

MCSML/SD/2016-2017

To

25.02.2017

National Stock Exchange of India Limited  
Exchange Plaza, Plot No. C/1, G Block,  
Bandra, Kurla Complex, Bandra (E),  
Mumbai – 400051  
Scrip Code – MALWACOTT

Bombay Stock Exchange Limited  
25<sup>th</sup> Floor, P. J. Tower,  
Dalal Street,  
Mumbai - 400001  
Scipe Code – 502995

Dear Sir,

Sub: Outcome of Board Meeting

This is informed to you that the meeting of Board of Directors of the Company held today to consider and approve the unaudited financial result for the quarter ended 31<sup>st</sup> December, 2016.

The Board Meeting was commenced at 2.00 pm and concluded at 8.40pm.

Kindly take the same on record and oblige.

Thanking You,

For Malwa Cotton Spinning Mills Limited



Shrutika Gupta  
(Company Secretary)

CIN-L17115PB1976PLC003702

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

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

**MALWA COTTON SPINNING MILLS LIMITED**

Regd. Office : Industrial Area 'A', Ludhiana - 141003

UN-AUDITED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 31ST DECEMBER, 2016							
S.No.	Particulars	Quarter ended			Nine month ended		(Rs In Lacs)
		(Unaudited)			(Unaudited)		(Audited)
		31.12.2016	30.09.2016	31.12.2015	31.12.2016	31.12.2015	31.03.2016
1	<b>Income From Operations</b>						
a)	Net Sales/Income from Operations (Net of Excise Duty)	486	795	720	2017	2490	3603
	<b>Total Income from operations (Net)</b>	<b>486</b>	<b>795</b>	<b>720</b>	<b>2017</b>	<b>2490</b>	<b>3603</b>
2	<b>Expenses</b>						
a)	Cost of Material Consumed	161	311	432	922	1501	1886
b)	Purchase of Stocks-in-Trade	110	115	-	270	-	346
c)	Change in inventories of Finished Goods, work-in-progress and stock-in-trade	489	127	(23)	725	495	491
d)	Employee Benefits Expenses	122	172	199	488	778	984
e)	Depreciation and Amortisation Expense	46	45	51	136	153	203
f)	Other Expenses	678	387	491	2316	1509	2028
	<b>Total Expenses (a to f)</b>	<b>1606</b>	<b>1157</b>	<b>1150</b>	<b>4857</b>	<b>4436</b>	<b>5938</b>
3	<b>Profit/(Loss) from Operations before Other Income, Finance Costs and Exceptional items (1-2)</b>	<b>(1120)</b>	<b>(362)</b>	<b>(430)</b>	<b>(2840)</b>	<b>(1946)</b>	<b>(2335)</b>
4	Other Income	5	3	1	10	8	14
5	<b>Profit/(Loss) from ordinary activities before Finance Costs and Exceptional Items (3+4)</b>	<b>(1115)</b>	<b>(359)</b>	<b>(429)</b>	<b>(2830)</b>	<b>(1938)</b>	<b>(2321)</b>
6	Finance Cost	1	0	3	2	7	13
7	<b>Profit/(Loss) from ordinary activities after Finance Costs but before Exceptional Item (5-6)</b>	<b>(1116)</b>	<b>(359)</b>	<b>(432)</b>	<b>(2832)</b>	<b>(1945)</b>	<b>(2334)</b>
8	Exceptional items {Gain/(Loss)}	-	-	-	-	-	-
9	<b>Profit/(Loss) from Ordinary Activities before tax (7+8)</b>	<b>(1116)</b>	<b>(359)</b>	<b>(432)</b>	<b>(2832)</b>	<b>(1945)</b>	<b>(2334)</b>
10	Tax Expense	-	-	-	-	-	-
11	<b>Net Profit/(Loss) from Ordinary Activities after Tax (9-10)</b>	<b>(1116)</b>	<b>(359)</b>	<b>(432)</b>	<b>(2832)</b>	<b>(1945)</b>	<b>(2334)</b>
12	Extraordinary items (Net of Expense)	-	-	-	-	-	-
13	<b>Net Profit/(Loss) for the period (11-12)</b>	<b>(1116)</b>	<b>(359)</b>	<b>(432)</b>	<b>(2832)</b>	<b>(1945)</b>	<b>(2334)</b>
14	Paid-up equity share capital (Face value Rs.10/- each)	790	790	790	790	790	790
15	Reserve excluding Revaluation Reserves	-	-	-	-	-	(28097)
16 (i)	Earning per share (Not Annualised) - (Rs.)						
	Before Extraordinary item						
	- Basic	(15.08)	(5.47)	(6.40)	(38.65)	(27.43)	(33.28)
	- Diluted	(3.42)	(1.17)	(1.08)	(12.04)	(11.05)	(13.40)
16 (ii)	After Extraordinary item						
	- Basic	(15.08)	(5.47)	(6.40)	(38.65)	(27.43)	(33.28)
	- Diluted	(3.42)	(1.17)	(1.08)	(12.04)	(11.05)	(13.40)
<b>A</b>	<b>PARTICULARS OF SHAREHOLDING</b>						
1	Public shareholding						
	- Number of shares	3775413	3775413	3775413	3775413	3775413	3775413
	- Percentage of shareholding	47.76%	47.76%	47.76%	47.76%	47.76%	47.76%
2	Promoters and promoter group Shareholding						
a)	Pledged/Encumbered						
	- Number of shares	3275415	3275415	3275415	3275415	3275415	3275415
	- Percentage of shares(as a % of the total shareholding of promoter and promoter group)	79.32	79.32	79.32	79.32	79.32	79.32
	- Percentage of share (as a % of the total share capital of the company)	41.43	41.43	41.43	41.43	41.43	41.43
b)	Non-encumbered						
	- Number of Shares	**854200	**854200	**854200	**854200	**854200	**854200
	- Percentage of shares( as a % of the total shareholding of promoter and promoter group)	20.68	20.68	20.68	20.68	20.68	20.68
	- Percentage of shares( as a % of the total share capital of the company)	10.81	10.81	10.81	10.81	10.81	10.81
<b>B</b>	<b>INVESTOR COMPLAINTS</b>						
	Pending at the beginning of the quarter	Nil					
	Received during the quarter	Nil					
	Disposed of during the quarter	Nil					
	Remaining unresolved at the end of the quarter	Nil					

For Malwa Cotton Spinning Mills Ltd

Chairman Cum Managing Director

SEGMENT-WISE REVENUE RESULTS AND CAPITAL EMPLOYED, UNDER CLAUSE 41 OF THE LISTING AGREEMENT

(Rs In Lacs)

S.No.	Particulars	Quarter ended (Unaudited)			Nine month ended (Unaudited)		Year ended (Audited)
		31.12.2016	30.09.2016	31.12.2015	31.12.2016	31.12.2015	31.03.2016
		<b>1 Segment Revenue</b>					
	Yarn	311	561	824	1709	2810	3807
	Thread	175	264	86	548	530	785
	<b>Total</b>	<b>486</b>	<b>825</b>	<b>910</b>	<b>2257</b>	<b>3340</b>	<b>4592</b>
	Less: Inter Segment Revenue	0	30	190	240	850	989
	<b>Net Sales/Income from Operation</b>	<b>486</b>	<b>795</b>	<b>720</b>	<b>2017</b>	<b>2490</b>	<b>3603</b>
<b>2 Segment Results</b>							
	<b>(Profit before Tax &amp; Interest from each Segment)</b>						
	Yarns	(533)	(61)	(77)	(832)	(1103)	(1025)
	Thread	-	-	-	-	-	-
	<b>Total</b>	<b>(533)</b>	<b>(61)</b>	<b>(77)</b>	<b>(832)</b>	<b>(1103)</b>	<b>(1025)</b>
	<b>Less:</b>						
	(i) Finance Cost	1	0	3	2	7	13
	(ii) Other un-allocable expenditure (Net of un-allocable income)	582	298	352	1998	835	1296
	<b>Total Profit/(Loss) Before Tax</b>	<b>(1116)</b>	<b>(359)</b>	<b>(432)</b>	<b>(2832)</b>	<b>(1945)</b>	<b>(2334)</b>
	<b>Capital Employed</b>						
	Yarns	3178	4213	5700	3178	5700	4807
	Thread	139	219	828	139	828	838
	<b>Total</b>	<b>3317</b>	<b>4432</b>	<b>6528</b>	<b>3317</b>	<b>6528</b>	<b>5645</b>

NOTES :

- The above results have been reviewed by Statutory Auditors, Audit Committee and approved by the Board of Directors at their meeting held on 25th February, 2017.
- The company has become Sick Industrial company under section 3(1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985 and reference has been registered with Board as case no 27/2013 on 24-5-2013.
- The company profitability affected due to external factors i.e. slowdown in economy, liquidity tightness, labour shortage and low capacity utilisation. The company will take measures for optimizing capacity utilisation, new product developments, improvement in efficiencies and other cost control measures for running all the units profitably and improvement in cash flows. These measures along with consistent improvement in operating efficiencies and yields and change in product mix are expected to drive growth in revenue. In addition company will continue to explore various options for restructuring of its debts as per scheme as may be approved by BIFR and to raise finance in order to meet its short term and long term obligations with the promoters committing to provide operational and financial support as may be directed by BIFR. Accordingly company's financial statements have been prepared as going concern basis whereby realisation of assets and discharge of liabilities are expected to occur in the normal course of business.
- The negative networth and business loss is temporary phenomena arising due to sub-optimum capacity utilisation and unsustainable debt burden. The recoverable amount of assets is more than the carrying value, therefore there is no need to recognise any loss on account of impairment of assets.
- The company has not provided interest on borrowings as the lenders have categorised the account as NPA.
- Other expenses includes provisions for doubtful debt for quarter Rs. 551 lacs and for the nine months Rs. 1857 lacs.
- \*\* Inclusive of 756150 shares (in physical form) not pledged but lying with institutions as security.
- Disclosures with regard to segment results of thread has been given to the extent information could be compiled from the books as the Company is not maintaining separate records.
- The figures have been regrouped/rearranged wherever necessary for comparison purpose.

For Malwa Cotton Spinning Mills Limited.,

  
Jangi Lal Oswal

Chairman-cum-Managing Director

Place : Ludhiana

Dated : 25th February, 2017

## **INDEPENDENT AUDITOR'S REVIEW REPORT**

The Board of Directors  
Malwa Cotton Spinning Mills Limited  
Industrial Area- A,  
Ludhiana.

### **Introduction**

We have reviewed the accompanying statement of unaudited financial results of Malwa Cotton Spinning Mills Limited (the Company) for the quarter and nine months ended December 31, 2016. This statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

### **Scope of Review**

We conducted our review of the Statement in accordance with the Standard on Review Engagement (SRE) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Institute of Chartered Accountant of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed any audit and, accordingly, we do not express an audit opinion.

### **Basis of Qualified Conclusion**

*We report that:*

- 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.*
- ii) AS-17-"Segment reporting"- in respect of results of sewing thread segment has not been disclosed in accordance with requirement of said accounting standard.*
- iii) The Company has incurred a net loss of Rs.2,832.54 lacs during the nine months ending 31<sup>st</sup> December, 2016 which together with brought forward losses of Rs.28,097 lacs exceeds the net worth of the company, and as of that date, the company's current liabilities exceeded its current assets by Rs.28,547.75 lacs and its total liabilities exceeded its total assets by Rs.27,414.68 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.

iv) 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.

v) 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. 2,386.07 lacs
- ii. Loans & Advances: Rs. 1,709.21 lacs
- iii. Trade payables: Rs 5,062.05 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. The figures stated above are net of provision for doubtful provided in the books of account.

vi) The obsolete/ damaged/ slow moving items of inventory amounting to Rs 80.80 lacs have been valued at Net realizable value which is lower than cost. The company has not been able to provide us the evidence of net realizable value and we also could not perform any alternative procedures for verification of net realizable value. Therefore, we are unable to comment upon the correctness of the valuation of those items of inventory.

vii) 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. 1,619.48 lacs as on the date of the financial Statements.



viii) *The Company has not provided for the interest on borrowings amounting to Rs.2,234.90 lacs pertaining to the nine months ended on 31<sup>st</sup> December, 2016 (Rs 747.51 lacs for the quarter ended 31<sup>st</sup> December, 2016) under review and Rs 8,889.51 lacs pertaining upto year ended on 31<sup>st</sup> March, 2016.*

ix) *We further report that, except for the effect, if any, of the matters stated in paragraph (i) to (vi) above which are not ascertainable, had the impact of our observation made in paragraph (vii) and (viii) above been considered, then loss for the nine months ending 31<sup>st</sup> December, 2016 would have been Rs.6,686.92 lacs (against the reported figure of Rs.2,832.54 lacs).*

x) *We further report that had the impact of our observations stated in paragraph (vii) and (viii) above been considered, the loss of the quarter ended 31<sup>st</sup> December, 2016 would have been Rs. 3483.95 lacs (against reported figure of Rs.1116.96 lacs)*

xi) *The earning (loss) per share for the nine months ending 31<sup>st</sup> December, 2016 would have been (Rs.87.40) against reported earning (loss) per share of (Rs.38.65) and earning (loss) per share for the quarter ended 31<sup>st</sup> December, 2016 would have been (Rs.45.01) against reported earning (loss) per share of (Rs.15.08).*

**Qualified Conclusion**

Based on our review, *with the exception of the matters described in the preceding paragraph*, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable Accounting Standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement.

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

**Place: Ludhiana  
Dated: 25<sup>th</sup> February, 2017**



**(SANJIV MOHAN)  
Partner  
M. No 086066**