

NOTICE

NOTICE is hereby given that the 19th Annual General Meeting of the Members of Winsome Yarns Limited, will be held on Friday, the 28th August, 2009 at 3.30 p.m. at PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March 2009, and the Balance Sheet as at that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Chandra Mohan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Ashish Bagrodia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT M/s Lodha & Co., Chartered Accountants, be and are hereby appointed as Statutory Auditors of the company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the company, at a remuneration to be decided by the Board of Directors."

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification, the following resolution as Special Resolution.

"RESOLVED THAT in supersession of earlier resolution passed at the Annual General Meeting of the Company held on 28.09.2006 and pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the company to mortgage and/or create charge on all immovable and movable properties of the company wheresoever situated, both present and future and the whole or substantially the whole of the undertaking or undertakings of the company to or in favour of the Public Financial Institutions/ Banks/ Financial Institutions, from time to time for their financial assistance provided to the Company, subject to a maximum limit as approved by shareholders under section 293(1)(d) of the companies Act, 1956 including mortgages and/ or charges already created.

RESOLVED FURTHER THAT the mortgage/charge created/to be created and/or all agreements/ documents executed/ to be executed and all acts done in terms of the above resolutions by and with the authority of the Board of Directors are hereby confirmed and ratified.

RESOLVED FURTHER THAT Board of Directors be and are hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for giving effect to the resolution and to settle any questions or disputes that may arise in relation thereto."

6. To consider and if thought fit, to pass with or without modification, the following resolution as Special Resolution.

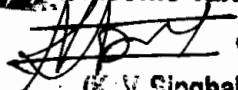
"RESOLVED that in supersession of the earlier resolution passed at the Annual General Meeting held on 28.09.2006 and pursuant to Section 293(1)(d) of the Companies Act 1956 and other applicable provisions, if any, of the Companies Act, 1956, the Company accords its consent to the Board of Directors to borrow any sum or sums of money from time to time notwithstanding that the money to be borrowed together with the money already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and any free reserves, that is to say, reserves not set apart for any specific purposes, provided however, the total amount upto which the money may be borrowed by the Board of Directors and outstandings at any time shall not exceed Rs. 750.00 Crores (Rupees Seven hundred fifty Crores only)."

7. To consider and if thought fit, to pass, with or without modification as may be deemed fit, the following resolution as SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, (including any amendment thereto or re-enactment thereof) and in accordance with the provisions of the Memorandum and Articles of Association of the Company and the rules/regulations/guidelines, notifications, circulars and clarifications issued thereon from time to time by Government of India (GOI), the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and/or prescribed by the Listing Agreements entered into by the Company with the Stock Exchanges on which the Company's shares are listed, or any other relevant authority from time to time, to the extent applicable and subject to such approvals, consents, permissions and sanctions as might be required and subject to such conditions as may be prescribed while granting such approvals, consents, permissions and sanctions, which the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any Committee(s) constituted/to be constituted by the Board to exercise its powers including the powers conferred by this Resolution) is

Certified to be True Copy

Winsome Yarns Ltd.


(R. V. Singhal)

DGM (Legal) Company Secretary

hereby authorized to accept, that the consent of the Company, be and is hereby accorded to the Board for offering, issuing, allotting on preferential basis, to the financial Investors belonging to non promoter group and members of the Promoters' Group and/ or their nominees ("the Allottees") up to **72,00,000** Convertible Warrants ("Convertible Warrants"), and for the allotment of one Equity Share on exercise of each such Convertible Warrant at a price of Rs. 14/- each (including Premium) i.e the exercise price, being a price not lower than the minimum price specified as per SEBI Guidelines for Preferential Issue (Chapter XIII of the SEBI (DIP) Guidelines 2000), on such further terms and conditions, as may be finalized by the Board of Directors, in accordance with guidelines/ applicable to preferential allotment of the Convertible Warrants, by Government of India, Securities & Exchange Board of India (SEBI), Stock Exchanges or any other authorities, as the case may be, and/or any modification thereof in preferential allotment to the financial investor and promoter(s)/ promoter group hereinafter referred as the "Promoter Group" as detailed herein below:

NON PROMOTER GROUP

S.No.	Name of Proposed Allottees	No. of Convertible Warrants
1	Ankur Agencies (P) Ltd.	700000
2	Arpit Agencies (P) Ltd.	1400000
3	Daniel Vinimay (P) Ltd.	700000
4	Land Scape Traders (P) Ltd.	1400000
Total		4200000

PROMOTER GROUP

S.No.	Name of Proposed Allottees	No. of Convertible Warrants
1	Shell Business (P) Ltd.	3000000
Total		3000000

Whether or not such person(s) in the promoter Group are members of the company, in such manner and upon such conditions as are hereinafter contained:

1. A sum of 25% of the exercise price (such amount being referred to hereinafter as "the strike price") shall be payable by the Allottees at the time of allotment of the Convertible Warrants. If the Allottees do not exercise the Convertible Warrants during the conversion period, the strike price shall be forfeited by the Company. In case the Allottees exercise the Convertible Warrants, the strike price shall be adjusted against the share application monies payable by the Allottees and only the balance 75% shall be payable by them.
2. The Convertible Warrants shall be allotted within a period of 15 (Fifteen) days of the passing of the resolution at the general meeting being held on 28.08.2009 to consider and approved the issue of Convertible Warrants. Provided that where the allotment in one or more lots on preferential basis is pending on account of pendency of any approval of such allotment by any regulatory authority or the Central Government, the allotment shall be completed within 15 (Fifteen) days from the date of such approval.
3. The Convertible Warrants shall be exercisable at the option of the holder, in such number of options exercised by the holder, in one or more lots at the option of the holder of such Convertible Warrants at any time within the exercise period. The exercise period shall not exceed 18 months from the date of allotment of Convertible Warrants.
4. The terms relating to such Convertible Warrants including the exercise period and relating to the Equity Shares being allotted on their exercise may be decided in accordance with SEBI guidelines and other provisions of law as may be applicable to the transaction, by the Board of Directors.
5. The price of convertible warrants to be allotted to the proposed allottees on Preferential basis shall be the price not lower than the price determined in accordance with the Chapter XIII of the SEBI (DIP) Guidelines which shall be the higher of the followings:
 - the average of the weekly high and low of the closing prices of the related shares quoted on the stock exchanges during the six months preceding the relevant date; or
 - the average of the weekly high and low of the closing prices of the related shares quoted on the stock exchanges during the two weeks preceding the relevant date.

The relevant date for the purpose of pricing shall be 29.07.2009 being the date which inter alia is 30 days prior to the date of General Meeting which is being held for this purpose.
6. The Equity Shares so allotted on exercise and conversion of the Convertible Warrants shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari passu in all respects with the then existing Equity Shares of the Company.

- 7.- The option attached to the Warrants shall not be transferred or otherwise disposed off to any other person/ third party.
8. The Convertible Warrants and the Equity Shares allotted on the conversion of such Convertible Warrants shall be locked in the manner specified, during the lock-in period so specified, in the SEBI (DIP) Guidelines except to the extent and in the manner permitted there under (or out of the above Equity Shares so issued and allotted 30,00,000 convertible warrants/ Equity Shares on conversion issued to Promoter Group, shall be subject to lock-in of a total period of three years from the date of allotment of the Equity Shares. The remaining 42,00,000 convertible warrants/ Equity Shares on conversion shall be subject to lock-in for a total period of one year from the date of allotment of the Equity Shares or such other period as may be applicable under the SEBI Preferential Issue Guidelines as amended from time to time).
9. The entire pre-preferential allotment shareholding of the above allottees shall be under lock-in from the relevant date up to a period of six months from the date of preferential allotment or such other period as may be applicable under the SEBI Preferential Issue Guidelines as amended from time to time
10. The said Convertible Warrants and the Equity Shares allotted on conversion of such Convertible Warrants shall be subject to such further terms and conditions, if any, as may be agreed to by and between, the Board of Directors, and the Regulatory Authorities, and Subscriber(s) of Convertible Warrants / Shares.
11. For the purpose of giving effect to this resolution, the Board of Directors of the Company, be and is hereby authorized to offer, issue & allot such number of the Convertible Warrants (and Equity Shares arising on conversion of the Convertible Warrants) as may be necessary and to do all deeds, things and take action on matters, give such directions, including without limitation, the entering into arrangements for appointment of agencies for managing, underwriting, marketing, listing, trading of Securities issued, such as depository, custodian, registrar, stabilizing agent, paying and conversion agent, trustee and to issue any offer document(s), including but not limited to prospectus, and sign all deeds, documents and writings and to pay any fees, commissions, remuneration, expenses relating thereto and with power to settle any questions doubt or difficulties which may arise with regard to the offer, issue or allotment of the said Convertible Warrants and / or shares and to take appropriate actions to bring into effect the decision of above as an enabling resolution."
- 8. To consider and if thought fit, to pass, with or without modification as may be deemed fit, the following resolution as SPECIAL RESOLUTION:**
- "RESOLVED THAT pursuant to Section 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII thereto as amended from time to time and subject to approval of Central Government and such other approvals as may be necessary, the consent of the Company be and is hereby accorded to the reappointment of Shri Manish Bagrodia as Managing Director of the Company for a period of five years w.e.f. 01.07.2009 on the terms and conditions including remuneration and commission as set out in the explanatory statement with liberty to the Board of Directors to alter and vary, the terms and conditions of the said appointment so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto"
- 9. To consider and if thought fit, to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION:**
- "RESOLVED THAT pursuant to Section 94(1)(d) and other applicable provisions of the Companies Act, 1956 (including any modification or re-enactment thereof); the SEBI (Disclosure and Investor Protection) Guidelines, 2000; the provisions of the Articles of Association of the Company and also subject to the regulations prescribed in this behalf by the Government of India and further subject to the guidelines, regulations and clarifications issued by the Securities & Exchange Board of India (SEBI) for the time being in force, and the listing agreements entered into by the Company with the stock exchanges, where the shares of the Company are listed and subject to such other statutory approvals, consents, permissions and sanctions, consent and approval of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter called the "Board", which term shall include any duly constituted and authorized committee thereof), to split/sub-divide each and every equity share of the Company of nominal value of Rs. 10/- each into 10 equity shares of Re. 1/- each so that:
- a) The existing Authorized Share Capital of the Company of Rs. 43,00,00,000/- (Rupees Forty Three Crores only) divided into 4,30,00,000 (Four Crore Thirty lacs) equity shares of Rs. 10/- each be sub-divided into 43,00,00,000 (Forty Three Crores) equity shares of Re. 1/-each;
- b) Accordingly, the paid-up equity share capital consisting of equity shares of Rs. 10/- each be sub-divided into equity shares of Re.1/- each;
- c) All the proposed Convertible Warrants, if allotted, shall be converted into Equity Shares and are presently convertible to one Equity Share of Rs. 10/- each, will after such subdivision coming into effect be entitled to be converted into 10 Equity Shares of Re. 1/- each.

- d) The number of Equity Shares to be allotted upon conversion of all warrants allotted by the Board hereinafter but before the record date for such split/sub-division shall be adjusted such that where each Warrant is convertible into one Equity Share of Rs. 10/- each, such Warrant shall, after the subdivision coming into effect, be convertible into 10 Equity Shares of Re. 1/- each.
- e) The Board be and is hereby authorized to inform the Registrar & Transfer Agents of the Company and the depositories, to take the necessary action to give effect to this resolution, to file necessary corporate action forms with Depositories i.e. National Securities Depository Limited and Central Depository Services (India) Limited, such that the split/sub-divided Equity Shares would be credited to the demat/electronic accounts of shareholders and also to issue, wherever applicable, new share certificates representing the sub-divided shares with new distinctive numbers, in the aforesaid proportion subject to the rules as laid down in the Companies (Issue of Share Certificates) Rules, 1960 with an option to either exchange the new share certificates in lieu of cancellation of the old share certificates or without physically exchanging the share certificates, by treating the old share certificates as deemed to be cancelled.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things and execute all such documents, instruments and writings as may be required in the said connection.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to delegate all or any of the powers herein conferred by this resolution to any director or directors or to any committee of director(s) or any other officer or officers of the company and to do all such acts, matters, things and deeds and to take all such steps and do all such things and give all such directions as the Board may consider necessary, expedient or desirable and also to settle any questions or difficulties or doubts that may arise in regard to the offer/issue, allotment and further to do all such acts, deeds, matters and things and to finalize and execute all documents and writings as may be necessary, proper, desirable or expedient as the Board, in its absolute discretion may deem fit and take all such steps which are incidental and ancillary in this regard."

10. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 16 and other applicable provisions of the Companies Act, 1956, the existing Clause V of the Memorandum of Association of the Company be and is hereby amended to incorporate therein the effect of the sub-division of equity shares from nominal value of Rs. 10/- per share to Re. 1/- per share and be read as follows:

"The Authorised Share Capital of the Company is Rs. 43,00,00,000 (Rupees Forty Three Crores only) divided into 43,00,00,000 (Forty Three Crores) Equity Shares of Re. 1/- (One) each."

11. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT subject to provisions of Section 198, 269,309, 310 and other applicable provisions,if any, read with Schedule XIII of the Companies Act, 1956 Shri Manish Bagrodia, Managing Director of the Company be paid Minimum Remuneration as permitted under Section II of Part II of Schedule XIII of Companies Act, 1956 for his tenure starting from 1st of April, 2008 upto 30th June, 2009 on account of losses incurred by the Company for the financial year ended on 31st March, 2009."

By order of the Board

Dated : 30.07.2009
Place : Chandigarh

SATISH BAGRODIA
Chairman

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
2. The proxy form duly executed and stamped should be deposited with the company at its Registered Office not less than forty-eight hours before the meeting.
3. The Register of Members and Share Transfer Books of the Company have been closed from 29.07.2009 to 30.07.2009 (both days inclusive).
4. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID Numbers for easy identification for attendance at the meeting.
5. Item No. 2 Padamshree Shri Chandra Mohan aged about 76 years, B.A. (Hons) & B.sc. Mech. Engg. (Hons) has Served Punjab Tractors Limited & Swaraj Mazda Limited as Vice Chairman and Managing Director for about 28 years. He is also member of many Professional Institutions. He is not holding any shares of the company.

Presently, he is the Chairman of RICO Auto Industries Limited & Engineering Innovations Limited and Director of Sandhar Technologies Limited, Winsome Yarns Limited, DCM Engineering Limited, KDDL Limited, IOL Chemicals & Pharmaceuticals Limited, Winsome Textile Industries Limited, Mobisoft Telesolutions Pvt. Limited and Meera Explorations Pvt. Limited.

He is member of Audit Committee in Winsome Yarns Limited, DCM Engineering Limited and Winsome Textile Industries Limited and member of Remuneration Committee in Winsome Yarns Limited, DCM Engineering Limited and KDDL Limited.

He is also member of Shareholders/ Investors Grievance Committee in Winsome Textile Industries Limited.

7. Item No. 3- Shri Ashish Bagrodia aged about 38 years, B.E. (Mech.) from Punjab Engineering College having around 16 years of experience in Textile Industry. He is holding 41400 shares of the company.

Presently, he is Managing Director of Winsome Textile Industries Limited and Director of Winsome Yarns Limited, IDS Infotech Limited, Winsome Yarns (Cyprus) Limited in Cyprus, Engineering Innovations Limited, S.C. Winsome Romania s.r.l. and Kamla Retail Limited.

He also member of Audit Committee in Winsome Yarns Limited and member of Shareholders/Investors Grievance Committee in Winsome Textile Industries Limited.

8. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto and forms part of the Notice.
9. Copies of the Memorandum and Articles of Association of the Company, the certificate of the Statutory Auditors of the Company, certifying that the preferential issue of Equity Shares proposed pursuant to the special resolution at Item No. 7 is in accordance with the requirements contained in the SEBI (Disclosure and Investor Protection) Guidelines, 2000 shall be opened for inspection of the members of the Company at the Registered Office of the Company between 11:00 A.M. to 2:00 P.M. on any working day prior to the date of the Meeting and also at the Meeting.
10. Members / proxies should fill the attendance slip for attending the Meeting.
11. In case of joint holders attending the meeting only such joint holders who are higher in the order of names will be entitled to vote.
12. Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of the Board Resolution authorizing their representative(s) to attend and vote at the Meeting.
13. M/s Link Intime India Pvt. Limited, A-40, 2nd Floor, Near Batra Banquet Hall, Phase-II, Naraina Industrial Area, New Delhi-110028 (Tele. 011-41410592-94, Fax No. 011-41410591) is acting as common agency for dematerialisation and physical transfer of shares of the company. The members should send their physical shares and letter for change of address and issue of duplicate shares directly to the aforesaid share transfer agent.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 5 & 6

Shareholders in its meeting held on 28.09.2006 had approved limit of Rs. 500 crores under section 293(1)(a) and section 293(1)(d).

The company has taken up expansion/ modernization of spinning and knitting projects and setting up hydel power projects. Thus there is a need to increase the limit from Rs. 500 crores to Rs. 750 crores under section 293(1)(a) and section 293(1)(d) to borrow the loans from financial institutions/ banks and necessary security can be created in favour of the Lenders for future requirements.

The Directors recommend the resolution for your approval.

None of the Directors of the company is personally interested in the aforesaid resolutions.

Item No. 7

To strength the ongoing expansion and long term working capital requirement, your company proposes to raise funds through issue of convertible warrants to promoters and financial investors. Promoters have agreed to provide the necessary funds by subscribing to 30,00,000 Convertible Warrants out of total issue of 72,00,000 convertible warrants.

The price of the Convertible Warrants to be allotted to proposed allottees on preferential basis shall be Rs. 14/- each which is not lower than the price determined in accordance with the Chapter XIII of SEBI DIP Guidelines. Currently SEBI DIP Guidelines, provide that the issue of shares on a preferential basis can be made at a price not less than the higher of the following:

- The average of the weekly high and low of the closing prices of the shares quoted on the stock exchange during the six months preceding the relevant date; or

- The average of the weekly high and low of the closing prices of the shares quoted on a stock exchange during the two weeks preceding the relevant date.

The Relevant Date for the purpose of pricing of the Convertible warrants shall be 29.07.2009 being the date which is 30 days prior to the date of Annual General Meeting.

In terms of the SEBI (DIP) Guidelines 2000 as amended to date the following disclosures is being made:

- Object of the issue:** There is requirement of funds for the growth of the business and to fund the capacity enhancement. The proceeds of the preferential issue are intended to finance the expansion in terms of capital investments including investments in overseas venture, retail business and to meet long term working capital requirement. The Company is looking forward to foray into retail business of its knitwear products and at the same time also needs to strengthen its spinning and garment business.
- Intention of the Promoters, Directors, and management personnel to subscribe to the offer:** The select Promoters (Corporate Entities) of the Company named below intend to subscribe to the convertible warrants mentioned against their name respectively. However, none of the other Directors and other Promoters or management personnel intends to subscribe to any shares in the preferential offer of Convertible Warrants.
- The shareholding pattern and the identity of the proposed allottees before and after the preferential issue considering full allotment of Equity Shares arising out of the issue of Convertible Warrants as follows:**

S.No.	Shareholders	Existing Shareholding (as on 30.06.2009)		Post Issue Shareholding (Upon conversion of proposed warrants)	
		No. of Shares	%	No. of Shares	%
A.	Promoters & Promoter Group shareholding				
a)	Indian Promoters	17964609	69.99	20964609	63.79
b)	Foreign Promoters	NIL	NIL	NIL	NIL
	Sub-Total (A)	17964609	69.99	20964609	63.79
B.	Public Shareholding				
1.	Institutional Investors				
a)	Mutual Funds & UTI	12500	0.05	12500	0.04
b)	Financial Institutions/ Banks	NIL	NIL	NIL	NIL
c)	Central Govt./ State Govt.	NIL	NIL	NIL	NIL
d)	Venture Capital Funds	NIL	NIL	NIL	NIL
e)	FIs	NIL	NIL	NIL	NIL
	Sub-Total (B)(1)	12500	0.05	12500	0.04
2.	Non-Institutional				
a)	Bodies Corporate	2465132	9.60	6665132	20.28
b)	(i) Individuals-shareholders holding nominal share capital up to Rs. 1 lakh.	4250641	16.56	4250641	12.93
	(ii) Individuals-shareholders holding nominal share capital in excess of Rs. 1 lakh.	874816	3.41	874816	2.66
c)	Any Other (Specify) NRIs	98281	0.38	98281	0.30
	Sub-Total (B)(2)	7688870	29.95	11888870	36.17
	Total Public Shareholding (B1+B2)	7701370	30.01	11901370	36.21
	Grand-Total	25665979	100.00	32865979	100.00

- Proposed time within which allotment of the Convertible Warrants will be completed:** The Convertible Warrants shall be allotted within a period of 15 (fifteen) days of the passing of the resolution at the ensuing general meeting. Provided that where the allotment in one or more lots on preferential basis is pending on account of pendency of any approval of such allotment by any regulatory authority or the Central Government, the allotment shall be completed within 15 (fifteen) days from the date of such approval.

- e) The identity of the proposed allottees and the percentage of post preferential issue capital that may be held by them:

Non Promoter Group

S.No.	Name of Proposed Allottees	Existing Shareholding as on 30.06.2009	No. of Warrants/ Shares to be Issued	Post issue Shareholding	% of Post issue Shareholding
1	Ankur Agencies (P) Ltd. 55/2, Kankurgachi 2nd Lane, 1st Floor, Kolkata-700054	--	700000	700000	2.13
2	Arpit Agencies (P) Ltd. 50, Western Street, Room No. 106, Kolkata-700012	--	1400000	1400000	4.26
3	Daniel Vinimay (P) Ltd. 55/2, Kankurgachi 2nd Lane, 1st Floor, Kolkata-700054	--	700000	700000	2.13
4	Land Scape Traders (P) Ltd. 63, Radha Bazaar Street, 3rd Floor, Kolkata-700001	--	1400000	1400000	4.26
Total		--	4200000	4200000	12.78

PROMOTER GROUP

S.No.	Name of Proposed Allottees	Existing Shareholding as on 30.06.2009	No. of Shares	%age	Post issue Shareholding	% of Post issue Shareholding
1.	Shell Business (P) Ltd.	5480829		21.35	8480829	25.80
Total		5480829		21.35	8480829	25.80

- f) **Auditors' certificate:** A certificate from the Statutory Auditors of the Company to the effect that the proposed issue of Convertible Warrants to the proposed Allottees is in accordance with the SEBI (DIP) Guidelines 2000 relating to preferential issues & such certificate shall be laid before the general meeting for inspection by the shareholders. The Auditors' certificate as required under paragraph 13.5 of SEBI (DIP) Guidelines will be available for inspection at the Registered office of the Company during 10 am to 4 pm on any working day).

Pursuant to the provisions of Section 81(1A) of Companies Act, 1956, any offer or issue of shares in a company to persons other than the holders of the equity shares of a company requires prior approval of the shareholders in general meeting by a Special Resolution. The Listing Agreements executed by the Company with the Stock Exchanges also provide that the Company shall, in the first instance, offer all securities for subscription pro rata to the Shareholders unless the Shareholders in a general meeting decide otherwise. Additionally, the SEBI (DIP) Guidelines require matters to be stated in the resolution which is required to be passed under Section 81 (1A) of the Companies Act, 1956 and in the explanatory statement in respect of such resolution. Hence, the consent of the shareholders by way of special resolution is being sought for issue of the convertible warrants/ shares on preferential basis.

The Directors recommend the resolution for your approval.

None of the Director is interested in the proposed resolution, save and except Shri Satish Bagrodia, Shri Manish Bagrodia and Shri Ashish Bagrodia who may be deemed to be interested indirectly being the shareholders of the corporate entity belonging to promoter group seeking to subscribe the preferential allotment. No other Directors of the Company are in any way concerned or interested in the proposed resolution.

Item No. 8

Shri Manish Bagrodia was appointed Managing Director of the Company for a period of five years w.e.f. 01.07.2004. Now, the period of his office is due to expire on 30th June, 2009.

He has versatile experience and knowledge of textile and knitting industry. During his tenure, the company has made good progress. The Board in its meeting held on 15.06.2009 has approved his re-appointment for a further period of five years w.e.f. 01.07.2009 subject to the approval of shareholders of the company and other authorities, if required, on the following terms and conditions as set out hereunder:

I. REMUNERATION:

- a) Salary:Rs.1,60,000/- per month in the grade of 1,60,000-20,000-2,60,000.

b) Commission:

1% of Net Profit of the Company computed in the manner laid down in Section 198 & 309 of the Companies Act, 1956.

c) Perquisites:

i) Housing:

(a) Fully furnished residential accommodation. In case, the fully furnished residential accommodation is not provided, H.R.A. as per Company's Rule will be paid.

(b) Expenses pertaining to gas, electricity, water and other utilities will be borne/reimbursed by the Company.

ii) Medical Reimbursement: Reimbursement of actual medical expenses incurred in India and/or abroad and including hospitalization, nursing home and surgical charges for himself and family alongwith mediclaim policy premium paid by the company.

iii) Leave Travel Concession: Reimbursement of actual traveling expenses incurred in India and/or abroad once in a year in respect of himself and family.

iv) Club Fees : Reimbursement of membership fee for clubs including admission and life membership fees.

v) Personal Accident Insurance: Personal Accident Insurance Policy for an amount, the annual premium of which shall not exceed Rs. 10000/- p.a.

vi) Contribution to Provident Fund, Superannuation and Annuity Fund : The Company's contribution to Provident and Superannuation or Annuity Fund as per the rules of the Company applicable to senior executives.

vii) Gratuity : As per rules of the Company applicable to the senior executives.

viii) Leave : Encashment of leave at the end of the tenure

d) Other Perquisites : Subject to an overall ceiling of remuneration stipulated in Section 198 and 309 of the Companies Act, 1956, other perquisites and/or allowances payable to the Managing Director shall be evaluated, wherever applicable, as per Income Tax Act, 1961 or any rules thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force).

EXPLANATION

Perquisites shall be evaluated as per the Income Tax Rules, wherever applicable and in the absence of any such rules, perquisites shall be evaluated at actual cost.

II. OVERALL REMUNERATION:

The aggregate of salary, commission and perquisites in any one financial year shall not exceed the limits prescribed or to be prescribed from time to time under section 198, 309 and other applicable provisions of the Companies Act, 1956 read with schedule XIII to the said Act as may for the time being in force.

III. MINIMUM REMUNERATION:

In the event of loss or inadequacy of profits in any financial year during the tenure of service of the Managing Director, the payment of salary, commission perquisites and other allowances shall be governed by the limits prescribed under Section II of part II of Schedule XIII to the Companies Act, 1956.

The Board recommends adoption of this resolution.

None of the Directors except Shri Satish Bagrodia, Shri Manish Bagrodia and Shri Ashish Bagrodia is interested in this resolution.

Item No. 9

The Board of your Company is of the view that sub-division of equity shares will increase the liquidity of the Equity Shares in the stock market. Towards this end, it is proposed to reduce the nominal value of the Equity Shares of the Company from Rs.10/- each to Re. 1/- each. This will enable the small investors to enter the market, increase the number of shareholders base of the Company and will also improve the liquidity of the Company's Equity Shares in the stock market, thereby benefitting the shareholders.

With this objective in mind, it is proposed that the denomination of the face value of each Equity Share of the Company be changed from Rs 10/- per Equity Share to Re. 1/- per Equity Share.

The existing Authorised Share Capital of the Company is Rs. 43,00,00,000/- (Rupees Forty Three Crores only) divided into 4,30,00,000 (Four Crore Thirty lacs) equity shares of Rs. 10/- each. After sub-division the authorised capital of the Company will

comprise of 43,00,00,000 (Forty Three crore) equity share of Re. 1/- each. As per the provisions of Section 94(1)(d) of the Companies Act, 1956, by passing the resolution in the general meeting, a company may sub-divide its share capital into shares of the smaller denomination. Hence, the consent of shareholders by way of Special Resolution is being sought for sub-division of equity shares of the Company.

The Board of Directors recommends the passing of the Special Resolution as set out under Item No. 9 of the accompanying Notice.

None of the directors is interested in the aforesaid resolution.

Item No. 10

Consequent to the Sub-division of Equity Shares, it is necessary to alter the Capital Clause V of the Memorandum of the Company, which relates to the capital structure of the Company to accommodate the sub-division of equity shares of the Company. The ordinary resolution at Item No. 10 will enable to make the corresponding amendment in Clause V of the Memorandum of Association of the Company.

A Copy of the Memorandum and Articles of Association of the Company showing proposed alteration is available for inspection at the Registered Office of the Company from 10:00 a.m. to 12:30 p.m. on any working day.

The Board of Directors recommends the passing of the Ordinary Resolution as set out under Item No. 10 of the accompanying Notice.

None of the directors is interested in the aforesaid resolution.

Item No. 11

Shri Manish Bagrodia was appointed as Managing Director of the Company by the Shareholders in their meeting held on 27-09-2004 for a period of 5 years w.e.f. 01-07-2004. For the year ended on 31st March, 2009 the Company has incurred losses. According to provisions of Section II of Part II of Schedule XIII of Companies Act, 1956 in case a Company has no profits or its profits are inadequate, it may pay remuneration to managerial person by way of salary, perquisites and any other allowances not exceeding the limits provided therein, on the basis of effective capital of the Company. Accordingly, Shri Manish Bagrodia can be paid monthly remuneration of Rs. 2,00,000/-, which is less than the remuneration being paid to him. Though this provision for payment of minimum remuneration was approved by the Shareholders while appointing Shri Manish Bagrodia as Managing Directors, but the Board, on the recommendation of remuneration committee, in their meeting held on 15th of June, 2009, decided to reduce the remuneration to Rs. 2,00,000/- per month, to be paid to Managing Director, for the period starting from 1st of April, 2008 to 30th June, 2009, with the consent of the shareholders of the Company. Hence, the consent of the shareholders by way of ordinary resolution is being sought.

None of the Directors except Shri Satish Bagrodia, Shri Manish Bagrodia and Shri Ashish Bagrodia is interested in this resolution.

By order of the Board

Dated : 30.07.2009
Place : Chandigarh

SATISH BAGRODIA
Chairman

Your Directors have pleasure in presenting the 19th Annual Report together with the audited statement of Accounts of the Company for the financial year ended 31st March, 2009.

Financial Highlights	Year ended 31.3.2009 (Rs.in lacs)	Year ended 31.3.2008 (Rs. in lacs)
Sales	14767.11	17692.50
Profit before Interest , Depreciation & Tax	159.96	3539.29
Less: Interest	2600.24	1778.16
Profit before Depreciation	(2440.28)	1761.13
Less: Depreciation	1910.02	1307.64
Profit before Taxes	(4350.30)	453.49
Provision for Taxation — Current Tax	—	50.67
— Credit against MAT	—	(50.67)
Provision for Fringe Benefit Tax	10.47	9.87
Provision for fringe benefit tax for earlier years	—	0.95
Provision for deferred tax liability / (asset)	(1577.88)	238.04
Profit after Taxes	(2782.89)	204.63
Add : Surplus brought forward from previous year	5297.14	5127.12
	2514.25	5331.75
Appropriation:		
Dividend (Previous year 1%)	—	25.67
Corporate Dividend Tax	—	8.94
Surplus carried to Balance Sheet	2514.25	5297.14
	2514.25	5331.75

Operations & Performance

During the year under review, your Company has achieved a turnover of Rs. 14767.11 lacs against the previous year's turnover of Rs. 17692.50 lacs and incurred a net loss (after tax) of Rs. 2782.89 lacs (previous year net profit after tax Rs. 204.63 lacs). The performance during the year had been severely affected mainly on account of substantial depreciation of US Dollar against the Indian Rupee and increase in the raw material prices. However, the recent strengthening of US dollar and reduction in cotton prices is expected to enhance company's export competitiveness in the coming months. General inflationary conditions have also affected the performance of the company.

During the year the Company has restructured its total debt through the CDR Mechanism of the RBI which inter alia provides for rescheduling of repayments, additional finance, saving in financial cost, reduced working capital margin, operational efficiency and strengthening the overall competitive position of the Company.

New Project/ Expansion Plans

During the year various expansion projects have been undertaken as follows:

1. During the year out of 30,000 spindles , 21,600 spindles were installed and commercial production started on 1st of Aug. 2008. The balance 8,400 spindles are under installation and expected to be completed soon.
2. During the year the expansion of knitwear unit of 160 machines were completed by addition of 104 knitting machines.

3. The implementation of five mini hydel power projects to produce 3.90 MW of electricity is underway. One of them is at advanced stage and is expected to be commissioned by end of August, 2009.

Subsidiary Companies & Overseas Operations

With a view to expand its knitwear business in European countries, the Company had promoted and acquired companies in Cyprus, Romania and Italy. The statement and Accounts required pursuant to provisions of section 212 of the Companies Act, 1956 is provided in the Annual Report. Due to poor market conditions the two step down subsidiaries namely IMM Winsome Italia S.p.a Italy and S.C. Winsome Romania S.r.l. have been put under liquidation. As no major business activity has been carried on in these two subsidiaries during the year, hence their financial figures have not been considered in consolidated accounts of the company.

IS/ISO 9002/ 14001

Your directors are pleased to inform you that your company continues to be holder of IS/ISO 9002/14001 certificates.

Dividend

Your Directors do not recommend the dividend due to fund constraints.

Directors

In accordance with the Company's Articles of Association Shri Chandra Mohan and Shri Ashish Bagrodia, Directors retire by rotation and being eligible, offer themselves for re-appointment.

CONSOLIDATED ACCOUNTS

In accordance with Accounting Standards AS-21 on Consolidated Financial Statements, your directors provide the Audited Consolidated Financial Statement in the Annual Report.

INSURANCE

All the properties of your Company have been adequately insured against fire, flood, earthquake and explosive risks.

PUBLIC DEPOSIT

The Company did not accept any Fixed Deposit during the year.

Directors' Responsibility Statement

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibilities Statement, it is hereby confirmed :

- i. that in the preparation of the annual accounts for the financial year ended 31st March, 2009, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. that the accounting policies are applied consistently and reasonable prudent judgment and estimates are made so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the year under review;
- iii. that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act,1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv. that the directors have prepared the accounts for the financial year ended 31st March, 2009 on a going concern basis..

Auditors

M/s Lodha & Co, Chartered Accountants, statutory auditors of the company, hold office till the conclusion of the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment. The Company has received a certificate from M/s Lodha & Co., Chartered Accountants, to the effect that their re-appointment as Auditors, if made, would be within the prescribed limits under section 224 (1-B) of the Companies Act, 1956.

Particulars of the Employees

The Particulars of the employees as required by the provisions of section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975 as amended, is annexed to this report.

Conservation of Energy, Technology Absorption and Foreign Exchange earning and outgo.

Information in accordance with the provisions of section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the ANNEXURE 'A' forming part of this report.

Auditors' Report

Auditor's observations regarding provision of depreciation on plant and machinery as per rates applicable on "continuous process plant", "non provision of doubtful debts" and provision for diminution in investment have been explained in details in Note No. 10, 15 and 20 of Schedule 15(B) on Accounting Policies and Notes on accounts.

Corporate Governance

During the financial year, the company has continued its commitment to the principles of good Corporate Governance. The company believes that best board practices and transparent disclosures are necessary for enhancing shareholders value.

A report on Corporate Governance, alongwith a Certificate of compliance from the Auditors of the Company is attached as ANNEXURE 'B' to this report.

Acknowledgement

Your Directors place on record their deep appreciation of the devoted and sincere services rendered by the officers, staff and workers who have contributed significantly for its performance and for enhancing the Company's inherent strength. Your Directors are also grateful for the cooperation and assistance received from financial institutions, banks and customers, during the year under review.

By order of the Board

Place : Chandigarh
Dated : 15.06.2009

Satish Bagrodia
Chairman

INFORMATION AS PER SECTION 217(1)(E) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF DIRECTORS) RULES 1988 AND FORMING PART OF THE DIRECTORS REPORT FOR THE PERIOD ENDED 31ST MARCH, 2009

I. CONSERVATION OF ENERGY

a) Energy conservation measures taken :

The Company has been giving high priority to conservation of energy by close monitoring of energy consuming equipments. All efforts are made for installing energy saving devices wherever required. The company has continued with the following projects during the year.

Sr.No.	Project Undertaken	Units saved	Annual Saving (in Rs.)
1	To reduce the Power Consumption in Workers Colony	649.00	10,06,761.00
2	To reduce the Power Consumption of Residential Block	102.00	1,58,228.00
3	To reduce Power Consumption in Roller motor of uniflock u1 & u2 project start in Feb-09	14.40	3,704.00
4	To reduce Power Consumption in waste opener in u2 project start in Feb-09	40.56	10,434.00
5	To reduce Power Consumption in exhaust fan-6 of erm No. 6 in u2 & u3, project start in Feb-09	391.20	57,063.00
6	To reduce Power Consumption in dust fan in u2 & u3, project start in Feb-09	352.80	74,603.00
Total Saving		1549.96	13,10,793.00

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.

Additional Investments, wherever required, are being made.

c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

Though there is saving of about Rs. 13.11 lacs but overall energy cost has not reduced due to increase in diesel & furnace oil cost and increase in unit power cost of PSEB.

d) Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the rules in respect of industries specified in the schedule thereto:

A) Power and Fuel consumption

1. Electricity

	Current Year	Previous Year
a) Purchased Unit (KW)	37993734	43846680
Total amount (Rs in lacs)	1603.94	1875.08
Rate Per Unit (Rs)	4.22	4.28
b) Own Generation through FO/Diesel Generator Unit(KW)	277658	6314682
Units/Ltr.of Diesel Oil/FO	3.74	3.85
Cost/Unit(Rs/KW)	7.55	4.82

2. Coal(Specify quality and where used)

3. HSD & Furnace Oil Qty.(MT)

Total amount (Rs.in lacs)	18.14	304.35
Average rate(Rs.per M.T.)	24506	18569

4. Gas (Qty. in MT)

Total amount (Rs.in lacs)	NIL	NIL
Average rate(Rs.per Kg)	NIL	NIL

B) Consumption per Unit of Production

Electricity/Own Generation (KW)	4.25	3.99
HSD & Furnace Oil (Lts)	NIL	NIL
Gas (Kgs)	NIL	NIL

II. TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form-B of the Annexure to the Rules.

1) Research & Development (R&D)

a) Specific area in which R&D carried by the Company :

Latest new technology has been adopted.

b) Benefits derived as a result of the above R&D

Producing International quality products.

c) Future plan of Action :

— This is an ongoing process and continuous improvements are being carried out in the Plant & Machinery maintenance and the quality of finished products.

d) Expenditure on R&D (Rs. in lacs)

Capital	NIL
Recurring	Rs. 21.84 lacs
Total R&D expenditure as a percentage of total turnover =	0.15%

2) Technology absorption, adoption and innovation.

- a) Efforts, in brief, made towards technology absorption and innovation :
 - Equipments of latest technology have been installed without any foreign technical knowledge.
- b) Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.
 - There has been benefit in respect of quality and Productivity of the product.
- c) In case of imported technology(imported during the last 5 years reckoned from the beginning of the financial year).
 - Nil

III. FOREIGN EXCHANGE EARNING AND OUTGO

- a) Activities relating to exports, initiatives taken to increase exports, development for new export market for products and services and export plans.

Exports (FOB Value) of the Company have decreased from Rs. 11623.70 lacs in 2007-08 to Rs. 8627.88 lacs in 2008-09. New export markets have been developed and exports are likely to increase in near future.

- b) Total foreign exchange used and earned.

	Current Year	(Rs. in lacs) Previous Year
Earning	8627.88	11623.70
Outgo:	7306.74	1194.97

For and on behalf of the Board

Place : Chandigarh
Dated : 15.06.2009

Satish Bagrodia
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

STATEMENT OF PARTICULARS OF EMPLOYEES, PURSUANT TO THE PROVISIONS OF SECTION 217 2(A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDING 31ST MARCH, 2009

Sr. No.	Name of Employee	Designation/ Nature of duties	Qualification	Total Working Experience (Years)	Date of Commencement of Employment	Total Remuneration (Rs. in lacs)	Age (Years)	Previous Employment held
A. Persons employed throughout the year, who were in receipt of remuneration not less than 2400000/-								
1	Shri Manish Bagrodia	Managing Director	M.Com., Advance Diploma in Computer Applications	22	19-07-1990	26.30	41	Winsome Textile Industries Limited

- B. Persons employed for part of the year who were in receipt of remuneration for any part of the year at a rate which in aggregate was not less than Rs. 200000/- per month. — Nil**

NOTES :

- 1. Remuneration as above includes Salary, House Rent Allowance or Housing Accommodation and reimbursement of Medical Expenses and other perks/ benefits provided by the Company.
- 2. Shri Manish Bagrodia, Managing Director is related to Shri Satish Bagrodia, Chairman and Shri Ashish Bagrodia, Director of the Company.

ADDENDUM TO THE DIRECTORS' REPORT

Pursuant to Section 217(3) of the Companies Act 1956 following explanations are given on remarks contained in the Auditors Report :

Auditor's observations regarding provision of depreciation on plant and machinery as per rates applicable on "continuous process plant", "non provision of doubtful debts" and provision for diminution in investment have been explained in details in Note No. 10, 15 and 20 of Schedule 15(B) on Accounting Policies and Notes on accounts are self explanatory and therefore do not require any further comments. However, for the sake of convenience the same are being reproduced herein below:

- 1. Depreciation on certain Plant & Machinery is provided by considering it as continuous process plant based on technical assessment, which has been relied upon by the auditors.
- 2. The company has taken persuasive actions for recovery of certain overseas overdue debtors amounting to Rs. 2028.29 lacs. In the opinion of the management these are good and fully recoverable/realisable hence no provision there against is considered necessary by the management.
- 3. Diminution in the value of investment made in a subsidiary has not been considered necessary by the company in view of strategic and long term in nature and considering the intrinsic value of the assets of the subsidiary company. [Read with Note No. 18 of Schedule 15(B)]

CORPORATE GOVERNANCE

1. Company's philosophy on code of Governance

The company is committed to good Corporate Governance. The Company fully realises the rights of its shareholders to information on the performance of the Company and considers itself a trustee of its shareholders. The Company provides detailed information on various issues concerning the Company's business and financial performance, to its shareholders. The basic philosophy of Corporate Governance in the Company is to achieve business excellence and dedicate itself for increasing long-term shareholder value, keeping in view the needs and interests of all its stakeholders. The Company is committed to transparency in all its dealing and places emphasis on business ethics.

2. Board of Directors

The Board of Directors presently consists of six directors, out of which three are Promoter Directors (one Non Executive Chairman, one Executive Managing Director and one Non-Executive Director) and three are Non-Executive independent directors, out of which one is representing PSIDC (as Joint Sector representative). None of the directors on the board is a member on more than 10 committees and chairman of more than 5 committees (as specified in clause 49 of the Listing Agreement with Stock Exchanges), across all the companies in which they are directors. The necessary disclosures regarding committee memberships have been made by the directors.

During the financial year 2008-09, eight board meetings were held. The meetings were held on 30th June, 2008, 16th July, 2008, 31st July, 2008, 29th August, 2008, 31st October, 2008, 31st December, 2008, 31st January, 2009 and 30th March, 2009 and the maximum time gap between any two meetings was not more than four months.

The names and categories of directors on the board, their attendance at Board Meetings during the year and at the last Annual General Meeting, as also the number of Directorships/ Committee memberships/ chairmanship held by them in other companies are given below:

No. of Directorship and Committee Membership/ Chairmanship

Name of the Director	Category	Attendance Particulars		No. of Directorship	No. of Membership/ Chairmanship in Committees		
		Board Meeting	Last AGM	Other Directorship	Membership	Chairmanship	Total
Shri Satish Bagrodia	Chairman(NE)	7	Yes	3	—	—	—
Shri Chandra Mohan	INED	6	No	9	8	—	8
Shri Brij Khanna	INED	8	Yes	2	—	3	3
Shri S.K. Singla	INED(PSIDC)	7	No	14	2	—	2
Shri Ashish Bagrodia	NED	8	Yes	6	2	—	2
Shri Manish Bagrodia	MD	8	Yes	7	1	—	1

INED : Independent Non Executive Director, NED : Non Executive Director, MD : Managing Director, NE : Non Executive

3. Code of Conduct

In terms of the provisions of Clause 49 of the Listing Agreement and contemporary practices of good Corporate Governance, the Board has laid down a Code of Conduct for all Board Members and Senior Management of the Company. All the Board members and Senior Management Personnel have affirmed compliance with the Code.

4. Subsidiary Companies

With a view to expand its knitwear business in European countries, the Company had promoted and acquired companies in Cyprus, Romania and Italy. The statement and Accounts required pursuant to provisions of section 212 of the Companies Act, 1956 is provided in the Annual Report. Due to poor market conditions the two step down subsidiaries namely IMM Winsome Italia S.r.l., Italy and S.C. Winsome Romania S.r.l. have been put under liquidation. As no business activity has been carried on in these two subsidiaries during the year, hence their financial statements have not been considered in consolidated financial statements of the Company.

5. CEO/ CFO Certification

The Managing Director (CEO) and the Financial Controller (CFO) of the Company have certified to the Board that the requirements of the Clause 49 (V) of the Listing Agreement, inter alia, dealing with the review of financial statements and cash flow statement for the year ended on 31st March, 2009, transactions entered into by the company during the said period, their responsibility for establishing and maintaining internal control systems for financial reporting and evaluation of the effectiveness of the internal control system and making of necessary disclosures to the Auditors and the Audit Committee have been duly complied with.

6. Audit Committee

The Audit Committee functions in accordance with the terms of reference set out under Clause 49 of the Listing Agreement read together with Section 292A of the Companies Act,1956, and additional responsibilities assigned to it by the Board of Directors. The Committee also reviews the reports of the internal auditors along with the comments of management. The functions of the Audit Committee among others, include approving and implementing the audit procedures, reviewing the financial reporting system, internal control and procedure and ensuring compliance with regulatory guidelines.

The composition, names of the members, chairperson, particulars of the meetings and attendance of the members during the financial year are as below:

During the financial year, four Audit Committee meetings were held on 30th June, 2008, 31st July, 2008, 31st October, 2008 and 31st January, 2009.

Sr.No.	Name of members	Category	No. of meetings attended during the year 2008-2009
1	Shri Brij Khanna, Chairman	Independent/Non-Executive	4
2	Shri Chandra Mohan	Independent/Non-Executive	3
5.	Shri Ashish Bagrodia	Non-Executive	4

The Managing Director alongwith the Statutory Auditors, Cost Auditors and Internal Auditor were invitees to the meetings.

7. Remuneration Committee

The Remuneration Committee has been constituted by the Board of Directors in their meeting held on 30.03.2009. The composition, names of the members, chairperson are as below :

Sr.No.	Name of members	Category
1	Shri Brij Khanna, Chairman	Independent/Non-Executive
2	Shri Chandra Mohan, Member	Independent/Non-Executive
5.	Shri S.K. Singla, Member	Independent/Non-Executive

Remuneration of Directors

The details of remuneration paid to the Directors during the year 2008-09 are given below:

Non-Executive Name of Directors	Sitting Fees	(Amount in Rs.)	
		Total	
Shri Satish Bagrodia	35000	35000	
Shri Chandra Mohan	30000	30000	
Shri Brij Khanna	40000	40000	
Shri S K Singla (PSIDC Nominee)	35000 *	35000	
Shri Ashish Bagrodia	40000	40000	

* The sitting fee had been paid to the nominating institution.

Executive

(Rs. in lacs)

The Managing Director has been appointed for five years w.e.f. 01.07.2004 and has drawn remuneration as per terms of appointment.

Name of Director	Salary	Perquisites *	Total
Shri Manish Bagrodia	24.00	2.30	26.30

* Perquisites includes House Rent Allowance, Contribution to Provident Fund and other perks.

8. Shareholders/ Investors Grievance Committee :

The Shareholders/ Investors Grievance Committee functions with the following objectives:

Redressing of Shareholders and Investors complaints, regarding to share transfers, non-receipt of balance sheet / dividend by the shareholder etc. During the financial year 2008-09, four Shareholders/ Investors Grievance Committee meetings were held on 30th June, 2008, 31st July, 2008, 31st October, 2008 and 31st January, 2009. Complaints/ grievances, received during the year have been resolved in time.

The composition, names of the members, chairperson, particulars of the meetings and attendance of the members during the year are as below:

Sr.No.	Name of members	Category	No. of meetings attended during the year 2008-2009
1.	Shri Brij Khanna, Chairman	Independent/Non-Executive	4
2.	Shri Manish Bagrodia, Member	Executive Director	4

During the financial year, the request for transfer/demat/remat of shares, change of address etc have been duly effected. During the year four nos. of complaints were received, resolved & replied and no grievance was pending at the end of the financial year.

Shri Manish Bagrodia, Managing Director/ Shri K V Singhal, DGM (Legal) & Company Secretary are the Compliance Officer of the company for SEBI/ Stock Exchange/ROC related issues etc..

9. General Body Meetings

The last three Annual General Meetings of the Company were held as under :

Year	Venue	Date	Time
2005-2006	Tagore Theatre, Sector 18-C, Chandigarh	28 Sep. 2006	10.00 A.M.
2006-2007	Confederation of Indian Industry (CII), Sector 31-A, Chandigarh	28 Sep. 2007	10.00 A.M.
2007-2008	PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh	23 Sep. 2008	3.30 P.M.

All the resolutions, including four special resolutions on 28.09.06 and two special resolutions on 23.09.08 as set out in the respective notices were passed by the shareholders. No Postal ballots were used for voting at these meetings. At the forthcoming AGM, there is no item on the agenda that needs approval by Postal ballots.

10. Disclosures

- There are no materially significant related party transactions made by the company with its promoters, directors or management, their relatives etc. that may have potential conflict with the interest of the company at large. Transactions with related parties are disclosed in Note No. 26 of Schedule 15 of the Accounts in the Annual Report.
- During the last three years, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any Statutory Authority for non-compliance of any matter related to the capital markets.

11. Means of Communications

- The quarterly and half yearly results are published in widely circulating national & local dailies news papers such as Financial Express, Business Standard and Economic Times (in English) and Jansatta and Dainik Tribune (in Hindi). The same are also being posted on the website of BSE (www.bseindia.com) and NSE (www.nseindia.com) under the Scrip Code '514348' and 'WINSOMYARN' respectively.
- The management Discussion and Analysis report forms a part of this Annual Report.

12. General Shareholder information

Annual General Meeting at 3.30 p.m. on 28th August, 2009 at PHD Chamber of Commerce and Industry, Sector 31-A, Chandigarh.

Financial Calendar	: 1st April to 31st March
Date of Book Closure (both days inclusive)	: 29.07.2009 to 30.07.2009 (both days inclusive)
Listing on Stock Exchanges	: 1. Bombay Stock Exchange Limited (BSE) 2. The National Stock Exchange of India Ltd (NSE)
Demat ISIN Number in NSDL & CDSL	: INE 784B01019

Annual listing fees for the year 2009-2010 have been paid to BSE & NSE. Listing fee to Calcutta Stock Exchange has not been paid as the company has applied to this stock exchange on 02.05.2005 for voluntary delisting of shares as per the approval of shareholders and till date no objection has even been raised by the Calcutta Stock Exchange in this regard.

Market price data – high and low during each month on BSE in the financial year 2008-09. Scrip Code on BSE is 514348 (www.bseindia.com), and NSE is WINSOMYARN (www.nseindia.com).

Months	High	Low	Closed	Shares
April, 2008	15.30	12.65	14.46	39763
May, 2008	16.60	13.22	15.05	113266
June, 2008	18.95	12.75	12.90	375543
July, 2008	15.50	11.35	15.45	265955
August, 2008	24.95	13.85	23.20	1308447
September, 2008	23.00	12.65	14.85	450416
October, 2008	15.45	8.39	9.37	159545
November, 2008	10.32	5.48	5.81	353896
December, 2008	8.33	5.53	8.33	292768
January, 2009	12.22	8.40	12.22	436827
February, 2009	14.25	8.53	8.53	177602
March, 2009	9.96	7.58	8.09	149711

- Registrar and Share Transfer Agent : Link Intime India (P) Ltd.
A-40, 2nd Floor, Near Batra Banquet Hall,
Naraina Industrial Area, Phase II,
New Delhi-110028
Tel. : 011-41410592-94, Fax : 41410591
E-mail : delhi@linkintime.co.in
- Share Transfer System : Shares lodged in physical form with the STA directly or through company, are processed and returned, duly transferred, within 30 days normally, except in cases which are under objection.
In respect of shares held in dematerialised mode, the transfer takes place instantaneously between the transferor, transferee and the Depository Participant through electronic debit/credit of the accounts involved.
- Compliance Officers : Shri Manish Bagrodia and Shri K.V. Singhal
E-mail IDs : dgm.cs@winsomegroup.com • cshare@winsomegroup.com

Distribution of shareholding as on 31st March, 2009.

Range of Shares	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
1 - 500	11629	88.42	2042847	7.96
501 - 1000	808	6.14	693768	2.71
1001 - 2000	349	2.65	557805	2.17
2001 - 3000	104	0.79	270150	1.05
3001 - 4000	49	0.37	178509	0.70
4001 - 5000	59	0.45	285166	1.11
5001 - 10000	74	0.56	549547	2.14
10001 and above	81	0.62	21088187	82.16
Total	13153	100.00	25665979	100.00

Shareholding Pattern as on 31st March, 2009.

Category	No. of shares	Percentage
Promoters/Persons acting in concert	17964609	69.99
Financial Institutions/Banks/Mutual Funds	378511	1.48
NRIs	100181	0.39
Bodies Corporates	2251976	8.77
Indian Public	4970702	19.37
Total	25665979	100.00

Details of shareholding of Directors in the company as on 31.03.2009

Name of Director	No. of shares held
Shri Satish Bagrodia	42900
Shri Brij Khanna	1000
Shri Chandra Mohan	—
Shri S K Singla	—
Shri Manish Bagrodia	52040
Shri Ashish Bagrodia	41400

Dematerialisation of shares and liquidity	:	88.79% of the shares issued by the company have been dematerialised upto 31st March, 2009.
Outstanding GDRS/ ADRS/ Warrants or any convertible instruments, conversion date and likely impact on equity.	:	The company has not issued any GDRS/ ADRS/Warrants or any convertible instruments, the conversion of which will have an impact on equity shares.
Plant Location (Yarn)	:	Village-Kurawala, Tehsil-Derabassi Distt. Mohali (Punjab)
(Knitwear)	:	Winsome Knitwear (Prop. Winsome Yarns Limited) B-5B, Industrial Area, Phase-VII, Mohali (PB)
Address for correspondence	:	The Company Secretary Winsome Yarns Limited SCO 191-192, Sector 34-A, Chandigarh-160022 dgm.cs@winsomergroup.com cshare@winsomergroup.com

By order of the Board

Place : Chandigarh
Dated : 15.06.2009

Satish Bagrodia
Chairman

AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE AS PER CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES.

To the members of Winsome Yarns Limited

We have examined the compliance of conditions of Corporate Governance by Winsome Yarns Limited, for the year ended 31st March, 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of management. Our examination was limited to procedures and implementation thereof, adopted by the Company to ensure compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Lodha & Co.
Chartered Accountants

Place : Chandigarh
Date : 15.06.2009

N.K. Lodha
Partner
M.No. 85155

MANAGEMENT ANALYSIS AND DISCUSSION**INDUSTRY SCENARIO**

The performance of the Indian textile industry during 2008-09 was grim as most of the developed markets were facing recession, leading to low textile demand.

Textile exports tumbled nearly 30% and the production contracted 20%-30% since April 2008. If one takes orders placed into account, then the export in the current year dropped even more. As per the available data, orders placed in the third quarter of 2008 by leading exporters slumped 15-20% on an average whereas the sales in domestic market slammed 10-15% on year-on-year basis.

Moreover, the impact of the global financial crisis was inevitable to fall on the Indian economy, resulting in drying up of investments in the country.

The Indian textile industry rallied under declining domestic demand and high input costs in the current year. Drop in demand from external markets (like the US and Europe, both absorb nearly 50% of the total production) created panic among manufacturers who have started trimming production in a phased manner.

However, rapid economic transformation and government efforts have made India a dominant player in the global textile and apparel trade. Indian textile and apparel products now constitute an important segment of apparel and textile markets of various developed and developing economies. The country has gained a competitive edge on account of its favorable economic environment, government support, SEZ culture and low labor cost. Further, emergence of middle class, growing young population and rapid globalization of culture is fueling the demand for branded apparel in the country. It is expected that the textile industry will regain its glory in times to come.

EMPLOYMENT

The Indian Textile industry adds 14% to the industrial production and 8% to the GDP of India. It provides employment to 38 million people and thus, is the second largest employment provider after agriculture. The Indian Apparel & Textile Industry is one of the largest sources of foreign exchange flow into the country with the apparel exports accounting for almost 21% of the total exports of the country.

SWOT ANALYSIS

A systematic SWOT analysis of the textile and apparel industry indicates the following:

1. STRENGTH**I. Raw material base**

India has high self sufficiency for raw material particularly natural fibres. India's cotton crop is the third largest in the world. Indian textile industry produces and handles all types of fibres.

II. Labour

Low cost labour and strong entrepreneurial skills have always been the backbone of the Indian Apparel and textile industry.

III. Flexibility

The small size of manufacturing which is predominant in the apparel industry allows for greater flexibility to service smaller and specialized orders.

IV. Rich Heritage

The cultural diversity and rich heritage of the country offers good inspiration base for designers.

V. Domestic market

Natural demand drivers including rising income levels, increasing urbanisation and growth of the purchasing population drive domestic demand.

2. WEAKNESS**I. More dependence on cotton**

Due to over specialization in cotton, the bulk of the international market is missed out, synthetic products in India are expensive and fabric required for items like swimsuit, sky-wear and industrial apparel is relatively unavailable.

II. Weaving Sector

India has relatively less number of shuttle-less loom.

III. Fabric Processing

Processing is the weakest link in the Indian textile value chain, adversely affecting its ability to compete in exports.

IV. Poor Infrastructure

High power costs and long export lead times are eroding India's export competitiveness across the textile chain.

V. Low Labour Productivity

Productivity levels for manufacturing various apparel items are far lower in India in comparison with its competitors.

OTHER WEAKNESSES**VII. Less attention on man power training****VIII. Poor quality standards****IX. Distance of the potential market****X. Lower average consumption in domestic market**

- XI. Lack of professionalism and integration of supply chain
- XII. Dependence on quota system
- XIII. Very low investment on R&D
- XIV. Limited exploitation of economies of scale

3. OPPORTUNITIES

- I. Growing Industry
World textile trade would continue to grow at a rate of 3-4% to reach \$200-210 billion by 2010.
- II. Market access through bilateral negotiation
The trade is growing between regional trade blocs due to bilateral agreements between participating countries.
- III. Integration of Information technology
'Supply Chain Management' and 'Information Technology' has a crucial role in apparel manufacturing. Availability of EDI (Electronic Data Interchange), makes communication fast, easy, transparent and reduces duplication.
- IV. Opportunity in High Value Items
India has the opportunity to increase its UVR's (Unit Value Realization) through moving up the value chain by producing value added products and by producing more and more technologically superior products.

4. THREATS

- I. Adverse movement in the exchange rates.
- II. Competition from other low cost manufacturing countries like China, Bangladesh, Sri-Lanka, Pakistan, vietnam, Indonesia etc.

COTTON

An increased number of farmers is likely to opt for cotton production, after benefiting from high prices last year. The industry players see an increase in the cotton acreage on expectation of better monsoon and sowing process, which has already started in some states.

"Cotton sowing has started in some north Indian states Punjab, Haryana and Rajasthan. The trend this year looks better and cotton acreage and yield should rise," said PD Patodia, former president, Cotton Association of India (CAI).

"The area under cotton cultivation will naturally increase in 2009-10 as the farmers received handsome returns last season and this year the monsoon is expected on time," said DK Nair, secretary general, Confederation of Indian Textile Industries (CITI).

The sowing has taken place in areas where water for irrigation is available.

"In Gujarat, areas such as Bharuch and central Gujarat as well as Saurashtra, have seen sowing of cotton. The acreage is estimated to increase by around 300,000 hectares in 2009-10," said Arun Dalal, owner of Arun Dalal & Co, an Ahmedabad-based leading cotton trading firm.

Around 9.2 million hectares of land was brought under cotton cultivation in 2008-09. "Steep hike in minimum support price (MSP) of cotton resulted in better returns for farmers. In the wake of firm prices last financial year, there are possibilities that the cotton acreage in the country may jump to 9.5 million hectares in FY10," said Kishor Shah of Central Gujarat Cotton Dealers Association (CGCDA).

It may be mentioned here that cotton production in FY09 is estimated to be lower at 290,000 bales as compared to 315,000 bales in FY08. However, industry players estimate a crop of 340,000 bales in FY10.

INTERNAL CONTROL SYSTEMS

The Company has in place effective systems of internal control ensuring accurate, reliable and speedy compilation of financial information, safeguarding the assets and interests of the Company and ensuring compliance with laws and regulations.

The internal control is supplemented by an extension programme of internal audits, review by the management and documented policies, guidelines and procedures.

HUMAN RESOURCE DEVELOPMENT

The company recognizes the importance and contribution of its human resources for its growth and development and is committed to the development of its people. The company has been adopting methods and practices for Human Resource Development. With utmost respect to human values, the Company served its human resources with integrity, through a variety of services by using appropriate training, motivation techniques and employee welfare activities.

CAUTIONARY STATEMENT

Certain Statements in the "Management Discussion and Analysis" section may be forward looking and are stated as required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Director's envisage in terms of future performance and outlook.

By order of the Board

Place : Chandigarh
Dated : 15.06.2009

Satish Bagrodia
Chairman

TO THE MEMBERS OF WINSOME YARNS LIMITED

We have audited the attached Balance Sheet of **Winsome Yarns Limited** as at 31st March 2009, the Profit and loss Account and also the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 ('The Order') as amended by the Companies (Auditor's Report) Order, 2004 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 ('The Act'), we enclose in the Annexure a statement on the matters specified in the paragraphs 4 & 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable.
 - e) On the basis of written representation received from the directors of the Company and taken on the Record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31.03.2009 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f) *Attention is invited to:*
 - i. *Note no.10 of schedule 15 B regarding provision for depreciation has been made on certain Plant & Machinery as per the rates applicable to the continuous process plant as stated in the said note, which is a technical matter (Impact unascertained).*
 - ii. *Note no.15 of schedule 15 B regarding non provision for shortfall in recovery (amount unascertained) against overdue debt aggregating to Rs.2028.29 lacs as stated in the said note for which persuasive action for recovery has been initiated, in the opinion of the management these debts are good and recoverable.*
 - iii. *Non provision for diminution in the value of investment in subsidiary (impact unascertainable) for the reason as stated in note no.20 of Schedule 15 B and our inability to comment thereon.*

We further report that the loss for the year, the balance in reserve and surplus, debtors, investments and fixed assets are without considering items mentioned in para (f) above, the effect of which could not be determined.

Subject to the foregoing, In our opinion and to the best of our information and according to the explanations given to us, the said account read with note no .8 & 16 of schedule 15B and read together with other notes on accounts give the information as required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of Balance Sheet, of the State of Affairs of the Company as at 31st March, 2009;
- (ii) in the case of Profit and Loss Account, of the Loss of the Company for the year ended on that date; and
- (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For Lodha & Co.
Chartered Accountants

Place : New Delhi
Date : 15.06.2009

N.K. Lodha
Partner
Membership No.: 85155

(Referred to in Paragraph 1 of our report of even date to the members of Winsome Yarns Limited for the year ended 31st March 2009)

- (i) (a) The Company has maintained records in respect of fixed assets showing full particulars including quantitative details and situation of fixed assets except in respect of certain fixed assets, which are in process of updation.
- (b) As per information & explanations given to us, physical verification of the fixed assets are in process of completion according to the regular programme of physical verification once in every three years, in phased manner, which in our opinion is reasonable having regard to the size of the company and the nature of its fixed assets. As explained, in view of the necessary security arrangements there will not be any material discrepancies on completion of such physical verification.
- (c) As per the records and information and explanation given to us, fixed assets disposed off during the year were not substantial.
- (ii) (a) As explained to us, the inventories of the Company (except stock lying with the third parties and in transit) have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable having regard to the nature of business and particulars circumstances.
- (b) In our opinion and according to information & explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) According to the information and explanations given to us, we are of the opinion that the company is maintaining proper records of inventories (In case of process stock, records are updated on monthly physical verification of stock). As per records and information made available the discrepancies noticed on verification between the physical stock and the book records were not material in relation to the operation of the company.
- (iii) (a) During the year Company has not granted any loans, secured or unsecured to companies, firms or other parties as covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii) (b) to (d) of the Order are not applicable.
- (b) The Company has taken unsecured demand loans from three Companies covered in the register maintained under section 301 of the Act. The maximum amount involved during the year and the year end balance of such loans aggregate to Rs.233.28 lacs and Rs. Nil respectively.
- (c) In our opinion and according to information and explanations given to us, the rate of interest and other terms and conditions of such loans taken by the Company are not prima facie prejudicial to the interest of the Company.
- (d) In respect of aforesaid loans taken, the Company is generally regular in repayment of principal and Interest amount.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the items purchased are of specialised nature, for which as explained, user department has preferred specific nature items/brands and /or for which alternative source /quotations are not available, there are internal control system commensurate with size of the company and nature of its business with regard to the purchase of inventory, fixed assets, services and for the sale of goods and services *which needs to be further strengthened (read with note no.16 & 19 of schedule 15B)*. Based on the audit procedure performed and information & explanation provided by the management, during the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) (a) According to the information and explanations provided by the management and based on the audit procedure performed, we are of the opinion that the particulars of the contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section; and
- (b) In our opinion and according to the information and explanation given to us, the transactions made in pursuance of such contracts or arrangements (exceeding the value of Rs. 5 Lacs in respect of each party during the financial year) have been made at prices which are generally reasonable having regard to the prevailing market prices at the relevant time.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Section 58A and 58 AA Act and the rules framed there under and directives issued by the Reserve bank of India and other relevant provisions of the Act. We have been informed that no order has been passed by the company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in this regard.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the company as prescribed by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed records have been made and maintained. We have, however, not made a detailed examination of the said records with view to determine whether they are accurate and complete.

- (ix) (a) According to the records of the Company, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it. According to the information and explanations given to us, there are no undisputed statutory dues payable for a period more than six months from the date they became payable as at 31.03.2009.
- (b) According to the records and information and explanations given to us, there are no dues in respect of Income Tax, Custom Duty, Wealth Tax, Service Tax and Cess that have not been deposited on account of any dispute. In our opinion and according to the information and explanations given to us, the dues in respect of Income Tax, Sales Tax and Excise duty that have not been deposited with the appropriate authorities on account of dispute and the forum where the disputes are pending are given below:

Name of Statute	Nature of Dues	Period to which the amount relates	Amount (In Lacs)	Forum Where dispute is pending
Central/ State Sales tax Central Excise Act#	Sales tax	1999-2000	4.35	Joint Director Excise and Taxation
	Excise Duty	2002-2003	467.10	CESTAT
	Excise Duty	2005 to 2007	67.34	CESTAT
	Excise Duty	2006-07, 2007-08	18.15	Commissioner Appeals
	Excise Duty	2008-2009	3.82	Asstt. Commissioner
Finance Act 1994 Income Tax	Service Tax	2005	0.62	Commissioner Appeals
	Income Tax	2004-2005	33.94	ITAT
	Income Tax	2005-2006	108.77	CIT (A)

(excluding excise show cause notices)

This is to be read with note No. 21A of schedule 15B

- (x) The Company has no accumulated losses at the end of the financial year and it has incurred cash loss during the current financial year. However company did not incurred cash loss in the immediately preceding financial year.
- (xi) In our opinion, on the basis of audit procedures and according to the information and explanations given to us, the company has not defaulted in repayment of dues (except for maximum amount of interest Rs.422.91 lacs and delay for maximum period of 87 days) to banks (this is to be read with note no.2 of schedule 15 B). During the year company has not taken loan from financial institution or debenture holders.
- (xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) Clause (xiii) of the order is not applicable to the company as the company is not a Chit Fund Company or nidhi /mutual benefit fund/society.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investment.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institution.
- (xvi) According to the information and explanations given to us, the term loans were applied for the purpose for which the loans were obtained.
- (xvii) On the basis of information and explanations given to us and on overall examination of the financial statements of the Company, we are of the opinion that the Company has used fund raised on short-term basis amounting to Rs. 1,510.77 lacs for long term investment.
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to any parties or companies covered in the register maintained under Section 301 of the Act (read with note no 1 of schedule 15 B).
- (xix) No debenture has been issued /outstanding during the year hence the provision of clause 4 (xix) of the said order are not applicable.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) To the best of our knowledge and belief, based on the audit procedure performed and on the basis of information and explanations provided by the management, no material fraud on or by the Company has been noticed or reported during the course of the audit.

For Lodha & Co.
Chartered Accountants

Place : New Delhi
Date : 15.06.2009

N.K. Lodha
Partner
Membership No.: 85155

BALANCE SHEET
AS AT 31ST MARCH, 2009

WINSOME YARNS LIMITED

PARTICULARS	SCHEDULE No.	31st March 2009 (Rs. in lacs)	31st March 2008 (Rs. in lacs)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	2578.21	2578.21
Reserves & Surplus	2	2905.61	5508.69
Advance against Application Money of Convertible Warrants (Note No. 1 of Schedule 15B)		189.00	—
Loan Funds			
Secured Loans	3	37698.24	27094.49
Unsecured Loans	4	2242.67	1750.00
Deferred Tax Liability (Net)		252.88	1830.76
		45866.61	38762.15
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	40960.95	28789.42
Less : Depreciation		9138.43	7235.51
Net Block		31822.52	21553.91
Capital work-in-progress		5854.34	6134.25
		37676.86	27688.16
Investments	6	1516.71	1517.25
Current Assets, Loans & Advances			
Inventories		4476.31	5916.81
Sundry Debtors		3655.87	4558.77
Cash and Bank Balances		1194.22	1587.01
Loans & Advances		3404.14	4331.40
		12730.54	16393.99
Less : Current Liabilities & Provisions	8	6057.50	6837.25
Net Current Assets		6673.04	9556.74
		45866.61	38762.15

As per our report of even date.
For LODHA & CO.

Chartered Accountants

N.K. Lodha
Partner
Membership No. 85155

K.V. Singhal
Company Secretary

Manish Bagrodia
Managing Director

Satish Bagrodia
Chairman

Directors : Shri Brij Khanna
Shri Chandra Mohan
Shri S.K. Singla

PLACE : Chandigarh
DATED : 15th June 2009

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2009

WINSOME YARNS LIMITED

PARTICULARS	SCHEDULE No.	31st March 2009 (Rs. in lacs)	31st March 2008 (Rs. in lacs)
INCOME FROM OPERATIONS			
Sales	9	14767.11	17692.50
Less : Excise Duty		76.65	96.16
Net Sales		14690.46	17596.34
Increase/(Decrease) in Stocks	10	(170.85)	1115.51
Other Income	14	449.62	767.49
		<u>14969.23</u>	<u>19479.34</u>
COST OF OPERATIONS			
Raw Materials consumed	11	8741.25	9171.98
Cotton Yarn Purchase		25.20	819.45
Manufacturing & other Expenses	12	6042.28	5948.62
Provision for diminution in investment		0.54	—
		<u>14809.27</u>	<u>15940.05</u>
PROFIT BEFORE INTEREST & DEPRECIATION		159.96	3539.29
Less: Financial Expenses	13	2600.24	1778.16
		(2440.28)	1761.13
Depreciation		1924.43	1307.64
Less: Prorata Capital Subsidy		14.41	—
		<u>1910.02</u>	<u>—</u>
Net Profit/(Loss) before Tax		(4350.30)	453.49
Less :			
— Current Tax		—	50.67
— Credit against MAT		—	(50.67)
— Fringe Benefit Tax		10.47	9.87
— Fringe Benefit Tax for earlier years		—	0.95
— Deferred Tax Liability/(Asset)		(1577.88)	238.04
Net Profit/(Loss) after Tax		(2782.89)	204.63
Add : Balance brought forward from last year		5297.14	5127.12
Balance available for appropriation		2514.25	5331.75
APPROPRIATIONS			
Proposed Dividend on Equity Shares		—	25.67
Tax on Dividend		—	8.94
Balance carried to Balance Sheet		2514.25	5297.14
		<u>2514.25</u>	<u>5331.75</u>
Earning/(Loss) Per Share-Basic and Diluted (Rs)		(10.84)	0.80
Accounting Policies & Notes on Accounts	15		

As per our report of even date.
For LODHA & CO.
Chartered Accountants

N.K. Lodha
Partner
Membership No. 85155

K.V. Singhal
Company Secretary

Manish Bagrodia
Managing Director

Satish Bagrodia
Chairman

Directors : Shri Brij Khanna
Shri Chandra Mohan
Shri S.K. Singla

PLACE : Chandigarh
DATED : 15th June 2009

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

PARTICULARS	2008-2009		2007-2008	
	(Rs. in Lacs)	(Rs. in Lacs)	(Rs. in Lacs)	(Rs. in Lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES				
NET PROFIT/(LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS		(4350.30)		453.49
Adjustment for :				
Depreciation	1921.60		1304.81	
Amortisation of Leasehold Land	2.83		2.83	
Prorata Capital Subsidy	(14.41)		—	
Profit/(Loss) on sale of fixed assets	4.86		8.26	
Provision for doubtful debts/advances	513.01		—	
Transitional liability of gratuity & leave encashment adjusted in General Reserve	—		(7.89)	
Interest paid	2380.29		1657.13	
Provision for diminution in investment	0.54		—	
Interest income	(90.05)		(69.96)	2895.18
		(368.37)		3348.67
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES				
Adjustment for :				
Trade & other receivables	1340.41		(2001.82)	
Inventories	1440.50		(93.42)	
Trade & other Payables	(756.92)		2198.11	102.87
		2023.99		
CASH GENERATED FROM OPERATIONS		2392.36		2451.54
Direct Taxes Paid		(26.76)		(61.49)
NET CASH FLOW FROM OPERATING ACTIVITIES		2365.60		3390.05
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets	(11921.99)		(9809.67)	
Sale of fixed assets	3.99		13.06	
Purchase of Investments	—		(1516.20)	
Interest Received	90.05		69.96	(11242.85)
		(11827.95)		(11242.85)
NET CASH USED IN INVESTING ACTIVITIES		(11827.95)		(11242.85)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Convertible Warrants - Advance for Application Money	189.00		—	
Capital Subsidy under TUFs	194.23		—	
Interest Paid	(2178.25)		(1685.21)	
Dividend including Dividend Tax	(30.00)		(180.14)	
Proceeds from borrowings	12061.45		12262.74	
Repayment of borrowings	(1166.87)		(2231.40)	8165.99
		9069.56		8165.99
NET CASH USED IN FINANCING ACTIVITIES		9069.56		8165.99
Net Increase/decrease in cash and cash equivalents		(392.79)		313.19
Cash & Cash equivalent being cash & bank balances as at 31.03.2008 (opening balance)		1587.01		1273.82
Cash & Cash equivalent being cash & bank balances as at 31.03.2009 (closing balance)		1194.22		1587.01

**As per our report of even date.
For LODHA & CO.
Chartered Accountants**

N.K. Lodha
Partner
Membership No. 85155

K.V. Singhal
Company Secretary

Manish Bagrodia
Managing Director

Satish Bagrodia
Chairman

Directors: Shri Brij Khanna
Shri Chandra Mohan
Shri S.K. Singla

PLACE : Chandigarh
DATED : 15th June 2009

PARTICULARS	AS AT	AS AT
	31.03.2009 (Rs. in lacs)	31.03.2008 (Rs. in lacs)

SCHEDULE - 1 : SHARE CAPITAL

AUTHORISED CAPITAL	4300.00	2750.00
4,30,00,000 Equity Shares of Rs. 10/- each (Previous Year 2,75,00,000 Equity Shares of Rs. 10/- each)		
ISSUED	2604.56	2604.56
2,60,45,579 Equity Shares of Rs. 10/- each (Previous Year 2,60,45,579 Equity Shares of Rs. 10/- each)		
SUBSCRIBED & PAID-UP	2566.60	2566.60
2,56,65,979 Equity Shares of Rs. 10/- each (Previous Year 2,56,65,979 Equity Shares of Rs. 10/- each)		
Add : Amount Paid-up on shares forfeited	11.61	11.61
	2578.21	2578.21

SCHEDULE - 2 : RESERVES & SURPLUS

	Opening	Addition	Adjustment	Closing
CAPITAL RESERVE				
State Investment Subsidy	25.00	—	—	25.00
Capital Reserve — Buyback of Shares	27.03	—	—	27.03
Capital Redemption Reserve	124.44	—	—	124.44
Capital Subsidy Reserve*	—	194.22	14.41	179.81
GENERAL RESERVE	35.08	—	—	35.08
Profit & Loss Account	5297.14	—	2782.89	2514.25
	5508.69	194.22	2797.30	2905.61
	(5346.56)	(204.63)	(42.50)	(5508.69)

*Received during the year under TUFS

SCHEDULE - 3 : SECURED LOANS

FROM BANKS		
Term Loans	30795.30	21367.20
Working Capital Term Loan	2157.00	—
Packing Credit	2535.83	5501.02
Cash Credit	1770.15	—
Vehicle Loan	17.05	5.19
Interest Accrued and due	422.91	221.08
	37698.24	27094.49

NOTES :

- 1 Term Loan of Rs. 27239.61 Lacs (Pr. Yr. 19119.50 Lacs) from banks are secured by mortgage of Immovable properties situated at Village Kurawala, Distt Mohali and at Industrial Phase - VII, Mohali and hypothecation of all the company's movable properties (save & except book debts) including moveable plant & machinery, spares, tools and accessories, both present and future, subject to the prior charges created/to be created in favour of Company's bankers on specified movable assets for the working capital facilities. The mortgage and charges created shall rank pari-passu inter-se between the Banks except a term loan of Rs. 1000 Lacs (PY Nil) from a bank which is secured by sub-servient charges on fixed assets.
- 2 Term Loans from Banks of Rs. 1960.36 Lacs (Pr. Yr. Rs. 2247.70 Lacs) under TUF Scheme are secured by way of hypothecation on Plant & Machinery and other assets purchased thereunder.
- 3 Term Loans from Banks of Rs. 595.33 Lacs (Pr. Yr. Rs. Nil) & Working Capital Term Loans of Rs. 2157.00 Lacs (Pr. Yr. Rs. Nil) are secured by way of 1st pari-passu charge on Fixed Assets & 2nd pari-passu charge on current assets.
- 4 Packing Credit & Cash Credit are secured by hypothecation of current assets and also secured by second charge on fixed assets of the company.
- 5 All the aforesaid credit facilities mentioned at Point No. 1 to 4 here in above are also guaranteed by two directors of the Company and Pledge of Shares of the Company held by the Promoter Group read with Note No 2(ii) of Schedule 15 B.
- 6 Vehicle Finance is secured by hypothecation of specific assets purchased under such arrangements. Amount repayable within one year Rs. 2.68 Lacs (Pr. Yr. Rs. 1.79 Lacs).

SCHEDULE - 4 : UNSECURED LOANS

From Bank*	1270.00	1750.00
Buyer's Import Credit	972.67	—
	2242.67	1750.00

*includes Rs. 1000 lacs (Previous Year Rs. 1000 Lacs) secured by Hypothecation of immovable property owned by group company.

SCHEDULE - 5 : FIXED ASSETS (Rs. in Lacs)

Nature of Assets	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 01.04.2008	Additions	Sales/ adjustments	As at 31.03.2009	Upto 31.03.2008	For the year	Sale/ Adjustments	Upto 31.03.2009	As at 31.03.2009	As at 31.03.2008
Tangible										
Freehold Land	334.94	—	—	334.94	—	—	—	—	334.94	334.94
Leasehold Land	280.27	—	—	280.27	6.72	2.83	—	9.55	270.72	273.55
Buildings*	4066.28	1505.50	—	5571.78	605.29	160.97	—	766.26	4805.52	3460.99
Plant & Machinery	23621.93	10638.93	30.36	34230.50	6375.84	1702.37	21.51	8056.70	26173.80	17246.09
Furniture & Fixtures*	338.67	40.96	—	379.63	166.60	40.63	—	207.23	172.40	172.07
Vehicles	83.85	16.50	—	100.35	45.57	7.05	—	52.62	47.73	38.28
Intangible										
Specialised Software	63.48	—	—	63.48	35.49	10.58	—	46.07	17.41	27.99
Total	28789.42	12201.89	30.36	40960.95	7235.51	1924.43	21.51	9138.43	31822.52	21553.91
Previous Year	15205.64	13657.41	73.63	28789.42	5980.19	1307.64	52.30	7235.51	21553.91	9225.45

Note : *Building and Furniture & Fixtures includes capital expenditure incurred on assets/addition not owned by the Company Rs.41.18 Lacs (Gross) and Rs. 56.94 Lacs(Gross) (Previous year Rs. 41.18 Lacs and Rs. 56.94 Lacs) and net Rs. 16.47 Lacs and Rs. 20.91 Lacs, respectively, (Previous year Rs. 20.59 Lacs and Rs. 24.74 Lacs respectively).

PARTICULARS	AS AT 31.03.2009 (Rs. in lacs)	AS AT 31.03.2008 (Rs. in lacs)
SCHEDULE - 6 : INVESTMENTS		
Long Term Investments (Trade) - Unquoted		
Wholly owned subsidiary		
101000 Equity Shares of Winsome Yarns (Cyprus) Limited of 1 Cyprus pound each (Previous Year 101000 shares)	446.25	446.25
Less: Provision for diminution in investment	<u>0.54</u>	—
	445.71	446.25
180000 Preference Shares of Winsome Yarns (Cyprus) Limited of 1 cyprus pound each (Previous Year 180000 shares)	<u>1071.00</u>	<u>1071.00</u>
	<u>1516.71</u>	<u>1517.25</u>
SCHEDULE - 7 : CURRENT ASSETS, LOANS & ADVANCES		
CURRENT ASSETS		
Inventories (As taken, valued and certified by the management)		
Raw Materials (including material in transit Rs. 269 lacs, Pr. Yr. Rs. 799 lacs)	915.02	2094.36
Stock in Process	<u>1356.33</u>	<u>1235.26</u>
Stores & Spares	270.45	360.76
Finished Goods [including goods in transit Rs. 100.15 lacs (PY Rs. 416.53 lacs)]	<u>1822.42</u>	<u>2152.66</u>
Waste (As net realisable value)	<u>112.09</u>	<u>73.77</u>
	<u>4476.31</u>	<u>5916.81</u>
Sundry Debtors		
-Unsecured, considered good		
Debts over six months	2092.54	728.13
Other Debts	<u>1563.33</u>	<u>3830.64</u>
-Unsecured considered doubtful		
Debts over six months	456.76	—
Less : Provision for Doubtful Debts	<u>456.76</u>	—
Other Debts	—	—
	<u>3655.87</u>	<u>4558.77</u>
Cash & Bank Balances		
Cash in hand	0.01	0.01
Cheques in Hand	3.70	—
Bank Balances with scheduled Banks		
On Current Accounts	65.71	282.73
On Unpaid Dividend Account	<u>26.58</u>	<u>25.85</u>
On Fixed Deposit Account (Lodged with Banks as Margin)	<u>1098.22</u>	<u>1278.42</u>
	<u>1194.22</u>	<u>1587.01</u>
Loans & Advances		
- Advances, considered good		
(recoverable in cash or in kind or for value to be received)	905.94	2019.74
- Advances, considered doubtful		
Less : Provision for doubtful advances	<u>56.25</u>	—
	<u>849.69</u>	<u>2019.74</u>
Advance Income Tax including TDS	282.23	245.12
Refunds/Claims Receivable	<u>578.08</u>	<u>263.30</u>
MAT Credit Entitlement	99.13	99.13
Interest Receivable	<u>1150.15</u>	<u>941.41</u>
Cenvat/VAT/Sales Tax Reimbursable	<u>268.71</u>	<u>652.47</u>
Security Deposits	<u>119.90</u>	<u>110.23</u>
	<u>3404.14</u>	<u>4331.40</u>
SCHEDULE - 8 : CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors for Trade		
- Due to Micro, Small and Medium Enterprises (Note No. 19 of Schedule 15B)	—	—
- Others	<u>4959.23</u>	<u>5792.25</u>
Book Overdraft (Temporarily overdrawn)	<u>233.94</u>	<u>416.51</u>
Interest Accrued but not due on Loans	58.26	58.05
Other Liabilities	<u>586.43</u>	<u>345.13</u>
Unpaid Dividend*	<u>26.58</u>	<u>25.85</u>
	<u>5864.44</u>	<u>6637.79</u>
PROVISIONS		
For Retirement Benefits	83.58	59.97
For Proposed Dividend	—	25.67
For Corporate Tax	<u>109.48</u>	<u>109.48</u>
For Tax on Dividend	—	4.34
	<u>193.06</u>	<u>199.46</u>
	<u>6057.50</u>	<u>6837.25</u>

*shall be credited to Investor's Education and Protection Fund when due.

PARTICULARS	2008-2009 (Rs. in lacs)	2007-2008 (Rs. in lacs)
SCHEDULE - 9 : SALES		
Yarns*	12794.07	15960.60
Knitwear	968.43	749.51
Waste Sales	836.45	942.45
Job Charges (TDS Rs. 4.42 Lacs, PY Rs. 0.22 lacs)	168.16	39.94
	<u>14767.11</u>	<u>17692.50</u>
*Includes Duty Drawback Rs. 273.52 lacs (PY Rs. 760.32 lacs)		
SCHEDULE - 10 : INCREASE/(DECREASE) IN STOCKS		
Closing Stock		
Finished Goods (Yarn)	1822.42	2152.66
Stock in Process	1356.33	1235.26
Waste	112.09	73.77
	<u>3290.84</u>	<u>3461.69</u>
Less : Opening Stock		
Finished Goods	2152.66	1416.19
Stock in Process	1235.26	569.76
Waste	73.77	6.72
	<u>3461.69</u>	<u>1992.67</u>
Less : Stock Transfer from Trial Run		
Finished Goods	—	198.21
Stock in Process	—	136.51
Waste	—	18.79
	<u>(170.85)</u>	<u>353.51</u>
	<u>(170.85)</u>	<u>1115.51</u>
SCHEDULE - 11 : RAW MATERIALS CONSUMED		
Opening Stock	2094.36	3330.86
Purchases	7561.91	7935.48
	<u>9656.27</u>	<u>11266.34</u>
Closing Stocks	915.02	2094.36
Raw Materials Consumed	<u>8741.25</u>	<u>9171.98</u>
SCHEDULE - 12 : MANUFACTURING & OTHER EXPENSES		
PAYMENT & PROVISIONS OF EMPLOYEES		
Salaries, Wages & Other Allowances	1030.32	715.15
Contribution to Provident & Other Funds	85.96	62.32
Employees Welfare	8.31	13.17
	<u>1124.59</u>	<u>790.64</u>
MANUFACTURING EXPENSES		
Stores & Spares consumed	958.41	909.23
Power & Fuel	1648.05	2100.22
Repairs to Buildings	6.26	14.60
Repairs to Plant & Machinery	22.04	22.46
Processing & Dyeing Charges	218.36	231.52
Material Handling Charges	82.47	123.11
	<u>2935.59</u>	<u>3401.14</u>

PARTICULARS	2008-2009 (Rs. in lacs)	2007-2008 (Rs. in lacs)
SCHEDULE - 12 : EXPENSES (continued)		
ADMINISTRATIVE AND OTHER EXPENSES		
Rent	30.04	35.88
Printing & Stationery	7.71	6.67
Rates & Taxes	0.35	0.93
Director Sitting Fee	1.80	2.00
Insurance	42.13	78.63
Repair & Maintenance	16.58	8.25
Travelling & Conveyance	133.61	160.36
Miscellaneous Expenses	112.13	119.54
Wealth Tax	0.10	0.20
Postage, Telegrams and Telephones	52.27	58.53
Loss on sale of fixed assets	4.86	8.26
Legal & Professional Charges	90.21	187.92
Charity & Donation	0.47	—
Prior Period Expenses (Net)	13.66	7.37
Provision for Doubtful Debts/Advances	513.01	—
AUDITORS' REMUNERATION		
Audit Fees	2.65	2.35
Tax Audit Fees	0.35	0.15
Other Services	1.06	1.08
Re-imburement of expenses	0.39	0.15
	<u>4.45</u>	<u>3.73</u>
	1023.38	678.27
SELLING EXPENSES		
Commission on sales	283.29	194.49
Freight & Handling Charges	581.85	844.78
Advertisement & Other Selling Expenses	93.58	39.31
	<u>958.72</u>	<u>1078.57</u>
	6042.28	5948.61
SCHEDULE - 13 : FINANCIAL EXPENSES		
Interest on Term Loans	1328.84	787.08
(Net of re-imburement under TUFS Rs. 829.19 Lacs Previous Year Rs. 498.42 Lacs)		
Interest on Working Capital	1051.45	870.05
Bank Charges & Commission	219.95	121.03
	<u>2600.24</u>	<u>1778.16</u>
SCHEDULE - 14 : OTHER INCOME		
Miscellaneous Income	25.69	13.41
Duty Drawback Others	105.89	—
Interest Received (TDS Rs. 17.77 lacs Previous Year Rs. 10.81 lacs)	90.05	69.96
Sale of Scrap	62.95	40.96
Liability/Balances, no longer required, written back (net)	56.48	210.72
Exchange Rate Difference (Net)	108.56	432.44
	<u>449.62</u>	<u>767.49</u>

SCHEDULE - 15
ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS

A) Statement of Significant Accounting Policies

1. **Basis of Accounting**
The Financial Statements are prepared as a going-concern under historical cost convention on an accrual basis except those with significant uncertainty and in accordance with the Companies Act, 1956. Accounting policies not stated explicitly otherwise are consistent with generally accepted accounting principles and mandatory accounting standards.
2. **Use of Estimates**
The presentation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and the estimates are recognised in the period in which the results are known/materialized.
3. **Revenue Recognition**
Revenue represents the net invoice value of goods and services provided to third parties after deducting discounts, volume rebates, outgoing sales taxes and duties, and is recognised usually when all significant risks and rewards of ownership of the asset sold are transferred to the customer and the commodity has been delivered to the shipping agent. Revenues from sale of material by-products are included in revenue.
Interest income is recognised on an accrual basis in the income statement.
4. **Borrowing Cost**
Borrowing Cost attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets upto the date when such assets are ready for intended use. Other borrowing costs are charged as expense in the year in which they are incurred.
5. **Fixed Assets**
Fixed Assets are stated at cost of acquisition inclusive of freight, duties, taxes and installation expenses less accumulated depreciation and impairment loss, if any.
6. **Expenditure during Construction Period**
All pre-operative project expenditure (net of income accrued) incurred upto the date of commercial production is capitalized and the same are allocated to the respective assets on the completion of the construction period.
7. **Depreciation**
 - (i) Depreciation has been provided on Fixed Assets on Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 except in respect of additions arising on account of Insurance spares, on additions/extensions forming an integral part of existing plants and on the revised carrying amount of the assets identified as impaired on which depreciation has been provided over residual life of the respective fixed assets.
 - (ii) Depreciation on additions/disposals is provided pro-rata with reference to the month of addition/disposal.
 - (iii) Amortisation of leasehold land and buildings has been done in proportion to the period of lease.
 - (iv) Fixed Assets where ownership vests with the Government/Local authorities are amortized at the rates of depreciation specified in Schedule XIV to the Companies Act, 1956.
 - (v) Capital Expenditure on assets not owned are written off over the duration of contract or ten years, whichever is lower.
8. **Intangible Assets**
Intangible Assets are stated at cost of acquisition less accumulated amortisation. Technical know-how is amortised over the useful life of the underlying plant. Specialised Software is amortised over an estimated useful period of six year. Amortisation is done on straight line basis.
9. **Inventories**
 - (i) Inventories are valued at lower of cost or net realisable value except for scrap and by-products which are valued at net realisable value.
 - (ii) Cost of inventories of finished goods and work-in-process includes material cost, cost of conversion and other related overhead costs.
 - (iii) Cost of inventories of raw material, work-in-process and Stores & Spares is determined on weighted average cost method.
10. **Investments**
Long Term Investments are stated at cost. Provision for diminution in long term investments is made only if such decline is other than temporary. Current investments are carried at lower of cost or market price.
11. **Foreign Currency Transactions**
 - (i) Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.
 - (ii) Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of monetary items which are covered by forward exchange contracts, the difference between the year end rate and rate on the date of the contract is recognised as exchange difference and the premium paid on forward contracts has been recognised over the life of the contract. Any income or expense on account of exchange difference either on settlement or on translation is recognised in the Profit and Loss account.
 - (iii) Non monetary foreign currency items are carried at cost.
12. **Employees Benefits**
 - (i) **Defined Contribution Plan** : Employee benefits in the form of Provident Fund (with Government Authorities) are considered as defined contribution plan and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due.
 - (ii) **Defined Benefit Plan** : Retirement benefits in the form of Gratuity, Long Term compensated leaves and Provident Fund (multi-employer plan) are considered as defined benefit obligations and are provided for on the basis of an actuarial valuation, using the projected unit credit method, as at the date of the Balance Sheet.
 - (iii) Other short term absences are provided based on past experience of leave availed. Actuarial gain/losses, if any, are immediately recognised in the Profit and Loss Account.
13. **Export Incentives**
Duty drawback is recognised at the time of exports and the benefits in respect of advance license received by the company against export made by it are recognised as and when goods are imported against them.
14. **Government Grants**
 - (i) Grants relating to fixed assets are shown as deduction from the gross value of fixed assets and those of the nature of project subsidy are credited to Capital Reserves.
 - (ii) Other Government grants including incentives are credited to Profit and Loss Account or deducted from the related expenses.
 - (iii) Capital subsidy under TUFs from the Ministry of Textiles on specified processing machinery has been treated as deferred

income which is recognized on systematic and rational basis in proportion of the applicable depreciation over the useful life of the respective assets and is adjusted against the depreciation to the Profit & Loss Account.

15. Provision for Current and Deferred Tax

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961.

Deferred tax resulting from "timing differences" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is reasonable/virtual certainty that asset will be realised in future.

16. Impairment of Assets

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

17. Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

B) NOTES ON ACCOUNTS

1. In the AGM held on 23rd Sep 2008 the company had passed a resolution for issue of 1,55,00,000 nos Convertible Warrants on preferential basis to Non-Promoter Group & Promoter Group. However, this preferential allotment of Convertible Warrants was subsequently withdrawn by the Company vide circular resolution No. 1/2009 dated February 23, 2009, due to non-receipt of consent from a term lender and in principle approval of the stock exchanges. The company had however received an amount of Rs.216 Lacs being the applicable 10% (Rs.1.80 on issue price of Rs.18 per warrants, including premium) of such warrants. Subsequent to the Balance Sheet date, the Company proposes further issue of 64,00,000 Convertible Warrants @ Rs.14 per warrants (Aggregating to Rs.896 lacs) on preferential allotment basis to Non Promoter Group & Promoter Group. The new issue is proposed to be approved vide Special Resolution in the Extra Ordinary General Meeting (EOGM) of the Company to be held on June 18, 2009. Accordingly on the basis of confirmation/consent from the proposed allottees, an amount of Rs.189 Lacs (out of Rs.216 lacs as stated above) already received against above stated withdrawn issue of Convertible Warrants has been shown as advance against application money of convertible warrants.

2. (i) The Corporate Debt Restructuring (CDR) Empowered group in their meeting held under CDR mechanism on 17th March, 2009 have approved debt restructuring proposal of the company. The CDR proposal inter- alia includes reduction in interest rate, waiver of penal interest, reschedulement of interest payable, reschedulement of existing term loans, carving out of working capital limits, relaxation in margin for working capital loan and additional finances. The CDR proposal which is effective from 1st January 2009 is in process of implementation, the effect of debt restructuring has been accounted for (including accounting of liability of restructured interest) based on the sanctions so far received from the lenders or their agreement to the restructuring scheme as Master Restructuring Agreement (MRA) is pending for signing.

(ii) The above arrangement / loans will be further secured by unconditional and irrevocable guarantees to be given by promoters, promoters group/ associate companies and further secured/ to be secured by pledge of 51% (Fifty one percent) of equity share capital (present/future) held/to be held by them in the company.

(iii) CDR Empowered group have also stipulated that promoters shall arrange to bring fund and fund out of investments made in overseas subsidiaries through disinvestment.

3. Capital Work-In-Progress includes fencing of site area, roads, construction /capital material at site, site development expenses, plant & machinery in transit /under erection and capital advance of Rs.511.10 lacs (P.Y. Rs.1199.98 lacs) and preoperative expenses as per detail given below:

	Current Year	(Rs. in lacs) Previous Year
Pre-operative expenditure as follows :		
Opening Balance	751.96	236.75
- Stores & Spares	63.50	1074.67
- Power & Fuel	90.64	122.46
- Salary, Wages & Allowances	101.61	182.99
- Upfront Fees	-	74.36
Total	1007.71	1691.23
Less: Capitalised during the year	582.89	939.27
Closing Balance	424.82	751.96

Above amount is excluding interest on term loan Rs. 446.31 lacs (Previous Year Rs. 396.90 lacs) net of subsidy Rs. 391.58 lacs (Previous Year Rs. 280.09 lacs), Interest (others) Rs. 156.16 lacs (Previous Year Nil).

4. Research and development expenditure amounting to Rs.21.84 lacs (Previous year Rs.20.53 lacs) have been debited to Profit and Loss account under the head Salaries, Wages & other Allowances.

5. In accordance with the Accounting Standards (AS-28) on "Impairment of Assets" issued by the Institute of Chartered Accountants of India, during the year the company has reassessed value in use of its fixed assets and is of the view that no provision for impairment is necessary.

6. In view of the Company (Accounting Standard) Rules, issued by the Ministry of Corporate Affairs for treatment of gain/(loss) on account of exchange fluctuation on loan/liability for capital assets, the company continued its policy to charge exchange difference to the profit & loss accounts.

7. Unit no. I & II of the Company's Spinning Unit at Derabassi was a 100% export oriented unit (E.O.U). As per one time option available to exit from 100% E.O.U to EPCG scheme, during the year on payment of duty etc. and on furnishing a Bank Guarantee of Rs.51.09 lacs to Central Excise & Customs Authorities, the above units of the Company have been de-bonded.

8. Managerial Remuneration*

	2008-09	(Rs. in lacs) 2007-08
Remuneration to Executive Directors		
(i) Salary	24.00	26.88
(ii) Contribution to Provident Fund & Family Pension Funds	2.30	2.30
(iii) Perquisites & Other Benefits	Nil	0.82
(iv) Commission	Nil	4.75
TOTAL	26.30	34.75

*The above remuneration is subject to the approval of Shareholders in General Meetin

9. (i) Step down subsidiaries (two nos) are under liquidation namely M/s, S. C. Winsome Romania s.r.l, Romania and M/s, IMM Winsome Italia S.P.A., Italy. The company through its subsidiary have investment amounting to Euro 828 (Equivalent to Rs. 0.54 lacs) in these subsidiaries, and (ii) An amount of Rs.86.81 lacs and Rs.171.01 lacs are appearing under debtors which are recoverable from M/s, S. C. Winsome Romania s.r.l, and M/s, IMM Winsome Italia S.P.A. Italy, respectively. Against which necessary provision for doubtful amount has been made during the year.
10. Depreciation on certain Plant & Machinery is provided by considering it as continuous process plant based on technical assessment, which has been relied upon by the auditors.
11. Company does not have taxable income for the year ended as on 31st March, 2009 under the Income Tax Act., 1961 and hence no provision for Income Tax/ Minimum Alternate Tax has been made.
12. Prior period adjustments (net) include Freight & handling charges Rs. 3.03 lacs (P.Y. Rs. 1.12 lacs), Electricity charges Rs. Nil (P.Y. Rs. 5.83 lacs), Legal & Professional Charges Rs. 10.53 lacs (P.Y. Nil) and others Rs. 0.10 lacs (P.Y. Rs. 0.42 lacs).
13. In the opinion of the Board, the Current Assets, Loans and Advances appearing in the Company's Balance Sheet as at year end would have a value on realisation in the normal course of business at least equal to the respective amounts at which they are stated in the Balance Sheet.
14. Since it is not possible to ascertain with reasonable certainty/ accuracy the amount of accrual in respect of certain insurance and other claims and interest on overdue bills, the same are continued to be accounted for on settlement/ acceptance basis.
15. The company has taken persuasive actions for recovery of certain overseas overdue debtors amounting to Rs. 2028.29 lacs. In the opinion of the management these are good and fully recoverable/realizable hence no provision there against is considered necessary by the management.
16. Balances of certain sundry debtors, Loans & Advances, creditors (including inter company), and other liabilities are in process of confirmation/ reconciliation. The management is of the opinion that adjustment, if any, arising out of such reconciliation would not be material.
17. Employees Benefits:
- a) **Defined Contribution Plan** : Contribution to Defined Contribution Plan, i.e contribution to provident fund amounting to Rs.69.61 lacs (Previous Year Rs. 47.30 lacs) has been recognized as expense for the year.
- b) **Defined Benefit Plan** : The employee' gratuity fund is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognized in the same manner as gratuity.

Particulars	(Rs. in Lacs)			
	Gratuity (Unfunded)		Leave Encashment (Unfunded)	
	2009	2008	2009	2008
I. Amount to be recognised in the balance sheet				
Present Value of Obligation as at 31st March 2009	53.93	44.11	29.65	15.86
Fair value of plan assets as at 31st March 2008	—	—	—	—
Funded Status [surplus/(Deficit)]	(53.93)	(44.11)	(29.65)	(15.86)
Net Assets/(Liability) Recognized in Balance Sheet	(53.93)	(44.11)	(29.65)	(15.86)
II. Expenses recognized during the period				
Current Service Cost	21.85	12.88	19.67	13.53
Interest Cost	3.30	2.78	1.19	0.81
Expected Return on Plan Assets	—	—	—	—
Actuarial (gain)/loss	(11.72)	0.74	(1.10)	(4.36)
Net Expenses Recognized	13.43	16.41	19.76	9.98
III. Reconciliation of opening and closing balance of Defined Benefit Obligation				
Present Value of Obligation at the beginning of the period	44.11	36.06	15.85	10.07
Current Service Cost	21.85	12.88	19.67	13.53
Interest Cost	3.30	2.78	1.19	0.81
Actuarial (gain)/loss on obligations	(11.73)	0.74	(1.10)	(4.36)
Benefit Paid	(3.60)	8.35	(5.96)	4.19
Present Value of Obligation as at the end of the period	53.93	44.11	29.65	15.86
IV. Transitional Provision				
Present Value of obligations at the beginning of the period as per AS 15 (R)	—	36.05	—	10.07
Fair value of plan assets	—	—	—	—
Transitional liability	—	36.05	—	10.07
Liability already recognised	—	30.19	—	8.05
Increase in liability	—	5.86	—	2.03
Increase adjusted against opening general reserve	—	5.86	—	2.03
Unadjusted increase to be recognised as expense over the next four years on a straight line basis.	—	—	—	—
V. Actuarial/Demographic assumptions				
Indian Assure Lives Mortality Table (LIC)	1994-96	1994-96	1994-96	1994-96
Discount rate (Per annum)	7.5%	8.00%	7.5%	8.00%
Expected Return on Plan Assets (Per annum)	7.5%	8.00%	7.5%	8.00%
Estimated rate of increase in compensation level	5.00%	5.00%	5.00%	5.00%
Retirement Age			58 Years	
Withdrawal Rate (All ages)			10%	
Disability			No explicit allowance	
Leave Accumulation Ratio			0.58 (Previous Year 0.54)	

- (i) The estimate of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.
- (ii) The principal assumptions are the discount rate & salary growth rate. The discount rate is generally based upon the market yields available on Government bonds at the accounting date with a term that matches that of the liabilities.
18. As per terms of the Agreement entered between company and private equity partners /sellers, the company is to invest through a subsidiary i.e. WYCL (Winsome Yarn (Cyprus) Ltd) in a JV Company M/s Newcocot S.P.A. amounting to Euro 4.64 millions (approx Rs 31 crore). In earlier year the Company has invested in equity and preference share capital of its above said subsidiary amounting to EURO 2.55 million (Equivalent to Rs.1517.25 lacs).
19. The Company has not received full information from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure relating to amount unpaid as at year end together with interest paid /payable have been given based on the information so far available with the company/identified by the company management.
20. Diminution in the value of investment made in a subsidiary has not been considered necessary by the company in view of strategic and long term in nature and considering the intrinsic value of the assets of the subsidiary company. (Read with Note No. 18 hereinabove)

21. A) Contingent Liabilities, not provided for in respect of (As certified by the management) : (Rs. in Lacs)

Particulars	As at	As at
	<u>31st March, 2009</u>	<u>31st March, 2008</u>
i) Bills discounted with banks	1716.54	1420.89
ii) Outstanding Letter of Credit	2222.07	200.44
iii) Sales Tax liability in respect of matters in appeal	8.05	8.05
iv) Excise duty show cause notices/matters in appeal	559.41	975.61
v) Service Tax Matters	0.62	Nil
vi) Income Tax Demand	142.71	33.94
vii) (a) Customs duty saved of Rs.2677.28 (Previous Year Rs. 2453.06 Lacs) for import of capital good made against EPCG license against which export obligations amounting Rs. 21418.23 lacs (Previous Year Rs. 19624.51 Lacs) are pending.		
(b) Bank guarantees to Central Excise and Custom Authorities under EPCG Scheme Rs. 51.09 Lacs (P.Y. Rs. Nil)		
Considering the past experience, management is of the view that there will not be any material impact on accounts on settlement / finalization of above.		
B) Estimated amount of contracts remaining to be executed on Capital Account and not provided for Rs. 893.73 lacs (P.Y. Rs.6236.84 lacs) net of advances Rs. 511.10 lacs, (Previous year Rs. 1199.98 Lacs).		

22. The company has given interest free loan/ advances in the nature of loan, to employees, in the ordinary course of its business. No loan/ advances in the nature of loans have been given to employees/ others for the purpose of investment in securities of the company.

23. Segment Reporting

- (i) The Company is only in one line of business namely Textile (Yarn and Knitting)
- (ii) The segment revenue in geographical segments considered for disclosure is as follow:
- (a) Revenue inside India includes sales to customers located within India.
- (b) Revenue outside India includes sales to customers located outside India.

Information about geographical segments (by location of customers) (Rs. in lacs)

Particulars	India	Outside India	Total
i) External Revenue-Sales	5554.73	9212.38*	14767.11
	(5308.47)	(12384.03)*	(17692.50)
ii) Carrying amount of segment assets by location of assets	47616.26	4307.85	51924.11
	(40590.35)	(5009.05)	(45599.40)
iii) Capital Expenditure	11921.98	—	11197.64
	(9809.67)	—	(9809.67)

* Includes Duty Draw back of Rs. 273.52 Lacs (Previous Year 760.32 Lacs).

24. During the year, deferred tax in respect of timing differences has been re-assessed/re-computed and asset (net) amounting to Rs. 1577.88 lacs for the year has been credited to Profit & Loss Account.

	2008-09	2007-08
Deferred Tax Liability		
Tax impact on difference between book value of depreciable assets and written down value for tax purposes.	4073.96	2902.45
Deferred Tax Assets		
Tax Impact of unabsorbed depreciation and business losses	3618.29	1049.69
Tax impact of expenses charged to profit & loss account but allowance under tax laws deferred	28.41	22.00
Tax impact on doubtful debts and advances	174.38	—
Deferred Tax Liability (Net)	252.88	1830.76

25. Earning per share

Basis for calculation of basic and diluted Earning Per Share as under :

Net Profit/(Loss) attributable to Equity Shareholders (Rs. in lacs)	(2782.89)	204.63
Weighted average number of equity shares	25665979	25665979
Nominal Value per equity share (Rs.)	10	10
Basic and Diluted EPS (Rs.)	(10.84)	0.80

26. Related party disclosures.

A. List of "Related party & Relationship disclosures" are given below : (as identified by the management)

1. (a) **Associate Company**

Winsome Textile Industries Ltd.

(b) **Wholly Owned Subsidiary Companies**

- (i) Winsome Yarns (Cyprus) Limited (100% Subsidiary)
- (ii) S.C. Winsome Romania S.R.L. (Subsidiary of (i) above)
- (iii) I.M.M. Winsome Italia S.P.A. (Subsidiary of (ii) above)
- (iv) S.C. Textile S.R.L. (Subsidiary of (iii) above)

2. **Key Management Personnel and their relatives**

- Shri Satish Bagrodia Chairman
- Shri Manish Bagrodia Managing Director
- Shri Ashish Bagrodia Director

3. **Organisation where Key Management Personnel & their relative have significant influence**

- Starpoint Financial Services (Pvt.) Ltd.
- Shell Business Pvt. Ltd.
- Satyam Combines Pvt. Ltd.

B. **Aggregated Related Party disclosures for the year ended 2008-2009**

(Rs. in Lacs)

Particulars	Associate Company	Subsidiary Company	Key Management personnel and their relatives	Organisations where Key Management Personnel & their relative have significant influence	Total
Sale of material & goods and services	70.77 (595.62)	143.90 (224.59)	— (—)	— (—)	214.67 (820.21)
Purchase of material goods and services	238.75 (328.92)	43.48 (—)	— (—)	— (22.08)	282.23 (351.00)
Expenses reimbursed to others	— (—)	— (—)	— (—)	16.80 (28.29)	16.80 (28.29)
Loan taken	— (—)	— (—)	— (—)	395.00 (175.00)	395.00 (175.00)
Loan repaid	— (—)	— (—)	— (—)	395.00 (175.00)	395.00 (175.00)
Interest Paid	— (—)	— (—)	— (—)	9.05 (6.78)	9.05 (6.78)
Remuneration Paid	— (—)	— (—)	2.6,30 (34,75)	— (—)	2.6,30 (34,75)
Director Sitting fee	— (—)	— (—)	0.75 (0.90)	— (—)	0.75 (0.90)
Advance against application money of Convertible Warrants	— (—)	— (—)	— (—)	54.00 (—)	54.00 (—)
Refund of Advance against application money of Convertible Warrants	— (—)	— (—)	— (—)	27.00 (—)	27.00 (—)
Balance outstanding as at 31.03.2009	56.27 (Dr) (211.87) (Dr)	257.82 (Dr) (139.97) (Dr)	— (0.10) (Cr)	27.00 (Cr) (25.01) (Cr)	287.09 (Dr) (326.73) (Dr)

Chairman and Managing Director have given guarantees to secured lenders against loans taken by the Company (Refer notes of Schedule-3).

Note : Figures in brackets represents figures for the previous years.

27. Additional information pursuant to the provisions of Paragraphs 3 and 4 of Schedule-VI to the Companies Act, 1956.

(a) Licensed & Intalled Capacity	2008-09	2007-08
Licenced Capacity :		
Yarn — Spindles	133440	133440
— Rotors	1536	1536
Knitwears (Nos.)	1944000	1944000
Installed Capacity :		
Yarn — Spindles	101424	79824
— Knitwears (Nos.)	1160000	506880

(b) (i) **Production, Turnover & Stocks (in MT) :** (Value Rs. in lacs)

Particulars	Opening Stock		Production Qty.	Purchase		Turnover		Closing Stock	
	Qty.	Value		Qty.	Value	Qty.	Value	Qty.	Value
Yarn	1545.50 (1137.40)***	2152.66 (1581.60)	8970.52 (11960.91)***	24.54 (428.06)	25.20 (819.45)	9337.67 (11980.87)***	12794.07* (15960.60)*	1202.89 (1545.50)	1773.09 (2152.66)
Knitwears (Pcs.)	Nil (8101)	Nil (32.80)	287809 (226113)	— (—)	— (—)	271581 (234214)	968.43** (749.51)**	16228 (Nil)	49.33 (Nil)
Waste/Scrap	— (—)	73.77 (25.51)	— (—)	— (—)	— (—)	— (—)	836.45 (942.45)	— (—)	112.09 (73.77)

* Includes drawback amounting Rs. 227.54 Lacs (P.Y. Rs. 738.54 Lacs)

** Includes drawback amounting Rs. 45.98 Lacs (P.Y. Rs. 21.78 Lacs)

*** Opening Stock Qty. includes 173.690 MT Trial Run Stock, Production Qty. excludes 339.551 MT Trial Run Production and Sales Qty. excludes 165.860 MT Trial Run Sales.

Note : Figures in brackets represents figures for the previous year.

(ii) Raw Material Consumed	2008-2009		2007-2008	
	Qty. (MT)	Value (Rs. in Lacs)	Qty. (MT)	Value (Rs. in Lacs)
Viscose	399.16	368.74	235.52	200.27
Cotton	11742.26	8023.09	15750.50	8780.21
Yarn	104.62	349.42	73.54	191.50
TOTAL		8741.25		9171.98

(iii) **Total Value of Raw Materials and Stores & Spares Consumed**

	Raw Material				Stores & Spares			
	Current year	%	Previous Year	%	Current year	%	Previous Year	%
Imported	170.99	1.96	485.20	5.29	169.32	17.67	426.27	46.88
Indigenous	8570.26	98.04	8686.78	94.71	789.09	82.33	482.96	53.12
Total	8741.25	100.00	9171.98	100.00	958.41	100.00	909.23	100.00

Profit or loss on sale of stores/raw materials remains adjusted in their respective consumption accounts.

	31st March 2009 (Rs. in lacs)	31st March 2008 (Rs. in lacs)
c) Imports at CIF Value :		
Plant & Machinery	6913.93	380.36
Spare Parts & components	93.05	137.39
Raw Material	212.79	468.47
d) Earnings In Foreign Exchange :		
Export of goods on FOB basis (Excluding Export through Export Houses)	8627.88	11623.70
e) Expenditure In Foreign currency : (Cash basis)		
Foreign Traveling	10.49	91.28
Commission on sales	65.11	80.75
Consultancy Fees	6.85	36.72
Others	4.52	NIL
28. Consumption value of raw materials and stores & spares is derived as net of opening stock plus purchases less closing stock.		
29. Remittance In Foreign Currency on Dividend Account		
Number of Non Resident Shareholders	38	31
Number of shares held by Non Resident Shareholders	17000	14500
Net Amount of Dividend Remitted (Amount in Rs.)	1700	8700
Year to which Dividend relates	2007-08	2006-07

30. a) The Foreign Currency Exposure that are not hedged by a derivative instrument or otherwise are as follows (as certified by the management) :

Particulars	Document Currency	Amount in Document Currency	Amount in Rupees (in lacs)
Sundry Debtors	USD	5054364.41 (8045889.59)	2390.80 (3231.75)
	EURO	3586070.11 (3126058.14)	2073.86 (1967.64)
	GBP	107342.28 (Nil)	71.15 (Nil)
	CHF	Nil (555535.37)	Nil (193.83)
Sundry Creditors	CHF	2510829.19 (Nil)	982.03 (Nil)
	HKD	27244.14 (Nil)	1.66 (Nil)
	EURO	483639.16 (1789456.31)	298.46 (1035.94)
	GBP	1245.07 (Nil)	0.9 (Nil)
	USD	19729.11 (51759.87)	8.53 (22.79)
	JPY	Nil (26123448.00)	Nil (87.16)
Investment in Preference Shares	EURO	1800000 (1800000)	1071.00 (1071.00)
Foreign Commission payable	USD	71291.98 (92336.36)	36.18 (37.04)
	EURO	Nil (760.12)	Nil (0.48)
Loans - PCFC	USD	Nil (4753004.49)	Nil (1906.91)

Note : Figures in brackets represents figures for the previous financial year.

- b) Forward contract for Rs. 310.76 lacs, USD 6.00 lacs (P.Y. Nil) taken for the purpose of hedging of debtors are outstanding as at 31.03.2009.
31. Figures for the previous year have been re-grouped/recast wherever considered necessary to make them comparable with those of current year.
32. Schedule 1 to 15 form an integral part of the Balance Sheet and Profit & Loss Account.

**As per our report of even date.
For LODHA & CO.
Chartered Accountants**

N.K. Lodha
Partner
Membership No. 85155

K.V. Singhal
Company Secretary

Manish Bagrodia
Managing Director

Satish Bagrodia
Chairman

Directors: Shri Brij Khanna
Shri Chandra Mohan
Shri S.K. Singla

PLACE : Chandigarh
DATED : 15th June 2009

27. Balance Sheet abstract and Company's General Business profile as per Schedule VI, Part (IV) of the Companies Act, 1956.

I. Registration Details

Registration No. (CIN)	L17115CH1990PLC010566	State Code	
Balance Sheet Date	31-03-2009		53

II. Capital Raised during the year (Amount Rs. in thousands)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	18900

III. Position of Mobilization and Deployment of Funds (Amount Rs. in thousands)

Total Liabilities	5192411	Total Assets	5192411
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Sources of Funds

Paid-up Capital	257821	Reserve & Surplus	290561
Secured Loans	3769824	Unsecured Loans	224267
Advance against Application Money of Convertible Warrants	18900	Deferred Tax Liability	25288

Application of Funds

Net Fixed Assets	3767686	Investments	151671
Net Current Assets	667304	Misc. Expenditure	—
Accumulated Losses	—		

IV. Performance of Company (Amount Rs. in thousands)

Turnover including other income	1496923	Total Expenditure	1931953
Profit Before Tax	(435030)	Profit After Tax	(278289)
Earning per share (Rs.)	(10.84)	Dividend Rate (%)	Nil

V. Generic Names of Principal Products of Company (as per monetary terms)

Item Code No.	COTTON YARN CONTAINING 85% OR MORE OF COTTON	520500
Item Code No.	COTTON YARN CONTAINING LESS THAN 85% COTTON	520600
Item Code No.	APPAREL, KNITTED OR CROCHETED	6101

K.V. Singhal
Company Secretary

Manish Bagrodia
Managing Director

Satish Bagrodia
Chairman

Directors: Shri Brij Khanna
Shri Chandra Mohan
Shri S.K. Singla

PLACE : Chandigarh
DATED : 15th June 2009

SECTION 212**Statement pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary company****S.No. Particulars**

1.	Name of Subsidiary Company	Winsome Yarns (Cyprus) Limited
2.	Financial year of the Subsidiary Company ended on	31st March, 2009
3.	Shares of the Subsidiary Company held on the above date and extent of holding	
	a) Equity shares	101000
	b) Extent of Holding	100%
4.	The net aggregate amount of the Subsidiaries profit/(Loss) so far as it is concerned with the members of Winsome Yarns Limited	
	(i) Not dealt within the company's accounts	NIL
	a) For the financial year of the Subsidiary (in Lacs)	(Rs. 13.85 Lacs)
	b) For the previous financial years of the subsidiary/since it became Holding Company's subsidiary (in Lacs)	(Rs. 14.51 Lacs)
	(ii) Dealt within the holding company's accounts	NIL
	a) For the financial year of the Subsidiary (in Lacs)	Not Applicable
	b) For the previous financial years of the subsidiary/since it became the Holding company's subsidiary (in Lacs)	Not Applicable
5.	Changes in the Holding Company's interest in the subsidiary and holding company's financial year	Not Applicable
6.	Material changes, if any, between the end of the financial year of the subsidiary company and that of the Holding Company	Not Applicable

Certified to be True Copy

For Winsome Yarns Ltd.**(K. V. Singhal)****DGM (Legal) Company Secretary**

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of Winsome Yarns Limited on the Consolidated Financial Statements of Winsome Yarns Limited and its Subsidiary.

1. We have examined the attached consolidated Balance Sheet of Winsome Yarns Limited and its subsidiary as at 31st March 2009, and the consolidated Profit and Loss Account and also the consolidated Cash Flow Statement for the year then ended.
2. These financial statements are the responsibility of Winsome Yarns Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as, evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the foreign subsidiary namely Winsome Yarns (Cyprus) Limited whose financial statement reflects total assets of Rs.2066.58 lacs as at 31st March 2009 and total revenues of Rs.56.73 lacs for the year then ended. The separate financial statements of above said subsidiary have been audited by other auditors, as per applicable GAAP in their country, whose report has been furnished to us by the management and our opinion, insofar as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditors.
4. Attention is invited to notes of Schedule 15:
 - a) Note no.5 regarding provision for depreciation on certain Plant & Machinery as stated in the said note (Impact unascertainable).
 - b) Note no.7 regarding non-provision for shortfall in recovery (amount unascertained) against overdue debt aggregating to Rs.2028.29 lacs as stated in the said note, as in the opinion of the management these debts are good and recoverable;
 - c) Note no.13 regarding non-provision for diminution in the value of investment in subsidiary (impact unascertainable) as stated in the said note and our inability to comment thereon.

The consolidated financial statements subject to and read with our comments in para 4, we report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Winsome Yarns Limited and audited financial statement of its subsidiary included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit report on individual audited financial statements of the Company and audited financial statements of its Subsidiary included in the Consolidated Financial Statements, we are of the opinion that the said consolidated financial statements read with note no 1 (iv) (a), 6, 10 and 11 of schedule 15 and read together with other notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India.

- a) In the case of Consolidated Balance Sheet, of the Consolidated state of affairs of the Company and its Subsidiary as at 31st March, 2009;
- b) In the case of the Consolidated Profit & Loss Account, of the consolidated results of operations of the Company and its Subsidiary for the year then ended; and
- c) In the case of Consolidated Cash Flows Statement, of the consolidated cash flows of the Company and its Subsidiary for the year then ended.

For Lodha & Co.
Chartered Accountants

Place : Chandigarh
Date : 15.06.2009

N.K. Lodha
Partner
Membership No.: 85155

PARTICULARS	SCHEDULE	31st March 2009 (Rs. in lacs)	31st March 2008 (Rs. in lacs)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	2578.21	2578.21
Reserves & Surplus	2	3077.85	5689.75
Advance against Application Money of Convertible Warrants (Note No. 2 of Schedule 15)		189.00	—
Loan Funds			
Secured Loans	3	37698.24	27094.49
Unsecured Loans	4	2242.67	1750.00
Deferred Tax Liability (Net)		252.88	1830.76
Minority Interest		—	11.47
		<u>46038.85</u>	<u>38954.68</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	40960.95	29098.62
Less : Depreciation		9138.43	7259.41
Net Block		31822.52	21839.21
Capital work-in-progress		5854.34	6150.39
		<u>37676.86</u>	27989.60
Investments	6	0.54	1451.43
Current Assets, Loans & Advances			
Inventories		4476.31	8475.13
Sundry Debtors		3655.87	8279.01
Cash and Bank Balances		1234.04	1685.82
Loans & Advances		5430.37	5916.36
		<u>14796.59</u>	24356.32
Less : Current Liabilities & Provisions	8	<u>6435.14</u>	14842.67
Net Current Assets		<u>8361.45</u>	9513.65
		<u>46038.85</u>	<u>38954.68</u>
Accounting Policies & Notes on Accounts	15		

As per our report of even date.
For LODHA & CO.
Chartered Accountants

N.K. Lodha
Partner
Membership No. 85155

K.V. Singhal
Company Secretary

Manish Bagrodia
Managing Director

Satish Bagrodia
Chairman

Directors : Shri Brij Khanna
Shri Chandra Mohan
Shri S.K. Singla

PLACE : Chandigarh
DATED : 15th June 2009

**CONSOLIDATED PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2009**

WINSOME YARNS LIMITED

PARTICULARS	SCHEDULE	31st March 2009 (Rs. in lacs)	31st March 2008 (Rs. in lacs)
INCOME FROM OPERATIONS			
Sales	9	14770.36	25273.13
Less Excise Duty		76.65	96.16
Net Sales		14693.71	25176.97
Increase/(Decrease) in Stocks	10	(170.85)	1943.64
Other Income	14	449.59	672.26
		<u>14972.45</u>	<u>27792.87</u>
COST OF OPERATIONS			
Raw Materials consumed	11	8741.25	12991.20
Cotton Yarn Purchase		25.20	819.45
Manufacturing & other Expenses	12	6058.38	10093.41
Interest & Financial Charges	13	2601.24	1797.43
		<u>17426.07</u>	<u>25701.49</u>
PROFIT/(LOSS) BEFORE DEPRECIATION & EXCEPTIONAL ITEMS		(2453.62)	2091.38
Depreciation		1924.43	1331.54
Less : Prorata Capital Subsidy		14.41	—
Net Profit/(Loss) before Tax		<u>(4363.64)</u>	759.84
Less : Provision for Taxation		—	86.24
— Current Tax		—	(50.67)
— Credit against MAT		—	9.87
— Fringe Benefit Tax		10.47	0.95
— Fringe Benefit Tax for earlier years		—	238.04
— Deferred Tax Liability/(Asset)		<u>(1577.88)</u>	
Net Profit/(Loss) after Tax		<u>(2796.23)</u>	475.41
Less : Minority Interest		—	0.50
		<u>(2796.23)</u>	474.91
Add : Balance brought forward from last year		5561.75	5121.45
Less: Adjustment for none consolidation of subsidiaries (Refer note no. 1(iv)(b) of Schedule 15)		280.46	—
Balance available for appropriation		<u>2485.06</u>	<u>5596.36</u>
APPROPRIATIONS			
Proposed Dividend on Equity Shares		—	25.67
Tax on Dividend		—	8.94
Balance carried to Balance Sheet		<u>2485.06</u>	<u>5561.75</u>
		<u>2485.06</u>	<u>5596.36</u>
Earning Per Share-Basic and Diluted (Rs)		(10.89)	1.85
Accounting Policies & Notes on Accounts	15		

**As per our report of even date.
For LODHA & CO.
Chartered Accountants**

N.K. Lodha
Partner
Membership No. 85155

K.V. Singhal
Company Secretary

Manish Bagrodia
Managing Director

Satish Bagrodia
Chairman

Directors : Shri Brij Khanna
Shri Chandra Mohan
Shri S.K. Singla

PLACE : Chandigarh
DATED : 15th June 2009

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

PARTICULARS	2008-2009		2007-2008	
	(Rs. in Lacs)	(Rs. in Lacs)	(Rs. in Lacs)	(Rs. in Lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES				
NET PROFIT/(LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS		(4363.64)		759.84
Adjustment for :				
Depreciation	1921.60		1328.71	
Amortisation of Leasehold Land	2.83		2.83	
Prorata Capital Subsidy	(14.41)		-	
Profit/(Loss) on sale of fixed assets	4.86		8.26	
Provision for Doubtful Debts/Advances	513.01		-	
Interest Paid	2380.29		1676.88	
Transitional liability of gratuity & leave encashment adjusted in General Reserve	-		(7.89)	
Provision for diminution in investment	-		-	
Interest income	(90.05)	4718.13	(69.96)	2938.83
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		354.49		3698.67
Adjustment for :				
Trade & other receivable	1002.77		(7369.50)	
Inventories	1440.50		(2651.14)	
Trade & other Payables	(385.56)	2057.71	10201.15	180.51
CASH GENERATED FROM OPERATIONS		2412.20		3879.18
Direct Taxes Paid		(26.75)		(97.06)
NET CASH FLOW FROM OPERATING ACTIVITIES		2385.45		3782.12
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets	(11921.98)		(10135.01)	
Sale of fixed assets	4.00		13.07	
Minority Interest	-		10.97	
(Purchase)/Sale of Investments	-		(1451.43)	
Interest Received	90.05	(11827.93)	69.96	(11492.44)
NET CASH USED IN INVESTING ACTIVITIES		(11827.93)		(11492.44)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Convertible Warrants - Advance for Application Money	189.00		-	
Capital Subsidy Under TUFS	194.22		-	
Interest Paid	(2178.25)		(1704.96)	
Dividend including Dividend Tax	(29.27)		(180.14)	
Proceeds from borrowings	12061.45		12262.74	
Repayment of borrowings	(1166.87)	9070.28	(2231.40)	8146.24
NET CASH USED IN FINANCING ACTIVITIES		9070.28		8146.24
D. CHANGES IN CURRENTLY FLUCATION RESERVE ARISING ON CONSOLIDATION				
		(0.75)		(49.71)
Net Increase/(decrease) in cash and cash equivalents		(372.95)		386.21
Cash & Cash equivalent being cash & bank balances as at 31.03.2008 (opening balance)	1685.82			
Opening Cash & Cash Equivalent of Subsidiaries, not considered for consolidation	(78.83)	1606.99		1299.61
Cash & Cash equivalent being cash & bank balances as at 31.03.2009 (closing balance)		1234.04		1685.82

As per our report of even date.
For LODHA & CO.
Chartered Accountants

N.K. Lodha
Partner
Membership No. 85155

K.V. Singhal
Company Secretary

Manish Bagrodia
Managing Director

Satish Bagrodia
Chairman

Directors : Shri Brij Khanna
Shri Chandra Mohan
Shri S.K. Singla

PLACE : Chandigarh
DATED : 15th June 2009

PARTICULARS	AS AT 31.03.2009 (Rs. in lacs)	AS AT 31.03.2008 (Rs. in lacs)
SCHEDULE - 1 : SHARE CAPITAL		
AUTHORISED CAPITAL	4300.00	2750.00
4,30,00,000 Equity Shares of Rs. 10/- each		
ISSUED		
2,60,45,579 Equity Shares of Rs. 10/- each	2604.56	2604.56
SUBSCRIBED & PAID-UP		
2,56,65,979 Equity Shares of Rs. 10/- each	2566.60	2566.60
Add : Amount Paid-up on shares forfeited	11.61	11.61
	2578.21	2578.21

SCHEDULE - 2 : RESERVES & SURPLUS

	Opening	Addition	Adjustment	Closing
Capital Reserve				
State Investment Subsidy	25.00	—	—	25.00
Capital Reserve — Buyback of Shares	27.03	—	—	27.03
Capital Redemption Reserve	124.44	—	—	124.44
Capital Subsidy Reserve*	—	194.23	14.41	179.82
SUB-TOTAL	176.47	194.23	14.41	356.29
General Reserve	35.08	—	—	35.08
Profit & Loss Account	5561.75	(2796.23)	280.46	2485.06
Add (Less) : Foreign Currency Translation Reserve (Net)	(83.55)	284.98	—	201.43
SUB-TOTAL	5513.28	(2511.25)	280.46	2721.56
TOTAL	5689.75	(2317.02)	294.87	3077.85
PREVIOUS YEAR	(5307.05)	(475.41)	(92.71)	(5689.75)

*Received during the year under TUFS

SCHEDULE - 3 : SECURED LOANS**FROM BANKS***

Term Loans	30795.30	21367.20
Working Capital Term Loan	2157.00	—
Packing Credit	2535.83	5501.02
Cash Credit	1770.15	—
Vehicle Loan	17.05	5.19
Interest accrued and due	422.91	221.08
	37698.24	27094.49

*Refer Note No. 3 of Schedule 15

NOTES :

- Term Loan of Rs. 27239.61 lacs (PY. Rs. 19119.50 lacs) from banks are secured by mortgage of Immovable properties situated at Village Kurawala, Distt Mohali and at Industrial Phase - VII, Mohali and hypothecation of all the company's movable properties (save & except book debts) including movable plant & machinery, spares, tools and accessories, both present and future, subject to the prior charges created/to be created in favour of Company's bankers on specified movable assets for the working capital facilities. The mortgage and charges created shall rank pari-passu 'inter-se' between the Banks except a term loan of Rs. 1000 Lacs (PY. Rs. Nil) from a bank which is secured by sub-servient charges on fixed assets.
- Term Loans from Banks of Rs. 1960.36 Lacs (PY. Rs. 2247.70 Lacs) under TUFS Scheme are secured by way of hypothecation on Plant & Machinery and other assets purchased thereunder.
- Term Loans from Banks of Rs. 595.33 Lacs (PY. Rs. Nil) & Working Capital Term Loans of Rs. 2157.00 Lacs (PY. Rs. Nil) are secured by way of 1st pari-passu charge on Fixed Assets & 2nd pari-passu charge on current assets.
- Packing Credit & Cash Credit are secured by hypothecation of current assets and also secured by second charge on fixed assets of the company.
- All the aforesaid credit facilities mentioned at Point No. 1 to 4 here in above are also guaranteed by two directors of the Company and Pledge of Shares of the Company held by the Promoter Group read with Note No 3 (ii) of Schedule 15.
- Vehicle Finance is secured by hypothecation of specific assets purchased under such arrangements. Amount repayable within one year Rs. 2.68 Lacs (PY. Rs. 1.79 Lacs)

SCHEDULE - 4 : UNSECURED LOANS

From Bank*	1270.00	1750.00
Buyer's Import Credit	972.67	—
	2242.67	1750.00

*includes Rs. 1000 lacs (PY. Rs. 1000 lacs) secured by hypothecation of immovable property owned by the group company.

SCHEDULE - 5 : FIXED ASSETS (Rs. in Lacs)

Nature of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As at 01.04.2008	Adjustment*	Additions	Sales/ As at 31.03.2009	Upto 31.03.2008	Adjustment*	For the year	Sales 31.03.2009	Upto 31.03.2009	As at 31.03.2009	As at 31.03.2008
Tangible											
Freehold Land	334.94	—	—	—	—	—	—	—	—	334.94	334.94
Leasehold Land	280.27	—	—	—	6.72	—	2.83	—	9.55	270.72	273.55
Buildings**	4066.28	—	1505.50	—	605.29	—	160.97	—	766.26	4805.52	3460.99
Plant & Machinery	23892.53	270.60	10638.93	30.36	6399.51	23.67	1702.37	21.51	8056.70	26173.80	17493.02
Furniture & Fixtures**	339.80	1.13	40.96	—	166.83	0.23	40.63	—	207.23	172.40	172.97
Vehicles	83.85	—	16.50	—	45.57	—	7.05	—	52.62	47.73	38.28
Intangible											
Specialised Software	100.95	37.47	—	—	35.49	—	10.58	—	46.07	17.41	65.46
Total	29098.62	309.20	12201.89	30.36	7259.41	23.90	1924.43	21.51	9138.43	31822.52	21839.21
Previous Year	15205.64	—	13966.61	73.63	5980.19	—	1331.54	52.30	7259.41	21839.21	9225.45

* Adjustment for non consolidation of financial statement of subsidiary (Refer Note no. 1 (iv) (b) of Schedule 15)

** Building and Furniture & Fixtures includes capital expenditure incurred on assets not owned by the Company Rs.41.18 Lacs (Gross) and Rs. 56.94 Lacs(Gross) (Previous year Rs. 41.18 Lacs and Rs. 56.94 Lacs) and net WDV Rs. 16.47 Lacs and Rs. 20.91 Lacs, respectively, (Previous year Rs.20.59 Lacs and Rs. 24.74 Lacs).

PARTICULARS	AS AT 31.03.2009 (Rs. in lacs)	AS AT 31.03.2008 (Rs. in lacs)
SCHEDULE - 6 : INVESTMENTS		
Long Term Investments (Trade) - Unquoted		
90 Equity Shares of S.C. Winsome Romania S.r.l., face value of RON 30/- each	0.54	—
2515 Equity Shares of IMM Winsome Italia SPA of Euro 1000 each (Subsidiary of S.C. Winsome Romania S.r.l.)	—	1451.43
	<u>0.54</u>	<u>1451.43</u>
SCHEDULE - 7 : CURRENT ASSETS, LOANS & ADVANCES		
CURRENT ASSETS		
Inventories		
(As taken, valued and certified by the management)		
Raw Materials (including material in transit Rs. 269 lacs (PY Rs. 799 lacs)	915.02	3824.55
Stock in Process	1356.33	1799.35
Stores & Spares	270.45	360.76
Finished Goods (including goods in transit Rs. 100.15 lacs (PY Rs. 416.53 lacs)	1822.42	2416.70
Waste (As net realisable value)	112.09	73.77
	<u>4476.31</u>	<u>8475.13</u>
Sundry Debtors		
-Unsecured, considered Good		
Debts over six months	2092.54	728.13
Other Debts	1563.33	7550.88
	<u>3655.87</u>	<u>8279.01</u>
-Unsecured, considered doubtful		
Debts over six months	456.76	—
Less: Provision for Doubtful Debts	(456.76)	—
Other Debts	—	—
	<u>—</u>	<u>—</u>
	<u>3655.87</u>	<u>8279.01</u>
Cash & Bank Balances		
Cash in hand	0.01	0.45
Cheques in Hand	3.70	—
Bank Balances with scheduled Banks		
On Current Accounts	105.53	381.10
On Unpaid Dividend Account	26.58	25.85
On Fixed Deposit Account (Lodged with Banks as Margin)	1098.22	1278.42
	<u>1234.04</u>	<u>1685.82</u>
Loans & Advances		
(Unsecured, considered good)		
-Considered good		
Advance recoverable in cash or in kind or for value to be received	2594.55	3604.70
-Considered doubtful		
Less: Provision for Doubtful Advances	56.25	—
	<u>(56.25)</u>	<u>—</u>
	<u>2594.55</u>	<u>3604.70</u>
Advance to Subsidiary (refer note no 11(c) of Schedule 15)	337.62	—
Advance Income Tax including TDS	282.23	245.12
Refunds/Claims Receivable	578.08	1204.71
MAT Credit Entitlement	99.13	99.13
Interest receivable	1150.15	—
Cenvat/VAT/Sales Tax Reimbursable	268.71	652.47
Security Deposits	119.90	110.23
	<u>5430.37</u>	<u>5916.36</u>
SCHEDULE - 8 : CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors for Trade		
- Due to Micro, Small and Medium Enterprises	—	—
- Others	4959.23	13565.85
Book Overdraft (Temporarily overdrawn)	233.94	416.51
Interest Accrued but not due on Loans	58.26	58.05
Other Liabilities	964.07	576.95
Unpaid Dividend*	26.58	25.85
	<u>6242.08</u>	<u>14643.21</u>
PROVISIONS		
For Retirement Benefits	83.58	59.97
For Proposed Dividend	—	25.67
For Corporate Tax	109.48	109.48
For Tax on Dividend	—	4.34
	<u>193.06</u>	<u>199.46</u>
	<u>6435.14</u>	<u>14842.67</u>

*shall be credited to Investor's Education and Protection Fund when due.

PARTICULARS	2008-2009 (Rs. in lacs)		2007-2008 (Rs. in lacs)
SCHEDULE - 9 : SALES			
Yarns*	12794.07		15960.60
Knitwear	971.68		8327.44
Waste Sales	836.45		942.85
Job Charges (TDS Rs. 4.42 Lacs, Previous Year Rs. 0.22 Lacs)	168.16		42.24
*Includes Duty Drawback Rs. 273.52 lacs (PY Rs. 760.32 lacs)	<u>14770.36</u>		<u>25273.13</u>
SCHEDULE - 10 : INCREASE/(DECREASE) IN STOCKS			
Closing Stock			
Finished Goods	1822.42		2416.70
Stock in Process	1356.33		1799.35
Waste	<u>112.09</u>		<u>73.77</u>
	3290.84		4289.82
Less : Opening Stock			
Finished Goods	2416.70		1416.19
Less: Finished Goods relating to Subsidiaries*	<u>264.04</u>	2152.66	
Stock in Process	1799.35		569.76
Less: Stock in process relating to Subsidiaries*	<u>564.09</u>	1235.26	
Waste	<u>73.77</u>		<u>6.72</u>
	3461.69		1992.67
Less : Stock Transfer from Trial run			
Finished Goods	—		198.21
Stock in Process	—		136.51
Waste	<u>—</u>		<u>18.79</u>
	<u>(170.85)</u>		<u>1943.64</u>
*Adjustment for non consolidation of financial statement of subsidiary (Refer to Note No. 1 (iv)(b) of Schedule 15)			
SCHEDULE - 11 : RAW MATERIALS CONSUMED			
Opening Stock	3824.55		
Less : Opening Stock relating to Subsidiaries*	<u>1730.19</u>	2094.36	3330.86
Purchases		<u>7561.91</u>	13484.89
		9656.27	16815.75
Closing Stocks		<u>915.02</u>	3824.55
Raw Materials Consumed		<u>8741.25</u>	<u>12991.20</u>
*Adjustment for non consolidation of financial statement of subsidiary (Refer to Note No. 1 (iv)(b) of Schedule 15)			
SCHEDULE - 12 : MANUFACTURING & OTHER EXPENSES			
PAYMENT & PROVISIONS OF EMPLOYEES			
Salaries, Wages & Other Allowances	1030.32		1444.88
Contribution to Provident & Other Funds	85.96		255.28
Employees Welfare	<u>8.31</u>		<u>13.17</u>
		1124.59	1713.33
MANUFACTURING EXPENSES			
Stores & Spares consumed	958.41		1468.78
Power & Fuel	1648.05		2225.05
Repairs to Buildings	6.26		14.60
Repairs to Plant & Machinery	22.04		22.46
Processing & Dyeing Charges	218.36		2229.03
Material Handling Charges	<u>82.47</u>		<u>123.11</u>
	2935.59		6083.03

PARTICULARS	2008-2009 (Rs. in lacs)	2007-2008 (Rs. in lacs)
SCHEDULE - 12 : EXPENSES (continued)		
ADMINISTRATIVE AND OTHER EXPENSES		
Rent	30.04	323.65
Printing & Stationery	7.94	6.69
Rates & Taxes	0.35	10.40
Director Sitting Fee	2.32	2.41
Insurance	42.13	84.46
Repair & Maintenance	16.58	8.25
Travelling & Conveyance	133.61	209.87
Miscellaneous Expenses	112.13	263.84
Wealth Tax	0.10	0.20
Postage, Telegrams and Telephones	52.31	93.84
Loss on sale of fixed assets	4.86	8.26
Legal & Professional Charges	106.46	194.26
Charity & Donation	0.47	—
Prior Period Expenses (Net)	12.07	7.37
Provision for Doubtful Debts/Advances	513.01	—
AUDITORS' REMUNERATION		
Audit Fees	3.30	3.60
Tax Audit Fees	0.35	0.15
Other Services	1.06	1.08
Re-imburement of expenses	0.39	0.15
	<u>5.10</u>	<u>4.98</u>
	1039.48	1218.48
SELLING EXPENSES		
Commission on sales	283.29	194.49
Freight & Handling Charges	581.85	844.77
Advertisement & Other Selling Expenses	93.58	39.31
	<u>958.72</u>	<u>1078.57</u>
	6058.38	10093.41
SCHEDULE - 13 : FINANCIAL EXPENSES		
Interest on Term Loans (Net of re-imburement under TUFs Rs. 825.19 Lacs, P.Y. Rs. 498.42 Lacs)	1328.84	787.08
Interest on Working Capital (net of receipt of Rs. 16.96 lacs, P.Y. Rs. 29.89 lacs)	1051.45	889.32
Bank Charges & Commission	220.95	121.03
	<u>2601.24</u>	<u>1797.43</u>
SCHEDULE - 14 : OTHER INCOME		
Miscellaneous Income	25.69	13.63
Duty drawback Income	105.89	—
Interest Received (TDS Rs. 17.77 lacs Previous Year Rs. 10.81 lacs)	90.05	70.62
Sale of Scrap	62.95	40.96
Liability/Balances, no longer required, written back (net)	56.48	210.72
Exchange Rate Difference (Net)	108.53	336.33
	<u>449.59</u>	<u>672.26</u>

SCHEDULE 15

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPLES OF CONSOLIDATION

- i) The accounts have been prepared to comply with the requirements of Accounting Standard 21 to include all material items.
- ii) Consolidated financial statements (CFS) comprised the financial statements of Winsome Yarns Limited and its subsidiary namely Winsome Yarns (Cyprus) Limited.
- iii) List of subsidiaries :

S.No.	Name of the Subsidiary	% of Shareholding	Nature of Interest	Country of Incorporation
1.	Winsome Yarns (Cyprus) Limited	100	Direct	Cyprus
2.	S.C. Winsome Romania S.R.L.*	90	Indirect	Romania
3.	I.M.M. Winsome Italia S.P.A. \$	100	Indirect	Italy
4.	S.C. Textile S.R.L. #	100	Indirect	Romania

*become subsidiary of 1 above w.e.f 5th April, 2007

\$ become subsidiary of 2 above w.e.f. 5th April, 2007

become subsidiary of 3 above w.e.f. 5th April, 2007

- (iv) (a) The financial Statements of step down subsidiary namely S.C. Winsome Romania S.R.L. have been excluded during the year from consolidation as the same is under liquidation.
 - (b) Adjustments of non-consolidation of the financial statements of the aforesaid step down subsidiary have been considered in the respective accounts.
 - (c) The figures of the current year are strictly not comparable with figures of the previous year for the reason stated above.
 - (v) S.C. Winsome Romania S.R.L. is holding 100% shares (investment) of IMM Winsome Italia S.P.A, Italy and the later company holds 100% shares (investment) of S. C. Textil S.R.L, Romania. The financial statements of the above said companies have not been considered for the purpose of consolidation.
 - (vi) The Consolidated Financial Statements have been prepared based on a line-by-line consolidation using uniform accounting policies for like transactions and other events in similar circumstances. The effects of intra group transactions and balances are eliminated in consolidation.
 - (vii) The difference between the costs to the Holding Company of its investment in the subsidiary companies over the holding company's portion of equity of the subsidiary is recognized in the financial statements as Goodwill or Capital Reserve as the case may be.
 - (viii) Foreign Subsidiaries - Operations of foreign subsidiaries has been considered by management non-integral; thus items of the assets and liabilities, both monetary and non-monetary, have been translated at the exchange rates prevailing at the end of the year and items of income and expenses have been translated at the average rate prevailing during the year. Resulting exchange differences arising on translation of said items have been transferred to Foreign Currency Translation Reserve Account.
2. In the AGM held on 23rd Sep 2008 the company had passed a resolution for issue of 1,55,00,000 nos. Convertible Warrants on preferential basis to Non-Promoter Group & Promoter Group. However, this preferential allotment of Convertible Warrants was subsequently withdrawn by the Company vide circular resolution No.1/2009 dated February 23, 2009, due to non-receipt of consent from a term lender and in principle approval of the stock exchanges. The company had however received an amount of Rs.216 Lacs being the applicable 10% (Rs.1.80 on issue price of Rs.18 per warrants, including premium) of such warrants. Subsequent to the Balance Sheet date, the Company proposes further issue of 64,00,000 Convertible Warrants @ Rs.14 per warrants (Aggregating to Rs.896 lacs) on preferential allotment basis to Non Promoter Group & Promoter Group. The new issue is proposed to be approved vide Special Resolution in the Extra Ordinary General Meeting (EOGM) of the Company to be held on June 18, 2009. Accordingly on the basis of confirmation/consent from the proposed allottees, an amount of Rs.189 Lacs (out of Rs.216 lacs as stated above) already received against above stated withdrawn issue of Convertible Warrants has been shown as Advance against Application money of Convertible Warrants.
3. (i) The Corporate Debt Restructuring (CDR) Empowered group in their meeting held under CDR mechanism on 17th March, 2009 have approved debt restructuring proposal of the company. The CDR proposal inter- alia includes reduction in interest rate, waiver of penal interest, reschedulement of interest payable, reschedulement of existing term loans, carving out of working capital limits, relaxation in margin for working capital loan and additional finances. The CDR proposal which is effective from 1st January 2009 is in process of implementation, the effect of debt restructuring has been accounted for (including accounting of liability of restructured interest) based on the sanctions so far received from the lenders or their agreement to the restructuring scheme as Master Restructuring Agreement (MRA) is pending for signing.
- (ii) The above arrangement / loans will be further secured by unconditional and irrevocable guarantees to be given

- by promoters, promoters group/ associate companies and further secured/ to be secured by pledge of 51% (Fifty one percent) of equity share capital (present /future) held/to be held by them in the company.
- (iii) CDR Empowered group have also stipulated that promoters shall arrange to bring fund and fund out of investments made in overseas subsidiaries through disinvestment.
4. Unit no. I & II of the Company's Spinning Unit at Derabassi was a 100% export oriented unit (E.O.U). As per one time option available to exit from 100% E.O.U to EPCG scheme, during the year on payment of duty etc. and on furnishing a Bank Guarantee of Rs.51.09 lacs to Concerned Authorities, the above units of the company have been de-bonded.
 5. Depreciation on certain Plant & Machinery is provided by considering it as continuous process plant based on technical assessment, which has been relied upon by the auditors.
 6. An amount of Rs.86.81 lacs and Rs.171.01 lacs are appearing under debtors which are recoverable from M/s, S. C. Winsome Romania s.r.l, and M/s, IMM Winsome Italia S.P.A Italy, respectively, against which necessary provision for doubtful amount has been made during the year.
 7. The company has taken persuasive actions for recovery of certain overseas overdue debtors of amounting to Rs.2028.29 lacs. In the opinion of the management these are good and fully recoverable / realisable hence no provision there against is considered necessary by the management.
 8. In the opinion of the Board, the Current Assets, Loans and Advances appearing in the Company's Balance Sheet as at year end would have a value on realisation in the normal course of business at least equal to the respective amounts at which they are stated in the Balance Sheet.
 9. Prior period adjustments (net) includes (i) Prior period expense - Freight & handling charges Rs. 3.03 lacs (P.Y. Rs. 1.12 lacs), Electricity charges Rs. Nil (P.Y. Rs. 5.83 lacs), Legal & Professional Charges Rs. 10.53 lacs (P.Y. Rs. Nil) and others Rs. 0.10 lacs (P.Y. Rs. 0.42 lacs), and (ii) prior period income - Audit Fees Rs. 1.59 lacs (P.Y. Rs. Nil).
 10. Balances of certain sundry debtors, Loans & Advances, creditors (including inter company), and other liabilities are in process of confirmation/ reconciliation. The management is of the opinion that adjustment, if any, arising out of such reconciliation would not be materially affecting current year financial statements.
 11. (a) As per terms of the Agreement entered between company and private equity partners /sellers, the company is to invest through a subsidiary i.e. WYCL (Winsome Yarn (Cyprus) Ltd) in a JV Company M/s Newcocot s.r.l. amounting to Euro 4.64 millions (approx Rs.31 crore). In earlier year the Company had invested in equity and preference share capital of its above stated subsidiary amounting to EURO 2.55 million (Equivalent to Rs.1517.25 lacs).
 (b) Loans & Advances includes Euro 2.5 millions (Equivalent to Rs.1,688 lacs) represent partial payment for the acquisition of 933750 Shares in an overseas Company namely, Newcocot S.r.l.
 (c) Company has investment in a subsidiary Company amounting to Rs.1516.71 lacs (net of provision) which has advanced amounting to Euro 500,000 (Equivalent to Rs.337.62 lacs) for subscribing to the share capital, to M/s S. C. Winsome Romania s.r.l, Romania (step down subsidiary) which is under liquidation. Further this stated subsidiary Company have also advanced amounting to Euro 2.5 millions (Equivalent to Rs.1688 lacs) (note no. 11 (b)) for acquisition of Shares of Newcocot S.r.l.
 12. The Company has not received full information from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure relating to amount unpaid as at year end together with interest paid /payable have been given based on the information so far available with the company/ identified by the company management.
 13. Auditors of the subsidiary company namely M/s Winsome Yarns (Cyprus) Limited has referred in report for non-provisioning against investment in a subsidiary (namely S.C. Winsome Romania s.r.l) of amounting to Euro 500,828 (Equivalent to Rs.338.16 lacs) (read with note no.11(c)).
 14. A) Contingent Liabilities, not provided for in respect of (As certified by the management): (Rs. in Lacs)

No.	Particulars	2009	2008
(i)	Bills discounted with banks	1716.54	1420.89
(ii)	Outstanding Letter of Credit	2222.07	200.44
(iii)	Sales Tax liability in respect of matters in appeal	8.05	8.05
(iv)	Excise duty show cause notices / matters in appeal	559.41	975.61
(v)	Service Tax Matters	0.62	-
(vi)	Income Tax Demand	142.71	33.94

- (vii) (a) Customs duty saved of Rs.2677.28 lacs (Previous Year Rs. 2453.06 lacs) for import of capital good made against EPCG license against which export obligations amounting Rs. 21418.23 lacs (Previous Year Rs. 19624.51 Lacs) are pending.
 (b) Bank guarantees to Central Excise and Custom Authorities under EPCG Scheme Rs. 51.09 Lacs (P.Y. Rs. Nil)

Considering the past experience, management is of the view that there will not be any material impact on accounts on settlement / finalization of above.

B) Estimated amount of contracts remaining to be executed on Capital Account and not provided for Rs. 893.73 lacs (Previous Year Rs. 6236.84 lacs) net of advances Rs. 511.10 lacs (Previous year Rs. 1199.98 Lacs).

15. Segment Reporting

- (i) The Company is only in one line of business namely Textile (Yarn and Knitting)
(ii) The segment revenue in geographical segments considered for disclosure is as follow:
(a) Revenue inside India includes sales to customers located within India.
(b) Revenue outside India includes sales to customers located outside India.

Information about geographical segments (by location of customers) (Rs. In lacs)

No.	Particulars	India	Outside India	Total
i)	External Revenue-Sales	5554.73 (5308.47)	9215.63* (19964.66)*	14770.36 (25273.13)
ii)	Carrying amount of segment assets by location of assets	47616.26 (40590.36)	4857.73 (13206.99)	52473.99 (53797.35)
iii)	Capital Expenditure	11921.98 (9809.68)	— (325.33)	11921.98 (10135.01)

* Includes Duty Draw back of Rs. 273.52 Lacs (Previous Year Rs. 760.32 Lacs)

16. During the year, deferred tax in respect of timing differences has been re-assessed/ re-computed and asset (net) amounting to Rs. 1577.88 lacs for the year has been credited to Profit & Loss Account.

Particulars	2008-09	2007-08
Deferred Tax Liability		
Tax impact on difference between book value of depreciable assets and written down value for tax purposes	4073.96	2902.45
Deferred Tax Assets		
Tax impact of unabsorbed depreciation and business losses	3618.29	1049.69
Tax impact of expenses charged to profit & loss account but allowance under tax laws deferred	28.41	22.00
Tax impact on doubtful debts & advances	174.38	—
Deferred Tax Liability (Net)	252.88	1830.76

17. Earning per share

Basis for calculation of Basic, Diluted & Cash Earning Per Share is as under :

Particulars	2008-2009	2007-2008
Net Profit/(Loss) attributable to Equity Shareholders (Rs. in lacs)	(2796.23)	474.91
Weighted average number of equity shares	25665979	25665979
Nominal Value per equity share(Rs.)	10	10
Basic and Diluted EPS (Rs.)	(10.89)	1.85

18. Related party disclosures

List of "Related party & Relationship disclosures" are given below: (as identified by the management)

- (i) (a) **Associate Company**
Winsome Textile Industries Limited
- (b) **Subsidiary Companies**
- (i) S.C. Winsome Romania S.R.L. (90% subsidiary)
(ii) I.M.M. Winsome Italia S.P.A. (Subsidiary of (i) above)
(iii) S.C. Textile S.R.L. (Subsidiary of (ii) above)
- (ii) **Key management personnel and their relatives.**
- | | |
|-----------------------------|-------------------|
| - Shri Satish Bagrodia | Chairman |
| - Shri Manish Bagrodia | Managing Director |
| - Shri Ashish Bagrodia | Director |
| - Shri Andreas Alexiou | Director |
| - Shri Androulla Kakoyianni | Director |
| - Shri Stelios Sivitanides | Director |
- (iii) **Organisations where Key Management Personnel & their relatives have significant influence**
- Star Point Financial Services (Pvt.) Ltd.
 - Shell Business Pvt. Ltd.
 - Satyam Combines Pvt. Ltd.

Aggregated Related Party disclosures for the year ended 2008-2009

(Rs. in Lacs)

Particulars	Associate Company	Subsidiary Company	Key Management personnel and their relatives	Organisations where Key Management Personnel & their relative have significance influences	Total
Sale of material & goods and services	70.77 (595.62)	143.90 (182.29)	— (—)	— (—)	214.67 (777.91)
Purchase of material goods and services	238.75 (328.92)	— (—)	— (—)	— (22.08)	238.75 (351.00)
Expenses reimbursed to others	—	—	—	16.80	16.80
Loan taken	—	—	—	395.00	395.00
Loan repaid	(—)	(—)	(—)	(175.00)	(175.00)
Interest Paid	—	—	—	9.05	9.05
Remuneration Paid	(—)	(—)	(—)	(6.78)	(6.78)
Directors Sitting Fees	—	—	26.30	—	26.30
Advance against Application Money of Convertible Warrants	(—)	(—)	(136.11)	(—)	(136.11)
Refund of Advance against Application Money of Convertible Warrants	—	—	1.27	—	1.27
Balance outstanding as at 31.03.2009	56.27 (Dr) (211.87) (Dr)	257.82 (Dr) (94.62) (Dr)	— (0.10) (Cr)	27.00 (Cr) (25.01) (Cr)	415.74 (Dr) (281.38) (Dr)

Chairman and Managing Director have given guarantees to secured lenders against loans taken by the company (Refer notes of Schedule-3)

Note: Figures in brackets represents figures for the previous years.

19. Accounting Policies and other notes on accounts are set out in the financial statements of the Company.
20. Figures for the previous year have been re-grouped/recast wherever considered necessary to make them comparable with those of current year.
21. Schedule 1 to 15 form an integral part of the Balance Sheet and Profit & Loss Account.

**As per our report of even date.
For LODHA & CO.
Chartered Accountants**

N.K. Lodha
Partner
Membership No. 85155

K.V. Singhal
Company Secretary

Manish Bagrodia
Managing Director

Satis Bagrodia
Chairman

Directors: Shri Brij Khanna
Shri Chandra Mohan
Shri S.K. Singla

PLACE : Chandigarh
DATED : 15th June 2009

Certified to be True Copy

For Winsome Yarns Ltd.


(K. V. Singhal)
DGM (Legal) Company Secretary