AMIT SPINNING INDUSTRIES LIMITED



24th Annual Report

2015 - 2016

CLC

BOARD OF DIRECTORS

S P Setia	(Non-Executive/Independent Chairman)
I.B. Maner	(Managing Director)
Ranjan Mangtani	(Non-Executive Director)
K Sankaramani	(Non-Executive Director)
Shivani Gupta	(Independent Woman Director)

AUDITORS

Sunil Jain & Co.
Chartered Accountants
New Delhi

AUDIT COMMITTEE

S P Setia (Chairman)
Ranjan Mangtani
Shivani Gupta

NOMINATION AND REMUNERATION COMMITTEE

S P Setia (Chairman)
Ranjan Mangtani
Shivani Gupta

STAKEHOLDERS RELALTIONSHIP COMMITTEE

S P Setia (Chairman)
Ranjan Mangtani
Shivani Gupta

REGISTERED & CORPORATE OFFICE

A-60, Okhla Industrial Area
Phase-II, New Delhi-110020
Tel.: 011-26387738
Fax: 011-26385181
Email secretarial@clcindia.com

REGISTRAR & TRANSFER AGENTS

M/s. RCMC Share Registry Pvt. Ltd.
B-25/1, Okhla Industrial Area, Phase-II,
Near Rana Motor, New Delhi - 110020
Tel.: 011-26387320 Fax : 011-26387322
E-mail : investor.services@rcmcdelhi.com

PLANT

Gat No. 47 & 48, Sangavade Village
Kolhapur – Hupari Road
Taluka Karveer
Dist. Kolhapur 416 202
MAHARASHTRA
Ph.: 0231 – 2676106/2676108/2676110
Fax: 0231-2676164

BANKERS / ARC

AXIS Bank Limited
JM Financial Asset Reconstruction Company Pvt. Ltd.

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- **24th AGM**

  Date : September 27, 2016 Time: 12.00 Noon

  Venue : Bipin Chandra Pal Memorial Bhavan, A-81, Chittaranjan Park, New Delhi 110 019

- Book Closure : From Friday, September 23, 2016 to Tuesday, September 27, 2016 (both days inclusive).

Company's shares are listed on BSE Ltd. and National Stock Exchange of India Ltd.

NOTICE

Notice is hereby given that the 24th Annual General Meeting of the Members of **Amit Spinning Industries Limited** will be held on **Tuesday the 27th day of September, 2016 at 12:00 Noon at Bipin Chandra Pal Memorial Bhavan, A-81, Chittaranjan Park, New Delhi 110019** to transact the following business:

ORDINARY BUSINESS :

1. To consider and adopt the Audited Financial Statements of the Company for the financial year ended 31st March, 2016, and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Ranjan Mangtani (DIN: 00678341) who retires by rotation and being eligible, offers himself for re-appointment.
3. To ratify the appointment of the Statutory Auditors of the Company for the year financial year 2016-17 and to fix their remuneration.

SPECIAL BUSINESS:

4. To consider and, if thought fit, to pass, with or without modifications the following resolution as an **Ordinary Resolution:**

   "**RESOLVED THAT** pursuant to the provisions of sections 149, 150, 152 and other applicable provisions and Schedule IV, of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014, as may be amended from time to time, and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, as may be amended, superseded or replaced from time to time, Mrs. Shivani Gupta (DIN 07547509), who was appointed as an Additional Director by the Board of Directors of the Company pursuant to section 161(1) of the Companies Act, 2013 and Article 85 of the Articles of Association and who holds office only upto the date of this Annual General Meeting and has submitted a declaration that she meets the criteria for independence as provided in section 149(6) of the Act and is eligible for appointment and in respect of whom the Company has received a notice in writing from a Member proposing her candidature for the office of Director, be and is hereby appointed as an Independent Non Executive Woman Director of the Company, for five consecutive years with effect from 30th June 2016 and whose office shall not be liable to retirement by rotation".

   "**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to do all such acts, matters, deeds and things as may be necessary, proper or expedient to give effect to the above resolution."

5. To consider and, if thought fit, to pass with or without modifications the following resolution as an **Ordinary Resolution:**

   "RESOLVED THAT pursuant to the provisions of Sections 196, 197, 203 and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, read with Schedule V of the Companies Act, 2013, including any statutory modification(s) or re-enactment(s) thereof, and other requisite approvals as may be necessitated from time to time, the consent of the Company be and is hereby accorded for seeking Shareholders approval for appointment and fixation of remuneration to Mr. I D Desai as Manager to the Company for a period of three years w.e.f. 1st September, 2016, as per the terms and conditions set out in the explanatory statement annexed to the Notice convening this meeting with liberty to alter and vary the same upto 15% increase per annum on his remuneration, subject to maximum limits specified under Schedule V of the Companies Act, 2013 or any other statutory modification(s) or re-enactment thereof or in accordance with the approval of Shareholders of the Company."

   "**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to do all such acts, matters, deeds and things as may be necessary, proper or expedient to give effect to the above resolution."

6. To consider and, if thought fit, to pass with or without modifications the following resolution as an **Ordinary Resolution:**

   "RESOLVED THAT pursuant to section 20 and other applicable provisions, if any, of the Companies Act, 2013 and relevant Rules prescribed thereunder, upon receipt of a request from a member for delivery of any document through a particular mode an amount of Rs.50/- (Rupees Fifty Only) for each such document, over and above reimbursement of actual expenses incurred by the Company, be levied as and by way of fees for sending the document to him in the desired particular mode.

   FURTHER RESOLVED THAT the estimated fees for delivery of the document shall be paid by the member in advance to the Company, before dispatch of such document.

   RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Compliance Officer of the Company be and is hereby authorized to do all such acts, deeds, matters and things as he may in his absolute discretion deem necessary, proper, desirable or expedient and to settle any question, difficulty, or doubt that may arise in respect of the matter aforesaid, including determination of the estimated fees for delivery of the document to be paid in advance."

By Order of the Board
For **AMIT SPINNING INDUSTRIES LIMITED**

Place: New Delhi
Date : August 09, 2016

Sd/-
Director

NOTES:

A. Explanatory Statement setting out all material facts regarding Special Business contained in Item Nos. 4 to 6 as required under Section 102 (1) of the Companies Act, 2013, is annexed hereto.

B. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY ATLEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

C. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.

D. The Register of Members and Share Transfer Books of the Company will be closed from **Friday, the 23th day of September, 2016 to Tuesday the 27th day of September, 2016** (both days inclusive) for the purpose of this Annual General Meeting.

E. All documents referred to in the Notice and accompanying explanatory statement are open for inspection at the Registered Office of the Company on all the working days of the Company between 10.00 A.M. to 1.00 P.M. upto the date of Annual General Meeting and also at the meeting.

F. Members are requested to intimate the change, if any, in their registered address immediately.

G. Members/Proxies should bring the attendance slips duly filled in and signed for attending the meeting.

H. It will be appreciated that queries, if any, on accounts and operations of the Company are sent to the Registered Office of the company ten days in advance of the meeting so that the information may be made readily available.

I. As per provisions of the Companies Act, facility of nomination is available to the members in respect of the shares held by them.

J. For any query on the Depository System, members may contact any depository participant or the Share Department at the Registered Office of the Company.

K. In terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a brief resume of directors who are proposed to be appointed/re-appointed at this meeting is provided in Corporate Governance Report, forming part of the Annual Report.

L. Securities and Exchange Board of India (SEBI) has made it mandatory for the transferees to furnish copy of PAN card to the Company/RTA for registration of shares held in Physical Form.

M. Members are requested to send queries, if any, at E-mail ID secretarial@clcindia.com which is being used exclusively for the purpose of redressing the complaint(s) of the investors.

N. VOTING THROUGH ELECTRONIC MEANS

In accordance with provisions of section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 the business may be transacted through electronic voting system and the Company intends to provide facility for voting by electronic means ("e-voting") to its members. The Company has engaged the services of Central Depository Services (India) Limited (CDSL) to provide e-voting facilities and for security and enabling the members to cast their Vote in a secure manner. However, the Company has not paid the Annual Custodian Fee to the CDSL due the financial difficulties, the CDSL has blocked the benpos and not provided the shareholders list, and the Company is not in a position to conduct the e-voting process for the said meeting. Company has requested and assured the CDSL that the dues will be cleared once the rehabilitation scheme approved by the concerned authority inspite of our request, CDSL has not provided the benpos.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013

ITEM NO. 4

The Board of Directors had appointed Mrs. Shivani Gupta as an Additional Director of the Company on 30th June, 2016 under category of Independent Women Director.

In terms of Section 161(1) of the Companies Act, 2013, Mrs. Shivani Gupta holds office upto the date of the ensuing Annual General Meeting. In this regard, the Company has received a notice in writing from a member alongwith deposit of requisite

amount required under Section 160 of the Companies Act, 2013, proposing her candidature for the office of Independent Woman Director of the Company.

In terms of the provisions of Section 149 of the Companies Act, 2013, an Independent Director shall hold office for a term up to five consecutive years on the Board of a company and is not liable to retire by rotation. Mrs. Shivani Gupta has given a declaration to the Board that she meets the criteria of independence as provided under Section 149 (6) of the Act.

In compliance with the provisions of Section 149 read with Schedule IV of the Act, the appointment of Mrs. Shivani Gupta as Independent Women Director is now being placed before the Members in General Meeting for their approval.

None of the Directors and/or Key Managerial Personnel of the Company and/or their relatives, except Mrs. Shivani Gupta is concerned or interested in the resolution set out in Item No. 4.

Your Directors recommend the ordinary resolution set out at Item No. 4 of the Notice for your approval.

ITEM NO. 5:

Since the Managing Director Mr. I B Maner's term is expiring on 31st August, 2016 and keeping in view of financial difficulties, the Company cannot afford the remuneration payable to Managing Director and the Nomination and Remuneration Committee and Board of Directors at their meeting held on 9th August, 2016 have proposed to appoint Mr. Ishwar Dhondiba Desai as Manager to the Company w.e.f 1st September, 2016 as per the remuneration mutually agreed upon the Board and Mr. Desai.

Mr. Desai aged about 58 years is a Post Graduate and having 30 years of rich experience in Human Resources and related matters and has been working with the Company for the past many years.

As per the applicable provision read with Schedule V of the Companies Act, 2013, Company is not required to obtain the Central Government approval as the remuneration payable to Mr. I.D. Desai is within the limits prescribed under the said Act.

OVERALL REMUNERATION

Subject to the provisions of Section 196, 197 & 203 read with Schedule V and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the remuneration payable to a Manager in a financial year shall not exceed 5% of the net profit of the company computed in the manner laid down in section 198 except that the remuneration of the Directors shall not be deducted from the gross profits.

Within the aforesaid ceiling, remuneration payable to Mr. I.D. Desai shall be as follows:

I. Tenure of Remuneration : 1st September, 2016 to 31st August, 2019

II. Remuneration : Rs. 54,256/- including perquisites for aforesaid period subject to overall increase in remuneration shall be decided by the Chairman of the Company as per the relevant provisions on yearly basis and excluding the EPF, Gratuity/Superannuation fund and applicable incentives as mentioned in the Section 197 read with Schedule V of the Companies Act, 2013.

III. Other terms of Appointment :

a) No sitting fees shall be paid to them for attending meetings of Board of Directors/ Committee of the Board.

b) Reimbursement of all entertainment, travelling, hotel and other expenses actually incurred by them in connection with the business of the Company.

c) Normal annual Increment if any shall be decided by the Chairman of the Company as per the relevant provisions on yearly basis.

The draft of Agreement to be entered into between the Company and Mr. I.D. Desai for appointment and remuneration is available for inspection by the members at the Registered Office of the Company during the business hours on any working day. The explanatory statement may also be regarded as a disclosure under SEBI (LODR) Regulations.

None of the Directors and/or Key Managerial Personnel of the Company and/or their relatives, except Mr. I D Desai is concerned or interested in the resolution set out in Item No. 5.

Your Directors recommend the ordinary resolutions set out at Item No. 5 of the Notice for your approval.

ITEM NO. 6

This is to inform to the members that pursuant to Section 20 of the Companies Act, 2013 and applicable provisions of the said Act, the company is required to serve a document to any member by sending it by Post or by Registered post or by Speed post or by Courier or by delivering at his office or address or by such electronic or other mode as may be prescribed by him from time to time.

It is further informed that a member can request for delivery of any document to him through a particular mode for which he shall pay such fees as may be determined by the company in its Annual General Meeting. Therefore, to enable the members to avail of this facility, it is necessary for the Company to determine the fees to be charged for delivery of a document in a particular mode, as mentioned in the resolution. Since the Companies Act, 2013 requires the fees to be determined in the Annual General Meeting,

None of the Directors and/or Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No.6 of the accompanying Notice.

Your Directors, accordingly, recommend this Ordinary Resolution at item no. 6 of the accompanying notice, for the approval of the members of the Company.

BOARD'S REPORT

Dear Members,

Your Directors have great pleasure in presenting the 24th Annual Report together with Audited Statements of Accounts of the Company for the year ended March 31, 2016.

Financial Results

The summarized financial results for the year ended March 31, 2016 as compared to the previous year are as follows:

(` in Lakhs)

	2015-2016	2014-2015
Revenue from Operation	38.98	3205.52
Other Income	1.63	4.06
Profit before depreciation, interest finance charges and tax (PBDIT)	(847.18)	(842.59)
Less: Interest and Finance Charges	309.38	347.29
Less: Depreciation	346.61	343.59
Profit/(Loss) before Tax (PBT)	(1503.17)	(1533.46)
Less : Tax Expense/Deferred Tax	0	878.25
Profit/(Loss) after Tax (PAT)	(1503.17)	(2411.71)

FINANCIAL ANALYSIS AND PERFORMANCE REVIEW

During the financial year 2015-16 under review, your company could not utilize its capacities due to financial constraints/shortage of working capital and the unit of the company located at Kolhapur remained inoperative accordingly the revenue from operations decreased to Rs. 38.98 lakhs as compared to Rs. 3,205.52 lakhs in the previous year.

Further, over the period the company has eroded its net worth completely and it has been declared as a Sick Company under Sick Industrial Companies (Special Provisions) Act'1985 by the Board for Industrial and Financial Restructuring (BIFR) vide its order dated 18th July'2012.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

India's Textiles Sector is one of the oldest Industry in Indian economy dating back several centuries. Even today, textiles sector is one of the largest contributor to India's exports accounting for approximately 11% of total exports. The Textile Industry is also labor intensive and is one of the largest employers. The industry realised export earnings worth US$ 41.4 billion and a growth of 5.4 per cent.

The textile industry has two broad segments. First, the unorganised sector consists of handloom, handicrafts and sericulture, which are operated on a small scale and through traditional tools and methods. The second is the organized sector consisting of Spinning, Apparel and Garment segment which apply modern machinery and technology.

Amit Spinning is producing only Cotton Yarn with a capacity of 30672 spindles. However, during the period under review, the operations of Amit Spinning were badly affected due to shortage of Working Capital and non approval of Rehabilitation Plan by BIFR.

Due to these constraints the Company operations have been suspended since 11th August, 2015 resulting in revenue from operations decreasing to Rs. 38.98 Lakhs as compared to Rs. 32.05 Crores during 2014-15.

MANAGEMENT PERCEPTION ON OPPORTUNITIES, RISKS, CONCERN & OUTLOOK

The Low per-capita domestic consumption of textile indicates potential of growth in the textile industry. The Indian government has come up with a number of export promotion policies for the textiles sector. A new National Textiles Policy is expected to be announced soon Further, the Government has proposed the establishment of Centres of Excellence for training the workforce in the textile sector and also to establish institutes under the public-private partnership (PPP) model to encourage private sector participation in the development of the industry.

Further, with focus on Make in India, the Indian Textile industry is expected to become resilient and robust through various support measures likely to be announced by the government. The future outlook for the Indian Textile Industry looks promising, buoyed by both strong domestic consumption and increase in export turnover.

The major factors hindering progress of the textiles industry are Increase in the power costs, higher transaction costs, high cost of labour and general increase in input costs, thus the industry has to concentrate on cost reduction exercises and improvement in efficiency. With conscious and focused efforts and strategies built around optimum product mix, operational efficiencies and customer satisfaction the management is confident of a turnaround of the company in near future.

With the awaited / impending approval of rehabilitation scheme of the company by BIFR and with the continued support and co-operation of company's bankers, management believes that your Company would again resume production, optimally utilize capacities, and generate increasing sales volumes, margins in due course.

SEGMENT-WISE PERFORMANCE

Amit Spinning Industries Ltd. (ASIL) being a cotton yarn manufacturer has only one business segment. On the basis of geographical categorization of market, ASIL identified two segments i.e. exports and domestic.

During the year under review, Company has not manufactured yarn as against 1281.64 MT produced by the company in the previous year.

SUBSIDIARY COMPANIES, JOINT VENTURES AND ASSOCIATE COMPANIES

As there are no subsidiaries/associates/joint ventures of the Company, the provisions contained in Companies Act, 2013/ SEBI (LODR) Regulations relating to subsidiaries are not applicable.

DIVIDEND

During the year under review, the Company has no distributable profits hence directors regret their inability to recommend any dividend for financial period 2015-16.

TRANSFER TO RESERVES

During the year, the Company has not transferred any amount to reserves.

SHARE CAPITAL

The Company's Authorized Share Capital as on 31st March, 2016 stands at Rs. 25,00,00,000/-and issued & paid up capital as on 31st March, 2016 stands at Rs. 20,58,48,335/- divided into 4,11,69,667 fully paid up equity shares of Rs. 5/- each. During the year, under review, the Company has not issued any share(s). Further the Company has not issued any shares with differential Voting Rights/Sweat Equity shares/under Stock Option Scheme (ESOS) earlier and during the year.

The Company has no scheme of provision of money for purchase of its own shares by employees or by trustees for the benefit of employees. Hence the details under rule 16 (4) of Companies (Share Capital and Debentures) Rules, 2014 are not required to be disclosed.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

(a) Change in Directors and Key Managerial Personnel

Mr. Ranjan Mangtani, Director of the Company, retires by rotation in the forthcoming Annual General Meeting and being eligible, offer himself for re-appointment. The Board recommended his re-appointment for the consideration of the members of the company at the ensuing Annual General Meeting.

Mrs. Shivani Gupta has been appointed as Independent Women Director on 30th June, 2016 in compliance with SEBI (LODR) Regulations, 2015 regarding composition of the Board. Further, Ms. Priya Lohani, Women Director of the Company has resigned from the office of director w.e.f 10.05.2016.

During the period under review, Mr. Malpeddi Nagnath S, Manager Accounts has been entrusted with responsibility to discharge the functions of CFO (Chief Financial Officer) along with other functions of the Company w.e.f 8th February, 2016 in place of Mr. Shreyas S Alatkar, who was appointed as CFO on 13th February, 2015.

Brief resume of the Directors proposed to be appointed/re-appointed, nature of their expertise in specific functional areas and names of the companies in which they hold directorship and membership/chairmanships of the Board or its Committees, as stipulated under SEBI (LODR) Regulations entered by the Company with stock exchanges in India, is provided in the Report of Corporate Governance forming part of the Annual Report.

(b) Number of Meetings of the Board

Four meetings of the Board were held during the year. The detailed information regarding meetings of the Board held during the year was mentioned in the Corporate Governance Report which forms part to this report.

(c) Declaration by Independent Directors

All Independent Directors have given declarations that they met the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and SEBI (LODR) Regulations.

(d) Annual Evaluation by the Board

Pursuant to the provisions of the Companies Act, 2013 and SEBI (LODR) Regulations, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as its Committees. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report.

(e) Remuneration Policy

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The Remuneration Policy is enumerated in the Corporate Governance Report. During the year, neither the Managing Director nor the Whole-time Directors of the Company received any remuneration or commission from any of its subsidiaries.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 134(3)(c) of the Companies Act, 2013, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

(a) in the preparation of the annual accounts for the financial year ended 31st March, 2016, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(b) 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 as at March 31, 2016 and of the profit and loss of the company for that period;

(c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(d) the directors had prepared the annual accounts on a going concern basis; and

(e) the directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

(f) 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.

RELATED PARTY TRANSACTIONS

All transactions entered into with related parties as defined under the Companies Act, 2013 and SEBI (LODR) Regulations during the financial year were in the ordinary course of business and on an arm's length pricing basis. The Company has entered into a material transaction with one related party i.e. its holding Company M/s. Spentex Industries Limited according to the policy framed for the related party transactions and the same has been disclosed in the note to financial statements. However there was no other materially significant Related Party transaction entered into by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

Prior omnibus approval of the Audit Committee was obtained for Related Party Transactions for a period upto 31st March, 2016 The transactions entered into pursuant to the omnibus approval so granted were audited and a statement giving details of all related party transactions was placed before the Audit Committee for its review on a quarterly basis.

The Company has framed a Related Party Transactions Policy for purpose of identification and monitoring of such transactions. The policy on Related Party Transactions as approved by the Board has been uploaded on the Company's website.

None of the Directors has any pecuniary relationships or transactions vis-a-vis the Company. All related party transactions entered into by the Company were in ordinary course of business and were on an arm's length basis, however for the transaction entered with its holding company fall under material transaction and details of the same is mentioned in form AOC - 2 attached herewith as Annexure-1.

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION BETWEEN THE DATE OF THE BOARD REPORT AND END OF FINANCIAL YEAR

The Company has appointed Mrs. Shivani Gupta as an Independent Women Director w.e.f. 30th June, 2016 and Ms. Priya Lohani, Company Secretary has resigned from the Company w.e.f 22nd June, 2016.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS.

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

AUDITORS AND AUDITORS REPORT

(a) Statutory Auditors

At the 22nd Annual General Meeting held on 11.09.2014 M/s. Sunil Jain & Co., Chartered Accountants, (Firm Registration No. 003855N) was appointed as Statutory Auditors of the Company to hold office till the conclusion of the 26th Annual General Meeting to be held in the Calendar Year 2018. In terms of the proviso to Section 139 of the Companies Act, 2013, the appointment of the Auditors shall be placed for ratification at every Annual General Meeting. Therefore, the appointment of M/s. Sunil Jain & Co., Chartered Accountants, as statutory auditors of the Company is placed for ratification by the shareholders. The Company has received a confirmation from M/s. Sunil Jain & Co., Chartered Accountants to the effect that their appointment, if made, at the ensuing AGM would be in terms of Sections 139 and 141 of the Companies Act, 2013 and rules made there under and that they are not disqualified for re-appointment.

Further, the Statutory Auditors have submitted Auditors' Report on the accounts of the Company for the period ended 31st March 2016.

Directors' view on Auditor's Observations

Directors' response to the various observations of the auditors made in their report, has been explained wherever necessary through appropriate notes to accounts, however pertinent notes are reproduced hereunder in compliance with the relevant legal requirements and wherever required further explanation is furnished.

Note No. 29 of the Financial Statement qualified by Auditors

The Other Non Current Assets of the Company include a sum of Rs. 1,52,76,144, being an amount receivable from MSEB. The Company is making effort to recover the same and expects to reduce the outstanding dues significantly and the management is of the opinion that ultimately there would be no losses against these old balances and hence no provision is considered necessary at this stage.

Note No. 30 of the Financial Statement without qualifying, Auditors have drawn attention:

“As on March 31, 2016, the accumulated losses of the Company have far exceeded its net worth. In the opinion of the management, the Company's operations are affected by global business downturn which has resulted in reduction in demand, increase in input costs and shortage of working capital. The Company has also filed a reference with Board for Industrial and Financial Restructuring (BIFR) under Section 15 of Sick Industrial Companies (Special Provisions) Act, 1985 for determination of sickness and measures to be adopted for rehabilitation. The BIFR, vide its order, dated 18.07.2012 declared the Company as sick under section 3(1)(o) of SICA, 1985 and appointed UCO Bank as Operating Agency (OA) under section 17(3) to prepare Rehabilitation Scheme for the Company. However, on the strength of management's plan of revival including reorganization of business, these financial statements are prepared on a going concern basis.”

(b) Cost Auditor:

The company having been declared as a sick Company and having not produced any yarn in the year 2015-16, the Cost Records and Audit Rules, 2014 is not applicable to the Company.

(c) Secretarial Auditor & Audit Report:

Pursuant to provisions of Section 204 of the Companies Act, 2013, the Company has appointed M/s. Loveneet Handa & Associate, Practicing Company Secretary (having CP No. 10753 & Membership No. 25973) as Secretarial Auditor to carry out the secretarial audit for the financial year 2015-16.

The Secretarial Audit Report for the financial year ended March 31, 2016 is annexed herewith marked as Annexure 2 to this Report.

Secretarial Auditor have mentioned in his report towards delay/non payment of statutory dues and listing/custodian fee to concerned authorities because the Rehabilitation Scheme filed by the company with BIFR is yet to be considered and approved. The management has no option but continue to keep the manufacturing unit situated at Kolhapur, Maharashtra, inoperative, as before for the time being, due to financial constraints and non-availability of working capital.

(d) Internal Auditors

Pursuant to section 138 of the Companies Act, 2013 read with The Companies (Accounts) Rules, 2014, the Company has appointed Dr. Sunil Kumar Gupta as the Internal Auditor of the Company.

INTERNAL CONTROL SYSTEMS AND ADEQUACY

The Company has established adequate internal control systems, commensurate with its size and nature of business and such systems are periodically audited, verified and reviewed for their validity, considering the changing business scenario from time to time, the Audit Committee of the Board of Directors reviews the adequacy and effectiveness of internal control systems and suggests improvement for strengthening them.

EXTRACT OF THE ANNUAL RETURN

The details forming part of the extract of the Annual Return in form MGT 9 is annexed herewith as Annexure-3 to this Report.

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

Company has implemented energy conservation methods and such action has resulted into major savings in energy consumption as well as in cost control. The information as required to be disclosed under Section 134(3)(m) of the Companies Act, 2013 read with Rule, 8 of the Companies (Accounts) Rules, 2014 is set out in the Annexure – 4 to this Report.

PARTICULARS OF EMPLOYEES

The statement containing particulars of employees as required under section 197(12) of the Act read with Rule 5(2) & 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended, shall be made available to any shareholder on a specific request made by him in writing on or before 27th September, 2016.

DEPOSITS

The Company has not accepted or renewed any deposit during the year and there are no outstanding and/or overdue deposits as at 31st March, 2016.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Details of loans, Guarantees and Investments covered under the provision of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements.

RISK MANAGEMENT

A Risk Management Committee has been constituted to oversee the risk management process in the Company as required under the Companies Act, 2013 and SEBI (LODR) Regulations. The details of the Committee and its terms of reference are set out in the Corporate Governance Report forming part of the Board's Report. The Risk Management Policy has also been hosted on the website of the company

VIGIL MECHANISM

The Company has framed and implemented a vigil mechanism named as Whistle Blower Policy to deal with instances of fraud and mismanagement, if any. The details of the Whistle Blower Policy are provided in the Corporate Governance Report and also hosted on the website of the Company.

During the year under review, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

HUMAN RESOURCES/INDUSTRIAL RELATIONS

A Fundamental concept embodied in the company's code of conduct is to provide working environment that motivate employees to be productive and innovative and provide opportunities for employee training and development to maximize personal potential and develop careers within the Group. The Company values the involvement of its employees and keep them informed on matters affecting them as employees and factors relevant to the company's performance and other employee related issues on a non discriminatory basis.

The Board of Directors place on record the active, dedicated and valuable contribution made by employees of the Company at all levels with regard to the affairs of the Company. The Industrial relations remained cordial within the Company.

FRAUD REPORTING

During the year no fraud has been reported to the Audit Committee / Board.

INFORMATION TECHNOLOGY

Information Technology continues to be an integral part of your company's business strategy. The Company is working on SAP platform integrating its business processes, financial parameters, customer transactions and people, effectively on real time basis.

CHANGE IN THE NATURE OF BUSINESS

There is no change in the nature of the business of the company.

CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS

As stipulated under SEBI (LODR) Regulations, 2015, a report on Corporate Governance is attached separately as a part of the Annual Report and the Management Discussion and Analysis (MD & A) is included in this report so that duplication and overlap between Boards' Report and a separate MD & A is avoided and the entire information is provided in a composite and comprehensive manner.

LISTING OF SHARES

Presently Company's shares are listed and traded at the BSE Limited, Mumbai (BSE) and National Stock Exchange of India, Mumbai (NSE). Due to closure of operations of manufacturing unit and non approval of Rehabilitation Scheme by concerned authority the company has not paid the Annual Listing Fee for the financial year 2015-16 and 2016-17 to BSE & NSE and Company would be in a position to pay the same only after infusion of funds pursuant and subsequent to the approval of Rehabilitation Scheme.

CONCLUSION

Your company is presently going through challenging and difficult period due to market and financial constraints. It has already been declared as a Sick Company under Sick Industrial Companies (Special Provisions) Act, 1985 by BIFR vide its order dated 18th July'2012, and UCO Bank has been appointed as an Operating Agency to work out DRS for the Company in consultation with lenders. It is however expected, on Company receiving BIFR approval for its DRS, it would be in a better position to augment its production and sales, by utilizing its capacities optimally. UCO Bank has assigned its debt to JM Financial Asset Reconstruction Company Pvt. Ltd.

Acknowledgments

Your Directors place on record their sincere thanks to bankers, financial institutions business associates, consultants, customers, suppliers, contractors and various Government Authorities for their continued support extended to your Company's activities during the year under review. Your Directors also gratefully acknowledge the continuing support of the shareholders and the confidence reposed by them in the company

On behalf of the BOARD OF DIRECTORS
Sd/-
S P SETIA
CHAIRMAN

Place New Delhi
Date : August 9, 2016

Annexure - 1 to the Director's Report

FORM NO. AOC -2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arms length transaction under third proviso thereto.

1. **Details of contracts or arrangements or transactions not at Arm's length basis – N.A.**
2. **Details of material contracts or arrangements or transactions at Arm's length basis.**

SL. No.	Particulars	Details
1	Name (s) of the related party & nature of relationship	Spentex Industries Ltd. (Holding Company)
2	Nature of contracts/arrangements/transaction	Sale/Purchase of godds/services
3	Duration of the contracts/arrangements/transaction	01.04.2015 – 31.03.2016
4	Salient terms of the contracts or arrangements or transaction including the value, if any	Ongoing transactions on normal business terms. Value of all transactions is Rs. 50,71,101/-
5	Date of approval by the Board	25.05.2016
6	Amount paid as advances, if any	-