

21st

**ANNUAL
REPORT**

2010-11



Winsome Yarns Limited



**ISO
9001**



BOARD OF DIRECTORS

Shri Satish Bagrodia	<i>Chairman</i>
Shri Chandra Mohan	<i>Director</i>
Shri Brij Mohan Khanna	<i>Director</i>
Shri Ashish Bagrodia	<i>Director</i>
Shri Yashpal Barar	<i>Director (PNB Nominee)</i>
Shri S.K. Singla	<i>Director (PSIDC Nominee)</i>
Shri Manish Bagrodia	<i>Managing Director</i>

GM (LEGAL) & COMPANY SECRETARY

Shri K.V. Singhal

AUDITORS

M/s. Lodha & Co.
Chartered Accountants,
12, Bhagat Singh Marg,
New Delhi

BANKERS

Canara Bank
State Bank of Patiala
Punjab National Bank

REGISTERED OFFICE

SCO 191-192, Sector 34-A,
Chandigarh-160 022

SHARE TRANSFER AGENT

Linkintime India Pvt. Ltd.
A-40, 2nd Floor, Near Batra Banquet Hall,
Naraina Industrial Area, Phase-II,
New Delhi-110 028

C O N T E N T S

Notice	1
Directors' Report	5
Corporate Governance Report	10
Management Analysis & Discussion	17
Auditors' Report	20
Accounts	23
Statement under Section 212	40
Consolidated Accounts	41

NOTICE

NOTICE is hereby given that the 21st Annual General Meeting of the Members of Winsome Yarns Limited, will be held on **Monday, the 18th day of July, 2011** 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 2011, 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, (Firm Registration No. 301051E) 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:**Item No. 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 by the members of the Company in their Annual General Meeting held on 28.08.2009 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 etc., 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."

Item No. 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 28.08.2009 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. 1250.00 Crores (Rupees One thousand two hundred fifty crores only)."

Item No. 7

To consider and if thought fit, to pass, with or without modification the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT pursuant to section 94 and all other applicable provisions of the Companies Act, 1956, the Authorized Share Capital of the Company be and is hereby increased from Rs. 65,00,00,000 (Rupees Sixty Five Crores only) divided into 65,00,00,000 (Sixty Five Crores) equity shares of Re. 1/- (One) each to Rs. 85,00,00,000 (Rupees Eighty Five Crores only) divided into 85,00,00,000 (Eighty Five crores) equity shares of Re. 1/- (One) each by creation of further 20,00,00,000 equity shares of Re. 1/- each.

RESOLVED FURTHER THAT pursuant to Section 16 and other applicable provisions of the Companies Act, 1956, the Clause (V) of the Memorandum of Association of the Company be and is hereby amended accordingly to incorporate therein the effect of the increase in Authorized Share Capital and be read as follows:

(V) The Authorised Share Capital of the Company is Rs. 85,00,00,000 (Rupees Eighty Five Crores only) divided into 85,00,00,000 (Eighty Five crores) equity shares of Re. 1/- (One) each.”

Item No. 8

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 13, 16 and 94(1)(b) and other applicable provisions of the Companies Act, 1956 (including any modification or re-enactment thereof); 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 consolidate Ten (10) equity shares of Re. 1/- (Rupee One) each into One (1) equity share of Rs. 10/- (Rupees Ten) each and to fix a record date for the purpose.

RESOLVED FURTHER THAT the Equity Shares to be allotted upon conversion of warrants already allotted by the Board which are convertible in to one Equity Share of Re. 1/- each shall be adjusted in such a way that, after the consolidation coming into effect, such ten warrants be convertible in one equity share of Rs. 10/- each.

RESOLVED FURTHER THAT in consolidation of 10 equity shares of Re. 1/- each into one equity share of Rs.10/- each, the Board shall not issue any fractional shares/certificates, but the total number of the equity shares representing such fractions shall be transferred to a person or persons appointed by the Board as trustee/trustees for and on behalf of such fractional equity shareholders, who would, otherwise have been entitled to such fractional shares/certificates. The trustee shall be provided with details of the persons entitled for fractions shares/ certificates so as to enable the trustee to distribute the net proceeds of the sale of such fractional shares, amongst the members/ shareholders in proportion to their respective fractional entitlement thereto after payment of all expenses of the sale and other related expenses.

RESOLVED FURTHER THAT 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 consolidated Equity Shares would be credited to the demat/electronic accounts of shareholders and also to issue, wherever applicable, new share certificates representing the consolidated 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 physical share certificates in lieu of cancellation of the old physical share certificates or without physically exchanging the share certificates, by treating the old physical share certificates as deemed to be cancelled. The Board be and is hereby also authorised to inform the stock exchanges to give the effect of the consolidation of shares of the company.

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

(V) The Authorised Share Capital of the Company is Rs. 85,00,00,000 (Rupees Eighty Five Crores only) divided into 8,50,00,000 (Eight Crores Fifty lacs) equity shares of Re. 10/- (Ten) each.”

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 including forming of trust and to authorise the trustee/trustees to take delivery of fractional shares and to sell such fractional shares transferred to him/them 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.”

By order of the Board

Dated : 12.05.2011
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 will remain closed on 27.06.2011 and 28.06.2011 (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. The members holding shares in dematerialized mode are requested to intimate all changes pertaining to their bank details, ECS mandates, power of attorney, change of address/ name etc. to their depository participants. Changes intimated to the depository participants will help the Company and its Registrar and Share Transfer Agent to provide efficient and better services to the members.
5. Members / proxies should fill the attendance slip for attending the Meeting.
6. 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.
- 7 Corporate Members intending to send their authorized representative(s) are requested to send a duly certified copy of the Board Resolution authorizing their representative(s) to attend and vote at the Meeting.
- 8 Item No. 2 - Padamshree, Shri Chandra Mohan aged about 78 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 and Nextgen Telesolutions Pvt. Limited.
He is member of the following Committees of the Board.

Name of the Company	Name of the Committees
Winsome Yarns Limited	(i) Audit Committee , (ii) Remuneration Committee
DCM Engineering Limited	(i) Audit Committee , (ii) Remuneration Committee
KDDL Limited	(i) Remuneration Committee
Winsome Textile Industries Limited	(i) Audit Committee , (ii) Investors Grievance Committee
- 9 Item No. 3 - Shri Ashish Bagrodia aged about 40 years, B.E. (Mech.) from Punjab Engineering College having around 18 years of experience in Textile Industry. He is holding 414000 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., Kamla Retail Limited and Vogue Commercial Co. Limited.
He is also member of Audit and GDR issue Committees in Winsome Yarns Limited and member of Shareholders/ Investors Grievance Committee in Winsome Textile Industries limited.
- 10 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 who have shares in physical mode, should send their physical shares and letter for change of address and issue of duplicate shares directly to the aforesaid share transfer agent.
- 11 According to section 205(A)(5) of the Companies Act, 1956, the unclaimed/ unpaid dividend for the year 2002-03 has been transferred to Investor Education and Protection Fund on 04.12.2010. As per amended section 205B, nothing contained in this section shall apply to any person claiming to be entitled to any money transferred to the fund referred to in section 205C on and after the commencement of the Companies (Amendment) Act, 1999.
- 12 According to section 205(A)(5) of the Companies Act, 1956, unclaimed dividend for the year 2003-04 is due to be transferred to Investor Education and Protection Fund, in the month of October/November, 2011. The shareholders who have not claimed their dividend for the year 2003-04 are requested to claim the same from the company immediately.
- 13 The company issued the new physical share certificates of Re. 1/- each on 23.01.2010 in lieu of old share certificate(s) of Rs.10/- each, and despatched to the shareholders by registered post. But some of them have been received back as undelivered. The shareholders are requested to kindly send us a request letter, mentioning COMPLETE ADDRESS WITH PIN CODE, to enable us to despatch the share certificates, otherwise after three reminders, the undelivered/ unclaimed shares shall be transferred in "Unclaimed Suspense Account" as per amended listing agreement.

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

ITEM NO. 5 & 6

Shareholders in their meeting held on 28.08.2009 had approved borrowing limits of Rs. 750 crores under section 293(1)(a) and section 293(1)(d). The Company may require to raise additional financial facilities from Banks/ financial institutions for setting up of proposed dyeing unit and to meet increased working capital requirements in times to come. Thus there is a need to increase the limit from Rs. 750 crores to Rs. 1250 crores under section 293(1)(a) and section 293(1)(d) to borrow the loans from financial institutions/banks and to create necessary security in favour of the Lenders for future requirements for which consent of shareholders of the Company is required.

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

The existing Authorised Share Capital of the Company is Rs. 65,00,00,000 (Rupees Sixty five crores only) divided into 65,00,00,000 (Sixty five crores) equity shares of Re. 1/- (One) each.

The company had issued 251000000 convertible warrants on 19.02.2010 to the promoter group and financial investors. The company had allotted 130325000 equity shares on 30.09.2010 upon conversion of 130325000 warrants, out of 251000000 convertible warrants. The balance 120675000 warrants are required to be converted into equal number of equity shares on or before 18.08.2011 i.e. within 18 months from the date of allotment of warrants.

Presently the paid up share capital of the company consists of 586397290 equity shares of Re. 1/- each. In order to enable the company to issue and allot further shares/ securities, it is proposed to increase the Authorised Share Capital of the Company from Rs. 65,00,00,000 (Rupees Sixty five crores only) to Rs. 85,00,00,000 (Rupees Eighty Five Crores only) divided into 85,00,00,000 (Eighty Five crores) equity shares of Re. 1/- (One) each.

Consequent to the increase of the Authorised Share Capital, under clause 16 and other applicable provisions of the Companies Act, 1956, the clause (V) of the Memorandum of Association of the Company needs to be altered, for which consent of share holders of the company is required.

The Directors recommend the resolution for your approval.

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

ITEM NO. 8

Having regard to the anticipated growth of the Company in future, it is proposed to reorganize the capital structure by consolidating the equity shares from Re.1/- each to Rs. 10/- each. The restructuring will help the Company to give a better picture of earning per share to the equity shareholders of the Company and also in better servicing to shareholders. The Board of your Company is also of the view that though the present share price of the Company is approx. four times of its face value of Re. 1/- each, it is being treated as penny stock by Financial Institutions and Private Equity funds and they are not inclined to invest in penny stocks.

Accordingly, it is proposed that to rebuild the image of the Equity Share of the Company the denomination of the face value of each Equity Share of the Company be changed from Re 1/- each to Rs. 10/- each i.e. every 10 (ten) equity shares of the Company be consolidated into 1 (One) equity share of the Company.

The authority is sought to be given to Board of Directors to fix the Record Date and issue fresh Equity Shares of the denomination of Rs. 10/- each to the members in place of existing Equity Shares of Re.1/- each. In case of members having fractional shares not divisible by 10, the same will be transferred to a trust which will be formed by the Board for this purpose. All the fractional shares will be transferred as on the record date. The trust will consolidate the fractional shares transferred to it and will sell the total shares. The proceeds of the total shares will be paid to the respective shareholders after deducting the expenses incurred in this regard, if any. The said resolution, if passed, will have the effect of the allowing the Board to do all such matters and deeds as are necessary to effect the said matter.

Consequent to the consolidate the Share Capital, under clause 16 and other applicable provisions of the Companies Act, 1956, the clause (V) of the Memorandum of Association of the Company needs to be altered.

The proposed resolution as set out in the notice is intended to give effect to the above proposal and seeks approval of the shareholders for consolidation of share capital of the company.

The Directors of the Company are deemed to be interested in the said resolution to the extent of their shareholding in the Company.

By order of the Board

Dated : 12.05.2011
Place : Chandigarh

SATISH BAGRODIA
Chairman

Your Directors have pleasure in presenting the 21st Annual Report together with the audited statement of Accounts of the Company for the financial year ended 31st March, 2011.

Financial Highlights	Year ended 31.3.2011 (Rs.in lacs)	Year ended 31.3.2010 (Rs.in lacs)
Sales	33012.56	22225.71
Profit before Interest , Depreciation & Tax	7436.77	3394.73
Less: Interest	4132.60	3173.93
Profit /(Loss) before Depreciation	3304.17	220.80
Less: Depreciation	2179.58	2014.09
Profit/ (Loss) before Taxes	1124.59	(1793.29)
Less : - Current Tax	--	--
- Previous years Tax	46.13	--
- Fringe Benefit Tax	--	0.15
- Deferred Tax Liability/ (Asset)	467.56	(586.02)
Net Profit/ (Loss) after Taxes	610.90	(1207.42)
Add : Surplus brought forward from previous year	1306.83	2514.25
Balance Carried to Balance Sheet	1917.73	1306.83

Operations & Performance

The year under review was an extremely trying one. A runaway inflation touching a high point of 13.9% during the year, the tight monetary policies followed by the authorities for most of the year to control inflation with the consequent high interest rates, the precipitous fall in the value of the Rupee during the year, increase in cotton prices from Rs. 29000 per candy (approximately) in May, 2010 to Rs.63000 per candy (approximately) in March, 2011 i.e an increase of 117%, all lead to an extremely challenging environment in which the Company had to operate. Further the government of India restricted the total quantity of export of cotton yarn to 720 million kgs which had an adverse impact on the sales during the year.

During the year, there was a progressive recovery in the Textile industry, both in India and overseas. Further, a series of planned steps that were taken during the year ensured that the Company remains competitive through stringent cost control and fiscal prudence. The Constant introduction of strategic marketing without affecting the quality of the product, enabled your company to achieve better performance as compared to previous year. Your Company has achieved a turnover of Rs. 33012.56 lacs against the previous year's turnover of Rs. 22225.71 lacs i.e registering an increase of 49% (approx.). The Company has earned a net profit (after tax) of Rs. 610.90 lacs against previous year's net loss after tax of Rs. 1207.42 lacs.

During the current financial year with the improved production, it is expected that the performance will be substantially better.

Expansion Projects

The management is pleased to inform you that out of five Micro Hydel Power Projects having a total capacity to produce 3.9 MW of electricity, two Micro Hydel Projects have been commissioned during the year. The implementation of three Micro Hydel Power Projects is at an advanced stage and are expected to be commissioned with in current financial year 2011-2012.

Subsidiary Companies & Overseas Operations

According to the provisions of Section 212 of Companies Act, 1956, the holding company is required to attach the balance sheet etc. of its subsidiary companies along with its balance sheet. However, pursuant to provisions of general circular no. 2/2011 issued by Ministry of Corporate Affairs on 8th February 2011, a general exemption is granted to attach the balance sheet of the subsidiary companies. Accordingly, the annual accounts of Winsome Yarns (Cyprus) Limited has not been attached in this Annual Report, but the same is available for inspection at the registered office of the company. Due to Global recession of which European Countries are the worst affected, the second, third and fourth step down subsidiaries of the Company namely; S.C. Winsome Romania, S.r.l., IMM Winsome Italia S.r.l. and S.C. Textil, S.r.l. went in to liquidation and their balance sheet etc. is not available. The exemption from attaching the balance sheet etc. of these three subsidiary companies was sought, pursuant to Section 212(8) of Companies Act, 1956, and in response to which, Ministry of Corporate Affairs vide its letter no. 47/177/2011-CL-III dated 06.04.2011 informed that pursuant to General Circular No. 2/2011 issue by Ministry of Corporate Affairs the approval of Ministry of Corporate Affairs is no more required.

The present status of these three subsidiary companies is given as under:-

Sr. No.	Name of Subsidiary	Start of liquidation process	Present status
1	IMM Winsome Italia S.r.l.	30.09.2008	Liquidation process is going on.
2	S.C. Winsome Romania S.r.l.	26.11.2008	Liquidation process is going on.
3	S.C. Textil S.r.l.	09.02.2010	Liquidation process is going on.

Allotment of equity shares pursuant to conversion of equivalent number of convertible warrants

During the year 2010-11, the company has allotted 130325000 equity shares of Re. 1/- each on 30.09.2010 to promoter and Public Financial Investors pursuant to conversion of equivalent number of convertible warrants, out of total number of 251000000 convertible warrants issued on 19.02.2010. The Company is utilising these funds for purposes as stated in Notice for convening the Extraordinary General Meeting held on 05.02.2010 vide which approval of members was received for the issue of said allotment.

Issue of Global Depository Receipts

During the year the Company has allotted 199412500 equity shares of Re. 1/- each underlying 1994125 Global Depository Receipts (GDRs) @ US\$ 6.64 per GDR on 29.03.2011. Each GDR represents 100 equity shares of the company. The total proceeds from the GDRs issue was US\$ 13.24 Million. The GDRs are listed on:

Luxembourg Stock Exchange/ LuxSE
Societe de la Bourse de Luxembourg S.A.
B.P. 165, L-2011 Luxembourg
Siege Social, 11, av de la Porte-Neuve.
Telehone: (352) 47 79 36216, Fax: (352) 47 79 36344

After the allotment of underlying equity shares, the paid up equity capital of the company stands increased from Rs. 386984790 to Rs. 586397290 comprising of 586397290 equity shares of Re. 1/- each.

ISO 9001/ 2008

Your directors are pleased to inform you that your company continue to be the holder of ISO 9001/2008 certificate.

Dividend

Your Directors are unable to recommend any dividend on Equity Shares for the year under review.

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.

During the year 2010-11, the Punjab National Bank has nominated Shri Yashpal Barar as nominee director of the Company in place of Shri Gulshan Kumar Sawhney. Board of Directors in their meeting held on 17.03.2011 appointed to Shri Yashpal Barar as Nominee Director of the Company. Shri Yashpal Barar is DGM & Circle Head of PNB, Ludhiana. The Punjab National Bank is entitled to nominate one Director on the Board of the Company pursuant to LOA dated 28.03.2010 in respect of restructuring of Company's accounts under CDR mechanism.

Consolidated Accounts

In accordance with Accounting Standards AS-21 on Consolidated Financial Statements, your directors provide the Audited Consolidated Financial Statement of Winsome Yarns Limited and Winsome Yarns (Cyprus) Limited in the Annual Report.

Insurance

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

Public Deposit

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

Auditors

M/s. Lodha & Co., Chartered Accountants (FRN 301051E), who are Statutory Auditors of the Company hold office up to the forthcoming Annual General Meeting and are recommended for re-appointment to audit the accounts of the Company for the Financial Year 2011-12. As required under the provisions of the Section 224(1B) of the Companies Act, 1956, the Company has obtained written confirmation from M/s. Lodha & Co. that their appointment, if made would be in conformity with the limits specified in the Section.

Cost Audit

The Central Government's Cost Auditor order specified an audit of cost accounting records of the textile Companies every year. This is applicable to the products manufactured by the Company. The Board of Directors, subject to approval of Central Government, appointed M/s V. Kumar & Associates, Cost Accountants, having its office at SCO 124-25, 1st Floor, Sector 34-A, Chandigarh to carryout this audit for the current year.

Auditors' Report

Observations made in the Auditors' Report are self explanatory and therefore do not call for any further explanation.

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, along with a Certificate of compliance from the Auditors of the Company is attached as **ANNEXURE 'B'** to this report.

Statutory Information**(A) 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, 2011, 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, 2011 on a going concern basis.

(B) 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.

Statutory Disclosures

None of the Directors are disqualified under the provisions of Section 274(1)(g) of the Companies Act, 1956. The Directors have made the requisite disclosures, as required under the provisions of Companies Act, 1956 and Clause 49 of the Listing Agreement.

Acknowledgement

Your Directors wish to place on record their deep appreciation of the timely support provided by the Company's bankers, and all the vendors and of the dedication and commitment of the employees at all levels. We are sure that we will continue to dare and reach the pinnacle of our journey called success.

Your Directors convey their grateful thanks to all the Government authorities and shareholders for their continued and unstinted assistance, co-operation and patronage.

We also take this opportunity to thank all the valued customers who have appreciated our products and have patronised them.

For and on behalf of the Board

Place : Chandigarh

Satish Bagrodia

Dated : 12.05.2011

Chairman

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 non provision for diminution in the value of investment in a subsidiary company (impact unascertainable) and non provision for shortfall in recovery (amount unascertained) against overdue overseas debtor aggregating to Rs. 1900.18 lacs and cumulative gain recognised on restatement of said debtors of Rs. 217.90 lacs have been explained in detail in Note No. 10B and 16 of Schedule 15(B) on Accounting Policies and Notes on accounts. However, the explanations of the directors are further given as under:

1. Diminution in the value of investment made amounting to Rs. 1516.71 lacs in 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.
2. The company has initiated persuasive action for recovery of certain overdue overseas debtors of amounting to Rs. 1900.18 lacs (P.Y. Rs. 1903.39 lacs) {excluding cumulative gain on restatement of foreign currency debtors of Rs. 217.90 lacs}. In the opinion of the management these are good and fully realizable hence no provision there against is considered necessary. However for necessary approval for the extension of time applicable have been filed with the appropriate authority.

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, 2011.

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 (in Rs)	Annual Saving (in Rs)
1	To reduce the Power Consumption in Worker Colony	296103.00	1489398
2	To reduce the Power Consumption of Residential Block	19448.00	97823
3	To reduce Power Consumption in Roller motor of uniflok u1 & u2 project	5241.60	26365
4	To reduce Power Consumption in exhaust fan-6 of erm no-6 in u2 & u3, project	12436.56	62556
5	Installed the energy saving fan 50 watt one no in Worker colony A,B,& C block in place of two no;s 80 watt ceiling fan	34355.20	172807
6	To reduced the motor pully 10 MM (170 to 160 MM) of OHB of ring frame 18 no in unit-2	44431.20	223489
7	Modified in waste system and stop the waste fan motor of OHB A/C unit-2 (only03 M/C 238)	20117.52	101191
	Total Saving	432133.08	2173629

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

Additional Investments, where ever 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. 21.73 lacs but overall energy cost has not reduced due to increase in diesel & furnace oil cost.

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	Current Year	Previous Year
1 Electricity		
a) Purchased Unit (KW)	69083013	53917896
Total amount (Rs in lacs)	2857.43	2433.71
Rate per Unit (Rs)	4.14	4.51
b) Own Generation through FO/Diesel Generator Unit(KW)	1544178	6614861
Units/Ltr.of Diesel Oil /FO	3.53	3.85
Cost/Unit(Rs/KW)	9.55	8.06
2 Coal(Specify quality and where used)	NIL	NIL
3 HSD & Furnace Oil Qty.(MT)	437.75	1049.95
Total amount (Rs.in lacs)	147.39	533.43
Average rate(Rs.per M.T)	33670	50805
4 Gas (Qty in M.T.)	NIL	NIL
Total amount (Rs.in lacs)	NIL	NIL
Average rate(Rs.per Kg)	NIL	NIL
B) Consumption per Unit of Production		
Electricity /Own generation (KW)	3.73	4.44
HSD & Furnace Oil (Lts)	0.15	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. 34.48 lacs
Total R & D expenditure as a percentage of total turnover = 0.10 %	

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 increased from Rs. 12123.09 lacs in 2009-10 to Rs. 15494.01 lacs in 2010-11. New export markets have been developed and exports are likely to increase further.

b) Total foreign exchange used and earned.

	<u>Current Year</u>	<u>Previous Year</u>
Earning through operational activities	15494.01	12123.52
Earning through issue of GDRs	5914.75	-
Outgo:	278.62	1064.11

for and on behalf of the Board

Place : Chandigarh

Dated : 12.05.2011

Satish Bagrodia

Chairman

Corporate Governance

1. Company's philosophy on code of Governance.

The Company recognizes that good Corporate Governance is essential to build and retain the confidence of its stakeholders. To this end, the Company's philosophy on Corporate Governance is and endeavour to ensure that:

systems and procedures which monitor compliance with laws, rules and regulations are in place in each area of its business,

relevant information regarding the Company and its operations is disclosed, disseminated and is easily available to the stakeholders, and

that the Board of Directors is kept fully informed of all material developments in the Company, the risks in its business and its operations, the rationale for management's decisions and recommendations, so that the Board of Directors can effectively discharge its responsibilities to the stakeholders.

2. Board of Directors.

The current strength of the Board of Directors (Board) of the Company is of seven directors, who are senior, competent and eminent experts from diverse fields and professions. The Chairman of the Board is a Non-executive promoter Director. The Board comprises one Executive and six Non-executive Directors. Out of seven Directors three are Promoter Directors and four are Non-Executive independent directors, out of which one is Nominee Director of PSIDC and one is Nominee Director of Punjab National Bank(CDR Lead Banker). 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 2010-11, thirteen board meetings were held. The meetings were held on 15th May, 2010, 27th May, 2010, 7th August, 2010, 24th August, 2010, 22nd September, 2010, 30th September, 2010, 10th November, 2010, 3rd December, 2010, 29th January, 2011, 1st March, 2011, 17th March, 2011, 24th March, 2011 and 29th March, 2011 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 in other companies	No. of Membership/ Chairmanship in Committees		
		Board Meeting	Last AGM		Member-ship	Chairman-ship	Total
Shri Satish Bagrodia	Chairman(NE)	13	Yes	3	1	--	1
Shri Chandra Mohan	INED	10	No	8	7	1	8
Shri Brij Mohan Khanna	INED	12	Yes	2	--	4	4
Shri S.K. Singla (Nominee Director of PSIDC)	INED	12	No	11	2	--	2
Shri G. K. Sawhney (Nominee Director of PNB) ¹	INED	11	No	--	--	--	--
Shri Yashpal Barar (Nominee Director of PNB) ²	INED	1	No	1	--	--	--
Shri Ashish Bagrodia	NED	10	No	7	3	--	3
Shri Manish Bagrodia	MD	12	Yes	8	2	--	2

¹Ceased to be Nominee Director w.e.f. 17.03.2011

²Appointed as Nominee Director of Punjab National Bank w.e.f. 17.03.2011

INED : Independent Non Executive Director

NED : Non Executive Director

MD : Managing Director (Executive)

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. Due to poor market conditions the three step down subsidiaries namely S.C. Winsome Romania S.r.l., IMM Winsome Italia S.r.l and S.C. Textil S.r.l. have been put under liquidation. As no business activity has been carried on in these three subsidiaries during the year, hence their financial statements have not been considered in consolidated financial statements of the Company. However, the consolidated financial statement of Winsome Yarns Limited and Winsome Yarns (Cyprus) Limited is provided in the Annual Reports.

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, 2011, 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, the Audit Committee meetings were held on 27th May, 2010, 7th August, 2010, 10th November, 2010 and 29th January, 2011.

Sr.No.	Name of members	Category	No. of meetings attended during the year 2010-2011
1	Shri Brij Mohan Khanna, Chairman	Independent/Non-Executive	4
2	Shri Chandra Mohan, Member	Independent/Non-Executive	3
3	Shri Ashish Bagrodia, Member	Non-Executive	3

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

7. Remuneration Committee

During financial year, no meeting was held.

The composition, names of the members, chairperson are as below:

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

Remuneration Policy

ij). For Non Executive Directors

The Non Executive Directors are paid remuneration by way of Sitting Fees. The Non Executive Directors are entitled to Sitting fees of Rs. 5,000 for each Board Meeting attended. The aforesaid sitting fees is within the limits prescribed under the Companies Act, 1956.

The details of remuneration paid to the Non Executive Directors during the year 2010-11 are given below:

Non-Executive

(Amount in Rs.)

Name of Directors	Sitting Fees
Shri Satish Bagrodia	65000
Shri Chandra Mohan	50000
Shri Brij Mohan Khanna	60000
Shri S. K. Sawhney (PNB Nominee)	55000
Shri Yashpal Barar (PNB Nominee)*	5000
Shri S. K. Singla (PSIDC Nominee)*	60000
Shri Ashish Bagrodia	50000
Total	345000

* The sitting fee has been paid to the nominating institution/ Bank.

ii). For the Executive Director

The Managing Director has been appointed for five years w.e.f. 01.07.2009 and has drawn remuneration as per terms of appointment.

Name of Directors	Salary	Perquisites*	Total
Shri Manish Bagrodia	26.88	2.30	29.18

* Contribution to Provident Fund and family pension fund.

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 2010-11, four Shareholders/ Investors Grievance Committee meetings were held on 27th May, 2010, 7th August, 2010, 10th November, 2010 and 29th January, 2011. All 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 2010-2011
1	Shri Brij Mohan 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 86 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, GM (Legal) & Company Secretary are the Compliance Officer of the company for SEBI/ Stock Exchange/ROC related issues etc.

9. General Body Meetings

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

Year	Venue	Date	Time
2007-2008	PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh	23. Sep. 2008	3.30 P.M.
2008-2009	PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh	28. Aug. 2009	3.30 P.M.
2009-2010	PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh	30. Sep. 2010	3.30 P.M.

(ii) Extra-Ordinary General Meeting of the Company were held during the year as under:

Venue	Date	Time
Village – Kurawala, Tehsil- Derabassi, Distt- Mohali (Punjab)	28.06.2010	11.00 a.m.

All the resolutions, including two special resolutions on 23.09.2008, one special resolution on 18.06.2009 (EGM), five special resolutions on 28.08.2009 and one special resolution on 05.02.2010 (EGM) as set out in the respective notices were passed by the shareholders. During the financial year, no postal ballot was used. 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. 24 of Schedule 15B 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 (in English) and Business Standard (in English & Hindi) and Jansatta (in Hindi). The same are also being posted on the websites of BSE (www.bseindia.com) and NSE (www.nseindia.com) under the Scrip Code '514348' and 'WINSOMYARN' respectively. The same are also available on company's website (www.winsomegroup.com).

12. General Shareholder information

Financial Calendar	: 1 st April to 31 st March
Date of Annual General Meeting	: Monday, the 18th day of July 2011
Venue	: PHD Chamber of Commerce & Industry, Sector 31-A, Chandigarh
Time	: 3.30 p.m.
Date of Book Closure	: 27.06.2011 and 28.06.2011 (both days inclusive)
	<u>EQUITY SHARES</u>
Listing on Stock Exchanges	: 1. Bombay Stock Exchange Limited (BSE) 2. The National Stock Exchange of India Ltd (NSE)
	<u>GLOBAL DEPOSITORY RECEIPTS (GDRs)</u>
	1. Luxembourg Stock Exchange, Luxembourg
Demat ISIN Number	: NSDL & CDSL : INE784B01027
Scrip Code	: BSE - 514348 NSE - WINSOMYARN

Market price data :

High and low during each month on BSE in the financial year 2010-11.

Months	Open Price	High Price	Low Price	Closed Price	No. of Shares
April 2010	1.25	2.02	1.16	2.02	5425161
May 2010	2.11	2.11	1.70	1.79	3813514
June 2010	1.80	1.99	1.70	1.91	20874772
July 2010	1.92	2.69	1.83	2.48	13178515
August 2010	2.42	2.52	1.90	2.42	5913709
September 2010	2.26	2.99	2.21	2.29	4165945
October 2010	2.35	2.74	2.23	2.61	2181704
November 2010	2.70	2.90	2.16	2.39	1108039
December 2010	2.50	2.54	2.10	2.42	2502567
January 2011	2.48	2.72	2.10	2.50	5312021
February 2011	2.42	2.82	1.90	2.53	1710095
March 2011	2.33	2.90	2.10	2.64	3573590

Source : www.bseindia.com

Annual listing fee to BSE and NSE and Annual Custodial Fee to NSDL and CDSL for the year 2011-12 have been paid.

Registrar and Share Transfer Agent	: Link Intime India Pvt. Limited A-40, 2nd Floor, Near Batra Banquet Hall, Phase-II Naraina Industrial Area, New Delhi - 110028 Tele. No. 011-41410592-94, Fax No. 011-41410591 E-mail : delhi@linkintime.co.in, sunil_mishra@linkintime.co.in
Share Transfer System	: Shares lodged in physical form with the RTA 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 through Depository Participant in electronic mode.
Compliance Officers	: Shri Manish Bagrodia, Managing Director and Shri K. V. Singhal, GM (Legal) and Company Secretary.
E-mail IDs	: dgm.cs@winsomegroup.com, cshare@winsomegroup.com

Distribution of shareholding as on 31st March, 2011.

Range of Shares	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
1 - 5000	11408	90.197	18747867	3.197
5001 - 10000	641	5.068	5400332	0.921
10001 - 20000	276	2.182	4344611	0.741
20001 - 30000	81	0.640	2128609	0.363
30001 - 40000	40	0.316	1432346	0.244
40001 - 50000	45	0.356	2180929	0.372
50001 - 100000	53	0.419	3944181	0.673
100001 and above	104	0.822	548218415	93.489
Total	12648	100.000	586397290	100.000

Shareholding Pattern as on 31st March, 2011.

Category	No. of shares	Percentage
Promoters/Persons acting in concert	223396090	38.09
Financial Institutions/ Banks/ Mutual Funds	125000	0.02
NRIs	862397	0.15
Bodies Corporate	114179123	19.47
Indian Public	48422180	8.26
Shares held by Custodian against which Depository Receipts have been issued	199412500	34.01
Total	586397290	100.00

Details of shareholding of Directors in the company as on 31.03.2011

Name of Director	No. of shares held
Shri Satish Bagrodia	429000
Shri Brij Khanna	10000
Shri Chandra Mohan	--
Shri Yashpal Barar	--
Shri S. K. Singla	--
Shri Manish Bagrodia	520400
Shri Ashish Bagrodia	414000

Dematerialisation of shares and liquidity. : 61.57% of the shares issued by the company have been dematerialised upto 31st March, 2011.

Outstanding GDRS/ ADRS/ Warrants or any convertible instruments, conversion date and likely impact on equity. : During the year, the company has allotted 130325000 equity shares of Re. 1/- each on 30.09.2010 upon conversion of 130325000 number of convertible warrants, out of 251000000 convertible warrants, which were issued on 19.02.2010 to promoter and strategic investors at the rate of Re. 1.60 per warrant convertible into one equity share of Re. 1/- each.

Further during the year, the company has allotted

199412500 equity shares of Re. 1/- each on 29.03.2011 underlying 1994125 Global Depository Receipts (GDRs) issued @ US\$ 6.64 per GDR. Each GDR represents 100 equity shares of the Company.

Plant Location (Yarn) : Village - Kurawala, Tehsil - Derabassi
Distt - Mohali (Punjab)

(Knitwear) : Winsome Knitwear (Prop. Winsome Yarns Limited)
B-58, Industrial Area, Phase-VII, Mohali (PB)

Address for correspondence : The Company Secretary
Winsome Yarns Limited
SCO 191-192, Sector 34-A
Chandigarh-160022

E-mail IDs : dgm.cs@winsomergroup.com, cshare@winsomergroup.com

By order of the Board

Place : Chandigarh
Dated : 12.05.2011

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, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with 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
FRN 301051E

Place : New Delhi
Date : 12.05.2011

N. K. Lodha
Partner
Membership No. 85155

INDIAN TEXTILE INDUSTRY

India is a traditional textile -producing country with textiles in general, and cotton in particular, being major industries for the country. India is among the world's top producers of yarns and fabrics, and the export quality of its products is ever increasing. Textile Industry is one of the largest and oldest industries in India. Textile Industry in India is a self-reliant and independent industry and has great diversification and versatility.

The Indian Textile Industry has an overwhelming presence in the economic life of the country. It is the second largest textile industry in the world after China. Apart from providing one of the basic necessities of life i.e. cloth, the textile industry contributes about 14% to the country's industrial output and about 17% to export earnings. After agriculture this industry provides employment to maximum number of people in India employing 35 million people. Besides, another 50 million people are engaged in allied activities. The Industry is expected to grow from the present US\$ 70 billion to US\$ 220 billion by 2020, according to Mr. Dayanidhi Maran, Union Minister of Textiles.

OPPORTUNITIES IN THE INDIAN TEXTILE INDUSTRY

The textile industry is undergoing a major reorientation towards non-clothing applications of textiles, known as technical textiles like thermal protection and blood-absorbing materials; seatbelts; adhesive tape, and multiple other specialized products and applications etc.

According to the Ministry of Textiles, technical textiles are an important part of the textile industry. The Working Group for the Eleventh Five Year Plan (2007-12) has estimated the market size of technical textiles to increase from US\$ 5.29 billion in 2006-07 to US\$ 10.6 billion in 2011-12, without any regulatory framework and to US\$ 15.16 billion with regulatory framework. The Scheme for Growth and Development of Technical Textiles aims to promote indigenous manufacture of technical textile to leverage global opportunities and cater to the domestic demand.

Further, the government is set to launch US\$ 44.21 million mission for promotion of technical textiles, while the Finance Ministry has cleared setting up of four new research centres for the industry, which include products like mosquito and fishing nets, shoe laces and medical gloves. As per a joint study of the Ministry of Textiles and an industry body, the global technical industry is estimated at US\$ 127 billion and its size in India is pegged at US\$ 11 billion.

In order to give a big push to the technical textiles industry, the Government has launched a Technology Mission on Technical Textiles with an outlay of Rs. 200 crore for the next 5 years. In 2011-12, the newly launched Mission would be operationalised to set up four new centers of excellence in sportstech, Indutech, Nonwoven and composites.

GOVERNMENT INITIATIVES

The India Government is sensitive to the needs of textile industry and will continue to provide the textile industry a conducive policy environment to facilitate its growth, augment R&D efforts, and encourage innovation with a view to enhance productivity, said Pranab Mukherjee India's Finance Minister. In an effort to increase India's share in the world textile market, the Government has introduced a number of progressive steps like:

1. Technology upgradation fund schemes

According to the Ministry of Textiles, investment under the Technology Upgradation Fund Schemes (TUFS) has been increasing steadily. During 2010-11 (up to June 2010, provision figures), 256 applications have been sanctioned at a project cost of US\$ 89.2 million. The cumulative progress as on June 30, 2010, includes 28,302 applications sanctioned at a project cost of US\$ 46.71 billion. The Ministry of Textile has sanctioned a total of US\$ 133 million under TUFS during September 2010.

The Govt. has restructured the TUFS. Ministry of Textiles has issued the resolution on Restructured TUFS for the period 26.04.2011 to 31.03.2012 (both days inclusive) with an overall subsidy cap of Rs. 1972 crore during the period. The subsidy is expected to leverage an investment of Rs. 46900 crore, with sectoral investment shares of 26% for spinning, 13% for weaving, 21% for processing, 8% for garmenting and 32% for others. The objective of the present scheme is to leverage investments in technology upgradation with special emphasis on balanced development across the value chain.

2. Scheme for integrated textile park

The Scheme for Integrated Textile Park (SITP) was approved in July 2005 to facilitate setting up of textiles parks with world class infrastructure facilities. Forty parks have been sanctioned till December 31, 2010 in nine states with total project cost of about US\$ 931.1 million with Government contribution of US\$ 320 million. When fully functional the parks would have an investment of US\$ 4.3 billion.

3. Foreign direct investment

Further, 100 per cent foreign direct investment (FDI) is allowed in the textile sector under the automatic route.

4. Integrated skill development scheme

The Government has launched the Integrated Skill Development Scheme for the Textiles & Apparel Sector, including Jute & Handicrafts, with an objective of capacity building of Institutions providing skill development & training in Textiles Sector. Under this Scheme, the Government has envisaged skill development of 2.7 million persons with an overall cost of US\$ 530 million over the next five years.

5. Knitwear technology mission

Knitwear segment is one of the significant contributors to the export basket of the Textiles industry. To provide a further boost to this

sector and introduce advanced Knitwear Technology in India, the Knitwear Technology Mission would be launched in the country and implemented in PPP mode in the knitwear clusters of Tirupur, Kolkata and Ludhiana. A budgetary allocation of Rs.35 crores is being made for implementing the knitwear Technology Mission in the country.

COTTON SCENARIO

There have been steep increases in the prices of cotton. Cotton production is expected to be 6.8 million tonnes (40 million bales of 170 kg each) in 2011-12 as soaring prices could spur the farmers to boost planting, NCDEX, the country's second largest commodity exchange, said in its cotton overview for March 2011. The Cotton Advisory Board in its meeting held on 26th February, 2011 has placed cotton production during 2010-2011 cotton season at 312 lakh bales of 170 Kgs each.

The area under cotton rose by 8.25 per cent to 11 million hectares in 2010-11 and experts believe that area would again rise this year as farmers received good remunerative prices last year. The spot prices for cotton in the domestic markets rose dramatically to peak at Rs 1,270 per 20 kg for Kapas (seed cotton) in Surendernagar on February 10, 2011, the report said. The price of Shankar 6 variety, a superior variety of cotton, has doubled from around 30,000 per candy to 60,000 per candy (a cotton candy is equal to 350 kg) between August 2010 and February 2011.

On global outlook, the NCDEX's report said world cotton output for 2010-11 season has also been revised from 25.1 MT in February 2011 to 24.9 MT in March. According to the revised estimates of United States Department of Agriculture (USDA) cotton output is expected to go up in India in the 2010-11 season. According to USDA, the output for India, USA, Brazil, Australia and Uzbekistan is pegged at 5.44 MT, 3.98 MT, 1.91 MT, 1.02 MT and 0.98 MT, respectively for 2010-11. Among the major cotton producers, production is expected to lower in China at 6.42 MT and in Pakistan at 1.91 MT, due to crop damage caused by inclement weather, the NCDEX report said. Global consumption is expected at 25.38 MT in 2010-11, as compared to the expected production of 25.02 MT in the same period, it said.

RISK MANAGEMENT

Risk encapsulates the element of uncertainty in business that may impact short-term and long-term corporate objectives. At Winsome Yarns limited, our de-risking discipline identifies major risks through consistent and enterprise-wide solutions. The Company's risk management framework is driven by a comprehensive organization-wide culture of governance. Only those decisions are taken that balance risks and rewards, ensuring that the Company's revenue-generation initiatives are consistent with the risks taken. Besides risk management conforms to the Company's overarching strategic direction and is consistent with shareholder's desired total returns and risk appetite.

Some of the major risks and their mitigation measures are discussed below:

1. Foreign exchange risk

The Company's policy is to actively manage its long term foreign exchange risk within the framework laid down by the Company's forex policy.

2. Interest rate risk

Given the interest rate fluctuations, the Company has adopted a prudent and conservative risk mitigating strategy to minimize the interest costs.

3. Commodity price risk

The Company is exposed to the risk of price fluctuation on raw materials as well as finished goods in all its products. The Company proactively manages these risks in inputs through forward booking, inventory management, proactive management of vendor development and relationships. The Company's strong reputation for quality, product differentiation and service, the existence of a powerful brand image and a robust marketing network mitigates the impact of price risk on finished goods.

4. Risk element in individual businesses

Apart from the risks on account of interest rate, foreign exchange and regulatory changes, business of the Company is exposed to certain operating business risks, which are managed by regular monitoring and corrective actions.

5. Compliance risks

The Company is exposed to risks attached to various statutes and regulations including the Competition Act. The Company is mitigating these risks through regular reviews of legal compliances, through internal as well as external compliance audits.

6. People risks

Retaining the existing talent pool and attracting new manpower are major risks. The Company has initiated various measures such as rollout of strategic talent management system; training and integration of learning activities.

SWOT ANALYSIS

1. Strengths of the Indian Textile Industry

India's biggest strength lies in its big pool of cheap and talented workforce. However, apart from it there are few other important factors which contributes to its strength like

- ⤴ Huge Domestic Market consumption (due to its own population).
- ⤴ Tremendous Export Potential. Indian products are in great demand among the western buyers.
- ⤴ The new age creative and risk taking entrepreneurs.
- ⤴ Use of latest technology which produces high quality multi-fiber raw material.

- ⤴ Supportive government policies.
- ⤴ Availability of low cost and skilled manpower provides competitive advantage to industry;

2. The Indian Textile Industry has its fair share of weakness like

- ⤴ The increased global competition due to WTO policies.
- ⤴ Use of outdated manufacturing technology from the low end suppliers.
- ⤴ Inefficient supply chain management.
- ⤴ Infrastructural Bottlenecks and Efficiency such as, Transaction Time at Ports and transportation Time
- ⤴ Lack of Technological Development that affect the productivity and other activities in whole value chain
- ⤴ Additionally, this sector is still unorganized at many levels and needs a lot of government reforms for further improvisation.

3. Opportunities

The western countries are now setting up their manufacturing units in India which single handedly opens up a wide array of possibilities for all the stakeholders within the textile industry.

Experts believe that the golden era of Chinese textile and apparel exports is over and the production base of global textiles is gradually shifting from China to India, Pakistan and other low cost destinations.

4. Threats

Even though experts claim that China is past its glorious days, still one cannot afford to take china lightly and has to keep in mind the capability of Chinese to supply quality products at cheap prices. Indian textile exporters cannot afford complacency and need to be on their toes for any changes within the international trade community.

INTERNAL CONTROL SYSTEM

The Company has an adequate system of internal controls commensurate with its nature of business and scale of operations. Internal control systems are implemented:

- ⤴ to safeguard the Company's assets from loss or damage
- ⤴ to keep constant check on the cost structure
- ⤴ to prevent revenue leakages
- ⤴ to provide adequate financial and accounting controls and implement accounting standards.

The internal controls are constantly monitored by an extensive programme of internal audits by the Company's Internal Audit Department. The reports of the internal auditors are reviewed by the Audit committee of the Board.

The Company has a corporate compliance procedure to ensure that all laws, rules and regulations applicable to it are complied with. Based on confirmation from department heads, places before the Board a Corporate Compliance Certificate at every Board Meeting.

ENVIRONMENT, HEALTH AND SAFETY MENASURES

Winsome Yarns Limited, being a socially responsible corporate, has always been sensitive towards changing demands of the customers and the society at large. We are committed for sustainable development though adoption of best practices with respect to Quality, Environment, Health & Safety at work place. The requirements of existing Environmental Legislation/ Standards are timely complied with. The Company is in compliance with local , state and central government occupational health, environmental and safety regulations and other mandatory requirements relevant to health, safety and welfare of all employees, contractors and visitors in our operational facilities.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS

The Company has always valued its human resources and believes in unlimited potential of each employee. Over the years, the Company has built a pool of skilled, committed and hard working employees. Going forward, the success of the Company will depend on individuals and teams that are able to create value for the organization. The levers of organization structure and design, reward and recognition, talent acquisition, communication and performance management system are important and are aligned. Leadership development, succession planning and employee engagement demanded extra focus this year, given the prevalent economic situation. Industrial relations remained cordial and harmonious throughout the year. Various training programmes were organized at plant as well as corporate office level for developing personal, interpersonal and technical skills of the Company's employees. These training programmes covered a wide range of topics e.g. Positive Attitude, Stress Management, Planning & Time Management, Conflict Management, Team effectiveness, Safety and Environment, Technical Training. The employees wholeheartedly participated in all training programmes.

The permanent employee strength of the Company as on 31st March, 2011 was 1463.

By order of the Board

Place : Chandigarh
Dated : 12.05.2011

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 2011, 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 the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 and 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 *except as stated in para f (i) in respect of cumulative gain recognised on restatement of foreign currency overdue debtors of Rs. 217.90 lacs, which is not in line with Accounting Standard - 11 (The Effects of Changes in Foreign Exchange Rates) of the Companies Accounting Standard Rules, 2006.*
 - e) On the basis of written representations 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 31.3.2011 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. 16 of schedule 15 B regarding non provision for shortfall in recovery (amount unascertained) against overdue debtor aggregating to Rs. 1900.18 lacs and cumulative gain recognised on restatement of said debtors of Rs. 217.90 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 and our inability to comment thereon.*
 - ii. *Note No. 10B of Schedule 15 B regarding non provision for diminution in the value of investment in a subsidiary company (impact unascertainable) for the reason as stated in the said note and our inability to comment thereon.*

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

Subject to the para (f) above, in our opinion and to the best of our information and according to the explanations given to us, the said account subject to and read with Note No 17 & 3B 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 the Balance Sheet, of the State of Affairs of the company as at 31st March, 2011;
- (ii) in the case of the Profit and Loss Account, of the profit 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
Firm Registration No. 301051E

N.K. Lodha
Partner
M. No.: 85155

Place : New Delhi
Date : 12th May 2011

(Referred to in Paragraph 1 of our report of even date on Winsome Yarns Limited for the year ended 31st March 2011)

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets excepts at certain location, fixed assets are in process of updation.
- (b) As per information & explanations given to us, physical verification of the certain fixed assets have been taken up which is 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 explanations 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.
- (b) In our opinion and according to the information and explanation 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 the 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 stocks). 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. As per information and explanations given to us the Company has neither granted nor taken during the year 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) and (f) to (g) of the Order are not applicable.
- 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 special nature and suitable alternative sources do not exist for obtaining comparable quotation or where user department has shown specific preference, *where, as explained, rates were determined considering the quality, volume, nature of the items and market conditions prevailing at that time, 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. 17 and 19 of schedule 15B)*. Based on the audit procedure performed and information and 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 nor been identified by the management.
- 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 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 and having regard to para iv above, 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 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 public within the meaning of Sections 58A, 58AA Act and the rules framed thereunder and the directives issued by 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 *which needs to be further strengthened*.
- 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 31.03.2011.
- (b) Based on 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 based on the records 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 these disputes pending are given below:

Name of the Statute	Nature of Dues	Amount (Rs. in Lacs)	Period to which the amount relates	Forum where dispute is pending
Central/ State Sales tax	Sales tax	4.35	1999-2000	Joint Director Excise and Taxation Sales Tax Tribunal Punjab Deputy Excise and Taxation Commissioner (Appeal)
		2.25	1993-1994	
		13.36	2003-2004	
Central Excise Act #	Excise Duty	456.24	2002-2003	CESTAT
	Excise Duty	35.74	2005 to 2007	
	Excise Duty	18.15	2006 to 2008	Commissioner Appeals Assistant Commissioner
	Excise Duty	3.82	2008-2009	
Financial Act, 1994	Service Tax	0.62	2005	Commissioner Appeals
Income Tax Act, 1961	Income Tax	125.53	2006-2007	Additional Commissioner of Income Tax

##(excluding excise show cause notices)

This para is to be read with note no. 1 of schedule 15B

- x. The Company does not have accumulated losses at the end of the financial year and has not incurred any cash loss during the current and immediately preceding previous 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 of interest amounting to Rs. 62.38 lacs and principal amounting to Rs. 66.10 lacs and delay for maximum period of 87 days and 84 days respectively) to banks (this is to be read with note no. 2 of schedule 15B). 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, debenture and other securities.
- xiii. The Company is not a Chit Fund Company or nidhi / mutual benefit fund / society accordingly clause (xiii) of the order is not applicable.
- xiv. In our opinion, the company is not dealing in or trading in shares, securities, debenture 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 Company, we are of the opinion that prima facie no fund raised on short-term basis which have been used 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. 3 A of schedule 15B).
- 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. According to the information and explanations given to us, during the year the company has raised money through a GDR issue, pending compliance the money is parked in a separate bank Escrow account. (refer note no. 3B of schedule 15 B).
- xxi. To the best of our knowledge and belief, based on the audit procedures 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 our audit.

For Lodha & Co.
Chartered Accountants

(N.K. Lodha)
Partner
Membership No.: 85155

Place : New Delhi
Date : 12th May 2011

BALANCE SHEET

AS AT 31st MARCH, 2011

WINSOME YARNS LIMITED

PARTICULARS	SCHEDULE	31st March 2011 (Rs. in lacs)	31st March 2010 (Rs. in lacs)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	5875.58	2578.21
Reserves & Surplus	2	6748.53	1688.96
Convertible Warrants (Note No. 3A of Schedule 15B)		764.80	1088.00
Loan Funds			
Secured Loans	3	50045.97	44516.54
Unsecured Loans	4	798.08	995.83
Deferred Tax Liability (Net)		134.42	—
		<u>64367.38</u>	<u>50867.54</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	46089.89	43705.56
Less : Depreciation		13343.21	11154.40
Net Block		32746.68	32551.16
Capital work-in-progress (Note No. 4 of Schedule 15B)		3408.86	4766.54
		<u>36155.54</u>	<u>37317.70</u>
Investments	6	1516.71	1516.71
Deferred Tax Asset (Net)		—	333.14
Current Assets, Loans & Advances	7		
Inventories		16455.58	8315.45
Sundry Debtors		5699.25	3669.27
Cash and Bank Balances		6768.15	494.25
Loans & Advances		4677.34	5405.41
		<u>33600.32</u>	<u>17884.38</u>
Less : Current Liabilities & Provisions	8		
- Current Liabilities		6797.74	5968.32
- Provisions		107.45	216.07
		<u>6905.19</u>	<u>6184.39</u>
Net Current Assets		<u>26695.13</u>	<u>11699.99</u>
		<u>64367.38</u>	<u>50867.54</u>
Accounting Policies & Notes on Accounts	15		

As per our report of even date.

For **LODHA & CO.**

Chartered Accountants

FRN : 301051E

N.K. Lodha*Partner*

M.No. 85155

PLACE : Chandigarh

DATED : 12th May 2011

Ajay Pareek
GM (Accounts)**For and on behalf of the Board**

Satish Bagrodia

Chairman

Manish Bagrodia

Managing Director

K. V. Singhal

GM (Legal) & Company Secretary

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31st MARCH,2011

WINSOME YARNS LIMITED

PARTICULARS	SCHEDULE No.	31st March 2011 (Rs. in lacs)	31st March 2010 (Rs. in lacs)
INCOME FROM OPERATIONS			
Sales	9	33012.56	22225.71
Less: Excise Duty		4.53	0.18
Net Sales		33008.03	22225.53
Increase/(Decrease) in Stocks	10	7454.12	1928.12
Other Income	14	362.65	122.68
		40824.80	24276.33
COST OF OPERATIONS			
Raw Materials consumed	11	23469.49	13222.77
Cotton Yarn Purchase		722.07	199.55
Manufacturing & other Expenses	12	9196.47	7459.28
		33388.03	20881.60
PROFIT BEFORE INTEREST & DEPRECIATION			
Less: Financial Expenses	13	7436.77	3394.73
		4132.60	3173.93
		3304.17	220.80
Depreciation		2188.81	
Less: Prorata Capital Subsidy		9.23	2014.09
Net Profit/(Loss) before Tax		1124.59	(1793.29)
Less :			
— Current Tax		—	—
— Previous years Tax		46.13	—
— Fringe Benefit Tax		—	0.15
— Deferred Tax Liability/(Asset)		467.56	(586.02)
Net Profit/(Loss) after Tax		610.90	(1207.42)
Add : Balance brought forward from last year		1306.83	2514.25
Balance carried to Balance Sheet		1917.73	1306.83
Earning/(Loss) Per Share-Basic (Rs)		0.19	(0.47)
- Diluted (Rs)		0.12	(0.47)
Accounting Policies & Notes on Accounts	15		

As per our report of even date.

For **LODHA & CO.**

Chartered Accountants

FRN : 301051E

N.K. Lodha

Partner

M.No. 85155

PLACE : Chandigarh

DATED : 12th May 2011

Ajay Pareek
GM (Accounts)**For and on behalf of the Board**

Satish Bagrodia

Chairman

Manish Bagrodia

Managing Director

K. V. Singhal

GM (Legal) & Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

PARTICULARS	2010-2011		2009-2010	
	(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		1124.59		(1793.29)
Adjustment for :				
Depreciation	2185.98		2020.49	
Amortisation of Leasehold Land	2.83		2.83	
(Profit)/Loss on sale of fixed assets	—		(0.93)	
Prorata Capital Subsidy	(9.23)		(9.23)	
Interest expense	3830.14		2920.56	
Provision for doubtful debts and advances w/back	(58.95)		(16.59)	
Interest income	(40.84)	5909.93	(68.20)	4848.93
		7034.52		3055.64
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES				
Adjustment for :				
Trade & other receivable	(1235.54)		(1671.62)	
Inventories	(8140.13)		(3839.14)	
Trade & other Payables	752.02	(8623.65)	(157.45)	(5668.21)
CASH GENERATED FROM OPERATIONS		(1589.13)		(2612.57)
Direct Taxes Paid		(66.13)		(2.65)
NET CASH FLOW FROM OPERATING ACTIVITIES		(1655.26)		(2615.22)
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets	(1026.65)		(1664.54)	
Sale of fixed assets	—		1.31	
Purchase of Investments	—		—	
Interest Received	53.42	(973.23)	55.62	(1607.61)
NET CASH USED IN INVESTING ACTIVITIES		(973.23)		(1607.61)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Convertible Warrants Application Money	—		899.00	
Convertible Warrants- Received towards Conversion	980.05		—	
Issue of Equity Share Capital – GDRs issue (Net of Expenses)	6452.02		—	
Interest Paid	(4418.05)		(2711.76)	
Proceeds from borrowings	7068.24		8827.05	
Repayment of borrowings	(1179.87)	8902.39	(3491.43)	3522.86
NET CASH USED IN FINANCING ACTIVITIES		8902.39		3522.86
Net Increase/(decrease) in cash and cash equivalents		6273.90		(699.97)
Cash & Cash equivalent being cash & bank balances as at 31.03.2010 (opening balance)		494.25		1194.22
Cash & Cash equivalent being cash & bank balances as at 31.03.2011 (closing balance)		6768.15		494.25

As per our report of even date.

For **LODHA & CO.**

Chartered Accountants

FRN : 301051E

N.K. Lodha

Partner

M.No. 85155

PLACE : Chandigarh

DATED : 12th May 2011

Ajay Pareek

GM (Accounts)

For and on behalf of the Board

Satish Bagrodia

Chairman

Manish Bagrodia

Managing Director

K. V. Singhal

GM (Legal) & Company Secretary

PARTICULARS	AS AT 31.03.2011 (Rs. in lacs)	AS AT 31.03.2010 (Rs. in lacs)
SCHEDULE - 1 : SHARE CAPITAL		
AUTHORISED CAPITAL	6500.00	6000.00
65,00,00,000 Equity Shares of Re. 1/- each (Previous Year 60,00,00,000 Equity Shares of Re.1/- each)		
ISSUED		
59,01,93,290 Equity Shares of Re.1/- each (Previous Year 26,04,55,790 Equity Shares of Re.1/- each)	5901.93	2604.56
SUBSCRIBED & PAID-UP		
58,63,97,290 Equity Shares of Re.1/- each (Previous Year 25,66,59,790 Equity Shares of Re.1/- each)	5863.97	2566.60
Add : Amount Paid-up on shares forfeited	11.61	11.61
	5875.58	2578.21

- Note:**
- 1) During the year the company has issued & allotted 19,94,125 Global Depository Receipts(GDRs) representing 19,94,12,500 equity shares of Re.1/- each at a premium of Rs.1.97 per share (Refer note no.3B of schedule 15B)
 - 2) During the year company allotted 13,03,25,000 equity shares of Re.1/-each at a premium of Re. 0.60 each upon conversion of equal number of warrants allotted on preferential basis.(Refer note no.3A of Schedule 15B)

SCHEDULE - 2 : RESERVES & SURPLUS

	<u>Opening</u>	<u>Addition</u>	<u>Adjustment</u>	<u>Closing</u>
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	170.58	—	9.23	161.35
Securities Premium Account (Refer note No.3A & 3B of schedule 15B)	—	4702.57	244.67*	4457.90
General Reserve	35.08	—	—	35.08
Profit & Loss Account	1306.83	610.90		1917.73
	<u>1688.96</u>	<u>5313.47</u>	<u>253.90</u>	<u>6748.53</u>
Previous year figures	(2905.61)	—	(1216.65)	(1688.66)

*GDR/Share issue expenses

SCHEDULE - 3 : SECURED LOANS

FROM BANKS		
Term Loans	31592.69	32302.95
Working Capital Term Loan	3100.43	3160.20
Interest Accrued and Due	98.49	632.90
Cash Credit/Packing Credit	15235.33	8408.40
Vehicle Loan	19.03	12.09
	50045.97	44516.54

- Notes:**
1. Term Loan of Rs. 29943.70 lacs (PY. 30055.50 lacs) from banks are secured by mortgage of Immovable properties situated at Village- Kurawala, Distt. Mohali and Plot No. B-58, Industrial Area, Phase - VII, Mohali and by 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 / to be created shall rank pari-passu 'inter-se' between the Banks except a term loan of Rs. 616.72 lacs (PY Rs. 749.98 Lacs) from a bank which is secured by sub-servient charges on fixed assets.
 2. Term Loans from Banks of Rs.1032.27 Lacs (Pr. Yr. Rs.1497.47 lacs) & Working Capital Term Loans of Rs.3100.43 Lacs (Pr. Yr. Rs.3160.20 Lacs) are secured by way of first pari-passu charge on Fixed Assets & second pari-passu charge on current assets.
 3. Packing Credit & Cash Credit are secured by hypothecation of current assets and also secured by second charge on fixed assets of the company.
 4. All the aforesaid credit facilities mentioned at Point No. 1 to 3 here-in-above are also guaranteed by two directors of the Company and by Pledge of Shares of the Company held by the Promoter Group read with Note No 2A(ii) of Schedule 15 B.
 5. Vehicle Finance is secured by hypothetion of specific assets purchased under such arrangements. Amount repayable within one year Rs. 7.23 Lacs (Pr. Yr. Rs.7.50 Lacs)

SCHEDULE - 4 : UNSECURED LOANS

From Bank*	794.51	969.98
Interest Accrued and Due	3.57	25.85
	798.08	995.83

* Rs.616.64 lacs (Previous Year Rs.749.98 lacs) secured by hypothecation of immovable property owned by a group company and Rs.177.87 Lacs (Previous Year Rs. 220 Lacs) is secured by pledge of 5,00,00,000 nos.(Previous Year Rs. 5,00,00,000 nos.) equity shares of the Company held be a promoter company.

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

Nature of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions	Sales/ adjustments	As at 31.03.2011	Upto 31.03.2010	For the year	Sale/ Adjustments	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
Tangible										
Freehold Land	334.94	0.45	-	335.39	-	-	-	-	335.39	334.94
Leasehold Land	280.27	-	-	280.27	12.38	2.83	-	15.21	265.06	267.89
Buildings**	5634.74	1240.80	-	6875.54	943.45	209.17	-	1152.62	5722.92	4691.29
Plant & Machinery	36903.49	1116.49	-	38019.98	9859.93	1934.98	-	11794.91	26225.07	27043.56
Furniture & Fixtures**	384.59	18.07	-	402.66	235.53	29.54	-	265.07	137.59	149.06
Vehicles	104.05	8.52	-	112.57	52.69	7.94	-	60.63	51.94	51.36
Intangible										
Specialised Software	63.48	-	-	63.48	50.42	4.35	-	54.77	8.71	13.06
Total	43705.56	2384.33	-	46089.89	11154.40	2188.81	-	13343.21	32746.68	32551.16
Previous Year	40960.95	2752.34	7.73	43705.56	9138.43	2023.32	7.35	11154.40	32551.16	31822.52

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.8.24 Lacs and Rs.9.52 Lacs, respectively, (Previous year Rs.12.35 Lacs and Rs. 15.22 Lacs respectively).

SCHEDULES TO AND FORMING PART OF THE ACCOUNTS
WINSOME YARNS LIMITED

PARTICULARS	AS AT 31.03.2011 (Rs. in lacs)	AS AT 31.03.2010 (Rs. in lacs)
SCHEDULE - 6 : INVESTMENTS		
Long Term Investments (other than trade) - Unquoted		
Wholly Owned Subsidiary		
101710 Equity Shares of Winsome Yarns (Cyprus) Limited of 1 Euro each (Previous Year 101710 shares of 1 Euro each)	446.25	446.25
Less: Provision for diminution in investment	<u>0.54</u>	<u>0.54</u>
	445.71	445.71
1800000 Preference Shares of Winsome Yarns (Cyprus) Limited of 1 Euro each (Previous Year 1800000 shares)	1071.00	1071.00
Less Provision for Diminution in Investment	<u>—</u>	<u>—</u>
	<u>1516.71</u>	<u>1516.71</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. 113.39 lacs, Pr. Yr. Rs. 63.26 lacs)	3405.50	2746.20
Stock in Process (At cost or net realizable value whichever is less)	4039.40	2236.51
Stores & Spares	377.00	350.29
Finished Goods (Including Goods in transit Rs.112.52 Lacs, Previous year 264.66 lacs.) (At cost or net realizable value whichever is less)	8555.33	2827.89
Waste (At net realizable value)	<u>78.35</u>	<u>154.56</u>
	<u>16455.58</u>	<u>8315.45</u>
Sundry Debtors (Unsecured, considered good unless otherwise disclosed)		
- Exceeding Six months		
Considered good	2562.56	2179.90
Considered doubtful	381.22	440.17
- Other Debts		
Considered good	<u>3136.69</u>	<u>1489.37</u>
	<u>6080.47</u>	<u>4109.44</u>
Less: Provision for doubtful debts	<u>381.22</u>	<u>440.17</u>
Total Debtors	<u>5699.25</u>	<u>3669.27</u>
Cash & Bank Balances		
Cash in Hand	0.01	0.01
Bank Balances with scheduled Banks		
On Current Accounts	338.23	16.55
On Escrow Accounts (Refer note No. 3B of schedule 15B)*	5914.75	—
On Unpaid Dividend Account	29.21	34.59
On Fixed Deposit Account (Lodged with Banks as Margin)	<u>485.95</u>	<u>443.10</u>
	<u>6768.15</u>	<u>494.25</u>
*Balance with European American Bank, AG (Non- Scheduled Bank) (Maximum Balance during the year Rs. 5914.75 Lacs (USD 13240990)		
Loans & Advances		
Advances, recoverable in cash or in kind or for value to be received		
- Considered good	1726.57	1470.45
- Considered doubtful	56.25	56.25
Less : Provision for doubtful advance	<u>(56.25)</u>	<u>(56.25)</u>
Total Advances	<u>1726.57</u>	<u>1470.45</u>
Advance Income Tax including TDS	240.19	301.57
Refunds/Claims Receivable	577.90	821.92
MAT Credit Entitlement	50.43	99.13
Interest Subsidy Receivable (under TUFs)	1313.21	1291.74
Cenvat/VAT/Sales Tax Reimbursable	190.32	433.83
Export Incentives Receivable	459.60	869.50
Security Deposits	<u>119.12</u>	<u>117.27</u>
	<u>4677.34</u>	<u>5405.41</u>
SCHEDULE - 8 : CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
Acceptances	2625.05	1639.40
Sundry Creditors		
- Due to Micro, Small and Medium Enterprises (Note no. 19 of Schedule 15B)	—	—
- Others	2810.41	3208.99
Advance from Customers	389.03	367.25
Interest Accrued but not due on Loans	—	31.22
Other Liabilities	944.04	686.87
Unpaid Dividend*	<u>29.21</u>	<u>34.59</u>
	<u>6797.74</u>	<u>5968.32</u>
PROVISIONS		
For Retirement Benefits	107.45	106.59
For Income Tax	<u>—</u>	<u>109.48</u>
	<u>107.45</u>	<u>216.07</u>
	<u>6905.19</u>	<u>6184.39</u>

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

SCHEDULES TO AND FORMING PART OF THE ACCOUNTS
WINSOME YARNS LIMITED

PARTICULARS	2010-2011 (Rs. in lacs)	2009-2010 (Rs. in lacs)
SCHEDULE - 9 : SALES		
Yarns*	29188.88	19555.20
Knitwear*	1712.77	1204.35
Waste Sales	2051.50	1299.14
Job Charges (TDS Rs. 0.31 Lacs, Previous Year Rs. 3.35 lacs)	26.04	167.02
Hydro Power Generation	33.37	—
*Includes duty drawback& DEPB of Rs.195.90 lacs (PY Rs.947.19 lacs.)		
	<u>33012.56</u>	<u>22225.71</u>
SCHEDULE - 10 : INCREASE/(DECREASE) IN STOCKS		
Closing Stock		
Finished Goods		
- Yarn	8191.28	2517.90
- Knitwear	328.32	309.99
	<u>8519.60</u>	<u>2827.89</u>
Stock in Process		
- Yarn	3646.48	1830.03
- Knitwear	392.92	406.48
	<u>4039.40</u>	<u>2236.51</u>
Waste	78.35	154.56
Exise Duty on Closing Stock-Knitwear Finished Goods	35.73	—
	<u>12673.08</u>	<u>5218.96</u>
Less : Opening Stock		
Finished Goods (Yarn)		
- Yarn	2517.90	1773.09
- Knitwear	309.99	49.33
	<u>2827.89</u>	<u>1822.42</u>
Stock in Process		
- Yarn	1830.03	987.96
- Knitwear	406.48	368.37
	<u>2236.51</u>	<u>1356.33</u>
Waste	154.56	112.09
	<u>5218.96</u>	<u>3290.84</u>
	<u>7454.12</u>	<u>1928.12</u>
SCHEDULE - 11 : RAW MATERIALS CONSUMED		
Opening Stock	2746.20	915.02
Purchases	24128.79	15053.95
	<u>26874.99</u>	<u>15968.97</u>
Closing Stocks	3405.50	2746.20
Raw Materials Consumed	<u>23469.49</u>	<u>13222.77</u>
SCHEDULE - 12 : MANUFACTURING & OTHER EXPENSES		
PAYMENT & PROVISIONS OF EMPLOYEES		
Salaries, Wages & Other Allowances	1494.93	1186.92
Contribution to Provident & Other Funds	120.02	106.43
Employees Welfare	16.75	10.52
	<u>1631.70</u>	<u>1303.87</u>
MANUFACTURING EXPENSES		
Stores & Spares consumed	1337.00	849.17
Power & Fuel	3060.69	2801.67
Repairs to Buildings	19.72	20.12
Excise Duty Variation on closing stock	35.73	—
Repairs to Plant & Machinery	38.60	15.40
Processing and Dyeing Charges	846.25	533.37
Material Handling Charges	169.30	128.36
	<u>5507.29</u>	<u>4348.09</u>

PARTICULARS	2010-2011 (Rs. in lacs)	2009-2010 (Rs. in lacs)
SCHEDULE - 12 : EXPENSES (continued)		
ADMINISTRATIVE AND OTHER EXPENSES		
Rent, Rates & Taxes	35.06	30.47
Printing & Stationery	6.80	5.64
Director Sitting Fee	3.45	1.85
Insurance	55.50	45.87
Repair & Maintenance	46.78	24.88
Travelling & Conveyance	165.55	145.66
Miscellaneous Expenses	142.61	124.94
Postage, Telegrams and Telephones	31.15	40.23
Liability/Balances written back (Net)	—	2.95
Exchange Rate Difference (Net)	—	192.51
Legal & Professional Charges	82.58	118.01
Charity & Donation	—	0.12
Prior Period Expenses (Net)	2.64	6.08
AUDITORS' REMUNERATION		
Audit Fees	3.20	2.65
Tax Audit Fees	0.39	0.35
Other Services	2.43	0.80
Re-imburement of expenses	1.31	0.76
	579.45	743.77
SELLING EXPENSES		
Commission on sales	521.36	307.85
Freight & Handling Charges	840.45	700.13
Advertisement & Other Selling Expenses	116.22	55.57
	1478.03	1063.55
	9196.47	7459.28
SCHEDULE - 13 : FINANCIAL EXPENSES		
Interest on Term Loans	2182.93	1911.66
(Net of re-imburement under TUFS Rs.1416.53 lacs, PY Rs.1291.74 lacs)		
Interest on Working Capital (Net)	1647.21	1008.90
Bank Charges & Commission	302.46	253.37
	4132.60	3173.93
SCHEDULE - 14 : OTHER INCOME		
Miscellaneous Income	—	32.55
Interest Received (TDS Rs.5.61 lacs ,PY Rs. 7.90 lacs)	40.84	68.20
Sale of Scrap	16.44	4.41
Profit on sale of fixed assets	—	0.93
Provision for doubtful debts/advances written back	58.95	16.59
Exchange Rate Difference (Net)	246.42	—
	362.65	122.68

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 are 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. 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. (read with para (ii) below).
(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) Leasehold land, where ownership vests with the Government / local authorities are amortized over the period of lease.
(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 Benefit**

(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 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 / DEPB 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. (A) Contingent Liabilities, not provided for in respect of; (As certified by the management)

<u>No.</u>	<u>Particulars</u>	<u>2010-2011</u>	<u>(Rs. in Lacs)</u> <u>2009-2010</u>
(i)	Bills discounted with banks	2540.32	2884.08
(ii)	Outstanding Letter of Credit	55.91	418.34
(iii)	Sales Tax liability in respect of matters in appeal	25.85	8.05
(iv)	Excise duty show cause notices / matters in appeal	523.72	523.72
(v)	Service Tax Matters	0.62	0.62
(vi)	Income Tax Demand	308.23	308.23
(vii)	Outstanding bank guarantees	265.00	88.79
(viii)	Customs duty saved of Rs. 5271.17 lacs (Previous Year Rs. 4151.70 lacs) for import of capital good made against EPCG license against which export obligations amounting to Rs. 22417.23 lacs (Previous Year Rs. 33213.58 lacs) is pending.		

(B) In respect of certain disallowances and additions made by the Income Tax Authorities, appeals are pending before the Appellate Authorities and adjustments, if any, will be made after the same are finally determined. Considering the past experience, management is of the view that there will not be any material impact on accounts on settlement / finalization of above.

(C) Estimated amount of contracts remaining to be executed on Capital Account and not provided for Rs. 777.46 lacs (Previous year Rs. 862.83 lacs) net of advances Rs. 479.70 lacs, (Previous year Rs. 460.89 lacs), as certified by management.

2.(A) (i) The Corporate Debt Restructuring (CDR) Empowered group (CDR- EG) in their meeting held under CDR mechanism on 17th March, 2009 have approved debt restructuring proposal of the Company which is effective from 1st January 2009 has been implemented based on the sanctioned so far received from the lenders or the agreement to the restructuring scheme and Master Restructuring Agreement (MRA) as approved on 21st July 2009. During the current year, CDR-EG in their meeting held on 25/06/2010 and 27/07/2010 has approved the rework package for the company effective from 01/04/2010.

(ii) As per the above, arrangement / loans is further secured by unconditional and irrevocable personal guarantees of promoters, promoters group/ associate companies and further secured/ to be secured by pledge of 51% (Fifty one percent) of paid up equity share capital (present /future) of the company or 100% of shares held/ to be held by promoters, promoters group/ associate companies, which ever is lower.

(iii) CDR Empowered group have also stipulated that promoters shall arrange to bring fund to meet the deficit as stipulated and fund out of investments made in overseas subsidiaries through disinvestment which is in process.

(B) Certain covenants /conditions as stipulated in the CDR package is pending for compliance.

3. (A) In the EGM held on 5th February, 2010 shareholders of the Company have approved the issue of 25,10,00,000 nos. convertible warrant at Rs. 1.60 per warrant (including premium of Rs. 0.60 per warrant) on preferential allotment basis and have received aggregate amount of Rs.1004 lacs (total received Rs.1088 lacs) being applicable 25% (Re.0.40 on issue price of Rs. 1.60 per warrant, including premium of Re.0.60 per warrant) of such warrant and made the allotment of Convertible Warrant in Board of Directors meeting held on 19.02.2010, with a conversion right of 18 months from the date of allotment of warrant. Further, during the year, warrant holder has exercised their rights of conversion of 130325000 warrants & balance amount comprising of 75% (Rs 1.20 on the issue price of 1.60 per warrant) of such

warrant has been received. Accordingly, the company vide board meeting dated 30/09/2010 has allotted 130325000 number of equity shares of Re. 1 each on conversion of said warrants. Issue proceed have been utilized for the purpose as stipulated and balance amount have been parked into Working Capital.

- (B) In terms of the resolution passed in the EGM held on 28/06/2010, the company has issued Global Depository Receipts (GDRs) during the year. Pursuant to this 1994125 number of GDR of USD 6.64 each (Each GDR comprising of 100 equity shares) at a price of Rs. 2.97 per share (including premium of Rs. 1.97 per share) has been issued and allotted on 29/03/2011 and is listed on the stock exchange of Luxembourg. Pending certain compliance, the issue proceeds of the GDRs of Rs.5914.75 lacs (including security premium of Rs.3920.62 lacs) is parked in the Bank "Escrow" Account outside India and accordingly these issue proceeds is pending to be utilized.
4. (A) Capital Work-In-Progress includes machinery in stock, roads, construction /capital material at site, site development expenses, plant & machinery in transit /under erection and capital advance of Rs.479.70 lacs (P.Y. Rs.460.89 lacs) and preoperative expenses as per detail given below: (Rs. in lacs)

Particulars	Current Year	Previous Year
Pre-operative expenditure as follows:		
Opening Balance	423.64	424.82
- Stores & Spares	-	17.69
- Power & Fuel	-	9.78
- Salary, Wages & Allowances	15.81	20.55
- Other Expenses	-	7.65
- Interest on Term Loan (Net)	146.98	393.84
- Others	24.51	-
Total	610.95	874.33
Less: Capitalised / transferred to fixed assets	262.99	450.69
Closing balance	347.96	423.64

- (B) During the year, The Company has commissioned 1.4MW of Hydro power project & the 2.5 MW project is in process of implementation against which expenditure incurred till 31st March 2011 have been included in CWIP.
5. Research and development expenditure amounting to Rs.34.48 lacs (Previous year Rs.25.42 lacs) have been debited to Profit and Loss account under the head Salaries, Wages & other Allowances.
6. 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.
7. 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 Account.
8. Managerial Remuneration to Managing Director (Rs. in lacs)

Particulars	2010-2011	2009-2010
(i) Salary	26.88	22.78
(ii) Contribution to Provident Fund & Family Pension Funds	2.30	2.30
(iii) Perquisites & Other Benefits	Nil	Nil
(iv) Commission	Nil	Nil
TOTAL	29.18	25.08

Appointment and remuneration to the Managing Director has been approved by the Ministry of Corporate Affairs, Govt of India vide its letter dated 16/08/2010.

9. Step down subsidiaries (three nos) are under liquidation, namely M/s, S. C. Winsome Romania s.r.l, Romania, M/s, IMM Winsome Italia s.r.l, Italy and M/s. S.C.Textil s.r.l, Romania. The Company through it's a subsidiary have made investment of amounting to Euro 828 (Equivalent to Rs.0.54 lacs) in these subsidiaries. Necessary provisions against this and outstanding in their accounts (as debtors) have been made in the books of accounts.
10. (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 Yarns (Cyprus) Ltd) in a JV Company M/s Newcocot S.P.A. amounting to Euro 4.64 millions (approx Rs 2934.33 lacs). In earlier year the Company has made investment in equity and preference share capital of its above stated subsidiary amounting to EURO 2.55 million (Equivalent to Rs.1517.25 lacs).
- (B) Diminution in the value of investment made amounting to Rs.1516.71 lacs in 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.
11. Company does not have taxable income for the year ended as on 31st March, 2011 under the Income Tax Act., 1961 and hence no provision for Income Tax/ Minimum Alternate Tax has been made.

12. During the year, the company has provided for income tax in respect of earlier years of Rs 46.13 Lacs.
13. Prior period adjustments (net) Rs. 2.64 lacs (P.Y. Rs. 6.08 lacs) include Legal & Professional charges Rs. 2.49 lacs (P.Y. Rs. 6.08 lacs), and others Rs. 0.15 lacs (P.Y. Rs. Nil).
14. 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.
15. 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.
16. The Company has initiated persuasive action for recovery of certain overdue overseas debtors of amounting to Rs. 1900.18 Lacs (P. Y. Rs 1903.39 lacs) (excluding cumulative gain on restatement of foreign currency debtors of Rs. 217.90 lacs). In the opinion of the management these are good and fully realizable, hence no provision there against is considered necessary. However for necessary approval for the extension of time application have been filed with the appropriate authority.
17. Balances of certain sundry debtors, Loans & Advances (including capital advances), creditors (including Associates Co.), 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.
- 18. Employees Benefits:**
- a) **Defined Contribution Plan:**
Contribution to Defined Contribution Plan, i.e contribution to provident fund amounting to Rs. 93.62 lacs (P. Y. Rs. 83.62 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.

(Rs. in Lacs)

Particulars	Gratuity (Unfunded)		Leave Encashment (Unfunded)	
	2011	2010	2011	2010
I. Amount to be recognized in the balance sheet				
Present Value of Obligation as at 31.3.2011	74.42	71.04	33.03	35.55
Fair value of plan assets as at 31.3.2011	--	--	--	--
Funded Status [surplus/(Deficit)]	(74.42)	(71.04)	(33.03)	(35.55)
Net Assets/(Liability) Recognized in Balance Sheet	(74.42)	(71.04)	(33.03)	(35.55)
II. Expenses recognized during the period				
Current Service Cost	23.95	24.42	19.57	16.72
Interest Cost	5.68	4.32	2.85	2.37
Expected Return on Plan Assets	--	--	--	--
Actuarial (gain)/ loss	(19.33)	(1.94)	(2.14)	7.26
Net Expenses Recognized	10.30	26.80	20.27	26.35
III. Reconciliation of opening and closing balance of Defined Benefit Obligation				
Present Value of Obligation at the beginning of the period	71.04	53.93	35.59	29.65
Current Service Cost	23.94	24.42	19.57	16.72
Interest Cost	5.68	4.32	2.85	2.37
Actuarial (gain)/ loss on obligations	(19.33)	(1.94)	(2.14)	7.26
Benefit Paid	(6.91)	(9.69)	(22.84)	(20.45)
Present Value of Obligation as at the end of the period	74.42	71.04	33.03	35.55
IV. Actuarial / Demographic assumptions:-				
Indian Assure Lives Mortality Table (LIC)	1994-96	1994-96	1994-96	1994-96
Discount rate (Per annum)	8.00%	8.00%	8.00%	8.00%
Expected Return on Plan Assets (Per annum)	8.00%	8.00%	8.00%	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 (PY 0.58)		

- (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.
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. As required by section 22 of the above said Act the following information is disclosed:

Sr. No.	Particulars	2010-11 (Rs. in lacs)	2009-10 (Rs. in lacs)
a)	(i) Principal amount remaining unpaid at the end of the accounting year	-	-
	(ii) Interest due on above	-	-
b)	The amount of interest paid by the buyer alongwith amount of payment made to the supplier beyond the appointed date.	-	-
c)	The amount of interest accrued and remaining unpaid at the end of financial year	-	-
d)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year) but without adding interest specified under this act.	-	-
e)	The amount of further interest due and payable in succeeding year, until such interest is fully paid.	-	-

20. 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.

21. 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 follows:
- (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)

No.	Particulars	(Rs. in lacs)		
		India	Outside India	Total
i)	External Revenue-Sale	16468.47 (8574.98)	16544.09* (13650.73*)	33012.56 (22225.71)
ii)	Carrying amount of segment assets by location of assets	60476.00 (52596.59)	10796.57 (4122.20)	71272.57 (56718.79)
iii)	Capital Expenditure	1026.65 (1664.54)	---	1026.65 (1664.54)

*Includes Export Incentives of Rs. 195.90 lacs (P.Y. Rs. 947.19 lacs)

22. During the year, deferred tax in respect of timing differences has been re-assessed/ re-computed and Liability (net) amounting to Rs. 467.56 lacs for the year has been debited to Profit & Loss Account.

Particulars	2010-2011	2009-2010
Deferred Tax Liability (DTL)		
Tax impact on difference between book value of depreciation assets and written down value for tax purposes	4351.42	4326.78
Deferred Tax Assets (DTA)		
Tax impact of unabsorbed depreciation and business losses	4042.96	4457.82
Tax impact of expenses charged to Profit & Loss Account but allowance under tax laws deferred	38.86	37.20
Tax impact on doubtful debts & advances	135.18	164.90
Deferred Tax Asset / (Liability) (Net)	(134.42)	333.14

23. Earning per share

Basis for calculation of Basic and Diluted Earning Per Share is as under:

Particulars	2010-2011	2009-2010
Net Profit/(Loss) attributable to Equity Shareholders (Rs. in lacs)	610.90	(1207.42)
Weighted average number of equity shares for Basic EPS	32,36,39,824	25,66,59,790
Nominal Value per equity share(Rs.)	1	1
Basic EPS (Rs.)	0.19	(0.47)
Weighted average number of equity shares	32,36,39,824	25,66,59,790
Add: Dilutive Potential Equity Share	18,54,58,973	23,90,68,346
Diluted EPS (Rs.)	0.12	(0.47)

24. Related party disclosures

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

1. (a) Associate Company

Winsome Textile Industries Limited

(b) Subsidiary Company

- (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.r.l (Subsidiary of (ii) above)
- (iv) S.C. Textil 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. Organisations where Key Management Personnel & their relative have Significant influence.

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

(Refer Schedule 3 & 4)

Transactions with the Related Parties during the year ended 2010-2011.

Particulars	2010-2011	(Rs. In lacs) 2009-2010
Winsome Textile Industries Ltd.		
Sale of material & goods and services		23.00
Purchase of material & goods and services	232.17	354.49
Expenses reimbursed to others	3.35	0.25
Expenses reimbursed by others	12.28	5.01
Balance Outstanding as at year end		
Receivable / (Payable)	(467.50)	(254.26)
Sh. Satish Bagrodia		
Directors Sitting Fee	0.65	0.35
Sh. Manish Bagrodia		
Remuneration	29.18	25.08
Sh. Ashish Bagrodia		
Directors Sitting Fee	0.50	0.30
Starpoint Financial Services Pvt. Ltd.		
Rent	21.31	19.32
Shell Business Pvt. Ltd.		
Application/ Allotment Money against Convertible Warrants	1182.00	473.00
S.C. Winsome Romania		
Sale of material & goods and services		
Purchase of material & goods and services		
Balance Outstanding as at year end		
Receivable / (Payable)	53.83	86.81
IMM Winsome Italia		
Sale of material & goods and services		
Purchase of material & goods and services		
Balance Outstanding as at year end		
Receivable / (Payable)	157.85	171.01
Winsome Yarns (Cyprus) Ltd.		
Sale of material & goods and services		

Chairman and Managing Director have given guarantees to lenders against loans taken by the Company.

25. Additional information pursuant to the provision of paragraph 3 and 4 of Schedule VI to the Companies Act, 1956.

(a) Licensed & Installed Capacity	2010-2011	2009-2010
Licensed Capacity:		
Yarn Spindles	133440	133440
- Rotors	1536	1536
Knitwears (Nos.)	1944000	1944000
Installed Capacity:		
Yarn Spindles	109824	109824
Knitwears (Nos.)	1160000	1160000

(b) (i) Production, Turnover & Stocks (Qty in MT and Value Rs. in Lacs)

Particulars	Opening Stock		Production	Purchase		Sales		Closing Stock	
	Qty	Value	Qty.	Qty.	Value	Qty.	Value	Qty.	Value
Yarn	1477.22	2517.90	16306.35	289.49	722.07	14811.14	29188.88*	3261.92	8191.28
	(1202.89)	(1773.09)	(13384.63)	(171.46)	(199.55)	(13281.76)	(19555.20)*	(1477.22)	(2517.90)
Knitwears (Pcs)	78997	309.99	625534	---	--	594355	1712.77**	110176	328.32
	(16228)	(49.33)	(287503)	(--)	(--)	(224734)	(1204.35)**	(78997)	(309.99)
Waste/ Scrap	--	154.56	--	--	--	--	2051.50	--	78.35
	(--)	(112.09)	(--)	(--)	(--)	(--)	(1299.14)	(--)	(154.56)

* Includes export incentives amounting Rs. 114.18 lacs (P.Y. Rs. 881.80 lacs)

** Includes export incentives amounting Rs. 81.72 lacs (P.Y. Rs. 65.39 lacs)

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

(ii) Raw Material Consumed

Rs. in Lacs

Particulars	2010-2011		2009-2010	
	Qty(MT)	Value(Rs.in lacs)	Qty(MT)	Value(Rs.in lacs)
Viscose	587.28	671.35	393.51	543.17
Cotton	22130.88	22104.58	17766.82	12118.10
Yarn	209.57	693.56	490.44	561.50
Total	22907.05	23469.49	18650.77	13222.77

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

Rs. in Lacs

Particulars	Raw Material				Stores & Spares			
	2010-11	%	2009-10	%	2010-11	%	2009-10	%
Imported	33.56	0.14	163.60	1.24	216.98	16.23	118.08	13.91
Indigenous	23435.93	99.85	13059.17	98.76	1120.02	83.77	731.09	86.09
Total	23469.49	100.00	13222.77	100.00	1337.00	100.00	849.17	100.00

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

(iv) Consumption value of raw materials and stores & Spares is derived as net of opening stock plus purchases less closing stock.

	<u>31st March 2011</u>	<u>31st March 2010</u>
		(Rs in lacs)
(c) CIF Value of Imports :		
Plant & Machinery	95.50	600.11
Spare Parts & Components	17.45	143.05
Raw Material	17.44	245.84
(d) Earnings in Foreign Exchange		
Exports of goods on FOB basis (excluding export through export houses)	15494.01	12123.52
(e) Expenditure in Foreign currency:(Cash basis)		
Foreign Traveling	14.48	8.52
Commission on sales	48.32	55.12
Consultancy Fees	28.77	11.47
Others (GDR issue Expenditure)	56.66	-
26. Remittance in foreign currency on Dividend Account		
Number of non-resident shareholders	N.A.	N.A.
Number of shares held by non-resident shareholders	N.A.	N.A.
Net Amount of Dividend remitted (Amount in Rs.)	Nil	Nil
Year to which dividend relates	N.A.	N.A.

27. (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 (Rs. in lacs)	
		31.3.2011	31.3.2010	31.3.2011	31.3.2010
Sundry Debtors	USD	2703317.91	943456.33	1205.41	302.05
	Euro	3325354.03	3461848.00	2108.93	2015.93
	GBP	Nil	25995.12	Nil	17.68
	CHF	Nil	58928.54	Nil	24.99
Advance from customers	GBP	31886.32	Nil	22.85	Nil
Sundry Creditors	HKD	34660.11	34660.11	1.98	20.03
	Euro	Nil	41508.74	Nil	25.13
	JPY	Nil	674696.00	Nil	3.24
	USD	57417.78	7335.01	22.09	3.29
Advances to suppliers	Euro	33660.74	Nil	21.74	Nil
	CHF	22298.35	Nil	10.87	Nil
	GBP	2298.63	Nil	1.64	Nil
Investment in Preference Shares	Euro	1800000	1800000	1071.00	1071.00
Foreign Commission payable	USD	217804.61	152143.92	97.14	68.31
Loans - PCFC	USD	Nil	843856.13	Nil	378.89
Balance with Banks (Escrow Account)	USD	132.41	NIL	5914.75	NIL

(b) Forward contract Nil (PY Rs. 2372.36 lacs, USD 50.65 lacs) taken to hedge the foreign currency receivables are outstanding as at 31/03/11.

28. Figures for the previous year have been re-grouped/recast wherever considered necessary to make them comparable with those of current year.

29. 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
FRN : 301051E

N. K. Lodha

Partner

M. No. 85155

For and on behalf of the Board

Satish Bagrodia

Chairman

Manish Bagrodia
Managing Director

Place: Chandigarh
Date : 12th May, 2011

Ajay Pareek
GM(Accounts)

K. V. Singhal
GM (Legal) & Company Secretary

30. Balance Sheet abstract and Company's General Business profile information pursuant to Part IV of Schedule VI of the Companies Act, 1956.

I. Registration Details

Registration No. (CIN)	L17115CH1990PLC010566	State Code	53
Balance Sheet Date	31-03-2011		

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

Public Issue	199412	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	130325

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

Total Liabilities	7127257	Total Assets	7127257
-------------------	---------	--------------	---------

Sources of Funds

Paid-up Capital	586397	Reserve & Surplus	674853
Secured Loans	5004597	Unsecured Loans	79808
Forfeited share account	1161	Deferred Tax Liability	13442
Advance against Application Money of Convertible Warrants	76480		

Application of Funds

Net Fixed Assets	3615554	Investments	151671
Net Current Assets	2669513	Misc. Expenditure	--
Accumulated Losses	--		

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

Turnover including other income	4082480	Total Expenditure	3970021
Profit/(Loss) Before Tax	112459	Profit/(Loss) After Tax	61090
Earning per share (Rs.)	0.19	Dividend Rate (%)	Nil

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

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

For and on behalf of the Board
Satish Bagrodia
Chairman

Manish Bagrodia
Managing Director

SECTION 212

Statement pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary company

Name of the Subsidiary Companies	Number of Shares in the Subsidiary Company held by Winsome Yarns Limited at the financial year ending date		The net aggregate of profit/(losses) of the Subsidiary Companies so far as they concern the members of Winsome Yarns Limited			
	Equity (Nos.)	Extent of holding (% age)	For Current Financial Year		For Previous Financial Year	
			Dealt with in the accounts of Winsome Yarns Limited for the year ended 31st March, 2011	Not dealt with in the accounts of Winsome Yarns Limited for the year ended 31st March, 2011	Dealt with in the accounts of Winsome Yarns Limited for the year ended 31st March, 2010	Not dealt with in the accounts of Winsome Yarns Limited for the year ended 31st March, 2010
Winsome Yarns (Cyprus) Limited (Subsidiary of Winsome Yarns Limited)	101000	100%	Rupees in Lacs -	Rupees in Lacs (6.60)	Rupees in Lacs -	Rupees in Lacs (10.04)
S.C. Winsome Romania S.r.l. (Subsidiary of Winsome Yarns (Cyprus) Limited)	90	90%	The accounts have not been considered for consolidation, since company is under liquidation			
I.M.M. Winsome Italia S.r.l. (Subsidiary of S. C. Winsome Romania S.r.l.)	2705	90%	The accounts have not been considered for consolidation, since company is under liquidation			
S.C. Textil S.r.l. (Subsidiary of IMM Winsome Italia , S. r. l.)	321772	90%	The accounts have not been considered for consolidation, since company is under liquidation			

Note:
The financial year of Winsome Yarns (Cyprus) Limited is 1st April, 2010 to 31st March, 2011 and other three subsidiary companies are 1st January, 2010 to 31st December, 2010.

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 2011, 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. 1918.82 lacs as at 31st March 2011 and total revenues of Rs. Nil 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;*
 - (i) *Note no.4 of schedule 15 regarding non provision for shortfall in recovery (amount unascertained) against overdue overseas debtor aggregating to Rs.1900.18 lacs and cumulative gain recognised on restatement of said debtors of Rs. 217.90 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 and our inability to comment thereon.*
 - (ii) *Note no.6 (c) of Schedule 15 regarding non provision for diminution in the value of investment in a subsidiary company, advance to subsidiary and other receivable (impact unascertainable) for the reason as stated in the said note and our inability to comment thereon.*

The consolidated financial statement 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 (read with note no. 1 (iv)(a) and 1(v) of Schedule 15 included in the Consolidated Financial Statements, we are of the opinion that the said consolidated financial statements read with note no 1 (iv) (a), 1(v), 2 (B) and 5 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, 2011;
- (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 Flow Statement, of the consolidated cash flow of the Company and its Subsidiary for the year then ended.

For Lodha & Co.
Chartered Accountants
FRN 301051E

(N.K. Lodha)
Partner
Membership No.: 85155

Place : New Delhi
Date : 12th May 2011

CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH, 2011

WINSOME YARNS LIMITED

PARTICULARS	SCHEDULE	31st March 2011 (Rs. in lacs)	31st March 2010 (Rs. in lacs)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	5875.58	2578.21
Reserves & Surplus	2	6796.97	1677.54
Convertible Warrants (Note No. 3A of Schedule 15)		764.80	1088.00
Loan Funds			
Secured Loans	3	50045.97	44516.54
Unsecured Loans	4	798.08	995.83
Deferred Tax Liability (Net)		134.42	—
		<u>64415.82</u>	<u>50856.12</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	46089.89	43705.56
Less : Depreciation		13343.21	11154.40
Net Block		32746.68	32551.16
Capital work-in-progress		3408.86	4766.54
		<u>36155.54</u>	<u>37317.70</u>
Investments			
Deferred Tax Asset (Net)	6	0.52	0.50
		—	333.14
Current Assets, Loans & Advances			
Inventories		16455.58	8315.45
Sundry Debtors		5699.25	3669.27
Cash and Bank Balances		6789.06	516.05
Loans & Advances		6574.73	7222.75
		<u>35518.62</u>	<u>19723.52</u>
Less : Current Liabilities & Provisions			
Current Liabilities	8	7151.41	6302.67
Provisions		107.45	216.07
		<u>7258.86</u>	<u>6518.74</u>
Net Current Assets		<u>28259.76</u>	<u>13204.78</u>
		<u>64415.82</u>	<u>50856.12</u>
Accounting Policies & Notes on Accounts	15		

As per our report of even date.
For **LODHA & CO.**
Chartered Accountants
FRN : 301051E

N.K. Lodha
Partner
M.No. 85155

PLACE : Chandigarh
DATED : 12th May 2011

Ajay Pareek
GM (Accounts)

For and on behalf of the Board
Satish Bagrodia
Chairman
Manish Bagrodia
Managing Director
K. V. Singhal
GM (Legal) & Company Secretary

CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31st MARCH,2011

WINSOME YARNS LIMITED

PARTICULARS	SCHEDULE No.	31st March 2011 (Rs. in lacs)	31st March 2010 (Rs. in lacs)
INCOME FROM OPERATIONS			
Sales	9	33012.56	22225.71
Less: Excise Duty		4.53	0.18
Net Sales		33008.03	22225.53
Increase/(Decrease) in Stocks	10	7454.12	1928.12
Other Income	14	362.65	122.68
		40824.80	24276.33
COST OF OPERATIONS			
Raw Materials consumed	11	23469.49	13222.77
Cotton Yarn Purchase		722.07	199.55
Manufacturing & other Expenses	12	9202.96	7469.08
Interest on Financial Charges	13	4132.71	3174.17
		37527.23	24065.57
PROFIT/(LOSS) BEFORE DEPRECIATION AND EXCEPTIONAL ITEMS		3297.57	210.76
Depreciation		2188.81	
Less: Prorata Capital Subsidy		9.23	2014.09
Net Profit/(Loss) before Tax		1117.99	(1803.33)
Less :			
— Current Tax		—	—
— Previous years Tax		46.13	—
— Credit against MAT		—	—
— Fringe Benefit Tax		—	0.15
— Deferred Tax Liability/(Asset)		467.56	(586.02)
Net Profit/(Loss) after Tax		604.30	(1217.46)
Add : Balance brought forward from last year		1267.60	2485.06
Less: Adjustment for non consolidation of subsidiary (Refer note No. 1 (iv) (b) of Schedule 15)		—	—
Balance carried to Balance Sheet		1871.90	1267.60
Earning Per Share - Basic (Rs)		0.19	(0.47)
- Diluted (Rs)		0.12	(0.47)
Accounting Policies & Notes on Accounts	15		

As per our report of even date.

For **LODHA & CO.**

Chartered Accountants

FRN : 301051E

N.K. Lodha

Partner

M.No. 85155

PLACE : Chandigarh

DATED : 12th May 2011

Ajay Pareek
GM (Accounts)**For and on behalf of the Board**

Satish Bagrodia

Chairman

Manish Bagrodia

Managing Director

K. V. Singhal

GM (Legal) & Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

PARTICULARS	2010-2011		2009-2010	
	(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		1117.99		(1803.33)
Adjustment for :				
Depreciation	2185.98		2020.49	
Amortisation of Leasehold Land	2.83		2.83	
Prorata Capital Subsidy	(9.23)		(9.23)	
(Profit)/Loss on sale of fixed assets	—		(0.93)	
Provision for Doubtful Debts/Advances	(58.95)		—	
Interest expense	3830.14		2920.56	
Provision for diminuation in investment	—		—	
Interest income	(40.84)	5909.93	(68.20)	4865.52
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		7027.92		3062.19
Adjustment for :				
Trade & other receivable	(1315.59)		(1790.70)	
Inventories	(8140.13)		(3839.14)	
Trade & other Payables	771.32	(8684.40)	(110.65)	(5519.19)
CASH GENERATED FROM OPERATIONS		(1656.48)		(2457.00)
Direct Taxes Paid		(66.13)		(2.65)
NET CASH FLOW FROM OPERATING ACTIVITIES		(1722.61)		(2459.65)
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets	(1026.65)		(1664.54)	
Sale of fixed assets	—		1.31	
Interest Received	53.42	(973.23)	55.62	(1607.61)
NET CASH USED IN INVESTING ACTIVITIES		(973.23)		(1607.61)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Convertible Warrants Advance for Application Money	—		899.00	
Convertible Warrants- Received towards Conversion	980.05		—	
Issue of Equity Share Capital – GDRs issue (Net of Expenses)	6452.02		—	
Interest Paid	(4418.05)		(2711.76)	
Proceeds from borrowings	7068.24		8827.05	
Repayment of borrowings	(1179.87)	8902.39	(3491.43)	3522.86
NET CASH USED IN FINANCING ACTIVITIES		8902.39		3522.86
D. CHANGES IN CURRENCY FLUCTUATION RESERVE ARISING ON CONSOLIDATION		66.46		(173.59)
Net Increase/(decrease) in cash and cash equivalents		6273.01		(717.99)
Cash & Cash equivalent being cash & bank balances as at 31.03.2010 (opening balance)		516.05		1234.04
Cash & Cash equivalent being cash & bank balances				

As per our report of even date.

For **LODHA & CO.**

Chartered Accountants

FRN : 301051E

N.K. Lodha

Partner

M.No. 85155

PLACE : Chandigarh

DATED : 12th May 2011

Ajay Pareek

GM (Accounts)

For and on behalf of the Board

Satish Bagrodia

Chairman

Manish Bagrodia

Managing Director

K. V. Singhal

GM (Legal) & Company Secretary

SCHEDULES TO AND FORMING PART OF THE ACCOUNTS
WINSOME YARNS LIMITED

PARTICULARS	AS AT 31.03.2011 (Rs. in lacs)	AS AT 31.03.2010 (Rs. in lacs)
SCHEDULE - 1 : SHARE CAPITAL		
AUTHORISED CAPITAL	6500.00	6000.00
65,00,00,000 Equity Shares of Re. 1/- each (Previous Year 60,00,00,000 Equity Shares of Re.1/- each)	<u>6500.00</u>	<u>6000.00</u>
ISSUED		
59,01,93,290 Equity Shares of Re.1/- each (Previous Year 26,04,55,790 Equity Shares of Re.1/- each)	5901.93	2604.56
SUBSCRIBED & PAID-UP		
58,63,97,290 Equity Shares of Re.1/- each (Previous Year 25,66,59,790 Equity Shares of Re.1/- each)	5863.97	2566.60
Add : Amount Paid-up on shares forfeited	11.61	11.61
	5875.58	2578.21

- Note:**
- 1) During the year the company has issued & allotted 19,94,125 Global Depository Receipts(GDRs) representing 19,94,12,500 equity shares of Re.1/- each at a premium of Rs.1.97 per share (Refer note no.3B of schedule 15)
 - 2) During the year company issued 13,03,25,000 equity shares of Re.1/-each at a premium of Re. 0.60 each upon conversion of equal number of warrants allotted on preferential basis.(Refer note no.3A of Schedule 15)

SCHEDULE - 2 : RESERVES & SURPLUS

CAPITAL RESERVE	Opening	Addition	Adjustment	Closing
State Investment Subsidy	25.00	—	—	25.00
Capital Reserve on Buyback of Shares	27.03	—	—	27.03
Capital Redemption Reserve	124.44	—	—	124.44
Capital Subsidy Reserve	170.58	—	9.23	161.35
Securities Premium Account (Refer note No.3A &3B of schedule 15)	—	4702.58	244.68*	4457.90
Sub Total	<u>347.05</u>	<u>4702.58</u>	<u>253.91</u>	<u>4795.72</u>
General Reserve	35.08	—	—	35.08
Profit & Loss Account	1267.60	604.30	—	1871.90
Add (Less) : Foreign Currency Translation Reserve (Net)	27.81	66.46	—	94.27
Sub Total	<u>1330.49</u>	<u>670.76</u>	<u>—</u>	<u>2001.25</u>
Total	<u>1677.54</u>	<u>5373.34</u>	<u>253.91</u>	<u>6796.97</u>
Previous Year	3077.85	(1217.46)	182.85	1677.54

*GDR/Share issue expenses

SCHEDULE - 3 : SECURED LOANS

FROM BANKS		
Term Loans	31592.69	32302.95
Working Capital Term Loan	3100.43	3160.20
Foreign Currency Loan	—	—
Cash Credit/Packing Credit	15235.33	8408.40
Vehicle Loan	19.03	12.09
Interest Accrued and Due	98.49	632.90
Notes:	50045.97	44516.54

1. Term Loan of Rs. 29943.70 lacs (PY. Rs. 30055.50 lacs) from banks are secured by mortgage of Immovable properties situated at Village- Kurawala, Distt. Mohali and at Plot No. B-58, Industrial Area, 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. 616.72 lacs (PY Rs. 749.98 Lacs) from a bank which is secured by sub-servient charges on fixed assets.
2. Term Loans from Banks of Rs.1032.27 Lacs (Pr. Yr. Rs.1497.47 lacs) & Working Capital Term Loans of Rs.3100.43 Lacs (Pr. Yr. Rs.3160.20 Lacs) are secured by way of first pari-passu charge on Fixed Assets & second pari-passu charge on current assets.
3. Packing Credit & Cash Credit are secured by hypothecation of current assets and also secured by second charge on fixed assets of the company.
4. All the aforesaid credit facilities mentioned at Point No. 1 to 3 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 2A(ii) of Schedule 15.
5. Vehicle Finance is secured by hypothecation of specific assets purchased under such arrangements. Amount repayable within one year Rs. 7.23 Lacs (Pr. Yr. Rs.7.50 Lacs)

SCHEDULE - 4 : UNSECURED LOANS

From Bank*	794.51	969.98
Interest Accrued and Due	3.57	25.85
	798.08	995.83

* Includes Rs.616.64 lacs (Previous Year Rs.749.98 lacs) secured by hypothecation of immovable property owned by a group company and Rs.177.87 Lacs (Previous Year Rs. 220 Lacs) is secured by pledge of 5,00,00,000 nos.(Previous Year Rs. 5,00,00,000 nos.) equity shares of the Company held by a promoter company.

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

Nature of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK			
	As at 01.04.2010	Additions	Sales/ adjustments	As at 31.03.2011	Upto 31.03.2010	For the year	Sale/ Adjustments	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010	As at 31.03.2011	
Tangible												
Freehold Land	334.94	0.45	-	335.39	-	-	-	-	-	-	335.39	334.94
Leasehold Land	280.27	-	-	280.27	12.38	2.83	-	15.21	-	15.21	265.06	267.89
Buildings*	5634.74	1240.80	-	6875.54	943.45	209.17	-	1152.62	-	1152.62	5722.92	4691.29
Plant & Machinery	36903.49	1116.49	-	38019.98	9859.93	1934.98	-	11794.91	-	11794.91	26225.07	27043.56
Furniture & Fixtures*	384.59	18.07	-	402.66	235.53	29.54	-	265.07	-	265.07	137.59	149.06
Vehicles	104.05	8.52	-	112.57	52.69	7.94	-	60.63	-	60.63	51.94	51.36
Intangible												
Specialised Software	63.48	-	-	63.48	50.42	4.35	-	54.77	-	54.77	8.71	13.06
Total	43705.56	2384.33	-	46089.89	11154.40	2188.81	-	13343.21	-	13343.21	32746.68	32551.16
Previous Year	40960.95	2752.34	7.73	43705.56	9138.43	2023.32	7.35	11154.40	32551.16	31822.52		

Note : *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. 8.24 Lacs and Rs.9.52 Lacs, respectively, (Previous year Rs.12.35 Lacs and Rs. 15.22 Lacs respectively).

SCHEDULES TO AND FORMING PART OF THE ACCOUNTS
WINSOME YARNS LIMITED

PARTICULARS	AS AT 31.03.2011 (Rs. in lacs)	AS AT 31.03.2010 (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	0.52	0.50
	<u>0.52</u>	<u>0.50</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. 113.39 lacs, Pr. Yr. Rs. 63.26 lacs)	3405.50	2746.20
Stock in Process (At cost or net realizable value whichever is less)	4039.40	2236.51
Stores & Spares	377.00	350.29
Finished Goods (Including Goods in transit Rs.112.52 Lacs, Previous year 264.66 lacs.) (At cost or net realizable value whichever is less)	8555.33	2827.89
Waste (At net realizable value)	78.35	154.56
	<u>16455.58</u>	<u>8315.45</u>
Sundry Debtors (Unsecured, considered good unless otherwise disclosed)		
- Over Six months		
Considered good	2562.56	2179.90
Considered doubtful	381.22	440.17
- Other Debts		
Considered good	3136.69	1489.37
	<u>6080.47</u>	<u>4109.44</u>
Less: Provision for doubtful debts	<u>381.22</u>	<u>440.17</u>
	<u>5699.25</u>	<u>3669.27</u>
Cash & Bank Balances		
Cash in hand	0.01	0.01
Cheques in Hand	—	—
Bank Balances with scheduled Banks		
On Current Accounts	359.14	38.35
On Escrow Accounts(Refer note No.3B of Schedule 15)*	5914.75	—
On Unpaid Dividend Account	29.21	34.59
On Fixed Deposit Account (Lodged with Banks as Margin)	485.95	443.10
	<u>6789.06</u>	<u>516.05</u>
*Balance with European American Investment Bank, AG (Non-Scheduled Bank) (Maximum balance during the year Rs. 5914.75 lacs (USD 13240990)		
Loans & Advances		
((Unsecured, Considered good)		
Advances, recoverable in cash or in kind or for value to be received		
- Considered good	3307.76	2984.99
- Considered doubtful	56.25	56.25
Less : Provision for doubtful advances	<u>(56.25)</u>	<u>(56.25)</u>
	<u>3307.76</u>	<u>2984.99</u>
Advance to subsidiary (refer note no. 6(C) of schedule 15)	316.20	302.80
Advance Income Tax including TDS	240.19	301.57
Refunds/Claims Receivable	577.90	821.92
MAT Credit Entitlement	50.43	99.13
Interest Subsidy Receivable (under TUFs)	1313.21	1291.74
Cenvat/VAT/Sales Tax Reimbursable	190.32	433.83
Export Incentives Receivable	459.60	869.50
Security Deposits	119.12	117.27
	<u>6574.73</u>	<u>7222.75</u>
SCHEDULE - 8 : CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
Acceptances	2625.05	1639.40
Sundry Creditors		
- Due to Micro, Small and Medium Enterprises	—	—
- Others	2810.41	3208.99
Advance from Customers	389.03	367.25
Interest Accrued but not due on Loans	—	31.22
Other Liabilities	1297.71	1021.22
Unpaid Dividend*	29.21	34.59
	<u>7151.41</u>	<u>6302.67</u>
PROVISIONS		
For Retirement Benefits	107.45	106.59
For Income Tax	—	109.48
	<u>107.45</u>	<u>216.07</u>
	<u>7258.86</u>	<u>6518.74</u>

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

SCHEDULES TO AND FORMING PART OF THE ACCOUNTS

WINSOME YARNS LIMITED

PARTICULARS	2010-2011 (Rs. in lacs)		2009-2010 (Rs. in lacs)	
SCHEDULE - 9 : SALES				
Yarns*		29188.88		19555.20
Knitwear		1712.77		1204.35
Waste Sales		2051.50		1299.14
Job Charges (TDS Rs. 0.31 Lacs, Previous Year Rs. 3.35 lacs)		26.04		167.02
Hydro Power Generation		33.37		
		<u>33012.56</u>		<u>22225.71</u>
*Includes duty drawback& DEPB of Rs.195.90 lacs (PY Rs.947.19 lacs.)				
SCHEDULE - 10 : INCREASE/(DECREASE) IN STOCKS				
Closing Stock				
Finished Goods				
- Yarn	8191.28		2517.90	
- Knitwear	<u>328.32</u>	8519.60	<u>309.99</u>	2827.89
Stock in Process				
- Yarn	3646.48		1830.03	
- Knitwear	<u>392.92</u>	4039.40	<u>406.48</u>	2236.51
Waste				
		78.35		154.56
Excise Duty on Closing Stock-Knitwear Finished Goods				
		<u>35.73</u>		—
		<u>12673.08</u>		<u>5218.96</u>
Less : Opening Stock				
Finished Goods				
- Yarn	2517.90		1773.09	
- Knitwear	<u>309.99</u>	2827.89	<u>49.33</u>	1822.42
Stock in Process				
- Yarn	1830.03		987.96	
- Knitwear	<u>406.48</u>	2236.51	<u>368.37</u>	1356.33
Waste				
		<u>154.56</u>		<u>112.09</u>
		<u>5218.96</u>		<u>3290.84</u>
		<u>7454.12</u>		<u>1928.12</u>
SCHEDULE - 11 : RAW MATERIALS CONSUMED				
Opening Stock				
		2746.20		915.02
Purchases				
		<u>24128.79</u>		<u>15053.95</u>
		26874.99		15968.97
Closing Stocks				
		<u>3405.50</u>		<u>2746.20</u>
Raw Materials Consumed				
		<u>23469.49</u>		<u>13222.77</u>
SCHEDULE - 12 : MANUFACTURING & OTHER EXPENSES				
PAYMENT & PROVISIONS OF EMPLOYEES				
Salaries, Wages & Other Allowances	1494.93		1186.92	
Contribution to Provident & Other Funds	120.02		106.43	
Employees Welfare	<u>16.75</u>	1631.70	<u>10.52</u>	1303.87
MANUFACTURING EXPENSES				
Stores & Spares consumed	1337.00		849.17	
Power & Fuel	3060.69		2801.67	
Repairs to Buildings	19.72		20.12	
Excise Duty Variation on Closing Stock	35.73		—	
Repairs to Plant & Machinery	38.60		15.40	
Processing and Dyeing Charges	846.25		533.37	
Material Handling Charges	<u>169.30</u>	5507.29	<u>128.36</u>	4348.09

PARTICULARS	2010-2011 (Rs. in lacs)	2009-2010 (Rs. in lacs)
SCHEDULE - 12 : EXPENSES (continued)		
ADMINISTRATIVE AND OTHER EXPENSES		
Rent, Rates & Taxes	35.06	30.47
Printing & Stationery	6.88	5.80
Director Sitting Fee	3.95	2.36
Insurance	55.50	45.87
Repair & Maintenance	46.78	24.88
Travelling & Conveyance	165.55	145.66
Miscellaneous Expenses	142.61	124.94
Wealth Tax	—	—
Postage, Telegrams and Telephones	31.15	40.33
Balances written off (Net)	—	2.95
Exchange Rate Difference (Net)	—	192.51
Legal & Professional Charges	87.78	126.11
Charity & Donation	—	0.12
Prior Period Expenses (Net)	2.73	6.37
AUDITORS' REMUNERATION		
Audit Fees	3.82	3.29
Tax Audit Fees	0.39	0.35
Other Services	2.43	0.80
Re-imburement of expenses	1.31	0.76
	<u>7.95</u>	<u>5.20</u>
	585.94	753.57
SELLING EXPENSES		
Commission on sales	521.36	307.85
Freight & Handling Charges	840.45	700.13
Advertisement & Other Selling Expenses	116.22	55.57
	<u>1478.03</u>	<u>1063.55</u>
	9202.96	7469.08
SCHEDULE - 13 : FINANCIAL EXPENSES		
Interest on Term Loans (Net of re-imburement under TUFs Rs.1416.53 lacs, PY Rs.1291.74 lacs)	2182.93	1911.66
Interest on Working Capital	1647.21	1008.90
Bank Charges & Commission	302.57	253.61
	<u>4132.71</u>	<u>3174.17</u>
SCHEDULE - 14 : OTHER INCOME		
Miscellaneous Income	—	32.55
Interest Received (TDS Rs.5.61 lacs ,PY Rs. 7.90 lacs)	40.84	68.20
Sale of Scrap	16.44	4.41
Profit on sale of fixed assets	—	0.93
Provision for doubtful debts/advances written back	58.95	16.59
Exchange Rate Difference (Net)	246.42	—
	<u>362.65</u>	<u>122.68</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.R.L.	100	Indirect	Italy
4.	S.C. Textil S.R.L.	100	Indirect	Romania

(iv) (a) The financial Statements of step down subsidiary namely S.C. Winsome Romania S.R.L. had been excluded from consolidation as the same is under liquidation. Further the insolvency of S.C. Winsome Romania S.R.L. have not yet been confirmed by the relevant court. Accordingly standalone financial statements of Winsome Yarns (Cyprus) Limited have been considered.

(b) Adjustments of non-consolidation of the financial statements of the aforesaid step down subsidiaries had been considered in the respective accounts during the previous year.

(v) S.C. Winsome Romania S.R.L. is holding 100% shares (investment) of IMM Winsome Italia S.R.L, 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, as the same are under liquidation (read with note no. (iv)(a) above).

(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) 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. (A) (i) The Corporate Debt Restructuring (CDR) Empowered group (CDR-EG) in their meeting held under CDR mechanism on 17th March, 2009 have approved debt restructuring proposal of the Company which is effective from 1st January 2009 has been implemented based on the sanctioned so far received from the lenders or the agreement to the restructuring scheme and Master Restructuring Agreement (MRA) as approved on 21st July 2009. During the current year, CDR-EG in their meeting held on 25/06/2010 and 27/07/2010 has approved the rework package for the company effective from 01.04.2010.

(ii) As per the above, arrangement/loans is further secured by unconditional and irrevocable personal guarantees of promoters, promoters group/ associate companies and further secured/ to be secured by pledge of 51% (Fifty one percent) of paid up equity share capital (present /future) of the company or 100% of shares held/ to be held by promoters, promoters group/ associate companies , which ever is lower.

(iii) CDR Empowered group have also stipulated that promoters shall arrange to bring fund to meet the deficit as stipulated and fund out of investments made in overseas subsidiaries through disinvestment which is in process.

(B) Certain covenants/ conditions as stipulated in the CDR package are pending for compliance.

3. (A) In the EGM held on 5th February, 2010 shareholders of the Company have approved the issue of 25,10,00,000 nos. convertible warrant at Rs. 1.60 per warrant (including premium of Rs. 0.60 per warrant) on preferential allotment basis and have received aggregate amount of Rs.1004 lacs (total received Rs.1088 lacs) being applicable 25% (Re.0.40 on issue price of Rs. 1.60 per warrant, including premium of Re.0.60 per warrant) of such warrant and made the allotment of Convertible Warrant in Board of Directors meeting held on 19.02.2010 , with a conversion right of 18 months from the date of allotment of warrant. Further, during the year, warrant holder has exercised their rights of conversion of 130325000 warrants & the remaining amount comprising of 75% (Rs 1.20 on the issue price of 1.60 per warrant) of such warrant has been received. Accordingly, the company vide board meeting dated 30.09.2010 has allotted 130325000 number of equity shares of Rs 1 each on conversion of said warrants. Issue proceed have been utilized for the purpose as stipulated and balance amount have been parked into Working Capital.

(B) In term of resolution passed in the EGM held on 28/06/2010, the company has public issued Global Depository Receipts (GDRs) during the year. Pursuant to this 1994125 number of GDR of USD 6.64 each (Each GDR comprising of 100 equity shares) at a price of Rs. 2.97 per share (including premium of Rs. 1.97 per share)) has been issued and allotted on 29/03/2011 and is listed on the stock exchange of Luxemburg. Pending certain compliance, the issue proceeds of the GDRs of Rs.5914.75 Lacs (including security premium of Rs.3920.62 Lacs) is parked in the Bank "Escrow" Account outside India and accordingly these issue proceeds are pending to be utilized.

4. The Company has initiated persuasive action for recovery of certain overdue overseas debtors of amounting to Rs. 1900.18 lacs (P.Y. Rs 1903.39 Lacs) (excluding cumulative gain on restatement of foreign currency debtors of Rs 217.90 Lacs). In the opinion of the management these are good and fully realizable hence no provision there against is considered necessary. However for necessary approval for the extension of time application have been filed with the appropriate authority.

5. Balances of certain sundry debtors, Loans & Advances, creditors (including of associates 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.

6. (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 Yarns (Cyprus) Ltd) in a JV Company M/s Newcocot S.r.l. amounting to Euro 4.64 millions (approx Rs.2934.33 lacs) (read with para (b) below for partial payment). In earlier year the Company has made investment 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.1,581 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.316.20 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.1581 lacs) (note no. 6 (b)) for acquisition of shares of Newcocot S.r.l. No provision for diminution in the value of investment of

Rs.1516.71 lacs in subsidiary 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.

7. Auditors of the subsidiary Company namely M/s Winsome Yarns (Cyprus) Limited has referred in report for non-provisioning against investment / advance in a subsidiary (namely S.C. Winsome Romania s.r.l) of amounting to Euro 500,828 (Equivalent to Rs.316.72 lacs) (read with note no.6(c)).

8. A) Contingent Liabilities, not provided for in respect of; (As certified by the management)

(Rs. in Lacs)

S.No.	Particulars	2011-12	2009-2010
(i)	Bills discounted with banks	2540.32	2884.08
(ii)	Outstanding Letter of Credit	55.91	418.34
(iii)	Sales Tax liability in respect of matters in appeal	25.85	8.05
(iv)	Excise duty show cause notices / matters in appeal	523.72	523.72
(v)	Service Tax Matters	0.62	0.62
(vi)	Income Tax Demand	308.23	308.23
(vii)	Outstanding bank guarantees	265.00	88.79
(viii)	Customs duty saved of Rs. 5271.17 lacs (Previous Year Rs. 4151.70 lacs) for import of capital good made against EPCG license against which export obligations amounting to Rs. 22417.23 lacs (Previous Year Rs. 33213.58 lacs) is pending.		

B) In respect of certain disallowances and additions made by the Income Tax Authorities, appeals are pending before the Appellate Authorities and adjustments, if any, will be made after the same are finally determined. Considering the past experience, management is of the view that there will not be any material impact on accounts on settlement / finalization of above.

C) Estimated amount of contracts remaining to be executed on Capital Account and not provided for Rs. 777.46 lacs (Previous Year Rs.862.83 lacs) net of advances Rs.479.70 lacs (Previous year Rs.460.89 Lacs).

9. Segment Reporting

- (i) The Company is 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	16468.47 (8574.98)	16544.09* (13650.73)*	33012.56 (22225.71)
ii)	Carrying amount of segment assets by location of assets	60476.12 (52596.59)	11198.56 (4445.13)	71674.68 (57041.72)
iii)	Capital Expenditure	1026.65 (1664.54)	— —	1026.65 (1664.54)

* Includes Export Incentive of Rs.195.90 Lacs (Previous Year Rs. 947.19 lacs)

10. During the year, deferred tax in respect of timing differences has been re-assessed/ re-computed and asset (net) amounting to Rs. 467.56 lacs for the year has been debited to Profit & Loss Account.

Particulars	2010-2011	2009-2010
Deferred Tax Liability (DTL)		
Tax impact on difference between book value of depreciable assets and written down value for tax purposes	4351.42	4326.78
Deferred Tax Assets (DTA)		
Tax impact of unabsorbed depreciation and business losses	4042.96	4457.82
Tax impact of expenses charged to profit & loss account but allowance under tax laws deferred	38.86	37.20
Tax impact on doubtful debts & advances	135.18	164.90
Deferred Tax Asset/(Liability) (Net)	(134.42)	333.14

11. Earning per share

Basis for calculation of Basic and Diluted Earning Per Share is as under :

Particulars	2010-2011	2009-2010
Net Profit/(Loss) attributable to Equity Shareholders (Rs. in lacs)	604.30	(1217.46)
Weighted average number of equity shares	32,36,39,824	25,66,59,790
Nominal Value per equity share(Rs.)	1	1
Basic EPS (Rs.)	0.19	(0.47)
Weighted average number of equity shares	32,36,39,824	25,66,59,790
Add: Dilutive Potential Equity Share	<u>18,54,58,973</u>	<u>23,90,68,346</u>
Diluted EPS (Rs.)	0.12	(0.47)

12. 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 Company

- (i) S.C. Winsome Romania S.R.L. (90% subsidiary)
- (ii) I.M.M. Winsome Italia S.R.L. (Subsidiary of (i) above)
- (iii) S.C. Textil S.R.L. (Subsidiary of (ii) above)

(ii) Key management personnel and their relatives.

- Shri Satish Bagrodia
- Shri Manish Bagrodia
- Shri Ashish Bagrodia
- Shri Andreas Alexiou
- Shri Androulla Kakoyianni
- Shri Stelios Sivitanides

Chairman
 Managing Director
 Director
 Director
 Director
 Director

(iii) Organisations where Key Management Personnel & their relative have Significant influence

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

(Refer Schedule 3 & 4)

Transactions with the related parties during the year ended 2010-2011

Particulars	2010-11	(Rs. in Lacs) 2009-10
Winsome Textile Industries Ltd.		
- Sale of material & goods and services	-	23.00
- Purchase of material & goods and services	232.17	354.49
- Expenses reimbursed to others	3.35	0.25
- Expenses reimbursed by others	12.28	5.01
- Balance Outstanding as at year end Receivable / (Payable) (Refer note No. 17 of schedule 15B)	(467.50)	(254.26)
Sh. Satish Bagrodia		
- Directors Sitting Fee	0.65	0.35
Sh. Manish Bagrodia		
- Remuneration	29.18	25.08
Sh. Ashish Bagrodia		
- Directors Sitting Fee	0.50	0.30
Starpoint Financial Services Pvt. Ltd.		
- Rent	21.31	19.32
Shell Business Pvt. Ltd.		
- Application/ Allotment Money against convertible warrant	1182.00	473.00
S.C. Winsome Romania		
- Sale of material & goods and services	-	-
- Purchase of material & goods and services	-	-
- Balance Outstanding as at year end Receivable / (Payable)	53.83	86.81
IMM Winsome Italia		
- Sale of material & goods and services	-	-
- Purchase of material & goods and services	-	-
- Balance Outstanding as at year end Receivable / (Payable)	157.85	171.01

Chairman and Managing Director have given guarantees to lenders against loans taken by the Company.

- 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. Accounting Policies and other notes on accounts are set out in the financial statements of the Company.
- 15. Figures for the previous year have been re-grouped/recast wherever considered necessary to make them comparable with those of current year.
- 16. 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

FRN : 301051E

N.K. Lodha

Partner

M.No. 85155

PLACE : Chandigarh

DATED : 12th May 2011

Ajay Pareek

GM (Accounts)

For and on behalf of the Board

Satish Bagrodia

Chairman

Manish Bagrodia

Managing Director

K. V. Singhal

GM (Legal) & Company Secretary

WINSOME YARNS LIMITED

Regd. Office : SCO 191-192, Sector 34-A,
CHANDIGARH-160 022

Please complete the Attendance Slip and hand it over at the time of Annual General Meeting.
Please also bring your copy of the Annual Report.

ATTENDANCE SLIP

I hereby record by presence at the 21st ANNUAL GENERAL MEETING of the Company being held on Monday, the 18th July, 2011 at 3.30 p.m. at PHD Chamber of Commerce and Industry, Sector 31-A, Chandigarh.

REGD. FOLIO NO.	DP. id*
No. of Shares	Client id*
NAME OF SHAREHOLDER (IN BLOCK LETTERS)	
SIGNATURE OF THE SHAREHOLDER OR PROXY	

*Applicable for investors holding shares in electronic form.

NOTE : NO GIFTS OR COUPONS WOULD BE GIVEN TO THE SHAREHOLDERS FOR ATTENDING THE ANNUAL GENERAL MEETING.

..... Tear Here

WINSOME YARNS LIMITED

Regd. Office : SCO 191-192, Sector 34-A,
CHANDIGARH-160 022

PROXY FORM

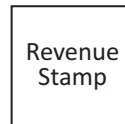
REGD. FOLIO NO.	DP. id*	
No. of Shares	Client id*	

*Applicable for investors holding shares in electronic form.

I/We.....of.....being
a Member/Members of WINSOME YARNS LIMITED hereby appoint.....
ofor failing him/her
ofas my/our Proxy to attend and vote for me/us on my/our behalf
at the 21st ANNUAL GENERAL MEETING of the Company to be held on Monday, the 18th July, 2011 at 3.30 p.m. at
PHD Chamber of Commerce and Industry, Sector 31-A, Chandigarh and at any adjournment thereof.

AS WITNESS my/our hand this.....day of2011.

Signature of Proxy



Signature of 1st/Sole Shareholder
(As per specimen signature registered with the Company)

NOTE :

- (i) The Proxy form duly signed across the revenue stamp must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.
- (ii) Incomplete Proxy Form will not be considered.

BOOK POST

If undelivered, please return to :

Winsome Yarns Limited

Regd. Office : S.C.O. 191-192.

Sec. 34-A, Chandigarh-160 022
(INDIA)