.
- (ii) The proxy form duly signed across the revenue stamp of Re. 1/- should reach the Company's Regd. Office at least 48 hours before the scheduled time of the meeting.



**DIRECTORS' REPORT**

Dear Members,

The Directors of your Company are pleased to present their 40th Annual Report on the business of the Company together with the Audited Accounts of the Company for the year ended on 31st March, 2016.

**1. FINANCIAL RESULTS**

The Company's financial performance for the year under review along with previous years are given hereunder:

<b>Particulars</b>	(Rs Lacs)	
	<b>2015-16</b>	2014-15
Total Revenues	<b>3616.55</b>	11201.69
Profit/(loss) before interest & depreciation	<b>(2118.24)</b>	(3403.16)
Less :Financial Expenses	<b>13.29</b>	27.00
Profit/(loss) before depreciation	<b>(2131.53)</b>	(3430.16)
Less: Depreciation	<b>202.67</b>	257.50
Profit after depreciation and interest	<b>(2334.20)</b>	(3687.66)
Net profit/(loss) after tax	<b>(2334.20)</b>	(3687.66)
Amount transferred to General Reserve	--	--
Earning per Share (Basic)	<b>(33.28)</b>	(50.37)
Earning per Share (Diluted)	<b>(13.40)</b>	(20.32)

**2. YEAR IN RETROSPECT**

M/s Malwa Cotton Spinning Mills Ltd (MCSML), based on its audited balance sheet as at 31st March, 2013 had filed a reference under Sick Industrial Companies (Special provisions) Act 1985 and the reference was registered on 24th May, 2013 with Board for Industrial & Financial Reconstruction (BIFR).

The Company has recorded net loss before depreciation, interest & tax of Rs 2118.24 lac as compared to previous year loss before depreciation, interest & tax of Rs. 3403.16 lac.

The performance of the Company affected badly due to recession in the domestic and world markets. The Indian economy has suffered and local industry is passing through a tough face. Mainly the sectors like steel, cement, infrastructure and textile sectors are not doing well. The agriculture sector is also affected due to drought /less rains in the last two consecutive years. All the factors have impacted the purchasing power of the general masses.

Increase in power cost, high cost of labour, tight working capital cycle, poor recovery of debtors, non recovery of fixed cost and cash losses resulted in poor performance of the company. Due to undue delay in disbursement of need based funds by lenders in the past, severe and tight liquidity and cash losses in the company, proved fatal & detrimental. These factors adversely affected the capacity utilization and unable to meet daily operating and running cost and the company had to close the facilities at Paonta Sahib and Barnala.

During the year, the Company has achieved total production of 13.52 lac kgs for all types of yarns compared to previous year's production of 36.72 lac kgs. The Cotton Yarn production was 1.41 lac kgs against 4.63 lac kgs in the previous year and other yarns production was 12.11 lac kgs against 32.09 lac kgs. in the previous year. Thread production of 2.00 lac kgs was also achieved by the company against 10.71 lac kgs in the previous year.

**TURNOVER**

During the year, your Company has recorded gross sales of Rs 3602.86 lac against Rs. 11071.25 lac in the previous year. The Company has achieved Yarn sale of Rs 2442.11 lac, Thread sale of Rs 712.89 lac and others of Rs 447.86 lac in the current year ended on 31<sup>st</sup> March, 2016 against sale of Yarn Rs. 5667.41 lac, Thread Rs. 5080.38 lac and others Rs. 323.46 lac in the previous year. Export of Yarn was at Rs.367.67 lac (CIF) against Rs. 754.39 lac (CIF) in the previous year.

**BARNALA UNIT**

The Barnala unit has achieved production of 6.65 lac kgs of Yarn and capacity utilization at minimal levels in the current year. The unit has been closed during the year

**PAONTA SAHIB UNIT**

The unit has been closed at the end of the last year and there was no manufacturing activity in the unit in the current year.



**MACHHIWARA UNIT**

The Machhiwara Unit had achieved production of 6.87 lac kgs during the year and the unit was operating at low capacity utilization .

**3. SHARE CAPITAL**

The paid up Equity Share Capital as on 31<sup>st</sup> March,2016 was Rs 790.29 lacs and Preference Share Capital was Rs.2724.61 lacs. During the year under review, the Company has not:

- a) bought back any of its securities.
- b) issued any Sweat Equity Shares.
- c) issued any Bonus Shares to the existing shareholders of the Company.
- d) issued any Equity Shares under the Employees Stock Option Plan during the year under review.

**4. DIVIDEND**

No Dividend was declared for the current financial year due to loss incurred by the Company and outstanding accumulated losses.

**5. TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND**

The provisions of Section 125(2) of the Companies Act, 2013 do not apply as there was no dividend declared and paid last year.

**6. DEPOSITS**

The Company has not accepted any deposits from the public during the year under review and as such, there are no outstanding deposits in terms of the Companies (Acceptance of Deposits) rules, 2014.

**7. DIRECTORS**

- a) Mr. Rishi Oswal retire at the ensuing Annual General Meeting and is eligible for re-appointment as Director subject to retirement by rotation. He offer himaelf for the re-appointment.

**Board Evaluation**

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out an annual evaluation of its performance, the directors individually, as well as the evaluation of the working of its Committees. At the meeting of the Board all the relevant factors that are material for evaluating the performance of the individual Directors, the Board and its various committees were discussed in detail.

A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as level of engagement and contribution, independence of judgment, safeguarding the interest of the Company and its minority shareholders etc. The performance evaluation of the Chairman and non-independent directors was also carried out by the independent Directors at their separate meeting. The Directors expressed their satisfaction with the evaluation process.

- b) Meetings

During the year four Board Meetings were convened and held. The details thereof are given in the Corporate Governance Report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013.

**8. KEY MANAGEMENT PERSONNEL**

The information required pursuant to Section 197 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is appended as an **Annexure -I** and forms an integral part of this report.

**9. REMUNERATION POLICY**

The Board on the recommendation of the Nomination and Remuneration Committee shall review and approve the remuneration payable to the Directors, Key Managerial Personnel and Senior Management. The key provisions of Nomination and Remuneration policy are appended as an **Annexure-II** to the Board's report.

**10. STATUTORY AUDITORS**

M/s. S.C.VASUDEVA & Co., (Firm Registration Number: 000235N) Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offered themselves for re-appointment. As required under the provision of Section 139 of the Companies Act, 2013, the Company has obtained a written confirmation from M/s. S.C.VASUDEVA & Co., and received a certificate from the above Auditors to the effect that their appointment, if made, would be in conformity within the limits specified in the said section.

**11. AUDITORS' REPORT**

The Auditors' Report on the Accounts is self-explanatory and required no comments except i) *The Company has not been able to redeem 9% cumulative redeemable preference share capital*--Due to cash losses in the company and negative net worth, the company could not redeem cumulative redeemable Preference Share capital as per schedule. (ii) (a) *Employee Benefits in respect of non provision for liability of gratuity, leave encashment and other compensated absences in accordance with provision of said accounting standard. (AS-15)*— The company has not made provision for gratuity and leaves with wages/salaries for year 2015-16 on actuarial basis due to number of employees leaving the company which may result in reversal of provision already made. (iii)(b) 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), (iv) Due to recession there is delay in realization of debtors and the Company is settling with parties for its recovery and confident of recovery of debtors in respect of which balances were not confirmed and however the company has made a provision for doubtful debts and advances for Rs.929.90 lac in respect of these debtors and advances during the year. (v) The company has not provided interest on borrowing as the accounts with lenders has been classified as NPA.

**12. COST AUDIT**

Cost audit for the financial year 2015-16 is not applicable to the Company as per Notification No.G.S.R.425 [E] dated 30<sup>th</sup> June2014 issued by the Ministry Of Corporate Affairs, hence no cost auditor was appointed for cost audit purpose.

**13. SECRETARIAL AUDIT**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the Company has appointed M/s Rajeev Bhambri & Associates, a firm of Company Secretaries in practice (C.P.No 9491) to undertake the Secretarial Audit of the Company. The Secretarial audit report for the financial year ended 31<sup>st</sup> March, 2016 is annexed herewith as **Annexure-III** to this report. The Secretarial Audit report under review for the period, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

- a. **Company has not paid Listing Fees to BSE, National Stock Exchange of India Limited, NSDL, CDSL and to RTA of Company for the Audit Period.** – Due to cash losses, the company could not pay the listing fee to stock exchanges however will make arrangement for payment in a short period.
- b. **The company has not redeemed its 9% Cumulative Redeemable Preference Shares of Rs.2725 lacs.**--- Due to cash losses in the company and negative net worth, the company could not redeem cumulative redeemable Preference Share capital as per schedule.
- c. **AS-15 regarding “Employee Benefits”, in respect of non provision for liability of gratuity, leave encashment and other compensated absences has not been complied with.** -The company has not made provision for gratuity and leaves with wages/salaries for year 2015-16 on actuarial basis due to number of employees leaving the company which may result in reversal of provision already made
- d. **AS-17 regarding “Segment Reporting”, in respect of results of sewing thread segment has not been disclosed.** --- 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),
- e. **The company has defaulted/delayed in payment of statutory dues including Provident Fund, Employees' State Insurance, Labour Welfare fund, Income Tax and VAT/CST.** – The company

could not pay the dues of Provident Fund, Employees' State Insurance, Labour Welfare fund, Income Tax and VAT/CST on account of cash losses and tight cash flow. However the company is paying the statutory dues pending dues slowly.

- f. **The company has defaulted in payment/repayment of interest/principal on Cash credit/Term loans to IFCI Limited, IDBI Bank Limited, SIDBI, PNB, SBI, Vijaya Bank and J&K Bank. The Company has also not provided interest on borrowing in the books--** The company has not provided interest on borrowing as the accounts with lenders has been classified as NPA.
- g. **The company has not arranged to make available the confirmations and/or reconciliations to verify the balances of parties.**
- h. **The company has not made provision in respect of balances which are doubtful in nature amounting to Rs.3,572.01 lacs.** Due to recession there is delay in realization of debtors and the Company is settling with parties for its recovery and confident of recovery of debtors in respect of which balances were not confirmed and however the company has made a provision for doubtful debts and advances for Rs.929.90 lac in respect of these debtors and advances during the year

#### **14. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS MADE UNDER SECTION 186 OF THE COMPANIES ACT, 2013**

There were no loans, guarantees or investments made by the Company under Section 186 of the Companies Act, 2013 during the year under review and hence the said provision is not applicable.

#### **15. DIRECTORS' RESPONSIBILITY STATEMENT**

The Board Of Directors acknowledge the responsibility for ensuring compliance with the provisions of Section 134(3) read with Section 134(5) of the Companies Act, 2013 in the preparation of annual accounts for the year ended on 31st March,2016 and state :

- a) That in preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures.
- b) That the Directors had selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the Profit or Loss of the Company for that period.
- c) 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.
- d) That the Directors have prepared the Annual Accounts on a going concern basis.
- e) That the Directors had laid down internal financial controls to be followed by the company and such internal financial controls are adequate and operating effectively. That the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **16. CORPORATE GOVERNANCE**

As per SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, 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.

#### **17. AUDIT COMMITTEE & RISK MANAGEMENT**

The company has duly constituted Audit Committee, the scope of which is quite comprehensive and is in conformity with the provisions of the Companies Act, 2013 and SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015. The composition of the Audit Committee is given in Corporate Governance Report.

All the recommendations of the Audit Committee were accepted by the Board.

##### **RISK MANAGEMENT**

The Audit Committee has also been assigned the responsibility for monitoring, and reviewing risk management. The Committee identifies, review and mitigate all elements of risks which the Company may be exposed to. The Board also reviews the risk management assessment and minimization procedures.

#### **18. DETAILS OF ESTABLISHMENT OF VIGIL MECHANISM/WHISTLE BLOWER POLICY**

The Company has adopted Whistle Blower Policy/vigil mechanism for directors and employees to report concerns about unethical behavior, actual or suspected fraud, or violation of the Company's Code of Conduct and Ethics.

**19. DETAILS OF POLICY DEVELOPED AND IMPLEMENTED BY THE COMPANY ON ITS CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

The Company has not developed and implemented any Corporate Social Responsibility initiatives as the said provisions are not applicable.

**20. RELATED PARTY TRANSACTIONS**

There was no contract or arrangement made with related parties as defined under Section 188 of the Companies Act, 2013 during the year under review.

**21. DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE**

There are no significant orders passed by the Regulators/Courts which would impact the going concern status of the Company and its future operations.

**22. DECLARATION BY INDEPENDENT DIRECTORS**

Necessary declarations have been obtained from the Independent Directors under Section 149(7) of the Companies Act, 2013.

**23. INTERNAL FINANCIAL CONTROL SYSTEM**

The Company has in place internal financial control system, commensurate with the size and complexity of its operations to ensure proper recording of financial and operational information and compliance of various internal controls and other regulatory and statutory compliances. The internal auditor monitors and evaluates the efficacy and adequacy of internal control systems in the Company. Based on the report of the internal auditor, respective departments undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

**24. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES**

The Company does not have any Subsidiary, Joint venture or Associate Company.

**25. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

The information pertaining to conservation of energy, technology absorption, Foreign exchange Earnings and outgo as required under Section 134 (3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is furnished in **Annexure-IV**.

**26. MATERIAL CHANGES AND COMMITMENT IF ANY AFFECTING THE FINANCIAL POSITION OF THE COMPANY OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR TO WHICH THIS FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT**

No material changes and commitments affecting the financial position of the Company occurred between the end of the financial year to which these financial statements relate and the date of this report.

**27. EXTRACT OF ANNUAL RETURN**

The details forming part of the extract of Annual Return in form MGT-9 is annexed herewith as **Annexure**.

**28. ACKNOWLEDGEMENTS**

The Board of Directors place on record its appreciation for the valuable assistance, support and guidance extended Government Departments, Organisations and Agencies. The Company also acknowledges the support and co-operation of other business partners for their support received from them. The Board also wishes to express its debt of gratitude to its shareholders and the employees and appreciate the co-operation and continuous support extended to the

Place: Ludhiana  
Date : 30.05.2016

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

**ANNEXURE- I**

The information required pursuant to Section 197 read with Rule 5 (1) and (2) of Chapter XIII, Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is furnished hereunder:  
(i)

Name of the Director/KMP and Designation	Remuneration in Fiscal 2016 (Rs.in lacs)	% increase in remuneration from previous year	Ratio of Remuneration of MRE*	Comparison of the remuneration of the KMP against the Performance of the Company	
				% of Net Profits	% of Turnover
Sh. Jangi Lal Oswal	Nil	Nil	Nil	N.A.	N.A.
Sh.Vinod Gupta	6.13	Nil	5.28:1	N.A.	0.83
Ms.Ruchika Gulati	1.34	NIL	1.16:1	N.A.	0.18

Note: For this purpose, sitting fees paid to the Directors have not been considered as remuneration.

\*MRE-Median Remuneration of Employee based on annualized salary

(ii) The median remuneration of employees of the Company during the financial year was Rs 1.16 lac p.a.

(iii) In the financial year, there was no increase in the median remuneration of employees;

(iv) There were 516 permanent employees on the rolls of the Company as on March 31, 2016;

(v) Relationship between average increase in remuneration and Company performance:-

The following factors are considered while giving increase in the remuneration:

(a) Financial performance of the Company,

(b) Comparison with peer companies and

(c) Industry benchmarking and consideration towards cost of living adjustment/inflation,

(vi) Comparison of the remuneration of the Key Managerial Personnel(s) against the performance of the Company:

For the financial year 2015-16 Key Managerial Personnel were paid 0% lac and 0.21% of the net profit and turnover respectively of the Company.

(vii) (a) Variation in market capitalization of the Company: The market capitalization as on 31st March, 2016 was Rs 608.69 lac (Rs 826.07 lacs as on 31st March, 2015);

(b) Price Earnings ratio of the Company was Nil as at 31st March, 2016 and was Nil as at 31st March, 2015;

(c) Percent increase or decrease in the market quotations of the shares of the Company as compared to the rate at which the Company came out with the last public offer in the year:- There has not been any public offer by the Company in last year.

(viii) Average percentile increase made in the salaries of employees other than the managerial personnel in the last financial year i.e. 2015-16 was Nil whereas the percentile increase in the managerial remuneration for the same financial year was Nil;

(ix) The key parameters for the variable component of remuneration availed by the Executive Director and CEO is based on his performance and Company's performance - Not applicable

(x) The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year:- Not applicable; and

(xi) It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel, Senior Management Personnel and other employees.

**ANNEXURE- II****Nomination and Remuneration Policy****POLICY RELATING TO THE REMUNERATION FOR THE WHOLE-TIME DIRECTOR, NON-EXECUTIVE/INDEPENDENT DIRECTOR, KMP AND SENIOR MANAGEMENT PERSONNEL****General:**

The remuneration / compensation / commission etc. to the Whole-time Director, Non-Executive/Independent Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.

The remuneration and commission to be paid to the Whole-time Director shall be in accordance with the percentage / slabs / conditions as per the provisions of the Companies Act, 2013, and the Rules made there under.

Increments to the existing remuneration / compensation structure linked to performance, should be clear and meet appropriate performance benchmarks and may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time Director.

The Committee does not propose to fix the actual amounts of remuneration that may be payable to each individual key managerial personnel or senior management personnel. However, the management, whilst fixing the remuneration of any such key personnel must consider the following:

The Industry practice for the same level of employment/office. Past performance/seniority of the concerned appointee. The nature of duties and responsibilities cast upon such person by reason of his holding that office. The remuneration should be such that it provides adequate incentive to the person to give his best to the Company and feel essence of high satisfaction with his employment. The perquisites to be given to Whole-time Director/s, KMP & Senior Management Personnel will be as per industry practice and as may be recommended by the Committee to the Board.

**REMUNERATION TO WHOLE-TIME DIRECTOR, KMP AND SENIOR MANAGEMENT PERSONNEL:**

The Whole-time Director / KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The break-up of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required, reflecting the short and long term performance objectives appropriate to the working of the Company and its goals.

**REMUNERATION TO NON-EXECUTIVE / INDEPENDENT DIRECTOR:****Sitting fees:**

The Non-Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committees thereof as may be recommended by the Committee and approved by the Board provided that the amount of such fees shall not exceed amount prescribed in that behalf by the Central Government from time to time. So far as the Sitting fees are concerned, presently, for meetings of the various Committees, the same are at par for all the Committees.



**ANNEXURE-III****SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH, 2016**

**[Pursuant to section 204(1) of the Companies Act, 2013 and rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]**

To,  
The Members  
Malwa Cotton Spinning Mills Limited  
230, Industrial Area - A,  
Ludhiana.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Malwa Cotton Spinning Mills Limited (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31 March, 2016 ('Audit Period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March, 2016, to the extent applicable and according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) SEBI (Prohibition of Insider Trading) Regulations, 1992 and SEBI (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and amendments from time to time
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
- vi) We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the company to monitor and ensure compliance with laws relating to, inter alia:
  - All labour & industrial laws;
  - The Competition Act, 2012;
  - All environmental laws;
  - Textiles (Consumer Protection) Regulations, 1988;
  - Textiles (Development and Regulation) Order, 2001;



- Textiles Committee Act, 1963;
- Additional Duties of Excise (Textiles and Textiles Articles) Act, 1978.
- Indian Boilers Act, 1923

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India to the extent of its applicability.
- (ii) The Listing Agreement entered into by the Company with the BSE Limited & NSE read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

- a. **Company has not paid Listing Fees to BSE, National Stock Exchange of India Limited, NSDL, CDSL and to RTA of Company for the Audit Period.**
- b. **The company has not redeemed its 9% Cumulative Redeemable Preference Shares of Rs.2725 lacs.**
- c. **AS-15 regarding “Employee Benefits”, in respect of non provision for liability of gratuity, leave encashment and other compensated absences has not been complied with.**
- d. **AS-17 regarding “Segment Reporting”, in respect of results of sewing thread segment has not been disclosed.**
- e. **The company has defaulted/delayed in payment of statutory dues including Provident Fund, Employees’ State Insurance, Labour Welfare fund, Income Tax and VAT/CST.**
- f. **The company has defaulted in payment/repayment of interest/principal on Cash credit/Term loans to IFCI Limited, IDBI Bank Limited, SIDBI, PNB, SBI, Vijaya Bank and J&K Bank. The Company has also not provided interest on borrowing in the books.**
- g. **The company has not arranged to make available the confirmations and/or reconciliations to verify the balances of parties.**
- h. **The company has not made provision in respect of balances which are doubtful in nature amounting to Rs.3,572.01 lacs.**

**We further report that**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out unanimously or by the majority as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period the Company has following specific events/actions having a major bearing on the Company’s affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc. as detailed below:-

Company’s total liabilities exceeded its total assets by Rs. 24,582.13 lacs. It has also filed application with BIFR and reference was registered in 2013. The Lending banks have recalled their debts to the company. These events cast significant doubt on the ability of the company to continue as a going concern.

**Rajeev Bhambri & Associates**

Company Secretary in whole time practice  
C.P. No. 9491  
Place: Ludhiana  
Dated: 30/05/2016

**Note: This report is to be read with our letter of even date which is annexed as ‘ANNEXURE A’ and forms an integral part of this report.**

To,

The Members  
 Malwa Cotton Spinning Mills Limited  
 230, Industrial Area - A,  
 Ludhiana.

Our report of even date is to be read along with this letter.

1. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
2. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company as we have relied upon the Audit done by Statutory Auditors as required under Companies Act, 2013.
3. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
4. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
5. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

**Rajeev Bhambri & Associates**

Company Secretary in whole time practice  
 C.P. No. 9491  
 Place: Ludhiana  
 Dated: 30/05/2016

**ANNEXURE-IV**

**Information as required under Rule 8(3) of the Companies (Accounts) Rules, 2014**

**(A). CONSERVATION OF ENERGY**

The Company continues to accord priority for energy conservation.

- a) Some of the initiatives undertaken for conservation of energy are -
  - Use of energy efficient motors and various machines.
  - Improvement in power factors by providing capacitor on different load centers.

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.

**(B). TECHNOLOGY ABSORPTION**

Efforts are being made in Technology Absorption.

**a) RESEARCH AND DEVELOPMENT (R&D)**

- Continuous efforts are being made for developing new products and to improve the existing products.
- With the ongoing efforts by R&D, benefits derived are –
  - i) Improvement in quality of its products.
  - ii) Development of specialized yarn

**b) 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.

**c) Expenditure on R & D**

(Rs. Lacs)

	2015-16	2014-15
a) Capital	-	-
b) Recurring	5.32	18.49
c) Total	5.32	18.49

d) Total R & D Expenditure as a percentage of turnover	<b>0.15%</b>	0.17%
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**d) 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 3 years : Nil

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

Activities relating to exports; initiatives taken to increase exports; development of new export market for products and services; and export plans.

Total Foreign Exchange earned and used :

	(Rs Lac)	
	<b>2015-16</b>	2014-15
Foreign Exchange earned (FOB)	<b>360.05</b>	729.30
Foreign Exchange used (CIF)	<b>19.19</b>	70.07

**ANNEXURE-V**

**Form No. MGT-9  
EXTRACT OF ANNUAL RETURN  
As on the financial year ended on 31st March, 2016**

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

**I. REGISTRATION AND OTHER DETAILS:**

- i) CIN : L17115PB1976PLC003702
- ii) Registration Date : 01.12.1976
- iii) Name of the Company : MALWA COTTON SPINNING MILLS LIMITED
- iv) Category / Sub-Category of the Company: Private
- v) Address of the Registered office: Industrial Area-A, Ludhiana 141003 Contact:- 0161-2224201
- vi) Whether listed company: Yes
- vii) Name, Address and Contact details of Registrar: Mas Services Ltd.  
Regd. Off: T-34, 2<sup>nd</sup> Floor,  
Okhla Industrial Area, Phase-II,  
New Delhi 110020  
Phone:- 011-26387281

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:

Sl. No.	Name and Description of main products	NIC Code of the Product/ service	% to total turnover of the company
1	Yarn	17111	80.21
2	Thread	17231	19.79

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -**

S. No.	Name and address of the company	Cin/gln	Holding/ Subsidiary/Associate	% of shares held	Applicable Section
	Not Applicable				

**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**
**A) Category-wise Share Holding**

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2015]				No. of Shares held at the end of the year [As on 31-March-2016]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(1) <b>Indian</b>									
a) Individual/HUF	6090	-	6090	0.08	6090	-	6090	0.08	-
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	2580675	1542850	4123525	52.16	2580675	1542850	4123525	52.16	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
<b>Sub-total (A) (1):-</b>	<b>2586765</b>	<b>1542850</b>	<b>4129615</b>	<b>52.24</b>	<b>2586765</b>	<b>1542850</b>	<b>4129615</b>	<b>52.24</b>	<b>-</b>
(2) <b>Foreign</b>									
(a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
(b) Other – Individuals	-	-	-	-	-	-	-	-	-
(c) Bodies Corp.	-	-	-	-	-	-	-	-	-
(d) Banks / FI	-	-	-	-	-	-	-	-	-
(e) AnyOther....	-	-	-	-	-	-	-	-	-
<b>Sub-total (A) (2):-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total shareholding of Promoter (A)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>B. Public Shareholding</b>									
I. Institutions									
a) Mutual Funds	-	-	700	0.01	700	-	700	0.01	-
b) Banks / FI	853138	370	853508	10.80	530665	370	531035	6.72	-4.08
c) Central Govt	14	-	14	-	14	-	14	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture	-	-	-	-	-	-	-	-	-

Capital Funds									
i) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(1):-</b>	853152	370	854222	10.81	531379	370	531749	6.73	-4.08
<b>2. Non-Institutions</b>									
a) Bodies Corp.									
i) Indian	563518	91395	654913	8.28	587314	91395	678709	8.58	+0.30
ii) Overseas	-	-	-	-					-
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 2 lakh	1779278	119407	1898685	24.01	2445548	119407	2564955	32.45	+8.44
ii) Individual shareholders holding nominal share capital in excess of Rs 2 lakh	343797	-	343797	4.35					-4.35
c) Others (specify)	-	-	-	-					-
Non Resident Indians	23430		23430	0.31					-0.31
Overseas Corporate Bodies	-	-	-	-					-
Foreign Nationals	-	-	-	-					-
Clearing Members	-	-	-	-					-
Trusts	-	-	-	-					-
Foreign Bodies - D R	-	-	-	-					-
<b>Sub-total (B)(2):-</b>	<b>2710389</b>	210802	<b>2921191</b>	<b>36.94</b>	3032862	210802	3243664	41.03	+4.08
Total Public Shareholding (B)=(B)(1)+(B)(2)	<b>3563541</b>	211872	<b>3775413</b>	<b>47.76</b>	3564241	<b>211172</b>	3775413	47.76	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-					-
<b>Grand Total (A+B+C)</b>	<b>6150306</b>	1754722	<b>7905028</b>	<b>100</b>	6151006	<b>1754022</b>	7905028		0.00

**B) Shareholding of Promoters-**

S.No.	Shareholder's Name	Shareholding at the beginning of the year	Share holding at the end of the year	% change
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		No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	in share holding during the year
1	APAAR VYAPAR LTD.	67400	0.85	0.56	67400	0.85	0.56	-
2	BAHUMULYA FINANCE LTD.	10250	0.13	0.13	10250	0.13	0.13	-
3	CROUSE INVESTMENT LTD.	228050	2.89	2.88	228050	2.89	2.88	-
4	EXCELLENT PRINTERS PVT LTD.	22500	0.28	0.28	22500	0.28	0.28	-
5	FAYETEE TRADING & INVESTMENT CO. LTD.	48550	0.61	0.61	48550	0.61	0.61	-
6	FIRST QUALITY INVESTMENT CO. LTD.	211400	2.68	2.42	211400	2.68	2.42	-
7	GARDEN INVESTMENT LTD.	64600	0.82	0.06	64600	0.82	0.06	-
8	GLORY HOLDING LTD.	248600	3.15	0.08	248600	3.15	0.08	-
9	ISKITA TRADERS LTD.	262800	3.32	0.00	262800	3.32	0.00	-
10	JAGDAMBA CHEMICALS PVT LTD.	20500	0.26	0.25	20500	0.26	0.25	-
11	JANGI GROWTH FUND PVT LTD.	466525	5.9	4.66	466525	5.9	4.66	-
12	KAMAL HOLDING COMPANY LTD.	179350	2.27	2.27	179350	2.27	2.27	-
13	MALWA CAPITAL & FINANCE LTD.	5000	0.06	0.06	5000	0.06	0.06	-
14	NORTH INDIA CARPET CO PVT LTD.	23000	0.29	0.29	23000	0.29	0.29	-
15	NEELAM GROWTH FUND PVT LTD.	357500	4.52	4.52	357500	4.52	4.52	-
16	NAGDEVI GROWTH FUND PVT LTD.	25500	0.32	0.07	25500	0.32	0.07	-
17	OSWEGO TRADING & INVESTMENT CO LTD.	181050	2.29	2.29	181050	2.29	2.29	-
18	OSWAL INTERMEDIATES PVT LTD.	13000	0.16	0.16	13000	0.16	0.16	-
19	OSWAL FIBRES PVT LTD.	6000	0.08	0.08	6000	0.08	0.08	-
20	OSWAL KNIT INDIA LTD.	367500	4.65	4.65	367500	4.65	4.65	-
21	OSWAL EXIM TRADE LTD.	23500	0.3		23500	0.3		-
22	PRUDENTIAL COMMERCIAL ENTERPRISES LTD.	301310	3.81	3.53	301310	3.81	3.53	-
23	PILLAR INVESTMENT CO LTD.	81240	1.03	1.03	81240	1.03	1.03	-
24	RISHI GROWTH FUND PVT LTD.	357500	4.52	4.52	357500	4.52	4.52	-
25	SHRI VIJAY VALLABH HOLDINGS	230850	2.92	2.65	230850	2.92	2.65	-

	LTD.							
26	SVARNIM TRADE UDYOG LTD	27400	0.35	0.36	27400	0.35	0.36	-
27	S A GROWTH FUND PVT LTD	20000	0.25		20000	0.25		-
28	VAJRA INVESTMENT & TRADING CO LTD.	250650	3.17	2.92	250650	3.17	2.92	-
29	V S GROWTH FUND PVT LTD.	22000	0.28	0.03	22000	0.28	0.03	-
30	SH. JANGI LAL OSWAL	6090	0.08	0.08	6090	0.08	0.08	-
		<b>4129615</b>	<b>52.24</b>	<b>41.43</b>	<b>4129615</b>	<b>52.24</b>	<b>41.43</b>	-

**C) Change in Promoters' Shareholding (please specify, if there is no change)**

S.No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	N.A.			
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase /decrease (e.g. allotment /transfer / bonus/ sweat equity etc):				
	At the end of the year				

**D) Shareholding Pattern of top ten Shareholders:**
**(Other than Directors, Promoters and Holders of GDRs and ADRs):**

S.No.	For each of the Top 10 Shareholders	Shareholding at the beginning of the year		Increase/dec rease during the year	Shareholding at the end of the year	
		No. of shares	% of total shares of the company		No. of shares	% of total shares of the company
1	IFCI LTD	580668	7.35	-	313021	4.00
2	ISHVARLAL BABU LAL BHAVSAR	262800	3.32	-	262800	3.32
3	V SREE VENKATESWARLU	247800	3.13	-	247800	3.13
4	IDBI BANK LTD.	230507	2.91	-	230507	2.91
5	PUNEET WALIA	89150	1.13	-	89150	1.13
6	VISHNU PRASAD SHARMA	75000	0.95	-	75000	0.95
7	HEM SECURITIES LIMITED	59196	0.75	-	59196	0.75
8	MAJ RAVINDER DUTTA	55000	0.70	-	55000	0.70
9	SNEHALATHA SINGHI	54184	0.69	-	54184	0.69
10	Jitendra Jayantilal Doshi	50005	0.63	-	50005	0.63

**E) Shareholding of Directors and Key Managerial Personnel:**

SN	Name	Shareholding		Date	Increase/ Decrease in share holding	Reason	Cumulative Shareholding during theYear	
		No of Shares at the beginning(01.04.2015)/ end of the year(31.03.2016)					No. of shares	% of total shares of the
		No. of shares	% of total shares of the					



			company					company
<b>A</b>	<b>Directors</b>							
1.	Mr. Jangi Lal Oswal	6090	0.07	01.04.2015	0	Nil movement during the year	6090	0.07
		6090	0.07	31.03.2016				
2.	Surinder Kumar Vig	11098	0.14	01.04.2015	0	Nil movement during the year	11098	0.14
		11098	0.14	31.03.2016	0			
<b>B</b>	<b>KMPs</b>							
3.	Ms Ruchika Gulati	-	-	01.04.2015	-	-	-	-
				31.03.2016	-	-	-	-
4.	Sh Vinod Gupta	-	-	01.04.2015	-	-	-	-
		-	-	31.03.2016	-	-	-	-

**V. INDEBTEDNESS –**

**Indebtedness of the Company including interest outstanding/accrued but not due for payment**  
Rs.Lacs

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	28776.31	447.00	-	2922.31
ii) Interest due but not paid	2083.57	-	-	2083.57
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	<b>30859.88</b>	<b>447.00</b>	<b>-</b>	<b>31306.88</b>
<b>Change in Indebtedness during the financial year</b>				
* Addition	-	500.00	-	500.00
* Reduction	24.20	-	-	24.20
<b>Net Change</b>	<b>24.20</b>	<b>500.00</b>	<b>-</b>	<b>475.80</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	28752.11	947.00	-	29699.11
ii) Interest due but not paid	2083.57	-	-	2083.57
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	<b>30835.68</b>	<b>947.00</b>	<b>-</b>	<b>31782.68</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

**REMUNERATION TO MANAGING DIRECTOR, WHOLE-TIME DIRECTORS AND/OR MANAGER:**

Sl.no.	Particulars of Remuneration	Name of MD/WTD/Manager	Total Amount
		Sh Jangi Lal Oswal	
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961		Nil

2.	Stock Option		-
3.	Sweat Equity		-
4.	Commission - as % of profit - others, specify...		-
5.	Others, please specify		-
	Total (A)		Nil
	Ceiling as per the Act		N.A

**B.REMUNERATION TO OTHER DIRECTORS:**

S. No.	Particulars of Remuneration	Name of Directors			Total Amount Rs.
1.	Independent Directors	Ms Narinder Kaur	Sh Surinder Kumar Vig	Sh A K Ahluwalia (nominee PNB)	
	- Fee for attending board/ committee meetings.	12000	16000	-	28000
	- Commission	-	-	-	-
	- Others, please specify	-	-	-	-
	Total (1)	12000	16000		28000
2.	Other Non-Executive Directors	Sh.Rishi Oswal	Sh Rahul Oswal		
	- Fee for attending board committee meetings	4000	4000		8000
	- Commission	-	-		-
	- Others, please specify	-	-		-
	Total (2)	4000	4000		8000
	Total (B)=(1+2)				36000
	Total Managerial Remuneration				36000
	Overall Ceiling as per the Act		N.A.		

**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD:**

	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary	CFO	Total Rs.Lacs
			Ms Ruchika Gulati		
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under	Not Applicable	1.34	6.13	7.47
			-	-	-
2.	Stock Option	N.A.			
3.	Sweat Equity	N.A.			
4.	Commission - as % of profit - others, specify...	N.A.			
5.	Others, please specify	N.A.			
	Total	-	1.34	6.13	7.47

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES**

<b>TYPE</b>	<b>Section of the Companies Act</b>	<b>Brief Description</b>	<b>Details of Penalty/Punishment</b>	<b>Authority</b>	<b>Appeal made If any</b>
A .COMPANY					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
B .DIRECTORS					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
A .OTHER OFFICERS IN DEFAULT					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

### **Industry Structure and Developments**

Indian textile enjoys a rich heritage. If we talk about the Indian textile industry and its structure in the present era, it is one of the leading industries in the world. Even the structure and the welfare schemes floated by the Indian government are much comprehensive. Due to which India projected a high production of textile. The significance of the textile industry is due to its contribution in the industrial production, employment, and also earns foreign exchange by way of exports. The textile sector in India is one of the largest in the world. The Indian textile industry can be divided into three segments: 1) Cotton Textiles 2) Synthetic Textiles 3) Other like Wool, Jute, Silk, etc. Unlike other major textile-producing countries, India's textile industry is comprised mostly of small-scale, non-integrated spinning, weaving, finishing, and apparel-making enterprises. This unique industry structure is primarily a legacy of government policies that have promoted labour intensive, small-scale operations and discriminated against larger scale firms.

### **Opportunities**

- More number of emerging malls and retail industries are providing opportunities to industry's segments like handicrafts and apparels.
- There is a provision of more FDI and investment opportunities.
- Withdrawal of quota restriction is contributing immensely in market development.
- The global needs are being catered with product development.
- An upsurge in the purchasing power and disposable income of Indian customers has opened room for new market development.

### **Threats**

- Competing with other progressing countries like China.
- Striking a balance between the quality and price of products.
- Satisfying the demands of people all across the globe and at the same time, steadily improving the quality of the products.
- Striking a balance between demand and supply.
- Environmental and international labor laws.
- Removal of quota system will fluctuate the export demand

### **Strengths**

- The Indian textile industry is autonomous and self-governing.
- There is easy availability of low cost and proficient manpower that contributes extensively in the growth of the industry.
- Raw material is easily accessible – this acts as a major contributing factor in controlling the costs and minimizes the operational effort.
- The economy is growing rapidly and one can observe a potential international and domestic market.
- When we talk about the highest yarn exporters, India is known as one of the largest exporters in the international market. India accounts for around 25% share of the global trade in cotton yarn.
- The fiber industry is growing at a rapid speed as large varieties of cotton fiber are available easily.
- The apparel industry holds about 12% of the total export across the globe.
- The industry has an added advantage of having numerous segments which help in the provision of a huge variety of products.

### **Weaknesses**

- The textile industry of India is one of the highly disintegrated industries.
- Few segments of this industry are not highly productive.
- There is a huge dependency of the industry on cotton.
- The mill segment is gradually declining.
- Labor laws are not very favorable.
- The power and interest rates, and indirect taxes are high.
- Inadequacy of technological development which in turn is responsible for affecting the productivity.
- The act of generating economies of scale lacks.

### **Future Outlook**

The domestic textile and apparel industry is projected to grow at a CAGR of 12% for the next 10 years, so as to reach a level of US \$350 billion. Encouraged by the turnaround in the textile exports, India is expected to grow at a CAGR of 20% for the next 10 years so as to reach a level of US \$300 billion. The Government of India has envisioned an investment in this sector to the extent of US \$120 billion for the next 10 years to create additional employment of 35 million jobs. The Government wants to achieve US \$650 billion size of industry by achieving the following:

Scales across the value chain, Attracting investment in this sector, Working on skill development. Reforms in the labour laws Structural shift with increasing value addition in India, Diversification of exports in terms of product

and market, Building of brand Make In India is going to be a major promoting area of Government of India, particularly in textiles and garments and handloom sector. The Government also wants to re-engineer the existing schemes of policies: Technological Upgradation Fund (TUF), Scheme for Integrated Textile Parks (SITP). The future outlook for the Indian textile and apparel industry is promising. The new Government in India has a strong commitment to uplifting the complete value chain. While increasing disposable income, changing lifestyles and increasing demand for quality products are set to fuel the need for apparel, the Government's inclination towards skill development and Make in India branding is creating a conducive environment for increasing the manufacturing base as well as for large investments in the country.

#### **Risks and concerns**

The textile industry is reeling under manifold problems. The Sickness is widespread in the cotton textile industry. After the engineering industry, the cotton textile industry has the highest incidence of sickness. The plant and machinery and technology employed by a number of units are obsolete. The need today is to make the industry technologically up-to-date and also expand capacity as such it is of utmost importance that the whole industry is technologically updated.

#### **Internal Control System and their adequacy**

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

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

#### **Financial/operational Performance**

(Rs.Lac)

<b>Particulars</b>	<b>2015-16</b>	<b>2014-15</b>
Turnover & Other Income	<b>3616.55</b>	11201.69
PBDIT	<b>(2118.24)</b>	(3403.16)
Financial Charges	<b>13.29</b>	27.00
Depreciation	<b>202.67</b>	257.50
Profit/(Loss) before Tax	<b>(2334.20)</b>	(3687.66)
Profit/(Loss) after Tax	<b>(2334.20)</b>	(3687.66)
Earnings Per Share (Rs.)	<b>(33.28)</b>	(50.37)

#### **Human Resources/Industrial Relations**

The Company continues to lay emphasis on building and maintaining good relations with the workers and staff. Industrial Relations in the Company remained cordial and peaceful during the year.

#### **Health and Safety Measures**

The Company has health and workplace safety programmes in place and has established policies and procedures aimed at ensuring compliance with applicable legislative requirements. The manufacturing operations are conducted to ensure sensitivity towards environment and to help minimize waste by encouraging "Green" practices. Efficient management and use of renewable resources is encouraged. The Company believes that the health and safety of workers and persons residing in the vicinity of its plants is fundamental to the business.

#### **Cautionary Statement**

Statements in this report on Management Discussion and Analysis, describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking, considering the applicable laws and regulations. These statements are based on certain assumptions and expectation of future events. Actual results could, however, differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and domestic demand-supply conditions, finished goods prices, raw materials costs and availability, fluctuations in exchange rates, changes in Government regulations and tax structure, economic developments within India.

The Company assumes no responsibility in respect of the forward looking statements herein, which may undergo changes in future on the basis of subsequent developments, information or events.

Place: Ludhiana  
Date: 30.05.2016

For and on behalf of Board

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

**REPORT ON CORPORATE GOVERNANCE**

**1. Company’s Philosophy on Corporate Governance:**

As per SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, some of best practices followed on Corporate Governance, this report, being a part of Annual Report, ensure that the Company has complied with all the regulations which cast upon the Board of Directors and the Audit Committee, onerous responsibilities to improve the Company's operating efficiencies. This report ensures fairness, transparency and integrity of the management of Malwa Cotton Spinning Mills Limited. Corporate Governance Report besides being in compliance of Listing Agreement gives an insight into the functioning of Company and it meets its obligations to provide timely and balanced disclosures of all material information concerning the Company to all stakeholders.

**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) Size & Composition of Board**

The Board is in conformity with SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, the composition as on 31.03.2016 was as under:

<b>Category</b>	<b>No. of directors</b>
Chairman cum Managing Director(WTD)	1
Non-Executive Independent Directors (including Nominee Director),	3
Non-Executive, Promoter Directors	2
<b>TOTAL</b>	<b>6</b>

The Chairman of the Board of Directors is a Whole-Time-Director.

None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees across all the companies in which he is a Director. All the Directors have made the requisite disclosures regarding Committee positions held by them in other companies. The detail of the Composition of the Board, number of directorship and committee position held by each of the directors are given here under:

<b>Name of Directors</b>	<b>Date of appointment</b>	<b>Category</b>	<b>No. of Directorship Held in Indian Public Limited Companies (Including MCSML)</b>	<b>Committee(s) position (Including MCSML)</b>	
				Member	Chairman
Mr. Jangi Lal Oswal	09.04.1980	Managing Director	10	1	1
Mr. Rishi Oswal	29.07.1994	Director	10	2	1
Mr. Rahul Oswal	29.07.1994	Director	6	2	1
Mr. Surinder Kumar Vig	31.01.2008	Director	4	4	-
Ms. Narinder Kaur	20.10.2012	Woman Director	2	3	1
Mr Arun Kumar Ahluwalia Nominee of PNB	20.10.2012	Director	1	-	-

**DIRECTORS' PROFILE**

Sr. No.	Name of the Director	Profile	Membership/Chairmanship in Committees
1	Mr. Jangi Lal Oswal	Mr Jangi Lal Oswal is a Graduate and have more than 40 years experience in textile industry.	1
2	Mr. Rishi Oswal	Mr. Rishi Oswal is a commerce graduate having 20 years experience in Textile and Apparel Industry. He is the Managing Director of Malwa Industries Ltd.	2
3	Mr. Rahul Oswal	Mr. Rahul Oswal is a commerce graduate having 15 years experience in Textile and Apparel Industry.	2
4	Ms Narinder Kaur	Mrs. Narinder Kaur is a commerce graduate. She has experience in Textile.	3
5	Mr. Surinder Kumar Vig	Mr Surinder Kumar Vig is a law graduate having more than 34 years experience in legal profession.	4
6.	Mr A.K Ahluwalia	Mr A K Ahluwalia is nominee director of PNB	-

**b) Board Meeting held during the year:**

Date on which Board Meetings were held	Total strength of the Board	No. Of Directors present
May 30, 2015	7	3
August 14, 2015	7	4
November 14, 2015	6	4
February 13, 2016	6	4

**c) Directors Attendance Record:**
**Attendance of Directors at Board Meeting and at Annual General Meeting (AGM)**

	30.05.2015	14.08.2015	14.11.2015	13.02.2016	AGM as on 30.09.2015
Mr. Jangi Lal Oswal	Present	Present	Present	Present	Present
Mr. Rishi Oswal	Leave of Absence	Present	Present	Leave of Absence	Leave of Absence
Mr. Rahul Oswal	Present	Leave of Absence	Leave of Absence	Present	Leave of Absence
Mr. Surinder Kumar Vig	Present	Present	Present	Present	Present
Mrs. Narinder Kaur	-	Present	Present	Present	Present
Sh A K Ahluwalia	Absent	Absent	Absent	Absent	Absent
Sh Gyaneshwar Bansal	Leave of Absence	-	-	-	-

Mr. Rishi Oswal and Mr. Rahul Oswal are related to Mr. Jangi Lal Oswal. Sh. Gyaneshwar Bansal resigned w.e f 14.08.2015

**d) BOARD PROCEDURE**

The Agenda of Board Meeting is circulated in advance to the Board members. The items in the Agenda are backed by comprehensive background information to enable the Board to take appropriate decisions. The Board is also kept informed of major events/items and approvals taken wherever necessary.

**e) SHAREHOLDING OF NON-EXECUTIVE DIRECTORS**

Mr. Surinder Kumar Vig, the Non-Executive Independent Director of the Company holding 11098 Equity Shares of the Company as on 31st March,2015.

**3. COMMITTEES OF THE BOARD**

With a view to have a more focused attention on business and for better governance and accountability, the Board has constituted the following mandatory committees viz. Audit Committee, Stakeholders' Relationship Committee, Nomination and Remuneration Committee. The terms of reference of these Committees are



determined by the Board and their relevance reviewed from time to time. Meetings of each of these Committees are convened by the respective Chairman of the Committee, who also informs the Board about the summary of discussions held in the Committee Meetings. The Minutes of the Committee Meetings are sent to all Directors individually and tabled at the Board Meetings. The risk management committee is dissolved since 30.05.2016 as the same is required in top 100 Listed Companies as per SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

**A. TERMS OF REFERENCE AND OTHER DETAIL OF AUDIT COMMITTEE**

The audit committee has been constituted as per Section 177 of the Companies Act, 2013 and Regulation 18 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

**Composition and Attendance**

During the year ended 31<sup>st</sup> March, 2016, Four Meetings of the Audit Committee were held on the following dates:

NAME OF THE MEMBER	CATEGORY	Attendance at the Audit Committee Meeting held on			
		30.05.2015	14.08.2015	14.11.2015	13.02.2016
Mr. Jangi Lal Oswal	Executive Director	P	P	P	P
Mr. Surinder Kumar Vig	Non-executive Independent Director	P	P	P	P
Mrs. Narinder Kaur	Non-executive Independent Director	-	P	P	P
Mr Gyaneshwar Bansal	Non-executive Independent Director	-	-	-	-

Mr. Rishi Oswal and Mr. Rahul Oswal are related to Mr. Jangi Lal Oswal. Mr Gyaneshwar Bansal resigned w.e.f 14.08.2015

All the members have requisite financial and management expertise. The Company Secretary Mrs. Ruchika Gulati as the Secretary to the Committee. Minutes of meeting of Audit Committee are circulated to members of the committee and Board kept apprised.

**Powers of Audit committee:**

- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

**Role of the Audit Committee, inter alia, includes the following:**

- Oversight of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Approve the payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing the management, the annual financial statements and report thereon before the submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report.
  - Any changes in accounting policies and practices.
  - Major accounting entries based on exercise of judgment by management
  - Qualifications in draft audit report
  - Signification adjustments arising out of audit.
  - The going concern assumption
  - Compliance with accounting standards.
  - Compliance with Stock Exchange and legal requirements concerning financial statements.
  - Any related transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interest of company at large.
- Reviewing, with the management, the statement of uses / application of funds raised through an

- issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
  - Reviewing with the management, external & internal auditors, the adequacy of internal control system.
  - Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing & seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
  - Discussions with internal auditors any significant findings and follow up thereon. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
  - Discussions with the external auditors before the audit commences nature and scope of audit as well as to have post- audit discussion to ascertain any area of concern.
  - Reviewing the Company's financial and risk management policies.
  - To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
  - Discussions with the auditors periodically about internal control system, the scope of audit including the observations of the auditors and review the quarterly, half yearly, and annual financial statements before submission to the Board.
  - Ensure compliance of internal control systems.
  - To review the functioning of the Whistle Blower mechanism, in case the same is existing.
  - Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
  - Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
  - **Review the following information:**
    - Management discussion and analysis of financial condition and results of operations;
    - Statement of significant related party transactions (as defined by the audit committee), submitted by management;
    - Management letters / letters of internal control weaknesses issued by the statutory auditors;
    - Internal audit reports relating to internal control weaknesses; and
    - Reviewing the appointment, removal and terms of remuneration of the Chief internal auditor(s)

The chairman of the Audit Committee shall attend the Annual General Meetings of the Company to provide any clarification on matters relating to audit sought by the members of the company.

## **B. SHAREHOLDERS' RELATIONSHIP COMMITTEE -**

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

Following Directors of the Company are Members of the said Committee:

- Mr. Rahul Oswal - Chairman (Non-Executive Non-Independent Director)
- Mrs. Narinder Kaur - Member (Non-Executive Independent Director)
- Mr. Surinder Kumar Vig. - Member (Non-Executive Independent Director)

A Meeting of the Committee was held on 14.11.2015 and same was attended by Mrs. Narinder Kaur and Mr. Surinder Kumar Vig. Mrs Ruchika Gulati, Company Secretary of the Company, is the Compliance Officer of this Committee. During the year 2015-2016, the company has not received any complaint from its Shareholders No complaint was pending as on 31st March, 2016.

### **Roles, responsibilities and powers of the Committee are as follow:**

- i. To authorize printing of Share Certificates post authorization from the Board of Directors of the Company;
- ii. To issue the Share Certificates under the seal of the Company.

- iii. To effect transfer, transmission, Dematerialization of Shares
- iv. To monitor redressal of stakeholder's complaints/grievances including relating to non receipt of allotment / refund, transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.
- v. To authorize to maintain, preserve and keep in its safe custody all books and documents relating to the issue of share certificates, including the blank forms of share certificates.
- vi. To oversee the performance of the Register and Transfer Agents and to recommend measures for overall improvement in the quality of investor services.

**C. Nomination and Remuneration Committee -**

In compliance with Section 178 of the Companies Act, 2013, and Regulations of the SEBI LODR Regulations, 2015, the Board has constituted the "Nomination and Remuneration Committee" comprising of the following members:

1. Mr. Rishi Oswal
2. Mrs. Narinder Kaur
3. Mr. Surinder Kumar Vig

The objectives of constituting of Nomination and Remuneration Committee are as follow:

- a. The Nomination and Remuneration Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
- b. The Nomination and Remuneration Committee shall, while formulating the above policy shall ensure that—
  - (a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
  - (b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
  - (c) Remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.
- c. The details relating to Remuneration Policy and remuneration to Directors as required under Clause 49 of the Listing Agreement, have been given under a separate Section below i.e. POLICY FOR SELECTION AND APPOINTMENT OF DIRECTORS AND THEIR REMUNERATION.

**D. Corporate Social Responsibility Committee – Not Applicable****E. Risk Management Committee**

Business Risk Evaluation and Management is an ongoing process within the Organization. The Company has a robust risk management framework to identify, monitor and minimize risks as also identify business opportunities.

The Committee comprises of following members:-

1. Mr. Rishi Oswal
2. Mr. Rahul Oswal
3. Mr. Surinder Kumar Vig

The objectives and scope of the Risk Management Committee broadly comprises:

- Oversight of risk management performed by the executive management;
- Reviewing the BRM policy and framework in line with local legal requirements and SEBI Guidelines; Reviewing risks and evaluate treatment including initiating mitigation actions and ownership as per a pre-defined cycle;
- Defining framework for identification, assessment, monitoring, mitigation and reporting of risks.
- Within its overall scope as aforesaid, the Committee shall review risks trends, exposure, potential impact analysis and mitigation plan.

**F. Independent Directors' Meeting**

During the year under review, the Independent Directors met on 13.02-2016, inter alia, to discuss:

- Evaluation of performance of Independent Directors and the Board of Directors as a whole;
- Evaluation of performance of Chairman of the Company, taking into account the views of the Executive and Non Executive Directors.

- Evaluation of the quality, content and timelines of flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

All the Independent Directors were present at the Meeting.

**G. Finance Committee - Non Mandatory Committee**

The Company has not formed such committee.

**4. POLICY FOR SELECTION AND APPOINTMENT OF DIRECTORS AND THEIR REMUNERATION**

The Nomination and Remuneration (N&R) Committee has adopted a Charter which, inter alia, deals with the manner of selection of Board of Directors and CEO & Managing Director and their remuneration. This Policy is accordingly derived from the said Charter.

**1. Criteria of selection of Non Executive Directors**

- a. The Non Executive Directors shall be of high integrity with relevant expertise and experience so as to have a diverse Board with Directors having expertise in the fields of manufacturing, marketing, finance, taxation, law, governance and general management.
- b. In case of appointment of Independent Directors, the N&R Committee shall satisfy itself with regard to the independent nature of the Directors vis-à-vis the Company so as to enable the Board to discharge its function and duties effectively.
- c. The N&R Committee shall ensure that the candidate identified for appointment as a Director is not disqualified for appointment under Section 164 of the Companies Act, 2013.
- d. The N&R Committee shall consider the following attributes / criteria, whilst recommending to the Board the candidature for appointment as Director.
  - i. Qualification, expertise and experience of the Directors in their respective fields;
  - ii. Personal, Professional or business standing;
  - iii. Diversity of the Board.
- e. In case of re-appointment of Non Executive Directors, the Board shall take into consideration the performance evaluation of the Director and his engagement level.

**I. REMUNERATION OF DIRECTORS:**

The Non Executive Independent Directors shall be entitled to receive remuneration by way of sitting fees, and Non Executive Nominee Directors shall be entitled to reimbursement of expenses for participation in the Board / Committee meetings as detailed hereunder:

- i. A Non Executive Independent Director shall be entitled to receive sitting fees for each meeting of the Board or Committee of the Board attended by him, of such sum as may be approved by the Board of Directors within the overall limits prescribed under the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014;
- ii. The Independent Directors of the Company shall not be entitled to participate in the Stock Option Scheme of the Company, if any, introduced by the Company.

**II. Managing Director - Criteria for selection /appointment**

For the purpose of selection of the MD, the N&R Committee shall identify persons of integrity who possess relevant expertise, experience and leadership qualities required for the position and shall take into consideration recommendation, if any, received from any member of the Board. The Committee will also ensure that the incumbent fulfills such other criteria with regard to age and other qualifications as laid down under the Companies Act, 2013 or other applicable laws.

**Remuneration for Managing Director**

- i. At the time of appointment or re-appointment, Managing Director shall be paid such remuneration as may be mutually agreed between the Company (which includes the N&R Committee and the Board of Directors) and the CEO & Managing Director within the overall limits prescribed under the Companies Act, 2013.
- ii. The remuneration shall be subject to the approval of the Members of the Company in General Meeting.

- iii. In determining the remuneration (including the fixed increment and performance bonus) the N&R Committee shall ensure / consider the following:
  - a. the relationship of remuneration and performance benchmarks is clear;
  - b. balance between fixed and incentive pay reflecting short and long term performance objectives, appropriate to the working of the Company and its goals;
  - c. responsibility required to be shouldered by the CEO & Managing Director, the industry benchmarks and the current trends;
  - d. the Company's performance vis-à-vis the annual budget achievement and individual performance.

#### **Remuneration Policy for the Senior Management Employees**

- I. In determining the remuneration of the Senior Management Employees (i.e. KMPs and Executive Committee Members) the N&R Committee shall ensure / consider the following:
  - i. the relationship of remuneration and performance benchmark is clear;
  - ii. the balance between fixed and incentive pay reflecting short and long term performance objectives, appropriate to the working of the Company and its goals;
  - iii. the remuneration including annual increment is decided based on the criticality of the roles and responsibilities, the Company's performance vis-à-vis the annual budget achievement, individuals performance.

### **5. PERFORMANCE EVALUATION**

Pursuant to the provisions of the Companies Act, 2013 and as per SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, the Board has carried out the annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Audit, Nomination and Remuneration and Compliance Committees.

A structured questionnaire was prepared after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance.

A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as level of engagement and contribution, independence of judgement, safeguarding the interest of the Company and its minority shareholders etc. The performance evaluation of the Independent Directors was carried out by the entire Board. The performance evaluation of the Chairman and the Non Independent Directors was carried out by the Independent Directors who also reviewed the performance of the Secretarial Department. The Directors expressed their satisfaction with the evaluation process.

### **6. TERMS OF APPOINTMENT & REMUNERATION –Managing Director**

Details of remuneration paid to the Directors are given in **Form MGT - 9**.

### **7. DISCLOSURES**

#### **A. Related Party Transactions – Not applicable.**

#### **B. Compliances by the Company**

- a) During the last three years, no penalties or strictures have been imposed on the Company by the Stock Exchange or SEBI or any other statutory authorities on matters related to capital markets.
- b) Company has not denied any personnel, access to Audit Committee for informing unethical or improper practice.
- c) Company has complied with all the mandatory requirements of corporate governance.

### **8. CODE OF CONDUCT**

The Company had adopted the Code of Conduct for all the Board members and senior management personnel. Further all the Board members and senior management personnel as per SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 have affirmed the compliance with the respective Code of Conduct. A declaration to this effect signed by the Managing Director forms part of this report.

## 9. VIGIL MECHANISM / WHISTLE BLOWER POLICY

In staying true to our values of Strength, Performance and Passion and in line with our vision of being one of the most respected companies in India, the Company is committed to the high standards of Corporate Governance and stakeholder responsibility.

The Company has a Fraud Risk of fraud and mismanagement Policy (FRM) to deal with instances of fraud and mismanagement, if any. The FRM Policy ensures that strict confidentiality is maintained whilst dealing with concerns and also that no discrimination will be meted out to any person for a genuinely raised concern.

A high level Committee has been constituted which looks into the complaints raised. The Committee reports to the Audit Committee and the Board.

## 10. PREVENTION OF INSIDER TRADING

The Company has adopted a Code of Conduct for Prevention of Insider Trading with a view to regulate trading in securities by the Directors and designated employees of the Company. The Code requires pre-clearance for dealing in the Company's shares and prohibits the purchase or sale of Company shares by the Directors and the designated employees while in possession of unpublished price sensitive information in relation to the Company and during the period when the Trading Window is closed. The Company Secretary & Head Compliance is responsible for implementation of the Code.

All Board Directors and the designated employees have confirmed compliance with the Code.

## 11. COMMUNICATION WITH THE MEMBERS/SHAREHOLDERS

- The unaudited quarterly / half yearly results are announced within forty-five days of the close of the quarter. The audited annual results are announced within two months from the close of the financial year as per the requirements of the Listing Agreement with the Stock Exchanges. The aforesaid financial results are sent to BSE Limited (BSE) and The National Stock Exchange of India Limited (NSE) where the Company's securities are listed, immediately after these are approved by the Board. The results are thereafter given by way of a Press Release to various news agencies/analysts and are published within forty-eight hours in English and Punjabi newspaper. The audited financial statements form a part of the Annual Report which is sent to the Members well in advance of the Annual General Meeting.
- The Annual Report of the Company, the quarterly / half yearly and the annual results and the press releases of the Company are also placed on the Company's website: [www.malwagroup.com](http://www.malwagroup.com) and can be downloaded.
- In compliance with SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, the quarterly results, shareholding pattern, quarterly compliances and all other corporate communication to the Stock Exchanges viz. BSE Limited and National Stock Exchange of India Limited are filed electronically on BSE's and NSE.
- A separate dedicated section under 'Corporate Governance' on the Company's website gives information on quarterly compliance reports/communications with the Stock Exchanges and other relevant information of interest to the investors / public.

1. **Name and Address of the Compliance Officer:** Ms. Pooja Malhotra  
BIV, 868 Partap Bazzar,  
Ludhiana.

## 12. GENERAL BODY MEETINGS

The last three Annual General Meetings were held as per detail given below:

<u>FY ending</u>	<u>Date</u>	<u>Day</u>	<u>Time</u>	<u>Held At</u>
31.03.2015	30.09.2015	Wednesday	10.00AM	Oswal Knit India Ltd, 230,IndustrialArea-A, Ludhiana
31.03.2014	29.09.2014	Monday	09.30 AM	Oswal Knit India Ltd, 230,IndustrialArea-A, Ludhiana
31.03.2013	31.08.2013	Saturday	09.30 AM	Oswal Knit India Ltd, 230,IndustrialArea-A, Ludhiana



**13. Postal Ballot:**

During the year ended 31<sup>st</sup> March, 2016, the company has not passed resolutions under Section 180 (1) (c) and under Section 180 (1) (a) through postal ballot.

**14. GENERAL INFORMATION FOR SHAREHOLDER**
**a) Annual General Meeting**

The Annual General Meeting will be held on 30<sup>th</sup> September, 2016 at Oswal Knit India Ltd, 230, Industrial Area-A, Ludhiana.

**b) Date of Book Closure**

25<sup>th</sup> day of September, 2016 to 30<sup>th</sup> day of September, 2016.

(Both days inclusive – for the purpose of AGM/Annual closure of books).

**c) Listing**

The share of the company is listed on

Bombay Stock Exchange Limited, Mumbai  
National Stock Exchange of India Limited

Scrip code 502995  
Symbol MALWACOTT  
Series EQ

Company has a weak financial position and being a BIFR registered Company, Annual Listing Fees for both the Exchange is pending for the year 2014-15, 2015-16 and 2016-17. Company is in the process of arranging funds and will pay the fee in due course of time.

**d) Registrar and Transfer Agent:**

Shares are transferred through the under noted agent only:

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

**e) Market Price Data (NSE)**

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Month</u>	<u>High</u>	<u>Low</u>
April,15	10.40	8.50	Oct,15	8.85	7.60
May,15	8.80	7.75	Nov,15	8.50	7.65
June,15	7.60	6.80	Dec,15	9.35	7.65
July,15	9.35	7.80	Jan,16	8.90	7.70
Aug,15	9.00	8.55	Feb,16	8.75	7.90
Sept,15	8.45	7.65	Mar,16	8.10	7.70

**f) Shareholding Pattern as on 31<sup>st</sup> March, 2016.**

<u>Category</u>	<u>Numbers of shares</u>	<u>Percentage</u>
Promoters	4129615	52.24
Mutual Funds and UTI	700	0.01
Banks, Financial Institutions, Insurance	531049	6.72
Companies, (Central/State Govt. Institutions/ Non-government Institutions)		
Private Corporate Bodies		
Indian Public	678709	8.58
	2564955	32.45
<b>TOTAL</b>	<b>7905028</b>	<b>100.00</b>

**g) Distribution of Equity Shares as on 31st March, 2016**

Numbers of shares	Holding	Percentage to capital	No. of shareholders	Percentage of total No. of shareholders
Upto 5000	793100	10.07	6282	88.63
5001-10000	303416	3.84	365	5.15
10001-20000	329616	4.17	214	3.02
20001-30000	148092	1.87	59	0.83
30001-40000	142507	1.80	41	0.58
40001-50000	140568	1.78	30	0.42
50001-100000	300168	3.80	40	0.56
100001 & above	5747561	72.68	57	0.80
<b>Total</b>	<b>7905028</b>		<b>7088</b>	

**Dematerialization of shares and liquidity:**

Percentage of Shares as on 31.03.2016 held in

Physical form : 22.19%

Electronic form with NSDL and CDSL : 77.81%

The Company's shares are traded on the Bombay Stock Exchange Limited and on The National Stock Exchange of India Limited.

**h) Financial Calendar : 2015-16 (Tentative)**

Adoption of Results for the period ended	Date of Submission to Stock Exchange
30 <sup>th</sup> June, 2016(Quarter)	Second week of August, 2016
30 <sup>th</sup> September, 2016(Quarter)	Second week of Nov., 2016
31 <sup>st</sup> December, 2016(Quarter)	Second week of February, 2016
31 <sup>st</sup> March, 2017(Yearly)	Last week of May, 2017

i) The financial year of the company under review is from 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016.

**j) Plant Location:**

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

**k) Address for the Correspondence:**

Malwa Cotton Spinning Mills Limited  
 Industrial Area-A, Ludhiana -141003.  
 Phones: 0161-2224201-209  
 Fax: 0161-5013623, 5026778  
 E-mail: company.secretary@malwagroup.com  
 Website: [www.malwagroup.com](http://www.malwagroup.com).





**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 31<sup>st</sup> March, 2016.

Place: Ludhiana  
Dated: 30.05.2016

For and on behalf of the Board

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

**AUDITOR'S REPORT ON CORPORATE GOVERNANCE**

**To**  
**The Members**  
**Malwa Cotton Spinning Mills Limited,**

We have examined the compliance of conditions of Corporate Governance by Malwa Cotton Spinning Mills Limited ('the Company'), for the year ended on 31st March, 2016, as stipulated in Clause 49 of the Listing Agreement and Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to the Listing Agreement of the said Company with the BSE Limited.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of procedures and implementation thereof, adopted by the Company for ensuring compliance with 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the provisions as specified in Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to the Listing Agreement of the said Company with the BSE Limited, except as follows:

- a. AS-15 regarding "Employee Benefits", has not been complied with.
- b. AS-17 regarding "Segment Reporting", has not been disclosed.
- c. The company has not arranged to make available the confirmations and/or reconciliations to verify the balances of parties.

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

For **Rajeev Bhambri & Associates**  
Company Secretary in Wholetime Practice

**Rajeev Bhambri**  
Proprietor  
(CP No. 9491)

Place: Ludhiana  
Date: 30.05.2016

**Independent Auditor's Report**

To the Members of 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 ('the Company') which comprise the Balance Sheet as at 31<sup>st</sup> March 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements:**

2. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation 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 principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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.
4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.
5. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. 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.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

**Emphasis on Matter:**

We draw attention to:

- i) The Company has not been able to redeem 9% cumulative redeemable preference share capital. The unredeemed preference capital of Rs. 2,725 lacs have been shown under the schedule of Share Capital. (Refer disclosure under the Note 3 to the financial statement).
- ii) The Company has not complied with the following accounting standards referred to in section 133 of Companies Act, 2013 read with rule 7 of the Companies (Accounts) Rules, 2014:
  - (a) AS-15- "Employee Benefits" in respect of non provision for liability of gratuity, leave encashment and other compensated absences in accordance with provision of said accounting standard.
  - (b) AS-17- "Segment Reporting"- in respect of results of sewing thread segment has not been disclosed in accordance with requirement of said accounting standard.

**Basis for Qualified Conclusion**

7. We draw attention to note no.2 in the financial statements. The Company has incurred a net loss of Rs. 2,334.20 lacs during the year 31<sup>st</sup> March, 2016 which together with brought forward losses of Rs.25,762.83 lacs exceeds the net worth of the company, and as of that date, the company's current

liabilities exceeded its current assets by Rs. 23,617.28 lacs and its total liabilities exceeded its total assets by Rs. 24,582.13 lacs. The Consortium banks have recalled their debts to the company. These events cast significant doubt on the ability of the company to continue as a going concern. The appropriateness of the going concern assumption is dependent on the company's ability to establish consistent profitable operations and generate positive cash flows as well as raising adequate finance to meet its short term and long term obligations. Based on the mitigating factors stated in the said note, the management of the company believes that the going concern assumption is appropriate. However, we do not agree with the management in this respect.

**8. We report that:**

i) The company has not arranged to make available the confirmations and/or reconciliations to verify the balances stated in the financial statements in respect of:

- i .Trade Receivables Rs. 5,222.79 lacs
- ii. Loans & Advances: Rs. 1,877.71 lacs
- iii. Trade payables: Rs. 6,182.38 lacs,

We have also not been able to perform any alternative procedures with regard to verification of the aforesaid balances and thereby have been unable to obtain sufficient appropriate audit evidence regarding the aforesaid accounts .We are unable to comment upon the difference, if any, which may arise upon the receipt of confirmations and/or the carrying out of such reconciliation.

ii) The management of the company has represented to us that the recoverable amount of assets within the meaning of Accounting Standard 28 "Impairment of Assets" is more than their carrying value and as such no amount needs to be recognized in the financial statements for impairment loss. In the absence of the workings of impairment having been prepared and made available to us for our review, we are unable to comment on whether; the company needs to make a provision in respect of impairment loss on such assets and the amount of such provision.

iii) The company has not made provision in respect of balances recoverable from Trade Receivables, Loans and Advances and Other Recoverable including from employees, which are doubtful in nature amounting to Rs.3,572.01 lacs as on the date of the financial Statements.

iv) a) The Company has not provided Interest on borrowings amounting to Rs.2,975.91 lacs (previous year Rs 2,978.52 lacs).

b) The Company has also not provided interest on borrowing amounting of Rs 5,913.60 lacs pertaining to the preceding year and aggregating to Rs 8,889.51 lacs upto date.

v) No provision has been made:

a. In respect of liability of gratuity, leave encashment and other compensated absences for the year. The amount could not be determined in absence of actuarial valuation to be carried out by an Independent actuary.

b. In respect of differential bonus pertaining to the period from 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015(Amount not yet determined) in view of the retrospective amendment of The Payment of Bonus (Amendment) Act, 2015.

vi) We further report that, except for the effect, if any, of the matters stated in paragraph (i), (ii) and (v) above which are not ascertainable, had the impact of our observation made in paragraph (iii) and (iv) above been considered, then loss for the year ended 31st March, 2016 would have been Rs.14,796 lacs (against the reported figure of Rs.2,334 lacs) and reserves and surplus would have been (Rs.40,559 lacs) (against the reported figure of ( Rs28,097 lacs) and current assets would have been Rs. 3,651.99 lacs)(against the reported figure of Rs. 7,224lacs) and current liabilities would have Rs 39,730.51 lacs (against the reported figure of Rs 30,841 lacs).

vii) The earnings (loss) per share for the year ended 31 March, 2016 would have been (Rs.191.04) against reported earnings (loss) per share of (Rs.33.28).

**Opinion**

9. In our opinion and to the best of our information and according to the explanations given to us, *subject to our comments in paragraph Basis For Qualified Conclusion above* the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the company as 31<sup>st</sup> March, 2016 and its losses and its cash flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

10. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure- A, which forms part of this report, a statement on the matters specified in paragraphs 3 and 4 of the Order.

11. As required by section 143(3) of the Act, we report that:
- a. We have sought and obtained all the information and explanations, except as stated in note 8 above, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. In our opinion, proper books of account, except as stated in note 8 above, as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c. The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. In our opinion, the aforesaid Financial Statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, *except*
    - a) AS-15- "Employee Benefits" in respect of non provision for liability of gratuity, leave encashment and other compensated absences in accordance with provision of said accounting standard.
    - b) AS-17- "Segment Reporting" - in respect of results of sewing thread segment has not been disclosed in accordance with requirement of said accounting standard.
  - e. On the basis of written representations received from the directors as on 31st March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2016 from being appointed as a director in terms of sub-section (2) of section 164 of the Act; and
  - f. With respect of adequacy of the internal financial controls over financial reporting of the company and the operating effectiveness of such controls refer to our separate report in Annexure- B.
  - g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to explanations given to us:
    - i) The Company has disclosed the impact of pending litigations on its financial position in its financial statements, except where impact is not ascertainable.
    - ii) The Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

**For S.C. Vasudeva & Co.**  
**Chartered Accountants**  
**(Reg. No.000235N)**

(Sanjiv Mohan)  
Partner  
M. No. 86066

Ludhiana  
30<sup>th</sup> May, 2016

**Annexure - A to the Auditors' Report**

The Annexure referred to in Independent Auditors' Report to the members of the Company on the financial statements for the year ended 31<sup>st</sup> March 2016, we report that:

- (i) 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 last verification of entire block of these assets have been physically verified by the management during the year ended 31st March 2015. 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 and on the basis of our examination of records of the company the title deeds of immovable properties are held in the name of the company.
- (ii) a) According to the information and explanations given to us, the inventories have been physically verified by the management at the end of the year. In our opinion the frequency of verification is reasonable.
- b) According to the information and explanations given to us, discrepancies noticed on physical verification of inventory as compared to the book records were not material and have been dealt with in the books of accounts.
- (iii) According to the information and explanations given to us, we report that the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnership or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Therefore the provisions of paragraph (iii) (a), (b) and (c) of the Order are not applicable to the Company.
- (iv) According to the information and explanations given to us, the Company has not granted loans to directors or any other person in whom director is interested and also has not made loans, guarantees or provided security in connection with loan to any person or other body corporates and has not acquired securities of any other body corporate. Therefore, the provisions of section 185 and section 186 of the Companies Act, 2013 are not applicable to the company. Thus paragraph 3(iv) of the Order is not applicable to the company.
- (v) According to the information and explanations given to us, the Company has not accepted deposits cover under the provisions of sections 73 to 76, other relevant provisions of the Companies Act, 2013 and the rules framed thereunder. According to the information and explanations given to us, no order under the aforesaid sections has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company.
- (vi) We have broadly reviewed the books of account maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however not made a detailed examination of such records with a view to determine whether they are accurate or complete.
- (vii) (a) According to the information and explanations given to us and on the basis of the records of the Company examined by us, in our opinion, the Company has not been regular in depositing undisputed statutory dues including provident fund, employees' state insurance, labour welfare fund, income tax, sales tax, service tax, duty of custom, duty of excise, value added tax, cess and other statutory dues with the appropriate authorities. 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 as on the last day of the financial year concerned for a period of more than six months from the date they became payable are as follows:

<b>Nature of Statute</b>	<b>Nature of Dues</b>	<b>Amount (Rs. in Lacs)</b>	<b>Period to which the amount relates</b>	<b>Due Date</b>	<b>Date of Payment</b>
<i>Income Tax Act, 1961</i>	<i>Tax deducted at Source</i>	<i>40.26</i>	<i>F.Y 2014-15 and 2015-16</i>	<i>Various</i>	<i>Not yet paid</i>
<i>Income Tax Act, 1961</i>	<i>Tax collected at Source</i>	<i>0.43</i>	<i>F.Y 2014-15 and 2015-16</i>	<i>Various</i>	<i>Not yet paid</i>
<i>Employees' Provident Fund and Miscellaneous Provisions Act, 1952</i>	<i>Provident Fund</i>	<i>281.78</i>	<i>F.Y 2012-13, 2013-14, 2014-15 and 2015-16</i>	<i>Various</i>	<i>Not yet paid</i>
<i>Employees' State Insurance Act, 1948</i>	<i>Employee State Insurance</i>	<i>203.90</i>	<i>F.Y 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16</i>	<i>Various</i>	<i>Not yet paid</i>
<i>Punjab Labour Welfare Fund Act, 1965</i>	<i>Labour Welfare fund</i>	<i>2.62</i>	<i>F.Y 2012-13, 2013-14, 2014-15 and 2015-16</i>	<i>Various</i>	<i>Not yet paid</i>
<i>Punjab Value Added Tax Act, 2005/ Central Sales Tax Act, 1956</i>	<i>VAT/CST</i>	<i>64.74</i>	<i>F.Y 2013-14, 2014-15 and 2015-16</i>	<i>Various</i>	<i>Not yet paid</i>

- (b) According to the information and explanations there are no dues of income tax, duty of custom which have not been deposited with the appropriate authorities on account of any dispute. However according to information and explanations given to us, the following dues of sales tax (VAT / CST / Entry Tax), duty of excise, service tax has not deposited by the company on account of dispute.

<b>Sr. No.</b>	<b>Name of the Statute</b>	<b>Nature of Dues</b>	<b>Period to which the amount relates</b>	<b>Disputed Amount (Rs. In lacs)</b>	<b>Forum where the dispute is pending</b>
1	The Punjab General Sales Tax Act, 1948	Sales Tax	2003	58.83	The Hon'ble High Court of Punjab and Haryana, Chandigarh
2	The Punjab Value Added Tax Act, 2005	Value Added Tax	2005, 2008, 2009 and 2011.	744.32	The Deputy Excise & Taxation Commissioner ( Appeals) Patiala
3	The Central Sales Tax, 1956	Central Sales Tax	2003	4.53	The Hon'ble High Court of Punjab and Haryana, Chandigarh
4	The Central Sales Tax, 1956	Central Sales Tax	2005, 2008, 2009 and 2011.	119.04	The Deputy Excise & Taxation Commissioner ( Appeals) Patiala
5	Himachal Pradesh Tax on entry of goods into Local Area Act, 2010	Entry Tax	2011, 2012, 2013, 2014 and 2015	89.67	The Hon'ble High Court of Himachal Pradesh.
6	Himachal Pradesh Sales Tax Act.	Sales Tax	2005	0.49	Himachal Pradesh Tax Tribunal.
7	Himachal Pradesh Value Added Tax Act, 2005	VAT	2006	0.23	Himachal Pradesh VAT Tribunal.
8	Central Excise Act, 1944.	Excise Duty	1995, 1999 and 2005.	3.87	Custom, Excise and Service Tax Appellate Tribunal



9	Central Excise Act, 1944.	Excise Duty	2005, 2006, 2007, 2012 2013	2.77	Additional Commissioner, Shimla.
10	Central Excise Act, 1944.	Excise Duty	2009	27.85	Additional Commissioner, Chandigarh.
11	Central Excise Act, 1944.	Excise Duty	2011 and 2012.	36.03	Commissioner of Central Excise, Chandigarh.
12	The Finance Act, 1994 (Chapter V)	Service Tax	1996	2.30	Commissioner of Central Excise, (Appeals)
13	Central Excise Act, 1944.	Excise Duty	2013	1.16	Commissioner of Central Excise, Sangrur.
14	Central Excise Act, 1944.	Excise Duty	2014	0.41	Commissioner of Central Excise, Sangrur.
15	Central Excise Act, 1944.	Excise Duty	2007 – 2013	42.24	Additional Commissioner of Central Excise, Sangrur.
16	Central Excise Act, 1944.	Excise Duty	2002	11.91	Assistant Commissioner of Central Excise, Sangrur.
17	Central Excise Act, 1944.	Excise Duty	2015	0.33	Superintendent, Central Excise, Barnala.

(viii) According to the information and explanations given to us, the company has defaulted in repayment of loans and borrowings to a financial institutions, banks or government. The Company has not issued any debenture during the year or in the preceding year. The details of the defaults are as under:

<b>Sr.No.</b>	<b>Particulars</b>	<b>Amount (Rs. In Lacs )</b>	<b>Nature of Dues</b>	<b>Period of Default of repayment</b>
1	IFCI Ltd.	7,862.57	Term loan – Principal	Refer Note 9 (a) and (b) below
		2,970.84	Term loan – Interest	
		557.18	Cash Credit – Principal and Interest	
2	IDBI Bank Ltd.	1,834.55	Term loan – Principal	Refer Note 9 (a) and (b) below
		644.64	Term loan – Interest	
		164.57	Cash Credit – Principal and Interest	
3	SIDBI	214.53	Term loan – Principal	Refer Note 9 (a) and (b) below
		71.46	Term loan – Interest	
4	Punjab National Bank	3,165.07	Term loan – Principal	Refer Note 9 (a) and (b) below
		922.03	Term loan – Interest	
		11,691.04	Cash Credit – Principal and Interest	
5	State Bank of India	2,290.40	Term loan – Principal	Refer Note 9 (a) and (b) below
		710.75	Term loan – Interest	



		3,823.73	Cash Credit – Principal and Interest	
6	Vijaya Bank	377.76	Term loan – Principal	Refer Note 9 (a) and (b) below
		116.11	Term loan – Interest	
		1,541.06	Cash Credit – Principal and Interest	
7	J & K Bank	141.07	Term loan – Principal	Refer Note 9 (a) and (b) below
		41.74	Term loan – Interest	
		584.09	Cash Credit – Principal and Interest	

- a) The long term and short term borrowings recalled by the consortium banks not paid by the company have been considered as defaulted for the purpose of above disclosures.
- b) Interest includes interest accrued on long term and short term borrowings not provided in the statement of profit and loss. (Refer note no.38)
- (ix) In our opinion and according to the information and explanations given to us, the Company has not taken any term loan during the year. The Company has not raised money by way of initial public offer or further public offer (including debt instruments) during the year. Thus the provisions of paragraph 3 (ix) of the Order are not applicable to the Company.
- (x) According to the information and explanations given to us, no fraud on or by the company or on the company by its officers or employees has been noticed or reported during the course of our audit.
- (xi) According to the information and explanations given to us and based on the records of the company, the provision of the section 197 read with schedule V (with regard to the managerial remuneration) to the Companies Act, 2013 is not applicable. Therefore the provisions of paragraph 3 (xi) of the Order are not applicable to the Company.
- (xii) According to the information and explanations given to us, the company is not a Nidhi Company. Therefore the provisions of paragraph 3(xii) of the order are not applicable.
- (xiii) According to the information and explanations given to us, and based on our examinations of the records of the company, transactions with the related parties are in compliance with section 177 and section 188 of the Act, where applicable and the details of the transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us, the company has not made preferential allotment or private placement of shares or fully or partly convertible debentures during the financial year under audit. Thus the provisions of paragraph 3 (xiv) of the order are not applicable.
- (xv) According to information and explanations given to us, and based on our examination of the records of the company, the company has not entered into non-cash transactions with directors or persons connected with them. Accordingly, provisions of paragraph 3 (xv) of the Order are not applicable.
- (xvi) According to the information and explanations given to us, the company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

**For S.C. Vasudeva & Co,  
Chartered Accountants  
Firm Reg. No.000235N**

(Sanjiv Mohan)  
Partner  
M. No. 086066

Ludhiana  
30<sup>th</sup> May, 2016

**Annexure - B to the Auditors' Report**

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

**Report on Internal Financial Controls**

We have audited the internal financial controls over financial reporting of Malwa Cotton Spinning Mills Limited ("the Company") as of 31<sup>st</sup> March 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

**Meaning of Internal Financial Controls over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that;

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorization of management and directors of the company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Qualified Opinion**

*According to the information and explanations given to us and based on our audit, the following material weakness has been identified in the operating effectiveness of the Company's internal financial controls over financial reporting as at March 31, 2016:*

- (i) The Company's internal financial controls with respect to obtaining customer/vendor confirmations and their reconciliation with books of accounts at regular intervals were not operating effectively, which could potentially result in misstatement of receivables/payables*
  
- (ii) The Company's internal financial controls with regard to making provision in respect of balances recoverable from Trade Receivables, Loans and Advances and Other Recoverable including from employees, who are doubtful in nature were not effective.*

*A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.*

*In our opinion, the Company has, in all material respects, maintained adequate internal financial controls over financial reporting as of March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India, and except for the possible effects of the material weakness described above on the achievement of the objectives of the control criteria, the Company's internal financial controls over financial reporting were operating effectively as of March 31, 2016.*

**For S.C. Vasudeva & Co,  
Chartered Accountants  
Firm Reg. No.000235N**

(Sanjiv Mohan)  
Partner  
M.No.086066

Ludhiana  
30<sup>th</sup> May, 2016

**BALANCE SHEET AS AT 31STMARCH,2016**

Particulars	Notes No.	As at 31st March,2016 (Rs Lacs)	As at 31st March,2015 (Rs Lacs)
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholder's Fund</b>			
(a) Share Capital	3	3514.90	3514.90
(b) Reserves and Surplus	4	(28097.03)	(25762.83)
		<u>(24582.13)</u>	<u>(22247.93)</u>
<b>(2) Non-current Liabilities</b>			
(a) Long-term Borrowings	5	6494.56	8441.73
(b) Deferred tax liabilities (net)	6	-	-
(c) Long-term provisions	7	355.21	483.79
		<u>6849.77</u>	<u>8925.52</u>
<b>(3) Current liabilities</b>			
(a) Short-term borrowings	8	12820.83	12845.03
(b) Trade payables	9	2817.35	2740.63
(c) Other current liabilities	10	14944.11	12519.45
(d) Short-term provisions	7	259.10	259.10
		<u>30841.39</u>	<u>28364.21</u>
TOTAL		<u>13109.03</u>	<u>15041.80</u>
<b>II. ASSETS</b>			
<b>1.Non-current assets</b>			
(a) Fixed Assets	11		
(i) Tangible assets		4451.40	4650.14
(ii) Intangible assets		3.89	7.82
(iii) Capital Work in Progress		-	-
(b) Non-current investments	12	984.20	984.20
(c) Long term loans and advances	13	445.43	560.64
		<u>5884.92</u>	<u>6202.80</u>
<b>2. Current assets</b>			
(a) Inventories	14	1967.33	2604.34
(b) Trade receivables	15	3734.37	5212.87
(c) Cash and bank balances	16	40.35	188.06
(d) Short-term loans and advances	13	1482.06	833.73
		<u>7224.11</u>	<u>8839.00</u>
TOTAL		<u>13109.03</u>	<u>15041.80</u>

See accompanying notes forming part of the financial statement

As per our separate report of even date

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

For and on behalf of Board of Directors

(SANJIV MOHAN)  
Partner

**POOJA MALHOTRA**  
Company Secretary

**VINOD GUPTA**  
Vice President  
(Accounts&Finance)

**SURINDER KUMAR VIG**  
Director

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

M. No. 86066  
Place : Ludhiana  
Dated : 30.05.2016

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2016**

Particulars	Notes No.	Current year Rs. Lacs	Previous year Rs. Lacs
<b>INCOME</b>			
Revenue from operations (gross)	17	<b>3602.86</b>	11071.25
Less: Excise Duty		-	1.48
Revenue from operations (net)		<b>3602.86</b>	11069.77
Other Income	18	<b>13.69</b>	131.92
<b>Total Revenue</b>		<b>3616.55</b>	11201.69
<b>EXPENSES</b>			
Cost of materials consumed (Includes dyes & chemical consumed)	19	<b>1885.97</b>	5872.50
Purchase of Stock-in-Trade	20	<b>346.07</b>	86.05
Change in inventories of finished goods, work-in-progress and stock-in-trade	21	<b>490.81</b>	770.27
Employee benefits expense	22	<b>983.84</b>	2463.64
Finance costs	23	<b>13.29</b>	27.00
Depreciation and amortisation expense	11	<b>202.67</b>	257.50
Other expenses	24	<b>2028.10</b>	5412.39
<b>Total Expenses</b>		<b>5950.75</b>	14889.35
<b>Profit/(loss)before tax</b>		<b>(2334.20)</b>	(3687.66)
<b>Tax Expense</b>		-	-
<b>Profit/(loss)for the year</b>		<b>(2334.20)</b>	(3687.66)
<b>Earnings per share (Equity share Nominal value of Rs. 10/- each)</b>			
Basic	25	<b>(33.28)</b>	(50.37)
Diluted		<b>(13.40)</b>	(20.32)

See accompanying notes forming part of the financial statement

As per our separate report of even date

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

For and on behalf of Board of Directors

(SANJIV MOHAN)  
Partner

**POOJA MALHOTRA**  
Company Secretary

**VINOD GUPTA**  
Vice President  
(Accounts&Finance)

**SURINDER KUMAR VIG**  
Director

**JANGILAL OSWAL**  
Chairman-cum-Managing  
Director

M. No. 86066  
Place : Ludhiana  
Dated : 30.05.2016



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2016

Particulars	Current year Rs Lacs	Previous year Rs Lacs
<b>A Cash Flow From Operating Activities</b>		
Net profit/(loss) before tax and extra ordinary items	(2334.20)	(3687.66)
<b>Adjustment for</b>		
Provision for doubtful trade receivables and advances	929.90	1691.29
Excess provision written back	-	(58.90)
Depreciation & amortisation	202.67	257.50
Sundry balances written off	29.93	95.32
Interest expense	13.29	27.00
Interest income	(0.25)	(57.65)
Dividend income	(0.20)	(0.15)
Operating profit before working capital changes	(1158.86)	(1733.25)
<b>Changes in working capital</b>		
(Increase)/decrease in inventories	637.01	1094.98
(Increase)/decrease in trade receivables and current assets	(21.70)	1393.12
Increase/(decrease) in trade payables and other liabilities	(74.37)	(883.42)
Cash generated from operating activities	(617.92)	(128.57)
(Tax paid)/refund	7.25	(1.55)
Net cash from operating activities (A)	(610.67)	(130.12)
<b>B Cash flow from investing activities</b>		
Purchase of fixed assets	-	11.82
Interest received	0.25	57.65
Dividend received	0.20	0.15
Net cash from investing activities (B)	0.45	69.62
<b>C Cash flow from financing activities</b>		
Change in long term borrowing(net)	500.00	-
Proceeds from short term borrowing(net)	(24.20)	(100.46)
Interest paid	(13.29)	(27.00)
Net cash from financing activities (C)	462.51	(127.46)
Net increase/(decrease) in cash & cash equivalents(A+B+C)	(147.71)	(187.96)
Cash & cash equivalents as on 01.04.2015(opening balance)	188.06	376.02
Cash & cash equivalents as on 31.03.2016(closing balance)	40.35	188.06

As per our separate report of even date

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

For and on behalf of Board of Directors

(SANJIV MOHAN)  
Partner

POOJA MALHOTRA  
Company Secretary

VINOD GUPTA  
Vice President  
(Accounts&Finance)

SURINDER KUMAR VIG  
Director

JANGI LAL OSWAL  
Chairman-cum-Managing  
Director

M.No.86066  
Place : Ludhiana  
Dated : 30.05.2016

**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2016**
**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 section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rule 2014. 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 II to the Companies Act, 2013.

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

**G. Amortization**

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

**H. Inventories**

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

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



**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2016****I. Investments**

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

**J. Cenvat**

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

**K. Borrowing Costs**

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

**L. Foreign Currency Transactions**

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

**M. EMPLOYEE BENEFITS:****(a) Short Term Employee Benefits:**

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

**(b) Post Employment Benefits:****(i) Defined Contribution Plans:**

(i.1) Provident Fund: The Employer's contribution to Provident Fund and Employees Pension Scheme, a defined contribution plan is made in accordance with the Provident Fund Act, 1952 read with the Employees Pension Scheme, 1995.

(i.2) Superannuation: The liability in respect of eligible employees covered under the scheme is provided through a policy taken from Life Insurance Corporation of India by an approved trust formed for the purpose. The premium in respect of such policy is recognized as an expense in the period in which it falls due.

**(ii) Defined Benefit Plans**

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

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

**(iv) Long Term Employee Benefits:**

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

**N. LEASES:**

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

**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2016****O. Earning per share**

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

**P. Accounting for Taxes on Income**

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

**Q. Impairment of Assets**

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

**R. Provision and Contingent Liabilities**

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

**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2016**

Particular	As at 31st March, 2016		As at 31st March, 2015	
	No. of shares	Rs Lacs	No. of shares	Rs Lacs
<b>3 Share capital</b>				
<b>a) Authorised</b>				
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
		<b>4500.00</b>		<b>4500.00</b>
<b>b) Issued</b>				
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
		<b>3540.51</b>		<b>3540.51</b>
<b>c) Subscribed and fully paid-up</b>				
Equity shares of Rs. 10/-each	79,05,028	790.51	79,05,028	790.51
Less: Calls in arrears by others		0.22		0.22
		<b>790.29</b>		<b>790.29</b>
9% Cumulative redeemable preference shares of Rs. 100/- each	27,24,610	2724.61	27,24,610	2724.61
<b>Total</b>		<b>3514.90</b>		<b>3514.90</b>
<b>a. Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period</b>				
<b>Equity shares</b>				
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	<b>79,05,028</b>	<b>790.29</b>	<b>79,05,028</b>	<b>790.29</b>
<b>9% Cumulative redeemable preference shares</b>				
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	<b>27,24,610</b>	<b>2724.61</b>	<b>27,24,610</b>	<b>2724.61</b>

**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 of the company after distribution of all preferential amounts.

**c. Terms/rights attached with Cumulative redeemable preference shares**

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

Schedule of repayment of Cumulative redeemable preference shares.

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

The earliest date of redemption was 30th September, 2011

Arrear of fixed cumulative dividend on preference shares as at 31st March, 2016 Rs. 4290.00 Lac (As at 31st March, 2015 Rs. 4045.00 Lac).

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

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

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

There is no holding or ultimate holding of the company.

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

Class of Shares	Name of Shareholder	As at 31st March, 2016		As at 31st March, 2015	
		No of shares held	% holding in that class share	No of shares held	% holding in that class share
Equity	IFCI Ltd	-	-	580668	7.35%
	Jangi Growth Fund P Ltd	466525	5.90%	466525	5.90%
9% Redeemable cumulative preference share	IFCI Ltd	1724610	63.30%	1724610	63.30%
	IDBI Bank Ltd.	1000000	36.70%	1000000	36.70%

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

	As at 31st March, 2016		As at 31st March, 2015	
	Aggregate number of shares		Aggregate number of shares	
<b>Equity shares</b>				
- Fully paid-up pursuant to contract(s) without payment being received in cash	-		-	
- Fully paid-up by way of bonus shares	-		-	
- Shares bought back by the company	-		-	

	As at 31st March, 2016 Rs Lacs	As at 31st March, 2015 Rs Lacs
<b>4 Reserves and surplus</b>		
<b>a) Capital Reserve *</b>		
Balance as per last financial statements	45.00	45.00
<b>b) Capital redemption reserve</b>		
Balance as per last financial statements	250.00	250.00
<b>c) Securities Premium account</b>		
Balance as per last financial statements	1701.15	1701.15
<b>d) Other Reserves</b>		
General reserve- Balance as per last financial statements	4866.00	4866.00
<b>e) Surplus/(deficit) i.e. balance in the statement of profit and loss</b>		
Balance as per last financial statements	(32624.98)	(28747.60)
Depreciation amount debited to retained earnings as per transitional provision under Schedule II of Companies Act,2013	-	(189.72)
Surplus/(deficit) in the statement of profit and loss	(2334.20)	(3687.66)
Net surplus/(deficit) in the statement of profit and loss	(34959.18)	(32624.98)
<b>Total Reserves and Surplus</b>	(28097.03)	(25762.83)

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

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

	<u>Long-term</u>		<u>Current maturities</u>	
	As at 31st March, 2016 Rs Lacs	As at 31st March, 2015 Rs Lacs	As at 31st March, 2016 Rs Lacs	As at 31st March, 2015 Rs Lacs
<b>Term loans</b>				
From Banks (secured)	2430.61	3731.49	5423.57	4122.69
From Financial Institutions (secured)	3116.95	4263.24	4960.15	3813.86
<b>Other loans and advances</b>				
From others (unsecured)	947.00	447.00	-	-
	6494.56	8441.73	10383.72	7936.55
<b>The above amount includes</b>				
Total Secured borrowings	5547.56	7994.73	-	-
Total Unsecured borrowings	947.00	447.00	-	-
Amt disclosed under the head "other current liabilities"(note no.10)	-	-	(10383.72)	(7936.55)
<b>Net amount</b>	6494.56	8441.73	-	-



**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2016**

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

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

**Schedule of repayment of Term Loan from Banks / Financial institutions.**

	Rate of Interest	FY17	FY18	FY19	Total
<b><u>TERM LOAN/ WCTL</u></b>					<b>Rs. Lac</b>
From Banks	9% p.a.	1145.20	1272.00	1314.32	<b>3731.52</b>
From Financial Institutions	9% p.a.	1300.88	1445.40	1516.95	<b>4263.23</b>

**Security :**

i) Primary - Pari-passu first charge on fixed assets of the Company (present and future).

Collateral - Pari-passu second charge on the current assets of the Company.

ii) Exclusive securities:

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

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

iii) Pledge of 24,88,715 equity shares of Promoters as Additional Collateral security for entire CDR debts (Existing and fresh) to be shared by all CDR lenders on pari-passu basis.

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

v) Personal Guarantee of three Promoter Directors of the Company.

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

	<u>As at 31st March 2016</u>		<u>As at 31st March 2015</u>	
	Period of default	Rs Lacs	Period of default	Rs Lacs
Term Loans from Banks				
Principal	April.12-Mar.16	<b>4077.33</b>	April.12-Mar.15	2935.58
Interest	April.12-Mar.13	<b>472.56</b>	April.12-Mar.13	472.56
Term Loans from Financial Institutions				
Principal	April.12-Mar.16	<b>3813.87</b>	April.12-Mar.15	2740.67
Interest	Jan.12-Mar.13	<b>948.70</b>	Jan.12-Mar.13	948.70
Interest	April.15-Mar.16	<b>(Refer note no. 38)</b>	April.13-Mar.15	<b>(Refer note no. 38)</b>



	<u>As at</u> <u>31st March 2016</u>		<u>As at</u> <u>31st March 2015</u>	
	Period of default	Rs Lacs	Period of default	Rs Lacs
Cash credit from Banks Principal and Interest	2012-13 to 2015-16	<u>12820.83</u>	2012-13 to 2014-15	<u>12845.03</u>
<b>9 Trade Payables</b>				
Acceptances		-		-
Other than acceptances		<u>2817.35</u>		<u>2740.63</u>
		<u>2817.35</u>		<u>2740.63</u>
<b>10 Other current liabilities</b>				
Current maturities of long-term debts (note 5 )		<u>10383.72</u>		7936.55
Interest accrued and due on borrowings		<u>2083.57</u>		2083.57
<b>Others payables</b>				
Statutory remittances (Contribution to PF and ESIC, Excise duty, VAT, Service tax etc.)		<u>587.85</u>		561.14
Trade/security deposits received from customers		<u>29.94</u>		50.33
Due to employees		<u>1620.91</u>		1653.10
Others		<u>238.12</u>		234.76
		<u>14944.11</u>		<u>12519.45</u>





**11 FIXED ASSETS**

(Rs Lacs)

Particulars	GROSS BLOCK				ACCUMULATED DEPRECIATION					NET BLOCK		
	Balance as at 1st April, 2015	Additions	Disposal	Other Adjustments	Balance as at 31st March, 2016	Balance as at 1st April, 2015	Depreciation/amortization expenses for the year	Eliminated on disposal of assets	Other Adjustments	Balance as at 31st March, 2016	Balance as at 31st March, 2016	Balance as at 31st March, 2015
<b>A.TANGIBLE (OWN USE)</b>												
1. FREE HOLD LAND	317.99	-	-	-	317.99	-	-	-	-	-	317.99	317.99
2. BUILDING	6,203.04	-	-	-	6,203.04	3120.38	137.69	-	-	3256.07	2944.97	3082.66
3.PLANT AND MACHINERY	21,046.16	-	-	-	21,046.16	19855.86	53.50	-	-	19909.36	1136.80	1190.30
4.FURNITURE AND FITTINGS	173.20	-	-	-	173.20	168.00	0.41	-	-	168.41	4.79	5.20
5.VEHICLES	523.94	-	-	-	523.94	486.10	6.32	-	-	492.42	31.52	37.84
6.OFFICE EQUIPMENTS	331.42	-	-	-	331.42	315.28	0.82	-	-	316.10	15.32	16.14
Sub-Total	28595.75	-	-	-	28595.75	23945.61	198.74	-	-	24144.35	4451.40	4650.14
<b>B. INTANGIBLE</b>												
COMPUTER SOFTWARE	152.28	-	-	-	152.28	144.46	3.93	-	-	148.39	3.89	7.82
<b>TOTAL (A+B)</b>	<b>28748.03</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28748.03</b>	<b>24090.07</b>	<b>202.67</b>	<b>-</b>	<b>-</b>	<b>24292.74</b>	<b>4455.29</b>	<b>4657.96</b>
PREVIOUS YEAR	28742.30	5.73	-	-	28748.03	23642.85	257.50	-	189.72	24090.07	4657.96	



	<u>As at 31 March 2016</u>	<u>As at 31 March</u>
	Rs Lacs	Rs Lacs
<b>12 Non-current investments</b>		
<b>Investment (valued at cost unless stated otherwise)</b>		
A. Trade	-	-
<b>B. Other</b>		
<b>Investments in Equity instruments of others</b>		
<b>(a) Unquoted</b>		
- 96,30,700 (Previous year : 96,30,700) equity shares of Rs. 10/- each fully paid up of M/s Malwa Industries Limited	963.07	963.07
- 1,95,000 (Previous year : 1,95,000) equity shares of Rs. 10/- each fully paid up of M/s Manipur Vanaspati & Allied Industries Ltd.	19.50	19.50
Less: Provisions for diminution in value of investment	<u>19.50</u>	<u>19.50</u>
- 21,28,000 (Previous year : 21,28,000) equity shares of Rs. 10/- each fully paid up of M/s Oswal Foods Ltd.	536.28	536.28
Less: Provisions for diminution in value of investment	<u>536.28</u>	<u>536.28</u>
- 3,50,000 (Previous year : 3,50,000) equity shares of Rs. 10/- each fully paid up of M/s Karnataka Oswal Oil & Palms Ltd.	35.00	35.00
Less: Provisions for diminution in value of investment	<u>35.00</u>	<u>35.00</u>
- 1,50,000 (Previous year : 1,50,000) equity shares of Rs. 10/- each fully paid up of M/s Oswal Knit India Ltd.	15.00	15.00
- 20,000 (Previous year : 20,000) equity shares of Rs. 10/- each fully paid up of M/s Shivalik Soild waste Management Ltd.	2.00	2.00
<b>(b) Quoted</b>		
-8,751(Previous year : 8751) equity shares of Rs. 10/- each fully paid of M/s Vardhman Special Steel Ltd.	3.92	3.92
- 2,55,000 (Previous year : 2,55,000) equity shares of Rs. 10/- each fully paid up of M/s Mukerian Papers Ltd.	119.00	119.00
Less: Provisions for diminution in value of investment	<u>119.00</u>	<u>119.00</u>
<b>C. Investment in government or trust securities (Unquoted)</b>		
- Investment in government securities	0.21	0.21
	<u>984.20</u>	<u>984.20</u>
Aggregate amount of quoted investments	3.92	3.92
Aggregate market value of quoted investments	4.60	2.84
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)

	<u>Long-term</u>		<u>Short-term</u>	
	<u>As at</u> <u>31 March 2016</u>	<u>As at</u> <u>31 March 2015</u>	<u>As at</u> <u>31 March 2016</u>	<u>As at</u> <u>31 March 2015</u>
	Rs. Lacs	Rs. Lacs	Rs. Lacs	Rs. Lacs
Capital advances	55.10	55.10	-	-
(A)	<u>55.10</u>	<u>55.10</u>	-	-
Security deposit	207.95	321.91	-	-
(B)	<u>207.95</u>	<u>321.91</u>	-	-



**Other loan and advances**

Advance income tax (net of provision for taxes of Rs. 2.12 lacs(Previous year Rs.5.72 lacs)	-	-	<b>15.85</b>	23.09
Loans and advances to employees	-	-	<b>320.65</b>	144.85
Prepaid expenses	-	0.02	<b>3.31</b>	10.25
Balances with government authorities	<b>182.38</b>	183.61	<b>361.82</b>	359.45
Other Loans and advances consider good	-	-	<b>780.43</b>	296.09
Doubtful	-	-	<b>172.88</b>	172.88
(C)	<b>182.38</b>	183.63	<b>1654.94</b>	1006.61
Allowances for doubtful loan and advances	(D) -	-	<b>(172.88)</b>	(172.88)
<b>Total (A + B +C -D)</b>	<b>445.43</b>	560.64	<b>1482.06</b>	833.73



	<u>As at 31st March 2016</u>	<u>As at 31st March 2015</u>
	Rs. Lacs	Rs. Lacs
<b>14 Inventories (valued at lower of cost and net realizable value)</b>		
a) Raw Materials	424.09	568.42
b) Work-in-progress	136.63	263.07
c) Finished goods	1212.31	1593.96
d) Stock-in-Trade	19.59	2.31
e) Stores and Spares	174.71	176.58
	<u>1967.33</u>	<u>2604.34</u>
<b>15 Trade receivables</b>		
a) Outstanding for a period exceeding six months from the date they are due for payment		
Secured, Considered Good	29.94	50.33
Unsecured ,Considered Good	2773.71	3472.63
Doubtful	4273.15	3343.25
Less : Allowance for doubtful trade receivables	(4273.15)	(3343.25)
	<u>2803.65</u>	<u>3522.96</u>
b) Other trade receivable		
Unsecured, considered good	930.72	1689.91
Total (a + b )	<u>3734.37</u>	<u>5212.87</u>
<b>16 Cash and bank balances</b>		
<b>Cash and cash equivalents</b>		
Balances with banks:		
In current accounts	6.15	43.54
Cheques/drafts on hand	2.65	56.84
Cash on hand	31.55	87.68
Total	<u>40.35</u>	<u>188.06</u>

	<u>Current Year</u>	<u>Previous year</u>
	Rs. Lacs	Rs. Lacs
<b>17 Revenue from operations</b>		
Sale of products	3520.17	10962.50
Sale of services	38.24	38.05
Other operating revenue	44.45	70.70
<b>Revenue from operations (gross)</b>	<u>3602.86</u>	<u>11071.25</u>
Less: Excise duty relating to sale	-	1.48
<b>Revenue from operations (net)</b>	<u>3602.86</u>	<u>11069.77</u>
<b>(i) Sale of product comprise</b>		
Manufactured goods		
Yarn	2442.11	5667.41
Thread	712.89	5080.38
Other	40.39	124.43
	<u>3195.39</u>	<u>10872.22</u>
Stock-in-trade		
Readymade garments	22.45	29.13
Fabric	227.49	61.15
Yarn & Thread	74.84	-
<b>Total</b>	<u>3520.17</u>	<u>10962.50</u>
<b>(ii) Sale of services comprise</b>		
Processing charges	38.24	38.05
<b>(iii) Other operating revenue comprise</b>		
Scrap sale	6.91	19.85
Exports benefits	37.54	50.85
<b>Total</b>	<u>44.45</u>	<u>70.70</u>
<b>18 Other Income</b>		
Interest income	0.25	57.65
Dividend income on long-term investments	0.20	0.15
Insurance claims received(Net)	3.17	1.48
Excess Provision written back	-	58.90
Miscellaneous	10.07	13.74
	<u>13.69</u>	<u>131.92</u>



	<u>Current year</u>	<u>Previous year</u>
	Rs Lacs	Rs Lacs
<b>19 Cost of materials consumed</b>		
Inventory at the beginning of the year	568.42	854.64
Add: Purchases	1452.86	4980.43
	<u>2021.28</u>	<u>5835.07</u>
Less: Inventory at the end of the year	424.09	568.42
Cost of raw material consumed	1597.19	5266.65
Dyes & chemical consumed	288.78	605.85
	<u>1885.97</u>	<u>5872.50</u>
<b>Materials consumed comprise</b>		
Cotton	172.51	679.93
Man made fibre	1280.56	4086.26
Dyes & chemicals	288.78	605.85
Others	144.12	500.46
	<u>1885.97</u>	<u>5872.50</u>
<b>Details of inventory</b>		
<b>Raw materials</b>		
Cotton	11.76	1.66
Man made fibre	225.72	341.76
Other	186.61	225.00
	<u>424.09</u>	<u>568.42</u>
<b>20 Purchase of stock-in-trade</b>		
Readymade garments	43.96	26.05
Fabric	227.41	60.00
Yarn & Thread	74.70	-
	<u>346.07</u>	<u>86.05</u>





	<u>Current year</u> Rs. Lacs	<u>Previous year</u> Rs. Lacs
<b>21 Change in inventories of finished goods, work-in-progress and stock-in-trade</b>		
<b>Inventories at the end of the year</b>		
(i) Finished goods	1212.31	1593.96
(ii) Work-in-progress	136.63	263.07
(iii) Stock-in-trade	19.59	2.31
	<u>1368.53</u>	<u>1859.34</u>
<b>Inventories at the beginning of the year</b>		
(i) Finished goods	1593.96	2084.77
(ii) Work-in-progress	263.07	537.87
(iii) Stock-in-trade	2.31	6.97
	<u>1859.34</u>	<u>2629.61</u>
	<u>490.81</u>	<u>770.27</u>
<b>Detail of inventory</b>		
<b>(i) Finished goods</b>		
Yarn	185.79	316.61
Thread	1006.07	1242.65
Others	20.45	34.70
	<u>1212.31</u>	<u>1593.96</u>
<b>(ii) Work-in-progress</b>		
Yarn	15.06	231.25
Thread	121.57	31.82
	<u>136.63</u>	<u>263.07</u>
<b>(iii) Stock-in-trade</b>		
Readymade garments	19.59	2.31
	<u>19.59</u>	<u>2.31</u>

	<u>Current year</u>	<u>Previous year</u>
	Rs. Lacs	Rs. Lacs
<b>22 Employee benefit expense</b>		
Salaries , wages and bonus	833.84	2154.62
Contribution to provident and other funds	113.57	205.51
Staff welfare expenses	36.43	103.51
	<b>983.84</b>	<b>2463.64</b>
<b>23 Finance costs</b>		
(a) Interest expense on :		
Borrowings	-	-
Trade payables	8.06	18.63
(b) Others	5.23	8.37
	<b>13.29</b>	<b>27.00</b>
<b>24 Other expenses</b>		
Consumption of stores and spare parts	46.83	94.07
Consumption of packing material	138.47	632.24
Power and fuel	465.95	1931.76
Rent	78.20	105.56
Repairs and Maintenance – building	16.84	25.47
Repairs and Maintenance - machinery	4.76	8.75
Insurance	14.73	24.02
Rates and taxes	5.53	22.14
Payments to auditor (Refer note below)	2.43	6.33
Allowance for doubtful debts & advances	929.90	1691.29
Others	324.46	870.76
	<b>2028.10</b>	<b>5412.39</b>
<b>Payments to auditor</b>		
As Audit Fee	2.29	5.62
As Tax Audit Fee	-	0.45
In other capacity:		
Other services (Certification fee)	-	0.08
Reimbursement of Expenses	0.14	0.18
	<b>2.43</b>	<b>6.33</b>



		<u>Current year</u>	<u>Previous year</u>
		Rs. Lacs	Rs. Lacs
<b>25 Earnings per share (EPS)</b>			
Profit/(loss) for the year		(2334.20)	(3687.66)
Less: Preference dividends for the cumulative preference shares		296.53	294.23
	(i)	<u>(2630.73)</u>	<u>(3981.89)</u>
Add: Increased earning on account of dividend saving		109.96	73.57
Total	(ii)	<u>(2520.77)</u>	<u>(3908.32)</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.)		-	4515756
Weighted average number of equity shares that would be issued on conversion on CRPS default equity shares (Nos.)		10900000	6812500
Total	(iv)	<u>18805028</u>	<u>19233284</u>
Basic Earnings per share of Rs. 10/- each (Rs.) (i/iii)		(33.28)	(50.37)
Diluted Earnings per share of Rs. 10/- each (Rs.) (ii/iv)		(13.40)	(20.32)

**26. Gratuity and other employee's benefits**

The company has not made provision for gratuity and leaves with wages/salaries for year 2015-16 on actuarial basis due to number of employees leaving the company which may result in reversal of provision already made. The company has not provided for bonus for difference due to increase in limit of bonus for the year 2014-15 and the same will be provided on actual payment basis.

**27. Segment Reporting**

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

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

**Primary Segment Information:-**

(Rs. Lacs)

	YARNS		THREADS		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
External sales	2817.44	5990.87	785.42	5080.38	3602.86	11071.25
Inter- segment Sales	989.49	3250.53	-	-	989.49	3250.53
Other income	10.56	57.78	2.68	16.34	13.24	74.12
Total revenue	3817.49	9299.18	788.10	5096.72	4605.59	14395.90
Segment results*	(1025.00)	(1274.92)	-	-	(1025.00)	(1274.92)
Unallocated corporate expenses(net)					1295.91	2385.74
Operating profit/(Loss)					(2320.91)	(3660.66)
Finance Cost					13.29	27.00
Tax - Current tax					-	-
Profit/(Loss) from ordinary activities					(2334.20)	(3687.66)
Extra-ordinary loss/(income)					-	-
Net Profit/(Loss)					(2334.20)	(3687.66)
Other Information						
Segment Assets	9426.21	11277.96	2127.26	2689.57	11553.47	13967.53
Unallocated corporate assets					1555.56	1074.27
Total Assets					13109.03	15041.80
Segment Liabilities	4619.55	4651.26	1288.93	1331.60	5908.48	5982.86
Unallocated corporate Liabilities					31782.68	31306.88
Total Liabilities					37691.16	37289.74
Capital Expenditure	-	-	-	5.28	-	5.28
Unallocated Capital Expenditure					-	0.45
Total Capital Expenditure					-	5.73
Depreciation					191.19	230.91
Non-Cash expenses other than depreciation					-	-

\*Also includes results of Thread Segment.

**Secondary segment information**

	Current year	Previous year
i) Revenue( External Turnover)	Rs Lacs	Rs Lacs
Within India	<b>3235.19</b>	10316.86
Outside India	<b>367.67</b>	754.39
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 comprise 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.

Key Management Personnel : Mr. Jangi Lal Oswal

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

**29. CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)**

- No cash outflow is expected

- i) **Contingent Liabilities:** (Rs Lacs)

Particulars	As at 31.03.16	As at 31.03.15
a) Claims against company not acknowledged as debts	<b>1.16</b>	1.16
b) Guarantees given by Company on behalf of others utilized to the extent of Rs.554.09 lacs (Previous year Rs.498.92 lacs)	<b>3850.00</b>	3850.00

- c) Other monies for which the company is contingently liable :

The Company has contested the additional demands of Excise duty, service tax, sales tax and entry tax amounting to Rs 1328.35 lacs (Gross) (Previous year Rs. 962.54 lac). Out of this a sum of Rs 182.37 lac (Previous year Rs. 183.61 lac) has been deposited with the concerned authorities under Protest. No provision has been made in the books of Account as company is confident to get desired relief at the appellate level.

The said amount stands included in advances receivable in cash or in kind for value to be received.

- ii) **Commitments:** Rs. Lacs

Particulars	As at 31.03.16	As at 31.03.15
a) Estimated amount of contracts remaining to be executed on capital account	<b>456.10</b>	456.10
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.	<b>1670.00</b>	1670.00
c) Export obligation outstanding against import of raw material.	<b>37.97</b>	37.97

**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.37.54 lac (Previous year Rs. 50.85 lac) in respect of export entitle benefits during the year.

**31. Leases**

The company has leased facilities under cancelable and non cancelable operating leases agreements with the lease terms ranging from less than year to later than one year but not later than five years which are subject to renewal at mutual consent thereafter. The lease rent expenses recognized during the year amounting to Rs.78.20 lac (Previous year Rs.105.56 lac). The future minimum lease payment under non cancelable operating leases for each of the following period:

	<u>As at 31.03.16</u>	<u>As at 31.03.15</u>
i) Not later than one year	<b>Rs 31.13 lac</b>	Rs 64.88 lac
ii) Later than one year but not later than five years	<b>Rs. 4.34 lac</b>	Rs. 49.84 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 <b>31.03.2016</b>	As at 31.03.2015
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.**

- a) The company has entered into forward contracts to hedge its risk associated with fluctuations in foreign currency transactions. The company does not use forward contracts for speculative purpose. There is no forward contract (Previous year Nil) against export outstanding as at the close of the year.
- b) 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.3572.01 lac (previous year Rs.4144.31 lac) are subject to confirmation on account of certain commercial disputes. The company is in the process of settling disputes with parties and hopeful of recovery.

37. The company has accumulated losses of Rs.28097.03 lacs as at 31st March 2016. The total net worth as on date is minus Rs.24582.13 lacs. The consortium banks who had lent the money to the company have recalled their debts and taken action under SARFAESI Act, 2002. Although these events or conditions indicates material uncertainty that may cast significant doubt about the company's ability to continue on going concern. Based on detailed evaluation of its current situation and plans formulated and active discussion with prospective investor, the management is confident of raising adequate finance for its revival.

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

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

38. The consortium banks have recalled their entire outstanding loans and taken action under SARFAESI ACT, 2002 during the year 2013-14. The company has contested such action before appropriate forums. Accordingly, the borrowing outstanding to the consortium banks as at March31, 2016 have been classified as long term and current liabilities without taking into cognizance of the recall but as per schedule of repayments stipulated.

Therefore, the interest accrued on long term and short term borrowings amount to Rs.8889.51 lacs for the period from 1st April,2013 to 31st March,2016 has not been provided in the statement of profit and loss account as these loans have been classified as NPA by Banks and Financial institutions and have been recalled by them.

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

Particular	Rs. Lacs	
	Current year	Previous year
Others	<u>1.35</u>	<u>1.11</u>
<b>Total</b>	<u>1.35</u>	<u>1.11</u>

40. **The information required by paragraph 5 of general instructions for preparation of the statement of profit and loss as per revised Schedule-III of the Companies Act, 2013:**

**(A) CIF value of imports** Rs. Lacs

	Current Year	Previous Year
Raw material	<b>18.77</b>	<b>69.26</b>
Components & spare parts	<b>0.42</b>	-

**(B) Expenditure in Foreign Currency** Rs. Lacs

	Current Year	Previous Year
Travelling	-	0.81

**(C) Foreign exchange** Rs. Lacs

	Current Year	Previous Year
Export of goods calculated on FOB basis	<b>360.05</b>	729.30

**(D) Detail of consumption of imported and indigenous items** Rs. Lacs

	IMPORTED		PERCENTAGE		INDIGENOUS		PERCENTAGE	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Raw material	<b>24.74</b>	91.72	<b>1.31</b>	1.56	<b>1861.23</b>	5780.78	<b>98.69</b>	98.44
Component & Spares parts	<b>0.53</b>	-	<b>1.13</b>	-	<b>46.30</b>	94.07	<b>98.87</b>	100.00





**41. Previous year's figures**

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

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As per our separate report of even date

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

For and on behalf of Board of Directors

(SANJIV MOHAN)  
Partner

**POOJA MALHOTRA**  
Company Secretary

**VINOD GUPTA**  
Vice President  
(Accounts&Finance)

**SURINDER KUMAR VIG**  
Director

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

M.No.86066  
Place : Ludhiana  
Dated: 30.05.2016