

Independent Auditor's Report On Financial Results of Malwa Cotton Spinning Mills Limited pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To
The Board of Directors
Malwa Cotton Spinning Mills Limited

We have audited the accompanying annual financial results of Malwa Cotton Spinning Mills Limited (the company) for the year ended 31st March, 2017 attached herewith, being submitted by the company pursuant to the requirement of Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Attention is drawn to the fact that the figures for the quarter ended 31st March, 2017 and the corresponding quarter ended in the previous year as reported in these financial results are the balancing figures between audited figures in respect of the full financial year and the published year to date figures up to the end of the third quarter of the relevant financial year. Also the figures up to the end of the third quarter had only been reviewed and not subjected to audit.

Management's responsibility for the Financial Results

These financial results have been prepared on the basis of the annual financial statements and reviewed quarterly financial results up to the end of the third quarter. Management is responsible for the preparation of these financial results and other financial information in accordance with the recognition and measurement principles laid down under section 133 of the Companies Act, 2013 read with rule 7 of the Companies (Accounts) Rules, 2014 and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015.

This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial results that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial results based on our audit of the annual financial statements. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement(s).

An Audit includes examining, on a test basis, evidence supporting the amount disclosed as financial results. An audit includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.



Basis for Adverse Opinion

1. We draw attention to note no.3 in the financial statements. The Company has incurred a net loss of Rs. 2,958.76 lacs during the year 31st March, 2017 which together with brought forward losses of Rs.34,959.18 lacs exceeds the net worth of the company, and as of that date, the company's current liabilities exceeded its current assets by Rs. 29,578.67 lacs and its total liabilities exceeded its total assets by Rs. 27,540.89 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.
2. We report that:
 - i)
 - a) The Company has not provided Interest on borrowings amounting to Rs 2,794.91 lacs during the year (previous year Rs 2,803.66 lacs).
 - b) The Company has also not provided interest on borrowing amounting of Rs 8,370.41 lacs pertaining upto the preceding year and aggregating to Rs 11,165.32 lacs upto date
 - ii) The Company has not made a provision of Rs 963.07 lacs for the decline other than temporary in the carrying amount of non-current investment in the equity instruments of Malwa Industries Ltd.
 - iii) No provision has been made 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.
 - iv) The Company has not complied with the provisions of Accounting Standard (AS) 17 "Segment Reporting", since necessary disclosure in respect of results of sewing thread segment has not been made.
 - v) 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.



- vi) *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). However same should be shown under the head 'Other Current Liability'.*
- vii) *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. 1,729.12 lacs
ii. Loans & Advances: Rs. 2,423.02 lacs
iii. Trade payables: Rs. 4,802.43 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.*
- viii) *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.3,666.86 lacs as on the date of the financial Statements.*
- ix) (a) *During the financial year ended 31st March, 2017, the company has written back Rs 1121.66 lacs out of the total loan outstanding of Rs 2124.66 lacs payable to IDBI Ltd on the basis of letter dated 07th April, 2016 issued by Assets Reconstruction Company (India) Limited (Arcil) as in Principal approval towards one time settlement of dues at Rs 1003.00 lacs in response to the proposal for settlement of dues submitted by the company to all lenders. The said write back has been shown as exception item of income in the statement of profit and loss.*
 (b) *In principal approval by Arcil towards proposal for settlement of dues of IDBI is subject to the payment of the settled amount with in a period of one year from the date of sanction i.e. April 7, 2016 and also subject to the approval of one time settlement from all lenders.*
 (c) *Neither has the company got approval for settlement of dues payable to other lenders nor has paid the settled amount within one year to Arcil as stipulated in the above said sanction letter.*
 (d) *Therefore, the write back of Rs.1,121.66 lacs of the loan not payable according to that in principle approval letter is not in accordance with the terms and conditions of the sanction letter.*
- x) *Had the impact of our observation made in paragraph 2((i),(ii),(viii) and (ix)) above been considered, then loss for the year ended 31st March, 2017 would have been Rs.17,211.94 lacs (against the reported figure of Rs.2,958.76 lacs) and reserves and surplus would have been (Rs.45,308.97lacs) (against the reported figure of (Rs31,055.79lacs) and current assets*



would have been Rs. 724.05 lacs)(against the reported figure of Rs.3,811.91lacs) and current liabilities would have Rs 44,555.90 lacs (against the reported figure of Rs 33,390.58lacs).

This is in addition to the possible effects of the matters stated in Paragraph 1 and 2((iii),(iv),(v),(vi) and (vii)),the impact of which is not ascertained/ascertainable.

- xi) The earning (loss) per share for the year ended 31 March, 2017 would have been (Rs.221.49) against reported earning (loss) per share of (Rs.41.18).

Adverse Opinion

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 Adverse Opinion above these financial results:

- i. are presented in accordance with the requirements of Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 in this regard; and
- ii. donot give a true and fair view of the net loss and other financial information for the year ended 31st March 2017.

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



(Sanjiv Mohan)
Partner
M. No. 086066

Ludhiana
30th May, 2017

MALWA COTTON SPINNING MILLS LIMITED
Regd Office : Industrial Area 'A', Ludhiana - 141003

AUDITED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED 31ST MARCH, 2017										SEGMENT-WISE REVENUE RESULTS AND CAPITAL EMPLOYED, UNDER CLAUSE 41 OF THE LISTING AGREEMENT									
S.No. Particulars		Quarter ended (Audited) 31.03.2017	Quarter ended (Unaudited) 31.12.2016	Quarter ended (Audited) 31.03.2016	Year ended (Audited) 31.03.2017	Year ended (Audited) 31.03.2016	(Rs Lacs)		S.No. Particulars	Quarter ended (Audited) 31.03.2017	Quarter ended (Unaudited) 31.12.2016	Quarter ended (Audited) 31.03.2016	Year ended (Audited) 31.03.2017	Year ended (Audited) 31.03.2016	(Rs Lacs)				
1	Income From Operations								1 Segment Revenue										
a)	Net Sales/Income from Operations (Net of Excise Duty)	190	486	1113	2207	3603			Yarn	85	311	997	1794	3807					
2	Total Income from operations (Net)	190	486	1113	2207	3603			Thread	105	175	255	653	785					
a)	Cost of Material Consumed	20	161	385	942	1886			Total	190	486	1252	2447	4592					
b)	Purchase of Stocks-in-Trade	48	110	346	318	346			Less: Inter Segment Revenue	0	0	139	240	989					
c)	Change in inventories of Finished Goods, work-in-progress and stock-in-trade	322	489	(4)	1047	491			Net Sales/Income from Operation			1113	2207	3603					
d)	Employee Benefits Expenses	24	122	206	512	984													
e)	Depreciation and Amortisation Expense	44	46	50	180	203													
f)	Other Expenses	1196	678	519	3512	2028													
	Total Expenses (a to f)	1654	1606	1502	6511	5938													
3	Profit/(Loss) from Operations before Other Income, Finance Costs and Exceptional Items (1-2)	(1464)	(1120)	(389)	(4304)	(2335)			2 Segment Results										
4	Other Income	215	5	6	225	14			(Profit before Tax & Interest from each Segment)										
5	Profit/(Loss) from ordinary activities before Finance Costs and Exceptional Items (3+4)	(1249)	(1115)	(383)	(4079)	(2321)			Yarns	(142)	(533)	78	(974)	(1025)					
6	Finance Costs	0	1	6	2	13			Thread	-	-	-	-	-					
7	Profit/(Loss) from ordinary activities after Finance Costs but before Exceptional Item (5-6)	(1249)	(1116)	(389)	(4081)	(2334)			Total	(142)	(533)	78	(974)	(1025)					
8	Exceptional items (Gain/(Loss))	1122	-	-	1122	-			Less:										
9	Profit/(Loss) from Ordinary Activities before tax (7+8)	(127)	(1116)	(389)	(2959)	(2334)			(i) Interest	0	1	6	2	13					
10	Tax Expense	-	-	-	-	-			(ii) Other un-allocable expenditure (Net of un-allocable income)	(15)	582	461	1983	1296					
11	Net Profit/(Loss) from Ordinary Activities after Tax (9-10)	(127)	(1116)	(389)	(2959)	(2334)			Total Profit/(Loss) Before Tax	(127)	(1116)	(389)	(2959)	(2334)					
12	Extraordinary items (Net of Expense)	-	-	-	-	-													
13	Net Profit/(Loss) for the period (11-12)	(127)	(1116)	(389)	(2959)	(2334)													
14	Paid-up equity share capital (Face value Rs.10/- each)	790	790	790	790	790													
15	Reserve excluding Revaluation Reserves	-	-	-	(31056)	(28097)													
16 (i)	Earning per share (Not Annualised) - (Rs.)	-	-	-	-	-													
	Before Extraordinary item																		
	- Basic	(2.51)	(15.08)	(5.85)	(41.16)	(33.28)													
	- Diluted	(0.65)	(3.42)	(2.35)	(12.69)	(13.40)													
16 (ii)	After Extraordinary item	(2.51)	(15.08)	(5.85)	(41.16)	(33.28)													
	- Basic	(0.65)	(3.42)	(2.35)	(12.69)	(13.40)													
	- Diluted	(0.65)	(3.42)	(2.35)	(12.69)	(13.40)													
A	PARTICULARS OF SHAREHOLDING																		
1	Public shareholding	3775413	3775413	3775413	3775413	3775413			Capital Employed	2639	3178	4807	2639	4807					
2	- Number of shares	47.76%	47.76%	47.76%	47.76%	47.76%			Yarns	(565)	139	838	(565)	838					
	- Percentage of shareholding								Thread	2074	3317	5645	2074	5645					
	a) Pledged/Encumbered								Total										
	- Number of shares	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													
	- Percentage of share (as a % of the total share capital of the company)	41.43	41.43	41.43	41.43	41.43													
	b) Non-encumbered																		
	- Number of Shares	**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													
	- Percentage of shares(as a % of the total share capital of the company)	10.81	10.81	10.81	10.81	10.81													
B	INVESTOR COMPLAINTS																		
	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																	

Chairman of the Board of Directors

For Malwa Cotton Spinning Mills Ltd.

Chairman cum Managing Director

MALWA COTTON SPINNING MILLS LIMITED
Regd Office : Industrial Area 'A', Ludhiana - 141003

AUDITED STATEMENT OF ASSETS AND LIABILITIES		(Rs Lacs)	
Particulars	As at 31.03.2017 (Audited)	As at 31.03.2016 (Audited)	
A			
EQUITY AND LIABILITIES			
1 Shareholders' Funds			
(a) Share Capital	3515	3515	
(b) Reserve and Surplus	(31056)	(28097)	
	(27541)	(24582)	
2 Non-Current Liabilities			
(a) Long-term Borrowings	3433	6495	
(b) Long-term Provisions	146	355	
	3579	6850	
3 Current Liabilities			
(a) Short-term Borrowings	12821	12821	
(b) Trade Payables	4802	2817	
(c) Other Current Liabilities	16789	14944	
(d) Short-term Provisions	259	259	
	34671	30841	
TOTAL - EQUITY AND LIABILITIES	10709	13109	
B			
ASSETS			
1 Non-Current Assets			
(a) Fixed Assets	4275	4455	
(b) Non-current Investments	984	984	
(c) Long-term Loans and Advances	358	446	
	5617	5885	
2 Current Assets			
(a) Inventories	667	1967	
(b) Trade Receivables	1729	3734	
(c) Cash and Cash Equivalents	18	41	
(d) Short-term Loans and Advances	2678	1482	
	5092	7224	
TOTAL - ASSETS	10709	13109	

NOTES :

- The above results have been reviewed by Statutory Auditors, Audit Committee and approved by the Board of Directors at their meeting held on 30th May, 2017.
- The company has become Sick Industrial company under section 3(1) (c) 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. 1088 lacs and for the year Rs. 2945 lacs.
- The company has written back loan & interest of Rs. 1121.66 lacs on account of OTS approved by ARCIL.
- ** 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,

Place : Ludhiana
Dated : 30th May, 2017

Chairman-cum- Managing Director