



**Winsome Yarns Limited**

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IS/ISO  
9001



**BOARD OF DIRECTORS**

Shri Satish Bagrodia	Chairman
Shri Brij Mohan Khanna	Director
Shri Chandra Mohan	Director
Shri Ashish Bagrodia	Director
Shri Vinay Kumar	Director (PNB Nominee)
Shri S K Singla	Director (PSIDC Nominee)
Shri Manish Bagrodia	Managing Director

**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**

Link Intime India Pvt. Ltd.  
A-40, 2<sup>nd</sup> Floor, Near Batra Banquet Hall  
Naraina Industrial Area, Phase-II  
New Delhi - 110028

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## WINSOME YARNS LIMITED

### NOTICE

NOTICE is hereby given that the 22<sup>nd</sup> Annual General Meeting of the Members of Winsome Yarns Limited, will be held on Thursday, the 6th day of September, 2012 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 31<sup>st</sup> March 2012, 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 Satish Bagrodia, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Brij Mohan Khanna, 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."

By order of the Board

Dated : 30.05.2012  
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 04.09.2012 to 06.09.2012 (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 - Shri Satish Bagrodia aged about 73 years, B.Sc. Engg. (Mech.) & FIE has around 47 years

## **WINSOME YARNS LIMITED**

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- experience of setting up and implementing Industrial Projects. Presently, he is the Chairman of your Company and Winsome Textile Industries Limited and director of IDS Infotech Limited, Voguestock Commodities Limited and IDS Engineering Limited. He is also the member of PHD Chamber of Commerce and Industry. He is holding 42900 shares of the company.
- 9 Item No. 3- Shri Brij Mohan Khanna aged about 81 years, B.A., L.L.B. is the leading Income Tax practitioner, having experience about 55 years. He is holding 1000 shares of the company. Presently, he is Director of Winsome Yarns Limited, Engineering Innovations Limited and Stanley Engineering Pvt. Limited. He is also Chairman of Audit Committee, Shareholders/ Investors Grievance Committee and Remuneration Committee in Winsome Yarns 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 2003-04 has been transferred to Investor Education and Protection Fund on 10.12.2011. 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 2004-05 is due to be transferred to Investor Education and Protection Fund, in the month of October/November, 2012. The shareholders who have not claimed their dividend for the year 2004-05 are requested to claim the same from the company immediately.
- 13 According to Securities and Exchange Board of India (SEBI) circular number CIR/CFD/DIL/10/2010 dated 16th December, 2010 (amended the Clause 5A(II) of the listing agreement), the issuer company shall transfer all undelivered/unclaimed shares, which were issued in PHYSICAL FORM pursuant to a public or any other issue, into one folio in the name of "Unclaimed Suspense Account", which shall be with one of the Depository Participant. In this regard, the company has sent three letters dated 17.01.2011, 26.12.2011 and 26.03.2012 and also intimated vide AGM notice for the year 2010-11. The unclaimed/ undelivered shares, which are received by the company will be transferred in the "Unclaimed Suspense Account" in the month of June/July, 2012. Further the company has consolidated the nominal value of equity shares from Re. 1/- each to Rs. 10/- each on 06.08.2011 and issued new equity shares of face value of Rs. 10/- each in place of old equity shares of face value Re. 1/- each on 06.08.2011. The shareholders who have not received the same, may claim from the registered office of the company by sending the complete details of demat account, copy of PAN Card and address proof.

**DIRECTORS' REPORT****WINSOME YARNS LIMITED**

Your Directors have pleasure in presenting the 22<sup>nd</sup> Annual Report together with the audited statement of Accounts of the Company for the financial year ended 31<sup>st</sup> March, 2012.

Financial Highlights	Year ended 31.3.2012 (Rs. in lacs)	Year ended 31.3.2011 (Rs. in lacs)
Revenue from Operations	<b>43956.05</b>	33337.31
Profit before Interest, Depreciation & Tax	<b>2678.41</b>	7226.46
Less: Interest	<b>4927.09</b>	3922.29
Profit/(Loss) before Depreciation	<b>(2248.68)</b>	3304.17
Less: Depreciation	<b>2296.12</b>	2179.58
Profit/ (Loss) before Taxes	<b>(4544.80)</b>	1124.59
Less: Current Tax	--	--
Previous years Tax	--	46.13
Deferred Tax	<b>(1367.66)</b>	467.56
Net Profit/ (Loss) after Taxes	<b>(3177.14)</b>	610.90
Add: Surplus brought forward from previous year	<b>1917.73</b>	1306.83
<b>Balance Carried to Balance Sheet</b>	<b>(1259.41)</b>	1917.73

**Operations & Performance**

High cotton prices, coupled with fluctuating inventory, saw Textile and Clothing (T&C) companies post a dip in bottom line by over 100 per cent in many cases over 2011-12, says the Confederation of Indian Textile Industry (Citi).

There is no issue with cotton prices rising, if they do so gradually. However, from October 2010 to March 2011, prices rose from Rs 34,000 per candy (356 kg) to Rs 63,000 per candy. In the next one month, it almost came down to where it (originally) was. Such high fluctuations led to textile mills incurring heavy losses, during the current year.

According to data compiled by the Centre for Monitoring Indian Economy, out of 234 Textile and Clothing (T&C) companies, 74 per cent or 174 companies saw poorer financial results for the first three quarters of 2011-12. And, of these 174, as many as 130 were net loss-making. The Company also suffered losses on account of sale of inventory piled up during the year due to stoppage of export by Government of India.

Your Company has achieved a turnover of Rs. 43956.05 lacs against the previous year's turnover of Rs. 33337.31 lacs i.e. registering an increase of 31.85% (approx.). The Company has incurred a net loss (after tax) of Rs. 3177.14 lacs against previous year's net profit after tax of Rs. 610.90 lacs.

**Expansion Projects**

The management is pleased to inform you that out of five Micro Hydel Power Projects having a total capacity to produce of 3.9 MW of electricity, four Micro Hydel Projects have been commissioned upto 31<sup>st</sup> March, 2012. The implementation of one Micro Hydel Power Project is at an advanced stage and are expected to be commissioned with in current financial year 2012-2013.

**Subsidiary Companies & Overseas Operations**

During the year wholly owned subsidiary of the Company, Winsome Yarns (Cyprus) Limited has incorporated a wholly owned subsidiary in UAE namely Winsome Yarns FZE on 11.07.2011. 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 8<sup>th</sup> 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 and Winsome Yarns FZE have not been attached in this Annual Report, but the same are available for inspection at the registered office of the company. Further 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. are under 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 informed that pursuant to General Circular No. 2/2011 issued by Ministry of Corporate Affairs the approval of Ministry of Corporate Affairs is no more required.

## WINSOME YARNS LIMITED

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.

### **Consolidation of equity shares from nominal value of Re. 1/- each to Rs. 10/- each**

During the year 2011-12, the company has consolidated the nominal value of equity shares from Re. 1/- each to Rs. 10/- each on 06.08.2011 and issued new equity shares of face value of Rs. 10/- each in place of old equity shares of face value Re. 1/- each on 06.08.2011.

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

Out of total number of 2,51,00,000 convertible warrants, the company had allotted 1,30,32,500 equity shares on 30.09.2010 and balance 1,20,67,500 equity shares on 17.08.2011 to Promoter and Strategic Investors pursuant to conversion of equivalent number of convertible warrants. The Company is utilising these funds for purposes as stated in the Extraordinary Statement of General Meeting held on 05.02.2010 vide which approval of members was received for the issue of said allotment.

### **ISO 9001/2008**

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

### **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 Satish Bagrodia and Shri Brij Mohan Khanna, Directors retire by rotation and being eligible, offer themselves for re-appointment.

During the year 2011-12, the Punjab National Bank has nominated Shri Vinay Kumar, FGM as nominee director of the Company in place of Shri Yashpal Barar. Board of Directors in their meeting held on 13.02.2012 appointed to Shri Vinay Kumar as Nominee Director of the Company.

### **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, Winsome Yarns (Cyprus) Limited and Winsome Yarns FZE 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 2012-13. 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 Aggarwal Vimal & Associates, Cost Accountants, having its office at SCO 124-125, Sector 34-A, Chandigarh to carryout the audit for the financial year 2012-2013. Further the cost audit report for the financial year 2010-11 had been filed on 20.09.2011 (Due date on 30.09.2011) vide SRN-B20809885.

### **Auditors' Report**

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

### **Management's Discussion and Analysis Report**

Management's Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing

Agreement with the Stock Exchanges in India, is presented in a separate section forming part of the Annual report.

**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, 2012, 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, 2012 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, all the vendors and the dedication and commitment of the employees at all levels. We are sure 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

Dated : 30.05.2012

Satish Bagrodia

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 debt aggregating to Rs. 1641.09 lacs and its cumulative gain recognised on reinstatement of said debtors of Rs. 326.05

## WINSOME YARNS LIMITED

lacs have been explained in detail in Note No. 2.10 and 2.16 of Significant Accounting Policies. 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. 1641.09 lacs (P.Y. Rs. 1900.18 lacs) {excluding cumulative gain on restatement of foreign currency debtors of Rs. 326.05 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.

### **ANNEXURE 'A' TO DIRECTORS' REPORT 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 31<sup>ST</sup> MARCH, 2012.**

#### **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.

<b>Sr. No</b>	<b>Project Undertaken</b>	<b>Units saved</b>	<b>Annual Saving (in Rs)</b>
1	Installed the energy saving fan of 50 watt one no. in Worker Colony 'D' block in place of two nos. 80 watt ceiling fan	10771.20	59995.58
2	Modified in Dust Collection System in Rotary Air System in ring frame unit by stopped 2.2 kw*2	28110.72	156576.71
3	Modified in Rotary Air Filter by stopping dust collector/raf/ compactor motor in blow room unit no. 2	63057.46	351230.03
4	To reduce Power Consumption in DG Auxiliary by modify in Fuel heating system	6500.00	36205.00
5	To stop the saf of winding section which was using in TFO area unit no. 1	95832.00	533784.24
6	To reduce the power consumption in ring frame section by adjusting the one no. luwa plant station for running the machine up to 17 m/c	139820.00	778797.40
7	reduce the power consumption by stopping one saf and raf during stoppage of 06 no. ring frame in unit no. 3 ph1	72000.00	401040.00
	<b>Total Saving</b>	<b>416091.38</b>	<b>2317628.96</b>

##### **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. 23.18 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:**



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	<u>Current Year</u>	<u>Previous Year</u>
<b>A) Power and Fuel consumption</b>		
1 <b>Electricity</b>		
<b>a) Purchased Unit</b>	<b>49287943</b>	69083013
Total amount (Rs in lacs)	<b>2538.31</b>	2857.43
Rate per Unit (Rs)	<b>5.15</b>	4.14
<b>b) Own Generation through :</b>		
FO/Diesel Generator Unit	<b>294212</b>	1544178
Units/Ltr.	<b>3.35</b>	3.53
Cost/Unit (Rs)	<b>12.10</b>	9.55
<b>c) Own Generation through :</b>		
Hydro Projects (Unit)	<b>1989851</b>	641397
2 <b>Coal(Specify quality and where used)</b>	<b>NIL</b>	NIL
3 <b>HSD &amp; Furnace Oil Qty.(MT)</b>	<b>87.67</b>	437.75
Total amount (Rs.in lacs)	<b>35.59</b>	147.39
Average rate (Rs.per M.T.)	<b>40597</b>	33670
4 <b>Gas (Qty in M.T.)</b>	<b>NIL</b>	NIL
Total amount (Rs.in lacs)	<b>NIL</b>	NIL
Average rate (Rs.per Kg)	<b>NIL</b>	NIL
<b>B) Consumption per Unit of Production</b>		
Electricity /Own Generation	<b>4.62</b>	3.73
HSD & Furnace Oil (Ltr)	<b>0.07</b>	0.15
Hydro Projects (Unit)	<b>0.15</b>	0.03
Gas (Kgs)	<b>NIL</b>	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. 46.87 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.  
During the year the Company has earned foreign exchange worth Rs. 14954.31 lacs from export activities. New export markets have been developed and exports are likely to increase further.

b) Total foreign exchange used and earned.		(Rs. in lacs )
<b>Particulars</b>	<b><u>Current Year</u></b>	<b><u>Previous Year</u></b>
Earning through operational activities	<b>14954.31</b>	15494.01
Earning through issue of GDRs	<b>--</b>	5914.75
Outgo:	<b>512.06</b>	322.46

for and on behalf of the Board

Place : Chandigarh  
Dated : 30.05.2012

Satish Bagrodia  
Chairman

## Corporate Governance

### 1. Company's philosophy on code of Governance.

Winsome Yarns Limited believes that good Corporate Governance is essential to achieve long term corporate goals and enhance stakeholders' value. Thus Company's philosophy on corporate governance is aimed at the attainment of highest level of transparency, accountability and compliance of laws in all facets of operations, leading to best standards of Corporate Governance.

Company belief that good ethics make good business sense and our business practices are in keeping with this spirit of maintaining the highest level of ethical standards. The implementation of company's code of Insider Trading exemplifies this spirit of good ethics.

The company complies with the requirements regarding Corporate Governance as stipulated under clause 49 of the Listing Agreements of the Stock Exchanges where shares of the company are listed.

### 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 2011-12, eight board meetings were held. The meetings were held on 12<sup>th</sup> May, 2011, 18<sup>th</sup> July, 2011, 12<sup>th</sup> August, 2011, 17<sup>th</sup> August, 2011, 29<sup>th</sup> September, 2011, 14<sup>th</sup> November, 2011, 21<sup>st</sup> December, 2011 and 13<sup>th</sup> February, 2012 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:

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)	6	Yes	4	--	--	--
Shri Brij Mohan Khanna	INED	8	Yes	2 <sup>@</sup>	--	3	3 <sup>s</sup>
Shri Chandra Mohan	INED	6	No	8 <sup>@</sup>	8	--	8 <sup>s</sup>
Shri S.K. Singla (Nominee Director of PSIDC)	INED	6	No	11	2	--	2 <sup>s</sup>
Shri Yashpal Barar (Nominee Director of PNB) <sup>1</sup>	INED	2	No	1	--	--	--
Shri Vinay Kumar (Nominee Director of PNB) <sup>2</sup>	INED	1	No	1	--	--	--
Shri Ashish Bagrodia	NED	8	No	8 <sup>†</sup>	2	--	2
Shri Manish Bagrodia	MD	7	Yes	9 <sup>†</sup>	1	--	1

<sup>1</sup>Ceased to be Nominee Director w.e.f. 14.11.2011

<sup>2</sup>Appointed as Nominee Director of Punjab National Bank w.e.f. 13.02.2012

<sup>@</sup> Including Private Limited Companies.

<sup>†</sup> Including Foreign Companies.

<sup>§</sup> Including membership in Remuneration Committee.

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 and yarn business, the Company had promoted and acquired companies in Cyprus, Romania and Italy. Further, during the year Winsome Yarns (Cyprus) Limited has incorporated on 11.07.2011 a subsidiary company in UAE namely Winsome Yarns FZE. The statement required pursuant to provisions of section 212 of the Companies Act, 1956 is provided in the Annual Report. 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 statements after consolidation of Winsome Yarns Limited, Winsome Yarns (Cyprus) Limited and Winsome Yarns FZE is provided in the Annual Report.

### **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 31<sup>st</sup> March, 2012, 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:

Sr.No.	Name of members	Category	No. of meetings attended during the year 2011-2012
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	4

During the financial year, the Audit Committee meetings were held on 12<sup>th</sup> May, 2011, 12<sup>th</sup> August, 2011, 14<sup>th</sup> November, 2011 and 13<sup>th</sup> February, 2012.

## WINSOME YARNS LIMITED

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

### 7. Remuneration Committee

During the 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

#### i). 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 2011-12 are given below:

Non-Executive	(Amount in Rs.)
Name of Directors	Sitting Fees
Shri Satish Bagrodia	30000
Shri Brij Mohan Khanna	40000
Shri Chandra Mohan	30000
Shri Yashpal Barar (PNB Nominee)*	10000
Shri Vinay Kumar (PNB Nominee)*	5000
Shri S. K. Singla (PSIDC Nominee)*	30000
Shri Ashish Bagrodia	40000
Total	185000

\* 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.

(Rs. in lacs)

Name of Director	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 2011-12, four Shareholders/ Investors Grievance Committee meetings were held on 12<sup>th</sup> May, 2011, 12<sup>th</sup> August, 2011, 14<sup>th</sup> November, 2011 and 13<sup>th</sup> February, 2012. All complaints/ grievances, received during the year have been resolved in time.

## WINSOME YARNS LIMITED

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 2011-2012
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 39 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

The last three Annual General Meetings of the Company were held as per the details given below :

Year	Venue	Date	Time
2008-2009	PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh	28.08.2009	3.30 P.M.
2009-2010	PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh	30.09.2010	3.30 P.M.
2010-2011	PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh	18.07.2011	3.30 P.M.

All the resolutions, including one special resolution on 18.06.2009 (EGM), five special resolutions on 28.08.2009, one special resolution on 05.02.2010 (EGM) and three special resolutions on 18.07.2011 (AGM) as set out in the respective notices of General Meetings were passed by the shareholders. During the financial year, no postal ballots 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 Financial Statement of 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](http://www.bseindia.com)) and NSE ([www.nseindia.com](http://www.nseindia.com)) under the Scrip Code '514348' and 'WINSOME' respectively. The same are also available on company's website ([www.winsomegroup.com](http://www.winsomegroup.com)).

## WINSOME YARNS LIMITED

### 12. General Shareholder information

Financial Calendar	:	1 <sup>st</sup> April to 31 <sup>st</sup> March
Date of Annual General Meeting	:	06.09.2012
Venue & Time	:	PHD Chamber of Commerce & Industry, Sector 31-A, Chandigarh at 3.30 p.m.
Date of Book Closure	:	04.09.2012 to 06.09.2012 (both days inclusive)
Listing of equity shares on Stock Exchanges	:	BSE Limited (BSE) National Stock Exchange of India Ltd (NSE)
Demat ISIN Number	:	NSDL & CDSL : INE784B01035
Scrip Code	:	BSE 514348, NSE WINSOME
Listing of GDRs on Stock Exchange	:	Luxembourg Stock Exchange, Luxembourg
Trading Code	:	US97550Q1022

#### Market price data :

High and Low during each month on BSE and NSE in the financial year 2011-12.

Month	BSE		NSE	
	High Price	Low Price	High Price	Low Price
April 2011	4.08	2.13	4.10	2.45
May 2011	5.11	3.72	5.10	3.75
June 2011	4.40	3.20	4.45	3.15
July 2011	3.68	3.18	3.80	3.20
August 2011#	36.00	3.24	35.00	3.20
September 2011	31.50	24.30	30.95	24.35
October 2011	25.90	20.95	26.45	20.25
November 2011	20.65	17.50	20.60	16.70
December 2011	20.20	17.25	21.10	17.30
January 2012	26.50	19.10	25.95	19.10
February 2012	31.00	21.50	31.00	22.85
March 2012	33.20	28.70	33.40	28.40

Source : [www.bseindia.com](http://www.bseindia.com), [www.nseindia.com](http://www.nseindia.com)

# On 06.08.2011, the face value of equity shares have been consolidated from Re. 1/- each to Rs. 10/- each.

Annual listing fee to BSE and NSE and Annual Custodial Fee to NSDL and CDSL for the year 2012-13 have been paid.

Registrar and Share Transfer Agent	:	Link Intime India Pvt. Limited A-40, 2 <sup>nd</sup> Floor, Near Batra Banquet Hall, Phase-II Naraina Industrial Area, New Delhi - 110028 Tele. No. 011-41410592-94, Fax No. 011-41410591 E-mail : <a href="mailto:delhi@linkintime.co.in">delhi@linkintime.co.in</a> , <a href="mailto:sunil.mishra@linkintime.co.in">sunil.mishra@linkintime.co.in</a>
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	:	<a href="mailto:kvsinghal@winsomegroup.com">kvsinghal@winsomegroup.com</a> , <a href="mailto:cshare@winsomegroup.com">cshare@winsomegroup.com</a>

## WINSOME YARNS LIMITED

Distribution of shareholding as on 31st March, 2012.

Range of Shares	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
1 - 500	10721	91.18	1730523	2.45
501 - 1000	544	4.63	458998	0.65
1001 - 2000	225	1.91	355250	0.50
2001 - 3000	69	0.59	178172	0.25
3001 - 4000	28	0.24	99458	0.14
4001 - 5000	28	0.24	135945	0.19
5001 - 10000	56	0.47	424403	0.60
10001 and above	87	0.74	67324480	95.22
<b>Total</b>	<b>11758</b>	<b>100.00</b>	<b>70707229</b>	<b>100.00</b>

Shareholding Pattern as on 31<sup>st</sup> March, 2012.

Category	No. of shares	Percentage
Promoters and Promoter Group	27339609	38.67
Financial Institutions/ Banks/ Mutual Funds	12500	0.02
NRIs	110548	0.16
Bodies Corporate	19054076	26.94
Indian Public	4249246	6.01
Shares held by Custodian against which Depository Receipts have been issued	19941250	28.20
<b>Total</b>	<b>70707229</b>	<b>100.00</b>

Details of shareholding of Directors in the company as on 31.03.2012

<u>Name of Director</u>	<u>No. of shares held</u>
Shri Satish Bagrodia	42900
Shri Brij Mohan Khanna	1000
Shri Chandra Mohan	--
Shri Vinay Kumar	--
Shri S. K. Singla	--
Shri Manish Bagrodia	52040
Shri Ashish Bagrodia	41400

- Dematerialisation of shares and liquidity. : Out of total 70707229 Nos. of shares, 98.33% shares have been dematerialised upto 31<sup>st</sup> March, 2012.
- Outstanding GDRS/ ADRS/ Warrants or any convertible instruments, conversion date and likely impact on equity. : Out of total number of 2,51,00,000 convertible warrants, the company has allotted 1,30,32,500 equity shares on 30.09.2010 and balance 1,20,67,500 equity shares on 17.08.2011 to Promoter and Strategic Investors pursuant to conversion of equivalent number of convertible warrants.
- Plant Location (Yarn) : Village - Kurawala, Tehsil - Derabassi  
Distt - Mohali (Punjab)

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## WINSOME YARNS LIMITED

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(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 : [kvsinghal@winsomegroup.com](mailto:kvsinghal@winsomegroup.com), [cshare@winsomegroup.com](mailto:cshare@winsomegroup.com)

By order of the Board

Place : Chandigarh  
Dated : 30.05.2012

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 31<sup>st</sup> March, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

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

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

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

For Lodha & Co.  
Chartered Accountants  
FRN 301051E

Place : NewDelhi  
Date : 30.05.2012

N. K. Lodha  
Partner  
Membership No. 85155



**INDUSTRY SCENARIO**

Textile industry of India is the Mother industry, employing over 55 mn people directly or indirectly in this sector. Adding to that the fast growing retail apparel industry has further increased its importance.

In the recently concluded World Textile Conference held in Mumbai, almost every decision maker in this Industry agreed to the fact that there will be upsurge in the activities as opportunities which are perceived are a lot in India's favour.

As well known, the manufacturing base has largely shifted to south East Asian Countries and India as well as China are going to play a very important role in this odyssey.

The present Indian Textile and Apparel industry may grow from current level of US\$ 78Bn to US\$ 220 by 2020. India has her own strengths in terms of technical manpower availability, wide fiber base and supporting government policies for modernization and also raw material cost controls. The growing population of Indian young purchasing class is making domestic market quite lucrative.

Coupled with that, Chinese internal demand is expected to grow and there is predication that there will be some gap between their capacity to supply to the International market vis- a- vis internal demand. A 10 % of spill over in such case from Chinese share is expected to give India another US \$50Bn market.

Understandably these opportunities have to be strategically aimed at and required preparation to meet such demands has to be made.

Indian Textile and Apparel Industry will continue to grow rapidly and so also the consciousness of the International and domestic consumers. In this borderless trade, there is no restrictions for purchasing the quality Garments and hence quality and cost conscious consumer who is dictating the terms, is asking more and more in terms of performance of the materials. UV protective clothing, highly light fast and wash fast colors, fabrics with specialty finishes such as antibacterial, water repellent, flame retardant properties are being asked depending upon their applications in home textiles, night wears, protective clothing, defense etc.

Beyond day to day use of textiles in home furnishing, apparels etc, a new segments of Technical Textiles is opening up and the growth of such textiles in sports, industry, buildings, defense, protection, agriculture, non woven's, and composite is increasing at highest rate in the emerging economies such as that of India and China.

There is tremendous scope of growth of Technical Textiles and thus it opens all totally new arenas for diversification and most of these products which are hitherto, being imported will soon increasingly get substituted by Indian products. Thus the new era is indeed promising and required technologies have to be imported on one hand and simultaneous impetus for the research is to be given and supported by the government and the Industry so that finally, we can become self sufficient in manufacturing high performance textile based products in varied field locally.

Hence, the world of Textiles, Apparel and Technical Textiles will continue to fascinate human being and Indian Textile Industry has to make use of positive atmosphere available for growth of this industry.

**IMPACT OF UNION BUDGET 2012-13 ON TEXTILE SECTOR**

The Indian textile industry is one of the major sectors of Indian economy and contributes almost 14 per cent of India's industrial production, 4 per cent of National GDP and almost 17 per cent of India's export earnings. The Indian textile industry can be divided into a number of segments such as cotton, silk, woolen, readymade, jute and handicraft. Some of the proposals of the Budget and its impact on the Textile sector are given below:

**Custom Duty Proposals**

- ◆ Looking at the need to modernise the weaving sector, it is proposed to fully exempt automatic shuttle-less looms from basic customs duty of 5 per cent. Similarly, full exemption from basic duty is being accorded to automatic silk reeling and processing machinery as well as its parts. It is also proposed to restrict these exemptions and the existing concessional rate of basic customs duty of 5 per cent only to new textile machinery. Second-hand machinery would now attract basic duty of 7.5 per cent.
- ◆ To reduce basic customs duty on wool waste and wool tops from 15 per cent to 5 per cent.
- ◆ To reduce basic customs duty on Titanium dioxide from 10 per cent to 7.5 per cent.
- ◆ To extend full exemption from basic customs duty to aramid yarn and fabric used for the manufacture of bullet proof helmets

**Impact:**

The Full exemption to new automatic shuttle less looms as against basic custom duty of 5% will bring down the landed cost of machinery and induce industry players in making investment in latest technology available overseas.

**Excise Duty Proposals**

- i) Increase in Excise Duty Rates:

Considering the need for fiscal correction, the standard rate of Central Excise Duty has been raised to 12% from the existing level of 10%. In addition, the merit rate has been increased to 6% from 5% and lower merit rate from 1% to 2%.

This would result in increase in Polyester yarn duties to 12% from present 10%. The effective rate after considering Education cess would be 12.36% from present 10.30%.

ii) Reduction in effective rate of excise duty on branded garments and made ups:

Presently, excise duty of 10% is applicable to branded ready-made garments with abatement of 55% from the Retail Sale Price. In the budget, the excise duty rate has been increased to 12% with the enhancement in abatement to 70%. As a result, the incidence of duty as a percentage of the Retail Sale Price would come to down to 3.6% from present 4.5%.

**Impact:**

As the effective duty is coming down by 0.90% of the Retail Sale Price, the cost in the hand of the consumer would be lower to that extent and this coupled with lower cotton prices compared to last year is likely to stimulate the demand.

**Corporate Tax Rates:**

There has been no change in corporate tax rates, however, certain measures have been proposed to allow corporate to access lower cost of funds in some sectors and promote higher level of investments in some sectors.

- ◆ This is being done by reducing the withholding tax on payment of interest on ECBs from 20% to 5% for 3 years for some infrastructure sectors.
- ◆ Similarly, to promote investment in Research and Development, the weighted deduction of 200% for R&D expenditure in an house facility has been extended for a further period of 5 years, beyond March 2012.
- ◆ The other measures include removal of restriction on Venture Capital Funds to invest only in nine specified sectors. Removal of cascading effect of Dividend Distribution Tax (DDT) in a multi-tier corporate structure. And extension till 31st March 2013 of lower rate of tax of 15% on repatriation of dividends from foreign subsidiaries of Indian companies to India.

**Other Proposals for Development of Textiles:**

1. Government has announced a financial package of Rs. 3, 884/- crores for waiver of loans to handloom weavers and their cooperative societies.
2. Two more mega handloom clusters, one to cover Prakasam and Guntur districts in Andhra Pradesh and another for Godda and neighboring districts in Jharkhand to be set up.
3. Proposal to assist for setting up of dormitories for women workers in the five mega clusters relating to handloom, power loom and leather sectors.
4. Three Weaver's Service Centres one each in Mizoram, Nagaland and Jharkhand to be set up for providing technical support to poor handloom weavers.
5. Rs. 500 crore pilot scheme announced for promotion and application of Geo-textiles in the North Eastern Region.
6. A powerloom mega cluster to be set up in Ichalkaranji in Maharashtra with a budget allocation of Rs. 70 crore.
7. TUF Scheme A budgetary allocation of about Rs. 2910 crores for TUFs subsidy has been made for FY 2012-13 as against revised provision of Rs. 3700 crores for FY 2011-12.
8. Budget promotes technical textiles sector, the Indian budget for 2012-13 provides multiple opportunities for promoting the technical textiles sector in the country. As part of the 12th five-year plan, which begins in April, it will promote small and medium-sized companies to venture into the value-added textiles and technical textile sectors.

**COTTON SEASON 2011-12**

India's textiles industry faces a slowdown in the year 2011-12. Cotton yarn production is down by 15 percent and Fabric production is down by 19 percent in the April - December 2011 period over the previous year. Textiles mills faced with high priced cotton inventories could not pass through the prices into yarn and fabrics as the price decline came suddenly in the month of April 2011. This led to a slowdown in production and reduced utilization capacity.

Cotton prices at the commencement of the cotton season 2011-12 stood at Rs.39000/ candy and as the season progressed moderated to Rs.35000/ candy in January 2012 and further moderated to Rs. 33000/ candy in March 2012.

The Cotton Balance Sheet for 2011-12 shows crop size of 345 lac bales, consumption of 240 lac bales, exports of 84 lac bales and a closing stock of 55 lac bales. Ministry of Agriculture in the 2nd estimates has estimated cotton production as 340 lac bales. Consumption estimates were lesser than 2010-11 cotton season of as 244 lac bales while exports were projected higher than 78 lac bales achieved in 2010-11.

**RECENT DEVELOPMENTS**

Along with the increasing export figures in the Indian Apparel sector in the country, Bangladesh is planning to set up two Special Economic Zones (SEZ) for attracting Indian companies, in view of the duty free trade between the two countries. The two SEZs are intended to come up on 100-acre plots of land in Kishoreganj and Chattak, in Bangladesh.

Italian luxury major Canali has entered into a 51:49 joint venture with Genesis Luxury Fashion, which currently has distribution rights of Canali-branded products in India. The company will now sell Canali branded products in India exclusively.

**THE ROAD AHEAD**

With the increase in investments in the Indian textile sector, the subsequent increase in the industrial production, and the positivity observed by the Textile sector has resulted in progress and development of the sector. Integrating the sectoral needs and continued investments with technical advancements will completely modernize the industry chains across the country, and further assist in reaping benefits for the Indian Textile sector.

**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 MEASURES**

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 through 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 31<sup>st</sup> March, 2012 was 1455.

By order of the Board

Place : Chandigarh  
Dated : 30.05.2012

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 2012, the Statement of Profit and Loss and also the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 ('The Order') as amended by the Companies (Auditor's Report) Order, 2004 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 ('The Act'), we enclose in the Annexure a statement on the matters specified in the paragraphs 4 & 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
  - c) The Balance Sheet, the statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - d) In our opinion, the Balance Sheet, the statement of Profit and Loss 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 g (i) in respect of gain recognised on restatement of foreign currency overdue debtors of Rs.32 6.05 lacs (including Rs. 108.15 lacs for the year) , 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 representation received from the directors of the Company and taken on the Record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31.03.2012 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - f) Without qualifying attention is invited to Note No 6 regarding Deferred Tax Assets (Net) of Rs 1233.24 Lacs carried out as assessed by the management on unabsorbed depreciation and business losses as stated in the said note.
  - g) *Further attention is invited to:*
    - i. *Note no. 2.16 regarding non provision for shortfall in recovery (amount unascertained) against overdue debt aggregating to Rs 1641.09 lacs and its cumulative gain recognised on reinstatement of said debtors of Rs. 326.05 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.*
    - ii. *Note no 2.10 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*

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

*Subject to the para (g) 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 2.12, 2.17, 2.19 and read together with other notes give the information as required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:*

- (i) in the case of Balance Sheet, of the State of Affairs of the Company as at 31st March, 2012;
- (ii) in the case of the statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
- (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For Lodha & Co.  
Chartered Accountants  
FRN No: 301051E

N.K.Lodha  
Partner  
Membership No.: 85155

Date: 30.05.2012  
New Delhi

(Referred to in paragraph 1 of our Report of even date on Winsome Yarns Limited for the year ended 31st March, 2012)

- i. (a) The company has maintained proper records showing particulars, including quantitative details and situation of fixed assets except of certain fixed assets in respect of which the records are in process of compilation Updation.
- (b) As per information & explanations given to us, physical verification of the fixed assets are in process of completion according to the regular programme of physical verification once in every three years, in phased manner, which in our opinion is reasonable having regard to the size of the company and the nature of its fixed assets As explained, in view of the necessary security arrangements there will not be any material discrepancies on completion of such physical verification.
- (c) As per the records and information and explanation given to us, fixed assets disposed off during the year were not substantial.
- ii. (a) As explained to us, the inventories of the Company (except stock lying with the third parties and in transit) have been physically verified by the management during the year.
- (b) In our opinion and according to information & explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) According to the information and explanations given to us, we are of the opinion that the company is maintaining proper records of inventories (In case of process stock, records are updated on monthly physical verification of stock) As per records and information made available the discrepancies noticed on verification between the physical stock and the book records were not material in relation to the operation of the company.
- iii. As per information & 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/ sold/ services rendered 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/ fixed assets and services where steps have been initiated to strengthen system further. (read with note no. 2.12, 2.17 & 2.19 of notes) Based on the audit procedure performed and information & explanation provided by the management, during the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system 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 the contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section, and
- (b) In our opinion and according to the information and explanation given to us 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 the prevailing market prices at the relevant time.
- vi. According to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Section 58A and 58 AA Act and the rules framed there under and directives issued by the Reserve bank of India and other relevant provisions of the Act We have been informed that no order has been passed by the company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in this regard.
- vii. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business 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 31.03.2012.
- (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:

## WINSOME YARNS LIMITED

Nature of the Statute	Nature of dues	Amount (Rs. In lacs)	Period to which 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	11.72	2006-2007 & 2007-2008	Hon'ble Punjab & Haryana High Court
	Excise Duty	28.60	2000-2001 to 2004-2005	CESTAT
	Excise Duty	463.46	2006-2007 to 2009-2010	CESTAT
	Excise Duty	3.82	2007-2008 & 2008-2009	Commissioner Appeals
	Excise Duty	5.93	2011-2012	Commissioner Appeals
	Excise Duty	6.68	2009-2010	Assistant Commissioner
Finance Act 1994	Service Tax	0.62	2005	Commissioner Appeals

# (Excluding excise show cause notices)

This para is to be read with note no. 2.1 (A) and 2.1(B).

- x The Company has accumulated losses at the end of the financial year and it has incurred cash loss during the current financial year. However company did not incurred cash loss in the immediately preceding financial year.
- xi. In our opinion, on the basis of audit procedures and according to the information and explanations given to us, the company has not defaulted in repayment of dues (except for maximum of interest amounting to Rs 352.40 lacs and principal amounting to Rs 940.71 lacs and delay for maximum period of 89 days and 89 days respectively) to banks (this is to be read with note n. 2.2) During the year Company has not taken loan from financial institution or debenture holders.
- xii Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii 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, debentures and other investment.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institution.
- xvi According to the information and explanations given to us, the term loans were applied for the purposes 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 funds raised on short-term basis have been used for long term investment.
- xviii. According to the information and explanations given to us, the Company has not made preferential allotment of shares to any parties or companies covered in the register maintained under Section 301 of the Act (read with note no 2.3A).
- 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 previous year the Company has raised money through a GDR issue Certain amount has been utilised for the purposes as mentioned in note no. 2.3B, and pending compliances, the balance money is parked in a separate bank Escrow account outside India. To the best of our knowledge and belief, based on the audit procedure performed and on the basis of information and explanations provided by the management, no material fraud on or by the Company has been noticed or reported during the course of the audit.

For Lodha & Co  
Chartered Accountants  
FRN No 301051E

N.K. Lodha  
Partner

Membership No 85155  
30.05.2012  
New Delhi



**BALANCE SHEET**  
AS AT 31st MARCH, 2012

**WINSOME YARNS LIMITED**

PARTICULARS	NOTE NO.	As at 31.03.2012 (Rs. in Lacs)	As at 31.03.2011 (Rs. in Lacs)
<b>I. EQUITY &amp; LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share Capital	3	7082.33	5875.58
(b) Reserves & Surplus	4	4520.21	6748.53
(c) Money received against share warrants		--	764.80
		<u>11602.54</u>	<u>13388.91</u>
<b>(2) Non- Current Liabilities</b>			
(a) Long Term Borrowings	5	25808.72	30685.45
(b) Deferred Tax Liability (Net)	6	--	134.42
(c) Long Term Provisions	7	110.58	96.34
		<u>25919.30</u>	<u>30916.21</u>
<b>(3) Current Liabilities</b>			
(a) Short Term Borrowings	8	20899.66	15235.33
(b) Trade Payables	9	9815.84	5227.74
(c) Other Current Liabilities	10	8258.99	6493.27
(d) Short Term Provisions	11	11.23	11.11
		<u>38985.72</u>	<u>26967.45</u>
<b>TOTAL</b>		<u>76507.56</u>	<u>71272.57</u>
<b>II. ASSETS</b>			
<b>(1) Non- Current Assets</b>			
(a) Fixed Assets	12		
(i) Tangible Assets		32876.20	32737.97
(ii) Intangible Assets		4.54	8.71
(iii) Capital Work-in-Progress		1066.38	3037.65
(b) Non Current Investment	13	1516.71	1516.71
(c) Deferred Tax Asset (Net)	6	1233.24	--
(d) Long term loans & advances	14	390.75	540.76
		<u>37087.82</u>	<u>37841.80</u>
<b>(2) Current Assets</b>			
(a) Inventories	15	17366.26	16455.58
(b) Trade receivables	16	12862.85	5699.25
(c) Cash & bank balances	17	3852.30	6768.15
(d) Short Term Loans & Advances	18	5338.33	4507.79
		<u>39419.74</u>	<u>33430.77</u>
<b>TOTAL</b>		<u>76507.56</u>	<u>71272.57</u>

Significant Accounting Policies & Explanatory Notes are an integral part of the financial statement 1 & 2

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

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

Sanjeev Aggarwal  
GM-Accounts

Vinod Jaria  
Financial Controller

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

**For and on behalf of the Board**

Satish Bagrodia  
Chairman  
Manish Bagrodia  
Managing Director

Place : Chandigarh  
Date : 30-05.2012

**STATEMENT OF PROFIT & LOSS**  
FOR THE YEAR ENDED 31st MARCH, 2012

**WINSOME YARNS LIMITED**

<b>PARTICULARS</b>	<b>NOTE NO.</b>	<b>As at 31.03.2012 (Rs. in Lacs)</b>	<b>As at 31.03.2011 (Rs. in Lacs)</b>
<b>I. Revenue from operations</b>			
Sales(Gross)	19	<b>43553.94</b>	33054.58
Less : Excise Duty		<b>78.64</b>	4.53
Net Sales		<b>43475.30</b>	33050.05
<b>II. Other Income</b>	20	<b>480.75</b>	287.26
<b>III. Total Revenue ( I+II )</b>		<b>43956.05</b>	33337.31
<b>IV. Expenses :</b>			
Cost of Material consumed		<b>22688.02</b>	23545.70
Purchase of stock-in-trade		<b>8521.44</b>	722.07
Change in inventories of finished goods,work in progress and stock in Trade	21	<b>1396.76</b>	(7494.60)
Employee benefit expense	22	<b>1816.51</b>	1631.70
Finance costs	23	<b>4927.09</b>	3922.29
Depreciation and amortization expenses	24	<b>2296.12</b>	2179.58
Other Expenses	25	<b>6854.91</b>	7705.98
<b>Total Expenses (IV)</b>		<b>48500.85</b>	32212.72
V. Profit before tax ( III-IV)		<b>(4544.80)</b>	1124.59
VI. Tax Expense:			
Current Tax		--	--
Previous Years Tax		--	46.13
Deferred Tax {Refer Note no. 2.22}		<b>(1367.66)</b>	467.56
VII. Profit/(Loss) form the period from continuing operations		<b>(3177.14)</b>	610.90
VIII. Profit /(Loss)from discontinuing operations		--	--
IX. Tax expense of discontinuing operations		--	--
X. Profit/(Loss) from discontinuing operations( VIII-IX)		--	--
<b>XI. Profit/(Loss) for the period (VIII+X)</b>		<b>(3177.14)</b>	610.90
XII. Earning per equity share :			
- Basic (Rs.)	2.23	<b>(4.81)</b>	0.19
- Diluted(Rs.)	2.23	<b>(4.81)</b>	0.12

Significant Accounting Policies & Explanatory Notes are an integral part of the financial statement 1 & 2

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

**For and on behalf of the Board**

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

Sanjeev Aggarwal  
GM-Accounts

Vinod Jaria  
Financial Controller

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

Satish Bagrodia  
*Chairman*  
Manish Bagrodia  
*Managing Director*

**Place : Chandigarh**  
**Date : 30-05.2012**



**CASH FLOW STATEMENT**  
FOR THE YEAR ENDED 31st MARCH, 2012

**WINSOME YARNS LIMITED**

PARTICULARS	2011-12 (Rs. in Lacs)	2010-11 (Rs. in Lacs)
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>NET PROFIT/(LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS</b>	<b>(4544.80)</b>	1124.59
<b>Adjustment for:</b>		
Depreciation	2298.16	2181.63
Amortization of Leasehold Land and Intangible Assets	7.19	7.18
(Profit)/Loss on sale of fixed assets	57.60	--
Pro-rata Capital Subsidy	(9.23)	(9.23)
Interest expense	4851.72	3830.14
Liability /Balances Written Back	12.13	--
Provision for doubtful debts & advances w/back	(57.83)	(58.95)
Interest income	(93.21)	(40.84)
	<b>7066.53</b>	5909.93
	<b>2521.73</b>	7034.52
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>		
<b>Adjustment for:</b>		
Trade & other receivable	(7955.12)	(1235.54)
Inventories	(910.68)	(8140.13)
Trade & other Payables	4442.95	752.02
	<b>(4422.85)</b>	(8623.65)
<b>CASH GENERATED FROM OPERATIONS</b>	<b>(1901.12)</b>	(1589.13)
Direct Taxes Paid	--	(66.13)
Income Tax Refund	118.78	--
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>(1782.34)</b>	(1655.26)
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(565.12)	(1026.65)
Sale of fixed assets	4.03	--
Interest Received	93.21	53.42
	<b>(467.88)</b>	(973.23)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(467.88)</b>	(973.23)
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Capital Subsidy received	234.00	--
Convertible Warrants- Received towards Conversion	1166.00	980.05
Issue of Equity Share Capital-GDRs issue (Net of Expenses)	--	6452.02
Interest paid	(4601.38)	(4418.05)
Dividend including Dividend Tax	--	--
Proceeds from borrowings	6656.49	7068.24
Repayment of borrowings	(4120.74)	(1179.87)
	<b>(665.63)</b>	8902.39
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(665.63)</b>	8902.39
<b>Net Increase/(decrease) in cash and cash equivalents</b>	<b>(2915.85)</b>	6273.90
<b>Opening Balance</b>		
Cash & Cash Equivalents	6252.99	16.56
Others	515.16	477.69
	<b>6768.15</b>	494.25
<b>Closing Balance</b>		
Cash & Cash Equivalents	3115.66	6252.99
Others	736.64	515.16
	<b>3852.30</b>	6768.15

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

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

Sanjeev Aggarwal  
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Vinod Jaria  
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K. V. Singhal  
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Company Secretary

*For and on behalf of the Board*

Satish Bagrodia  
Chairman  
Manish Bagrodia  
Managing Director

Place : Chandigarh  
Date : 30-05.2012

**NOTE NO. 1 : SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE ACCOUNTS**

**1.1 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.

**1.2 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 recognized in the period in which the results are known/materialized.

**1.3 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 recognized 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 recognized on an accrual basis in the income statement.

**1.4 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.

**1.5 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.

**1.6 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.

**1.7 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.

**1.8 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.

Specialized Software is amortised over an estimated useful period of six year. Amortisation is done on straight line basis.

**1.9 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.

**1.10 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.

**1.11 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.

**1.12 Employees Benefits****(i) Defined Contribution Plan:**

Employee benefits in the form of Provident Fund (with Government Authorities) are considered as defined contribution plan and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due.

**(ii) Defined Benefit Plan:**

Retirement benefits in the form of Gratuity & Long Term compensated leaves 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.

**1.13 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.

**1.14 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.

**1.15 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.

**1.16 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.

**1.17 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.

**NOTE NO. 2 : ADDITIONAL NOTES FORMING PART OF THE ACCOUNTS**

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

		(Rs. in Lacs)	
<u>No.</u>	<u>Particulars</u>	<u>2011-12</u>	<u>2010-11</u>
(i)	Bills discounted with banks	<b>2986.42</b>	2540.32
(ii)	Outstanding Letter of Credit	<b>202.00</b>	55.91
(iii)	Sales Tax liability in respect of matters in appeal	<b>25.85</b>	25.85
(iv)	Excise duty show cause notices / matters in appeal	<b>548.35</b>	523.72
(v)	Service Tax Matters	<b>0.62</b>	0.62
(vi)	Income Tax Demand	<b>308.23</b>	308.23
(vii)	Outstanding bank guarantees	<b>213.59</b>	265.00
(viii)	Customs duty saved of Rs. 3679.50 Lacs (Previous Year Rs. 5271.17 lacs) for import of capital good made against EPCG license against which export obligations amounting to Rs. 27965.79 Lacs. (Previous Year 22417.23 lacs) are 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.118.83 Lacs ( Previous year 777.46 Lacs ) net of advances, Rs 71.18 Lacs (Previous year Rs. 371.21 lacs), as certified by management.

2.2 (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 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. Rework package approved by CDR-EG in previous year. The portion of secured loan, the repayment of which is due after 12 months from 31st March 2012 has been shown under the head 'Long Term Borrowings', since in view of the management of the company, certain delay/default in the payment of Interest and Principal repayments are temporary and not regular in nature.

(ii) As per the above, arrangement / loans is additionally 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, whichever 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.

2.3 (A) During the year, warrant holders has exercised their rights of conversion of 120675000 warrants & balance amount comprising of 75% i.e. Rs. 1.20 per warrant {Rs 1.20 on the issue price of Rs 1.60 per warrant (including premium of Rs. 0.60 per warrant)} of such warrant has been received. Accordingly, in the board meeting held on 17.08.11 has allotted 12067500 number of equity shares of Rs. 10 each (consolidated Re. 1/- each share into equity share of Rs. 10/- 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) Out of the total issue proceeds of the GDRs in the previous year of Rs.5914.75 Lacs, pending certain compliances Rs. 3077.09 lacs (including foreign exchange gain) is parked in the Bank "Escrow" Account

## WINSOME YARNS LIMITED

outside India as on year end and accordingly the balance issue proceeds are pending to be utilized. The details of amount utilized of the issue proceeds so far are as follows:

Particulars	Amount (Rs. Lacs)
Advances to step down foreign subsidiary outside India directly transferred from the Escrow account	647.71
Working Capital requirements	2897.40

- 2.4 (i) Capital Work-In-Progress includes machinery in stock, roads, construction /capital material at site, site development expenses, plant & machinery in transit /under erection. Details of Pre-operative expenses are given below:

Particulars	(Rs. in lacs)	
	Current Year	Previous Year
Pre-operative expenditure as follows:		
Opening Balance	347.96	423.64
- Stores & Spares	-	-
- Power & Fuel	-	-
- Salary, Wages & Allowances	6.50	15.81
- Other Expenses	-	-
- Interest on Term Loan (Net)	71.94	146.98
Others	3.62	24.51
Total	<u>430.02</u>	<u>610.95</u>
Less: Capitalized / transferred to fixed assets	<u>194.15</u>	<u>262.99</u>
Closing balance	<u>235.87</u>	<u>347.96</u>

- (ii) During the year, The Company has commissioned 1.75 MW of Hydro power project & the balance 0.75 MW is in process of implementation against which expenditure incurred till 31<sup>st</sup> March 2012 have been included in CWIP.
- 2.5 Research and development expenditure amounting to Rs 46.87 lacs (Previous year Rs. 34.48 lacs ) have been debited to Profit and Loss account under the head Salaries, Wages & other Allowances.
- 2.6 In accordance with the Accounting Standards (AS-28) on "Impairment of Assets" as notified under Companies (Accounting Standards) Rules, 2006, during the year the Company has carried out a broad review of the recoverable value of its certain fixed assets. As the recoverable amount as per projections assessed by the management exceeds the carrying amount, no impairment has been provided in the account.
- 2.7 As per the past practice treatment of gain/(loss) on account of exchange fluctuation on loan/liability for capital assets, the Company continued to charged to exchange difference in the statement of Profit and Loss.
- 2.8 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.
- 2.9 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 3170.98 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).
- 2.10 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.
- 2.11 Company does not have taxable income for the year ended as on 31<sup>st</sup> March, 2012 under the Income Tax Act., 1961 and hence no provision for Income Tax/ Minimum Alternate Tax has been made.

## WINSOME YARNS LIMITED

- 2.12 (i) Commission Income in foreign currency of Rs. 929.52 lacs (Rs. 517.80 lacs since realised) and Handling charges of Rs. 298.12 lacs on sale has been accounted for on accrual basis as per the terms of agreement during the year under the head "Revenue from operations" as in the opinion of the management activities is directly related with its business segment its operates. Company is in process of getting the balance confirmation.

(ii) Details of Traded Goods:

	(Rs. in Lacs)		
Particulars	Cotton Yarn	Industrial Fabric	Total
Opening Stock	Nil (Nil)	Nil (Nil)	Nil (Nil)
Purchases	3356.31 (722.07)	5165.13 (Nil)	8521.44 (722.07)
Sales	3645.92 (690.29)	5247.81 (Nil)	8893.73 (690.29)
Closing Stock	Nil (Nil)	Nil (Nil)	Nil (Nil)

(Figures in bracket represents for previous year)

- 2.13 Prior period adjustments (Net) Nil (P.Y. Rs. 2.64 lacs) include Freight & handling charges Rs. Nil (P.Y. Nil), Legal & Professional charges Nil (P.Y. Rs. 2.49 Lacs ), and others Nil (P.Y. Rs. 0.15).
- 2.14 In the opinion of the Board, the Current Assets, Loans and Advances (including advance given to a step down subsidiary) 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.
- 2.15 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.
- 2.16 The Company has initiated persuasive action for recovery of certain overdue overseas debtors of amounting to Rs 1641.09 Lacs. (P.Y. Rs.1900.18 Lacs.) {excluding cumulative gain on restatement of foreign currency debtors of Rs 326.05 Lacs (P.Y 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.
- 2.17 Balances of certain sundry debtors, Loans & Advances (including capital advances), creditors and other liabilities (including associate company) 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.

### 2.18 Employees Benefits:

#### a) Defined Contribution Plan:

Contribution to Defined Contribution Plan, i.e contribution to provident fund amounting to Rs 100.93 Lacs (P. Y. Rs. 93.62 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.

## WINSOME YARNS LIMITED

Particulars	(Rs. in Lacs)			
	Gratuity (Unfunded)		Leave Encashment (Unfunded)	
	2012	2011	2012	2011
<b>I. Amount to be recognized in the balance sheet</b>				
Present Value of Obligation as at 31.3.2012	85.28	74.42	36.53	33.03
Fair value of plan assets as at 31.3.2012	—	—	—	—
Funded Status [Surplus/(Deficit)]	(65.50)	(74.42)	(33.03)	(33.03)
Net Assets/(Liability) Recognized in Balance Sheet	(65.50)	(74.42)	(33.03)	(33.03)
<b>II. Expenses recognized during the period</b>				
Current Service Cost	22.37	23.95	9.49	19.57
Interest Cost	6.32	5.68	2.81	2.85
Expected Return on Plan Assets	—	—	—	—
Actuarial (gain)/ loss	(3.32)	(19.33)	21.37	(2.14)
Net Expenses Recognized	25.37	10.30	33.67	20.27
<b>III. Reconciliation of opening and closing balance of Defined Benefit Obligation</b>				
Present Value of Obligation at the beginning of the period	74.42	71.04	33.03	35.59
Current Service Cost	22.37	23.94	9.49	19.57
Interest Cost	6.24	5.68	2.81	2.85
Actuarial (gain)/ loss on obligations	(3.32)	(19.33)	21.38	(2.14)
Benefit Paid	(14.54)	(6.91)	30.17	(22.84)
Present Value of Obligation as at the end of the period	85.28	74.42	36.53	33.03
<b>IV. Actuarial / Demographic assumptions:-</b>				
Indian Assure Lives Mortality Table (LIC)	1994-96	1994-96	1994-96	1994-96
Discount rate (Per annum)	8.50%	8.50%	8.50%	8.50%
Expected Return on Plan Assets (Per annum)	8.50%	8.50%	8.50%	8.50%
Estimated rate of increase in compensation level	6.00%	6.00%	6.00%	6.00%
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.			
2.19	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	2011-12 (Rs. in lacs)	2010-11 (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 along with 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.	-	-



## WINSOME YARNS LIMITED

2.20 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.

### 2.21 Segment Reporting

(i) The Company is only in one line of business namely Textile (Yarn, Knitting & related revenue)

(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-Sale*	19225.85	24270.26	43496.11
		(16451.55)	(16544.09)	(32995.64)
ii)	Carrying amount of segment assets by location of assets	60138.20	14964.28	75102.48
		(60185.38)	(10796.57)	(70981.95)
iii)	Capital Expenditure	565.12	---	565.12
		(1026.65)	---	(1026.65)

\* Includes Export Incentives of Rs 1124.03 lacs (P.Y. Rs. 195.90 lacs)

2.22 During the year, deferred tax in respect of timing differences has been re-assessed/ re-computed and Asset (net) amounting to Rs. 1367.66 lacs for the year has been debited to Profit & Loss Account. Deferred tax assets on unabsorbed depreciation and business losses have been recognized based on management's opinion that there is virtual certainty and sufficient taxable income will be generated / available against which such deferred tax assets can be realized.

### 2.23 Earning per share

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

Particulars	2011-12	2010-11*
Net Profit/(Loss) attributable to Equity Shareholders (Rs. in Lacs)	(3177.14)	610.90
Weighted average number of equity shares for Basic EPS	66157188	32363982
Nominal Value per equity share (Rs.)	10	10
Basic EPS (Rs.)	(4.81)	0.19
Weighted average number of equity shares for Diluted EPS	66157188	50909880
Diluted EPS (Rs.)	(4.81)	0.12

\*The face value of equity share capital has been consolidated on 06.08.2011 from Re 1/- to Rs. 10/ each. Accordingly, the number of equity shares have been decreased and also EPS for the preceeding period(s) have been revised/reinstated.

### 2.24 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)

(v) Winsome Yarns FZE (Subsidiary of (i) above) (w.e.f. 11.7.2011)



**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.

**Transactions with the Related Parties during the year ended 2011-12**

<u>Particulars</u>	<u>2011-12</u>	<u>(Rs. In lacs)</u> <u>2010-11</u>
<b>Winsome Textile Industries Ltd.</b>		
Sale of material & goods and services	-	-
Purchase of material & goods and services	<b>214.32</b>	232.17
Expenses reimbursed to others	<b>8.87</b>	3.35
Expenses reimbursed by others	<b>5.82</b>	12.28
Balance Outstanding as at year end		
Receivable / (Payable)	<b>(676.50)</b>	(467.50)
<b>Sh. Satish Bagrodia</b>		
Directors Sitting Fee	<b>0.30</b>	0.65
<b>Sh. Manish Bagrodia</b>		
Remuneration	<b>29.18</b>	29.18
<b>Sh. Ashish Bagrodia</b>		
Directors Sitting Fee	<b>0.40</b>	0.50
<b>Starpoint Financial Services Pvt. Ltd.</b>		
Rent	<b>21.31</b>	21.31
<b>Shell Business Pvt. Ltd.</b>		
Application/ Allotment Money against Convertible Warrants	<b>318.00</b>	1182.00
<b>S.C. Winsome Romania</b>		
- Balance Outstanding as at year end		
Receivable / (Payable)	<b>49.80</b>	53.83
<b>IMM Winsome Italia</b>		
Balance Outstanding as at year end		
Receivable / (Payable)	<b>149.24</b>	157.85
<b>Winsome Yarns (Cyprus) Ltd.</b>		
Advance given	<b>20.98</b>	-
Receivable / (Payable)	<b>20.98</b>	-
<b>Winsome Yarns FZE</b>		
Advance given	<b>647.72</b>	-
Receivable / (Payable)	<b>647.72</b>	-

Chairman and Managing Director have given guarantees to lenders against loans taken by the Company.  
Starpoint Financial Services Pvt. Ltd. has given guarantees to lenders against loans taken by the Company.

## WINSOME YARNS LIMITED

### 2.25 (A) (i) Details of WIP:-

Particulars	(Rs. in lacs)	
	2011-12	2010-11
Mixing material	324.21	252.89
Fleece	4278.02	3268.15
Winding	47.37	125.44
Garments	266.32	392.92
<b>Total</b>	<b>4915.92</b>	<b>4039.40</b>

### (ii) Raw Material Consumed (Net of adjustment of waste):-

Particulars	(Rs. in Lacs)	
	2011-12	2010-11
Cotton	20468.39	22104.58
Others	2219.63	1441.12
<b>Total</b>	<b>22688.02</b>	<b>23545.70</b>

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

Particulars	(Rs. in Lacs)							
	Raw Material				Stores & Spares			
	2011-12	%	2010-11	%	2011-12	%	2010-11	%
Imported	14.90	0.07	33.56	0.14	28.64	2.88	216.98	16.23
Indigenous	22673.12	99.93	23512.14	99.86	966.75	97.12	1120.02	83.77
<b>Total</b>	<b>22688.02</b>	<b>100.00</b>	<b>23545.70</b>	<b>100.00</b>	<b>995.39</b>	<b>100.00</b>	<b>1337.00</b>	<b>100.00</b>

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.

	31.03.2012	(Rs in Lacs) 31.03.2011
<b>(B) CIF Value of Imports :</b>		
Plant & Machinery	153.65	95.50
Spare Parts & Components	57.34	17.45
Raw Material	14.90	17.44
<b>(C) Earnings in Foreign Exchange</b>		
Exports of goods on FOB basis (excluding export through export houses)	14954.31	15494.01
Commission Income	929.52	NIL
Handling Charges	298.12	NIL
<b>(D) Expenditure in Foreign currency:</b>		
Foreign Traveling	39.94	29.49
Commission on sales	238.02	77.15
Consultancy Fees	8.21	28.77
Others ( GDR issue Expenditure)	NIL	56.66

### 2.26 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.)	N.A	N.A
Year to which dividend related	N.A	N.A

## WINSOME YARNS LIMITED

2.27 (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.) (Rs. in Lacs)	
		31.3.2012	31.3.2011	31.3.2012	31.3.2011
Sundry Debtor	USD	17042784.17	2703317.91	8615.87	1205.41
	EURO	2828850.85	3325354.03	1609.50	2108.93
	GBP	29737.59	NIL	23.13	NIL
Advance to Customers	GBP	NIL	31886.32	NIL	22.85
	USD	761016.49	NIL	387.13	NIL
Sundry Creditors	HKD	11447.70	34660.11	0.68	1.98
	EURO	25441.05	NIL	16.82	NIL
	JPY	1576544.00	NIL	5.96	NIL
	USD	82823.58	57417.78	37.83	22.09
	GBP	289.08	NIL	0.22	NIL
	CHF	91633.89	NIL	53.88	NIL
Advance to suppliers	EURO	13607.23	33660.74	9.24	21.74
	USD	35431.98	NIL	18.02	NIL
	HKD	1070.21	NIL	7009.88	NIL
	GBP	2308.45	2298.63	1.88	1.64
	CHF	128863.87	22298.35	72.63	10.87
Investment preference Share	EURO	1800000	1800000	10.71	10.71
Foreign Commission Payable	USD	1222176.46	217804.61	229.18	97.14
	EURO	17374.47	NIL	8.84	NIL
Foreign Commission Receivable	USD	775352.00	NIL	411.71	NIL
Balance with Banks (Escrow Accounts)	USD	6048932.62	13240990	3077.09	5914.75

(b) Forward contract USD 4714259.00 (PY Nil, USD Nil) taken to hedge the foreign currency receivables are outstanding as at 31/03/12.

2.28 During the year ended 31<sup>st</sup> March 2012, the revised schedule VI has become applicable to the company. Thus Previous year figures have been reclassified/recasted suitably. The adoption of revised schedule VI does not impact recognition & measurement principle followed for preparation of financial statements except for presentation & disclosures wherever required.

As per our report of even date

**For LODHA & CO.,**  
Chartered Accountants  
FRN : 301051E

For and on behalf of the Board

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

Sanjeev Aggarwal  
GM (Accounts)

Vinod Jaria  
Financial Controller

K V Singhal  
GM (Legal) &  
Company Secretary

Satish Bagrodia  
*Chairman*  
Manish Bagrodia  
*Managing Director*

Place: Chandigarh  
Date : 30.05.2012

**NOTES ON FINANCIAL STATEMENT**  
FOR THE YEAR ENDED 31st MARCH, 2012

**WINSOME YARNS LIMITED**

PARTICULARS	As at 31.03.2012 (Rs. in Lacs)	As at 31.03.2011 (Rs. in Lacs)
<b>NOTE 3 - SHARE CAPITAL</b>		
<b>1. AUTHORISED*</b>		
8,50,00,000 Equity Shares of Rs.10/- each (Previous Year 65,00,00,000 Equity Shares of Re.1/- each)	<u>8500.00</u>	<u>6500.00</u>
<b>ISSUED*</b>		
7,10,86,829 Equity Shares of Rs.10/- each (Previous Year 59,01,93,290 Equity Shares of Re.1/- each)	<u>7108.68</u>	<u>5901.93</u>
<b>SUBSCRIBED &amp; PAID UP*</b>		
7,07,07,229 Equity Shares of Rs.10/- each (Previous Year 58,63,97,290 Equity Shares of Re.1/- each)	<u>7070.72</u>	<u>5863.97</u>
Amount Paid-up on shares forfeited	<u>11.61</u>	<u>11.61</u>
	<u><b>7082.33</b></u>	<u><b>5875.58</b></u>

\* The face value of equity share capital has been consolidated on 06.08.2011 from Re. 1/- each to Rs. 10/ each

**2. Rights of Shareholders**

- 2.1 The Company has only one class of Equity Shares having face value of Rs. 10/- each (Previous Year Rs. 1/- each) in its issued, subscribed and paid up equity share capital. Each shareholder is entitled to one vote per share (except GDR shareholding mentioned at point no. 2.2 below). Each shareholder have the right in profit/surplus in proportion to amount paid up with respect to share holding.
- 2.2 The GDR shareholding which is standing in the name of Bank of New York Mellon, as Depository, has right to dividend but do not have any right to vote.
- 2.3 In the event of winding up, the equity shareholders will be entitled to receive the remaining balance of assets, if any, in proportionate to their individual shareholding in the paid up equity capital of the company.

**3. Details of Shareholders holding more than 5%**

<u>Name of Shareholder</u>	<u>31.03.2012</u> <u>No. of Shares held</u>	<u>31.03.2011</u> <u>No. of Shares held</u>
The Bank Of New York Mellon (Shares held by custodian & against which Depository Receipts have been issued)	<b>1,99,41,250</b>	19,94,12,500
Shell Business (P) Ltd	<b>2,07,21,244</b>	15,72,12,440
Satyam Combines (P) Ltd	<b>50,96,243</b>	5,09,62,430
Arpit Agencies (P) Ltd	<b>42,00,000</b>	-
Landscape Traders (P) Ltd	<b>42,00,000</b>	-

**4. Reconciliation of Share capital**

	<u>Nos</u>	<u>Nos</u>
Shares outstanding as at the beginning of the year	<b>5,86,39,729</b>	25,66,59,790
Issued during the year (a)	<b>1,20,67,500</b>	32,97,37,500 (b)
Buyback during the year	--	--
Shares outstanding as at the end of the year	<b>7,07,07,229</b>	58,63,97,290

- (a) During the year, company allotted 1,20,67,500 equity shares of Rs 10/- each at a premium of Rs.6/- per share. (P.Y 13,03,25,000 equity share 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 2.3(A)).
- (b) During the year, the company has issued & allotted Nil Global Depository Receipts(GDRs) (P.Y.19,94,125 GDR's representing 19,94,12,500 equity shares of Re. 1/- each at a premium of Rs.1.97 per share)

## WINSOME YARNS LIMITED

PARTICULARS	As at 31.03.2012 (Rs. in Lacs)	As at 31.03.2011 (Rs. in Lacs)
<b>NOTE 4 - RESERVES &amp; SURPLUS</b>		
<b>-Capital Reserve</b>		
As per last Balance sheet	27.03	27.03
Add : Addition	234.00	--
Less : Adjustment	<u>--</u>	<u>--</u>
	<b>261.03</b>	27.03
<b>-Capital Redemption Reserve</b>		
As per Balance sheet	124.44	124.44
Add : Addition	--	--
Less : Adjustment	<u>--</u>	<u>--</u>
	<b>124.44</b>	124.44
<b>-Securities Premium Account (Refer note no.2.3 )</b>		
As per last Balance sheet	4457.90	--
Add : Addition	724.05	4702.57
Less : Adjustment	<u>--</u>	<u>244.67*</u>
	<b>5181.95</b>	4457.90
<b>-General Reserve</b>		
As per last Balance sheet	35.08	35.08
Add : Addition	--	--
Less : Adjustment	<u>--</u>	<u>--</u>
	<b>35.08</b>	35.08
<b>-State Investment Subsidy</b>		
As per last Balance sheet	25.00	25.00
Add : Addition	--	--
Less : Adjustment	<u>--</u>	<u>--</u>
	<b>25.00</b>	25.00
<b>-Capital Subsidy Reserve</b>		
As per last Balance sheet	161.35	170.58
Add : Addition	--	--
Less : Adjustment	<u>9.23</u>	<u>9.23</u>
	<b>152.12</b>	161.35
<b>-Statement of Profit &amp; Loss</b>		
Surplus in statement of profit and loss from Previous year	1917.73	1306.83
Profit/(Loss) for the year	<u>(3177.14)</u>	<u>610.90</u>
Surplus in statement of profit and loss carried to balance sheet	<u>(1259.41)</u>	<u>1917.73</u>
	<b><u>4520.21</u></b>	<b><u>6748.53</u></b>

\* GDR /Share Issue Exp.

## WINSOME YARNS LIMITED

PARTICULARS	As at 31.03.2012 (Rs. in Lacs)		As at 31.03.2011 (Rs. in Lacs)	
	Non Current	Current	Non Current	Current
<b>NOTE 5 - LONG TERM BORROWINGS</b>				
<b>SECURED LOANS (Refer Note No. 2.2)</b>				
<b>Term Loans</b>				
-From Banks	24773.55	4531.99	28791.35	2801.34
-Working Capital Term Loan	1031.15	1557.34	1521.30	1579.13
-Vehicle Loan	4.02	7.78	11.80	7.23
	<b>25808.72</b>	<b>6097.11</b>	30324.45	4387.70
<b>UNSECURED LOANS</b>				
From Banks(Refer note no. 5.5 below)	--	472.25	361.00	433.51
	--	472.25	361.00	433.51
Less: Current maturity of Long term borrowings (Amount disclosed under other current liabilities Note No.10 )	--	6569.36	--	4821.21
	<b>25808.72</b>	--	30685.45	--

- 5.1 Term Loan of Rs. 28331.35 lacs (PY. Rs 29943.70 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 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 and (ii) Term loan of Rs. 354.14 Lacs (PY Rs. 616.72 Lacs) from a bank which is secured by sub-servient charges on fixed assets. The loans are repayable in quarterly installments and maturity profile is as follows:

Repayment (Rs. in lacs)	1-2 years	2-3 years	after 3 years
	3870.54	4064.57	16838.44

- 5.2 Term Loans from Banks of Rs.620.05 Lacs ( P.Y. Rs.1032.27 lacs ) & Working Capital Term Loans of Rs.2588.49 Lacs (P.Y. Rs.3100.43 Lacs ) (As per CDR terms) are secured by way of first pari-passu charge on Fixed Assets & second pari-passu charge on current assets. The loans are repayable in quarterly installments and maturity profile is as follows:-

Repayment (Rs. in lacs)	1-2 years	2-3 years	after 3 years
	494.63	413.43	123.09

- 5.3 All the aforesaid credit facilities mentioned 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 2.2(A)(ii).

- 5.4 Vehicle Finance of Rs 11.80 Lacs is secured by hypothetical of specific assets purchased under such arrangements.The loans and repayable in monthly installments and maturity Profile is as under:-

Repayment (Rs. in lacs)	1-2 years	2-3 years	after 3 years
	4.02	Nil	Nil

- 5.5 Rs.366.64 lacs (Previous Year Rs.616.64 lacs) secured by hypothecation of immovable property owned by a group company and Rs.105.61 Lacs (Previous Year Rs. 177.87 Lacs) is secured by pledge of 50,00,000 nos.(Previous Year Rs. 5,00,00,000 nos.) equity shares of the Company held by a promoter company.

## WINSOME YARNS LIMITED

PARTICULARS	As at 31.03.2012 (Rs. in Lacs)	As at 31.03.2011 (Rs. in Lacs)
<b>NOTE 6 - DEFERRED TAX</b>		
<b>Deferred Tax Liability (DTL)</b>		
Tax impact on difference between book value of depreciable assets and written down value for tax purposes	4558.70	4351.42
<b>Deferred Tax Assets (DTA)</b>		
Tax impact of unabsorbed depreciation and business losses	5642.85	4042.96
Tax impact of expenses charged to Profit & Loss Account but allowance under tax laws deferred	45.01	38.86
Tax impact on doubtful debts & advances	104.08	135.18
<b>Deferred Tax Asset / (Liability) (Net) {Refer Note 2.22}</b>	<b>1233.24</b>	<b>(134.42)</b>
<b>NOTE 7 - LONG TERM PROVISIONS</b>		
For Employees Benefits	110.58	96.34
	<b>110.58</b>	<b>96.34</b>
<b>NOTE 8 - SHORT TERM BORROWINGS</b>		
<b>SECURED LOANS</b>		
Working capital demand loan from Banks	20899.66	15235.33
	<b>20899.66</b>	<b>15235.33</b>
8.1 Working capital demand loan includes Packing Credit & Cash Credit which are secured by hypothecation of current assets and also secured by second charge on fixed assets of the company.		
8.2 The aforesaid credit facilities mentioned 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.		
<b>NOTE 9 - TRADE PAYABLES</b>		
-Acceptances	5992.16	2625.05
-Other (refer Note no 2.19)	3823.68	2602.69
	<b>9815.84</b>	<b>5227.74</b>
<b>NOTE 10 - OTHER CURRENT LAIBILITIES</b>		
Current maturities of long term borrowings	6569.36	4821.21
Interest accrued and due on borrowings	352.40	102.06
Advance From Customers	315.45	389.03
Unpaid Dividend*	24.02	29.21
<b>Other Payables</b>		
-Capital payables (refer Note no. 2.19)	122.33	207.72
-Statutory Dues	64.68	56.38
-Others (refer Note no. 2.19)	810.75	887.66
	<b>8258.99</b>	<b>6493.27</b>
* shall be credited to investor's education & protection fund when due		
<b>NOTE11 - SHORT TERM PROVISIONS</b>		
Provision for employee Benefits:	11.23	11.11
	<b>11.23</b>	<b>11.11</b>

**NOTE-12 : FIXED ASSETS**

(Rs. in Lacs)

Nature of Assets	Gross Carrying amount			Depreciation/Amortisation			Net Carrying amount		
	As at 1.4.2011	Additions/ Adjustment	Sales/ Adjustment	As at 31.3.2012	For the year	Upto 31.3.2012	Upto 1.4.2011	As at 31.3.2012	As at 31.3.2011
<b>Tangible</b>									
Land									
-Freehold	335.39	5.70	--	341.09	--	--	--	341.09	335.39
-Leasehold	280.27	--	--	280.27	2.83	--	15.21	262.23	265.06
Buildings**	6875.54	1083.43	--	7958.97	245.25	--	1152.62	6561.10	5722.92
Plant & Machinery	38019.98	1393.67	72.65	39341.00	2015.81	11.27	11794.91	25541.55	26225.07
Furniture & Fixture**	365.00	11.59	0.49	376.10	26.70	0.24	247.24	102.40	117.76
Office Equipments	37.66	6.46	--	44.12	2.45	--	17.83	23.84	19.83
Vehicles	112.57	--	--	112.57	7.95	--	60.63	43.99	51.94
<b>Total (A)</b>	<b>46026.41</b>	<b>2500.85</b>	<b>73.14</b>	<b>48454.12</b>	<b>2300.99</b>	<b>11.51</b>	<b>13288.44</b>	<b>32876.20</b>	<b>32737.97</b>
Previous Year	43642.08	2384.33	--	46026.41	2184.46	--	11103.98	32737.97	32538.10
<b>Intangible</b>									
Specialised Software	63.48	0.19	--	63.67	4.36	--	54.77	4.54	8.71
<b>Total (B)</b>	<b>63.48</b>	<b>0.19</b>	<b>--</b>	<b>63.67</b>	<b>4.36</b>	<b>--</b>	<b>54.77</b>	<b>4.54</b>	<b>8.71</b>
Previous Year	63.48	--	--	63.48	4.35	--	50.42	8.71	13.06
<b>Total (A+B)</b>	<b>46089.89</b>	<b>2501.04</b>	<b>73.14</b>	<b>48517.79</b>	<b>2305.35</b>	<b>11.51</b>	<b>13343.21</b>	<b>32880.74</b>	<b>32746.68</b>
Previous Year	43705.56	2384.33	--	46089.89	2188.81	--	11154.40	32746.68	32551.16

**Notes:**

\*\*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.4.12 Lacs and Rs.3.83 Lacs, respectively, (Previous year Rs.8.24 Lacs and Rs. 9.52 Lacs respectively).



## WINSOME YARNS LIMITED

PARTICULARS	As at 31.03.2012 (Rs. in Lacs)	As at 31.03.2011 (Rs. in Lacs)
<b>NOTE 13 - NON-CURRENT INVESTMENTS</b>		
<b>Other (Non trade)</b>		
<b>Investment in Equity Shares:</b>		
<b>Unquoted</b>		
<b>Subsidiary Companies (Wholly owned)</b>		
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 (Refer Note No. 2.10)	0.54	0.54
	<u>445.71</u>	<u>445.71</u>
1800000 Preference Shares of Winsome Yarns (Cyprus) Limited of 1 Euro each (Previous Year 1800000 shares)	1071.00	1071.00
	<u>1516.71</u>	<u>1516.71</u>
Aggregate amount of unquoted investment	1516.71	1516.71
Aggregate amount of provision for diminution in value of investment	0.54	0.54
<b>NOTE 14 - LONG TERM LOANS &amp; ADVANCES</b>		
<b>(Unsecured, considered good unless otherwise stated)</b>		
Capital Advances	71.18	371.21
Security Deposits	269.14	119.12
<b>Other Loans &amp; advances</b>		
-MAT Credit Entitlement	50.43	50.43
	<u>390.75</u>	<u>540.76</u>
<b>NOTE 15 - INVENTORIES (At lower of cost and net realizable value)</b>		
(As taken, valued and certified by the management)		
Raw Materials *	5630.12	3405.50
Stock in Process	4915.92	4039.40
Stores & Spares	450.99	377.00
Finished Goods **	6285.56	8555.33
Waste (At net realizable value)	83.67	78.35
	<u>17366.26</u>	<u>16455.58</u>
*Includes in transit Rs Nil (Previous Year Rs.113.39 Lacs)		
**Includes in transit Rs. 895.69 lacs (Previous Year Rs112.52 Lacs)		
<b>NOTE 16 - TRADE RECEIVABLES</b>		
<b>(Unsecured, considered good unless otherwise stated )</b>		
<b>- Exceeding Six months from due date</b>		
-Good	1968.97	2562.56
-Doubtful	280.54	381.22
Less : Provision for Doubtful Debts	280.54	381.22
	<u>1968.97</u>	<u>2562.56</u>
<b>- Other Debts</b>	<u>10893.88</u>	<u>3136.69</u>
	<u>12862.85</u>	<u>5699.25</u>

## WINSOME YARNS LIMITED

### NOTE 17 - CASH & BANK BALANCES

#### CASH & CASH EQUIVALENTS

Cash in hand	0.01	0.01
<b>Balances with Banks</b>		
-On Current Accounts	38.56	338.23
<b>Earmarked balances</b>		
-On Escrow Accounts(Refer note No.2.3(B))	3077.09	5914.75
-On Unpaid Dividend Account	24.02	29.21
<b>Other Bank balances</b>		
-On Fixed Deposit Account ( Lodged with Banks as Margin )\$	712.62	485.95
	<u>3852.30</u>	<u>6768.15</u>

\$ includes FDR's with maturity of more than 12 months

### NOTE 18 - SHORT TERM LOANS & ADVANCES (Unsecured, Considered good unless otherwise stated)

Loan & Advance to Subsidiary	647.72	--
Advance Income Tax including TDS	121.41	240.19
Refunds/Claims Receivable	581.03	577.90
Interest Subsidy Receivable (Under TUFS)	1205.03	1313.21
Balances with government authorities	166.42	190.32
Export Incentives Receivable	967.49	459.60
Advances to suppliers	800.45	1581.66
(Net of Provisions for doubtful advances Rs. 56.25 lacs (P.Y. Rs. 56.25 lacs))		
Others	848.78	144.91
	<u>5338.33</u>	<u>4507.79</u>

### NOTE 19 - REVENUE FROM OPERATION

#### Sale of Product

-Yarns*	30357.64	28498.59
-Knitwear*	1671.63	1712.77
-Trading Sale	8893.73	690.29
	<u>40923.00</u>	<u>30901.65</u>

#### Sale of Services

-Job Charges	95.30	26.04
-Commission Income (Refer Note no 2.12)	929.52	-
	<u>1024.82</u>	<u>26.04</u>

#### Other operating revenue

Waste Sales	1236.14	2051.50
Sale of Scrap	14.03	16.44
Provision for Doubtful Debts/Advances Written back	57.83	58.95
Material handling Charges (Refer Note no 2.12)	298.12	-
	<u>1606.12</u>	<u>2126.89</u>
	<u>43553.94</u>	<u>33054.58</u>
Less : Excise Duty	78.64	4.53
	<u>43475.30</u>	<u>33050.05</u>

\*includes duty drawback & DEPB of Rs 1124.03 lacs (P.Y 195.90 Lacs)

## WINSOME YARNS LIMITED

### NOTE 20 - OTHER INCOME

Interest Received	93.21	40.84
Exchange Rate Difference (net)	371.22	246.42
Liability/Balances written back ( Net )	12.13	--
Miscellaneous Income	4.19	--
	<b>480.75</b>	<b>287.26</b>

### NOTE 21 - CHANGE IN INVENTORIES OF FINISHED GOODS, WIP STOCK AND STOCK IN TRADE

#### Closing Stock

Finished Goods		
- Yarn	5608.01	8191.28
- Knitwear	677.55	364.05
	<b>6285.56</b>	<b>8555.33</b>
Stock in Process		
- Yarn	4649.60	3646.48
- Knitwear	266.32	392.92
	<b>4915.92</b>	<b>4039.40</b>
	<b>11201.48</b>	<b>12594.73</b>

(A)

#### Less : Opening Stock

Finished Goods (Yarn)		
- Yarn	8191.28	2517.90
- Knitwear	364.05	309.99
	<b>8555.33</b>	<b>2827.89</b>
Stock in Process		
- Yarn	3646.48	1830.03
- Knitwear	392.92	406.48
	<b>4039.40</b>	<b>2236.51</b>
	<b>12594.73</b>	<b>5064.40</b>
Differential excise duty on increase/(decrease) in stock	3.51	35.73
Decrease/(Increase) in Stocks(A-B-C))	<b>1396.76</b>	<b>(7494.60)</b>

(B)

(C)

### NOTE 22 - EMPLOYEE BENEFIT EXPENSES

Salaries, Wages, Bonus, etc	1673.15	1494.93
Contribution to Provident & Other Funds	101.10	93.89
Employees Welfare	42.26	42.88
	<b>1816.51</b>	<b>1631.70</b>

### NOTE 23 - FINANCE COSTS

Interest on Borrowings	4851.72	3830.14
(Net of reimbursement under TUFS Rs.1451.06 lacs, PY Rs.1416.53 lacs )		
Other borrowing cost	75.37	92.15
	<b>4927.09</b>	<b>3922.29</b>

### NOTE 24 - DEPRECIATION & AMORTISATION EXPENSES

Depreciation	2300.99	2184.46
Less : Prorata Capital Subsidy	9.23	9.23
Amortisation	4.36	4.35
	<b>2296.12</b>	<b>2179.58</b>

## WINSOME YARNS LIMITED

### NOTE 25 - OTHER EXPENSES

Stores & Spares consumed	995.39	1337.00
Power & Fuel	2596.79	3027.32
Repairs & Maintenance		
- Building	4.85	19.72
- Plant & Machinery	15.04	38.60
- Others	35.99	46.78
Processing Charges & Dyeing Charges	718.40	846.25
Rent	36.63	35.06
Rates & Taxes	0.11	--
Printing & Stationery	6.39	6.80
Director Sitting Fee	1.85	3.45
Insurance	74.49	55.50
Bank Charges	296.62	210.31
Traveling & Conveyance	177.29	165.55
Postage, Telegrams and Telephones	33.93	31.15
Loss on Sale of Fixed Assets	57.60	--
Legal & Professional Charges	44.05	82.58
Charity & Donation	0.05	--
Prior Period Expenses ( Net )	--	2.64
Auditors remuneration		
-Audit Fees	2.92	3.20
-Tax Audit Fees	0.39	0.39
-Other services	0.38	2.43
-Reimbursement of expenses	1.17	1.31
Commission on sales	483.42	521.36
Freight & Handling Charges	941.24	1009.75
Advertisement & Other Selling Expenses	171.85	116.22
Miscellaneous Expenses	158.07	142.61
	<b>6854.91</b>	<b>7705.98</b>

### SECTION 212

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

S. No.	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, 2012	Not dealt with in the accounts of Winsome Yarns Limited for the year ended 31st March, 2012	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
				Rupees in Lacs	Rupees in Lacs	Rupees in Lacs	Rupees in Lacs
1.	Winsome Yarns (Cyprus) Limited (Subsidiary of Winsome Yarns Limited)	101000	100%	--	34.46*	--	(6.60)
2.	Winsome Yarns FZE (Subsidiary of Winsome Yarns (Cyprus) Limited)	1	100%	--	22.95	--	--
3.	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			
4.	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			
5.	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			

\* Including Rs. 22.95 lacs of M/s. Winsome Yarns FZE.

**Note:**

The financial year of Winsome Yarns (Cyprus) Limited and Winsome Yarns FZE are 1st April, 2011 to 31st March, 2012 and other three subsidiary companies (Sr. No. 3 to 5) are 1st January, 2011 to 31<sup>st</sup> December, 2011.

**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 subsidiaries.

1. We have examined the attached consolidated Balance Sheet of Winsome Yarns Limited and its subsidiaries as at 31st March 2012, and the consolidated Statement of Profit and Loss 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 subsidiaries namely Winsome Yarns (Cyprus) Limited whose financial statement reflects total assets of Rs. 1743.66 lacs as at 31st March 2012 and total revenues of Rs. 351.85 lacs for the year then ended and Winsome Yarns FZE whose financial statement reflects total assets of Rs. 727.83 lacs as at 31st March 2012 and total revenues of Rs. 1983.78 lacs for the year then ended. The separate financial statements of above said subsidiaries 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. Without qualifying attention is invited to Note no.2.9 regarding Deferred Tax assets of Rs.1233.24 Lacs created as assessed by the management on unabsorbed depreciation and business losses as stated in the said note.
5. *Further attention is invited to:*
  - i. *Note no. 2.5 regarding non provision for shortfall in recovery (amount unascertained) against overdue debt aggregating to Rs.1641.09 lacs and its cumulative gain recognised on reinstatement of said debtors of Rs.326.05 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. 2.7( C) regarding non provision for diminution in the value of investment in a subsidiary company [impact unascertainable and read with Note No.2.6 (D)] for the reason as stated in the said note and our inability to comment thereon.*

The consolidated financial statements subject to and read with our comments in para 4, we report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21 "Consolidated Financial Statements" notified under Companies (Accounting Standards) Rules, 2006 and on the basis of the separate audited financial statements of Winsome Yarns Limited and audited financial statement of its subsidiaries 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 Subsidiaries(read with note no. 1.1(iv)(a) and 1.1.(v)(b)) included in the Consolidated Financial Statements, we are of the opinion that the said consolidated financial statements read with note no. 2.4 (B),2 .12, 2.13 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 Subsidiaries as at 31st March, 2012;
- b) In the case of the Consolidated Statement of Profit & Loss, of the consolidated results of operations of the Company and its Subsidiaries for the year then ended; and
- c) In the case of Consolidated Cash Flows Statement, of the consolidated cash flows of the Company and its Subsidiaries for the year then ended.

For LODHA & CO.  
Chartered Accountants  
FRN - 301051E

(N. K. Lodha)  
Partner  
Membership No.: 85155  
Place: New Delhi  
Dated: 30.05.2012

**CONSOLIDATED BALANCE SHEET**  
AS AT 31st MARCH, 2012

**WINSOME YARNS LIMITED**

<b>PARTICULARS</b>	<b>NOTE NO.</b>	<b>As at 31.03.2012 (Rs. in Lacs)</b>	<b>As at 31.03.2011 (Rs. in Lacs)</b>
<b>I. EQUITY &amp; LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share Capital	3	7082.33	5875.58
(b) Reserves & Surplus	4	4757.07	6796.97
(c) Money received against share warrants		--	764.80
		<u>11839.40</u>	<u>13437.35</u>
<b>(2) Non- Current Liabilities</b>			
(a) Long Term Borrowings	5	25808.72	30685.45
(b) Deferred Tax Liability (Net)	6	--	134.42
(c) Long Term Provisions	7	110.58	96.34
		<u>25919.30</u>	<u>30916.21</u>
<b>(3) Current Liabilities</b>			
(a) Short Term Borrowings	8	20899.66	15235.33
(b) Trade Payables	9	9835.67	5227.74
(c) Other Short Term Liabilities	10	8301.50	6846.94
(d) Short Term Provisions	11	11.23	11.11
		<u>39048.06</u>	<u>27321.12</u>
<b>TOTAL</b>		<u>76806.76</u>	<u>71674.68</u>
<b>II. ASSETS</b>			
<b>(1) Non- Current Assets</b>			
(a) Fixed Assets	12		
(i) Tangible Assets		32876.20	32737.97
(ii) Intangible Assets		4.54	8.71
(iii) Capital Work-in-Progress		1066.38	3037.65
(b) Non Current Investment	13	-	0.52
(c) Deferred Tax Asset (Net)	6	1233.24	-
(d) Long term loans & advances	14	390.75	540.76
		<u>35571.11</u>	<u>36325.61</u>
<b>(2) Current Assets</b>			
(a) Inventories	15	17366.26	16455.58
(b) Trade receivables	16	13583.68	5699.25
(c) Cash & bank balances	17	3886.60	6789.06
(d) Short Term Loans & Advances	18	6399.11	6405.18
		<u>41235.65</u>	<u>35349.07</u>
<b>TOTAL</b>		<u>76806.76</u>	<u>71674.68</u>

Significant Accounting Policies & Explanatory Notes are an integral part of the financial statement 1 & 2

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

*For and on behalf of the Board*

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

Sanjeev Aggarwal  
GM-Accounts

Vinod Jaria  
Financial Controller

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

Satish Bagrodia  
*Chairman*  
Manish Bagrodia  
*Managing Director*

Place : Chandigarh  
Date : 30-05.2012

**CONSOLIDATED STATEMENT OF PROFIT & LOSS**  
FOR THE YEAR ENDED 31st March, 2012

**WINSOME YARNS LIMITED**

<b>PARTICULARS</b>	<b>NOTE NO.</b>	<b>As at 31.03.2012 (Rs. in Lacs)</b>	<b>As at 31.03.2011 (Rs. in Lacs)</b>
<b>I. Revenue from operations</b>			
Sales(Gross)	19	<b>45537.72</b>	33054.58
Less : Excise Duty		<b>78.64</b>	4.53
Net Sales		<b>45459.08</b>	33050.05
<b>II. Other Income</b>	20	<b>832.28</b>	287.26
<b>III. Total Revenue ( I+II )</b>		<b>46291.36</b>	33337.31
<b>IV. Expenses :</b>			
Raw Material consumed		<b>22688.02</b>	23545.70
Purchase of Trade Goods		<b>10466.20</b>	722.07
Change in inventories of finished goods,work in progress and stock in Trade	21	<b>1396.76</b>	(7494.60)
Employee benefit expense	22	<b>1819.97</b>	1631.70
Financial costs	23	<b>4927.09</b>	3922.29
Depreciation and amortization expense	24	<b>2296.12</b>	2179.58
Other Expenses	25	<b>7207.54</b>	7712.58
<b>Total Expenses (IV)</b>		<b>50801.70</b>	32219.32
V. Profit before tax ( III-IV)		<b>(4510.34)</b>	1117.99
VI. Tax Expense:			
Current Tax		--	--
Previous Years Tax		--	46.13
Deferred Tax {Refer Note no. 2.22}		<b>(1367.66)</b>	467.56
<b>VII. Profit/(Loss) for the period from continuing operations</b>		<b>(3142.68)</b>	604.30
VIII. Profit /(Loss)from discontinuing operations		--	--
IX. Tax expense of discontinuing operations		--	--
X. Profit/(Loss) from discontinuing operations( VIII-IX)		--	--
<b>XI. Profit/(Loss) for the period (VIII+X)</b>		<b>(3142.68)</b>	604.30
XII. Earning per equity share :			
- Basic (Rs.)	2.10	<b>(4.75)</b>	0.19
- Diluted(Rs.)	2.10	<b>(4.75)</b>	0.12
Significant Accounting Policies & Explanatory Notes are an integral part of the financial statement	1 & 2		

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

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

Sanjeev Aggarwal  
GM-Accounts

Vinod Jaria  
Financial Controller

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

**For and on behalf of the Board**

Satish Bagrodia  
*Chairman*  
Manish Bagrodia  
*Managing Director*

**Place : Chandigarh**  
**Date : 30-05.2012**



**CONSOLIDATED CASH FLOW STATEMENT**  
FOR THE YEAR ENDED 31st MARCH, 2012

**WINSOME YARNS LIMITED**

PARTICULARS	2011-12 (Rs. in Lacs)	2010-11 (Rs. in Lacs)
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>NET PROFIT/(LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS</b>	<b>(4510.34)</b>	1117.99
<b>Adjustment for:</b>		
Depreciation	2298.16	2185.98
Amortization of Leasehold Land and Intangible Assets	7.19	2.83
Pro-rata Capital Subsidy	(9.23)	(9.23)
(Profit)/Loss on sale of fixed assets	57.60	--
Provision for doubtful debts advances w/back	(57.83)	(58.95)
Interest expense	4851.72	3830.14
Liability /Balances written Back	363.96	--
Provision for diminution in Investment	0.52	--
Interest income	(93.21)	(40.84)
	<b>7418.88</b>	5909.93
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>2908.54</b>	7027.92
<b>Adjustment for:</b>		
Trade & other receivable	(7839.34)	(1315.59)
Inventories	(910.68)	(8140.13)
Trade & other Payables	3799.79	771.32
	<b>(4950.23)</b>	(8684.40)
<b>CASH GENERATED FROM OPERATIONS</b>	<b>(2041.69)</b>	(1656.48)
Direct Tax Paid	--	66.13
Income Tax Refund	118.78	--
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>(1922.91)</b>	(1722.61)
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(565.12)	(1026.65)
Sale of fixed assets	4.03	--
Interest Received	93.21	53.42
	<b>(467.88)</b>	(973.23)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(467.88)</b>	(973.23)
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Capital Subsidy received	234.00	--
Convertible Warrants- Received towards Conversion	1166.00	980.05
Issue of Equity Share Capital GDRs issue (Net of Expenses)	--	6452.02
Interest paid	(4601.38)	(4418.05)
Proceeds from borrowings	6656.49	7068.24
Repayment of borrowings	(4120.74)	(1179.87)
	<b>(665.63)</b>	8902.39
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(665.63)</b>	8902.39
<b>(D) CHANGES IN CURRENCY FLUCTUATION RESERVE ARISING ON CONSOLIDATION</b>	<b>153.96</b>	66.46
<b>Net Increase/(decrease) in cash and cash equivalents</b>	<b>(2902.46)</b>	6273.01
<b>Opening Balance</b>		
Cash & Cash Equivalents	6273.90	38.36
Others	515.16	477.69
	<b>6789.06</b>	516.05
<b>Closing Balance</b>		
Cash & Cash Equivalents	3149.96	6273.90
Others	736.64	515.16
	<b>3886.60</b>	6789.06
<b>Cash &amp; Cash Equivalents as per AS-3</b>		

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

*For and on behalf of the Board*

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

Sanjeev Aggarwal  
GM-Accounts

Vinod Jaria  
Financial Controller

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

Satish Bagrodia  
Chairman  
Manish Bagrodia  
Managing Director

Place : Chandigarh  
Date : 30-05.2012

## WINSOME YARNS LIMITED

### NOTE: 1 - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1.1 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 subsidiaries namely Winsome Yarns (Cyprus) Limited and Step down subsidiary Winsome Yarns FZE.
- (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.	Winsome Yarns FZE (w.e.f. 11.7.2011)	100	Indirect	U.A.E
4.	I.M.M Winsome Italia S.R.L.	100	Indirect	Italy
5.	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 & Winsome Yarns FZE 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) (a) Winsome Yarns (Cyprus) Limited holds 90% shares (investment) in S.C. Winsome Romania S.R.L. & 100% shares (investment) in Winsome Yarns FZE.
- (b) 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.

#### NOTE : 2 - EXPLANATORY NOTES FORMING PART OF THE ACCOUNTS

- 2.1 (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 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 21<sup>st</sup> July 2009. Rework package approved by CDR-EG in previous year. The portion of secured loan, the repayment of which is due after 12 months from 31<sup>st</sup> March 2012 has been shown under the head 'Long Term Borrowings', since in view of the management of the company, certain delay/default in the payment of Interest and Principal repayments are temporary and not regular in nature.
- (ii) As per the above, arrangement / loans is additionally 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, whichever 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.

**2.2 (A)** During the year, warrant holders has exercised their rights of conversion of 120675000 warrants & balance amount comprising of 75% i.e. Rs. 1.20 per warrant. {Rs 1.20 on the issue price of Rs. 1.60 per warrant (including premium of Re. 0.60 per warrant)} of such warrant has been received. Accordingly, in the board meeting held on 17.08.11 has allotted 12067500 number of equity shares of Rs. 10 each (consolidated Re. 1/- each share into equity share of Rs. 10/- 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)** Out of the total issue proceeds of the GDRs in the previous year of Rs.5914.75 Lacs, pending certain compliances Rs. 3077.09 lacs (including foreign exchange gain) is parked in the Bank "Escrow" Account outside India as on year end and accordingly the balance issue proceeds are pending to be utilized. The details of amount utilized of the issue proceeds so far are as follows:

<b>Particulars</b>	<b>Amount (Rs. in lacs)</b>
Advances to step down foreign subsidiary outside India directly transferred from the Escrow account	647.71
Working Capital requirements	2897.40

**2.3** In accordance with the Accounting Standards (AS-28) on "Impairment of Assets" as notified under Companies (Accounting Standards) Rules, 2006, during the year the Company has carried out a broad review of the recoverable value of its certain fixed assets. As the recoverable amount as per projections assessed by the management exceeds the carrying amount, no impairment has been provided in the account.

**2.4 (A)**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.

**(B)**Balances of certain sundry debtors, Loans & Advances (including capital advances), creditors and other liabilities (including associate company) 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.

**2.5** The Company has initiated persuasive action for recovery of certain overdue overseas debtors of amounting to Rs 1641.09 (P.Y. Rs. 1900.18 lacs) {excluding cumulative gain on restatement of foreign currency debtors of Rs 326.05 Lacs (P.Y 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.

**2.6 (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.P.A. amounting to Euro 4.64 millions (approx Rs 3170.98 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)** Other Advances includes Euro 2.5 millions (equivalent to Rs.1708.50 lacs) represents partial payment for the acquisition of 933750 shares in an overseas company namely, Newcocot S.r.l.

**(C)** 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.

**(D)** Auditors of the subsidiary company namely M/s Winsome Yarns (Cyprus) Limited has referred to in report regarding doubtful of recoverability of the amount due from Newcocot S.r.l., an Italian company (included in the financial statements as other advances) of Euro 25,00,000 (Equivalent to Rs. 1708.50 lacs).

**2.7 Contingent Liabilities & Commitments:-**

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

## WINSOME YARNS LIMITED

<u>Particulars</u>	<u>2011-12</u>	<u>2010-11</u>
		(Rs. in lacs)
(i) Bills discounted with banks	<b>2986.42</b>	2540.32
(ii) Outstanding Letter of Credit	<b>202.00</b>	55.91
(iii) Sales Tax liability in respect of matters in appeal	<b>25.85</b>	25.85
(iv) Excise duty show cause notices / matters in appeal	<b>548.35</b>	523.72
(v) Service Tax Matters	<b>0.62</b>	0.62
(vi) Income Tax Demand	<b>308.23</b>	308.23
(vii) Outstanding bank guarantees	<b>213.59</b>	265.00
(viii) Customs duty saved of Rs. 3679.50 Lacs (Previous Year Rs. 5271.17 lacs) on import of capital good made against EPCG license against which export obligations amounting to Rs. 27965.79 Lacs. (Previous Year 22417.23 lacs) are 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. 118.83 Lacs ( Previous year 777.46 Lacs ) net of advances, Rs 71.18 Lacs (Previous year Rs. 371.21 lacs), as certified by management.		

### 2.8 Segment Reporting

- (i) The Company is only in one line of business namely Textile (Yarn, Knitting & related revenue)
- (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)

<u>No.</u>	<u>Particulars</u>	<u>India</u>	<u>Outside India</u>	<u>Total</u>
i)	External Revenue-Sale*	19225.85	26254.04	45479.89
		(16451.55)	(16544.09)	(32995.64)
ii)	Carrying amount of segment assets by location of assets	60138.20	15263.48	75401.68
		(60185.38)	(11198.68)	(71384.06)
iii)	Capital Expenditure	565.12	---	565.12
		(1026.65)	---	(1026.65)

\* Includes Export Incentives of Rs 1124.03 lacs (P.Y. Rs. 195.90 lacs)

- 2.9 During the year, deferred tax in respect of timing differences has been re-assessed/ re-computed and Asset (net) amounting to Rs. 1367.66 lacs for the year has been debited to Profit & Loss Account. Deferred tax assets on unabsorbed depreciation and business losses have been recognized based on management's opinion that there is virtual certainty and sufficient taxable income will be generated / available against which such deferred tax assets can be realized.

### 2.10 Earning per share

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

<u>Particulars</u>	<u>2011-12</u>	<u>2010-11*</u>
Net Profit/(Loss) attributable to Equity Shareholders (Rs. in Lacs)	<b>(3142.65)</b>	604.30
Weighted average number of equity shares	<b>66157188</b>	32363982
Nominal Value per equity share(Rs.)	<b>10</b>	10
Basic EPS (Rs.)	<b>(4.75)</b>	0.19
Weighted average number of equity shares	<b>66157188</b>	50909880
Diluted EPS (Rs.)	<b>(4.75)</b>	0.12

## WINSOME YARNS LIMITED

\*The face value of equity share capital has been consolidated on 06.08.2011 from Re 1/- to Rs. 10/ each. Accordingly, the number of equity shares have been decreased and also EPS for the preceeding period(s) have been revised/reinstated.

### 2.11 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) S.C. Winsome Romania s.r.l (90% Subsidiary)
- (ii) I.M.M. Winsome Italia S.P.A. (Subsidiary of (i) above)
- (iii) S.C. Textil s.r.l. (Subsidiary of (iii) above)

#### 2. Key management personnel and their relatives. -

- Mr. Satish Bagrodia Chairman
- Mr. Manish Bagrodia Managing Director
- Mr. Ashish Bagrodia Director
- Mr. Andreas Alexiou Director
- Mr. Androulla Kakoyianni Director
- Mr. Stelios Sivitanides Director
- Mr. Mariquel Bacatan Luna Manager

#### 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 Note 5 & 8)

#### Transactions with the Related Parties during the year ended 2011-12

Particulars	<u>2011-12</u>	<u>2010-11</u>
Winsome Textile Industries Ltd.		
Sale of material & goods and services	-	-
Purchase of material & goods and services	214.32	232.17
Expenses reimbursed to others	8.87	3.35
Expenses reimbursed by others	5.82	12.28
Balance Outstanding as at year end		
Receivable / (Payable)	(676.50)	(467.50)
Sh. Satish Bagrodia		
Directors Sitting Fee	0.30	0.65
Sh. Manish Bagrodia		
Remuneration	29.18	29.18
Sh. Ashish Bagrodia		
Directors Sitting Fee	0.40	0.50
Sh. Mariquel Bacatan Luna		
Managers Fees	0.18	Nil
Starpoint Financial Services Pvt. Ltd.		
Rent	21.31	21.31
Shell Business Pvt. Ltd.		
Application/ Allotment Money against Convertible Warrants	318.00	1182.00
S.C. Winsome Romania		
Balance Outstanding as at year end		
Receivable / (Payable)	49.80	53.83
IMM Winsome Italia		
Balance Outstanding as at year end		
Receivable / (Payable)	149.24	157.85

## WINSOME YARNS LIMITED

- Chairman and Managing Director have given guarantees to lenders against loans taken by the Company.  
 - Starpoint Financial Services Pvt. Ltd. has given guarantees to lenders against loans taken by the Company.
- 2.12 Commission Income in foreign currency of Rs 929.52 Lacs ( Rs 517.80 Lacs since realized) and handling charges of Rs 298.12 lacs on sale has been accounted for on accrual basis as per the terms of agreement during the year under the head "Revenue fro operations" as in the opinion of the management activities is directly related with its business segment its operates. Company is in process of getting the balances confirmation .
- 2.13 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	2011-12 (Rs. in lacs)	2010-11 (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 along with 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.	-	-

- 2.14 Accounting Policies and other notes on accounts are set out in the financial statements of the Company.
- 2.15 During the year ended 31st March 2012, the revised schedule VI has become applicable to the company. Thus previous year figures have been reclassified/recasted suitably. The adoption of revised schedule VI does not impact recognition & measurement principle followed for preparation of financial statements except for presentation & disclosures wherever required.

As per our report of even date

**For LODHA & CO.,**  
 Chartered Accountants  
 FRN : 301051E

For and on behalf of the Board

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

Sanjeev Aggarwal  
 GM (Accounts)

Vinod Jaria  
 Financial Controller

K V Singhal  
 GM (Legal) &  
 Company Secretary

Satish Bagrodia  
*Chairman*  
 Manish Bagrodia  
*Managing Director*

Place: Chandigarh  
 Date : 30.05.2012

**NOTES ON FINANCIAL STATEMENT**  
FOR THE YEAR ENDED 31st MARCH, 2012

**WINSOME YARNS LIMITED**

PARTICULARS	As at 31.03.2012 (Rs. in Lacs)	As at 31.03.2011 (Rs. in Lacs)
<b>NOTE 3 - SHARE CAPITAL</b>		
<b>1. AUTHORISED*</b>		
8,50,00,000 Equity Shares of Rs.10/- each (Previous Year 65,00,00,000 Equity Shares of Re.1/- each)	<u>8500.00</u>	<u>6500.00</u>
<b>ISSUED*</b>		
7,10,86,829 Equity Shares of Rs.10/- each (Previous Year 59,01,93,290 Equity Shares of Re.1/- each)	<u>7108.68</u>	<u>5901.93</u>
<b>SUBSCRIBED &amp; PAID UP*</b>		
7,07,07,229 Equity Shares of Rs.10/- each (Previous Year 58,63,97,290 Equity Shares of Re.1/- each)	<u>7070.72</u>	<u>5863.97</u>
Amount Paid-up on shares forfeited	<u>11.61</u>	<u>11.61</u>
	<u><b>7082.33</b></u>	<u><b>5875.58</b></u>

\* The face value of equity share capital has been consolidated on 06.08.2011 from Re. 1/- each to Rs 10/ each

**2. Rights of Shareholders**

- 2.1 The Company has only one class of Equity Shares having face value of Rs. 10/- each (Previous Year Re. 1/- each) in its issued, subscribed and paid up equity share capital. Each shareholder is entitled to one vote per share (except GDR shareholding mentioned at point no. 2.2 below). Each shareholder have the right in profit/surplus in proportion to amount paid up with respect to share holding.
- 2.2 The GDR shareholding which is standing in the name of Bank of New York Mellon, as Depository, has right to dividend but do not have any right to vote.
- 2.3 In the event of winding up, the equity shareholders will be entitled to receive the remaining balance of assets, if any, in proportionate to their individual shareholding in the paid up equity capital of the company.

**3. Details of shareholders holding more than 5% of shares in the Company :-**

<u>Name of Shareholder</u>	<u>31.03.2012</u> <u>No. of Shares held</u>	<u>31.03.2011</u> <u>No. of Shares held</u>
The Bank of Newyork Mellon, DR (Shares held by custodian and against which Depository Receipts have been issued)	1,99,41,250	19,94,12,500
Shell Business (P) Ltd	2,07,21,244	15,72,12,440
Satyam Combines (P) Ltd	50,96,243	5,09,62,430
Landscape Traders (P) Ltd	42,00,000	-
Arpit Agencies (P) Ltd	42,00,000	-

**4. Reconciliation of Share Capital :-**

	<u>Nos.</u>	<u>Nos.</u>
Shares outstanding as at the beginning of the year	5,86,39,729	25,66,59,790
Issued during the year (a)	1,20,67,500	32,97,37,500 (b)
Buyback during the year	--	--
Shares outstanding as at the end of the year	7,07,07,229	58,63,97,290

(a) During the year, company allotted 1,20,67,500 equity shares of Rs 10/- each at a premium of Rs.6/- per share. (P.Y 13,03,25,000 equity share 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. 2.2(A)).

(b) During the year, the company has issued & allotted Nil Global Depository Receipts (GDRs) P.Y. 19,94,125 GDRs representing 19,94,12,500 equity shares of Re. 1/- each at a premium of Rs.1.97 P per share.



## WINSOME YARNS LIMITED

PARTICULARS	As at 31.03.2012 (Rs. in Lacs)	As at 31.03.2011 (Rs. in Lacs)
<b>NOTE 4 - RESERVES &amp; SURPLUS</b>		
<b>-Capital Reserve</b>		
As per last Balance sheet	27.03	27.03
Add: Addition	234.00	--
Less: Adjustment	<u>--</u>	<u>--</u>
	<b>261.03</b>	27.03
<b>-Capital Redemption Reserve</b>		
As per Balance sheet	124.44	124.44
Add: Addition	--	--
Less: Adjustment	<u>--</u>	<u>--</u>
	<b>124.44</b>	124.44
<b>-Securities Premium Account</b>		
As per last Balance sheet	4457.90	--
Add: Addition	724.05	4702.57
Less: Adjustment	<u>--</u>	<u>244.67*</u>
	<b>5181.95</b>	4457.90
<b>-General Reserve</b>		
As per last Balance sheet	35.08	35.08
Add: Addition	--	--
Less: Adjustment	<u>--</u>	<u>--</u>
	<b>35.08</b>	35.08
<b>-State Investment Subsidy</b>		
As per last Balance sheet	25.00	25.00
Add: Addition	--	--
Less: Adjustment	<u>--</u>	<u>--</u>
	<b>25.00</b>	25.00
<b>-Capital Subsidy Reserve</b>		
As per last Balance sheet	161.35	170.58
Add: Addition	--	--
Less: Adjustment	<u>9.23</u>	<u>9.23</u>
	<b>152.12</b>	161.35
<b>-Foreign Currency Translation Reserve (Net)</b>		
As per Balance sheet	94.27	27.81
Add: Addition	153.96	66.46
Less: Adjustment	<u>-</u>	<u>-</u>
	<b>248.23</b>	94.27
<b>-Profit &amp; Loss Account</b>		
Surplus in Profit and Loss statement from Previous year	1871.90	1267.60
<b>Profit/(Loss) for the year</b>	<b>(3142.68)</b>	604.30
Surplus in Profit and Loss statement carried to Balance Sheet	<u>(1270.78)</u>	<u>1871.90</u>
	<b>4757.07</b>	<b>6796.97</b>

\* GDR /Share Issue Exp



## WINSOME YARNS LIMITED

PARTICULARS	As at 31.03.2012 (Rs. in Lacs)		As at 31.03.2011 (Rs. in Lacs)	
	Non Current	Current	Non Current	Current
	<b>NOTE 5 - LONG TERM BORROWINGS</b>			
<b>SECURED LOANS (Refer note no. 2.1)</b>				
<b>Term Loans</b>				
-From Banks	24773.55	4531.99	28791.35	2801.34
Working Capital Term Loan	1031.15	1557.34	1521.30	1579.13
Vehicle Loan	4.02	7.78	11.80	7.23
	<b>25808.72</b>	<b>6097.11</b>	<b>30324.45</b>	<b>4387.70</b>
<b>UNSECURED LOANS</b>				
From Banks(Refer note no. 5.5 below)	--	472.25	361.00	433.51
	--	472.25	361.00	433.51
Less: Current maturity of Long term borrowings (Amount disclosed under other current liabilities Note No.10 )	--	6569.36	--	4821.21
	<b>25808.72</b>	--	<b>30685.45</b>	--

- 5.1 Term Loan of Rs. 28331.35 lacs (PY. Rs 29943.70 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 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 and (ii) Term loan of Rs. 354.14 Lacs (PY Rs. 616.72 Lacs) from a bank which is secured by sub-servient charges on fixed assets. The loans are repayable in quarterly installments and maturity profile is as follows:

Repayment (Rs. in lacs)	1-2 years	2-3 years	after 3 years
	3870.54	4064.57	16838.44

- 5.2 Term Loans from Banks of Rs.620.05 Lacs ( P.Y. Rs.1032.27 lacs ) & Working Capital Term Loans of Rs.2588.49 Lacs (P.Y. Rs.3100.43 Lacs ) (As per CDR terms) are secured by way of first pari-passu charge on Fixed Assets & second pari-passu charge on current assets. The loans are repayable in quarterly installments and maturity profile is as follows:-

Repayment (Rs. in lacs)	1-2 years	2-3 years	after 3 years
	494.63	413.43	123.09

- 5.3 All the aforesaid credit facilities mentioned 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 2.1(A)(ii)].

- 5.4 Vehicle Loan of Rs 11.80 Lacs is secured by hypothetical of specific assets purchased under such arrangements. The Loans are repayable in monthly installments and Maturity Profile of vehicle loan is as under:-

Repayment (Rs. in lacs)	1-2 years	2-3 years	after 3 years
	4.02	Nil	Nil

- 5.5 Rs.366.64 lacs (Previous Year Rs.616.64 lacs) secured by hypothecation of immovable property owned by a group company and Rs.105.61 Lacs (Previous Year Rs. 177.87 Lacs) is secured by pledge of 50,00,000 nos.(Previous Year Rs. 5,00,00,000 nos.) equity shares of the Company held by a promoter company.

## WINSOME YARNS LIMITED

PARTICULARS	As at 31.03.2012 (Rs. in Lacs)	As at 31.03.2011 (Rs. in Lacs)
<b>NOTE 6 - DEFERRED TAX</b>		
<b>Deferred Tax Liability (DTL)</b>		
Tax impact on difference between book value of depreciable assets and written down value for tax purposes	4558.70	4351.42
<b>Deferred Tax Assets (DTA)</b>		
Tax impact of unabsorbed depreciation and business losses	5642.85	4042.96
Tax impact of expenses charged to Profit & Loss Account but allowance under tax laws deferred	45.01	38.86
Tax impact on doubtful debts & advances	104.08	135.18
<b>Deferred Tax Asset / (Liability) (Net) {Refer Note 2.22}</b>	<b><u>1233.24</u></b>	<b><u>(134.42)</u></b>
<b>NOTE 7 - LONG TERM PROVISIONS</b>		
For Employees Benefits	110.58	96.34
	<b><u>110.58</u></b>	<b><u>96.34</u></b>
<b>NOTE 8- SHORT TERM BORROWINGS</b>		
<b>SECURED LOANS</b>		
Working capital demand loan from Banks	20899.66	15235.33
	<b><u>20899.66</u></b>	<b><u>15235.33</u></b>
8.1 Working capital demand loan includes Packing Credit & Cash Credit which are secured by hypothecation of current assets and also secured by second charge on fixed assets of the company.		
8.2 The aforesaid credit facilities mentioned 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.		
<b>NOTE 9 - TRADE PAYABLES</b>		
-Acceptances	5992.16	2625.05
-Other (refer Note no 2.13)	3843.51	2602.69
	<b><u>9835.67</u></b>	<b><u>5227.74</u></b>
<b>NOTE 10 - OTHER CURRENT LAIBILITIES</b>		
Current maturities of long term borrowings	6569.36	4821.21
Interest accrued and due on borrowings	352.40	102.06
Advance from Customers	315.45	389.03
Unpaid Dividend*	24.02	29.21
Other Liabilities		
-Capital payables (Refer Note no. 2.13)	122.33	207.72
-Statutory Dues	64.68	56.38
-Others payables (Refer Note no. 2.13)	853.26	1241.33
	<b><u>8301.50</u></b>	<b><u>6846.94</u></b>
* shall be credited to investor's education & protection fund when due		
<b>NOTE 11 - SHORT TERM PROVISIONS</b>		
Provision for employee Benefits:	11.23	11.11
	<b><u>11.23</u></b>	<b><u>11.11</u></b>

**NOTE-12 : FIXED ASSETS**

(Rs. in Lacs)

Nature of Assets	Gross Carrying amount			Depreciation/Amortisation			Net Carrying amount		
	As at 1.4.2011	Additions/ Adjustment	Sales/ Adjustment	As at 31.3.2012	For the year	Adjustment	Upto 31.3.2012	As at 31.3.2012	As at 31.3.2011
<b>Tangible</b>									
Land									
-Freehold	335.39	5.70	--	341.09	--	--	--	341.09	335.39
-Leasehold	280.27	--	--	280.27	2.83	--	18.04	262.23	265.06
Buildings**	6875.54	1083.43	--	7958.97	245.25	--	1397.87	6561.10	5722.92
Plant & Machinery	38019.98	1393.67	72.65	39341.00	2015.81	11.27	13799.45	25541.55	26225.07
Furniture & Fixture**	365.00	11.59	0.49	376.10	26.70	0.24	273.70	102.40	117.76
Office Equipments	37.66	6.46	--	44.12	2.45	--	20.28	23.84	19.83
Vehicles	112.57	--	--	112.57	7.95	--	68.58	43.99	51.94
<b>Total (A)</b>	<b>46026.41</b>	<b>2500.85</b>	<b>73.14</b>	<b>48454.12</b>	<b>2300.99</b>	<b>11.51</b>	<b>15577.92</b>	<b>32876.20</b>	<b>32737.97</b>
Previous Year	43642.08	2384.33	--	46026.41	2184.46	--	13288.44	32737.97	32538.10
<b>Intangible</b>									
Specialised Software	63.48	0.19	--	63.67	4.36	--	59.13	4.54	8.71
<b>Total (B)</b>	<b>63.48</b>	<b>0.19</b>	<b>--</b>	<b>63.67</b>	<b>4.36</b>	<b>--</b>	<b>59.13</b>	<b>4.54</b>	<b>8.71</b>
Previous Year	63.48	--	--	63.48	4.35	--	54.77	8.71	13.06
<b>Total (A+B)</b>	<b>46089.89</b>	<b>2501.04</b>	<b>73.14</b>	<b>48517.79</b>	<b>2305.35</b>	<b>11.51</b>	<b>15637.05</b>	<b>32880.74</b>	<b>32746.68</b>
Previous Year	43705.56	2384.33	--	46089.89	2188.81	--	13343.21	32746.68	32551.16

**Notes:**

\*\*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 Rs41.18 Lacs and Rs.56.94 Lacs) and net Rs.4.12 Lacs and Rs.3.83 Lacs, respectively. (Previous year Rs.8.24 Lacs and Rs. 9.52 Lacs respectively).

## WINSOME YARNS LIMITED

PARTICULARS	As at 31.03.2012 (Rs. in Lacs)	As at 31.03.2011 (Rs. in Lacs)
<b>NOTE 13 - NON-CURRENT INVESTMENTS</b>		
<b>Trade Investment</b>		
<b>Investment in Equity Shares</b>		
<b>Unquoted</b>		
<b>Subsidiary Companies:</b>		
90 Equity Shares of S.C. Winsome Romania S.r.l., (Face Value of RON 30 each)	0.52	0.52
Less : Provision for diminution in value of investment	0.52	--
	<u>-</u>	<u>0.52</u>
Aggregate amount of unquoted investment	0.52	0.52
Aggregate amount of provision for diminution in value of investment	0.52	--
<b>NOTE 14 - LONG TERM LOANS &amp; ADVANCES</b>		
(Unsecured, considered good unless otherwise stated)		
Capital Advances	71.18	371.21
Security Deposits	269.14	119.12
<b>Other Loans &amp; advances</b>		
-MAT Credit Entitlement	50.43	50.43
	<u>390.75</u>	<u>540.76</u>
<b>NOTE 15 - INVENTORIES (At lower of cost and net realizable value)</b>		
(As taken, valued and certified by the management)		
Raw Materials *	5630.12	3405.50
Stock in Process	4915.92	4039.40
Stores & Spares	450.99	377.00
Finished Goods **	6285.56	8555.33
Waste (At net realizable value)	83.67	78.35
	<u>17366.26</u>	<u>16455.58</u>
*Includes in transit Rs Nil (Previous Year Rs.113.39 Lacs)		
**Includes in transit Rs. 895.69 lacs (Previous Year Rs112.52 Lacs)		
<b>NOTE 16 - TRADE RECEIVABLES</b>		
(Unsecured, considered good unless otherwise stated )		
<b>- Exceeding Six months from due date</b>		
-Good	1968.97	2562.56
-Doubtful	280.54	381.22
Less : Provision for Doubtful Debts	280.54	381.22
	<u>1968.97</u>	<u>2562.56</u>
<b>- Other Debts</b>	<u>11614.71</u>	<u>3136.69</u>
	<u>13583.68</u>	<u>5699.25</u>
<b>NOTE 17 - CASH &amp; BANK BALANCES</b>		
<b>Cash &amp; cash equivalents</b>		
Cash in hand	3.79	0.01
Balances with Banks		
-On Current Accounts	69.08	359.14
<b>Earmarked balances</b>		
-On Escrow Accounts(Refer note No.2.2(B))	3077.09	5914.75
-On Unpaid Dividend Account	24.02	29.21
<b>Other Bank balances</b>		
-On Fixed Deposit Account (Lodged with Banks as Margin) \$	712.62	485.95
	<u>3886.60</u>	<u>6789.06</u>
\$ includes FDR's with maturity of more than 12 months		

## WINSOME YARNS LIMITED

### NOTE 18 - SHORT TERM LOANS & ADVANCES

(Unsecured, Considered Good unless otherwise stated)

Loan & Advance to Subsidiary	-	316.20
Advance Income Tax including TDS	121.41	240.19
Refunds/Claims Receivable	581.03	577.90
Interest Subsidy Receivable (Under TUFS)	1205.03	1313.21
Balances with government authorities	166.42	190.32
Export Incentives Receivable	967.49	459.60
Advances to suppliers	1050.45	1581.66
(Net of Provisions for doubtful advances Rs. 56.25 lacs (P.Y. Rs. 56.25 lacs))		
Other Advances*	2307.28	1725.90
	<u>6399.11</u>	<u>6405.18</u>

\* includes Euro 2.5 millions equivalent to Rs.1708.50 lacs (P.Y. Euro 2.5 millions equivalent to Rs. 1581 lacs) for partial payment for the acquisition of 933750 shares in an overseas company namely, Newcocot S.r.l.

### NOTE 19 - REVENUE FROM OPERATION

#### Sale of Product

-Yarns*	30357.64	28498.59
-Knitwear*	1671.63	1712.77
-Trading Sale	10877.51	690.29
	<u>42906.78</u>	<u>30901.65</u>

#### Sale of Services

-Job Charges	95.30	26.04
-Commission Income	929.52	--
	<u>1024.82</u>	<u>26.04</u>

#### Other operating revenue

Waste Sales	1236.14	2051.50
Sale of Scrap	14.03	16.44
Provision for Doubtful Debts/Advances Written back	57.83	58.95
Handling Charges (Refer Note no 2.12)	298.12	--
	<u>1606.12</u>	<u>2126.89</u>
	45537.72	33054.58
Less : Excise Duty	78.64	4.53
	<u>45459.08</u>	<u>33050.05</u>

\*includes duty drawback & DEPB of Rs 1124.03 lacs (P.Y 195.90 Lacs)

### NOTE 20 - OTHER INCOME

Interest Received	93.21	40.84
Exchange Rate Difference (net)	370.92	246.42
Liability/Balances written back ( Net )	363.96	--
Miscellaneous Income	4.19	--
	<u>832.28</u>	<u>287.26</u>

## WINSOME YARNS LIMITED

### NOTE 21 - CHANGE IN INVENTORIES OF FINISHED GOODS, WIP STOCK AND STOCK IN TRADE

#### Closing Stock

Finished Goods		
- Yarn	5608.01	8191.28
- Knitwear	677.55	364.05
	<u>6285.56</u>	<u>8555.33</u>
Stock in Process		
- Yarn	4649.60	3646.48
- Knitwear	266.32	392.92
	<u>4915.92</u>	<u>4039.40</u>
	(A)	
	<u>11201.48</u>	<u>12594.73</u>

#### Less : Opening Stock

Finished Goods (Yarn)		
- Yarn	8191.28	2517.90
- Knitwear	364.05	309.99
	<u>8555.33</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>
	(B)	
	<u>12594.73</u>	<u>5064.40</u>
Differential excise duty on increase/(decrease) in stock (C)	3.51	35.73
Decrease/(Increase) in Stocks(A-B-C))	<u>1396.76</u>	<u>(7494.60)</u>

### NOTE 22 - EMPLOYEE BENEFIT EXPENSES

Salaries, Wages, Bonus, etc	1676.61	1494.93
Contribution to Provident & Other Funds	101.10	93.89
Employees Welfare	42.26	42.88
	<u>1819.97</u>	<u>1631.70</u>

### NOTE 23 - FINANCE COSTS

Interest on Borrowings	4851.72	3830.14
(Net of reimbursement under TUFS Rs.1451.06 lacs, PY Rs.1416.53 lacs )		
Other borrowing cost	75.37	92.15
	<u>4927.09</u>	<u>3922.29</u>

### NOTE 24 - DEPRECIATION & AMORTISATION EXPENSES

Depreciation	2300.99	2184.46
Less : Prorata Capital Subsidy	9.23	9.23
Amortisation	4.36	4.35
	<u>2296.12</u>	<u>2179.58</u>

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**WINSOME YARNS LIMITED**

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**NOTE-25 OTHER EXPENSES**

Stores & Spares consumed	<b>995.39</b>		1337.00
Power & Fuel	<b>2596.79</b>		3027.32
Repairs & Maintenance			
-Building	<b>4.85</b>		19.72
-Plant & Machinery	<b>15.04</b>		38.60
-Others	<b>35.99</b>		46.78
Processing Charges & Dyeing Charges	<b>718.40</b>		846.25
Rent	<b>37.51</b>		35.06
Rates & Taxes	<b>0.11</b>		--
Printing & Stationery	<b>6.63</b>		6.88
Director Sitting Fee	<b>2.38</b>		3.95
Insurance	<b>74.49</b>		55.50
Bank Charges	<b>296.91</b>		210.42
Traveling & Conveyance	<b>177.50</b>		165.55
Postage, Telegrams and Telephones	<b>34.26</b>		31.15
Loss on Sale of Fixed Assets	<b>57.60</b>		--
Legal & Professional Charges	<b>61.95</b>		87.78
Charity & Donation	<b>0.05</b>		--
Prior Period Expenses ( Net )	<b>0.10</b>		2.73
Auditors remuneration			
-Audit Fees	<b>5.14</b>		3.82
-Tax Audit Fees	<b>0.39</b>		0.39
-Other services	<b>0.38</b>		2.43
-Reimbursement of expenses	<b>1.17</b>	<b>7.08</b>	<u>1.31</u> 7.95
Commission on sales	<b>483.42</b>		521.36
Freight & Handling Charges	<b>941.24</b>		1009.75
Advertisement & Other Selling Expenses	<b>171.85</b>		116.22
Investment impairment charges	<b>328.38</b>		--
Provision for diminution in value of Investment	<b>0.52</b>		--
Miscellaneous Expenses	<b>159.10</b>		<u>142.61</u>
	<b><u>7207.54</u></b>		<b><u>7712.58</u></b>

**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 22nd ANNUAL GENERAL MEETING of the Company being held on Thursday, the 6th September, 2012 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 ..... of..... or failing him/her ..... of ..... as my/our Proxy to attend and vote for me/us on my/our behalf at the 22nd ANNUAL GENERAL MEETING of the Company to be held on Thursday, the 6th September, 2012 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 of ..... 2012.

Signature of Proxy .....



NOTE :

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

- (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.



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If undelivered, please return to :  
**Winsome Yarns Limited**  
Regd. Office : S.C.O. 191-192.  
Sec. 34-A, Chandigarh-160 022  
(INDIA)

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