



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; E-MAIL: company.secretary@malwagroup.com

NOTICE

NOTICE is hereby given that 40th 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 30th 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 25th September, 2016 to Friday, the 30th 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, 27th September, 2016 at 9.30 A.M. and end on Thursday, 29th 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 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 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:

	For Members holding shares in Demat Form and Physical Form
PAN	<p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> 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. 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.
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"> 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).
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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 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.
 - 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 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 under help section or write an email to 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 within 48 hours after passing of the resolutions at the 40th 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

By Order of the Board

Place: Ludhiana
Date: 30.05.2016

Pooja Malhotra
Company Secretary



MALWA COTTON SPINNING MILLS LTD.

Regd. Off: INDUSTRIAL AREA "A", LUDHIANA- 141003
Ph: 0161-2224201 Fax: 0161-5013623, CIN NO: L17115PB1976PLC003702
Website: www.malwagroup.com; EMAIL: 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 30th 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
	Ordinary Business	For	Against
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 40th Annual General Meeting of the Company to be held on Friday, the 30th 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:

- A Member entitled to attend & vote at the meeting is entitled to appoint a proxy to attend & vote on poll instead of himself/herself.
- 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:

Particulars	(Rs Lacs)	
	2015-16	2014-15
Total Revenues	3616.55	11201.69
Profit/(loss) before interest & depreciation	(2118.24)	(3403.16)
Less :Financial Expenses	13.29	27.00
Profit/(loss) before depreciation	(2131.53)	(3430.16)
Less: Depreciation	202.67	257.50
Profit after depreciation and interest	(2334.20)	(3687.66)
Net profit/(loss) after tax	(2334.20)	(3687.66)
Amount transferred to General Reserve	--	--
Earning per Share (Basic)	(33.28)	(50.37)
Earning per Share (Diluted)	(13.40)	(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 31st 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 31st 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 30th 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 31st 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