

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 six months period ended 30th September 2015 being submitted by the Company pursuant to Clause 41 of the Listing Agreement with the Stock Exchanges, except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been reviewed by us. 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 in accordance with the Standard on Review Engagement (SRE) 2410, "Engagement to Review Financial Statements" issued by the Institute of Chartered Accountants 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 provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.



Basis of Qualified Conclusion.

(i) We draw attention to note no. 3 in the statement. The Company has incurred a net loss of Rs. 1,514 lacs during the six months ending 30th September 2015 which together with brought forward losses of Rs. 25,763 lacs exceeds the net worth of the company, and as of that date, the company's current liabilities exceeded its current assets by Rs. 21,616 lacs and its total liabilities exceeded its total assets by Rs. 23,761 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 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.

(ii) *The segment results in respect of sewing thread segment has not been disclosed in accordance with the requirements of "Accounting Standard (AS) -17" on "Segment Reporting".*

(iii) *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 4,457 lacs

ii. Loans and Advances: Rs 1,488 lacs and

iii. Trade payables: Rs 4,142 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.



(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 made provision in respect of balances recoverable from Trade Receivables, Loans and Advances and Other recoverable, which are doubtful in nature amounting to Rs 4,430 lacs as on the date of the financial Statements.

(vi) The Company has not provided for the interest on borrowings amounting to Rs. 1,488 lacs pertaining to the six months ended on 30th September, 2015 (Rs. 748 lacs for the quarter ended 30th September 2015) under review and Rs 5,914 lacs pertaining upto year ended on 31st March 2015.

We further report that, except for the effect, if any, of the matters stated in paragraph (ii), (iii) and (iv) above which are not ascertainable, had the impact of our observation made in paragraph (v) and (vi) above been considered, then loss for the half year ended 30th September, 2015 would have been Rs 13,345 lacs (against the reported figure of Rs 1,514 lacs).

The basic earnings (loss) per share for the half year ended 30th September, 2015 would have been (Rs. 170.70) against reported basic earnings (loss) per share of (Rs. 21.03).



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 specified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and other recognized accounting practices and policies generally accepted in India, has not disclosed the information required to be disclosed in terms of clause 41 of the listing agreement including the manner in which it is to be disclosed, or that it contains any material misstatement.

Place: Ludhiana**Dated: 14th November, 2015****For S.C. VASUDEVA & CO.
Chartered Accountants
Firm Reg. No. 000235N**
**(SANJIV MOHAN)
Partner
M. No 086066****Scope of Review**

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