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## Chartered Accountants

### Auditor's Report on Quarterly Standalone Financial Results and Year to Date Results of the Company Pursuant to the Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015

#### To the Board of Directors of Winsome Yarns Limited

1. We have audited the accompanying quarterly standalone financial results of Winsome Yarns Limited for the quarter ended March 31, 2018 and the year to date results for the year ended March 31, 2018 (attached herewith), being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular No. CIR/CFD/FAC/62/2016 dated July 05, 2016 and CIR/IMD/DF1/69/2016 dated August 10, 2016. These financial results includes the results for the quarter ended March 31, 2018, being the balancing figure between the audited figures in respect of the full financial year and the published year to date figures upto the end of the third quarter of the financial year. The figures upto the end of third quarter had only been reviewed and not subjected to audit.
2. This statement which is the responsibility of the Company's management and approved by the Board of Directors, has been prepared in accordance with the accounting principles generally accepted in India, including Indian Accounting Standards ("Ind AS") specified under section 133 of Companies Act, 2013 (Act) and published year to date figures upto the end of the third quarter of the financial year prepared in accordance with the recognition and measurement principals laid down in Accounting Standard for 'Interim Financial Reporting' (Ind AS 34), mandated under section 133 of the Act and SEBI circulars CIR/CFD/CMD/15/2015 dated November 30, 2015, CIR/CFD/FAC/62/2016 dated July 05, 2016 and CIR/IMD/DF1/69/2016 dated August 10, 2016. The responsibility includes design, implementation, and maintenance of internal control relevant to the preparation of the Statement that is free from material misstatement, whether due to fraud or error. Our responsibility is to express an opinion on this financial results based on our audit of the standalone financial statements for the year ended March 31, 2018 and our review of the standalone financial results for the nine months period ended December 31, 2017.
3. We conducted our audit in accordance with standard on auditing issued by the Institute of Chartered Accountants of India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial results are free of material misstatement(s). An audit includes examining, on a test basis, evidence supporting the amounts disclosed as financial results. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the Statement. We believe that audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.





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### 4. Basis of Qualified Opinion

- i) In view of accumulated losses of the Company as at the end of March 31, 2018, the net worth of the Company as at that date being negative, the decision of management of the Company to prepare the accounts of the Company on going concern basis for reasons that, (a) proposed rehabilitation plan of the Company is under discussions with majority of lenders, and (b) future business plans of the Company and expected cash flows therefrom will suffice to service restructured debts of the Company, there would arise a need to adjust the realizable value of assets and liabilities in the event of failure of assumptions as to going concern, and in the absence of impact of aforesaid assumptions having been un-ascertained, we are unable to comment thereon.
- ii) The results for the quarter ended on March 31, 2018 and the year ended on March 31, 2018 are understated due to:
  - a) Non provisioning of interest expenses on borrowings of Rs. 2515.42 Lakhs for the quarter ended and Rs. 9671.90 Lakhs for the year ended on March 31, 2018 (Rs. 2182.41 Lakhs for the quarter ended and Rs. 8389.14 Lakhs for the year ended on March 31, 2017), and Rs. 28644.12 Lakhs being aggregate amount of interest unprovided till the year ended March 31, 2018 (Rs. 18972.22 Lakhs till the year ended March 31, 2017), and further amount towards penal interest, penalty, etc. as may be charged by the lenders. (In the absence of statement of account, the above amount has been arrived at as per estimates of the Company, and the aggregate unprovided amount in books of account of the Company is not ascertainable with accuracy).
  - b) Non provisioning against long outstanding receivables of Rs. 9609.58 Lakhs (Rs. 9785.28 Lakhs as at March 31, 2017 and Rs. 9794.95 Lakhs as at December 31, 2017) including of overseas overdue trade receivables of Rs. 5989.20 Lakhs (Rs. 6173.48 Lakhs as at March 31, 2017 and Rs. 5987.96 Lakhs as at December 31, 2017). The accounting for exchange fluctuation in respect of overseas trade receivables is not in line with Ind AS-21 "The Effects of Changes in Foreign Exchange Rates" and accordingly, overseas trade receivables is understated by Rs. 255.58 Lakhs (Rs. 223.89 Lakhs as at March 31, 2017).
  - c) Non provisioning against loans and advances (including other current assets) of Rs. 1569.63 Lakhs (Rs. 1611.71 Lakhs as at March 31, 2017 and Rs 1469.05 Lakhs as at December 31, 2017).
- iii) Part amount of USD 50,72,110 (Rs. 2679.34 Lakhs) out of GDR's issued by the Company, which funds had been raised for setting up of Yarn Dying Plant are





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invested in money market instruments outside India. As the funds were raised for earmarked purposes, the availability thereof to the Company and utilization of the same is subject to Company's undertaking active plans for implementation of the proposed investment. The balance above is as per rate of exchange prevailing at the time of investment, and is subject to adjustment in rate of foreign exchange and accruals on money market investments. In respect of its realisability/receipt, we are unable to comment. The non-accounting of investment at fair value and non-recognition of exchange fluctuation in respect thereto is not in line with Ind AS 109 "Financial Instruments" and Ind AS-21 "The Effects of Changes in Foreign Exchange Rates" respectively, which has the effect of understatement of investment by Rs. 686.63 Lakhs as at March 31, 2018 and overstatement of losses by Rs. 10.63 Lakhs for the year ended on March 31, 2018.

- iv) Regarding provisions in case of investments in subsidiaries, written off/written back and adjustment/set off of payment of receivables/payables from/to overseas parties/suppliers, which is pending necessary approval of the competent authority.
- v) The Internal Control Systems need to be further strengthened in order that they are commensurate with the size of the Company and the nature of its business, more particularly in areas of, purchases and consumption of materials, charging of expenses, set-off of balances, and invoicing of sale of goods and services.
- vi) Confirmation of balances and reconciliation thereof with respective parties are pending, which include balances pertaining to, accounts receivable and payable (including Associate Company/ies), bank balances, secured loans, other liabilities, loans and advances recoverable, and contingent liabilities. All balances have been certified by the management of the Company. In the absence of the Company having aforementioned details, the impact thereof is unascertainable, and therefore, not being commented. Further strengthening of internal controls by the Company will provide greater reliability.
- vii) During the course of our audit for the quarter and year ended March 31, 2018, the management of the Company informed to us that they noticed and found fraud in the nature of shortage/misappropriation of goods stored at its Ludhiana Branch by its employee/s against which the management took action by lodging F.I.R. with the concerned Police Station and investigation in the matter is pending. The misappropriation of goods has been valued at Rs. 70.00 Lakhs against which some of the parties to whom goods were sold by the concerned employees have confirmed having received the goods and also confirmed to the Company as having made payment against the same. The Company also filed its



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**claim to insurance company under Employee Fidelity Insurance, effect whereof has been accounted in the books of account of the Company, considering the ongoing recovery process of its claim.**

5. In our opinion and to the best of our information and according to the explanations given to us, *except for the effects/possible effects of the matters described in paragraph 4 above under 'Basis of Qualified Opinion' paragraph*, these financial results:
- (i) are presented in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, in this regard; and
  - (ii) give a true and fair view of the net loss and other financial information for the quarter ended March 31, 2018, as well as the year to date results for the period from April 1, 2017 to March 31, 2018.
6. We draw attention that the financial statement of the Company for the year ended March 31, 2017 prepared in accordance with Companies (Accounting Standards) Rules, 2006 and were audited by another firm of Chartered Accountants under the Companies Act, 2013, who vide their Report dated May 30, 2017 expressed a modified opinion on those financial statements. The aforementioned other Firm of Chartered Accountants completed their term of appointment and were not eligible for reappointment as Auditor of the Company for the year ending March 31, 2018.

For KR & Co.

Chartered Accountants

Firm Registration No: 025217N

By the hand of

  


Kamal Ahluwalia

Partner

Membership No. 093812

New Delhi (Camp at Chandigarh)

May 18, 2018



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**Auditor's Report on Consolidated Year to Date Financial Results of the Company Pursuant to the Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015**

**To the Board of Directors of Winsome Yarns Limited**

1. We have audited the accompanying consolidated financial results of **Winsome Yarns Limited** for the year ended March 31, 2018 (attached herewith), being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular No. CIR/CFD/FAC/62/2016 dated July 05, 2016 and CIR/IMD/DF1/69/2016 dated August 10, 2016.
2. This consolidated statement which is the responsibility of the Company's management and approved by the Board of Directors, has been prepared in accordance with the accounting principles generally accepted in India, including Indian Accounting Standards ("Ind AS") specified under section 133 of Companies Act, 2013 (the Act). The responsibility includes design, implementation, and maintenance of internal control relevant to the preparation of the Statement that is free from material misstatement, whether due to fraud or error. Our responsibility is to express an opinion on this financial results based on our audit of the consolidated financial statements for the year ended March 31, 2018.
3. We conducted our audit in accordance with standard on auditing issued by the Institute of Chartered Accountants of India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial results are free of material misstatement(s). An audit includes examining, on a test basis, evidence supporting the amounts disclosed in financial results. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the Statement. We believe that audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.
4. **Basis of Qualified Opinion**
  - i) **In view of accumulated losses of the Company as at the end of March 31, 2018, the net worth of the Company as at that date being negative, the decision of management of the Company to prepare the accounts of the Company on going concern basis for reasons that, (a) proposed rehabilitation plan of the Company is under discussions with majority of lenders, and (b) future business plans of the Company and expected cash flows therefrom will suffice to service restructured debts of the Company, there would arise a need to adjust the realizable value of**





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assets and liabilities in the event of failure of assumptions as to going concern, and in the absence of impact of aforesaid assumptions having been un-ascertained, we are unable to comment thereon.

- ii) The results for the quarter ended on March 31, 2018 and the year ended on March 31, 2018 are understated due to:
- a) Non provisioning of interest expenses on borrowings of Rs. 2515.42 Lakhs for the quarter ended and Rs. 9671.90 Lakhs for the year ended on March 31, 2018 (Rs. 2182.41 Lakhs for the quarter ended and Rs. 8389.14 Lakhs for the year ended on March 31, 2017), and Rs. 28644.12 Lakhs being aggregate amount of interest unprovided till the year ended March 31, 2018 (Rs. 18972.22 Lakhs till the year ended March 31, 2017), and further amount towards penal interest, penalty, etc. as may be charged by the lenders. (In the absence of statement of account, the above amount has been arrived at as per estimates of the Company, and the aggregate unprovided amount in books of account of the Company is not ascertainable with accuracy).
  - b) Non provisioning against long outstanding receivables of Rs. 9609.58 (Rs. 9785.28 Lakhs as at March 31, 2017 and Rs. 9794.95 Lakhs as at December 31, 2017) including of overseas overdue trade receivables of Rs. 5989.20 Lakhs (Rs. 6173.48 Lakhs as at March 31, 2017 and Rs. 5987.96 Lakhs as at December 31, 2017). The accounting for exchange fluctuation in respect of overseas trade receivables is not in line with Ind AS-21 "The Effects of Changes in Foreign Exchange Rates" and accordingly, overseas trade receivables is understated by Rs. 255.58 Lakhs (Rs. 223.89 Lakhs as at March 31, 2017).
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- iii) Part amount of USD 50,72,110 (Rs. 2679.34 Lakhs) out of GDR's issued by the Company, which funds had been raised for setting up of Yarn Dying Plant are invested in money market instruments outside India. As the funds were raised for earmarked purposes, the availability thereof to the Company and utilization of the same is subject to Company's undertaking active plans for implementation of the proposed investment. The balance above is as per rate of exchange prevailing at the time of investment, and is subject to adjustment in rate of foreign exchange and accruals on money market investments. In respect of its realisability/receipt, we are unable to comment. The non-accounting of investment at fair value and non-recognition of exchange fluctuation in respect thereto is not in line with Ind



