

WINSOME YARNS LIMITED

*24TH
ANNUAL
REPORT
2013-14*



Winsome Yarns Limited



**IS/ISO
9001**



WINSOME YARNS LIMITED

CIN : L17115CH1990PLC010566

Regd. Office : SCO 191-192, Sector 34-A, Chandigarh-160022

Phone No. : 0172-4612000, 2603966, 2662232, Fax No. 0172-4614000

E-mail : kvsinghal@winsomegroup.com, cshare@winsomegroup.com

NOTICE

NOTICE is hereby given that the 24th Annual General Meeting of the Members of Winsome Yarns Limited, will be held on Tuesday, the 31st day of March, 2015 at 11.30 a.m. at PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh to transact the following business:

ORDINARY BUSINESS:

ITEM NO. 1

To receive, consider and adopt the Audited Financial Statement of the Company for the Financial Year ended September 30, 2014 together with the Reports of the Board of Directors and Auditors thereon.

ITEM NO. 2

To appoint a Director in place of Shri Manish Bagrodia (DIN. 00046944), who retires by rotation in terms of Section 152(6) of the Companies Act, 2013 and being eligible, offers himself for re-appointment.

ITEM NO. 3

To appoint Auditors & and fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

“**RESOLVED THAT** pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014, M/s Lodha & Co., Chartered Accountants, (Firm Registration No. 301051E) be and are hereby re-appointed as the Statutory Auditors of the Company for a period of three years to hold the office from the conclusion of this Annual General Meeting till the conclusion of 27th Annual General Meeting (subject to ratification by the members at every Annual General Meeting) at a remuneration to be decided by the Managing Director of the Company in consultation with the Auditors plus applicable service tax and re-imbusement of out of pocket expenses incurred by them for the purpose of audit.”

SPECIAL BUSINESS:

ITEM NO. 4

To appoint Mr. Pradeep Kumar as an Independent Director of the Company and to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

“**RESOLVED** that pursuant to the provisions of Sections 149, 152 and any other applicable provisions, if any, of the Companies Act, 2013 read with Schedule IV to the Companies Act, 2013, the rules made there under and Clause 49 of the Listing Agreement (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Pradeep Kumar (DIN:03052477), who was appointed as an Independent Director of the Company liable to retire by rotation and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director be and is hereby appointed as an Independent Director of the Company not liable to retire by rotation for a term of consecutive five years starting from the date of this Annual General Meeting to the conclusion of 29th Annual General Meeting of the Company.”

ITEM NO. 5

To appoint Mr. K. P. Ramakrishnan as an Independent Director of the Company and to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

“**RESOLVED** that pursuant to the provisions of Sections 149, 152 and any other applicable provisions, if any, of the Companies Act, 2013 read with Schedule IV to the Companies Act, 2013, the rules made there under and Clause 49 of the Listing Agreement (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. K. P. Ramakrishnan (DIN:06999443), who was appointed as an Additional Independent Director of the Company and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director be and is hereby appointed as an Independent Director of the Company not liable to retire by rotation for a term of consecutive five years starting from the date of this Annual General Meeting to the conclusion of 29th Annual General Meeting of the Company.”

ITEM NO. 6

To re-appoint Mr. Manish Bagrodia as Managing Director and fix his remuneration and to consider and if thought fit, to pass, with or without modification(s), the following resolution as **Special Resolution**:

“**RESOLVED THAT** in accordance with the provisions of Sections 196, 197, 198 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), approval of the Company be and is hereby accorded to the re-appointment of Shri Manish Bagrodia (DIN: 00046944) as Managing Director of the Company, for a period of 5 (five) years with effect from July 1, 2014 on the terms and conditions including remuneration as set out in the Statement annexed to the Notice convening this Meeting, with liberty to the Board of Directors (hereinafter referred to as “the Board” which term shall be deemed to include the Human Resources, Nomination and Remuneration Committee of the Board) to alter and vary the terms and conditions of the said re-appointment and/ or remuneration as it may deem fit and as may be acceptable to Shri Manish Bagrodia, subject to the same not exceeding the limits specified under Schedule V to the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof;

FURTHER RESOLVED THAT pursuant to the provisions of section 152 and any other applicable provisions of the Companies Act, 2013 and rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), the period of office of Mr. Manish Bagrodia, Managing Director of the Company, who is a non-retiring Director in terms of the erstwhile provisions of the Companies Act, 1956, shall henceforth be made liable to retire by rotation and the reappointment of Managing Director as such Director of the Company on retirement by rotation shall not be deemed to constitute a break in his office of the Managing Director.

FURTHER RESOLVED THAT the Board be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

For and on behalf of the Board

Place : Chandigarh
Dated : 29.11.2014

Manish Bagrodia
Managing Director

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting (the “Meeting”) is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote. The instrument appointing the proxy should, however, be deposited at the registered office of the Company not less than forty-eight hours before the commencement of the Meeting.
2. Members are requested to bring their attendance slip along with their copy of Annual Report to the Meeting.
3. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
4. Corporate members intending to send their authorized representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.

5. Relevant documents referred to in the accompanying Notice and the Statement are open for inspection by the members at the Registered Office of the Company on all working days, except Saturdays, during business hours up to the date of the Meeting.
6. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company/ RTA.
7. **Members who have not registered their e-mail addresses so far are requested to register their e-mail address with the Depository Participants, who have hold the shares in demat form and with the Company, who have hold the shares in physical form for receiving all communication including Annual Report, Notices, Circulars, etc. from the Company electronically.**
8. M/s Link Intime India Pvt. Limited, 44, Community Centre, 2nd Floor, Near PVR, Naraina Industrial Area, Phase-I, 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.
9. According to section 205(A)(5) of the Companies Act, 1956, the unclaimed/ unpaid dividend for the year 2006-07 have been transferred to Investor Education and Protection Fund on 21.11.2014. 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.
10. The notice of AGM along with Annual Report 2013-14 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company/Depositories, unless any Member has requested for a physical copy of the same. The Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode.
11. Item No. 2 - Shri Manish Bagrodia aged about 47 years, M.Com, Diploma in Computer Applications having around 27 years of experience in Textile Industry. He is holding 52040 shares of the company.
Presently, he is Director of Winsome Yarns Limited, IDS Infotech Limited, Inde Dutch Engineering & Aerospace Services Ltd., IDS -Argus Healthcare Services Pvt. Limited, Winsome Yarns (Cyprus) Limited and IDS Infotech (UK) Limited.
He is also member of Audit Committee, Stakeholders Relationship Committee and Risk Management Committee of Winsome Yarns Limited.
12. A Statement pursuant to Section 102(1) of the Companies Act, 2013, relating to the Special Business to be transacted at the Meeting is annexed hereto.
13. The Register of Members and Share Transfer Books of the Company will remain closed on 16.03.2015 to 18.03.2015 (both days inclusive).

E-voting Procedure

14. The instructions for shareholders voting electronically are as under:
 - (i) The voting period begins on 20.03.2015 at 9.00 a.m. IST and ends on 25.03.2015 at 6.00 p.m. IST. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (20.02.2015) may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
 - (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
 - (iii) Click on "Shareholders" tab.
 - (iv) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
 - (v) Next enter the Image Verification as displayed and Click on Login.

- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

| For Members holding shares in Demat Form and Physical Form | |
|---|---|
| PAN | <p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> • <i>Members who have not updated their PAN with the Company/ Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.</i> • <i>In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.</i> |
| Date of Birth or Date of Incorporation | Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format. |
| Dividend Bank Details | <p>Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.</p> <ul style="list-style-type: none"> • <i>Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member id/ folio number in the Dividend Bank details field as mentioned in instruction (iv).</i> |

- (viii) After entering these details appropriately, click on “SUBMIT” tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach ‘Password Creation’ menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN of Winsome Yarns Limited for voting.
- (xii) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.
- (xvii) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) Note for Non – Individual Shareholders and Custodians.

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

Mr. Girish Madan, Practising Company Secretary (Membership No. FCS 5017), proprietor of M/s. Girish Madan and Associates has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

The Scrutinizer shall within a period not exceeding three(3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two(2) witnesses not in the employment of the Company and make a Scrutinizer’s Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.

The Results shall be declared on or after the AGM of the Company. The Results declared alongwith the Scrutinizer’s Report shall be placed on the Company’s website and on the website of CDSL within two(2) days of passing of the resolutions at the AGM of the Company and communicated to the BSE Limited and the National Stock Exchange of India Limited.

STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013 (“the Act”)

ITEM NO. 3

Although not required, this explanatory statement is being given in respect of Item No. 3 of the notice. M/s Lodha & Co., Chartered Accountants (Firm Registration No. 301051E), are Statutory Auditors of the Company for auditing accounts of the Company for the financial year 2013-14 and their term of office is upto the conclusion of the forthcoming Annual General Meeting of the Company. The provisions of Section 139 of Companies Act, 2013 and Rule 6 of Companies (Audit and Auditors) Rules, 2014 provides that in case an audit firm which has completed two terms of five consecutive years, such firm shall be eligible to be re-appointed as Statutory Auditors for a maximum period of three years. M/s Lodha & Co., Chartered Accountants have been auditors of the Company for more than 10 years, therefore, they can be re-appointed as Statutory Auditors of the Company for a period of three years only.

Therefore, Board of Directors of the Company, after considering the recommendations of Audit Committee, have proposed to re-appoint M/s Lodha & Co, Chartered Accountants, as Statutory Auditors of the Company, for a period of three years i.e. from the conclusion of this Annual General Meeting of the Company till the conclusion of 27th Annual General Meeting of the Company, subject to the ratification of their appointment by the members in every subsequent Annual General Meeting in accordance with the provisions of Section 139 of the Companies Act 2013 read with Companies (Audit & Auditors) Rules 2014.

None of the Directors, Key Managerial Personnel or their relatives is interested in this resolution. The Board recommends this resolution for approval of the shareholders.

ITEM NO. 4

The Company had, pursuant to the provisions of clause 49 of Listing Agreements entered with the Stock Exchanges and in terms of Section 161 of the Companies Act, 2013, appointed Shri Pradeep Kumar, as Independent Additional Director of the Company w.e.f. 30.09.2013 and thereafter, the shareholders in their meeting held on 12.02.2014 had appointed as Independent Director of the Company.

Pursuant to the provisions of Sections 149, 152 and any other applicable provisions, if any, of the Companies Act, 2013 read with Schedule IV to the Companies Act, 2013, the rules made there under and Clause 49 of the Listing Agreement (including any statutory modification(s) or re-enactment thereof for the time being in force), Shri Pradeep Kumar, who was appointed as Independent Director of the Company, now shall not be liable to retire by rotation for a term of consecutive five years.

Shri Pradeep Kumar, Independent Director of the Company, has given a declaration to the Board that he meet the criteria of independence as provided under section 149(6) of Companies Act 2013. In the opinion of the Board, the Independent Director fulfill the conditions specified in Sections 149, 152, Schedule IV of the Companies Act, 2013 read with Companies (Appointment and Qualifications of Directors) Rules, 2014 and Clause 49 of the Listing Agreement (including any statutory modification(s) or re-enactment thereof for the time being in force) and such Independent Director is independent of the management. Besides this, Board also considers that their continued association would be of immense benefit to the Company.

The brief profile of Shri Pradeep Kumar is given hereunder:-

| | |
|---|--|
| Name of Director | Shri Pradeep Kumar |
| DIN | 03052477 |
| Date of Birth | 15.08.1949 |
| Brief Profile | Shri Pradeep Kumar has served State Bank of Patiala for 39 years. He retired as Dy. General Manager from State Bank of Patiala. During his tenure with the bank, he worked at various levels and acquired varied experience of banking sector. He is also partner in Pharmaceutical firm named Santo Formulations. |
| Qualifications | B.Sc., CAIIB |
| Directorship held in other Companies. | Ind-Swift Laboratories Limited HIM Teknoforge Limited |
| Membership/ Chairmanship of Committees of other public Companies. | (i) Chairman-Audit Committee of Winsome Yarns Ltd (ii) Chairman-Nomination and Remuneration Committee of Winsome Yarns Ltd (iii) Member-Stakeholders Relationship Committee of Winsome Yarns Ltd (iv) Member-Risk Management Committee of Winsome Yarns Ltd. |
| Shareholding in the Company | Nil |

Shri Pradeep Kumar is interested individually in the Resolutions relating to his appointment. None of the other Directors and Key Managerial Personnel of the Company, or their relatives, is interested in this Resolutions.

The Board recommends this Resolution for approval of the shareholders.

ITEM NO. 5

Pursuant to the provisions of clause 49 of Listing Agreements, entered with the Stock Exchanges and section 149 of Companies Act 2013 read with Companies (Appointment and Qualifications of Directors) Rules, 2014, which came in to effect from April 1, 2014, every listed public Company is required to have at least one-third of the total number of directors as Independent directors, who are not liable to retire by rotation. On the recommendation

WINSOME YARNS LIMITED

of the Nomination and Remuneration Committee in their meeting held on 29.11.2014, the Board of Directors in their meeting held on 29.11.2014 has appointed Shri Kollengode Padmanabhan Ramakrishnan as an Additional Independent Director of the Company for a term of consecutive five years.

Shri K. P. Ramakrishnan, Additional Independent Director of the Company, has given a declaration to the Board that he meet the criteria of independence as provided under section 149(6) of Companies Act 2013. In the opinion of the Board, the Independent Director fulfill the conditions specified in Sections 149, 152, Schedule IV of the Companies Act, 2013 read with Companies (Appointment and Qualifications of Directors) Rules, 2014 and Clause 49 of the Listing Agreement (including any statutory modification(s) or re-enactment thereof for the time being in force) and such Independent Director is independent of the management. Besides this, Board also considers that their continued association would be of immense benefit to the Company.

The brief profile of Shri Kollengode Padmanabhan Ramakrishnan is given hereunder:-

| | |
|---|--|
| Name of Director | Shri Kollengode Padmanabhan Ramakrishnan |
| DIN | 07029959 |
| Date of Birth | 16.10.1954 |
| Brief Profile | Shri K. P. Ramakrishnan is B.Tech (Metallurgy) from IIT, Chennai. He has around 36 years of experience in Banking Sector and has worked at various levels in different locations in India. He retired as Chief General Manager from IDBI Bank in 2014. |
| Qualifications | B Tech (Metallurgy) |
| Directorship held in other Companies. | Nil |
| Membership/ Chairmanship of Committees of other public Companies. | (i) Chairman-Stakeholders Relationship Committee of Winsome Yarns Ltd (ii) Chairman- Risk Management Committee of Winsome Yarns Ltd. (iii) Member-Audit Committee of Winsome Yarns Ltd (iv) Member - Nomination and Remuneration Committee of Winsome Yarns Ltd |
| Shareholding in the Company | Nil |

Shri K. P. Ramakrishnan is interested individually in the Resolutions relating to his appointment. None of the other Directors and Key Managerial Personnel of the Company, or their relatives, is interested in this Resolutions.

The Board recommends this Resolution for approval of the shareholders.

ITEM NO. 6

Mr. Manish Bagrodia was appointed as Managing Director of the Company for a period of five years w.e.f. 01.07.2009. Now, the period of his office is due to expire on 30th June, 2014.

Mr. Manish Bagrodia, aged 47 years, and having experience over 27 years in the Industry. He is a M.Com. and has also done Diploma in Computer Applications.

His knowledge of various aspects relating to the Company's affairs and long business experience, the Board of Directors is of the considered opinion that for smooth and efficient running of the business, the services of Mr. Manish Bagrodia should be available to the Company for a further period of five years with effect from July 01, 2014.

In terms of the provisions of the Companies Act, and the Articles of Association of the Company, the Nomination and Remuneration Committee of the Board and the Board of Directors have, at their meeting held on May 15, 2014, re-appointed him as Managing Director of the Company for a further period of five years with effect from July 01, 2014, subject to the approval of shareholders of the Company and other authorities, if required, on the following terms and conditions as set out hereunder:

In case, the Company has no profits or its profits are inadequate, then the remuneration shall be paid to him with the prior approval of the Central Government or in accordance with the provisions of the Companies Act, 2013 read with Schedule V of the Act.

I. REMUNERATION:

- a) Basic Salary: Rs. 3,25,000/- per month in the grade of 3,25,000-25,000-4,25,000.
- b) 1% of Net Profit of the Company computed in the manner laid down in Section 198 of the Companies Act, 2013.
- c) Perquisites:
 - i) **Housing:**
 - (a) Fully furnished residential accommodation. In case, the fully furnished residential accommodation is not provided, H.R.A. As per Company's Rule will be paid.
 - (b) Expenses pertaining to gas, electricity, water and other utilities will be borne/reimbursed by the Company.
 - ii) **Medical Reimbursement:**

Reimbursement of actual medical expenses incurred in India and/or abroad and including hospitalization, nursing home and surgical charges for himself and family along with mediclaim policy premium paid by the Company.
 - iii) **Leave Travel Concession:**

Reimbursement of actual traveling expenses incurred in India and/or Abroad once in a year in respect of himself and family.
 - iv) **Club Fees:**

Reimbursement of membership fee for clubs including admission and life membership fees.
 - v) **Personal Accident Insurance:**

Personal Accident Insurance Policy for an amount, the annual premium of which shall not exceed Rs. 10000/- p.a.
 - vi) **Contribution to Provident Fund, Superannuation and Annuity Fund:** The Company's contribution to Provident and Superannuation or Annuity Fund as per the rules of the Company applicable to senior executives.
 - vii) **Gratuity:**

As per rules of the Company applicable to the senior executives, subject to a maximum ceiling as may prescribed in under the payment of Gratuity Act from time to time.
 - viii) **Earned Privilege Leave:**

As per the rules of the Company subject to the condition that the leave accumulated but not availed of will be allowed to be encashed for 15 days salary for every year completed services at the end of the tenure.
- d) **Other Perquisites:**

Subject to an overall ceiling of remuneration stipulated in Section 197 and 198 of the Companies Act, 2013, other perquisites and/or allowances payable to the Managing Director shall be evaluated, wherever applicable, as per Income Tax Act, 1961 or any rules thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force).

EXPLANATION:

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

Except Shri Manish Bagrodia, Shri Satish Bagrodia and their relatives, none of the other Directors, Key Managerial Personnel or their relatives is interested in this resolution. The board recommends these resolutions for approval of the shareholders.

Dear Members,

Your Directors have pleasure in presenting the 24th Annual Report on the affairs of the Company together with the Audited Accounts of the Company for the financial year ended 30th September, 2014.

| Financial Highlights | Year ended 30.9.2014 (Rs. in lacs) | Year ended 30.9.2013* (Rs. in lacs) |
|--|---|--|
| Revenue from Operations | 40660.72 | 77772.43 |
| Profit before Interest, Depreciation & Tax | (1909.55) | 8514.99 |
| Less: Interest | 6133.15 | 8010.31 |
| Profit /(Loss) before Depreciation | (8042.70) | 504.68 |
| Less: Depreciation | 2176.27 | 3267.97 |
| Profit/ (Loss) before Taxes | (10218.97) | (2763.29) |
| Exceptional items | 944.33 | 3483.85 |
| Less : – Current Tax | – | – |
| – Previous years Tax | – | – |
| – Deferred Tax | – | 1233.24 |
| Net Profit/ (Loss) after Taxes | (11163.30) | (7480.38) |
| Add : Surplus brought forward from previous year | (8739.79) | (1259.41) |
| Balance Carried to Balance Sheet | (19903.39) | (8739.79) |

* Period from 01.04.2012 to 30-09-2013.(18 months)

Operations & Performance

During the year in retrospect, the performance of the Company continued to be stressed. The compounded impact of earlier year's losses as comprehensively highlighted in the last years Report to you, caused further erosion of working capital funds resulting in subdued operations. The several requests to lenders for restructuring & enhancement of need based working capital funds have not been met with.

The current period under review faced additional challenges, like sudden glut in the domestic and international market, with abnormal increased input cost of raw material and power, fluctuating global commodity prices and low demand coupled with high debt, had an adverse financial impact on the Company.

The cumulative effect of all the above mentioned factors took a heavy toll on the overall performance and the Company for the period of 12 months ended 30.09.2014 with a loss of Rs. 11163.30 lacs in comparison to the net loss of Rs. 7480.38 lacs of previous period of 18 months ended on 30.09.2013. During the year under review your Company has achieved a turnover of Rs. 40660.72 lacs against the previous year's (18 months) turnover of Rs. 77772.43 lacs.

During the year under review, the exceptional increase in losses of the Company is attributed to paucity of working capital funds and exceptional items related to provisions for doubtful debts and advances.

Erosion of Entire Net Worth

As per the audited financial statements as at 30th September 2014, the accumulated losses of the Company have exceeded its entire net worth and the Company has become a Sick Industrial Company under section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act. 1985. Though, the Board of Directors of the Company had sufficient reasons to form an opinion that the Company had become a Sick Industrial Company, on the basis of unaudited financial statements for the period ended June 30, 2014 and accordingly a Reference was filed with Board for Industrial and Financial Reconstruction under section 15(1) of the SICA on October 16, 2014 and registration of the same is awaited.

Outlook:

In order to come out of the difficult situation and explore the current opportunities, the Management of the Company has been working on various options and some of the steps which would have an effect on the overall performance of the Company for consideration of lenders of the Company are listed as under:

- To restructure/ realign / re-size its debts in terms of CDR Guidelines with an aim to reduce costs by increasing efficiencies, rationalization of manpower and other costs.
- To continue with an effort on development of low cost variants of value added yarns.
- To dispose of noncore assets of the Company and the funds so generated will be infused in the working of the Company.
- To explore and develop overseas markets as export of yarn is profitable on account of appreciation of US dollar.
- Govt. of Punjab has fully repaired the canal on which all the five Micro Hydel Projects of the Company are situated. With this the water availability will be much better and Company will be able to generate more electricity. This will reduce the power cost.
- With revival of US economy the demand of yarn will increase, which will result in increase in better margins.

In view of the above developments, the Company has made a proposal to all lenders in April 2014, for deep restructuring with Holding on Operations. The Lenders and CDR EG in its meeting held on 10.06.2014 decided that TEV Study of operation of the Company to be carried out, which was assigned to M/S Dun & Bradstreet, who submitted the Report on 23.07.2014, endorsing the viability of the Company. However, lenders were not willing to support restructuring proposal and decided for initiating recovery actions under the RDDB & SARFAESI Acts. The recall notices are being suitably replied under the guidance of legal experts with a request to the lenders to withdraw the same in the interest of all stakeholders and long term viability of the Company. The Company is continuously pursuing the lenders to reconsider their decisions and recommend for restructuring as requested. However, the holding on operations was permitted by the lenders to the Company in October 2014.

The Company has raised its claim on the lenders for the amount of losses suffered by the Company to the extent it considers the losses as attributed to the lenders.

The management of the Company is making efforts for restructuring of its business and affairs and expects to revive itself. The current efforts are also targeted towards increasing its sales and profit margins by increased production/ development of value added yarns. The Company is also launching some new products with some major retailers in US as well as Europe and other international markets.

Subsidiary Companies & Overseas Operations

According to the provisions of Section 212 of Companies Act, 1956, the holding Company is required to attach the balance sheet etc. of its subsidiary companies along with its Balance Sheet. However, pursuant to provisions of general circular no. 2/2011 issued by Ministry of Corporate Affairs on 8th February 2011, a general exemption is granted to attach the balance sheet of the subsidiary companies. Accordingly, the annual accounts of Winsome Yarns (Cyprus) Limited 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 three 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.

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. |

ISO 9001/ 2008

Your Directors are pleased to inform you that your Company continues 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 Manish Bagrodia, Director, retires by rotation and being eligible, offers himself for re-appointment.

During the year 2013-14, the Punjab National Bank has withdrawn the nomination of Shri Joginder Kumar Gupta from the Board of the Company w.e.f. 14.07.2014 and nominated Shri Brij Mohan Padha in place of Shri Joginder Kumar Gupta. The Board of Directors of the Company has approved the nomination of Shri Brij Mohan Padha, Dy. General Manager, Punjab National Bank w.e.f. 18.10.2014 as Nominee Director of the Company vide circular resolution dated 20.10.2014.

Shri Rohtash Kumar Kucheria has resigned from directorship of the Company and the Board of Directors has accepted the same w.e.f. 26.09.2014 vide circular resolution dated 06.10.2014.

Further, Shri K. P. Ramakrishnan was appointed as Independent Non-executive Director of the Company with effect from 29.11.2014.

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, Statutory Auditors of the Company, hold office upto the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has obtained a Letter of Eligibility in terms of provisions of Section 139 of the Companies Act 2013 read with Companies (Audit & Auditors) Rules 2014 from M/s Lodha & Co., Chartered Accountants, to the effect that their re-appointment, if made, would be in accordance of provisions of Section 141 of the Companies Act 2013 and Rules made thereunder and that they are not disqualified for such appointment within the meaning of section 141 of the Companies Act, 2013, the Chartered Accountants Act 1949 and Rules & Regulations made thereunder. Therefore, it is proposed to re-appoint M/s Lodha & Co, Chartered Accountants, as Statutory Auditors of the Company, for a period of three years i.e. from the conclusion of this 24th Annual General Meeting of the Company till the conclusion of 27th Annual General Meeting of the Company, subject to the ratification of their appointment by the members in every subsequent Annual General Meeting in accordance with the provisions of Section 139 of the Companies Act 2013 read with Companies (Audit & Auditors) Rules 2014.

Appointment of Key Managerial Persons (KMPs)

Shri Anand Balkishan Sharma, President (Corporate Finance), has been appointed as Chief Financial Officer (CFO) of the Company by the Board of Directors in their meeting held on 13th August, 2014 under the provisions of Section 203 of the Companies Act 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Auditors' Report

The Statutory Auditors of the Company have submitted Auditors' Report on the accounts of the Company for the accounting year ended September 30, 2014. This Auditors' Report is self-explanatory and requires no comments.

Particulars of Employees

None of the employees is covered under section 217(2A) of the Companies Act, 1956 read with Companies (particulars of Employees) Rules, 1975 as amended.

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.

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 that:

- i. in the preparation of the annual accounts for the financial year ended 30th September, 2014, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. 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. 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. the Directors have prepared the accounts for the financial year ended 30th September, 2014 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.

Corporate Governance

During the financial year, the Company 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 Disclosures

None of the Directors are disqualified under the provisions of Section 164(2) of the Companies Act, 2013. The Directors have made the requisite disclosures, as required under the provisions of Companies Act, 2013 and Clause 49 of the Listing Agreement.

Sexual Harassment

Pursuant to provisions of Section 4 of the Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013, the Board of Directors of the Company have constituted the "Internal Complaint Committees" at the different work places of the Company.

Whistle Blower Policy

Pursuant to provision of section 177(9) of the Companies Act, 2013 and Clause 49(II)(F) of the listing agreement, the Company has adopted the 'Whistle Blower Policy' and authorized to the Audit Committee of the Board to look after all the matters relating to Whistle Blower Policy and to submit its report to Board at regular intervals, on the receipt of any concerned matter, for appropriate action.

Next financial year of the Company

The last financial year of the Company was closed on 30th September, 2014. The period of next financial year will be decided by the Board of Directors of the Company in times to come.

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 patronized them.

For and on behalf of the Board

Pradeep Kumar
Director

Place : Chandigarh

Dated : 29.11.2014

Manish Bagrodia
Managing Director

ADDENDUM TO THE DIRECTORS' REPORT

Explanation of management on the remarks contained in the Auditors Report are given as under..

Auditor's observations.

(A) Attention is drawn to:

- i. *Note no. 2.26 and note no. 2.14 regarding non-provision for penal interest, penalty etc. AND adjustment/set off of payment of receivables/payables pending necessary approval as stated in the said notes.*
- ii. *Note no. 2.23 (A) (iv) (b) and 2.23(A) (v) regarding Non-compliance of conditions [read with note no. 2 .2 (A) (iii) and 2.2 (B)] with respect to physical verification of fixed assets and also advised not to maintain bank accounts outside consortium parties (Bankers etc.) as directed by the CDR-MC, as stated in the said notes.*
- iii. *Note No. 2.15 regarding pending confirmation/ reconciliation of balances of certain receivables (including oversea overdue receivables as stated in note no.2.8) bank balances, payables (including of an Associate Company of amounting to Rs. 572.40 lacs), secured loans, contingent and other liabilities, loans and advances etc., in this respect impact is unascertainable and cannot be commented by us. In our view read with said note internal control needs to be further strengthened.*
- iv. *Note No. 2.8 and Note no. 2.11 regarding non-provision against receivables (including of oversea overdue debtors of amounting to Rs. 6846.77 lacs and including accounting of exchange fluctuation of Rs. 823.31 lacs till 30th September 2014) AND loans and advances of Rs. 6844.14 lacs and Rs. 2935.38 lacs respectively. The accounting of exchange fluctuation is not in line with generally accepted accounting principles and Accounting Standards 11 (AS-11)-"The Effect of Changes in Foreign Exchange Rates".*
- v. *Note No. 2.23(A) (iv) (a) to (d) regarding accounting of consumption of Raw Material and Stores & Spares as balancing figure and the valuation of inventories is as taken, valued and certified by the management [also regarding provision against non/slow moving as assessed by the management] in view of reasons stated in said note, the impact whereof on the statement of profit and loss and state of affairs not being ascertained and cannot be commented by us.*
- vi. *As stated in note no. 2.5 and as per the AS-28 (Impairment of Assets), the company have carried out assessment of value in use of assets of knitwear unit, by an independent professional firm, based on this estimated impairment loss is of amounting to Rs. 2,996.00 lacs. However, no provision against the same has been made by the company for the reason as explained in the said note. The Non-provision against diminution in value of above stated assets is not in line with AS-28. The overall impact of above cannot be assessed (except of AS-28) or otherwise on loss for the year and balance in Statement of Profit & Loss.*

vii. Note no. 2.3 regarding pending receipt of part money of amounting to USD 50,72,110 (Rs. 2679.34 lacs) of the GDR issue made by the company lying outside India [i.e. balance amount against GDR issue of 19,94,125 nos. made in financial year 2010-11, Entitling 19,94,12,500 fully paid up equity shares of Re.1/- each at Rs.2.97 per share including premium (now 1,99,41,250 fully paid up equity shares of Rs.10/- each at Rs.29.70 including premium)]. As explained, above stated amount is invested in money market fund outside India, and the same is pending for utilization.

Attention is drawn in consolidated financial statement.

viii. Note no. 2.12(iii) regarding auditor's reservation as stated in the said note and our inability to comment thereon.

Management Response:

The Directors have been explained in detail in Notes of Accounts, however the explanations of the directors are further given as under:

S.No Particulars

- i 2.26--Due to continuous losses and financial tightness, the company has not been able to fully pay due installments & interest of term loan on due dates & certain overdue amount is continuing/ unpaid till date (as detailed in note no.5.5). Interest on overdue amount, penal interest etc. (amount unascertained) has not been provided and as the same will be provided / accounted for as and when paid/settled as the company is in process of getting loans to be restructured by the lenders.
- 2.14-- Certain outstanding payments of Rs. 2585.45 lacs of oversea receivables and payables (balances are subject to confirmations) to the oversea parties have been adjusted where the company has applied for permission/ approval with the AD/RBI.
- ii 2.23(A)(iv)(b)--Company is in process of item wise physical verification of Fixed Assets and inventories. To the extent assets and inventories have been physically verified by the management, no material discrepancies have been observed between the book record and physical quantity.
- 2.23(A)(v)--The Company has temporarily opened an account with Bank which is outside the consortium.
- iii 2.15--Balances of certain Trade Receivables (including oversea overdue trade receivables as stated in note no. 2.8), Bank Balances (including bills discounted and outstanding Letter of Credit), Trade Payables (including of Associate Company of amounting to Rs. 572.40 lacs), Secured Loans, Contingent & Other Liabilities and Loans & Advances 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. Necessary steps have been initiated to further strengthen system of internal controls w.r.t. accounting of expenses, accounting of income (including sale of licenses and provision written back), payroll payments and of balance reconciliation/confirmation.
- iv 2.8(a)--Sale includes Trading sale amounting to Rs. 2028.08 Lacs as detailed below in note no.2.10. Receivables exceeding six months includes outstanding amount for period over one year of Rs. 6846.77 Lacs (including exchange gain of Rs. 823.31 lacs till 30.09.2014)[excluding as stated in note no. (b) below], where company is in process of filing necessary papers with appropriate authority for extension of time [read with note no.2.9 (A)]. In this regards, management is confident about full recovery / reliability considering the past performance of the customer and recovery initiative taken by the Company.
- 2.8(b)--The trade receivable include certain overdue overseas Trade Receivables/Other Receivables of Rs. 820.68 lacs [net of provision made in previous year against oversea receivable as stated in note (c) below]. Considering the fact that management is confident about recovery from them is certain, provision there against has not been considered necessary.
- 2.8(c)(i)-- During the previous year provision for doubtful debts was made of Rs. 1967.14 lacs, on receipt of approval during the year of Authorised Dealer (AD) of Rs. 1466.24 Lacs, amount has been charged off in the Statement of Profit & Loss. (ii) Debts exceeding six months of Rs. 42.58 lacs have been written off (provision made in earlier years and receivable from a Subsidiary Company),pending necessary approval of the AD/RBI. (iii) Certain Advances exceeding six months of Rs. 39.19 lacs have been written off (provision made in earlier years), pending necessary approval of the AD/RBI.

- 2.11— Overdue amount include Short Term Loans and Advances of Rs. 2935.38 lacs (including Refunds / Claims Receivables of Rs. 442.34 Lacs, advances and balance with Government Authorities of Rs. 83.30 Lacs and capital advances of Rs. 250 lacs), (net of a provisions of Rs. 315 lacs made during the year). In the opinion of the management amount is fully realisable and hence considered good. Further, necessary steps have been initiated for recovery of the same.
- v 2.23(A)(iv)(a)-- As per the past practice, consumption of raw material and stores & spares is derived as net of opening stock plus purchases less closing stock as item wise records are in process of updation. (b) Company is in process of item wise physical verification of Fixed Assets and inventories. To the extent assets and inventories have been physically verified by the management, no material discrepancies have been observed between the book record and physical quantity. (c) In view of Para (a) above, closing inventory of stock-in- process and finished goods has been considered as taken, valued and certified by the management after providing against old /non-moving inventory as assessed/ estimated by the management and/or based on contracts /subsequent sales realization. (d) In view of security arrangement in place, the management is confident that there will not be any material adjustment on updation of records and completion of physical verification.
- vi 2.5-- In accordance with Accounting Standard 28-' Impairment of Assets,' the Company has identified its garmenting manufacturing facility (Knitwear Unit) located at Plot No. B-58, Industrial Area, Phase – VII, Mohali (Punjab), [Cash Generating Units (CGU)]. The CGU is engaged in manufacture of sweaters, pullover and garments of various sizes. Considering the continuing past losses of the CGU, during the period ended 30th September 2014, the Company on the basis of projected scale of operations and prevailing market conditions assessed that the recoverable value of the above CGU would be lower as compared to the carrying value, thus, indicating impairment. As a result of the impairment testing carried out as at 30th September 2013 by an independent professional firm, impairment loss of Rs. 2996.00 Lacs was estimated by the Management, based on a comparison of the carrying value of the asset vis-a-vis recoverable value. However, the Reports are under consideration of the Management & Impairment loss will be accounted as and when finally assessed. Further, management of the view that due growth in the textile in general and present economic and political scenario impairment would be lower.
- vii 2.3-- In the EGM held on 28/06/2010, shareholders of the company have approved the issue through Global Depository Receipts (GDRs). Pursuant to this 19,94,125 number of GDR of USD 6.64 each (Each GDR comprising of 100 equity shares, now total 1,99,41,250 nos. of equity shares of Rs. 10 each at Rs. 29.70 including premium) had been issued and allotted on 29/03/2011. Out of the total proceeds of the GDRs made in the year 2011, an amount of Rs. 603.21 lacs received during the year, balance Rs. 2679.34 Lacs (including foreign exchange gain) is invested in Money Market Fund and lying outside India as on 30.09.2014, pending proceeds to be utilized. In this regards, as advised, Company is filing return regularly with the RBI.
- viii 2.12(iii)--On the Financial Statements of Subsidiary Company namely Winsome Yarns FZE auditor have expressed reservation and shown their inability to verify items of assets & liabilities including provisions, trade payables, and accrued expenses AND stated reliance have been put on the management report for the Financial Statements.

(B) Emphasis of Matter:

- (i) *Note no 2.12(b) regarding the net worth of the Company become negative and preparation of financial statements by the management on "going concern basis"; considering the future business plans and expected cash flows. In the event of the same not being held to be a "going concern" and various assets and liabilities being consequently required to be adjusted with respect to their realizable value, the impact whereof has not been ascertained and herefore cannot be commented upon by us.*
- (ii) *Note no. 2.22 regarding payment of remuneration of Rs. 14.82 Lacs (w.e.f. 1st July 2014) is subject to approval of shareholders in General Meeting and also necessary approval of the Central Government.*

Additional emphasis of matter on consolidated financial statement.

- (i) *As stated in Note no. 2.12(i) represents amount paid (partial payment) for acquisition of 933750 nos. Shares in Newcocot s.r.l. (an Italian Company) through Subsidiary Company Winsome Yarns (Cyprus) Limited. As of 30th June 2013, Newcocot s.r.l. went into liquidation, the management expect to recover only 10% (Euro 0.25 Million) out of the partial payment made for the Shares in Newcocot s.r.l., the management decided and written off in the year ended 30th June,2013 the balance (90%) amounting to Rs. 1633.12 lacs (Euro 2.25 Million). Balance amounting to EURO 0.25 Million is shown in Financial Statement as other receivables.*
- (ii) *Note no. 1.1(iii) regarding non consolidation and non-availability of the financial statements of the following subsidiaries, as explained step down subsidiaries are in process of liquidation.*
 - (a) *S.C. Winsome Romania S.R.L.*
 - (b) *I.M.M. Winsome Italia S.R.L.*
 - (c) *S.C. Textil S.R.L.*
- (iii) *Note no. 2.9(b) regarding the net worth of the Company become negative and preparation of financial statements by the management on “going concern basis”, considering the future business plans and expected cash flows. In the event of the same not being held to be a “going concern” and various assets and liabilities being consequently required to be adjusted with respect to their realizable value, the impact whereof has not been ascertained and therefore cannot be commented upon by us.*
- (iv) *Note no. 2.16 regarding payment of remuneration of Rs. 14.82 Lacs (w.e.f. 1st July 2014) is subject to approval of shareholders in General Meeting and also necessary approval of the Central Government.*

Management Response:

The Directors have been explained in detail in Notes of Accounts, however the explanations of the directors are further given as under:

| S.No | Particulars |
|-------------|--------------------|
|-------------|--------------------|

- | | |
|-----|---|
| i | 2.12(i)-- The subsidiary company namely M/s Winsome Yarns (Cyprus) Limited in the year ended 30th June 2013 has reported regarding write off against other receivables represents a partial payment for the acquisition of 933,750 shares in an Italian company namely, Newcocot s.r.l. Earlier it was expected that the total cost for the acquisition to be EURO 4,600,000. The transfer of shares of Newcocot s.r.l. to the company's name could not be effected as the full consideration which was to be made could not be paid by 31st March 2014. As of 30 June 2013, due to unexpectedly difficult economic climate, Newcocot S.P.A. has gone into liquidation. As the Directors expect to recover only 10% of the partial payment of the shares in Newcocot S.P.A., the Directors decided that 90% of the partial payment should be written off. |
| ii | 1.1(iii)-- Due to Global recession of which European Countries are the worst affected, the three 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. |
| iii | 2.9(b)-- In view of continuing losses, net worth of the company became negative as at 30th September 2014. However, considering future business plans present business scenario, stable government policies for the business and expected cash flow in the near future as assessed by the management of the company, accounts are prepared on 'Going Concern' basis. |
| iv | 2.16—The payment of remuneration of Rs. 14.82 lacs (w.e.f. 1st July, 2014) is subject to approval of shareholders in General Meeting and also necessary approval of the Central Government. |

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 30th SEPTEMBER, 2014

I. CONSERVATION OF ENERGY

a) Energy conservation measures taken:

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

| Sr. No. | Energy saving measures | Units saved | Annual Saving (in Rs.) |
|---------------------|--|--------------------|-------------------------------|
| 1 | Modification in Exhaust fan in uniflex unit no 3 | 68999 | 517493 |
| 2 | Modification in Overhead blower in speed frame unit no 2 | 27677 | 207576 |
| 3 | Modification in overhead blower in Ring frame unit 3 P1 | 47196 | 353969 |
| 4 | Modification in Dust collector fan by Installing cyclic timer u2 | 54400 | 407997 |
| 5 | Modification in Rotary Air filter by Installing cyclic timer u2 | 5256 | 39420 |
| 6 | Conversion of street light Lamp from 250 watt in to 150 watt | 2811 | 21079 |
| 7 | Conversion of CFL Lamp in place of Tube rod | 21620 | 162150 |
| 8 | Conversion of Copper chokes in to Electronics ballast | 6132 | 45990 |
| 9 | Modification in water line Saving of water from 581 Kl to 562 =19 KL per day | 6935 | 52013 |
| Total Saving | | 241026 | 1807687 |

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy. Additional Investments, wherever required, are being made.

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

Though there is saving of about Rs. 18.08 lacs.

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

A) Power and Fuel consumption

| | Current Year | Previous Year |
|--|---------------------|----------------------|
| 1 Electricity | | |
| a) Purchased Unit | 60353445 | 92198653 |
| Total amount (Rs in lacs) | 4379.96 | 6013.02 |
| Rate per Unit (Rs.) | 7.26 | 6.52 |
| b) Own Generation: | | |
| (i) Through FO/Diesel Generator (Units) | 208853 | 584436 |
| Units generated per Ltr. | 3.42 | 2.92 |
| Cost per Unit (Rs.) | 15.55 | 12.73 |
| (ii) Through Hydro Projects (Units) | 7864150 | 10044705 |
| 2 Coal (Specify quality and where used) | NIL | NIL |
| 3 Wood Briquette for Boiler (Qty in MT) | 282.29 | 487.59 |
| Total amount (Rs. in lacs) | 14.80 | 29.63 |
| Avg Rate of Wood Briquette (Per Kg) | 5.24 | 6.08 |
| 4 HSD & Furnace Oil Qty.(MT) | 55.22 | 173.00 |
| Total amount (Rs. in lacs) | 34.47 | 74.40 |
| Average rate (Rs. per M.T.) | 62437 | 43006 |

WINSOME YARNS LIMITED

| | | |
|--|-------------|------|
| 5 Gas (Qty in M.T.) | NIL | NIL |
| Total amount (Rs. in lacs) | NIL | NIL |
| Average rate (Rs. per Kg) | NIL | NIL |
| B) Consumption per Unit of Production | | |
| Electricity /Own Generation | 2.57 | 3.58 |
| HSD & Furnace Oil (Ltr) | 0.07 | 0.23 |
| Hydro Projects (Unit) | 0.53 | 0.44 |
| Gas (Kgs) | NIL | NIL |

II. TECHNOLOGY ABSORPTION

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

- 1) Research & Development (R&D)
 - a) Specific area in which R&D carried by the Company :
 - Latest new technology has been adopted.
 - b) Benefits derived as a result of the above R & D
 - Producing International quality products.
 - c) Future plan of Action :
 - This is an ongoing process and continuous improvements are being carried out in the Plant & Machinery maintenance and the quality of finished products.
 - d) Expenditure on R&D (Rs. in lacs)

| | |
|---|----------------|
| Capital | NIL |
| Recurring | Rs. 63.14 lacs |
| Total R & D expenditure as a percentage of total turnover = | 0.155% |
- 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. 6132.72 lacs from export activities. New export markets have been developed and exports are likely to increase further.

| | | |
|--|----------------------------|-----------------------------|
| | (Rs. in lacs) | |
| | <u>Current Year</u> | <u>Previous Year</u> |
| Earning – through operational activities | 6132.72 | 19928.41 |
| Outgo: | 223.91 | 471.74 |

For and on behalf of the Board

Pradeep Kumar
Director

Place : Chandigarh
Dated : 29.11.2014

Manish Bagrodia
Managing Director

REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on code of Governance

The Directors present the Company's Report on Corporate Governance pursuant to Clause 49 of the Listing Agreement made with Stock Exchanges. 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.

Winsome Yarns Limited 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 six 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 five Non-Executive Directors. Out of six Directors, two are Promoter Directors, two are Non-Executive Independent Directors and two are Nominee Directors, in which one is Nominee of Punjab State Industrial Development Corporation Ltd (PSIDC) and one is Nominee 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), across all the Companies in which they are Directors. The necessary disclosures regarding Committee memberships have been made by the Directors.

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 in other Companies and Committee memberships/ chairmanship held by them are given below:

| Name of the Directors | 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 NED | 6 | Yes | 1 | 2 | -- | 2 |
| Shri Pradeep Kumar | INED | 6 | Yes | 2 | 2 | 2 | 4 |
| Shri K. P. Ramakrishnan (Appointed as Director on 29.11.2014) | INED | -- | -- | -- | 2 | 2 | 4 |
| Shri Manish Bagrodia | MD (Executive) | 6 | Yes | 6#\$ | 3 | -- | 3 |
| Shri Brij Mohan Padha (Appointed as Nominee Director of Punjab National Bank w.e.f. 18.10.2014) | NED | -- | -- | -- | -- | -- | -- |
| Shri S.K. Singla (Nominee Director of PSIDC) | NED | 5 | No | 10 | 2 | -- | 2 |
| Shri Joginder Kumar Gupta (Nomination withdrawn by PNB w.e.f. 14.07.2014) | NED | 2 | No | N.A. | N.A. | N.A. | N.A. |
| Shri Rohtash Kumar Kucheria (Resigned from directorship on 26.09.2014) | INED | 5 | No | N.A. | N.A. | N.A. | N.A. |

\$ Including Private Limited Company, # Including Foreign Companies, INED : Independent Non-Executive Director NED : Non-Executive Director, MD : Managing Director

During the financial year 2013-14, six board meetings were held. The meetings were held on 18th October, 2013, 12th February, 2014, 15th May, 2014 (2 separate meetings held on 15.05.14), 13th August, 2014 and 26th September, 2014 and the maximum time gap between any two meetings was not more than four months.

Maximum tenure of Independent Directors

The maximum tenure of Independent Directors shall be in accordance with the provisions of the Companies Act, 2013 and clarifications/ circulars issued by the Ministry of Corporate Affairs, in this regard, from time to time.

3. Code of Conduct

In terms of the provisions of Clause 49(II)(E) of the Listing Agreement and contemporary practices of good Corporate Governance, the Board has laid down the 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. Whistle Blower Policy

Pursuant to the provision of section 177(9) of the Companies Act, 2013 and Clause 49(II)(F) of the listing agreement, the Company has adopted the 'Whistle Blower Policy' and authorized to the Audit Committee of the Board to look after all the matters relating to Whistle Blower Policy and to submit its report to Board at regular intervals, on the receipt of any concerned matter, for any appropriate action.

5. Subsidiary Companies

The statement required pursuant to provisions of section 212 of the Companies Act, 1956 is provided in the Annual Report. The three step down subsidiaries namely IMM Winsome Italia S.r.l, S.C. Winsome Romania S.r.l. and S.C. Textil S.r.l. are under the liquidation process from 30.09.2008, 26.11.2008 and 09.02.2010 respectively. As no such 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.

6. CEO/ CFO Certification

The Managing Director (CEO) and the Chief Financial Officer (CFO) of the Company have certified to the Board that the requirements of the Clause 49 (IX) of the Listing Agreement, inter alia, dealing with the review of financial statements and cash flow statement for the year ended on 30th September, 2014. 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.

7. 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 177 of the Companies Act, 2013, 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 controls and procedures and ensuring compliance with regulatory guidelines.

The attendance of the members during the financial year and present composition of the Committee are as below:

| Name of members | Category | No. of meetings attended during the year 2013-2014 |
|--|----------------------------|--|
| Shri Pradeep Kumar, Chairman | Independent/ Non-Executive | 5 |
| Shri K. P. Ramakrishnan, Member <i>(Appointed as Director on 29.11.2014)</i> | Independent/ Non-Executive | – |
| Shri Manish Bagrodia, Member <i>(Appointed as Member on 29.11.2014)</i> | Promoter/Executive | – |
| Shri Rohtash Kumar Kucheria, Member <i>(Resigned from directorship on 26.09.2014)</i> | Independent/ Non-Executive | 4 |
| Shri S. K. Singla, Member <i>(Resigned from Membership on 17.10.2014)</i> | Nominee/Non-Executive | 3 |

WINSOME YARNS LIMITED

During the financial year, the Audit Committee meetings were held on 17th October, 2013, 12th February, 2014, 15th May, 2014, 13th August, 2014 and 26th September, 2014.

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

8. Nomination and Remuneration Committee

During the financial year, the Nomination and Remuneration Committee meetings were held on 15th May, 2014 and 13th August, 2014.

The composition of the Committee are as below:

| Name of Members | Category |
|---|----------------------------|
| Shri Pradeep Kumar, Chairman | Independent/Non-Executive |
| Shri Satish Bagrodia, Member | Promoter/ Non-Executive |
| Shri K. P. Ramakrishnan, Member (Appointed as Director on 29.11.2014) | Independent/ Non-Executive |
| Shri S. K. Singla, Member | Nominee/Non-Executive |
| Shri Rohtash Kumar Kucheria, Member (Resigned from directorship on 26.09.2014) | 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. 5000/- for each Board Meeting attended. The aforesaid sitting fees is within the limits prescribed under the sections/rules of Companies Act, 2013.

The details of remuneration paid to the Non-Executive Directors during the year 2013-14 are given below:

Non-Executive (Amount in Rs.)

| Name of Directors | Sitting Fees |
|-------------------------------------|--------------|
| Shri Satish Bagrodia | 30000 |
| Shri Pradeep Kumar | 30000 |
| Shri Rohtash Kumar Kucheria | 25000 |
| Shri J. K. Gupta (PNB Nominee)* | 10000 |
| Shri S. K. Singla (PSIDC Nominee)* | 25000 |
| Shri Brij Mohan Padha (PNB Nominee) | – |
| Shri K. P. Ramakrishnan | – |
| Total | 120000 |

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

ii) For Executive Director

Shri Manish Bagrodia had been appointed as Managing Director of the Company for a period of five years and his tenure expired on 30.06.2014. On the recommendation of the Nomination and Remuneration Committee, the Board of Directors in their meeting held on 15.05.2014 have re-appointed Shri Manish Bagrodia as Managing Director of the Company for a period of five years w.e.f. 01.07.2014, subject to the approval of the Shareholders and other appropriate authorities as may be required. The details of the remuneration drawn by the Managing Director during the financial year are as under.

(Rs. in lacs)

| Name of Director | Salary | HRA | Perquisites* | Total |
|----------------------|--------|------|--------------|-------|
| Shri Manish Bagrodia | 24.15 | 9.66 | 2.90 | 36.71 |

* Contribution to Provident Fund and Family Pension Fund.

9. Stakeholders Relationship Committee:

The Stakeholders Relationship Committee functions with the following objectives:

Redressing of Shareholders and Investors complaints, regarding transfer of shares, non-receipt of balance sheet, non-receipt of dividend, demat and remat the shares, change of address etc. During the financial year 2013-14, four Stakeholders Relationship Committee meetings were held on 17th October, 2013, 12th February, 2014, 15th May, 2014 and 13th August, 2014. During the financial year, the total 29 nos. of complaints were received, resolved & replied in time and no grievance was pending at the end of the financial year.

The attendance of the members during the year and present composition of the Committee are as below:

| Name of members | Category | No. of meetings attended during the year 2013-2014 |
|--|--|--|
| Shri K. P. Ramakrishnan, Chairman <i>(Appointed as Director on 29.11.2014)</i> | Independent/Non-Executive | – |
| Shri Pradeep Kumar, Member | Independent/Non-Executive | 4 |
| Shri Manish Bagrodia, Member | Promoter/Executive | 4 |
| Shri K. V. Singhal, Member | Company Secretary & Compliance Officer | 4 |
| Shri Rohtash Kumar Kucheria, Chairman <i>(Resigned from directorship on 26.09.2014)</i> | Independent/Non-Executive | 4 |

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.

10. Risk Management Committee

The Risk Management Committee has been constituted during the year and present composition of the Committee are as below.

| Name of members | Category |
|---|---------------------------|
| Shri K. P. Ramakrishnan, Chairman <i>(Appointed as Director on 29.11.2014)</i> | Independent/Non-Executive |
| Shri Satish Bagrodia , Member | Promoter/Non-Executive |
| Shri Pradeep Kumar, Member | Independent/Non-Executive |
| Shri Manish Bagrodia, Member | Promoter/Executive |

Risk Management

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

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

i. Foreign exchange risk

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

ii. Interest rate risk

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

iii. Commodity price risk

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

iv. Risk element in individual businesses

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

v. Compliance risks

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

vi. People risks

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

11. General Body Meetings

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

| Year | Venue | Date | Time |
|-----------|---|------------|------------|
| 2010-2011 | PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh | 18.07.2011 | 3.30 P.M. |
| 2011-2012 | PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh | 06.09.2012 | 3.30 P.M. |
| 2012-2013 | PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh | 12.02.2014 | 11.30 A.M. |

During the last three financial year, all resolutions, including three special resolutions on 18.07.2011 and one special resolution on 12.02.2014 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.

12. 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. 2.22 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.

13. Details of Unclaimed Suspense Account of shares

The Securities and Exchange Board of India(SEBI) vide its circular number CIR/CFD/DIL/10/2010 dated, 16th December, 2010 has amended the Clause 5A(II) of the Listing Agreement that 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"

Accordingly, the Company has opened a demat account on 07.05.2012 in the name of "WINSOME YARNS LIMITED-UNCLAIMED SUSPENSE ACCOUNT" and transferred the unclaimed shares in this account of those shareholders who had not claimed the shares after giving the notices to the respective shareholders.

WINSOME YARNS LIMITED

The details of unclaimed shares are as under:-

| Unclaimed shares' details as on 30.09.2013 | | Details of claimed shares during the financial year | | Balance as on 30.09.2014 | |
|--|---------------|---|---------------|--------------------------|---------------|
| No. of shareholders | No. of shares | No. of shareholders | No. of shares | No. of shareholders | No. of shares |
| 1431 | 299600 | 3 | 1300 | 1428 | 298300 |

The voting rights in respect of above unclaimed shares shall remain frozen till the rightful owner of such unclaimed shares.

14. Means of Communications

The financial results are published in widely circulating national & local dailies news papers such as Business Standard (in English & Hindi), Financial Express (in English) and Jansatta (in Hindi). The same are also being posted on the websites of BSE (www.bseindia.com) and NSE (www.nseindia.com) under the Scrip Code '514348' and 'WINSOME' respectively. The Company has also uploaded the same on the Company's website (www.winsomegroup.com).

15. General Shareholder information

| | |
|---|--|
| Financial Year | : 1st October, 2013 to 30th September, 2014 |
| Date of Annual General Meeting | : Tuesday, the 31st day of March, 2015 |
| Venue & Time | : PHD Chamber of Commerce & Industry, Sector 31-A, Chandigarh at 11.30 a.m. |
| Date of Book Closure | : 16.03.2015 to 18.03.2015 (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:

During the Financial Year, i.e. from 01.10.2013 to 30.09.2014, the month wise High and Low price of the equity shares of the Company on BSE and NSE were as under.

| MONTHS | BSE | | NSE | |
|--------|-------|-------|-------|-------|
| | High | Low | High | Low |
| Oct 13 | 30.00 | 13.20 | 30.00 | 12.50 |
| Nov 13 | 13.80 | 8.45 | 13.95 | 8.35 |
| Dec 13 | 8.95 | 6.72 | 8.85 | 6.55 |
| Jan 14 | 8.34 | 5.60 | 8.10 | 5.55 |
| Feb 14 | 6.25 | 3.07 | 6.15 | 3.15 |
| Mar 14 | 3.05 | 2.08 | 3.00 | 2.15 |
| Apr 14 | 2.34 | 2.00 | 2.35 | 1.95 |
| May 14 | 3.19 | 2.01 | 3.15 | 2.00 |
| Jun 14 | 3.38 | 2.45 | 3.20 | 2.45 |
| Jul 14 | 3.10 | 2.33 | 3.00 | 2.25 |
| Aug 14 | 2.91 | 2.15 | 2.80 | 2.15 |
| Sep 14 | 2.70 | 2.05 | 2.70 | 2.00 |

Source : www.bseindia.com, www.nseindia.com

WINSOME YARNS LIMITED

Annual listing fee to BSE and NSE and Annual Custodial Fee to NSDL and CDSL for the year 2014-15 have already been paid.

Registrar and Share Transfer Agent : M/s Link Intime India Pvt. Limited
44, Community Centre, 2nd Floor, Near PVR,
Naraina Industrial Area, Phase I, New Delhi – 110028
Tele. No. 011-41410592-94, Fax No. 011-41410591
E-mail : delhi@linkintime.co.in, sunil.mishra@linkintime.co.in

Share Transfer System : Shares lodged in physical form with the RTA directly or through Company, are processed and returned, duly transferred, within 15 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
E-mail IDs : Shri K.V. Singhal, GM(Legal) and Company Secretary
kvsinghal@winsomegroup.com, cshare@winsomegroup.com

Distribution of shareholding as on 30th September, 2014.

| Range of Shares | No. of Shareholders | % of Shareholders | No. of Shares | % of Shareholding |
|-----------------|---------------------|-------------------|-----------------|-------------------|
| 1 - 500 | 10565 | 71.264 | 1897239 | 2.683 |
| 501 - 1000 | 1614 | 10.887 | 1454724 | 2.057 |
| 1001 - 2000 | 1032 | 6.961 | 1726304 | 2.441 |
| 2001 - 3000 | 425 | 2.867 | 1134934 | 1.605 |
| 3001 - 4000 | 206 | 1.390 | 762731 | 1.079 |
| 4001 - 5000 | 201 | 1.356 | 969844 | 1.372 |
| 5001 - 10000 | 414 | 2.793 | 3217245 | 4.550 |
| 10001 and above | 368 | 2.482 | 59544208 | 84.213 |
| Total | 14825 | 100.000 | 70707229 | 100.000 |

Shareholding Pattern as on 30th September, 2014.

| Category | No. of shares | Percentage |
|---|-----------------|---------------|
| Promoter and Promoter Group | 27339609 | 38.67 |
| Financial Institutions/ Banks/ Mutual Funds | 11800 | 0.02 |
| NRIs | 305158 | 0.43 |
| Bodies Corporate | 5766094 | 8.15 |
| Indian Public | 18795818 | 26.58 |
| Shares held by Custodian against which Depository Receipts have been issued | 18488750 | 26.15 |
| Total | 70707229 | 100.00 |

WINSOME YARNS LIMITED

Details of shareholding of Directors in the Company as on 30.09.2014

| Name of Director | No. of shares held |
|-------------------------|--------------------|
| Shri Satish Bagrodia | 42900 |
| Shri Manish Bagrodia | 52040 |
| Shri S. K. Singla | – |
| Shri Pradeep Kumar | – |
| Shri Brij Mohan Padha | – |
| Shri K. P. Ramakrishnan | – |

Dematerialisation of shares and liquidity. : Out of total 70707229 nos. of shares, 98.82% shares have been dematerialised upto 30.09.2014.

Outstanding GDRS/ ADRS/ Warrants or any convertible instruments, conversion date and likely impact on equity. : The Company has not issued during the year any GDRs/ ADRs/Warrants or any convertible instruments, the conversion of which will have an impact on equity shares.

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

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

Micro Hydel Power Projects : Barewal, Bharowal, Isewal, Mansion, Raowal at Sidhwan
Bate, Distt. Ludhiana, Punjab

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

E-mail IDs : kvsinghal@winsomegroup.com, cshare@winsomegroup.com

Website : www.winsomegroup.com

17. Next Financial Year of the Company

The last financial year of the Company was closed on 30th September, 2014. The period of next financial year will be decided by the Board of Directors of the Company in times to come.

For and on behalf of the Board
Pradeep Kumar
Director

Place : Chandigarh

Dated : 29.11.2014

Manish Bagrodia
Managing
Director

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE CODE OF CONDUCT.

The Board of Directors at its meeting held on 29.11.2014 has again adopted fresh Code of Conduct for its Directors and Senior Management personnel. The same is also posted on the website of the Company.

I hereby certify that all Directors and Senior Executives of the Company, one level below the Board have complied with and adhered the Code of Conduct as approved and prescribed by the Board of Directors of the Company.

Place : Chandigarh

Date : 29.11.2014

Manish Bagrodia
Managing Director

CERTIFICATE OF COMPLIANCE FROM AUDITORS AS STIPULATED UNDER CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES IN INDIA

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 on 30th September, 2014, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of 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 the 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 : 29.11.2014

N. K. Lodha
Partner
Membership No. 85155

Certificate from Managing Director and Chief Financial Officer under clause 49(IX) of the Listing Agreement for the year 2013-14

- A. We have reviewed financial statements and the cash flow statement for the year ended 30.09.2014 and that to the best of our knowledge and belief:
- 1 these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - 2 these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. To the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- C. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- D.
 - 1 There has not been any significant change in internal control over financial reporting during the year under reference;
 - 2 There has not been any significant change in accounting policies during the year requiring disclosure in the notes to the financial statements; and
 - 3 We are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Manish Bagrodia
Managing Director

Place : Chandigarh
Dated : 29.11.2014

Anand Balkishan Sharma
Chief Financial Officer

MANAGEMENT ANALYSIS AND DISCUSSION

The cotton and textiles industry has an overwhelming presence in the Indian economy. Apart from providing one of the basic necessities of life, the textiles industry also plays a pivotal role through its contribution to industrial output, employment generation and export earnings of the country. India has improved its ranking as per recent data released by 'UN Comtrade' in global Textiles as well as Apparel Exports. In Global Textiles Exports, India now stands at second position beating its competitors like Italy, Germany and Bangladesh, with China still retaining its top position. However, the contribution of textile industry in terms of percentage to industrial production and export earnings is constant at 122% during the last three years and current year.

SICKNESS/ CLOSURE OF TEXTILE MILLS

The incidence of sickness and closure in the organized textiles industry is a matter of concern. Textiles being the oldest and the largest industry of the country, it is but natural that at any given point of time some textiles units could be lying sick / closed. One main reason of sickness/ closure of the industry include low productivity due to lack of modernization, stagnation in demand and inability of some units to expand in the export market, increase in the cost of inputs, difficulties in getting timely and adequate working capital and the availability of power, labour disputes, excess capacity, failure to diversify in emerging areas, poor management, etc. As per available information, 1413 cotton / man-made fibre textile mills (Non-SSI) were operating in the country as on 31.05.2014 out of which 71 number of cotton / man-made fibre textile mills (Non-SSI) were closed during last three years and current year in the country. Out of 71 cotton / man-made fibre textile mills closed upto 31st May 2014, 17 textile mills were registered with BIFR as on 31-12-2012. Out of 17 textile cases, 4 cases have been declared sick.

CHALLENGES AHEAD FOR SPINNING MILLS

In the past three years, consistent growth has been recorded in cotton yarn export to China, as so far, mills in that country have secured cotton at higher prices. China is the largest importer of cotton yarn in the international market. It is estimated in the recent past, cotton yarn export to China accounted for half of India's overall exports of the commodity.

China's decision to raise spending on farm subsidies per cent is likely to boost yarn production in that country, as cotton will be available to Chinese spinning mills at a cheaper rate. This is likely to hit Indian mills catering to the Chinese market.

The industry experts, expects a fall of about 20 per cent in yarn export to China this year. "The demand for cotton yarn from China might come at razor- thin margins, which many Indian companies might find unviable. Those who cannot afford to export at such prices might not be able to sustain. The mills in India have sufficient capacities but are underutilised due to power shortages"

In anticipation of high demand from China, Indian millers ramped up capacities in the past three years and, consequently, dwindling demand will hit their bottom lines, he adds. For 2014-15, cotton yarn exports are projected at 1,000 million kg, and this is expected to decline in 2015-16 if demand from China is low.

Though a record cotton crop of 40 million bales (one bale=170 kg), compared with 37 million bales in 2013-14, could benefit the spinning sector, mills will record losses if demand from other countries declines. Now, mills are considering other destinations such as Vietnam, Cambodia and Latin America, though he feels their volumes cannot match demand from the Chinese market.

The Confederation of Indian Textile Industry(CITI) recommends companies focus on the domestic market. D K Nair, secretary-general, told Business Standard it might be an uphill task, as despite a good cotton crop this year, opportunities will be few.

OUTLOOK:

There is, however, a silver lining: The Centre has, in the revised technology upgrade scheme for the 12th five-year Plan, stressed revival of the fabric sector. As garment exports rise, the right strategy and attention to fabric manufacturing could help consolidate the entire value chain. "We export about a third of our cotton and an equal proportion of cotton yarn. This could be used in the domestic sector to raise our share of garment exports in the global market. Domestic demand for cotton has been increasing five-seven per cent a year.

An analyst said though millers might see supplies exceeding demand in the short term, resulting in lower recoveries, emerging markets might present new opportunities in the long run.

SPECIAL GOVT. INITIATIVES FOR SPEEDIER TEXTILE SECTOR GROWTH

The new government under the leadership of Prime Minister Narendra Modi has stressed an economic vision

based on increasing production, export and generating employment.

The textile industry has two broad segments, namely, handloom, handicrafts, sericulture, powerlooms in the unorganized sector and spinning, apparel, garmenting and made-ups in the organised sector.

The new Government has taken many initiatives for the development of the textiles sector. Some of the major initiatives are as follows:

SETTING UP INTEGRATED TEXTILE PARKS

The Scheme of Integrated Textile Parks is one of the flagship projects of the Ministry of Textiles. It aims to assist small and medium entrepreneurs in the textile industry to clusterize investments in textile parks by providing financial support for world-class infrastructure in the parks. The new government moved swiftly and 13 new textile parks were approved by the Project Approval Committee (PAC). While these parks will receive a grant to the extent of Rs. 520 crores from the government for infrastructure development, they are estimated to bring in private sector investment of about Rs. 3,240 crores into the sector and generate direct employment for about 35,000 persons over the next three years.

EXPORTS

With a vision to create an export-friendly economy, the government has introduced several new initiatives:

- Duty-free entitlement to garment exporters for import of trimmings, embellishments and other specified items increased from three per cent to five per cent. This initiative is expected to generate an additional RMG exports estimated at Rs. 10,000 crores.
- The government has also proposed to extend 24/7 customs clearance facility at 13 airports and 14 sea ports, resulting in faster clearance of import and export cargo.
- The proposal for imposing duty on branded items was dropped providing relief to the entire value chain.

HANDLOOM DEVELOPMENT

Specific steps have been initiated for revival of the handloom industry based on its inherent strength for production of high value items. Focus is on assisting weavers with designs, marketing and improved wages. The National Institute of Fashion Technology and leading members of the fashion industry have been roped in for design support to weavers. At the same time, equipment and raw material for producing clothes for the high end customers and niche market are also being provided. Higher wage coming from high value production and reducing level of transactions in marketing would enhance handloom weavers' wages substantially.

In order to provide better marketing reach, the Ministry has launched the E-commerce initiative Flipkart. This will strengthen the existing primary weaver co-operative society by the assisting entrepreneur from the weavers families for taking up production and supply directly to the customers.

HANDICRAFT

Promotion of major crafts of Varanasi, namely, carpet and durry weaving, meenakari and zardozi and pottery, etc., have been taken up by providing assistance to the artisans with better skill, design and supply of toolkits, etc. A Skill Development Programme for training 5000 carpet weavers has been taken up through the Carpet Export Promotion Council (CEPC).

ROAD AHEAD

The Indian textiles industry is set for strong growth, buoyed by both strong domestic consumption as well as export demand. The industry is expected to reach US\$ 220 billion by 2020.

With consumerism and disposable income on the rise, the retail sector has experienced a rapid growth in the past decade with several international players like Marks & Spencer, Guess and Next having entered the Indian market. The organised apparel segment is expected to grow at a compound annual growth rate (CAGR) of more than 13 per cent over a 10-year period.

(References: Ministry of Textiles, Indian Textile Journal, Department of Industrial Policy and Promotion, Press Information Bureau.)

SWOT ANALYSIS OF INDIAN TEXTILE INDUSTRY

The Indian textile and clothing industry is very old and plays a very important part in the Indian economy and is one of the biggest in the world. Except China, no other nation can match the size, spread, depth and competitiveness of the Indian textile and clothing industry. The removal of quotas at the end of 2004 has provided the opportunities

for India to use its inherent strength and become the top sourcing and investment destination (Technopak.com, 2009). This section will explain the strengths, weaknesses, opportunities and threats of the Indian textile industry.

STRENGTHS

The Indian textile industry has several strengths. First is the availability of low cost labour, which in turn reduces the cost of production. India has availability of abundant raw material which helps to control the costs and reduces the lead time. India is very rich in resources like jute, cotton, silk, cotton yarn man-made fibre in the world. India also has large varieties of cotton fibres which make it distinct from other countries. The Indian textile industry is a self-reliant industry. It has complete value chain from the procurement of raw materials to the production of finished goods. Another strength which India possesses is flourishing domestic market. This allows producers to mitigate risks and be competitive in the market.

WEAKNESSES

Presently, the Indian textile industry is facing a problem to compete in the world textile market. This is because of weaknesses like fragmented infrastructure, rigid labour laws, technology obsolescence and many others. Due to fragmented infrastructure, India is unable to diversify. In fabric production large part of the industry is engaged in unorganized sectors like powerlooms and handlooms. Another drawback of the Indian textile industry is use of outdated technology which resulted in low production capacities as compared to China.

Indian industry has the longest supply chain in the world. The average time taken by all the nations from the procurement of raw material to production of finished goods and finally exporting it is 45 days, whereas India takes around 80 days. Another area where India lacks is cost competitiveness. The Indian industry does not have efficient economies of scale therefore is incapable of competing with China. Also the expenses like indirect taxes, power and interests are comparatively high in India.

OPPORTUNITIES

The Indian textile industry has various opportunities like technical textiles, product development and diversification, FDI and brand recognition. Technical textiles offer the opportunity to the Indian textile industry to maintain the present current growth and flourish in near future. It will also help in advancement of the industry. India is not using technical textiles much. Both nonwoven and woven technical textiles will thrive in India in coming years. The Indian companies need to focus on product development and diversification in order to capture new markets globally. Another opportunity for the Indian textile industry is elimination of quotas. Interviewee C and H said that after the removal of quotas there is increase in the exports of textiles and clothing to the United States and European Union but not as much as China.

THREATS

China is the biggest threat to the Indian textile industry in the global market. India also has a threat from low cost producing countries like Pakistan and Bangladesh which may hinder India's exports demand in the future. Another disadvantage of India is its geographical distance from major global markets of US, Europe and Japan in contrast to its rivals like Mexico, China etc which are comparatively nearer. Big geographical distance results in high shipping expenses and lengthy lead-time. The removal of MFA quotas has given the opportunity to all the countries to enter the textile sector. As a result many big players are entering the textile sector. The Indian textile industry is not able to maintain balance between price and quality. Therefore most of the big companies in the United States and the European Union are shifting their manufacturing orders to China. Hence Indian textile industry is losing its share in global textile market.

INTERNAL CONTROL SYSTEMS

The Company maintains adequate internal control systems, which provide, among other things, reasonable assurance of recording the transactions of its operations in all material aspects and of providing protection against significant misuse or loss of Company's assets.

HUMAN RESOURCES

The Company regards its human resources amongst its most valuable assets and proactively reviews and evolves policies and processes to attract and retain its substantial pool of scientific, technical and managerial resources through a work environment that encourages initiative, provides challenges and opportunities. Adequate facilities and opportunities are also being provided to the technical and professional staffs to update themselves in the fast changing era of technologies. In the fiscal year 2014 the Company has as much as 1703 Employees.

Independent Auditors' Report to the Members of **WINSOME YARNS LIMITED**

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Winsome Yarns Limited, which comprise the balance sheet as at 30th September 2014, and the statement of the profit and loss and the cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion.

Basis for Qualified Opinion:-

Attention is drawn to:

- i. Note no. 2.26 and note no. 2.14 regarding non-provision for penal interest, penalty etc. AND adjustment/set off of payment of receivables/payables pending necessary approval as stated in the said notes.
- ii. Note no. 2.23 (A) (iv) (b) and 2.23(A) (v) regarding Non-compliance of conditions [read with note no. 2 .2 (A) (iii) and 2.2 (B)] with respect to physical verification of fixed assets and also advised not to maintain bank accounts outside consortium parties (Bankers etc.) as directed by the CDR-MC, as stated in the said notes.
- iii. Note No.2.15 regarding pending confirmation/ reconciliation of balances of certain receivables (including oversea overdue receivables as stated in note no.2.8) bank balances, payables (including of an Associate Company of amounting to Rs. 572.40 lacs), secured loans, contingent and other liabilities, loans and advances etc., in this respect impact is unascertainable and cannot be commented by us. In our view read with said note internal control needs to be further strengthened.
- iv. Note No. 2.8 and Note no. 2.11 regarding non-provision against receivables (including of oversea overdue debtors of amounting to Rs. 6846.77 lacs and including accounting of exchange fluctuation of Rs. 823.31 lacs till 30th September 2014) AND loans and advances of Rs. 6844.14 lacs and Rs. 2935.38 lacs respectively. The accounting of exchange fluctuation is not in line with generally accepted accounting principles and Accounting Standards 11 (AS-11)-"The Effect of Changes in Foreign Exchange Rates".
- v. Note No. 2.23(A) (iv) (a) to (d) regarding accounting of consumption of Raw Material and Stores & Spares as balancing figure and the valuation of inventories is as taken, valued and certified by the management [also regarding provision against non/slow moving as assessed by the management] in view of reasons stated in said note, the impact whereof on the statement of profit and loss and state of affairs not being ascertained and cannot be commented by us.
- vi. As stated in note no. 2.5 and as per the AS-28 (Impairment of Assets), the company have carried out assessment of value in use of assets of knitwear unit, by an independent professional firm, based on this estimated impairment loss is of amounting to Rs. 2,996.00 lacs. However, no provision against the same has been made by the company for the reason as explained in the said note. The Non-provision against diminution in value of above stated assets is not in line with AS-28. The overall impact of above cannot be assessed (except of AS-28) or otherwise on loss for the year and balance in Statement of Profit & Loss.

vii. Note no. 2.3 regarding pending receipt of part money of amounting to USD 50,72,110 (Rs. 2679.34 lacs) of the GDR issue made by the company lying outside India [i.e. balance amount against GDR issue of 19,94,125 nos. made in financial year 2010-11, Entitling 19,94,12,500 fully paid up equity shares of Re.1/- each at Rs.2.97 per share including premium (now 1,99,41,250 fully paid up equity shares of Rs.10/- each at Rs.29.70 including premium)]. As explained, above stated amount is invested in money market fund outside India, and the same is pending for utilization.

We report that, without considering items mentioned in paragraph (i), (ii), (iii), (v) and (vii) above the impact of which could not be determined, had the impact of notes referred in paragraph (iv) and (vi) above been given to in these financial statements, the loss for the period would have been Rs. 23,938.82 lacs (as against the reported figures of Rs. 11,163.30 lacs), accumulated loss at the period end would have been Rs. 32,678.61 Lacs (as against the reported figure of Rs. 19,903.09 lacs), Loans and advances at the period end would have been Rs. 1,468.26 lacs (as against the reported figure of Rs. 4403.64 lacs), carrying value of fixed assets would have been Rs. 25709.59 lacs (as against the reported figure of Rs. 28,705.59 Lacs), trade receivables would have been Rs. 5152.16 lacs (as against the reported figure of Rs. 11,996.30 lacs).

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described under the head "Basis for Qualified Opinion" paragraph, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the balance sheet, of the state of the affairs of the company as at 30th September 2014,
- (b) In case of the statement of the profit and loss, of the loss for the year ended on that date, and
- (c) In case of the cash flow statement, of the cash flows for the year ended on that date.

Emphasis of Matter

Attention is drawn to:

- (i) Note no 2.12(b) regarding the net worth of the Company become negative and preparation of financial statements by the management on "going concern basis," considering the future business plans and expected cash flows. In the event of the same not being held to be a "going concern" and various assets and liabilities being consequently required to be adjusted with respect to their realizable value, the impact whereof has not been ascertained and therefore cannot be commented upon by us.
- (ii) Note no. 2.22 regarding payment of remuneration of Rs. 14.82 Lacs (w.e.f. 1st July 2014) is subject to approval of shareholders in General Meeting and also necessary approval of the Central Government.

Our report is not qualified in respect of above matter.

Report on other legal and the regulatory requirements:

- (1) As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give the Annexure a statement on the matters specified in the paragraphs 4 and 5 of the order.
- (2) As required by section 227(3) of the Act, we report that:
 - (a) Except as stated in para (iii) under the head "Basis of Qualified Opinion," 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, Statement of Profit & Loss and Cash Flow Statement referred to in this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Statement of Profit & Loss and Cash Flow Statement referred to in this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of Companies Act, 1956 read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 to the extent applicable *except to the extent stated in para (iv) [AS-11 "The Effect of Changes in Foreign Exchange Rates" and read with note no.2.8(a)] and para (vii) (AS-28 "Impairment of Assets" and read with note no2.5] under the head "Basis of Qualified Opinion";*

- (e) On the basis of the written representations received from the Directors and taken on records by the Board of Directors, we report that none of the directors of the Company is disqualified as on 30th September 2014 from being appointed as a Director of the Company in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For LODHA & CO.

Firm Registration Number: 301051E

Chartered Accountants

N.K. Lodha

(Partner)

Membership No: 85155

Date : 29.11.2014

Place : New Delhi

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our Report of even date on Winsome Yarns Limited for the period ended 30th September, 2014).

- i. (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets *except in respect of certain fixed assets (including assets of knitwear unit) where, the records as explained, are in process of compilation/ updation [Read with note no. 2.23(A) (iv) (b)].*
- (b) *As per information & explanations given to us, physical verification of the fixed assets have not been carried out according to the regular programme of physical verification, once in every three years (in phased manner) which in our opinion need to be further strengthen having regard to the size of the company and the nature of its fixed assets. As explained in note no. 2.23 (A) (iv) (b), 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, only some of the inventories of the Company (including stock lying with the third parties and in transit) have been physically verified by the management during the period. [Read with our comments para (a) and (b) below].*
- (b) *In our opinion and according to information & explanations given to us, the procedures of physical verification of inventories followed by the management need to be strengthen in relation to the size of the Company and nature of its business [Read with note no. 2.23(A) (iv) (a) to (c)].*
- (c) *In the absence of detailed item wise quantitative records and physical verification reports (Read with our comments in para (b) above), we are not in position to comment whether discrepancies accounted for is correct and complete. However, as per the information made available the discrepancies noticed between the physical stock, to the extant physical verification carried out read with note no. 2.23(A) (iv) (a) to (c) and the book records were not material.*
- iii. (a) As explained, The Company has not granted any loans, secured/ unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii) (b) to (d) of the Order are not applicable to the Company.
- (b) The Company has taken unsecured loans from a party covered in the register maintained under section 301 of the Act. The maximum amount involved during the year and the year end balance of such loans is Rs. 549.17 lacs and Rs. NIL respectively.
- (c) In our opinion and according to information and explanations given to us, the rate of interest and other terms and conditions of such loans taken by the Company are not prima facie prejudicial to the interest of the Company.
- (d) In respect of aforesaid loans taken, the Company is regular in repayment of principal mounts as stipulated and payment of interest is regular.
- iv. *An our opinion and according to the information, and explanations given to us, paving 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 which need to be further strengthened to be made the same 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. (read with note no. 2.8, 2.10, 2.14, 2.15, 2.17 & 2.23 (A)(iv) and our comments under "Basis of Qualified Opinion" paragraph]. Based on the audit*

WINSOME YARNS LIMITED

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 except to the extent as stated above under Para (i) and (ii) above.

- 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 which needs to be *further strengthened to be made the same commensurate with the size of the Company and nature of its business.*
- viii. We have broadly reviewed the books of account to the extent made [Read with note no. 2.23(A) (iv)(a) to (c)] and 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 full details and records which needs to be updated. We have, however, not made a detailed examination of the said records with view to determine whether they are accurate to the extent the same are maintained.*
- ix. (a) According to the records of the Company, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service tax, Custom Duty, Cess and other material statutory dues to the extent applicable to it *except in respect of Provident Fund and Employee State Insurance dues and Service Tax were same found paid with certain delay (and as stated in note 2.24)* 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 30th September 2014.
- (b) Based on the records and information and explanations given to us, there are no dues in respect of Income Tax, Custom Duty, Wealth Tax, Service Tax and Cess that have not been deposited on account of any dispute. In our opinion based on the records and according to the information and explanations given to us, the dues in respect of Income Tax, Sales Tax and Excise duty that have not been deposited with the appropriate authorities on account of dispute and the forum where these disputes pending are given below:

| Name of the Statute | Nature of dues | Amount (Rs. In Lacs) | Period to which amount relates | Forum where dispute is pending |
|--------------------------|----------------|----------------------|--------------------------------|---|
| Central/ State Sales Tax | Sales Tax | 4.35 | 1999-2000 | Joint Director Excise and Taxation |
| | | 2.25 | 1993-1994 | Sales Tax Tribunal Punjab |
| | | 13.36 | 2003-2004 | Dy. Excise and Taxation Commissioner (Appeal) |
| | | 29.08 | 2008-2009 | Commissioner (Appeal) |

| Name of the Statute | Nature of dues | Amount in Rupees | Period to which amount relates | Forum where dispute is pending |
|---------------------|----------------|------------------|--------------------------------|--------------------------------|
| Central Excise Act# | Excise Duty | 6744540 | 2000-01 to 2004-05 | CESTAT, New Delhi |
| | Excise Duty | 3553824 | 2005-06 to 2008-09 | CESTAT, New Delhi |
| | Excise Duty | 51339129 | 2006-07 to 2009-10 | CESTAT, New Delhi |
| | Excise Duty | 1597494 | 2010-11 | CESTAT, New Delhi |
| | Excise Duty | 1342181 | 2011-12 | CESTAT, New Delhi |

(Excluding excise show cause notices)

This para is to be read with note no. 2.1 (A) and 2.1(B) and note no. 2.15 AND para (iii) of “Basis for Qualified Opinion”:

- x. The Company's accumulated losses at the end of the financial year is in excess of fifty percent of the net worth and it has incurred cash loss during the current financial period as well as in the immediate 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 defaulted in repayment of dues on account of interest and principal (maximum) of amounting to Rs. 2,579.56 lacs and amounting to Rs. 5,776.53 lacs respectively for delay of maximum period of 488 days and 549 days respectively) to banks (this is to be read with note no. 2.2).
During the period Company has not taken loan from financial institution or debenture holders (This to be read with Note No. 5.5 for the continuing default).
- 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 during the year to any parties or companies covered in the register maintained under Section 301 of the Act.
- 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 earlier year (2010-11) the Company has raised money through a GDR issue (this to be read with note no. 2.3) However, as explained, no money has been raised through issue during the year.
- xxi. To the best of our knowledge and belief, based on the audit procedure performed and on the basis of information and explanations provided by the management, no material fraud [read with note no. 2.3, 2.23(A)(iv) and our comments under the “Basis for Qualified Opinion”] on or by the Company has been noticed or reported during the course of the audit

For LODHA & CO.
Firm Registration Number: 301051E
Chartered Accountants

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

Date : 29.11.2014
Place : New Delhi

| PARTICULARS | Note No. | As At 30 th Sep 2014 (12 Months) (Rs. in Lacs) | As At 30 th Sep 2013 (18 Months) (Rs. in Lacs) |
|-------------------------------------|-------------|---|---|
| I. EQUITY & LIABILITIES | | | |
| (1) Shareholders' Funds | | | |
| (a) Share Capital | 3 | 7082.33 | 7082.33 |
| (b) Reserves & Surplus | 4 | (14146.55) | (2974.02) |
| | | <u>(7064.22)</u> | <u>4108.31</u> |
| (2) Non- Current Liabilities | | | |
| (a) Long Term Borrowings | 5 | 15005.39 | 19457.91 |
| (b) Long Term Provisions | 7 | 170.87 | 156.95 |
| | | <u>15176.26</u> | <u>19614.86</u> |
| (3) Current Liabilities | | | |
| (a) Short Term Borrowings | 8 | 28694.39 | 23424.28 |
| (b) Trade Payables | 9 | 5910.11 | 13678.26 |
| (c) Other Current Liabilities | 10 | 15392.99 | 10522.53 |
| (d) Short Term Provisions | 11 | 15.62 | 13.50 |
| | | <u>50013.11</u> | <u>47638.57</u> |
| TOTAL | | <u><u>58125.15</u></u> | <u><u>71361.74</u></u> |
| II. ASSETS | | | |
| (1) Non-Current Assets | | | |
| (a) Fixed Assets | | | |
| (i) Tangible Assets | 12 | 28705.49 | 30884.19 |
| (ii) Intangible Assets | 12 | 0.10 | 0.14 |
| (iii) Capital Work-in-Progress | | - | - |
| (b) Non Current Investment | 13 | - | - |
| (c) Deferred Tax Asset (Net) | 6 | - | - |
| (d) Long Term Loans & Advances | 14 | 394.55 | 368.68 |
| | | <u>29100.14</u> | <u>31253.01</u> |
| (2) Current Assets | | | |
| (a) Current Investment | 15 | 2679.34 | 3195.38 |
| (b) Inventories | 16 | 9823.41 | 14675.89 |
| (c) Trade Receivables | 17 | 11996.30 | 16206.35 |
| (d) Cash & Bank Balances | 18 | 516.87 | 810.17 |
| (e) Short Term Loans & Advances | 19 | 4009.09 | 5220.94 |
| | | <u>29025.01</u> | <u>40108.73</u> |
| TOTAL | | <u><u>58125.15</u></u> | <u><u>71361.74</u></u> |

Significant Accounting Policies & Explanatory Notes 1 & 2 are an integral part of the Financial Statement

As per our report of even date.

For **LODHA & CO.**

Chartered Accountants

Firm Registration Number : 301051E

N.K. Lodha Partner
M.No. 85155

Anand Balkishan Sharma President
(Corporate Finance & CFO)

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

For and on behalf of the Board
Manish Bagrodia Managing Director
Pradeep Kumar Director

Place : Chandigarh

Date : 29.11.2014

STATEMENT OF PROFIT & LOSS
FOR THE YEAR ENDED 30th September 2014

WINSOME YARNS LIMITED

| PARTICULARS | Note No. | As At 30th Sep 2014 (12 Months) (Rs. in Lacs) | As At 30th Sep 2013 (18 Months) (Rs. in Lacs) |
|---|-----------------|---|---|
| I. Revenue from operations | | | |
| Sales(Gross) | 20 | 40396.17 | 76830.40 |
| Less: Excise Duty | | – | 34.20 |
| Net Sales | | 40396.17 | 76796.20 |
| II. Other Income | 21 | 264.55 | 976.23 |
| III. Total Revenue (I+II) | | 40660.72 | 77772.43 |
| IV. Expenses: | | | |
| Cost of Material consumed | | 25759.01 | 34930.91 |
| Purchase of stock-in-trade | | 1928.68 | 18130.19 |
| Change in inventories of finished goods, work in progress and stock in Trade | 22 | 3592.45 | (119.16) |
| Employee benefit expense | 23 | 2599.99 | 3489.21 |
| Finance Costs | 24 | 6133.15 | 8010.31 |
| Depreciation and amortization expense | 25 | 2176.27 | 3267.97 |
| Other Expenses | 26 | 8690.14 | 12826.29 |
| Total Expenses (IV) | | 50879.69 | 80535.72 |
| V. Profit before exceptional items and tax (III-IV) | | (10218.97) | (2763.29) |
| VI. Exceptional Items {Refer Note no.2.9 (a)} | | 944.33 | 3483.85 |
| VII. Profit before tax(V-VI) | | (11163.30) | (6247.14) |
| VIII. Tax Expense: | | | |
| - Current Tax | | – | – |
| - Deferred Tax {Refer Note no. 2.20} | | – | 1233.24 |
| IX. Profit/ (Loss) form the period from continuing operations (VII-VIII) | | (11163.30) | (7480.38) |
| X. Profit/ (Loss) from discontinuing operations | | – | – |
| XI. Tax expense of discontinuing operations | | – | – |
| XII. Profit/ (Loss) from discontinuing operations (X-XI) | | – | – |
| XIII. Profit/ (Loss) for the period (IX+XII) | | (11163.30) | (7480.38) |
| XIV. Earning per equity share: | | | |
| - Basic (Rs.) | 2.21 | (15.79) | (10.58) |
| - Diluted (Rs.) | | (15.79) | (10.58) |

Significant Accounting Policies & Explanatory Notes are an integral part of the Financial Statement

As per our report of even date.

For **LODHA & CO.**

Chartered Accountants

Firm Registration Number : 301051E

For and on behalf of the Board

N.K. Lodha Anand Balkishan Sharma
Partner President
M.No. 85155 (Corporate Finance & CFO)

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

Manish Bagrodia
Managing Director

Pradeep Kumar
Director

Place : Chandigarh

Date : 29.11.2014

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30th September 2014**

WINSOME YARNS LIMITED

| PARTICULARS | As At 30 th Sep 2014 (12 Months) (Rs. in Lacs) | | As At 30 th Sep 2013 (18 Months) (Rs. in Lacs) | |
|--|---|------------------|---|-------------------|
| (A) CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| NET PROFIT/ (LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS | | (10218.97) | | (2763.29) |
| Adjustment for: | | | | |
| Depreciation | 2182.68 | | 3277.56 | |
| Amortization of Leasehold Land | 2.83 | | 4.25 | |
| Pro rata Capital Subsidy | (9.23) | | (13.85) | |
| Effect of Exchange Fluctuation | (824.60) | | (1042.20) | |
| (Profit)/Loss on sale of fixed assets | - | | 31.11 | |
| Interest expense | 6133.15 | | 8010.31 | |
| Provision for doubtful advances/ debts | 315.00 | | 344.67 | |
| Liability /Balance Written off/ back | (26.72) | | 8.33 | |
| Profit on sale of Current Investment | (12.21) | | - | |
| Provision for doubtful debts & advances written back | (94.86) | | - | |
| Interest income | (93.05) | 7572.99 | (156.54) | 10463.64 |
| | | (2645.98) | | 7700.35 |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES | | | | |
| Adjustment for: | | | | |
| Trade & other receivable | 5058.22 | | (4205.60) | |
| Inventories | 4852.48 | | 2690.37 | |
| Trade & other Payables | (7992.23) | 1918.47 | 4656.98 | 3141.75 |
| CASH GENERATED FROM OPERATIONS | | (727.51) | | 10842.10 |
| Direct Taxes Paid | | - | | - |
| Income Tax Refund | | - | | 16.09 |
| NET CASH FLOW FROM OPERATING ACTIVITIES | | (727.51) | | 10858.19 |
| (B) CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Purchase of fixed assets | (25.93) | | (230.76) | |
| Sale of fixed assets | - | | 5.01 | |
| Sale of investment | 528.25 | | (3195.38) | |
| Interest Received | 89.03 | 591.35 | 156.54 | (3264.59) |
| NET CASH USED IN INVESTING ACTIVITIES | | 591.35 | | (3264.59) |
| (C) CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Interest paid | (4356.23) | | (7547.39) | |
| Proceeds from borrowings | 5268.83 | | 3013.17 | |
| Repayment of borrowings | (1069.74) | (157.14) | (6101.51) | (10635.73) |
| NET CASH USED IN FINANCING ACTIVITIES | | (157.14) | | (10635.73) |
| Net Increase/(decrease) in cash and cash equivalents | | (293.30) | | (3042.13) |
| Opening balance | | | | |
| Cash & Cash Equivalents | 3.72 | | 3115.66 | |
| Others | 806.45 | 810.17 | 736.64 | 3852.30 |
| Closing balance | | | | |
| Cash & Cash Equivalents | 14.16 | | 3.72 | |
| Others | 502.71 | 516.87 | 806.45 | 810.17 |

As per our report of even date.

For **LODHA & CO.**

Chartered Accountants

Firm Registration Number : 301051E

N.K. Lodha Anand Balkishan Sharma
Partner President
M.No. 85155 (Corporate Finance & CFO)

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

For and on behalf of the Board
Manish Bagrodia Pradeep Kumar
Managing Director Director

Place : Chandigarh

Date : 29.11.2014

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 recognised 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 recognised usually when all significant risks and rewards of ownership of the asset sold are transferred to the customer and the commodity has been delivered to the shipping agent. Revenues from sale of material by-products are included in revenue.

Interest income is recognised on 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.
- (vi) Fixed Assets costing Rs. 5000/- or less has been depreciated fully in the year of purchase.

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 Basis.

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 Statement of Profit and Loss.
- (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 Statement of Profit and Loss 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 Statement of Profit and Loss.

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 Statement of Profit and Loss 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 Statement of Profit & Loss.

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:

2.1 ADDITIONAL NOTES FORMING PART OF THE ACCOUNTS

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

| No. | Particulars | 2013-14 | 2012-13 |
|--------|--|---------|---------|
| (i) | Bills discounted with banks | 195.88 | 3278.86 |
| (ii) | Outstanding Letter of Credit | - | 32.67 |
| (iii) | Sales Tax liability in respect of matters in appeal | 64.64 | 64.64 |
| (iv) | Excise duty show cause notices / matters in appeal | 653.31 | 543.35 |
| (v) | Income Tax Demand | 182.71 | 308.23 |
| (vi) | Employee State Insurance Corporation | 26.29 | - |
| (vii) | Outstanding bank guarantees | 189.00 | 550.09 |
| (viii) | Customs duty saved Nil (Previous Year 89.51 lacs) for import of capital good made against EPCG license against which export obligations amounting Rs. 2407.73 lacs (Previous Year 2526.84 lacs) are pending. Non fulfillment of Export obligation will attract demand of Rs. 589.15 Lacs (including interest and excluding penalty). | | |

(Rs. in Lacs)

(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 is Rs. Nil (Previous year Nil) net of advances Nil (Previous year Nil), 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 which was effective from 1st January 2009 implemented based on Master Restructuring Agreement (MRA) as approved on 21st July 2009. In the year 2010, CDR-EG, had approved the rework package for the company effective from 01/04/2010, post this there was certain delay / default in the payment of Interest & Principal repayments.
- (ii) As per the above, arrangement / loans is further secured by unconditional and irrevocable personal guarantees of promoters, promoters group/ associate companies and further secured/ to be secured by pledge of 51% (Fifty one percent) of 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. Accordingly, the entire shareholding held by Promoters except for 13.60 lacs numbers shares held by PSIDC has already been pledged on behalf of CDR Lenders.
- (iii) (a) The Company had again submitted a restructuring proposal in April'2014 for the deep restructuring with holding on operations till the implementation of the scheme for long term viability and smooth continuity of operations. The bankers/monitoring institution (MI) decided for getting Techno-Economic Viability (TEV) study for appropriately considering the proposal. The CDR-EG also made the decision and directed MI to conduct a TEV study and revert with suitable reconstructions of all lenders. The Company appointed M/S Dun & Bradstreet (approved in the panel of MI) for conducting TEV study and submit their report. M/s Dun & Bradstreet have submitted TEV report of all lenders endorsing the viability of the Company. However lenders were not willing for restructuring and initiated recovery proceeding and issued notice under section 13(2) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI), the Company is preparing suitable reply under guidance of legal expert for withdrawal of notice and reconsider the restructuring proposal in the interest of all stakeholders. The Company considers the lenders liable for the losses suffered by the company on various counts, including those having arisen due the various actions and inactions on the part of lenders.
- (b) A lender and a party have filed case in the High Court for the winding up of the company where the Company is in process to reply.

(B) As stated earlier [Note No. (A) (i)] certain covenants /conditions as stipulated in the CDR package was pending for compliance and there was default in payment of interest and also for repayment of principal [read with Note No. 2.23(v) and 2.26].

2.3 In the EGM held on 28/06/2010, shareholders of the company have approved the issue through Global Depository Receipts (GDRs). Pursuant to this 19,94,125 number of GDR of USD 6.64 each (Each GDR comprising of 100 equity shares, now total 1,99,41,250 nos. of equity shares of Rs. 10 each at Rs. 29.70 including premium) had been issued and allotted on 29/03/2011. Out of the total proceeds of the GDRs made in the year 2011, an amount of Rs. 603.21 lacs received during the year, balance Rs. 2679.34 Lacs (including foreign exchange gain) is invested in Money Market Fund and lying outside India as on 30.09.2014, pending proceeds to be utilized. In this regards, as advised, Company is filing return regularly with the RBI.

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

| | Current Year | Previous Year |
|--|--------------|---------------|
| | | (Rs. in lacs) |
| Particulars | | |
| Pre-operative expenditure as follows: | | |
| Opening Balance | - | 235.87 |
| - Stores & Spares | - | - |
| - Power & Fuel | - | - |
| - Salary, Wages & Allowances | - | 3.83 |
| - Other Expenses | - | - |
| - Interest on Term Loan (Net) | - | - |
| Others | - | 4.72 |
| Total | <u>-</u> | <u>244.42</u> |
| Less: capitalized/ transferred to fixed assets | - | 244.42 |
| | <u>-</u> | <u>-</u> |
| Closing Balance | <u>-</u> | <u>-</u> |

(b) Research and Development Expenditure (as certified by management) amounting to Rs. 63.14 lacs (Previous year Rs. 77.84 lacs) have been debited to Statement of Profit and Loss.

2.5 In accordance with Accounting Standard 28-' Impairment of Assets', the Company has identified its garmenting manufacturing facility (Knitwear Unit) located at Plot No. B-58, Industrial Area, Phase – VII, Mohali (Punjab), [Cash Generating Units (CGU)]. The CGU is engaged in manufacture of sweaters, pullover and garments of various sizes. Considering the continuing past losses of the CGU, during the period ended 30th September 2014, the Company on the basis of projected scale of operations and prevailing market conditions assessed that the recoverable value of the above CGU would be lower as compared to the carrying value, thus, indicating impairment. As a result of the impairment testing carried out as at 30th September 2013 by an independent professional firm, impairment loss of Rs. 2996.00 Lacs was estimated by the Management, based on a comparison of the carrying value of the asset vis-a-vis recoverable value. However, the Reports are under consideration of the Management & Impairment loss will be accounted as and when finally assessed. Further, management of the view that due growth in the textile in general and present economic and political scenario impairment would be lower.

2.6 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 in the books of accounts, against this and outstanding in their accounts (as debtors) had been made in earlier years.

2.7 As per the terms of Agreement entered between Company and private equity partners /sellers, the Company was to invest through a subsidiary i.e. WYCL (Winsome Yarn (Cyprus) Ltd) in a JV Company M/s Newcocot s.r.l. total amounting to Euro 4.64 millions {approx Rs. 3606.21 lacs as on 30.09.14 (including exchange gain/loss)}. In earlier year the Company had made investment in equity and preference share capital of its above stated subsidiary aggregating amounting to EURO 2.55 million (Equivalent to Rs.1517.25 lacs). Considering the fact that its JV company is under liquidation, pending approval of RBI, the Company had made provision for diminution in value of Rs. 1517.25 Lacs in earlier year.

- 2.8 (a) Sale includes Trading sale amounting to Rs. 2028.08 Lacs as detailed below in note no.2.10. Receivables exceeding six months includes outstanding amount for period over one year of Rs. 6846.77 Lacs (including exchange gain of Rs. 823.31 lacs till 30.09.2014)[excluding as stated in note no. (b) below], where company is in process of filing necessary papers with appropriate authority for extension of time [read with note no.2.9 (A)]. In this regards, management is confident about full recovery / reliability considering the past performance of the customer and recovery initiative taken by the Company.
- (b) The trade receivable include certain overdue overseas Trade Receivables/Other Receivables of Rs. 820.68 lacs [net of provision made in previous year against oversea receivable as stated in note (c) below]. Considering the fact that management is confident about recovery from them is certain, provision there against has not been considered necessary.
- (c) (i) During the previous year, provision for doubtful debts was made of Rs. 1967.14 lacs, (including 1641.09 Lacs and cumulative exchange difference (gain) on restatement of foreign currency debtors of Rs. 326.05 Lacs) on receipt of approval during the year of Authorised Dealer (AD) of Rs. 1466.24 Lacs, amount has been charged off in the Statement of Profit & Loss.
- (ii) Debts exceeding six months of Rs. 42.58 lacs have been written off (provision made in earlier years and receivable from a Subsidiary Company), pending necessary approval of the AD/RBI.
- (iii) Certain Advances exceeding six months of Rs. 39.19 lacs have been written off (provision made in earlier years), pending necessary approval of the AD/RBI.
- 2.9 (A) In earlier years, the company had accounted for Commission income and Handling charges under head 'Revenue from Operations' receivable in foreign currency on accrual basis as per the terms of agreements. Company has made provision against outstanding receivable amount of Rs. 944.33 Lacs and shown part of "Exceptional Items" in the statement of profit and loss [which includes Commission Income of Rs. 751.42 Lacs and Rs. 191.91 Lacs for Handling Charges (including exchange fluctuations)]. In this regard necessary approval for write off is pending from AD/RBI.
- (B) Prior period adjustments (net) Rs. 64.82 lacs (P.Y. 20.82 lacs) (Including Legal & Professional charges of Rs. 45.21 lacs, Interest of Rs. 6.86 lacs and others Rs. 12.75 lacs).

2.10 Details of Traded Goods:

(Rs. In Lacs)

| Particulars | Cotton Yarn | Industrial Fabric | Total |
|---------------|----------------------|-------------------|-----------------------|
| Opening Stock | NIL (NIL) | NIL (NIL) | NIL (NIL) |
| Purchase | 1928.68 (7063.99) | NIL (11066.20) | 1928.68 (18130.19) |
| Sales | 2028.08 (7345.72) | NIL (11247.68) | 2028.08 (18593.40) |
| Closing Stock | NIL (NIL) | NIL (NIL) | NIL (NIL) |

- 2.11 Overdue amount include Short Term Loans and Advances of Rs. 2935.38 lacs (including Refunds / Claims Receivables of Rs. 442.34 Lacs, advances and balance with Government Authorities of Rs. 83.30 Lacs and capital advances of Rs. 250 lacs), (net of a provisions of Rs. 315 lacs made during the year). In the opinion of the management amount is fully realisable and hence considered good. Further, necessary steps have been initiated for recovery of the same.
- 2.12 (a) In the opinion of the Board, the Current Assets, Loans and Advances appearing in the Company's Balance Sheet as at period 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) In view of continuing losses, net worth of the company became negative as at 30th September 2014. However, considering future business plans present business scenario, stable government policies for the business and expected cash flow in the near future as assessed by the management of the company, accounts are prepared on 'Going Concern' basis.
- 2.13 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.

- 2.14 Certain outstanding payments of Rs. 2585.45 lacs of over a receivables and payables (balances are subject to confirmations) to the oversea parties have been adjusted where the company has applied for permission/ approval with the AD/RBI.
- 2.15 Balances of certain Trade Receivables (including oversea overdue trade receivables as stated in note no. 2.8), Bank Balances (including bills discounted and outstanding Letter of Credit), Trade Payables (including of Associate Company of amounting to Rs. 572.40 lacs), Secured Loans, Contingent & Other Liabilities and Loans & Advances 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. Necessary steps have been initiated to further strengthen system of internal controls w.r.t. accounting of expenses, accounting of income (including sale of licenses and provision written back), payroll payments and of balance reconciliation/confirmation.

2.16 Employees Benefits:

(i) Defined Contribution Plan:

Contribution to Defined Contribution Plan, i.e contribution to provident fund amounting to Rs. 146.72 Lacs (P. Y. Rs. 186.31 lacs) has been recognized as expense for the year.

(ii) Defined Benefit Plan:

The employee' gratuity fund is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognized in the same manner as gratuity.

(Rs. in Lacs)

| Particulars | Gratuity (Unfunded) | | Leave Encashment (Unfunded) | |
|---|------------------------|-----------------------|--------------------------------|---------|
| | 2014 | 2013 | 2014 | 2013 |
| Amount to be recognized in the Balance sheet | | | | |
| Present Value of Obligation as at 30.09.2014 | 120.70 | 113.89 | 65.78 | 56.56 |
| Fair value of plan assets as at 30.09.2014 | — | — | — | — |
| Funded Status [surplus/(Deficit)] | (120.70) | (113.89) | (65.78) | (56.56) |
| Net Assets/(Liability) Recognized in Balance Sheet | (120.70) | (113.89) | (65.78) | (56.56) |
| II. Expenses recognized during the period | | | | |
| Current Service Cost | 45.53 | 51.09 | 41.34 | 34.06 |
| Interest Cost | 10.25 | 10.23 | 5.09 | 4.38 |
| Expected Return on Plan Assets | — | — | — | — |
| Actuarial (gain)/ loss | (25.19) | 4.35 | (11.63) | 20.59 |
| Net Expenses Recognized | 30.59 | 65.68 | 34.80 | 59.03 |
| III. Reconciliation of opening and closing balance of Defined Benefit Obligation | | | | |
| Present Value of Obligation at the beginning of the period | 113.89 | 85.28 | 56.56 | 36.53 |
| Current Service Cost | 45.53 | 51.09 | 41.34 | 34.06 |
| Interest Cost | 10.25 | 10.23 | 5.09 | 4.38 |
| Actuarial (gain)/ loss on obligations | (25.19) | 4.35 | (11.63) | 20.59 |
| Benefit Paid | (23.77) | (37.07) | (25.58) | (39.00) |
| Present Value of Obligation as at the end of the period | 120.70 | 113.89 | 65.78 | 56.56 |
| IV. Actuarial / Demographic assumptions:- | | | | |
| Indian Assure Lives Mortality Table (Years) | 1994-96 | 1994-96 | 1994-96 | 1994-96 |
| Discount rate (Per annum) | 9.00% | 8.00% | 9.00% | 8.00% |
| Expected Return on Plan Assets (Per annum) | 9.00% | 8.00% | 9.00% | 8.00% |
| Estimated rate of increase in compensation level | 6.00% | 5.00% | 6.00% | 5.00% |
| Retirement Age | | 58 Years | | |
| Withdrawal Rate (All Ages) | | 10% | | |
| Disability | | No explicit allowance | | |
| Leave Accumulation Ratio | | 0.58 (PY 0.58) | | |

(i) The estimate of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

(ii) The principal assumptions are the discount rate & salary growth rate. The discount rate is generally based upon the market yields available on Government bonds at the accounting date with a term that matches that of the liabilities.

WINSOME YARNS LIMITED

- 2.17 The Company has not received full information from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 (Act) 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:

| | | (Rs. In Lacs) | |
|--------|---|---------------|---------|
| S. No. | Particulars | 2013-14 | 2012-13 |
| a) | (i) Principal amount remaining unpaid at the end of the accounting year | - | - |
| | (ii) Interest due on above | - | - |
| b) | The amount of interest paid by the buyer alongwith amount of payment made to the supplier beyond the appointed date. | - | - |
| c) | The amount of interest accrued and remaining unpaid at the end of financial year | - | - |
| d) | The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year) but without adding interest specified under this act. | - | - |
| e) | The amount of further interest due and payable in succeeding year, until such interest is fully paid. | - | - |

- 2.18 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.

2.19 Segment Reporting

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

Information about geographical segments (by location of customers)

| | | (Rs. in lacs) | | |
|--------|---|------------------------|-----------------------|------------------------|
| S. No. | Particulars | India | Outside India | Total |
| (i) | External Revenue-Sale* | 33472.32 (41915.62) | 6923.85 (34880.58) | 40396.17 (76796.20) |
| (ii) | Carrying amount of segment assets by location of assets | 47799.30 (56768.90) | 7480.68 (11241.72) | 55279.98 (68010.62) |
| (iii) | Capital Expenditure | 6.78 (255.15) | - | 6.78 (255.15) |

*Includes Export Incentives of Rs.465.69 lacs (P.Y. Rs. 988.17 lacs)

- 2.20 As on 30th September 2014 Company has net deferred tax assets (including of carry over losses and unabsorbed depreciation). However, considering the losses in recent past, deferred tax has been restricted to the amount of liability.

2.21 Earnings per share

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

| Particulars | 2013-14 | 2012-13 |
|---|-------------------|-----------|
| Net Profit/(Loss) attributable to Equity Shareholders (Rs. in Lacs) | (11163.30) | (7480.38) |
| Weighted average number of equity shares for Basic EPS | 70707229 | 70707229 |
| Nominal Value per equity share (Rs.) | 10 | 10 |
| Basic/Diluted EPS (Rs.) | (15.79) | (10.58) |

2.22 Related party disclosure

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

- (i) (A) Associate Company
 - Winsome Textile Industries Limited
- (B) Subsidiary Company
 - (i) Winsome Yarns (Cyprus) Limited (100% Subsidiary)
 - (ii) Winsome Yarns FZE (Subsidiary of (i) above)
 - (iii) S.C. Winsome Romania s.r.l (Subsidiary of (i) above)
 - (iv) I.M.M. Winsome Italia s.r.l (Subsidiary of (iii) above)
 - (v) S.C. Textil s.r.l. (Subsidiary of (iv) above)
- (ii) Key management personnel and their relatives.
 - Shri Satish Bagrodia Chairman
 - Shri Manish Bagrodia Managing Director
 - Shri Ashish Bagrodia Director (Son of Chairman and brother of MD)
(Previous Year till 16.09.2013)
- (iii) Organizations 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 2013-14 (12 months)

| Particulars | 2013-14 | (Rs. In lacs) 2012-13 |
|---|-----------------|--|
| Winsome Textile Industries Limited | | |
| – Purchase of material & goods and services | – | 6.33 |
| – Expenses incurred on our behalf | 3.01 | 1.95 |
| – Expenses incurred by us on behalf of other | 4.76 | 8.52 |
| – Balance Outstanding as at year end | | |
| Receivable / (Payable) | (572.40) | (575.28) |
| Shri Satish Bagrodia | | |
| – Sitting Fees | 0.30 | 0.30 |
| Shri Manish Bagrodia | | |
| – Remuneration | 36.71@ | 43.78 |
| Shri Ashish Bagrodia | | |
| – Sitting Fees | – | 0.30 |
| Starpoint Financial Services Pvt. Ltd. | | |
| Rent | 24.96 | 37.45 |
| Unsecured loan taken | 537.00 | 537.00 |
| Unsecured loan repaid | 537.00 | 537.00 |
| Interest on unsecured loan | 11.37 | 26.78 |
| Balance in current account | 5.68 | 13.11 |
| Balance in loan account | | |
| S.C. Winsome Romania | – | – |
| Balance Written off | 42.58 | – |
| Balance Outstanding as at year end | 7.22 | 49.80 |
| Receivable / (Payable) | | |
| IMM Winsome Italia | | |
| Balance Outstanding as at year end | 149.24 | 149.24 |
| Receivable / (Payable) | | |
| Winsome Yarn (Cyprus) Ltd. | | |
| Receivable / (Payable) | 20.98 | 20.98 |
| Winsome Yarns FZE | | |
| Purchase of material & goods & services | – | 498.45 |
| Refund received (Including foreign exchange gain) | – | 210.02 |
| Receivable / (Payable) | – | – |

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

@ The payment of remuneration of Rs. 14.82 Lacs (w.e.f. 1st July 2014) is subject to approval of shareholders in General Meeting and also necessary approval of the Central Government.

WINSOME YARNS LIMITED

2.23 (A) (i) Details of WIP:-

(Rs. In Lacs)

| Particulars | 2013 – 14 | 2012 – 13 |
|-----------------|----------------|----------------|
| Mixing Material | 1926.46 | 330.37 |
| Fleece | 1273.89 | 4414.55 |
| Winding | 71.67 | 89.38 |
| Garments | 385.12 | 597.72 |
| Total | 3657.14 | 5432.02 |

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

(Rs. In Lacs)

| Particulars | 2013 – 14 | 2012 – 13 |
|--------------|-----------------|-----------------|
| Cotton | 22480.86 | 29834.92 |
| Others | 3278.15 | 5,095.99 |
| Total | 25759.01 | 34930.91 |

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

(Rs. In Lacs)

| Particular | Raw Material | | | | Stores & Spares | | | |
|--------------|-----------------|---------------|-----------------|------------|-----------------|---------------|----------------|---------------|
| | 2013-14 | % | 2012-13 | % | 2013-14 | % | 2012-13 | % |
| Imported | 41.51 | 0.16 | – | – | 21.32 | 1.92 | 263.94 | 14.66 |
| Indigenous | 25717.50 | 99.84 | 34930.91 | 100 | 1090.53 | 98.08 | 1536.73 | 85.34 |
| Total | 25759.01 | 100.00 | 34930.91 | 100 | 1111.85 | 100.00 | 1800.67 | 100.00 |

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

- (iv) (a) As per the past practice, consumption of raw material and stores & spares is derived as net of opening stock plus purchases less closing stock as item wise records are in process of updation.
- (b) Company is in process of item wise physical verification of Fixed Assets and inventories. To the extent assets and inventories have been physically verified by the management, no material discrepancies have been observed between the book record and physical quantity.
- (c) In view of Para (a) above, closing inventory of stock-in- process and finished goods has been considered as taken, valued and certified by the management after providing against old /non-moving inventory as assessed/estimated by the management and/or based on contracts /subsequent sales realization.
- (d) In view of security arrangement in place, the management is confident that there will not be any material adjustment on updation of records and completion of physical verification.
- (v) The Company has temporarily opened an account with Bank which is outside the consortium.

(B) CIF Value of imports:

(Rs. In Lacs)

| Particulars | 2013 – 14 | 2012 – 13 |
|--------------------------|-----------|-----------|
| Plant & Machinery | – | – |
| Spare Parts & Components | 23.85 | 243.75 |
| Raw Material | 83.17 | – |

(C) Earnings in Foreign Exchange

| Particulars | 2013 – 14 | 2012 – 13 |
|---|-----------|-----------|
| Exports of goods on FOB basis (excluding export through export houses) | 6132.72 | 19928.41 |
| Commission Income | – | 668.41 |

(D) Expenditure in Foreign currency:

| Particulars | 2013 – 14 | 2012 – 13 |
|---------------------|-----------|-----------|
| Foreign Traveling | 15.29 | 61.10 |
| Commission on sales | 83.61 | 163.17 |
| Others | 17.99 | 3.72 |

WINSOME YARNS LIMITED

2.24 Company could not make payments for the various statutory dues (TDS, PF, ESIC, PWF, Sales Tax, Service Tax etc.) on time due to financial tightness. However, the company will honour all the dues in due course on the revival / availability of fund.

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

| (Rs. In Lacs) | | | | | |
|-------------------------------|-------------------|-----------------------------|-------------|---------------|------------|
| Particulars | Domestic Currency | Amount in Document Currency | | Amount in INR | |
| | | 30.09.2014 | 30.09.2013 | 30.09.2014 | 30.09.2013 |
| Sundry Debtors | USD | 12040492.91 | 19946870.08 | 7434.39 | 12457.85 |
| | Euro | 12374.19 | 2736290.82 | 9.62 | 1862.20 |
| | GBP | 4500.82 | 15746.14 | 4.49 | 15.91 |
| Advance From Customer | GBP | 13273.68 | 24337.50 | 10.60 | 18.68 |
| | EUR | 30444.65 | 30268.00 | 20.72 | 20.61 |
| | USD | 479661.54 | 596420.89 | 217.06 | 284.96 |
| Sundry Creditors | HKD | 3009.40 | – | 0.24 | – |
| | Euro | 62407.55 | 79022.43 | 48.50 | 66.77 |
| | JPY | – | 1576544.00 | – | 10.11 |
| | USD | 168714.87 | 4866966.52 | 104.19 | 3047.21 |
| | CHF | 96960.88 | 100857.83 | 62.47 | 69.72 |
| | GBP | 210.82 | 289.08 | 0.21 | 0.29 |
| Advance To Suppliers | EURO | 31717.00 | 86059.47 | 20.90 | 53.35 |
| | USD | 13625.38 | 26070.46 | 6.96 | 11.85 |
| | HKD | 2345.21 | 1070.21 | 0.17 | 0.07 |
| | GBP | 488.45 | 488.45 | 0.36 | 0.36 |
| | CHF | 9641.06 | 9650.75 | 3.79 | 3.80 |
| Foreign Commission Payable | USD | 71732.05 | 149125.44 | 44.30 | 74.75 |
| Foreign Commission Receivable | USD | – | 1201955.00 | – | 752.42 |

(b) Forward contract Nil (PY USD 850953.77) taken to hedge the foreign currency receivables are outstanding as at 30.09.2014.

2.26 Due to continuous losses and financial tightness, the company has not been able to fully pay due installments & interest of term loan on due dates & certain overdue amount is continuing/ unpaid till date (as detailed in note no.5.5). Interest on overdue amount, penal interest etc. (amount unascertained) has not been provided and as the same will be provided / accounted for as and when paid/settled as the company is in process of getting loans to be restructured by the lenders.

2.27 (a) Previous year's figures in Statement of Profit & Loss and Cash Flow Statements are for eighteen months ended 30th September 2013. As Current year's figures in Statement of Profit & Loss and Cash Flow Statement are for twelve months hence to that extent the same are not strictly comparable.

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

As per our report of even date.

For **LODHA & CO.**

Chartered Accountants

Firm Registration Number : 301051E

N.K. Lodha Anand Balkishan Sharma
Partner President
M.No. 85155 (Corporate Finance & CFO)

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

For and on behalf of the Board
Manish Bagrodia Pradeep Kumar
Managing Director Director

Place : Chandigarh

Date : 29.11.2014

| PARTICULARS | As At 30 th Sep 2014 (Rs. in Lacs) | As At 30 th Sep 2013 (Rs. in Lacs) |
|--|--|--|
| NOTE 3 - SHARE CAPITAL | | |
| 1. AUTHORISED | | |
| 8,50,00,000 Equity Shares of Rs.10/- each (Previous Year 8,50,00,000 Equity Shares of Rs.10/- each) | 8500.00 | 8500.00 |
| ISSUED | | |
| 7,10,86,829 Equity Shares of Rs.10/- each (Previous Year 7,10,86,829 Equity Shares of Rs.10/- each) | 7108.68 | 7108.68 |
| SUBSCRIBED & PAID UP | | |
| 7,07,07,229 Equity Shares of Rs.10/- each (Previous Year 7,07,07,229 Equity Shares of Rs.10/- each) | 7070.72 | 7070.72 |
| Amount Paid-up on shares forfeited | 11.61 | 11.61 |
| | 7082.33 | 7082.33 |

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. 10/- 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(after payment of all dues/outstanding), in proportionate to their individual shareholding in the paid up equity capital of the company.

3. Details of Shareholders holding more than 5%

| Name of Shareholder | As on 30.09.2014 No. of Shares held | As on 30.09.2013 No. of Shares held |
|---|--|--|
| The Bank of New York Mellon (Shares held by custodian & against which Depository Receipts have been issued) | 18488750 | 19941250 |
| Shell Business (P) Ltd | 20721244 | 20721244 |
| Satyam Combines (P) Ltd | 5096243 | 5096243 |
| Arpit Agencies (P) Ltd | - | 4200000 |
| Landscape Traders (P) Ltd | - | 4200000 |

4. Reconciliation of Share capital

| | | |
|--|----------|----------|
| Shares outstanding as at the beginning of the year | 70707229 | 70707229 |
| Issued during the year | - | - |
| Buyback during the year | - | - |
| Shares outstanding as at the end of the year | 70707229 | 70707229 |

5. Details of Bonus shares issued during last 5 Financials Years

| Particulars | Year (Aggregate No. of shares) | | | | |
|--------------------------------------|--------------------------------|---------|---------|---------|---------|
| | 2013-14 | 2012-13 | 2011-12 | 2010-11 | 2009-10 |
| Equity shares: | | | | | |
| Fully paid up by way of bonus shares | Nil | Nil | Nil | Nil | Nil |

WINSOME YARNS LIMITED

| PARTICULARS | As At 30 th Sep 2014 (Rs. in Lacs) | | As At 30 th Sep 2013 (Rs. in Lacs) | |
|--|--|----------------|--|----------------|
| NOTE 4 - RESERVES & SURPLUS | | | | |
| - Capital Reserve | | | | |
| As per last Balance sheet | 261.03 | | 261.03 | |
| Add: Addition | - | | - | |
| Less Adjustment | - | 261.03 | - | 261.03 |
| - Capital Redemption Reserve | | | | |
| As per Balance sheet | 124.44 | | 124.44 | |
| Add: Addition | - | | - | |
| Less Adjustment | - | 124.44 | - | 124.44 |
| Securities Premium Account | | | | |
| As per last Balance sheet | 5181.95 | | 5181.95 | |
| Add: Addition | - | | - | |
| Less Adjustment | - | 5181.95 | - | 5181.95 |
| - General Reserve | | | | |
| As per last Balance sheet | 35.08 | | 35.08 | |
| Add: Addition | - | | - | |
| Less Adjustment | - | 35.08 | - | 35.08 |
| -State Investment Subsidy | | | | |
| As per last Balance sheet | 25.00 | | 25.00 | |
| Add: Addition | - | | - | |
| Less Adjustment | - | 25.00 | - | 25.00 |
| -Capital Subsidy Reserve | | | | |
| As per last Balance sheet | 138.27 | | 152.12 | |
| Add: Addition | - | | - | |
| Less Adjustment | 9.23 | 129.04 | 13.85 | 138.27 |
| -Statement of Profit & Loss Account | | | | |
| Surplus in statement of profit and loss from Previous year | (8739.79) | | (1259.41) | |
| Profit/(Loss) for the year | (11163.30) | | (7480.38) | |
| Surplus in statement of profit and loss carried to balance sheet | | (19903.09) | | (8739.79) |
| | | (14146.55) | | (2974.02) |
| NOTE 5 - LONG TERM BORROWINGS | | | | |
| SECURED LOANS (Refer Note No. 2.2) | Non Current | Current | Non Current | Current |
| Term Loans | | | | |
| -From Banks | 14999.93 | 9227.55 | 19206.30 | 5645.53 |
| Working Capital Term Loan | - | 964.07 | 246.53 | 1166.90 |
| Vehicle Loan | | | | |
| -From Others | 5.46 | 9.83 | 5.08 | 6.23 |
| | 15005.39 | 10201.45 | 19457.91 | 6818.66 |
| Less: Current maturity of Long term borrowings (Amount disclosed under other current liabilities Note No.10) | - | 10201.45 | - | 6818.66 |
| | 15005.39 | - | 19457.91 | - |

WINSOME YARNS LIMITED

5.1 Term Loan of Rs.24156.66 lacs (PY. Rs 24781.01 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.70.82 Lacs (PY Rs. 70.82 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 | 1-2 years | 2-3 years | after 3 years |
|--------------|-----------|-----------|---------------|
| (Rs.in lacs) | 4272.28 | 4390.34 | 6337.31 |

5.2 Working Capital Term Loans of Rs.964.07 Lacs (P.Y. 1413.43 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 | 1-2 years | 2-3 years | after 3 years |
|--------------|-----------|-----------|---------------|
| (Rs.in lacs) | - | - | - |

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.15.29 (Previous year 11.31 Lacs)Lacs is secured by hypothetical of specific assets purchased under such arrangements. Maturity Profile of vehicle loan is as under:-

| Repayment | 1-2 years | 2-3 years | after 3 years |
|--------------|-----------|-----------|---------------|
| (Rs.in lacs) | 5.46 | - | - |

5.5 Default in repayment of principal and interest amount of long term borrowings (Rs. In Lacs)

| S. No. | Default | Due Date | Amount Outstanding as on 30 th September 2014 | Subsequent Payments | Date of Payment | Delay | Outstanding |
|--------|------------------------|-----------|--|---------------------|-----------------|-------|----------------|
| 1 | Principal | 30-Sep-14 | 1238.22 | - | - | - | 1238.22 |
| 2 | Principal | 30-Jun-14 | 1238.22 | - | - | - | 1238.22 |
| 3 | Principal | 31-Mar-14 | 956.72 | - | - | - | 956.72 |
| 4 | Principal | 30-Dec-13 | 956.72 | - | - | - | 956.72 |
| 5 | Principal | 30-Sep-13 | 784.73 | - | - | - | 784.73 |
| 6 | Principal | 30-Jun-13 | 531.09 | - | - | - | 531.09 |
| 7 | Principal | 31-Mar-13 | 70.83 | - | - | - | 70.83 |
| | Total Principal | | 5776.53 | - | - | - | 5776.53 |
| 8 | Interest | 30-Sep-14 | 225.03 | - | - | - | 225.03 |
| 9 | Interest | 3-Sep-14 | 7.77 | - | - | - | 7.77 |
| 10 | Interest | 31-Aug-14 | 229.85 | - | - | - | 229.85 |
| 11 | Interest | 3-Aug-14 | 7.74 | - | - | - | 7.74 |
| 12 | Interest | 31-Jul-14 | 196.84 | - | - | - | 196.84 |
| 13 | Interest | 3-Jul-14 | 1.24 | - | - | - | 1.24 |
| 14 | Interest | 30-Jun-14 | 185.38 | - | - | - | 185.38 |
| 15 | Interest | 26-Jun-14 | 4.34 | - | - | - | 4.34 |
| 16 | Interest | 31-May-14 | 189.03 | - | - | - | 189.03 |
| 17 | Interest | 27-May-14 | 4.52 | - | - | - | 4.52 |
| 18 | Interest | 30-Apr-14 | 180.20 | - | - | - | 180.20 |
| 19 | Interest | 31-Mar-14 | 187.51 | - | - | - | 187.51 |
| 20 | Interest | 28-Feb-14 | 165.55 | - | - | - | 165.55 |
| 21 | Interest | 31-Jan-14 | 181.70 | - | - | - | 181.70 |
| 22 | Interest | 31-Dec-13 | 183.93 | - | - | - | 183.93 |
| 23 | Interest | 30-Nov-13 | 176.15 | - | - | - | 176.15 |
| 24 | Interest | 31-Oct-13 | 168.46 | - | - | - | 168.46 |
| 25 | Interest | 30-Sep-13 | 132.79 | - | - | - | 132.79 |
| 26 | Interest | 31-Aug-13 | 87.22 | - | - | - | 87.22 |
| 27 | Interest | 31-Jul-13 | 52.84 | - | - | - | 52.84 |
| 28 | Interest | 30-Jun-13 | 10.73 | - | - | - | 10.73 |
| 29 | Interest | 31-May-13 | 0.74 | - | - | - | 0.74 |
| | Total Interest | | 2579.56 | - | - | - | 2579.56 |

(Read with note no. 2.15 & 2.26)

WINSOME YARNS LIMITED

| PARTICULARS | As At 30 th Sep 2014 (Rs. in Lacs) | As At 30 th Sep 2013 (Rs. in Lacs) |
|--|--|--|
| NOTE 6 - DEFERRED TAX | | |
| A) Deferred Tax Liability (DTL) | | |
| Tax impact on difference between book value of depreciable assets and written down value for tax purposes | 4592.72 | 4640.04 |
| Total (A) | 4592.72 | 4640.04 |
| B) Deferred Tax Assets (DTA) | | |
| Tax impact of expenses charged to Profit & Loss Account but allowance under tax laws deferred | 79.84 | 67.56 |
| Tax impact on doubtful debts & advances | 105.23 | 818.42 |
| Tax impact of unabsorbed depreciation and business losses (To the extent of deferred Tax Liabilities) | 4407.65 | 3754.06 |
| Total (B) | 4592.72 | 4640.04 |
| Deferred Tax Asset / (Liability) (Net) (A-B) {Refer Note 2.20} | - | - |
| NOTE 7 - LONG TERM PROVISIONS | | |
| Provision for Employees Benefits | 170.87 | 156.95 |
| Total | 170.87 | 156.95 |
| NOTE 8 - SHORT TERM BORROWINGS | | |
| SECURED LOANS | | |
| Working capital demand loan from Banks | 28694.39 | 23424.28 |
| Total | 28694.39 | 23424.28 |
| 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 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. | | |
| NOTE 9 - TRADE PAYABLES | | |
| - Acceptances | 155.73 | 4300.66 |
| - Other (refer Note no 2.17) | 5754.38 | 9377.60 |
| Total | 5910.11 | 13678.26 |
| NOTE 10 - OTHER CURRENT LIABILITIES | | |
| Current maturities of long term borrowings | 10201.45 | 6818.66 |
| Interest accrued and due on borrowings | 2579.56 | 718.63 |
| Book Overdraft with Banks | 487.27 | 488.55 |
| Interest accrued but not due | 12.64 | 96.70 |
| Advance From Customers | 436.94 | 483.31 |
| Unpaid Dividend* | 6.73 | 11.73 |
| Other Payables | | |
| -Capital payables (refer Note no. 2.17) | 56.95 | 120.37 |
| -Statutory Dues | 171.23 | 82.27 |
| -Others (refer Note no. 2.17) | 1440.22 | 1702.31 |
| Total | 15392.99 | 10522.53 |
| *shall be credited to investor's education & protection fund when due | | |
| NOTE 11 - SHORT TERM PROVISIONS | | |
| Provision for employee Benefits | 15.62 | 13.50 |
| Total | 15.62 | 13.50 |

Note-12 FIXED ASSETS

(Rs. In Lacs)

| Nature of Assets | Gross Carrying Amount | | | Depreciation/Amortisation | | | Net Carrying Amount | |
|--------------------------|-----------------------|----------------|-------------------------------|---------------------------|----------------|-------------------------------|---------------------|------------------|
| | As at 1.10.2013 | Additions | Sale/ Adjust- ment 30.09.2014 | As at 01.10.2013 | For the year | Sale/ Adjust- ment 30.09.2014 | As at 30.09.2014 | As at 30.09.2013 |
| Tangible | | | | | | | | |
| Freehold Land | 341.09 | - | - | - | - | - | 341.09 | 341.09 |
| Leasehold Land | 280.27 | - | 280.27 | 22.29 | 2.83 | - | 255.15 | 257.98 |
| Buildings* | 8623.49 | - | 8623.49 | 1798.16 | 274.97 | - | 6550.36 | 6825.33 |
| Plant & Machinery | 39911.70 | - | 39911.70 | 16613.71 | 1883.93 | - | 21414.06 | 23297.99 |
| Furniture & Fixture* | 365.70 | 5.29 | 370.99 | 290.88 | 12.21 | - | 67.90 | 74.82 |
| Office Equipments | 6762 | 1.49 | 69.11 | 2707 | 4.84 | - | 37.20 | 40.55 |
| Vehicles | 125.36 | - | 125.36 | 78.93 | 6.70 | - | 39.73 | 46.43 |
| Total (A) | 49715.23 | 6.78 | 49722.01 | 18831.04 | 2185.48 | - | 28705.49 | 30884.19 |
| Previous Year | 48454.12 | 1321.53 | 49715.23 | 15577.92 | 3277.42 | 24.30 | 30884.19 | 32876.20 |
| Intangible | | | | | | | | |
| Specialized Software | 63.67 | - | 63.67 | 63.53 | 0.03 | - | 0.10 | 0.14 |
| Total (B) | 63.67 | - | 63.67 | 63.53 | 0.03 | - | 0.10 | 0.14 |
| Previous year | 63.67 | - | 63.67 | 59.13 | 4.40 | - | 0.14 | 4.54 |
| Grand Total (A+B) | 49778.90 | 6.78 | 49785.68 | 18894.57 | 2185.51 | - | 28705.59 | 30884.33 |
| Previous Year | 4851779 | 1321.53 | 49778.90 | 1563705 | 3281.82 | 24.30 | 30884.33 | 32880.74 |

*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.NIL and Rs.2.85 Lacs, respectively, (Previous year Rs.Nil and Rs. 2.85 Lacs respectively).

WINSOME YARNS LIMITED

| PARTICULARS | As At 30 th Sep 2014 (Rs. in Lacs) | As At 30 th Sep 2013 (Rs. in Lacs) |
|--|--|--|
| NOTE 13 - NON-CURRENT INVESTMENTS | | |
| Other (Non trade) | | |
| Investment in Equity Shares: | | |
| Unquoted | | |
| Subsidiary Companies (Wholly owned) | | |
| 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. 2.7) | 446.25 | 446.25 |
| (A) | - | - |
| 1800000 Preference Shares of Winsome Yarns (Cyprus) Limited of 1 Euro each (Previous Year 1800000 shares) | 1071.00 | 1071.00 |
| Less: Provision for Diminution in Investment (Refer Note No. 2.7) | 1071.00 | 1071.00 |
| (B) | - | - |
| Total (A+B) | - | - |
| Aggregate amount of unquoted investment | 1517.25 | 1517.25 |
| Aggregate amount of provision for diminution in value of investment | 1517.25 | 1517.25 |
| NOTE 14 - LONG TERM LOANS & ADVANCES | | |
| (Unsecured, considered good unless otherwise stated) | | |
| Capital Advances | 0.56 | 44.83 |
| Security Deposits | - | - |
| - With Govt. | 312.85 | 261.05 |
| - With others | 11.13 | 10.34 |
| MAT Credit Entitlement | 50.43 | 50.43 |
| Other Loans & advances | 19.58 | 2.03 |
| Total | 394.55 | 368.68 |
| NOTE 15 - CURRENT INVESTMENTS | | |
| Investment in Money Market | 2679.34 | 3195.38 |
| (5072.11 redeemable shares of USD 1000 each in Aries Money Market Fund) (previous year 6049 redeemable shares of USD 1000 each) (Refer note no. 2.3) | | |
| Total | 2679.34 | 3195.38 |
| NOTE 16 - INVENTORIES (At lower of cost and net realizable value) | | |
| (As taken, valued and certified by the management) | | |
| Raw Materials | 1143.30 | 2703.80 |
| Stock in Process | 3657.14 | 5432.02 |
| Stores & Spares | 561.08 | 653.81 |
| Finished Goods * | 4031.81 | 5849.38 |
| Waste (At net realizable value) | 430.08 | 36.88 |
| Total | 9823.41 | 14675.89 |
| *Includes Goods in transit Rs. 253.07 Lacs (Previous Year Rs 231.13 Lacs) | | |
| NOTE 17 - TRADE RECEIVABLES | | |
| (Unsecured, considered good unless otherwise stated) | | |
| Exceeding Six months from due date | | |
| - Good | 9614.04 | 6578.16 |
| - Doubtful | 271.45 | 2453.09 |
| Less : Provision for Doubtful Debts | 271.45 | 2453.09 |
| | 9614.04 | 6578.16 |
| Other Debts | 2382.26 | 9628.19 |
| Total | 11996.30 | 16206.35 |

WINSOME YARNS LIMITED

| PARTICULARS | As At 30 th Sep 2014 (Rs. in Lacs) | As At 30 th Sep 2013 (Rs. in Lacs) |
|--|--|--|
| NOTE 18 - CASH & BANK BALANCES | | |
| CASH & CASH EQUIVALENTS | | |
| Cash in hand (As certified by Management) | 0.01 | 0.01 |
| Balances with Banks | | |
| -On Current Accounts | 14.15 | 3.71 |
| Earmarked balances | | |
| -On Unpaid Dividend Account | 6.68 | 11.68 |
| Other Bank balances | | |
| -Fixed Deposit (Lodged with Banks as Margin Money) | 496.03 | 794.77 |
| Total | 516.87 | 810.17 |
| NOTE 19 - SHORT TERM LOANS & ADVANCES | | |
| (Unsecured, Considered Good unless otherwise stated) | | |
| Advance Income Tax including TDS | 115.40 | 105.32 |
| Refunds/Claims Receivable | 573.52 | 569.38 |
| Interest Subsidy Receivable (Under TUFS) | 1475.35 | 956.79 |
| Balances with government authorities | 145.94 | 147.92 |
| Export Incentives Receivable | 514.86 | 589.00 |
| Interest accrued | 17.83 | 13.81 |
| Advances to suppliers | 996.84 | 1835.45 |
| (Net of Provisions for doubtful advances Rs. 69.09 lacs (P.Y. Rs.195.51 lacs)) | | |
| Others | 169.35 | 1003.27 |
| Total | 4009.09 | 5220.94 |
| NOTE 20 - REVENUE FROM OPERATION | | |
| Sale of Product* | | |
| - Yarns | 35004.86 | 51795.48 |
| - Knitwear | 1028.76 | 2393.48 |
| - Trading Sale | 2028.08 | 18593.40 |
| (A) | 38061.70 | 72782.36 |
| Sale of Services | | |
| - Job Charges | 64.38 | 26.53 |
| - Commission Income (Refer Note no 2.9 (a)) | - | 668.41 |
| (B) | 64.38 | 694.94 |
| Other operating revenue | | |
| Waste Sales | 2257.93 | 3338.30 |
| Sale of Scrap | 12.16 | 14.80 |
| (C) | 2270.09 | 3353.10 |
| Revenue From Operations (A+B+C) | 40396.17 | 76830.40 |
| Less : Excise Duty | - | 34.20 |
| Net Revenue From Operations | 40396.17 | 76796.20 |
| *includes duty drawback & DEPB of Rs 465.69 lacs (P.Y 988.17 Lacs) | | |
| NOTE 21 - OTHER INCOME | | |
| Interest Received | 93.05 | 156.54 |
| Exchange Rate Difference (net) | - | 801.64 |
| Profit on sale of Current Investment | 12.21 | - |
| Provision for Doubtful Debts written back | 94.86 | - |
| Balances written back (Net) | 26.72 | - |
| Miscellaneous Income | 37.71 | 18.05 |
| Total | 264.55 | 976.23 |

WINSOME YARNS LIMITED

| PARTICULARS | As At 30 th Sep 2014 (Rs. in Lacs) | As At 30 th Sep 2013 (Rs. in Lacs) |
|--|--|--|
| NOTE 22 - CHANGE IN INVENTORIES OF FINISHED GOODS, WIP STOCK AND STOCK IN TRADE | | |
| Closing Stock | | |
| Finished Goods | | |
| - Yarn | 3578.90 | 5374.66 |
| - Knitwear | 452.91 | 474.72 |
| | 4031.81 | 5849.38 |
| Stock in Process | | |
| - Yarn | 3272.02 | 4834.30 |
| - Knitwear | 385.12 | 597.72 |
| | 3657.14 | 5432.02 |
| (A) | 7688.95 | 11281.40 |
| Less: Opening Stock | | |
| Finished Goods | | |
| - Yarn | 5374.66 | 5608.01 |
| - Knitwear | 474.72 | 677.55 |
| | 5849.38 | 6285.56 |
| Stock in Process | | |
| - Yarn | 4834.30 | 4649.60 |
| - Knitwear | 597.72 | 266.32 |
| | 5432.02 | 4915.92 |
| (B) | 11281.40 | 11201.48 |
| Differential excise duty on (increase)/decrease in stock (C) | - | (39.24) |
| (Increase) /Decrease in Stocks (B-A+C) | 3592.45 | (119.16) |
| NOTE 23 - EMPLOYEE BENEFIT EXPENSES | | |
| Salaries, Wages, Bonus, etc | 2396.78 | 3215.60 |
| Contribution to Provident & Other Funds | 146.72 | 186.31 |
| Employees Welfare | 56.49 | 87.30 |
| Total | 2599.99 | 3489.21 |
| NOTE 24 - FINANCE COSTS | | |
| Interest on Borrowings | 5991.82 | 7877.79 |
| (Net of reimbursement under TUFS Rs.1207.73 lacs, PY Rs.1977.88 Lacs) | | |
| Other borrowing cost | 141.33 | 132.52 |
| Total | 6133.15 | 8010.31 |
| NOTE 25 - DEPRECIATION & AMORTISATION EXPENSES | | |
| Depreciation | 2185.47 | 3277.42 |
| Less : Prorata Capital Subsidy | 9.23 | 13.85 |
| Amortisation | 0.03 | 4.40 |
| Total | 2176.27 | 3267.97 |

WINSOME YARNS LIMITED

| PARTICULARS | As At 30 th Sep 2014 (Rs. in Lacs) | As At 30 th Sep 2013 (Rs. in Lacs) |
|---|--|--|
| NOTE 26 - OTHER EXPENSES | | |
| Stores & Spares consumed | 1111.85 | 1800.67 |
| Power & Fuel | 4028.80 | 5702.39 |
| Repairs & Maintenance | | |
| -Building | 12.41 | 11.64 |
| -Plant & Machinery | 79.25 | 36.89 |
| -others | 47.71 | 61.79 |
| Processing Charges & Dyeing Charges | 855.88 | 1227.23 |
| Material Handling Charges | 103.78 | 187.77 |
| Rent | 36.45 | 58.82 |
| Rates & Taxes | 1.89 | 13.85 |
| Printing & Stationery | 4.31 | 7.27 |
| Director Sitting Fee | 1.35 | 1.57 |
| Insurance | 78.83 | 155.08 |
| Bank Charges | 266.67 | 547.83 |
| Traveling & Conveyance | 194.31 | 248.37 |
| Postage, Telegrams and Telephones | 34.54 | 49.60 |
| Loss/Discard on Sale of Fixed Assets | - | 30.81 |
| Legal & Professional Charges | 210.60 | 114.15 |
| Charity & Donation | 0.71 | 0.70 |
| Asset Written off | - | 0.30 |
| Bad debts | 2086.78 | - |
| Less :-Provision for Doubtful debts written back | 2086.78 | - |
| | - | - |
| Advances written off | 126.42 | - |
| Less :-Provision for Doubtful advances written back | 126.42 | - |
| | - | - |
| Provision for Doubtful debts | - | 205.41 |
| Provision for Doubtful advances | 315.00 | 139.26 |
| Auditors remuneration: | | |
| - Audit Fees | 5.62 | 8.43 |
| - Tax audit Fees | 0.39 | 0.39 |
| - Other services | 2.35 | 4.95 |
| - Reimbursement of expenses | 0.19 | 0.19 |
| | 8.55 | 13.96 |
| Commission on sales | 463.24 | 665.03 |
| Freight & Handling Charges | 378.36 | 1020.22 |
| Advertisement & Other Selling Expenses | 248.03 | 272.52 |
| Exchange Rate Difference (net) | 37.24 | - |
| Liability/Balances written back (Net) | - | 8.33 |
| Miscellaneous Expenses | 170.38 | 244.83 |
| Total | 8690.14 | 12826.29 |

SECTION 212

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

| Sr. 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 | | | |
|---------|--|--|---------------------------|--|---|---|---|
| | | | | For Current Financial Year | | For Previous Financial Year | |
| | | Equity (Nos.) | Extent of holding (% age) | Dealt with in the accounts of Winsome Yarns Limited for the year ended 30th September, 2014 | Not dealt with in the accounts of Winsome Yarns Limited for the year ended 30th September, 2014 | Dealt with in the accounts of Winsome Yarns Limited for the year ended 30th September, 2013 | Not dealt with in the accounts of Winsome Yarns Limited for the year ended 30th September, 2013 |
| 1 | Winsome Yarns (Cyprus) Limited (Subsidiary of Winsome Yarns Limited) | 101000 | 100% | Rupees in Lacs | Rupees in Lacs | Rupees in Lacs | Rupees in Lacs |
| | | | | - | (10.04) | - | (128.34) |
| 2 | Winsome Yarns FZE (Subsidiary of Winsome Yarns (Cyprus) Limited) | 1 | 100% | - | (11.45) | - | 3.93 |
| 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 | | | |

Note: The financial year of Winsome Yarns (Cyprus) Limited is from 1st April, 2013 to 30th June, 2014. and Winsome Yarns FZE is 1st April, 2013 to 31st March, 2014.

INDEPENDENT AUDITOR’S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENT TO THE BOARD OF DIRECTORS OF WINSOME YARNS LIMITED

We have audited the accompanying consolidated financial statements of WINSOME YARNS LIMITED and its subsidiaries (collectively referred to as “the Group”) which comprises the Consolidated Balance Sheet as at 30th September 2014, and the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these Consolidated Financial Statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India including Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956 (“the Act”) read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Consolidated Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the Consolidated Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion:

Attention is drawn to:

- (i) *Note no. 2.19 and note no. 2.10 regarding non provision of penal interest, penalty etc. AND, adjustment/ set off of payment of receivables/ payables pending necessary approval as stated in the said notes.*
- (ii) *Note no. 2.17(i)(b) and 2.17(ii) regarding Non-compliance of conditions [read with note no. 2.3 (A)(iii) and 2.3(B)]with respect to physical verification of fixed assets and also advised not to maintain bank accounts outside consortium parties (Bankers etc.) as directed by the CDR-MC, as stated in the said notes.*
- (iii) *Note no. 2.11 regarding pending confirmation/reconciliation of balances of certain receivables (including oversea overdue receivables as stated in note no.2.6) bank balances, payables (including of an Associate Company of amounting to Rs. 572.40 lacs), secured loans, contingent and other liabilities, loans and advances etc., in this respect impact is unascertainable and cannot be commented by us. In our view read with said note internal control needs to be further strengthened.*
- (iv) *Note no. 2.6 and Note no.2.8 regarding non provision against receivables (including of oversea overdue debtors of amounting to Rs.6846.77 lacs and including accounting of exchange fluctuation of Rs. 823.31 lacs till 30th September 2014) AND loans and advances of Rs.6844.14 lacs and Rs.2935.38 lacs respectively. The accounting of exchange fluctuation is not in line with generally accepted accounting principles and Accounting Standards 11 (AS-11)-"The Effect of Changes in Foreign Exchange Rates"*
- (v) *Note no. 2.17(i)(a) to (d) regarding accounting of consumption of Raw Material and Stores & Spares as balancing figure and the valuation of inventories is as taken, valued and certified by the management [also regarding provision against non/slow moving as assessed by the management] in view of reasons stated in said note, the impact whereof on the statement of profit and loss and state of affairs not being ascertained and cannot be commented by us.*
- (vi) *As stated in note no. 2.5 and as per the AS-28 (Impairment of Assets), the company have carried out assessment of value in use of assets of knitwear unit, by an independent professional firm, based on this estimated impairment loss is of amounting to Rs.2996.00 lacs. However, no provision against the same has been made by the company for the reason as explained in the said note. The Non-provision against diminution in value of above stated assets is not in line with AS-28. The overall impact of above cannot be assessed (except of AS-28) or otherwise on loss for the year and balance in Statement of Profit & Loss.*
- (vii) *Note no. 2.4 regarding pending receipt of part money of amounting to USD 50,72,110 (Rs. 2679.34 lacs) of the GDR issue made by the company lying outside India [i.e. balance amount against GDR issue of 19,94,125 nos. made in financial year 2010-11, entitling 19,94,12,500 fully paid up equity shares of Re.1/- each at Rs.2.97 per share including premium (now 1,99,41,250 fully paid up equity shares of Rs.10/- each at Rs.29.70 per share including premium)]. As explained, above stated amount is invested in money market fund outside India, and the same is pending for utilization.*
- (viii) *Note no. 2.12(iii) regarding auditor's reservation as stated in the said note and our inability to comment thereon.*

We report that, without considering items mentioned in paragraph (i), (ii), (iii), (v), (vii) and (viii) above the impact of which could not be determined, had the impact of notes referred in paragraph (iv) and (vi) above been given to in these financial statements, the loss for the period would have been Rs.23,958.55 lacs (as against the reported figures of Rs.11,183.03 lacs), accumulated loss at the period end would have been Rs.32,834.12 lacs (as against the reported figure of Rs.20,058.60 lacs), Loans and advances at the period end would have been Rs. 1,468.26 lacs (as against the reported figure of Rs.4403.64 lacs), carrying value of fixed assets would have been Rs. 25,709.59

lacs (as against the reported figure of Rs.28,705.59 lacs), trade receivables would have been Rs.5,394.20 lacs (as against the reported figure of Rs. 12,238.34 lacs).

Qualified Opinion

In our opinion and to: the best of our information and according to the explanations given to us, except for the effects of the matter described under the head "Basis for Qualified Opinion" paragraph and based on the consideration of the reports of the other auditors on the financial statements of the subsidiary as noted below, the consolidated financial statements 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 state of affairs of the Group as at 30th September, 2014;
- (b) In the case of Consolidated Statement of Profit & Loss, of the Loss of the Group for the year ended on that date; and
- (c) In the case of Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Emphasis of Matter:

1. Attention is drawn to:-

- (i) As stated in Note no. 2.12(i) represents amount paid (partial payment) for acquisition of 933750 nos. Shares in Newcocot s.r.l. (an Italian Company) through Subsidiary Company Winsome Yarns (Cyprus) Limited. As of 30th June 2013, Newcocot s.r.l. went into liquidation, the management expect to recover only 10% (Euro 0.25 Million) out of the partial payment made for the Shares in Newcocot s.r.l., the management decided and written off in the year ended 30th June, 2013 the balance (90%) amounting to Rs. 1,633.12 lacs (Euro 2.25 Million). Balance amounting to EURO 0.25 Million is shown in Financial Statement as other. receivables.
- (ii) Note no. 1.1(iii) regarding non consolidation and non-availability of the financial statements of the following subsidiaries, as explained step down subsidiaries are in process of liquidation.
 - (a) S.C. Winsome Romania S.R.L.
 - (b) I.M.M. Winsome Italia S.R.L.
 - (c) S.C. Textil S.R.L.
- (iii) To note no. 2.9(b) regarding the net worth of the Company become negative and preparation of financial statements by the management on "going concern basis"; considering the future business plans and expected cash flows. In the event of the same not being held to be a "going concern" and various assets and liabilities being consequently required to be adjusted with respect to their realizable value, the impact whereof has not been ascertained and therefore cannot be commented upon by us.
- (iv) Note no. 2.16 regarding payment of remuneration of Rs. 14.82 Lacs (w.e.f. 1st July 2014) is subject to approval of shareholders in General Meeting and also necessary approval of the Central Government.

Other Matters

We did not audit the financial statements of a subsidiary namely M/s Winsome Yarns (Cyprus) Limited & M/s Winsome Yarns FZE, whose financial statements reflect total assets of Rs.262.121acs as at their reporting date (i.e. 30th June 2014 and 31st March 2014 respectively) and total revenues of NIL and net cash out flows of amounting to Rs.31.60 lacs for the period then ended. These financial statements have been audited by other auditors (read with note no. 1.1(iv)(a) and 1.1(v)(b)), whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditor.

For LODHA & CO.
Firm Registration Number: 301051E
Chartered Accountants

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

Date : 29.11.2014

Place : New Delhi

**CONSOLIDATED BALANCE SHEET
AS AT 30th September 2014**

WINSOME YARNS LIMITED

| PARTICULARS | Note No. | As At 30 th Sep 2014 (12 Months) (Rs. in Lacs) | As At 30 th Sep 2013 (18 Months) (Rs. in Lacs) |
|-------------------------------------|-------------|---|---|
| I. EQUITY & LIABILITIES | | | |
| (1) Shareholders' Funds | | | |
| (a) Share Capital | 3 | 7082.33 | 7082.33 |
| (b) Reserves & Surplus | 4 | (13936.43) | (2768.96) |
| | | <u>(6854.10)</u> | <u>4313.37</u> |
| (2) Non- Current Liabilities | | | |
| (a) Long Term Borrowings | 5 | 15005.39 | 19457.91 |
| (b) Long Term Provisions | 7 | 170.87 | 156.95 |
| | | <u>15176.26</u> | <u>19614.86</u> |
| (3) Current Liabilities | | | |
| (a) Short Term Borrowings | 8 | 28694.39 | 23424.28 |
| (b) Trade Payables | 9 | 5955.70 | 13721.23 |
| (c) Other Current Liabilities | 10 | 15399.41 | 10527.76 |
| (d) Short Term Provisions | 11 | 15.62 | 13.50 |
| | | <u>50065.12</u> | <u>47686.77</u> |
| TOTAL | | <u><u>58387.28</u></u> | <u><u>71615.00</u></u> |
| II. ASSETS | | | |
| (1) Non-Current Assets | | | |
| (a) Fixed Assets | | | |
| (i) Tangible Assets | 12 | 28705.49 | 30884.19 |
| (ii) Intangible Assets | 12 | 0.10 | 0.14 |
| (iii) Capital Work-in-Progress | | - | - |
| (b) Non Current Investment | 13 | - | - |
| (c) Deferred Tax Asset (Net) | 6 | - | - |
| (d) Long term loans & advances | 14 | 394.55 | 368.68 |
| | | <u>29100.14</u> | <u>31253.01</u> |
| (2) Current Assets | | | |
| (a) Current Investment | 15 | 2679.34 | 3195.38 |
| (b) Inventories | 16 | 9823.41 | 14675.89 |
| (c) Trade receivables | 17 | 12238.34 | 16239.11 |
| (d) Cash & bank balances | 18 | 536.96 | 837.07 |
| (e) Short term Loans & Advances | 19 | 4009.09 | 5414.54 |
| | | <u>29287.14</u> | <u>40361.99</u> |
| TOTAL | | <u><u>58387.28</u></u> | <u><u>71615.00</u></u> |

Significant Accounting Policies & Explanatory Notes 1 & 2 are an integral part of the Financial Statement

As per our report of even date.

For **LODHA & CO.**

Chartered Accountants

Firm Registration Number : 301051E

For and on behalf of the Board

N.K. Lodha Anand Balkishan Sharma
Partner President
M.No. 85155 (Corporate Finance & CFO)

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

Manish Bagrodia
Managing Director

Pradeep Kumar
Director

Place : Chandigarh

Date : 29.11.2014

**CONSOLIDATED STATEMENT OF PROFIT & LOSS
FOR THE YEAR ENDED 30th September 2014**

WINSOME YARNS LIMITED

| PARTICULARS | Note No. | As At 30th Sep 2014 (12 Months) (Rs. in Lacs) | As At 30th Sep 2013 (18 Months) (Rs. in Lacs) |
|---|-----------------|---|---|
| I. Revenue from operations | | | |
| Sales (Gross) | 20 | 40396.17 | 76830.40 |
| Less: Excise Duty | | – | 34.20 |
| Net Sales | | 40396.17 | 76796.20 |
| II. Other Income | 21 | 264.74 | 968.51 |
| III. Total Revenue (I+II) | | 40660.91 | 77764.71 |
| IV. Expenses: | | | |
| Cost of Material consumed | | 25759.01 | 34930.91 |
| Purchase of stock-in-trade | | 1928.68 | 18107.85 |
| Change in inventories of finished goods, work in progress and stock in Trade | 22 | 3592.45 | (119.16) |
| Employee benefit expense | 23 | 2599.99 | 3489.21 |
| Financial costs | 24 | 6133.15 | 8010.31 |
| Depreciation and amortization expense | 25 | 2176.27 | 3267.97 |
| Other Expenses | 26 | 8710.06 | 14482.03 |
| Total Expenses (IV) | | 50899.61 | 82169.12 |
| V. Profit before exceptional items and tax (III-IV) | | (10238.70) | (4404.41) |
| VI. Exceptional Items {Refer Note no.2.7 (A)} | | 944.33 | 1967.14 |
| VII. Profit before tax(V-VI) | | (11183.03) | (6371.55) |
| VIII. Tax Expense: | | | |
| - Current Tax | | – | – |
| - Deferred Tax {Refer Note no. 2.20} | | – | 1233.24 |
| IX. Profit/ (Loss) form the period from continuing operations (VII-VIII) | | (11183.03) | (7604.79) |
| X. Profit/ (Loss) from discontinuing operations | | – | – |
| XI. Tax expense of discontinuing operations | | – | – |
| XII. Profit/ (Loss) from discontinuing operations (X-XI) | | – | – |
| XIII. Profit/ (Loss) for the period (IX+XII) | | (11183.03) | (7604.79) |
| XIV. Earning per equity share: | | | |
| - Basic (Rs.) | 2.15 | (15.82) | (10.76) |
| - Diluted (Rs.) | | (15.82) | (10.76) |

Significant Accounting Policies & Explanatory Notes are an integral part of the Financial Statement

As per our report of even date.

For **LODHA & CO.**

Chartered Accountants

Firm Registration Number : 301051E

N.K. Lodha
Partner
M.No. 85155

Anand Balkishan Sharma
President
(Corporate Finance & CFO)

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

For and on behalf of the Board
Manish Bagrodia
Managing Director

Pradeep Kumar
Director

Place : Chandigarh

Date : 29.11.2014

**CONSOLIDATED CASH FLOW STATEMENT FOR
THE YEAR ENDED 30th September 2014**

WINSOME YARNS LIMITED

| PARTICULARS | As At 30 th Sep 2014 (12 Months) (Rs. in Lacs) | As At 30 th Sep 2013 (18 Months) (Rs. in Lacs) |
|---|---|---|
| (A) CASH FLOW FROM OPERATING ACTIVITIES | | |
| NET PROFIT/ (LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS | (10238.70) | (4404.41) |
| Adjustment for: | | |
| Depreciation | 2182.68 | 3277.56 |
| Amortization of Leasehold Land | 2.83 | 4.25 |
| Pro rata Capital Subsidy | (9.23) | (13.85) |
| Effect of Exchange Fluctuation | (824.60) | (1042.20) |
| (Profit)/Loss on sale of fixed assets | - | 31.11 |
| Interest expense | 6133.15 | 8010.31 |
| Provision for doubtful advances/debts | 315.00 | 344.67 |
| Liability /Balance Written off/back | (26.72) | 1641.45 |
| Profit on sale of Current Investment | (12.21) | - |
| Provision for doubtful debts & advances written/back | (94.86) | - |
| Interest income | (93.05) | (156.54) |
| | 7572.99 | 12096.76 |
| | (2665.71) | 7692.35 |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES | | |
| Adjustment for: | | |
| Trade & other receivable | 5042.56 | (4283.47) |
| Inventories | 4852.48 | 2690.37 |
| Trade & other Payables | (7988.44) | 4642.84 |
| | 1906.60 | 3049.74 |
| CASH GENERATED FROM OPERATIONS | (759.11) | 10742.09 |
| Direct Taxes Paid | - | - |
| Income Tax Refund | - | 16.09 |
| NET CASH FLOW FROM OPERATING ACTIVITIES | (759.11) | 10758.18 |
| (B) CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (25.93) | (230.76) |
| Sale of fixed assets | - | 5.01 |
| Sale of investment | 528.25 | (3195.38) |
| Interest Received | 89.03 | 156.54 |
| | 591.35 | (3264.59) |
| NET CASH USED IN INVESTING ACTIVITIES | 591.35 | (3264.59) |
| (C) CASH FLOW FROM FINANCING ACTIVITIES | | |
| Interest paid | (4356.23) | (7547.39) |
| Proceeds from borrowings | 5268.83 | 3013.17 |
| Repayment of borrowings | (1069.74) | (6101.51) |
| | (157.14) | (10635.73) |
| NET CASH USED IN FINANCING ACTIVITIES | (157.14) | (10635.73) |
| (D) CHANGES IN CURRENCY FLUCTUATION RESERVE ARISING ON CONSOLIDATION | | |
| Effect on Exchange Fluctuation on Bank Balance | 24.79 | 92.61 |
| Net Increase/(decrease) in cash and cash equivalents | (300.11) | (3049.53) |
| Opening balance | | |
| Cash & Cash Equivalents | 30.62 | 3149.96 |
| Others | 806.45 | 736.64 |
| | 837.07 | 3886.60 |
| Closing balance | | |
| Cash & Cash Equivalents | 34.25 | 30.62 |
| Others | 502.71 | 806.45 |
| | 536.96 | 837.07 |

Note 1. Previous year figures have been regrouped/recasted wherever considered necessary.
As per our report of even date.

For **LODHA & CO.**

Chartered Accountants

Firm Registration Number : 301051E

N.K. Lodha Partner
M.No. 85155
Anand Balkishan Sharma President
(Corporate Finance & CFO)

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

For and on behalf of the Board
Manish Bagrodia Managing Director
Pradeep Kumar Director

Place : Chandigarh

Date : 29.11.2014

**NOTE NO. 1 :
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

1.1 PRINCIPLES OF CONSOLIDATION

- (i) The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses after fully eliminating intra – group balances and intra – group transactions resulting in unrealized profits or losses as per Accounting Standard 21– Consolidated Financial Statements notified under Companies (Accounting Standard) Rules, 2006.
- (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 (UAE).
- (iii) (a) List of subsidiaries:

| S. No. | Name of the Subsidiary | % of Share-holding | Nature of Interest | Country of Incorporation | Year End-ing | Period |
|--------|--------------------------------|--------------------|--------------------|--------------------------|--------------|-----------|
| 1. | Winsome Yarns (Cyprus) Limited | 100 | Direct | Cyprus | 30.06.2014 | 12 Months |
| 2. | S.C. Winsome Romania S.R.L. | 90 | Indirect | Romania | (b) | NA |
| 3. | Winsome Yarns FZE | 100 | Indirect | U.A.E | 31.03.2014 | 12 Months |
| 4. | I.M.M Winsome Italia S.R.L. | 100 | Indirect | Italy | (b) | NA |
| 5. | S.C. Textil S.R.L. | 100 | Indirect | Romania | (b) | NA |

- (b) As per the past year, financial statements of S.C. Winsome Romania S.R.L., I.M.M. Winsome Italia S.R.L., and S.C. Textil S.R.L. neither been prepared nor been made available to the Auditors in view that these companies are under liquidation hence have not been considered in this financial statement.
- (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. has 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) Since foreign subsidiaries are in same line of business which functions in different regulatory environment, certain policies such as in respect of depreciation/amortization, retirement benefits, preliminary expenditure etc are differ than the policies followed by the holding company are disclosed in their respective financial statements.
- (ix) 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. 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.

NOTE NO. 2

ADDITIONAL NOTES FORMING PART OF THE ACCOUNTS

2.1 The financial statements of the subsidiaries are not for the 12 months period ended 30th September 2014. Financial statements of Winsome Yarns (Cyprus) Limited is for the 12 Months period ending June 30, 2014 & Winsome Yarns FZE for the year ending March 31, 2014.

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

(Rs. in Lacs)

| No. | Particulars | 2013-14 | 2012-13 |
|--------|--|----------------|----------------|
| (i) | Bills discounted with banks | 195.88 | 3278.86 |
| (ii) | Outstanding Letter of Credit | - | 32.67 |
| (iii) | Sales Tax liability in respect of matters in appeal | 64.64 | 64.64 |
| (iv) | Excise duty show cause notices / matters in appeal | 653.31 | 543.35 |
| (v) | Income Tax Demand | 182.71 | 308.23 |
| (vi) | Employee State Insurance Corporation | 26.29 | - |
| (vii) | Outstanding bank guarantees | 189.00 | 550.09 |
| (viii) | Customs duty saved Nil (Previous Year 89.51 lacs) for import of capital good made against EPCG license against which export obligations amounting Rs. 2407.73 lacs (Previous Year 2526.84 lacs) are pending. Non fulfillment of Export obligation will attract demand of Rs. 589.15 Lacs (including interest and excluding penalty). | | |

(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 is Rs. Nil (Previous year Nil) net of advances Nil (Previous year Nil), as certified by management.

2.3 (A) (i) The Corporate Debt Restructuring (CDR) Empowered group (CDR- EG) in their meeting held under CDR mechanism on 17th March 2009 have approved debt restructuring proposal of the Company which was effective from 1st January 2009 implemented based on Master Restructuring Agreement (MRA) as approved on 21st July 2009. In the year 2010, CDR-EG, had approved the rework package for the company effective from 01/04/2010, post this there was certain delay / default in the payment of Interest & Principal repayments.

(ii) As per the above, arrangement / loans is further secured by unconditional and irrevocable personal guarantees of promoters, promoters group/ associate companies and further secured/ to be secured by pledge of 51% (Fifty one percent) of 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. Accordingly, the entire shareholding held by Promoters except for 13.60 lacs numbers shares held by PSIDC has already been pledged on behalf of CDR Lenders.

(iii) (a)The Company had again submitted a restructuring proposal in April'2014 for the deep restructuring with holding on operations till the implementation of the scheme for long term viability and smooth continuity of operations. The bankers/monitoring institution (MI) decided for getting Techno-Economic Viability (TEV) study for appropriately considering the proposal. The CDR-EG also made the decision and directed MI to conduct a TEV study and revert with suitable reconstructions of all lenders. The Company appointed M/S Dun & Bradstreet (approved in the panel of MI) for conducting TEV study and submit their report. M/s Dun & Bradstreet have submitted TEV report of all lenders endorsing the viability of the Company. However lenders were not willing for restructuring and initiated recovery proceeding and issued notice under section 13(2) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI), the Company is preparing suitable reply under guidance of legal expert for withdrawal of notice and reconsider the restructuring proposal in the interest of all stakeholders. The Company considers the lenders liable for the losses suffered by the company on various counts, including those having arisen due the various actions and inactions on the part of lenders.

(b)A lender and a party have filed case in the High Court for the winding up of the company where the Company is in process to reply.

- (B) As stated earlier [Note No. (A) (i)] certain covenants /conditions as stipulated in the CDR package was pending for compliance and there was default in payment of interest and also for repayment of principal [read with Note No. 2.17(ii) and 2.19].
- 2.4 In the EGM held on 28/06/2010, shareholders of the company have approved the issue through Global Depository Receipts (GDRs). Pursuant to this 19,94,125 number of GDR of USD 6.64 each (Each GDR comprising of 100 equity shares, now total 1,99,41,250 nos. of equity shares of Rs. 10 each at Rs. 29.70 including premium) had been issued and allotted on 29/03/2011. Out of the total proceeds of the GDRs made in the year 2011, an amount of Rs. 603.21 lacs received during the year, balance Rs. 2679.34 Lacs (including foreign exchange gain) is invested in Money Market Fund and lying outside India as on 30.09.2014, pending proceeds to be utilized. In this regards, as advised, Company is filing return regularly with the RBI.
- 2.5 In accordance with Accounting Standard 28- 'Impairment of Assets', the Company has identified its garmenting manufacturing facility (Knitwear Unit) located at Village B-58, Industrial Area Phase – VII, Mohali (Punjab), [Cash Generating Units (CGU)]. The CGU is engaged in manufacture of sweaters, pullover and garments of various sizes. Considering the continuing past losses of the CGU, during the period ended 30th September 2014, the Company on the basis of projected scale of operations and prevailing market conditions assessed that the recoverable value of the above CGU would be lower as compared to the carrying value, thus, indicating impairment. As a result of the impairment testing carried out as at 30th September 2013 by an independent professional firm, impairment loss of Rs. 2996.00 Lacs was estimated by the Management, based on a comparison of the carrying value of the asset vis-a-vis recoverable value. However, the Reports are under consideration of the Management & Impairment loss will be accounted as and when finally assessed. Further, management of the view that due growth in the textile in general and present economic and political scenario impairment would be lower.
- 2.6 (a) Sales including Trading sale amounting to Rs. 2028.08 Lacs. Receivables exceeding six months includes outstanding amount for period over one year of Rs. 6846.77 Lacs (including exchange gain of Rs. 823.31 lacs till 30.09.2014)[excluding as stated in note no. (b) below], where company is in process of filing necessary papers with appropriate authority for extension of time/write off [read with note no.2.7 (A)]. In this regards, management is confident about full recovery / reliability considering the past performance of the customer and recovery initiative taken by the Company.
- (b) The trade receivable include certain overdue overseas Trade Receivables/Other Receivables of Rs. 820.68 lacs [net of provision made in previous year against oversea receivable as stated in note (c) below]. Considering the fact that management is confident about recovery from them is certain ,provision there against has not been considered necessary.
- (c) (i) During the previous year provision for doubtful debts was made of Rs. 1967.14 lacs, (Including Rs. 1641.09 lacs and cumulative exchange difference (gain) on restatement of foreign currency debtors of Rs. 326.05 lacs), on receipt of approval during the year of Authorised Dealer (AD) of Rs. 1466.24 Lacs, amount has been charged off in the Statement of Profit & Loss.
- (ii) Debts exceeding six months of Rs. 42.58 lacs have been written off (provision made in earlier years and receivable from a Subsidiary Company), pending necessary approval of the AD/RBI.
- (iii) Certain Advances exceeding six months of Rs. 39.19 lacs have been written off (provision made in earlier years), pending necessary approval of the AD/RBI.
- 2.7 (A) In earlier years, the company had accounted for Commission income and Handling charges under head 'Revenue from Operations' receivable in foreign currency on accrual basis as per the terms of agreements. Company has made provision against outstanding receivable amount of Rs. 944.33 Lacs and shown part of "Exceptional Items" in the statement of profit and loss [which includes Commission Income of Rs. 752.42 Lacs and Rs. 191.91 Lacs for Handling Charges (including exchange fluctuations)]. In this regard necessary approval for write off is pending from AD/RBI.
- (B) Prior period adjustments (net) Rs. 64.82 lacs (P.Y. Rs. 20.82 lacs) (Including Legal & Professional charges of Rs. 45.21 lacs, Interest of Rs. 6.86 lacs and others Rs. 12.75 lacs).
- 2.8 Overdue amount include Short Term Loans and Advances of Rs. 2935.38 lacs (including Refunds / Claims Receivables of Rs. 442.34 Lacs, advances and balance with Government Authorities of Rs. 83.30 Lacs and capital advances of Rs. 250 lacs), (net of a provisions of Rs. 315 lacs made during the year). In the opinion of the management amount is fully realisable and hence considered good. Further, necessary steps have been initiated for recovery of the same.
- 2.9 (a) In the opinion of the Board, the Current Assets, Loans and Advances appearing in the Company's Balance Sheet as at period 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.

WINSOME YARNS LIMITED

- (b) In view of continuing losses, net worth of the company became negative as at 30th September 2014. However, considering future business plans present business scenario, stable government policies for the business and expected cash flow in the near future as assessed by the management of the company, accounts are prepared on 'Going Concern' basis.
- 2.10 Certain outstanding payments of Rs. 2585.45 lacs of oversea receivables and payables (balances are subject to confirmations) to the oversea parties have been adjusted where the company has applied for permission/ approval with the AD/RBI.
- 2.11 Balance of certain Trade Receivables (including oversea overdue trade receivables as stated in note no. 2.6), Bank Balances (including bills discounted and outstanding Letter of Credit), Trade Payables (including of Associate Company of amounting to Rs. 572.40 lacs), Secured Loans, Contingent & Other Liabilities and Loans & Advances 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. Necessary steps have been initiated to further strengthen system of internal controls w.r.t. accounting of expenses, accounting of income (including sale of licenses and provision written back), payroll payments and of balance reconciliation/confirmation.
- 2.12 (i) The subsidiary company namely M/s Winsome Yarns (Cyprus) Limited in the year ended 30th June 2013 has reported regarding write off against other receivables represents a partial payment for the acquisition of 933,750 shares in an Italian company namely, Newcocot s.r.l. Earlier it was expected that the total cost for the acquisition to be EURO 4,600,000. The transfer of shares of Newcocot s.r.l. to the company's name could not be effected as the full consideration which was to be made could not be paid by 31st March 2014. As of 30 June 2013, due to unexpectedly difficult economic climate, Newcocot S.R.L. has gone into liquidation. As the Directors expect to recover only 10% of the partial payment of the shares in Newcocot S.R.L., the Directors decided that 90% of the partial payment should be written off.
- (ii) Auditors of the subsidiary company namely M/s Winsome Yarns (Cyprus) Limited has drawn attention regarding existence of a material uncertainty which may cast significant doubt as to Company's ability to continue as going concern in view of the above (for the reason as stated in para (i) above).
- (iii) On the Financial Statements of Subsidiary Company namely Winsome Yarns FZE auditor have expressed reservation and shown their inability to verify items of assets & liabilities including provisions, trade payables, and accrued expenses AND stated reliance have been put on the management report for the Financial Statements.

2.13 Segment Reporting

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

Information about geographical segments (by location of customers)

| | | | | (Rs. in lacs) |
|--------|-----------------------------------|------------|---------------|---------------|
| S. No. | Particulars | India | Outside India | Total |
| (i) | External Revenue-Sale* | 33472.32 | 6923.85 | 40396.17 |
| | | (41915.62) | (34880.58) | (76796.20) |
| (ii) | Carrying amount of segment assets | 47799.30 | 7742.80 | 55542.10 |
| | by location of assets | (56768.90) | (11494.97) | (68263.87) |
| (iii) | Capital Expenditure | 6.78 | - | 6.78 |
| | | (255.15) | - | (255.15) |

*Includes Export Incentives of Rs. 988.17 lacs (P.Y. Rs. 1,124.03 lacs)

- 2.14. As on 30th September 2014 Company has net deferred tax assets (including of carry over losses and unabsorbed depreciation). However, considering the losses in recent past, deferred tax has been restricted to the amount of liability.

2.15. Earnings per share

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

| Particulars | 2013-14 | 2012-13 |
|---|------------|-----------|
| Net Profit/(Loss) attributable to Equity Shareholders (Rs. in Lacs) | (11183.03) | (7604.79) |
| Weighted average number of equity shares for Basic EPS | 70707229 | 70707229 |
| Nominal Value per equity share (Rs.) | 10 | 10 |
| Basic/Diluted EPS (Rs.) | (15.82) | (10.76) |

2.16 Related Party disclosures

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

I(A) Associate Company

Winsome Textile Industries Limited

(B) Subsidiary Company

- (i) S. C. Winsome Romania s.r.l.
- (ii) I.M.M. Winsome Italia S.r.l. (Subsidiary of (i) above)
- (iii) S. C. Textil s.r.l. (Subsidiary of (ii) above)

II) Key management personnel and their relatives.

- Shri Satish Bagrodia Chairman
- Shri Manish Bagrodia Managing Director
- Shri Ashish Bagrodia Director (Previous Year till September 16, 2013)
- Shri Andreas Alexiou Director
- Shri Androulla Kakoyianni Director (Previous Year till September 16, 2013)
- Shri Stelios Sivitanides Director
- Shri Mariquel Bacatan Lune Manager
- Maria Michail Georgiade Director (Previous Year w.e.f. September 16, 2013)

III) Organizations 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 12 months period ended 30th September 2014.

| Particulars | 2013 – 14 | (Rs. In lacs) 2012 – 13 |
|--|------------------|--|
| Winsome Textile Industries Limited | | |
| – Purchase of material & goods and services | – | 6.33 |
| – Expenses incurred on our behalf | 3.01 | 1.95 |
| – Expenses incurred by us on behalf of other | 4.76 | 8.52 |
| – Balance Outstanding as at year end | (572.40) | (575.28) |
| Receivable / (Payable) | | |
| Shri Satish Bagrodia | | |
| – Sitting Fees | 0.30 | 0.30 |
| Shri Manish Bagrodia | | |
| – Remuneration | 36.71@ | 43.78 |
| Shri Ashish Bagrodia | | |
| - Sitting Fees | – | 0.30 |
| Starpoint Financial Services Pvt. Ltd. | | |
| - Rent | 24.96 | 37.45 |
| - Unsecured loan taken | 537.00 | 537.00 |
| - Unsecured loan repaid | 537.00 | 537.00 |
| - Interest on unsecured loan | 11.37 | 26.78 |
| - Balance in current account | 5.68 | 13.11 |
| - Balance in Loan account | – | – |
| S.C. Winsome Romania | | |
| - Balance Outstanding as at year end | 7.22 | 49.80 |
| Receivable / (Payable) | | |
| MM Winsome Italia | | |
| - Balance Outstanding as at year end | 149.24 | 149.24 |
| Receivable / (Payable) | | |

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

@ The payment of remuneration of Rs. 14.82 Lacs (w.e.f. 1st July 2014) is subject to approval of shareholders in General Meeting and also necessary approval of the Central Government.

- 2.17. (i)
- (a) As per the past practice, consumption of raw material and stores & spares is derived as net of opening stock plus purchases less closing stock as item wise records are in process of updation.
 - (b) Company is in process of item wise physical verification of Fixed Assets and inventories. To the extent assets and inventories have been physically verified by the management, no material discrepancies have been observed between the book record and physical quantity.
 - (c) In view of Para (a) above, closing inventory of stock-in- process and finished goods has been considered as taken, valued and certified by the management after providing against old /non-moving inventory as assessed/estimated by the management and/or based on contracts /subsequent sales realization.
 - (d) In view of security arrangement in place, the management is confident that there will not be any material adjustment on updation of records and completion of physical verification.
- (ii) The Company has temporarily opened an account with Bank which is outside the consortium.
- 2.18. Company could not make payments for the various statutory dues (TDS, PF, ESIC, PWF, Sales Tax, Service Tax etc.) on time due to financial tightness. However, the company will honour all the dues in due course on the revival / availability of fund.
- 2.19. Due to continuous losses and financial tightness, the company has not been able to fully pay due installments & interest of term loan on due dates & certain overdue amount is continuing/ unpaid till date (as detailed in note no.5.5). Interest on overdue amount, penal interest etc. (amount unascertained) has not been provided and as the same will be provided / accounted for as and when paid/settled as the company is in process of getting loans to be restructured by the lenders.
- 2.20. Accounting Policies and other notes on accounts are set out in the financial statements of the Company.
- 2.21. (a) Previous year's figures in Consolidated Statement of Profit & Loss and Consolidated Cash Flow Statements are for eighteen months ended 30th September 2013. As Current year's figures in Statement of Profit & Loss and Cash Flow Statement are for twelve months hence to that extent the same are not strictly comparable.
- (b) Figures for the previous year have been re-grouped/recast wherever considered necessary to make them comparable with those of current period.

As per our report of even date.

For **LODHA & CO.**

Chartered Accountants

Firm Registration Number : 301051E

N.K. Lodha
Partner

Anand Balkishan Sharma
President

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

Manish Bagrodia
Managing Director

Pradeep Kumar
Director

For and on behalf of the Board

Place : Chandigarh

Date : 29.11.2014

| PARTICULARS | As At 30 th Sep 2014 (Rs. in Lacs) | As At 30 th Sep 2013 (Rs. in Lacs) |
|---|--|--|
| NOTE 3 - SHARE CAPITAL | | |
| 1. AUTHORISED | | |
| 8,50,00,000 Equity Shares of Rs.10/- each | 8500.00 | 8500.00 |
| (Previous Year 8,50,00,000 Equity Shares of Rs.10/- each) | | |
| ISSUED | | |
| 7,10,86,829 Equity Shares of Rs.10/- each | 7108.68 | 7108.68 |
| (Previous Year 7,10,86,829 Equity Shares of Rs.10/- each) | | |
| SUBSCRIBED & PAID UP | | |
| 7,07,07,229 Equity Shares of Rs.10/- each | 7070.72 | 7070.72 |
| (Previous Year 7,07,07,229 Equity Shares of Rs.10/- each) | | |
| Amount Paid-up on shares forfeited | 11.61 | 11.61 |
| | 7082.33 | 7082.33 |

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. 10/- 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%

| Name of Shareholder | As on 30.09.2014 No. of Shares held | As on 30.09.2013 No. of Shares held |
|---|--|--|
| The Bank of New York Mellon (Shares held by custodian & against which Depository Receipts have been issued) | 18488750 | 19941250 |
| Shell Business (P) Ltd | 20721244 | 20721244 |
| Satyam Combines (P) Ltd | 5096243 | 5096243 |
| Arpit Agencies (P) Ltd | - | 4200000 |
| Landscape Traders (P) Ltd | - | 4200000 |

4. Reconciliation of Share capital

| | | |
|--|-----------------|----------|
| Shares outstanding as at the beginning of the year | 70707229 | 70707229 |
| Issued during the year | - | - |
| Buyback during the year | - | - |
| Shares outstanding as at the end of the year | 70707229 | 70707229 |

5. Details of Bonus shares issued during last 5 Financials Years

| Particulars | Year (Aggregate No. of shares) | | | | |
|---------------------------------------|--------------------------------|---------|---------|---------|---------|
| | 2013-14 | 2012-13 | 2011-12 | 2010-11 | 2009-10 |
| Equity shares: | | | | | |
| -Fully paid up by way of bonus shares | Nil | Nil | Nil | Nil | Nil |

WINSOME YARNS LIMITED

| PARTICULARS | As At 30 th Sep 2014 (Rs. in Lacs) | | As At 30 th Sep 2013 (Rs. in Lacs) | |
|--|--|-------------------|--|----------------|
| NOTE 4 - RESERVES & SURPLUS | | | | |
| - Capital Reserve | | | | |
| As per last Balance sheet | 261.03 | | 261.03 | |
| Add: Addition | - | | - | |
| Less Adjustment | - | 261.03 | - | 261.03 |
| | <hr/> | | <hr/> | |
| -Capital Redemption Reserve | | | | |
| As per Balance sheet | 124.44 | | 124.44 | |
| Add: Addition | - | | - | |
| Less Adjustment | - | 124.44 | - | 124.44 |
| | <hr/> | | <hr/> | |
| Securities Premium Account | | | | |
| As per last Balance sheet | 5181.95 | | 5181.95 | |
| Add: Addition | - | | - | |
| Less Adjustment | - | 5181.95 | - | 5181.95 |
| | <hr/> | | <hr/> | |
| -General Reserve | | | | |
| As per last Balance sheet | 35.08 | | 35.08 | |
| Add: Addition | - | | - | |
| Less Adjustment | - | 35.08 | - | 35.08 |
| | <hr/> | | <hr/> | |
| -State Investment Subsidy | | | | |
| As per last Balance sheet | 25.00 | | 25.00 | |
| Add: Addition | - | | - | |
| Less Adjustment | - | 25.00 | - | 25.00 |
| | <hr/> | | <hr/> | |
| -Capital Subsidy Reserve | | | | |
| As per last Balance sheet | 138.27 | | 152.12 | |
| Add: Addition | - | | - | |
| Less Adjustment | 9.23 | 129.04 | 13.85 | 138.27 |
| | <hr/> | | <hr/> | |
| -Foreign Currency Translation Reserve(Net) | | | | |
| As per last Balance sheet | 340.84 | | 248.23 | |
| Add: Addition | 24.79 | | 92.61 | |
| Less Adjustment | - | 365.63 | - | 340.84 |
| | <hr/> | | <hr/> | |
| -Statement of Profit & Loss Account | | | | |
| Surplus in statement of profit and loss from Previous year | (8875.57) | | (1270.78) | |
| Profit/(Loss) for the year | (11183.03) | (20058.60) | (7604.79) | (8875.57) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Surplus in statement of profit and loss carried to balance sheet | | (13936.43) | | (2768.96) |
| | | <hr/> | | <hr/> |
| NOTE 5 - LONG TERM BORROWINGS | Non Current | Current | Non Current | Current |
| SECURED LOANS (Refer Note No. 2.3) | | | | |
| Term Loans | | | | |
| -From Banks | 14999.93 | 9227.55 | 19206.30 | 5645.53 |
| Working Capital Term Loan | - | 964.07 | 246.53 | 1166.90 |
| Vehicle Loan | | | | |
| -From Others | 5.46 | 9.83 | 5.08 | 6.23 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 15005.39 | 10201.45 | 19457.91 | 6818.66 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Less: Current maturity of Long term borrowings (Amount disclosed under other current liabilities Note No.10) | - | 10201.45 | - | 6818.66 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 15005.39 | - | 19457.91 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

WINSOME YARNS LIMITED

5.1 Term Loan of Rs.24156.66 lacs (PY. Rs 24781.01 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.70.82 Lacs (PY Rs. 70.82 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 | 1-2 years | 2-3 years | after 3 years |
|--------------|-----------|-----------|---------------|
| (Rs.in lacs) | 4272.28 | 4390.34 | 6337.31 |

5.2 Working Capital Term Loans of Rs.964.07 Lacs (P.Y. 1413.43 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 | 1-2 years | 2-3 years | after 3 years |
|--------------|-----------|-----------|---------------|
| (Rs.in lacs) | - | - | - |

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 2.3(A)(ii).

5.4 Vehicle Finance of Rs.15.28 (Previous year 11.31 Lacs)Lacs is secured by hypothetical of specific assets purchased under such arrangements. Maturity Profile of vehicle loan is as under:-

| Repayment | 1-2 years | 2-3 years | after 3 years |
|--------------|-----------|-----------|---------------|
| (Rs.in lacs) | 5.46 | - | - |

5.5 Default repayment of principal and interest amount of long term borrowings (Rs. In Lacs)

| S. No. | Default | Due Date | Amount Outstanding as on 30 th September 2014 | Subsequent Payments | Date of Payment | Delay | Outstanding |
|--------|------------------------|-----------|--|---------------------|-----------------|-------|----------------|
| 1 | Principal | 30-Sep-14 | 1238.22 | - | - | - | 1238.22 |
| 2 | Principal | 30-Jun-14 | 1238.22 | - | - | - | 1238.22 |
| 3 | Principal | 31-Mar-14 | 956.72 | - | - | - | 956.72 |
| 4 | Principal | 30-Dec-13 | 956.72 | - | - | - | 956.72 |
| 5 | Principal | 30-Sep-13 | 784.73 | - | - | - | 784.73 |
| 6 | Principal | 30-Jun-13 | 531.09 | - | - | - | 531.09 |
| 7 | Principal | 31-Mar-13 | 70.83 | - | - | - | 70.83 |
| | Total Principal | | 5776.53 | - | - | - | 5776.53 |
| 8 | Interest | 30-Sep-14 | 225.03 | - | - | - | 225.03 |
| 9 | Interest | 3-Sep-14 | 7.77 | - | - | - | 7.77 |
| 10 | Interest | 31-Aug-14 | 229.85 | - | - | - | 229.85 |
| 11 | Interest | 3-Aug-14 | 7.74 | - | - | - | 7.74 |
| 12 | Interest | 31-Jul-14 | 196.84 | - | - | - | 196.84 |
| 13 | Interest | 3-Jul-14 | 1.24 | - | - | - | 1.24 |
| 14 | Interest | 30-Jun-14 | 185.38 | - | - | - | 185.38 |
| 15 | Interest | 26-Jun-14 | 4.34 | - | - | - | 4.34 |
| 16 | Interest | 31-May-14 | 189.03 | - | - | - | 189.03 |
| 17 | Interest | 27-May-14 | 4.52 | - | - | - | 4.52 |
| 18 | Interest | 30-Apr-14 | 180.20 | - | - | - | 180.20 |
| 19 | Interest | 31-Mar-14 | 187.51 | - | - | - | 187.51 |
| 20 | Interest | 28-Feb-14 | 165.55 | - | - | - | 165.55 |
| 21 | Interest | 31-Jan-14 | 181.70 | - | - | - | 181.70 |
| 22 | Interest | 31-Dec-13 | 183.93 | - | - | - | 183.93 |
| 23 | Interest | 30-Nov-13 | 176.15 | - | - | - | 176.15 |
| 24 | Interest | 31-Oct-13 | 168.46 | - | - | - | 168.46 |
| 25 | Interest | 30-Sep-13 | 132.79 | - | - | - | 132.79 |
| 26 | Interest | 31-Aug-13 | 87.22 | - | - | - | 87.22 |
| 27 | Interest | 31-Jul-13 | 52.84 | - | - | - | 52.84 |
| 28 | Interest | 30-Jun-13 | 10.73 | - | - | - | 10.73 |
| 29 | Interest | 31-May-13 | 0.74 | - | - | - | 0.74 |
| | Total Interest | | 2579.56 | - | - | - | 2579.56 |

(Read with note no. 2.19)

WINSOME YARNS LIMITED

| PARTICULARS | As At 30 th Sep 2014 (Rs. in Lacs) | As At 30 th Sep 2013 (Rs. in Lacs) |
|--|--|--|
| NOTE 6 - DEFERRED TAX | | |
| A. Deferred Tax Liability (DTL) | | |
| Tax impact on difference between book value of depreciable assets and written down value for tax purposes | 4592.72 | 4640.04 |
| Total (A) | 4592.72 | 4640.04 |
| B. Deferred Tax Assets (DTA) | | |
| Tax impact of expenses charged to Profit & Loss Account but allowance under tax laws deferred | 79.84 | 67.56 |
| Tax impact on doubtful debts & advances | 105.23 | 818.42 |
| Tax impact of unabsorbed depreciation and business losses (To the extent of deferred Tax Liabilities) | 4407.65 | 3754.06 |
| Total (B) | 4592.72 | 4640.04 |
| Deferred Tax Asset / (Liability) (Net) {Refer Note 2.14} | - | - |
| NOTE 7 - LONG TERM PROVISIONS | | |
| Provision for Employees Benefits | 170.87 | 156.95 |
| Total | 170.87 | 156.95 |
| NOTE 8 - SHORT TERM BORROWINGS | | |
| SECURED LOANS | | |
| Working capital demand loan from Banks | 28694.39 | 23424.28 |
| Total | 28694.39 | 23424.28 |
| 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 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. | | |
| NOTE 9 - TRADE PAYABLES | | |
| Acceptances | 155.73 | 4300.66 |
| Other | 5799.97 | 9420.57 |
| Total | 5955.70 | 13721.23 |
| NOTE 10 - OTHER CURRENT LIABILITIES | | |
| Current maturities of long term borrowings | 10201.45 | 6818.66 |
| Interest accrued and due on borrowings | 2579.56 | 718.63 |
| Book Overdraft with Banks | 487.27 | 488.55 |
| Interest accrued but not due | 12.64 | 96.70 |
| Advance From Customers | 436.94 | 483.31 |
| Unpaid Dividend* | 6.73 | 11.73 |
| Other Payables | | |
| -Capital payables | 56.95 | 120.37 |
| -Statutory Dues | 171.23 | 82.27 |
| -Others | 1446.64 | 1707.54 |
| Total | 15399.41 | 10527.76 |
| * shall be credited to investor's education & protection fund when due | | |
| NOTE 11 - SHORT TERM PROVISIONS | | |
| Provision for employee Benefits | 15.62 | 13.50 |
| Total | 15.62 | 13.50 |

Note-12 FIXED ASSETS

(Rs. In Lacs)

| Nature of Assets | Gross Carrying Amount | | | Depreciation/Amortisation | | | Net Carrying Amount | |
|--------------------------|-----------------------|----------------|-------------------|---------------------------|----------------|-------------------|---------------------|------------------|
| | As at 1.10.2013 | Additions | Sale/ Adjust-ment | As at 01.10.2013 | For the year | Sale/ Adjust-ment | As at 30.09.2014 | As at 30.09.2013 |
| Tangible | | | | | | | | |
| Freehold Land | 341.09 | - | - | - | - | - | 341.09 | 341.09 |
| Leasehold Land | 280.27 | - | - | 22.29 | 2.83 | - | 255.15 | 257.98 |
| Buildings* | 8623.49 | - | - | 1798.16 | 274.97 | - | 6550.36 | 6825.33 |
| Plant & Machinery | 39911.70 | - | - | 16613.71 | 1883.93 | - | 21414.06 | 23297.99 |
| Furniture & Fixture* | 365.70 | 5.29 | - | 290.88 | 12.21 | - | 67.90 | 74.82 |
| Office Equipments | 67.62 | 1.49 | - | 27.07 | 4.84 | - | 37.20 | 40.55 |
| Vehicles | 125.36 | - | - | 78.93 | 6.70 | - | 39.73 | 46.43 |
| Total (A) | 49715.23 | 6.78 | - | 18831.04 | 2185.48 | - | 28705.49 | 30884.19 |
| Previous Year | 48454.12 | 1321.53 | 60.42 | 15577.92 | 3277.42 | 24.30 | 30884.19 | 32876.20 |
| Intangible | | | | | | | | |
| Specialized Software | 63.67 | - | - | 63.53 | 0.03 | - | 0.10 | 0.14 |
| Total (B) | 63.67 | - | - | 63.53 | 0.03 | - | 0.10 | 0.14 |
| Previous year | 63.67 | - | - | 59.13 | 4.40 | - | 0.14 | 4.54 |
| Grand Total (A+B) | 49778.90 | 6.78 | - | 18894.57 | 2185.51 | - | 28705.59 | 30884.33 |
| Previous Year | 48517.79 | 1321.53 | 60.42 | 15637.05 | 3281.82 | 24.30 | 30884.33 | 32880.74 |

*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.NIL and Rs. 2.85 Lacs, respectively, (Previous year Rs.NIL and Rs. 2.85 Lacs respectively).

WINSOME YARNS LIMITED

| PARTICULARS | As At 30 th Sep 2014 (Rs. in Lacs) | As At 30 th Sep 2013 (Rs. in Lacs) |
|--|--|--|
| NOTE 13 - NON-CURRENT INVESTMENTS | | |
| Other (Non trade) | | |
| Investment in Equity Shares: | | |
| Unquoted | | |
| Subsidiary Companies | | |
| 90 Equity Shares of S.C. Winsome Romania S.r.l., face value of Rs. 30 each (Previous year 90 shares of Rs. 30 each) | 0.52 | 0.52 |
| Less: Provision for Diminution in Investment | 0.52 | 0.52 |
| Total | — | — |
| Aggregate amount of unquoted investment | 0.52 | 0.52 |
| Aggregate amount of provision for diminution in value of investment | 0.52 | 0.52 |
| NOTE 14 - LONG TERM LOANS & ADVANCES | | |
| (Unsecured, considered good unless otherwise stated) | | |
| Capital Advances | 0.56 | 44.83 |
| Security Deposits | | |
| -With Govt | 312.85 | 261.05 |
| -With others | 11.13 | 10.34 |
| MAT Credit Entitlement | 50.43 | 50.43 |
| Other Loans & advances | 19.58 | 2.03 |
| Total | 394.55 | 368.68 |
| NOTE 15 - CURRENT INVESTMENTS | | |
| Investment in Money Market | 2679.34 | 3195.38 |
| (5072.11 redeemable shares of USD 1000 each in Aries Money Market Fund) (previous year 6049 redeemable shares of USD 1000 each) Refer note no. 2.4 | | |
| Total | 2679.34 | 3195.38 |
| NOTE 16 - INVENTORIES (At lower of cost and net realizable value) | | |
| (As taken, valued and certified by the management) | | |
| Raw Materials | 1143.30 | 2703.80 |
| Stock in Process | 3657.14 | 5432.02 |
| Stores & Spares | 561.08 | 653.81 |
| Finished Goods * | 4031.81 | 5849.38 |
| Waste (At net realizable value) | 430.08 | 36.88 |
| Total | 9823.41 | 14675.89 |
| *Includes Goods in transit Rs. 253.07 Lacs (Previous Year Rs 231.13 Lacs) | | |
| NOTE 17 - TRADE RECEIVABLES | | |
| (Unsecured, considered good unless otherwise stated) | | |
| Exceeding Six months from due date | | |
| - Good | 9614.04 | 6578.16 |
| - Doubtful | 271.45 | 2453.09 |
| Less : Provision for Doubtful Debts | 271.45 | 2453.09 |
| | 9614.04 | 6578.16 |
| Other Debts | 2624.30 | 9660.95 |
| Total | 12238.34 | 16239.11 |

WINSOME YARNS LIMITED

| PARTICULARS | As At 30 th Sep 2014 (Rs. in Lacs) | As At 30 th Sep 2013 (Rs. in Lacs) |
|---|--|--|
| NOTE 18 - CASH & BANK BALANCES | | |
| CASH & CASH EQUIVALENTS | | |
| Cash in hand | 1.04 | 1.68 |
| Balances with Banks | | |
| -On Current Accounts | 33.21 | 28.94 |
| Earmarked balances | | |
| -On Unpaid Dividend Account | 6.68 | 11.68 |
| Other Bank balances | | |
| -Fixed Deposit (Lodged with Banks as Margin) | 496.03 | 794.77 |
| Total | 536.96 | 837.07 |
| NOTE 19 - SHORT TERM LOANS & ADVANCES | | |
| (Unsecured, Considered Good unless otherwise stated) | | |
| Advance Income Tax including TDS | 115.40 | 105.32 |
| Refunds/Claims Receivable | 573.52 | 569.38 |
| Interest Subsidy Receivable (Under TUFS) | 1475.35 | 956.79 |
| Balances with government authorities | 145.94 | 147.92 |
| Export Incentives Receivable | 514.86 | 589.00 |
| Interest Accrued | 17.83 | 13.81 |
| Advances to suppliers (Net of Provisions for doubtful advances Rs. 69.09 lacs (P.Y. Rs.195.51 lacs)) | 996.84 | 1835.45 |
| Others | 169.35 | 1196.87 |
| Total | 4009.09 | 5414.54 |
| NOTE 20 - REVENUE FROM OPERATION | | |
| Sale of Product* | | |
| -Yarns | 35004.86 | 51795.48 |
| -Knitwear | 1028.77 | 2393.48 |
| -Trading Sale | 2028.08 | 18593.40 |
| (A) | 38061.71 | 72782.36 |
| Sale of Services | | |
| - Job Charges | 64.38 | 26.53 |
| - Commission Income (Refer Note no 2.9 (a)) | - | 668.41 |
| (B) | 64.38 | 694.94 |
| Other operating revenue | | |
| Waste Sales | 2257.92 | 3338.30 |
| Sale of Scrap | 12.16 | 14.80 |
| (C) | 2270.08 | 3353.10 |
| Revenue From Operations (A+B+C) | 40396.17 | 76830.40 |
| Less : Excise Duty | - | 34.20 |
| Net Revenue From Operations | 40396.17 | 76796.20 |
| *includes duty drawback & DEPB of Rs 465.69 lacs (P.Y 988.17 Lacs) | | |
| NOTE 21 - OTHER INCOME | | |
| Interest Received | 93.05 | 156.54 |
| Exchange Rate Difference (net) | 0.19 | 793.92 |
| Profit on sale of Current Investment | 12.21 | - |
| Provision for Doubtful Debts written back | 94.86 | - |
| Balances written back (Net) | 26.72 | - |
| Miscellaneous Income | 37.71 | 18.05 |
| Total | 264.74 | 968.51 |

WINSOME YARNS LIMITED

| PARTICULARS | As At 30 th Sep 2014 (Rs. in Lacs) | As At 30 th Sep 2013 (Rs. in Lacs) |
|--|--|--|
| NOTE 22 - CHANGE IN INVENTORIES OF FINISHED GOODS, WIP STOCK AND STOCK IN TRADE | | |
| Closing Stock | | |
| Finished Goods | | |
| - Yarn | 3578.90 | 5374.66 |
| - Knitwear | 452.91 | 474.72 |
| | 4031.81 | 5849.38 |
| Stock in Process | | |
| - Yarn | 3272.02 | 4834.30 |
| - Knitwear | 385.12 | 597.72 |
| | 3657.14 | 5432.02 |
| (A) | 7688.95 | 11281.40 |
| Less: Opening Stock | | |
| Finished Goods | | |
| - Yarn | 5374.66 | 5608.01 |
| - Knitwear | 474.72 | 677.55 |
| | 5849.38 | 6285.56 |
| Stock in Process | | |
| - Yarn | 4834.30 | 4649.60 |
| - Knitwear | 597.72 | 266.32 |
| | 5432.02 | 4915.92 |
| (B) | 11281.40 | 11201.48 |
| Differential excise duty on (increase)/decrease in stock (C) | - | (39.24) |
| (Increase) /Decrease in Stocks (B-A+C) | 3592.45 | (119.16) |
| NOTE 23 - EMPLOYEE BENEFIT EXPENSES | | |
| Salaries, Wages, Bonus, etc | 2396.78 | 3215.60 |
| Contribution to Provident & Other Funds | 146.72 | 186.31 |
| Employees Welfare | 56.49 | 87.30 |
| | 2599.99 | 3489.21 |
| NOTE 24 - FINANCIAL EXPENSES | | |
| Interest on Borrowings | 5991.82 | 7877.79 |
| (Net of reimbursement under TUFS Rs.1207.73 lacs, PY Rs.1977.88 Lacs) | 141.33 | 132.52 |
| Other borrowing cost | 6133.15 | 8010.31 |
| NOTE 25 - DEPRECIATION & AMORTISATION EXPENSES | | |
| Depreciation | 2185.47 | 3277.42 |
| Less : Prorata Capital Subsidy | 9.23 | 13.85 |
| Amortisation | 0.03 | 4.40 |
| | 2176.27 | 3267.97 |

WINSOME YARNS LIMITED

| PARTICULARS | As At 30 th Sep 2014 (Rs. in Lacs) | As At 30 th Sep 2013 (Rs. in Lacs) |
|---|--|--|
| NOTE 26 - OTHER EXPENSES | | |
| Stores & Spares consumed | 1111.85 | 1800.67 |
| Power & Fuel | 4028.80 | 5702.39 |
| Repairs & Maintenance | | |
| -Building | 12.41 | 11.64 |
| -Plant & Machinery | 79.25 | 36.89 |
| -others | 47.71 | 61.79 |
| Processing Charges & Dyeing Charges | 855.88 | 1227.23 |
| Material Handling Charges | 103.78 | 187.77 |
| Rent | 37.50 | 59.78 |
| Rates & Taxes | 1.89 | 13.85 |
| Printing & Stationery | 4.42 | 7.55 |
| Director Sitting Fee | 1.57 | 2.01 |
| Insurance | 78.83 | 155.08 |
| Bank Charges | 266.97 | 548.10 |
| Traveling & Conveyance | 194.38 | 248.63 |
| Postage, Telegrams and Telephones | 34.71 | 49.97 |
| Loss/Discard on Sale of Fixed Assets | - | 30.81 |
| Legal & Professional Charges | 225.14 | 130.11 |
| Charity & Donation | 0.71 | 0.70 |
| Asset Written off | - | 0.30 |
| Bad Debts | 2068.78 | - |
| Less:- Provision for Doubtful Debts written back | 2068.78 | - |
| Advances written off | 126.42 | - |
| Less:- Provision for Doubtful Advances written back | 126.42 | - |
| Provision for Doubtful debts | - | 205.41 |
| Provision for Doubtful advances | 315.00 | 139.26 |
| Receivable written off | - | 1633.12 |
| -Audit Fees | 8.29 | 10.87 |
| -Tax audit Fees | 0.39 | 0.39 |
| -Other services | 2.35 | 4.95 |
| -Reimbursement of expenses | 0.19 | 0.19 |
| Commission on sales | 463.24 | 665.03 |
| Freight & Handling Charges | 378.36 | 1020.22 |
| Advertisement & Other Selling Expenses | 248.03 | 272.52 |
| Exchange Rate Difference (net) | 37.24 | - |
| Liability/Balances written back (Net) | - | 8.33 |
| Miscellaneous Expenses | 171.17 | 246.47 |
| Total | 8710.06 | 14482.03 |

WINSOME YARNS LIMITED

Registered Office: SCO # 191-192, Sector 34-A, Chandigarh – 160022

CIN : L17115CH1990PLC010566

Telephone : 0172-2603966, 4612000, 4613000, Fax : 0172-4614000, Email : cshare@winsomegroup.com

PROXY FORM

(Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014)

Folio No./ DP ID/ Client ID :

No. of shares :

Name of Member(s) :

Registered Address :

Email :

I/We, being the member(s) of shares of the above named company, hereby appoint :

(1) Name:.....Address.....

Email id:.....Signature.....or failing him;

(2) Name:.....Address.....

Email id:.....Signature.....or failing him;

(3) Name:.....Address.....

Email id:.....Signature.....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 24th Annual General Meeting of the company, to be held on Tuesday the 31st March, 2015 at 11.30 a.m. at PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh and at any adjournment thereof.

Signed thisday of March, 2015.

Signature of shareholder.....

Signature of proxyholder(s).....

Affix
Revenue
Stamp not
less than
Re. 0.15

Note :

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.
2. For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of the Annual General Meeting.
3. It is optional to put a 'X' in the appropriate column 'AGAINST' the Resolutions and 'Y' 'FOR' the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he/she think appropriate.

if undelivered, please return to:
Winsome Yarns Limited
Regd. Office: SCO 191-192,
Sec. 34-A, Chandigarh - 160 022
(India)