

**23<sup>rd</sup> ANNUAL REPORT**

**2012-13**



**Winsome Yarns Limited**

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**IS/ISO  
9001**



**BOARD OF DIRECTORS**

Shri Satish Bagrodia	Chairman
Shri Rohtash Kumar Kucheria	Director
Shri Pradeep Kumar	Director
Shri Joginder Kumar Gupta	Director (PNB Nominee)
Shri Suresh Kumar Singla	Director (PSIDC Nominee)
Shri Manish Bagrodia	Managing Director

**GM (LEGAL) & COMPANY SECRETARY**

Shri K.V. Singhal

**AUDITORS**

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

**BANKERS**

Canara Bank  
State Bank of Patiala  
Punjab National Bank

**REGISTERED OFFICE**

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

**REGISTRAR AND SHARE TRANSFER AGENT**

Link Intime India Pvt. Ltd.  
44, Community Centre, 2nd Floor,  
PVR Naryana, Naraina Industrial Area,  
Phase-I, New Delhi - 110028

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**NOTICE**

NOTICE is hereby given that the 23rd Annual General Meeting of the Members of Winsome Yarns Limited, will be held on Wednesday, the 12th day of February, 2014 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 Profit & Loss Account for the financial year ended 30th September, 2013, and the Balance Sheet as at that date together with the Reports of the Directors and Auditors thereon.

**Item No. :- 2.** To appoint a Director in place of Shri Satish Bagrodia, who retires by rotation and being eligible, offers himself for re-appointment.

**Item No. :- 3.** To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

**"RESOLVED THAT** M/s Lodha & Co., Chartered Accountants, (Firm Registration No. 301051E) be and are hereby appointed as Statutory Auditors of the company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the company, on a remuneration to be decided by the Board of Directors."

**SPECIAL BUSINESS:**

**Item No. 4 :- To consider and if thought fit, to pass with or without modification, the following resolution as Ordinary Resolution.**

**"RESOLVED THAT** Shri Pradeep Kumar who was appointed as an Additional Director with effect from 30.09.2013 by the Board and who hold office as such upto the date of this Annual General Meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 have been received from the member signifying his intention to propose Shri Pradeep Kumar as a candidate for the office of Director of the Company be and is hereby appointed as a Director of the Company."

**Item No. 5 :- To consider and if thought fit, to pass with or without modification, the following resolution as Ordinary Resolution.**

**"RESOLVED THAT** Shri Rohtash Kumar Kucheria who was appointed as an Additional Director with effect from 30.09.2013 by the Board and who hold office as such upto the date of this Annual General Meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 have been received from the member signifying his intention to propose Shri Rohtash Kumar Kucheria as a candidate for the office of Director of the Company be and is hereby appointed as a Director of the Company."

**Item No. 6 :- To consider and if thought fit, to pass with or without modification, the following resolution as Special Resolution.**

**"RESOLVED THAT** pursuant to the provisions of Section 180(1)(a) and other applicable provisions of the Companies Act, 2013 (including any amendment thereto or re-enactment thereof), the consent of the shareholders be and is hereby accorded to Board of Directors (hereinafter called "the Board" which term shall be deemed to include any Committee thereof, which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution and with the power to delegate such authority to any person or persons) to mortgage and/or charge any movable and/ or immovable properties of the Company wherever situated both present and future or to sell, lease or otherwise dispose off the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking(s) and to create a mortgage/ and/ or charge, on such terms and conditions at such time(s) and in such form and manner, and with such ranking as to priority as the Board in its absolute discretion thinks fit on the whole or substantially the whole of the Company's any one or more of the undertakings or all of the undertakings of the Company in favour of any bank(s) or body(ies) corporate or person(s), whether shareholders of the Company or not, together with interest, cost, charges and expenses thereon.

**"RESOLVED FURTHER THAT** the securities to be created by the Company aforesaid may rank prior/ pari passu/ subservient with/to the mortgages and/or charges already created or to be created by the company as may be agreed to between the concerned parties".

**"RESOLVED FURTHER THAT** the Board be and is hereby authorized to do all such acts, deeds and things and to sign all such documents and writings as may be necessary, expedient and incidental thereto to give effect to this resolution and for matter connected therewith or incidental thereto."

By order of the Board

Dated : 25.11.2013  
Place : Chandigarh

SATISH BAGRODIA  
Chairman

## WINSOME YARNS LIMITED

### NOTES :

- 1 A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
- 2 The proxy form duly executed and stamped should be deposited with the company at its Registered Office not less than forty-eight hours before the meeting.
- 3 The Register of Members and Share Transfer Books of the Company will remain closed on 03.02.2014 to 05.02.2014 (both days inclusive).
- 4 Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID Numbers for easy identification for attendance at the meeting. The members holding shares in dematerialized mode are requested to intimate all changes pertaining to their bank details, ECS mandates, power of attorney, change of address/ name etc. to their depository participants. Changes intimated to the depository participants will help the Company and its Registrar and Share Transfer Agent to provide efficient and better services to the members.
- 5 Members / proxies should fill the attendance slip for attending the Meeting.
- 6 In case of joint holders attending the meeting only such joint holders who are higher in the order of names will be entitled to vote.
- 7 Corporate Members intending to send their authorized representative(s) are requested to send a duly certified copy of the Board Resolution authorizing their representative(s) to attend and vote at the Meeting.
- 8 Details of Directors seeking re-appointment. (Item No. 2 of the Notice)

Name of Director	Shri Satish Bagrodia
Date of Birth	14.10.1938
Brief Profile	Shri Satish Bagrodia has more than 48 years of experience of setting up and implementing Industrial Projects. He is Chairman of Winsome Textile Industries Limited and Winsome Yarns Limited. He is Past President of PHD Chamber of Commerce & Industry. He was nominated for "Udyog Patra" and "Golden Global Award" and is a recipient of Selection Award and Gold Medal from Transworld Trade Fairs and Udyog Ratna from Govt. of Punjab. He was honoured with 'Eminent Engineers Award', for his long and outstanding contribution to the Textile Industry by the Institution of Engineering (India) and Punjab Ratan by All India Conference of Intellectuals. He is the Founder President of Textile Association of India (PHC Unit) and the Chairman of Advisory Committee, BHU Alumni Association. He is also a member of Governing Council of PTU's Gian Jyoti School of TQM & Entrepreneurship.
Qualifications	B.Sc. Engg. (Mech.), FIE, Diploma in German Language.
Directorship held in other companies.	Winsome Textile Industries Limited IDS Infotech Limited Voguestock Commodities Limited IDS Engineering Limited
Membership/ Chairmanship of Committees of other public companies .	Nil
Shareholding in the Company	42900 equity shares of Rs.10 each.

None of the directors and key managerial persons except Shri Satish Bagrodia and Shri Manish Bagrodia is interested.

- 9 M/s Link Intime India Pvt. Limited, 44, Community Centre, 2nd Floor, Naraina Industrial Area, Phase-I, Near PVR Naraina, New Delhi-110028 (Tele. 011-41410592-94, Fax No. 011-41410591) is acting as common agency for dematerialisation and physical transfer of shares of the company. The members who have shares in physical

## WINSOME YARNS LIMITED

mode, should send their physical shares and letter for change of address and issue of duplicate shares directly to the aforesaid share transfer agent.

- 10 According to section 205(A)(5) of the Companies Act, 1956, the unclaimed/ unpaid dividend for the year 2004-05 and 2005-06 have been transferred to Investor Education and Protection Fund on 22.11.2012 and 25.11.2013 respectively. 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.
- 11 The Registrar of Companies vide its order dated 20.11.2013, under section 166(1) read with second proviso attached thereto, granted the extension of period to hold the Annual General Meeting up to 15th February, 2014.
- 12 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.

Shareholders who have not received their shares, may claim from the registered office of the company by sending the complete details of demat account, copy of PAN Card and address proof.

### EXPLANATORY STATEMENT PURSUANT TO SECTION 102 (1) OF THE COMPANIES ACT, 2013

#### ITEM NO. 4

The Board of Directors have appointed Shri Pradeep Kumar as Additional Director of the Company with effect from 30th September, 2013 in terms of Section 161 of the Companies Act, 2013. Pursuant to the provisions of section 161 of the Companies Act, 2013 and in terms of Article 113 of the Articles of Association of the company, he shall hold office only upto the date of ensuing Annual General Meeting of the Company. The company has received a notice under section 257 of the Companies Act, 1956 from the member of the company proposing his candidature as Director of the Company.

Name of Director	Shri Pradeep Kumar
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 Teknoforce Limited
Membership/ Chairmanship of Committees of other public companies .	(i) Chairman-Audit Committee of Winsome Yarns Ltd. (ii) Chairman-Remuneration Committee of Winsome Yarns Ltd. (iii) Member-Shareholders/ Investors Grievance Committee of Winsome Yarns Ltd
Shareholding in the Company	Nil

None of the Directors and key managerial persons except Shri Pradeep Kumar is interested or concerned in the resolution mentioned at item no. 4 in the notice of annual general meeting for approval of the members of the company.

#### ITEM NO. 5

The Board of Directors have appointed Shri Rohtash Kumar Kucheria as Additional Director of the Company with effect from 30th September, 2013 in terms of Section 161 of the Companies Act, 2013. Pursuant to the provisions of section 161 of the Companies Act, 2013 and in terms of Article 113 of the Articles of Association of the company, he shall hold office only upto the date of ensuing Annual General Meeting of the Company. The

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company has received a notice under section 257 of the Companies Act, 1956 from the member of the company proposing his candidature as Director of the Company.

Name of Director	Shri Rohtash Kumar Kucheria
Date of Birth	01.09.1951
Brief Profile	Shri Rohtash Kumar Kucheria has served Punjab National Bank for 39 years. He retired as General Manager from Punjab National Bank on 31st August, 2011. He is an experienced professional with successful career in Banking, Business Development & Administration. He has been awarded Study Tour to Singapore in appreciation of best performance as Sr. Regional Manager, North Delhi. He attended training programme at Chicago, USA conducted by NIBM meant for General Managers of Public Sector Banks and second part conducted by Kellogg's School of Business Management, Chicago. Hon'ble Union Minister of State appreciated him for launching of Janshree Bima Yojna on 31.12.2008, covering 1587 women beneficiaries on the opening day. During his tenure with the bank, he worked at various levels and acquired varied experience of banking sector.
Qualifications	M.A., CAIIB, MBA
Directorship held in other companies	Zorg Financial Services Pvt. Limited
Membership/ Chairmanship of Committees of other public companies .	(i) Chairman-Shareholders/ Investors Grievance Committee of Winsome Yarns Ltd (ii) Member-Audit Committee of Winsome Yarns Ltd (iii) Member-Remuneration Committee of Winsome Yarns Ltd
Shareholding in the Company	Nil

None of the Directors and key managerial persons except Shri Rohtash Kumar Kucheria is interested or concerned in the resolution mentioned at item no. 5 in the notice of annual general meeting for approval of the members of the company.

**ITEM NO. 6**

The Board of Directors of the Company in their meeting held on 18-10-2013 envisage requirements of funds in future. Hence it is proposed, subject to the approval of shareholders of the Company to empower and authorize the Board of Directors of the Company or its committee thereof, upto the overall limits as had already been approved by the shareholder of the company to borrow money from any Bank(s), Financial Institutions (FIs), Bodies Corporate or Business Associates etc., in excess of paid up capital and free reserves of the Company for the purposes of business activities of the Company from time to time and if need be to sell, lease or mortgage the movable/ immovable assets of the company as per the requirements of lenders/ parties from time to time. This would be regarded as mortgage or sale/ lease of whole or substantially whole of the undertakings of the company.

The Directors recommend the resolution for your approval.

None of the Directors and key managerial persons of the company is personally interested in the resolutions mentioned at item no. 6 in the notice.

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

Your Directors have pleasure in presenting the 23rd Annual Report together with the audited statement of Accounts of the Company for the extended financial year ended 30th September, 2013.

Financial Highlights	Year ended 30.9.2013* (Rs. in lacs)	Year ended 31.3.2012 (Rs. in lacs)
Revenue from Operations	<b>7772.43</b>	43956.05
Profit before Interest, Depreciation & Tax	<b>8514.99</b>	2678.41
Less: Interest	<b>8010.31</b>	4927.09
Profit/(Loss) before Depreciation	<b>504.68</b>	(2248.68)
Less: Depreciation	<b>3267.97</b>	2296.12
Profit/ (Loss) before Taxes and exceptional items	<b>(2763.29)</b>	(4544.80)
Exceptional items	<b>3483.85</b>	--
Less : – Current Tax	--	--
– Previous years Tax	--	--
– Deferred Tax	<b>1233.24</b>	(1367.66)
Profit/ (Loss) for the period	<b>(7480.38)</b>	(3177.14)
Add : Surplus brought forward from previous year	<b>(1259.41)</b>	1917.73
<b>Balance Carried to Balance Sheet</b>	<b>(8739.79)</b>	(1259.41)

\* Period ended 30-09-2013 is of 18 months.

**Operations & Performance**

Last five years beginning 2008-09 have been the most challenging period in the history of Indian Textile Industry, which faced multiplicity of adverse factors. Barring the year 2010-11 which reported some recovery, rest of the period was mired in adversities arising from global meltdown, continued slowdown in advanced economies and weakening economic growth in India as well as other developing countries. Business related and political factors also took heavy toll on recovery of the textile industry which witnessed severe power constraints, rising interest rates, wide currency fluctuations, besides considerable mismatch in input/ output costs resulting from ever changing Government Policies relating to export of cotton and cotton yarn and export incentives.

The current period under review faced additional challenges, like sudden glut in the domestic and international market, fluctuating global commodity prices and low demand coupled with high debt which had their own adverse financial impact on the Company.

Further, to contribute in the turnover of the Company, the value added made up i.e. Knitwear division, as forward integration, had been started some time back. To capture the European and other developed markets for knitwear, the company also acquired knitwear businesses in Europe and floated three subsidiary companies in Europe. However, the recession in European countries effected the knitwear business of the company, due to which the three subsidiaries of the Company in Europe went into liquidation which resulted in severe liquidity problem for the company and put negative impact on the overall performance of the company.

Further, to cater to high value European markets for value added yarn the Company also invested in spinning business in Europe through its subsidiary in Cyprus. However, due to Global recession that spinning business in Europe also went into liquidation.

Further, as backward integration the company started putting up in the year 2009 five micro hydel power projects having total capacity of 3.9 MW to keep a check on the erratic power supply and ever increasing tariffs. However, due to delays in various clearances, the last project could have been commissioned in June, 2013. Further due to less availability of water & stoppage of water supply for long repair & maintenance work of the canal & drainage system, the company could have generated the revenue much less than the required to cover its cost and interest, which resulted in negative impact on the performance of the Company.

All the above mentioned factors coupled together took a heavy toll on the overall performance and the company has ended the 18 months accounting period (which ended on 30-09-2013) with a loss of Rs. 7480.38 lacs in comparison to the net loss of Rs. 3177.14 lacs of previous period of 12 months which ended on 31-03-2012. During the period (18 months) under review your Company has achieved a turnover of Rs. 7772.43 lacs against the previous year's (12 months) turnover of Rs. 43956.05 lacs.

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During the period under review there was exceptional increase in losses of the company. This is mainly on account of some exceptional items related to provisions for doubtful debtors, investment and deferred tax assets.

### Erosion of Net Worth

As per the audited financial statements as at 30th September 2013, the total losses of the Company have resulted in substantial erosion of the peak net worth during the immediately preceding four financial years. The company in the process of making necessary compliances as per the applicable provisions of Sick Industrial Companies (Special Provisions) Act, 1985.

### Outlook:

In order to come out of the difficult situation and explore the current opportunities, the Management of the Company is working on various options and some of the steps which would have an effect on the overall performance of the Company are:

- ❖ The Company is restructuring/ realigning / re-sizing its manufacturing operations including impairment of some of the production facilities to reduce costs by increasing efficiencies, rationalization of manpower and other costs.
- ❖ Efforts continue on development of low cost variants of value added yarns.
- ❖ Exploring possibilities of disposing of non core assets of the Company and the funds so generated will be infused in the working of the company.
- ❖ Efforts 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 order to revive the Company and sustain the production, the Company require urgent infusion of funds/ working capital. The management is working in this regard in consultation with its Bankers, the Monitoring Agency for CDR and all other CDR lenders. The Company is quiet confident that with the infusion of requisite funds for which negotiations and discussion are being held with prospective investors/ bankers, the re-sized operations of the Company can be sustained with reasonable margins and profitability.

On the other hand the management of the company is putting in lot of efforts in increasing its sales and profit margins by increased production/ development of value added yarns. In the international market the Company is launching some new products with some major retailers in US as well as Europe. This coupled with market conditions the directors are very confident for revival of the Company.

### 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 continue to be the holder of ISO 9001/2008 certificates.

**Dividend**

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

**Directors**

In accordance with the Company's Articles of Association, Shri Satish Bagrodia, Director retire by rotation and being eligible, offer himself for re-appointment.

During the year 2012-13, the Punjab National Bank has nominated Shri Joginder Kumar Gupta, FGM as nominee director of the Company in place of Shri Vinay Kumar. Board of Directors in their meeting held on 14.08.2013 appointed to Shri Joginder Kumar Gupta as Nominee Director of the Company.

Further, Shri Brij Mohan Khanna has resigned from the directorship of the company and the Board has approved the same in its meeting held on 14.08.2013. Shri Chandra Mohan and Shri Ashish Bagrodia have also resigned from the directorship of the company and the Board has approved the same by circular resolution on 30.09.2013. Further, the Board of Directors vide circular resolutions dated 30.09.2013 have appointed Shri Pradeep Kumar and Shri Rohtash Kumar Kucheria as Additional Directors of the Company w.e.f. 30.09.2013.

**Consolidated Accounts**

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

**Insurance**

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

**Public Deposit**

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

**Auditors**

M/s. Lodha & Co., Chartered Accountants (FRN 301051E), who are Statutory Auditors of the Company hold office up to the forthcoming Annual General Meeting and are recommended for re-appointment to audit the accounts of the Company for the Financial Year 2013-14. As required under the provisions of the Section 224(1B) of the Companies Act, 1956, the Company has obtained written confirmation from M/s. Lodha & Co. that their appointment, if made would be in conformity with the limits specified in the Section.

**Cost Audit**

The Central Government's Cost Auditor order specified an audit of cost accounting records of the textile Companies every year. This is applicable to the products manufactured by the Company. The Board of Directors, subject to approval of Central Government, appointed M/s Aggarwal Vimal & Associates, Cost Accountants, having its office at SCO 124-125, Sector 34-A, Chandigarh to carryout the audit for the financial year 2013-2014. Further the cost audit report for the financial year 2011-12 had been filed on 15.01.2013 (Due date on 28.02.2013) vide SRN-S19924042.

**Auditors' Report**

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

**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 :

- i. that in the preparation of the annual accounts for the financial year ended 30th September, 2013, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. that the accounting policies are applied consistently and reasonable prudent judgment and estimates are made

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## WINSOME YARNS LIMITED

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so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the year under review;

- iii. that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv. that the directors have prepared the accounts for the financial year ended 30th September, 2013 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 has continued its commitment to the principles of good Corporate Governance. The company believes that best board practices and transparent disclosures are necessary for enhancing shareholders value.

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

### **Statutory Disclosures**

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

### **Next financial year of the Company**

Next financial year of the Company shall be for a period of six months starting from 1st October, 2013 and ending on 31st March, 2014.

### **Acknowledgement**

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

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

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

For and on behalf of the Board

Place : Chandigarh  
Dated : 18.10.2013

Satish Bagrodia  
Chairman

### **ADDENDUM TO THE DIRECTORS' REPORT**

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

Auditor's observations.

#### **(A) Attention is drawn to:**

- (i) *Note No. 2.17 regarding pending confirmation/ reconciliation of balances of certain receivables (including oversea overdue receivables as stated in note no. 2.10) and payables (including of a Associate Company, in this respect impact is unascertainable and cannot be commented by us. As explained, the exercise of reconciliation is being carried out on regular basis, in our view internal control needs to be further strengthened in this regards.*
- (ii) *Note No. 2.11 regarding non provision against certain overdue receivables in respect of commission and Handling Charges of Rs. 944.33 lacs and loans and advances of amounting to Rs. 828.71 lacs, for the reasons as stated in the said note.*
- (iii) *Note No. 2.25(A)(iv)(a) to (c) regarding accounting of consumption as balancing figure And the valuation of inventories is as taken, valued and certified by the management, the impact whereof on the statement of profit and loss and state of affairs not being ascertained.*

- (iv) As stated in note no. 2.6 and as per the AS-28 (Impairment of Assets) during the period the company have carried out assessment of value in use of assets of knitwear unit, by an independent professional firm, based on this impairment loss estimated comes to amounting to Rs.2,996.00 Lacs. However, the company, as explained in note no. 2.6, have not accounted for this impairment loss. The Non provision against diminution, in value of assets of stated above is not in line with AS-28 and as such to that extent assets are stated higher and loss is stated lower for the period.
- (v) We report that, without considering item mentioned in paragraph (i) and (iii) above the impact of which could not be determined, had the impact of notes referred in Paragraph (ii) and (iv) above been given to in these financial statements, the loss for the period would have been Rs. 12249.42 lacs (as against the reported figures of Rs.7480.38 lacs), accumulated loss at the period end would have been Rs. 13508.83 lacs(as against the reported figure of Rs.8739.79 lacs), Loans and advances at the period end would have been Rs.4392.23 lacs (as against the reported figure of Rs.5220.94 lacs), carrying value fixed assets would have been Rs.27888.33 lacs (as against the reported figure of Rs.30884.33 lacs), trade receivables would have been Rs. 15262.00 lacs (as against the reported figure of Rs. 16208.33 lacs).

**Management Response:**

The Directors have been explained in detail in Note No. 2.17, 2.11, 2.25(A), 2.6, however the explanations of the directors are further given as under:

- (i) Balances of certain Trade Receivables (including oversea overdue trade receivables as stated in note no. 2.10), Trade Payables (including Associate Company and contingent liabilities are as certified by the management read with note no. 2.1 A), are subject to confirmation/ reconciliation. The management is of the opinion that adjustment, if any; arising out of such reconciliation would not be material.
- (ii) (i) Revenue from Operations (note no.20) includes Commission income and Handling charges receivable in foreign currency amounting to Rs. 752.42 Lacs (including exchange fluctuation gain) and NIL (Previous Year Rs.929.52 lacs and Rs. 298.12 Lacs) respectively on sale which have been accounted for on accrual basis as per the terms of agreements. Company has initiated necessary steps for recovery of the outstanding amount of Rs. 944.33 Lacs (which includes Commission Income of Rs. 752.42 Lacs and Rs. 191.91 Lacs for Handling Charges). Necessary provisions, if any, will be made after reconciliation/confirmation.
- (ii) Short Term Loans and Advances of Rs. 828.71 Lacs (including Refunds / Claims Receivables of Rs. 403.87 Lacs & advances and Balance with Government Authorities of Rs. 83.30 Lacs). The management is initiating necessary steps for recovery of the same. Hence no provision against these is considered necessary at this stage. Necessary provisions, if any, will be made after reconciliation/confirmation.
- (iii) 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. However considering past experience there will not be material impact on completion of compilation.
- b) Company is in process of item wise physical verification of Fixed Assets and inventories. To the extent same has 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, inventory of raw material, process stock and finished goods has been considered as taken, valued and certified by the management.
- (iv) In accordance with Accounting Standard 28-' Impairment of Assets', the Company has identified its garmenting manufacturing facility (Knitwear Unit) located at 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 2013, the Company on the basis of projected scale of operations and prevailing market conditions assessed that the recoverable value of the above CGU is 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 (the firm), impairment loss of Rs. 2,996.00 Lacs as estimated by the Management, based on a comparison of carrying value of the asset vis-a-vis recoverable value. The Reports of the firm is under consideration of the Management and Impairment Loss will be accounted as and when finally assessed.

**(B) Emphasis of Matter:**

- (i) Attention is drawn to note no. 2.3 where as stated balance money amounting to USD 6049664 (Rs.3196.48 lacs) out of the GDR issue made by the company in the year 2010-11, is still lying outside India i.e. balance amount against GDR issue of 1994125 nos. made in financial year 2010-11, entitling 199412500 fully paid up equity

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## WINSOME YARNS LIMITED

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shares of Re.1/- each at Rs.2.97 per share including premium (now 19941250 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, pending utilisation for the purposes the issue was made.

- (ii) In view of the accumulated losses read together with our comments under para (ii) to (v) under the head 'Basis for Qualified Opinion', had the impact of the same been considered, the net worth of the Company become negative as on 30th September 2013. However, as stated in Note No. 2.14 (read together with accounting policy- Note No.1.1) accounts have been prepared by the management on ongoing 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 thereof has not been ascertained and therefore can not be commented upon by us.

*Additional emphasis of matter on consolidated financial statement.*

- (iii) Attention is drawn to note no. 2.11, as stated the subsidiary company namely M/s Winsome Yarns (Cyprus) Limited has reported regarding non recoverability of the amount (Euro 2.5 Million) due from Newcocot S.P.A. (an Italian company) which is shown in the financial statements as "Other Receivables" As stated represents amount paid (partial payment) for acquisition of 933750 nos. Shares in the stated Italian Company. As of 30th June 2013, Newcocot S.P.A. 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.P.A, the management decided to written off the balance (90%) amounting to Rs. 1633.12 Lacs (Euro 2.25 Million).
- (iv) Attention is drawn to 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.

### **Management Response:**

The Directors have been explained in detail in Note No. 2.3, 2.14, however the explanations of the directors are further given as under:

- (i) In the EGM held on 28.06.2010, shareholders of the company have approved the issue of Global Depository Receipts (GDRs). Pursuant to this 1994125 number of GDRs of USD 6.64 each, entitling 199412500 fully paid up equity shares of Re.1/- each at Rs.2.97 per equity share including premium (now 19941250 fully paid up equity shares of Rs.10/- each at Rs. 29.70 including premium) were issued. Out of the total proceeds of the GDRs made in the year 2010-2011, balance amount of Rs. 3195.38 lacs (including foreign exchange gain) is invested in Money Market Fund and lying outside India as on 30.09.2013, pending proceeds to be utilized. In this regards the Company is filing all the required returns/ disclosures regularly with the RBI.
- (ii) As per the audited financial statements as at 30th September, 2013, the total losses of the Company have resulted in substantial erosion of the peak net worth during the immediately preceding four financial years. The company is in the process of making necessary compliances as per the applicable laws. Further 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. Considering future business plan and expected cash flow in near future by the management of the company, accounts are prepared on 'Going Concern basis'.

Management Response on point no. (iii) & (iv)

- (iii) The subsidiary company namely M/s Winsome Yarns (Cyprus) Limited has reported regarding write off against other receivables represents a partial payment for the acquisition of 933750 shares in an Italian company namely, Newcocot S.P.A. It was expected that the total cost for the acquisition would have been EURO 4600000. The transfer of shares of Newcocot S.P.A. to the company's name should have been effected upon the receipt of the full amount which was expected to be finalized by 31st March 2014. As of 30th June 2013, due to unexpectedly difficult economic climate, Newcocot S.P.A. was under 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.
- (iv) 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.

**ANNEXURE 'A' TO DIRECTORS' REPORT**

**INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF DIRECTORS) RULES 1988 AND FORMING PART OF THE DIRECTORS REPORT FOR THE PERIOD ENDED 30th SEPTEMBER, 2013.**

**I. CONSERVATION OF ENERGY**

**a) Energy conservation measures taken :**

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

Sr. No.	Project Undertaken	Units saved	Annual Saving (in Rs)
1	Reduced the blade angle of return air fan in winding unit no 1 with optimized air volume	36820	240438.71
2	Maintain the suction air pressure of radial fan in blow room unit no 3 from 1300 pascal to 1200 pascal	36820	240434.60
3	Conversion of copper Ballast in to electronic ballast in lighting system	5256	34321.68
4	Conversion of 250 watt street light in to 150 watt sodium vapour lamp	4745	30984.85
5	By installation 11 kw inverter on Cylinder motor in place of direct Dol starter of carding m/c (c-4A)	21749	142019.49
6	Modification in overhead blower of speed frame	27676	206186.20
<b>Total Saving</b>		<b>133066</b>	<b>894386.53</b>

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

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

Though there is saving of about Rs. 8.94 lacs but overall energy cost has not reduced due to increase in diesel & furnace oil cost.

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

A) Power and Fuel consumption	Current Year	Previous Year
<b>1 Electricity</b>		
<b>a) Purchased Unit</b>	<b>92198653</b>	49287943
Total amount (Rs in lacs)	<b>6013.02</b>	2538.31
Rate per Unit (Rs.)	<b>6.52</b>	5.15
<b>b) Own Generation :</b>		
(i) Through FO/Diesel Generator (Units)	<b>584436</b>	294212
Units generated per Ltr.	<b>2.92</b>	3.35
Cost per Unit (Rs.)	<b>12.73</b>	12.10
(ii) Through Hydro Projects (Units)	<b>10044705</b>	1989851
<b>2 Coal (Specify quality and where used)</b>	<b>NIL</b>	NIL
<b>3 Wood Briquette for Boiler (Qty in MT)</b>	<b>487.59</b>	447.90
Total amount (Rs. in lacs)	<b>29.63</b>	24.70
Avg Rate of Wood Briquette (Per Kg)	<b>6.08</b>	5.52
<b>4 HSD &amp; Furnace Oil Qty.(MT)</b>	<b>173.00</b>	87.67
Total amount (Rs. in lacs)	<b>74.40</b>	35.59
Average rate (Rs. per M.T.)	<b>43006</b>	40597

**WINSOME YARNS LIMITED**

<b>5 Gas (Qty in M.T.)</b>	<b>NIL</b>	<b>NIL</b>
Total amount (Rs. in lacs)	<b>NIL</b>	<b>NIL</b>
Average rate (Rs. per Kg)	<b>NIL</b>	<b>NIL</b>
<b>B) Consumption per Unit of Production</b>		
Electricity /Own Generation	<b>3.58</b>	4.62
HSD & Furnace Oil (Ltr)	<b>0.23</b>	0.07
Hydro Projects (Unit)	<b>0.44</b>	0.15
Gas (Kgs) NIL	<b>NIL</b>	<b>NIL</b>

**II. TECHNOLOGY ABSORPTION**

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

## 1) Research &amp; Development ( R&amp;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. 77.84 lacs

Total R & D expenditure as a percentage of total turnover =

0.10%

## 2) Technology absorption, adoption and innovation.

a) Efforts, in brief, made towards technology absorption and innovation :

- Equipments of latest technology have been installed without any foreign technical knowledge.

b) Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.

- There has been benefit in respect of quality and Productivity of the product.

c) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year).

- Nil

**III. FOREIGN EXCHANGE EARNING AND OUTGO**

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

- During the year the Company has earned foreign exchange worth Rs. 19928.41 lacs from export activities.

New export markets have been developed and exports are likely to increase further.

b) Total foreign exchange used and earned.

	<u>Current Year</u>	<u>Previous Year</u>
Earning through operational activities	<b>19928.41</b>	14954.31
Outgo:	<b>471.74</b>	512.06

For and on behalf of the Board

Place : Chandigarh

Dated : 18.10.2013

Satish Bagrodia

Chairman



## Corporate Governance

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

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

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

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

### 2. Board of Directors.

The current strength of the Board of Directors (Board) of the Company is of 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 Director of PSIDC and one is Nominee Director of Punjab National Bank (CDR Lead Banker). None of the directors on the board is a member on more than 10 committees and chairman of more than 5 committees (as specified in clause 49 of the Listing Agreement with Stock Exchanges), across all the companies in which they are directors. The necessary disclosures regarding committee memberships have been made by the directors.

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	4	--	--	--
Shri Brij Mohan Khanna (Resigned from directorship on 01.06.2013)	INED	5	Yes	2\$	--	3	3*
Shri Chandra Mohan (Resigned from directorship on 03.09.2013)	INED	4	Yes	8\$	9	--	9*
Shri Vinay Kumar (PNB Nominee) (Ceased to be Nominee Director w.e.f. 12.08.2013)	INED	2	No	1	--	--	--
Shri Ashish Bagrodia (Resigned from directorship on 16.09.2013)	NED	6	No	7#	2	--	2
Shri Joginder Kumar Gupta (Appointed as Nominee Director of Punjab National Bank w.e.f. 12.08.2013)	INED	1	No	1	--	--	--
Shri Pradeep Kumar (Appointed w.e.f. 30.09.2013)	INED	--	No	2	1	2	3*
Shri Rohtash Kumar Kucheria (Appointed w.e.f. 30.09.2013)	INED	--	No	1	2	1	3*
Shri S.K. Singla (Nominee Director of PSIDC)	INED	5	No	12	2	--	2*
Shri Manish Bagrodia	MD	6	Yes	8#	1	--	1

\$ Including Private Limited Companies.

# Including Foreign Companies.

\* Including membership in Remuneration Committee

INED : Independent Non Executive Director, NED : Non Executive Director

MD : Managing Director (Executive)

During the financial year 2012-13, six board meetings were held. The meetings were held on 30th May, 2012, 10th August, 2012, 9th November, 2012, 13th February, 2013, 15th May, 2013 and 14th August, 2013 and the maximum time gap between any two meetings was not more than four months.

### 3. Code of Conduct

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

### 4. Subsidiary Companies

The statement required pursuant to provisions of section 212 of the Companies Act, 1956 is provided in the Annual Report. Due to poor market conditions the three step down subsidiaries namely S.C. Winsome Romania S.r.l., IMM Winsome Italia S.r.l and S.C. Textil S.r.l. have been put under liquidation. As no business activity has been carried on in these three subsidiaries during the year, hence their financial statements have not been considered in consolidated financial statements of the Company. However, the consolidated financial statements after consolidation of Winsome Yarns Limited, Winsome Yarns (Cyprus) Limited and Winsome Yarns FZE is provided in the Annual Report.

### 5. CEO/ CFO Certification

The Managing Director (CEO) and the Chief Financial Officer (CFO) of the Company have certified to the Board that the requirements of the Clause 49 (V) of the Listing Agreement, inter alia, dealing with the review of financial statements and cash flow statement for the year ended on 30th September, 2013 transactions entered into by the company during the said period, their responsibility for establishing and maintaining internal control systems for financial reporting and evaluation of the effectiveness of the internal control system and making of necessary disclosures to the Auditors and the Audit Committee have been duly complied with.

### 6. Audit Committee

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

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

Sr.No.	Name of members	Category	No. of meetings attended during the year 2012-2013
1	Shri Brij Mohan Khanna, Chairman (Resigned on 01.06.2013)	Independent/Non-Executive	5
2	Shri Chandra Mohan, Member (Resigned on 03.09.2013)	Independent/Non-Executive	4
3	Shri Ashish Bagrodia, Member (Resigned on 16.09.2013)	Non-Executive	6
4	Shri S. K. Singla, Member (Appointed w.e.f. 15.05.2013)	Non-Executive, Nominee	1
5	Shri Pradeep Kumar, Chairman (Appointed w.e.f. 05.10.2013)	Independent/Non-Executive	--
6	Shri Rohtash Kumar Kucheria, Member (Appointed w.e.f. 05.10.2013)	Independent/Non-Executive	--



## WINSOME YARNS LIMITED

During the financial year, the Audit Committee meetings were held on 30th May, 2012, 10th August, 2012, 9th November, 2012, 13th February, 2013, 14th May, 2013 and 14th August, 2013.

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

### 7. Remuneration Committee

During the financial year, no meeting was held.

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

Sr. No.	Name of members		Category
1	Shri Brij Mohan Khanna, Chairman	<i>(Resigned on 01.06.2013)</i>	Independent/Non-Executive
2	Shri Chandra Mohan, Member	<i>(Resigned on 03.09.2013)</i>	Independent/Non-Executive
3	Shri S. K. Singla, Member		Independent/Non-Executive
4	Shri Pradeep Kumar, Chairman	<i>(Appointed w.e.f. 05.10.2013)</i>	Independent/Non-Executive
5	Shri Rohtash Kumar Kucheria, Member	<i>(Appointed w.e.f. 05.10.2013)</i>	Independent/Non-Executive

### Remuneration Policy

#### i). For Non Executive Directors

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

The details of remuneration paid to the Non Executive Directors during the year 2012-13 are given below:

Non-Executive	(Amount in Rs.)
Name of Directors	Sitting Fees
Shri Satish Bagrodia	30000
Shri Brij Mohan Khanna	25000
Shri Chandra Mohan	20000
Shri Vinay Kumar (PNB Nominee)*	10000
Shri J. K. Gupta (PNB Nominee)*	5000
Shri S. K. Singla (PSIDC Nominee)*	25000
Shri Ashish Bagrodia	30000
Shri Pradeep Kumar	--
Shri Rohtash Kumar Kucheria	--
Total	145000

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

#### ii). For Executive Director

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

(Rs. in lacs)

Name of Director	Salary	Perquisites*	Total
Shri Manish Bagrodia	40.32	3.46	43.78

\* Contribution to Provident Fund and family pension fund.

### 8. Shareholders/ Investors Grievance Committee :

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

Redressing of Shareholders and Investors complaints, regarding share transfers, non-receipt of balance sheet / dividend by the shareholder etc. During the financial year 2012-13, six Shareholders/ Investors Grievance Committee meetings were held on 30th May, 2012, 10th August, 2012, 9th November, 2012, 13th February, 2013, 14th May, 2013 and 14th August, 2013. All complaints/ grievances, received during the year have been resolved in time.

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

## WINSOME YARNS LIMITED

Sr. No.	Name of members	Category	No. of meetings attended during the year 2012-2013
1	Shri Brij Mohan Khanna, Chairman (Resigned on 01.06.2013)	Independent/Non-Executive	5
2	Shri Chandra Mohan, Member (Resigned on 03.09.2013)	Independent/Non-Executive	1
3	Shri Manish Bagrodia, Member	Executive Director	6
4	Shri Pradeep Kumar, Member (Appointed w.e.f. 05.10.2013)	Independent/Non-Executive	-
5	Shri Rohtash Kumar Kucheria, Chairman (Appointed w.e.f. 05.10.2013)	Independent/Non-Executive	-
6	Shri K. V. Singhal, Member	Company Secretary & Compliance Officer	6

During the financial year, the request for transfer/demat/ remat of shares, change of address etc have been duly effected. During the year 77 nos. of complaints were received, resolved & replied and no grievance was pending at the end of the financial year.

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

### 9. General Body Meetings

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

Year	Venue	Date	Time
2009-2010	PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh	30.09.2010	3.30 P.M.
2010-2011	PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh	18.07.2011	3.30 P.M.
2011-2012	PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh	06.09.2012	3.30 P.M.

All the resolutions during last three financial year, including one special resolution on 05.02.2010 (EGM) and three special resolutions on 18.07.2011 (AGM) as set out in the respective notices of General Meetings were passed by the shareholders. During the financial year 2012-13, no postal ballots was used. At the forthcoming AGM, there is no item on the agenda that needs approval by Postal ballots.

### 10. Disclosures

There are no materially significant related party transactions made by the company with its promoters, directors or management, their relatives etc. that may have potential conflict with the interest of the company at large. Transactions with related parties are disclosed in Note No. 2.24 of Financial Statement of the Annual Report.

During the last three years, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any Statutory Authority for non-compliance of any matter related to the capital markets.

### 11. 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.

**12. 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.

Unclaimed shares' details as on 07.05.2012		Details of claimed shares during the financial year		Balance as on 30.09.2013	
No. of shareholders	No. of shares	No. of shareholders	No. of shares	No. of shareholders	No. of shares
1447	303400	16	3800	1431	299600

**13. Means of Communications**

The quarterly and half yearly results are published in widely circulating national & local dailies news papers such as Financial Express (in English) and Business Standard (in English & Hindi) and Jansatta (in Hindi). The same are also being posted on the websites of BSE ([www.bseindia.com](http://www.bseindia.com)) and NSE ([www.nseindia.com](http://www.nseindia.com)) under the Scrip Code '514348' and 'WINSOME' respectively. The same are also available on company's website ([www.winsomegroup.com](http://www.winsomegroup.com)).

## WINSOME YARNS LIMITED

### 14. General Shareholder information

Financial Year	:	1st April 2012 to 30th September 2013
Date of Annual General Meeting	:	Wednesday, the 12th day of February, 2014
Venue & Time	:	PHD Chamber of Commerce & Industry, Sector 31-A, Chandigarh at 11.30 a.m.
Date of Book Closure	:	03.02.2014 to 05.02.2014 (both days inclusive)
Listing of equity shares on Stock Exchanges	:	BSE Limited (BSE) National Stock Exchange of India Ltd (NSE)
Demat ISIN Number	:	NSDL & CDSL : INE784B01035
Scrip Code	:	BSE 514348, NSE WINSOME
Listing of GDRs on Stock Exchange	:	Luxembourg Stock Exchange, Luxembourg
Trading Code	:	US97550Q1022

#### Market price data :

High and Low during each month on BSE and NSE in the financial year 2012-13.

Month	BSE		NSE	
	High	Low	High	Low
Apr, 2012	30.25	26.95	31.45	26.10
May, 2012	27.25	20.25	28.70	21.40
June, 2012	23.70	19.00	23.80	19.25
July, 2012	22.60	17.95	21.00	18.45
Aug, 2012	20.90	18.00	20.85	17.70
Sep, 2012	20.50	16.60	20.40	16.50
Oct, 2012	19.00	15.80	19.90	15.90
Nov, 2012	19.90	15.70	19.60	15.45
Dec, 2012	20.90	15.70	22.00	16.00
Jan, 2013	20.25	14.35	20.45	15.50
Feb, 2013	18.00	14.55	18.50	14.30
Mar, 2013	20.95	14.25	19.95	14.35
Apr, 2013	30.00	17.25	29.75	17.20
May, 2013	28.35	21.50	28.45	21.45
June, 2013	24.90	20.50	25.00	20.95
July, 2013	29.10	21.00	29.70	21.00
Aug, 2013	28.50	24.20	29.95	24.10
Sep, 2013	28.70	21.30	28.05	21.25

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

Annual listing fee to BSE and NSE and Annual Custodial Fee to NSDL and CDSL for the year 2013-14 have been paid.

Registrar and Share Transfer Agent	:	Link Intime India Pvt. Limited 44, Community Centre, 2nd Floor, PVR Naraina, Naraina Industrial Area, Phase I, New Delhi - 110028 Tele. No. 011-41410592-94, Fax No. 011-41410591 E-mail : <a href="mailto:delhi@linkintime.co.in">delhi@linkintime.co.in</a> , <a href="mailto:sunil.mishra@linkintime.co.in">sunil.mishra@linkintime.co.in</a>
Share Transfer System	:	Shares lodged in physical form with the RTA directly or through company, are processed and returned, duly transferred, within 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.

**WINSOME YARNS LIMITED**

Compliance Officers : Shri Manish Bagrodia, Managing Director and  
Shri K.V. Singhal, GM(Legal) and Company Secretary  
E-mail IDs : kvsinghal@winsomegroup.com, cshare@winsomegroup.com

Distribution of shareholding as on 30th September, 2013.

Range of Shares	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
1 - 500	8775	90.857	1411327	1.996
501 - 1000	463	4.794	388739	0.550
1001 - 2000	185	1.916	292639	0.414
2001 - 3000	57	0.590	148752	0.210
3001 - 4000	22	0.228	79347	0.112
4001 - 5000	24	0.248	114662	0.162
5001 - 10000	43	0.445	321676	0.455
10001 and above	89	0.922	67950087	96.101
Total	9658	100.000	70707229	100.000

Shareholding Pattern as on 30th September, 2013.

Category	No. of shares	Percentage
Promoter and Promoter Group	27339609	38.67
Financial Institutions/ Banks/ Mutual Funds	11800	0.02
NRIs	81490	0.12
Bodies Corporate	19949035	28.22
Indian Public	3384045	4.77
Shares held by Custodian against which Depository Receipts have been issued	19941250	28.20
Total	70707229	100.00

Details of shareholding of Directors in the company as on 30.09.2013

<u>Name of Director</u>	<u>No. of shares held</u>
Shri Satish Bagrodia	42900
Shri Manish Bagrodia	52040
Shri J. K. Gupta	--
Shri S. K. Singla	--
Shri Pradeep Kumar	--
Shri Rohtash Kumar Kucheria	--

Dematerialisation of shares and liquidity. : Out of total 70707229 nos. of shares, 98.80% shares have been dematerialised upto 30.09.2013.

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)

Address for correspondence : The Company Secretary

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**WINSOME YARNS LIMITED**

Winsome Yarns Limited  
SCO 191-192, Sector 34-A  
Chandigarh-160022  
E-mail IDs : kvsinghal@winsomegroup.com, cshare@winsomegroup.com  
Website : www.winsomegroup.com

**15. Next Financial Year of the Company**

Next Financial Year of the Company shall be for a period of six months starting from 1st October, 2013 and ending on 31st March, 2014.

By order of the Board

Place : Chandigarh  
Dated : 18.10.2013

Satish Bagrodia  
Chairman

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

The Board of Directors at its meeting held on 18.10.2013 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 : 18.10.2013

Satish Bagrodia  
Chairman

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**Auditors' Certificate on Compliance of conditions of Corporate Governance as per Clause 49 of the Listing Agreement with the Stock Exchanges.**

To the members of Winsome Yarns Limited

We have examined the compliance of conditions of Corporate Governance by Winsome Yarns Limited, for the year ended 30th September, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement except to the extent not posting of Code of Conduct on the website of the Company.

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

For Lodha & Co.  
Chartered Accountants  
FRN 301051E

Place : New Delhi  
Date : 18.10.2013

N. K. Lodha  
Partner  
Membership No. 85155

**INDUSTRY SCENARIO**

The Indian textile industry is one of the mainstays of the national economy. It makes significant contribution to industrial output, employment generation and export earnings of the country. The textiles industry accounts for 14% of the industrial production, which is 4% of GDP, employs 45 million people and accounts for approximately 11 per cent of the country's total exports. Indian Textile Industry is one of the leading textile industries in the world, being the third largest exporter of textile products in the world trailing European Union (EU)-27 and China as per latest World Trade Organisation (WTO) data.

Technology Upgradation Fund Schemes (TUFS) for providing maximum subsidy in interest rates on loans to Textile Industry shall continue in 12th plan.

A new scheme with an outlay of Rs. 500 crore called the Integrated Processing Development Scheme has been proposed to be implemented in the 12th plan to address environmental concerns of the textile industry including, improvement in the effluent treatment infrastructure.

**GLOBAL ECONOMIC SCENARIO**

The global economy has yet to improve the fallout from the crisis of 2008-2009. Global growth dropped to almost 3 percent in 2012, which indicates that about a half a percentage point has been shaved off the longterm trend since the crisis emerged. This slowing trend will likely continue. Mature economies are still healing the scars of the 2008-2009 crisis. But unlike in 2010 and 2011, emerging markets did not pick up the slack in 2012, and won't do so in 2013. Uncertainty across the regions from the post-election 'fiscal debate' question in the U.S. to the Chinese leadership transition and reforms in the Euro Area will continue to have global impacts in sluggish trade and tepid foreign direct investment.

**OUTLOOK**

The volatility in the European market during 2012, affected severely India's Textile and Clothing exports to European Union (EU). An urgent need is being felt to restructure domestic textile industry to address the slowdown in the foreign market.

The Indian Textile Industry should explore markets in newly industrialized countries of South East Asia, specially, China, who have significant potential for absorbing imports of textile products.

The global MMF market will continue to grow, more quickly than the world economy. The main drivers will be increasing population, economic growth, consumer aspirations, new applications, & infrastructure projects.

Adoption of innovative automation technologies can alleviate the problem of lack of skilled labour to some extent. Companies having in-house power generation are able to cut down on power costs effectively.

**RISKS AND CONCERNS**

With the cost of production going up in China, MMF based textiles industry on India has an opportunity of opening up for expansion of its market share, if cost of production can be brought down.

In the Union Budget 2013-14, Central Excise duty remains unchanged at 12% on man made fibres (MMFs) and also, industry's demand for reduction in custom duty on raw materials for MMFs has not been fulfilled.

It is true that MMFs have overtaken cotton as the dominant fibre, but the cost and availability still plays a significant role in the inter-fibre substitution. The other areas of concern are rising crude oil prices, high power costs and lack of skilled labour.

**SWOT ANALYSIS OF INDIAN TEXTILE INDUSTRY****Strength:**

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

- ♦ Huge Domestic Market consumption (due to its own population).
- ♦ Tremendous Export Potential (Indian products are in great demand among the western importers)
- ♦ The new age creative and risk taking entrepreneurs.
- ♦ Use of latest technology which produces high quality multi-fiber raw material.
- ♦ Supportive government policies.
- ♦ Indian textile industry is an independent and self-reliant industry.
- ♦ Abundant raw material availability helps industry to control costs and reduces the lead-time across the operation. It



accounts for about 22 percent of the global cotton production.

- ♦ India exports 25 percent of its cotton yarn production.
- ♦ Industry has manufacturing flexibility that helps to increase the productivity.
- ♦ More and more buyers have come to trust India as a competent manufacturing country.
- ♦ India's textile industry is seeing an increase in collaboration between national and international companies.

**Challenges:**

- ♦ Organizational flaws in weaving and processing.
- ♦ A fragmented and scientifically backward textile processing sector.
- ♦ Infrastructural logjams in terms of power, road transport etc.
- ♦ Calculating the Return on Investment and workflow automation in the textile machinery.
- ♦ Textile is more complex in operation, so to connect every machine for getting the real data without any manual intervention.

**Opportunities:**

- ♦ Growth rate of the domestic textile industry is a significant 6-8 percent per annum
- ♦ Large, potential domestic and international market still waiting to be tapped
- ♦ Availability of greater investment and FDI opportunities
- ♦ Emerging retail industry and malls provide significant opportunities for the apparel, handicraft and other segments of the industry as the market is gradually shifting towards branded readymade garments
- ♦ Increased per capita income, disposable income and purchasing power of the Indian customer provides huge growth opportunities
- ♦ India's share of the global textile industry is expected to grow from 4.5 percent in 2010 to 8 percent by 2020.

**Threats:**

- ♦ Entry of multinational in domestic markets.
- ♦ Stiff competition from other countries (The performance of global competitor's in fabrics and garments indicates that there are at least 4 countries ie, China, Indonesia, Thailand and Pakistan).
- ♦ Slow improvement in quality to international standards and adoption to fast changing fashion demands.

**GOVERNMENT INITIATIVES**

In an effort to increase India's share in the world textile market, the government has introduced a number of progressive steps.

- ♦ 100 per cent FDI allowed through the automatic route.
- ♦ The government extended 10 per cent capital subsidy and 5 per cent interest subsidy on installation of Spinning Machines and 5% interest subsidy on installation of Knitting Machines under the TUFs.

**INTERNAL CONTROL SYSTEM AND ADEQUACY**

The Company has in place adequate internal control systems and procedures commensurate with the size and nature of its business. The Audit Committee periodically reviews such systems with help of the internal and statutory auditors and reports to the board on its adequacy. Internal Audit is conducted by an independent Chartered Accountant, on quarterly basis.

**HUMAN RESOURCES**

Industrial relations remained normal at all levels. The development of human resources is a key strategic challenge in order to prepare people for future responsibilities in terms of professional skills as well as business skills. Customized training programs that enhance both personal as well as career growth are conducted on a continuing basis. The employees on roll in the Company as on 31st March 2013 were 1093. The permanent employee strength of the Company as on 30th September, 2013 was 1803.

**CAUTIONARY STATEMENT**

Statements in this Management Discussions and Analysis Report describing the Company objectives, projections, estimates, expectations or predictions may be 'forward looking statements' within the meaning of applicable security laws or regulations. These statements are based on certain assumptions and expectations of future events. Actual results could however, differ materially from those expressed or implied. Factors that could make a difference to the Company's operations include market price both domestic and overseas availability and cost of raw materials, change in Government regulations and tax structure, economic conditions affecting demand / supplies and other factors over which the Company does not have any control.



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 2013, and the statement of the profit and loss and the cash flow statement for the period (18 months) 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 the fair view of the financial position, financial performance and cash flows of the company in accordance with the accounting principles generally accepted in India, including accounting standards referred to in sub section (3C) of section 211 of the Companies Act, 1956("the Act"). 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 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 Institute of Chartered Accountant of India. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain the reasonable assurance about whether the financial statements are free from material misstatements. 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 assessment of 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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. 2.17 regarding pending confirmation/ reconciliation of balances of certain receivables (including oversea overdue receivables as stated in note no. 2.10) and payables (including of a Associate Company, in this respect impact is unascertainable and cannot be commented by us. As explained, the exercise of reconciliation is being carried out on regular basis, in our view internal control needs to be further strengthened in this regards.
- (ii) Note No. 2.11 regarding non provision against certain overdue receivables in respect of commission and Handling Charges of Rs. 944.33 lacs and loans and advances of amounting to Rs. 828.71 lacs, for the reasons as stated in the said note.
- (iii) Note No. 2.25(A)(iv)(a) to (c) regarding accounting of consumption as balancing figure And the valuation of inventories is as taken, valued and certified by the management, the impact whereof on the statement of profit and loss and state of affairs not being ascertained.
- (iv) As stated in note no. 2.6 and as per the AS-28 (Impairment of Assets) during the period the company have carried out assessment of value in use of assets of knitwear unit, by an independent professional firm, based on this impairment loss estimated comes to amounting to Rs.2,996.00 Lacs. However, the company, as explained in note no. 2.6, have not accounted for this impairment loss. The Non provision against diminution, in value of assets of stated above is not in line with AS-28 and as such to that extent assets are stated higher and loss is stated lower for the period.
- (v) We report that, without considering item mentioned in paragraph (i) and (iii) above the impact of which could not be determined, had the impact of notes referred in Paragraph (ii) and (iv) above been given to in these financial statements, the loss for the period would have been Rs. 12249.42 lacs (as against the reported figures of Rs.7480.38 lacs), accumulated loss at the period end would have been Rs. 13508.83 lacs(as against the reported figure of Rs.8739.79 lacs), Loans and advances at the period end would have been Rs.4392.23 lacs (as against the reported figure of Rs.5220.94 lacs), carrying value fixed assets would have been Rs.27888.33 lacs (as against the reported figure of Rs.30884.33 lacs), trade receivables would have been Rs. 15262.00 lacs (as against the reported figure of Rs. 16208.33 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 2013,
- (b) in case of the statement of the profit and loss, of the loss for the period ended on that date, and
- (c) In case of the cash flow statement, of the cash flows for the Period ended on that date.

**Emphasis of Matter**

- (i) Attention is drawn to note no.2.3 where as stated balance money amounting to USD 60,49,664 (Rs. 3196.48 lacs) out of the GDR issue made by the company in the year 2010-11, is still 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, pending utilisation for the purposes the issue was made.
- (ii) In view of the accumulated losses read together with our comments under para (ii) to (v) under the head 'Basis for Qualified Opinion', had the impact of the same been considered, the net worth of the Company become negative as on 30th September 2013. However, as stated in Note No.2.14 (read together with accounting policy- Note No.1.1) accounts have been prepared by the management on ongoing 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 thereof has not been ascertained and therefore can not be commented upon by us.

**Our report is not qualified in respect of above matters.**

**Report on other legal and the regulatory requirements:**

- (i) 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.
- (ii) 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 to the extent applicable *except to the extent stated in para (iv) (AS-28 and read with note no. 2.6) 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 2013. 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,  
Chartered Accountants  
Firm Registration Number: 301051E

N. K. Lodha  
Partner  
Membership No 85155

Place : New Delhi  
Date : 18.10.2013

(Referred to in paragraph 1 of our Report of even date on Winsome Yarns Limited for the period ended 30th September, 2013)

- i. (a) The company has maintained proper records showing 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.2.25 (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.2.25 (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. 2.25(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. 2.25(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 amounts as stipulated and payment of interest, in view of payment time allowed, is regular.
- iv. In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the items purchased / sold / services rendered are of *special nature and suitable alternative sources do not exist for obtaining comparable quotation or where user department has shown specific preference, where, as explained, rates were determined considering the quality, volume, nature of the items and market conditions prevailing at that time, there are internal control system 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.2.10, 2.12, 2.17, 2.19 & 2.25(A)(iv)]. Based on the audit procedure performed and information & explanation provided by the management, during the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system nor been identified by the management 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

## WINSOME YARNS LIMITED

- (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. 25(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 have not been made and maintained. 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 Excise Duty, Provident Fund and Employee State Insurance dues were found paid with certain delay.* 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 2013.
- (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 Sales Tax Tribunal Punjab Deputy Excise and Taxation Commissioner (Appeal) Commissioner (Appeal)
		2.25	1993-1994	
		13.36	2003-2004	
		29.08	2008-2009	
Central Excise Act#	Excise Duty	11.72	2006-2007 & 2007-2008	CESTAT
		28.60	2000-2001 to 2004-2005	CESTAT
		463.38	2006-2007 to 2009-2010	CESTAT
		3.82	2007-2008 & 2008-2009	Commissioner Appeals
		5.93	2011-2012	Commissioner Appeals
		7.61	2010-2011	CESTAT
		6.16	2010-2011	Commissioner Appeals

# (Excluding excise show cause notices)

This para is to be read with note no. 2.1 (A) and 2.1(B) and note no. 2.17.

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## WINSOME YARNS LIMITED

- 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 not defaulted in repayment of dues (except for maximum interest of amounting to Rs. 718.63 lacs and principal amounting to Rs. 1976.16 lacs for delay of maximum period of 122 days and 183 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. 5.6 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.2.3,2.25(A)(iv) and "Basis for Qualified Opinion"] on or by the Company has been noticed or reported during the course of the audit.

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

N. K. Lodha  
Partner  
Membership No. 85155

Place : New Delhi  
Date : 18.10.2013

**BALANCE SHEET**  
AS AT 30th SEPT. 2013

**WINSOME YARNS LIMITED**

PARTICULARS	NOTE No.	As at 30th Sep 2013 (Rs. in Lacs)	As at 31st Mar 2012 (Rs. in Lacs)
<b>I. EQUITY &amp; LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share Capital	3	7082.33	7082.33
(b) Reserves & Surplus	4	<b>(2974.02)</b>	4520.21
		<u>4108.31</u>	<u>11602.54</u>
<b>(2) Non- Current Liabilities</b>			
(a) Long Term Borrowings	5	19457.91	25808.72
(b) Long Term Provisions	7	156.95	110.58
		<u>19614.86</u>	<u>25919.30</u>
<b>(3) Current Liabilities</b>			
(a) Short Term Borrowings	8	23424.28	20899.66
(b) Trade Payables	9	13678.26	9815.84
(c) Other Current Liabilities	10	10522.53	8258.99
(d) Short Term Provisions	11	13.50	11.23
		<u>47638.57</u>	<u>38985.72</u>
<b>TOTAL</b>		<u><u>71361.74</u></u>	<u><u>76507.56</u></u>
<b>II. ASSETS</b>			
<b>(1) Non- Current Assets</b>			
(a) Fixed Assets			
(i) Tangible Assets	12	30884.19	32876.20
(ii) Intangible Assets	12	0.14	4.54
(iii) Capital Work-in-Progress		--	1066.38
(b) Non Current Investment	13	--	1516.71
(c) Deferred Tax Asset (Net)	6	--	1233.24
(d) Long Term Loans & Advances	14	368.68	390.75
		<u>31253.01</u>	<u>37087.82</u>
<b>(2) Current Assets</b>			
(a) Current Investment	15	3195.38	--
(b) Inventories	16	14675.89	17366.26
(c) Trade Receivables	17	16206.35	12862.85
(d) Cash & Bank Balances	18	810.17	3852.30
(e) Short Term Loans & Advances	19	5220.94	5338.33
		<u>40108.73</u>	<u>39419.74</u>
<b>TOTAL</b>		<u><u>71361.74</u></u>	<u><u>76507.56</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  
FRN : 301051E

*For and on behalf of the Board*

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

Deepak Mahajan  
Chief Financial Officer

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

Manish Bagrodia  
Managing Director

Satish Bagrodia  
Chairman

Place : Chandigarh  
Date : 18.10.2013

**STATEMENT OF PROFIT & LOSS**  
FOR THE YEAR ENDED 30th SEPT. 2013

**WINSOME YARNS LIMITED**

PARTICULARS	NOTE No.	As at 30th Sep 2013 (18 months) (Rs. in Lacs)	As at 31st Mar 2012 (12 months) (Rs. in Lacs)
<b>I. Revenue from operations</b>			
Sales(Gross)	20	76830.40	43553.94
Less : Excise Duty		34.20	78.64
Net Sales		<u>76796.20</u>	<u>43475.30</u>
<b>II. Other Income</b>			
	21	976.23	480.75
<b>III. Total Revenue ( I+II )</b>			
		<u>77772.43</u>	<u>43956.05</u>
<b>IV. Expenses :</b>			
Cost of Material consumed		34930.91	22688.02
Purchase of stock-in-trade		18130.19	8521.44
Change in inventories of finished goods, work in progress and stock in Trade	22	(119.16)	1396.76
Employee benefit expense	23	3489.21	1807.84
Financial costs	24	8010.31	4927.09
Depreciation and amortization expense	25	3267.97	2296.12
Other Expenses	26	12826.29	6863.58
<b>Total Expenses (IV)</b>			
		<u>80535.72</u>	<u>48500.85</u>
<b>V. Profit before tax and exceptional items (III-IV)</b>			
		(2763.29)	(4544.80)
Exceptional Items {Refer Note no. 2.9 and 2.16 (i)}		3483.85	--
<b>VI. Profit before tax</b>			
		(6247.14)	(4544.80)
<b>VII. Tax Expense:</b>			
- Current Tax		--	--
- Previous year tax		--	--
- Deferred Tax {Refer Note no. 2.22}		1233.24	(1367.66)
<b>VIII. Profit/(Loss) form the period from continuing operations(VI-VII)</b>			
		<u>(7480.38)</u>	<u>(3177.14)</u>
IX. Profit /(Loss)from discontinuing operations			
		--	--
X. Tax expense of discontinuing operations			
		--	--
XI. Profit/(Loss) from discontinuing operations (IX-X)			
		--	--
<b>XII. Profit/(Loss) for the period (VIII+XI)</b>			
		<u>(7480.38)</u>	<u>(3177.14)</u>
XIII. Earning per equity share :			
- Basic (Rs.)	2.23	(10.58)	(4.81)
- Diluted(Rs.)	2.23	(10.58)	(4.81)

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  
FRN : 301051E

*For and on behalf of the Board*

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

Deepak Mahajan  
Chief Financial Officer

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

Manish Bagrodia  
Managing Director

Satish Bagrodia  
Chairman

Place : Chandigarh  
Date : 18.10.2013



**CASH FLOW STATEMENT**  
FOR THE YEAR ENDED 30th SEPT. 2013

**WINSOME YARNS LIMITED**

PARTICULARS	2012-13 (Rs. In lacs)	2011-12 (Rs. In lacs)
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>NET PROFIT/(LOSS) BEFORE TAX AND EXTRAORDINARY / EXCEPTIONAL ITEMS</b>	<b>(2763.29)</b>	<b>(4544.80)</b>
<b>Adjustment for:</b>		
Depreciation	3277.56	2298.16
Amortization of Leasehold Land	4.25	7.19
Pro rata Capital Subsidy	(13.85)	(9.23)
Effect of Exchange Fluctuation	(1042.20)	(768.31)
(Profit)/Loss on sale/written back of fixed assets	31.11	57.60
Interest expense	8010.31	4851.72
Provision for doubtful debts & advances	344.67	-
Liability /Balance Written off	8.33	12.13
Provision for diminution in investments	-	-
Provision for doubtful debts & advances w/back	-	(57.83)
Interest income	(156.54)	(93.21)
	<b>10463.64</b>	<b>6298.22</b>
	<b>7700.35</b>	<b>1753.42</b>
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>		
<b>Adjustment for:</b>		
Trade & other receivable	(4205.60)	(7618.15)
Inventories	2690.37	(910.68)
Trade & other Payables	4656.98	4499.26
	<b>3141.75</b>	<b>(4029.57)</b>
<b>CASH GENERATED FROM OPERATIONS</b>	<b>10842.10</b>	<b>(2276.15)</b>
Direct Taxes Paid	-	-
Income Tax Refund	16.09	118.78
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>10858.19</b>	<b>(2157.37)</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(230.76)	(565.12)
Sale of fixed assets	5.01	4.03
Purchase of Investments	(3195.38)	-
Interest Received	156.54	93.21
	<b>(3264.59)</b>	<b>(467.88)</b>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(3264.59)</b>	<b>(467.88)</b>
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Convertible Warrants- Received towards Conversion	-	1166.00
Capital Subsidy received	-	234.00
Interest paid	(7547.39)	(4601.38)
Proceeds from borrowings	3013.17	6656.49
Repayment of borrowings	(6101.51)	(4120.74)
	<b>(10635.73)</b>	<b>(665.63)</b>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(10635.73)</b>	<b>(665.63)</b>
Effect of Exchange Fluctuation on bank balance	-	375.03
<b>Net Increase/(decrease) in cash and cash equivalents</b>	<b>(3042.13)</b>	<b>(2915.85)</b>
<b>Opening balance</b>		
Cash & Cash Equivalents	3115.66	6252.99
Others	736.64	515.16
	<b>3852.30</b>	<b>6768.15</b>
<b>Closing balance</b>		
Cash & Cash Equivalents	3.72	3,115.66
Others	806.45	736.64
	<b>810.17</b>	<b>3852.30</b>

**Note : Previous Year figures have been regrouped / recasted wherever considered necessary.**

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

*For and on behalf of the Board*

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

Deepak Mahajan  
Chief Financial Officer

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

Manish Bagrodia  
Managing Director

Satish Bagrodia  
Chairman

Place : Chandigarh  
Date : 18.10.2013



**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.

Specialised 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 statement of Profit and Loss 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)**

<u>No.</u>	<u>Particulars</u>	<u>2012-13</u>	<u>2011-12</u>
		(Rs. in Lacs)	
(i)	Bills discounted with banks	<b>3278.86</b>	2986.42
(ii)	Outstanding Letter of Credit	<b>32.67</b>	202.00
(iii)	Sales Tax liability in respect of matters in appeal	<b>64.64</b>	25.85
(iv)	Excise duty show cause notices / matters in appeal	<b>543.35</b>	548.35
(v)	Income Tax Demand	<b>308.23</b>	308.23
(vi)	Outstanding bank guarantees	<b>550.09</b>	213.59
(vii)	Customs duty saved of Rs. 89.51 lacs (Previous Year 3679.50 lacs) for import of capital goods made against EPCG license against which export obligations amounting Rs. 358.04 lacs (Previous Year 27965.79 lacs ) are pending.		
B)	In respect of certain disallowances and additions made by the Income Tax Authorities, appeals are pending before the Appellate Authorities and adjustments, if any, will be made after the same are finally determined. Considering the past experience, management is of the view that there will not be any material impact on accounts on settlement / finalization of above.		
C)	Estimated amount of contracts remaining to be executed on Capital Account and not provided for is Rs. Nil (Previous year 118.83 Lacs) net of advances, Rs. Nil (Previous year Rs. 71.18 lacs), as certified by management.		
2.2	(A) (i) The Corporate Debt Restructuring (CDR) Empowered group (CDR- EG) in their meeting held under CDR mechanism on 17th March 2009 have approved debt restructuring proposal of the Company which was effective from 1st January 2009 had been implemented based on the sanctioned so far received from the lenders or the agreement to the restructuring scheme and Master Restructuring Agreement (MRA) as executed 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 during the period 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 , which ever is lower. Accordingly, the entire shareholding held by Promoters except for 13.60 lacs shares held by PSIDC has already been pledged on behalf of CDR Lenders. (B) Certain covenants /conditions as stipulated in the CDR package is pending for compliance. (C ) Forms/papers of charge in respect of un secured loan are pending for filing/modifications.		
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 1994125 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, balance Rs. 3195.38 Lacs ( including foreign exchange gain) is invested in Money Market Fund and lying outside India as on 30.09.2013, pending proceeds to be utilised. In this regards, as advised, Company is filing return regularly with the RBI.		
2.4	(i) Capital Work-In-Progress includes machinery in stock, roads, construction /capital material at site, site development expenses, plant & machinery in transit /under erection. Details of Pre-operative expenses are given below:		

## WINSOME YARNS LIMITED

	(Rs. in lacs)	
Particulars	Current Year	Previous Year
Pre-operative expenditure as follows:		
Opening Balance	<b>235.87</b>	347.96
-Stores & Spares	-	-
-Power & Fuel	-	-
-Salary, Wages & Allowances	<b>3.83</b>	6.50
- Other Expenses	-	-
- Interest on Term Loan (Net)	-	71.94
Others	<b>4.72</b>	3.62
Total	<b>244.42</b>	430.02
Less: Capitalised / transferred to fixed assets	<b>244.42</b>	194.15
Closing balance	-	235.87

(ii) During the period, electricity generation have been commenced from new unit (0.75 MW Unit) of Hydro Power Plant which makes it to total capacity of 3.90 MW.

- 2.5 Research and Development Expenditure (as certified by management) amounting to Rs. 77.84 lacs (Previous year Rs. 46.87 lacs ) have been debited to Staement of Profit and Loss under the head Salaries, Wages & other Allowances.
- 2.6 In accordance with Accounting Standard 28-' Impairment of Assets', the Company has identified its garmenting manufacturing facility (Knitwear Unit) located at 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 2013, the Company on the basis of projected scale of operations and prevailing market conditions assessed that the recoverable value of the above CGU is 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, (the firm) impairment loss of Rs. 2996.00 Lacs as estimated by the Management, based on a comparison of the carrying value of the asset vis-a-vis recoverable value. The Reports of the firm is under consideration of the Management & Impairment Loss will be accounted as and when finally assessed. Further, management is of the view that in view of growth in export of textile items in general possible impairment would be lower.
- 2.7 As per the past practice treatment of gain/ (loss) on account of exchange fluctuation on loan/ liability for capital assets, the company continued to charge exchange difference in the statement of Profit and Loss.
- 2.8 Step down subsidiaries (three nos) are under liquidation, namely M/s, S. C. Winsome Romania s.r.l, Romania, M/s, IMM Winsome Italia s.r.l, Italy and M/s. S.C.Textil s.r.l, Romania. The Company through it's a subsidiary have made investment of amounting to Euro 828 (Equivalent to Rs.0.54 lacs) in these subsidiaries. Necessary provisions against this and outstanding in their accounts (as debtors) have been made in earlier years in the books of accounts.
- 2.9 As per terms of the Agreement entered between Company and private equity partners /sellers, the Company was to invest through a subsidiary i.e. WYCL (Winsome Yarns (Cyprus) Ltd) in a JV Company M/s Newcocot S.P.A. total amounting to Euro 4.64 millions (approx. Rs. 3920.34 lacs as on 30.09.2013). 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, during the period Company has provided for diminution of Rs. 1516.71 Lacs (net of Rs. 0.54 lacs provided in earlier years) in above stated investment and included under the head "Exceptional Items".
- 2.10 Trading sale amounting to Rs. 18593.40 Lacs (as per below note no.2.12) includes sale made to Overseas parties where overdue outstanding is Rs. 8148.78 lacs. It includes outstanding amount for a period over one year of Rs. 933.65 Lacs , where company is in process of filing necessary papers with appropriate authority for extention of time. In this regards, management is confident about full recovery / reliability considering the past performance of the customer and recovery initiative taken by the Company.
- 2.11. (i) Revenue from Operations (note no.20) includes Commission income and Handling charges receivable in foreign currency amounting to Rs. 752.42 Lacs (including exchange fluctuation gain) and NIL ( Previous Year Rs.929.52 lacs and Rs. 298.12 Lacs) respectively on sale which have been accounted for on accrual

## WINSOME YARNS LIMITED

basis as per the terms of agreements. Company has initiated necessary steps for recovery of the outstanding amount of Rs. 944.33 Lacs ( which includes Commission Income of Rs. 752.42 Lacs and Rs. 191.91 Lacs for Handling Charges ).

(ii) Short Term Loans and Advances of Rs. 828.71 Lacs (including Refunds / Claims Receivables of Rs. 403.87 lacs and advances and balance with Government Authorities of Rs. 83.30 lacs), where management is initiating necessary steps for recovery of the same. Hence no provision against these is considered necessary.

2.12	(Rs. In Lacs)		
Details of Traded Goods:	Cotton Yarn	Industrial Fabric	Total
Opening Stock	NIL (NIL)	NIL (NIL)	NIL (NIL)
Purchase	7063.99 (3356.31)	11066.20 (5165.13)	18130.19 (8521.44)
Sales	7345.72 (3645.92)	11247.68 (5247.81)	18593.40 (8893.73)
Closing Stock	NIL (NIL)	NIL (NIL)	NIL (NIL)

2.13 Prior period adjustments (net) Rs. 20.82 lacs (P.Y. Nil) include Legal & Professional charges Rs. 2.78 lacs (P.Y. Nil), and others Rs. 18.04 lacs (P.Y. NIL).

2.14 In the opinion of the Board, the Current Assets, Loans and Advances appearing in the Company's Balance Sheet as at year end would have a value on realisation in the normal course of business at least equal to the respective amounts at which they are stated in the Balance Sheet. Considering future business plan and expected cash flow in near future by the management of the company, accounts are prepared on 'Going Concern' basis.

2.15 Since it is not possible to ascertain with reasonable certainty/ accuracy the amount of accrual in respect of certain insurance and other claims and interest on overdue bills, the same are continued to be accounted for on settlement/ acceptance basis.

2.16 (i) The trade receivable include certain overdue overseas Trade Receivables of amounting to Rs.1641.09 Lacs (P.Y. Rs.1641.09 Lacs) and cumulative exchange difference (gain) on restatement of foreign currency debtors of Rs. 326.05 Lacs (P.Y. Rs 326.05 Lacs). For necessary approval, for the extension of time, application has been filed with the appropriate authority. However, considering the fact that recovery from them is not certain, provision there against has been made and included under "Exceptional Items".

(ii) Trade Receivables (including overseas trade receivables of Rs. 24.07 Lacs) and loans and advances amounting to Rs. 205.41 lacs and Rs.139.26 lacs respectively which in the opinion of the Management are not realizable/recoverable hence provision there against has been made during the period.

2.17 Balances of certain Trade Receivables (including oversea overdue trade receivables as stated in note no. 2.10), Trade Payables ( including Associate Company and contingent liabilities are as certified by the management, read with not no. 2.1A), are subject to confirmation/ reconciliation. The management is of the opinion that adjustment, if any; arising out of such reconciliation would not be material.

2.18 Employees Benefits:

i) Defined Contribution Plan:

Contribution to Defined Contribution Plan, i.e contribution to provident fund amounting to Rs. 186.31 Lacs (P. Y. Rs. 92.43 lacs) have 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.

**WINSOME YARNS LIMITED**

(Rs. in Lacs)

Particulars	Gratuity (Unfunded)		Leave Encashment (Unfunded)	
	2013	2012	2013	2012
<b>I. Amount to be recognized in the Balance sheet</b>				
Present Value of Obligation as at 30.09.2013	113.89	85.28	56.56	36.53
Fair value of plan assets as at 30.09.2013	--	--	--	--
Funded Status [surplus/(Deficit)]	(113.89)	(65.50)	(56.56)	(33.03)
Net Assets/(Liability) Recognized in Balance Sheet	(113.89)	(65.50)	(56.56)	(33.03)
<b>II. Expenses recognized during the period</b>				
Current Service Cost	51.09	22.37	34.06	9.49
Interest Cost	10.23	6.32	4.38	2.81
Expected Return on Plan Assets	--	--	--	--
Actuarial (gain)/ loss	4.35	(3.32)	20.59	21.37
Net Expenses Recognized	65.68	25.37	59.03	33.67
<b>III. Reconciliation of opening and closing balance of Defined Benefit Obligation</b>				
Present Value of Obligation at the beginning of the period	85.28	74.42	36.53	33.03
Current Service Cost	51.09	22.37	34.06	9.49
Interest Cost	10.23	6.24	4.38	2.81
Actuarial (gain)/ loss on obligations	4.35	(3.32)	20.59	21.38
Benefit Paid	(37.07)	(14.54)	(39.00)	30.17
Present Value of Obligation as at the end of the period	113.89	85.28	56.56	36.53
<b>IV. Actuarial / Demographic assumptions:-</b>				
Indian Assure Lives Mortality Table	1994-96	1994-96	1994-96	1994-96
Discount rate (Per annum)	8.00%	8.50%	8.00%	8.50%
Expected Return on Plan Assets (Per annum)	8.00%	8.50%	8.00%	8.50%
Estimated rate of increase in compensation level	5.00%	6.00%	5.00%	6.00%
Retirement Age		58 Years		
Withdrawal Rate (All Ages)		10%		
Disability		No explicit allowance		
Leave Accumulation Ratio		0.58 (PY 0.58)		
(i)	The estimate of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.			
(ii)	The principal assumptions are the discount rate & salary growth rate. The discount rate is generally based upon the market yields available on Government bonds at the accounting date with a term that matches that of the liabilities.			
2.19	The Company has not received full information from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure relating to amount unpaid as at period end together with interest paid/ payable have been given based on the information so far available with the company/ identified by the company management. As required by section 22 of the above said Act, the following information is disclosed:			

Sr. No.	Particulars	2012-13 (Rs. in lacs)	2011-12 (Rs. in lacs)
a)	(i) Principal amount remaining unpaid at the end of the accounting period	-	-
	(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 period	-	-
d)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year) but without adding interest specified under this act.	-	-
e)	The amount of further interest due and payable in succeeding year, until such interest is fully paid.	-	-



## WINSOME YARNS LIMITED

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

### 2.21 Segment Reporting

- (i) The Company is only in one line of business namely Textile (Yarn 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*	41915.62 (19225.85)	34880.58 (26254.04)	76796.20 (45479.89)
ii)	Carrying amount of segment assets by location of assets	56768.90 (60138.20)	11241.72 (14964.28)	68010.62 (75102.68)
iii)	Capital Expenditure	255.15 (565.12)	---	255.15 (565.12)

\*Includes Export Incentives of Rs. 988.17 lacs (P.Y. Rs. 1124.03 lacs)

2.22 During the period, deferred tax in respect of timing differences and carry over losses have been re-assessed/ re-computed and net deferred tax assets carry over from earlier years of amounting to Rs. 1233.24 lacs have been charged off to Statement of Profit & Loss considering principal of "Virtual Certainty" as per AS-22 notified under Companies (Accounting Standards), Rules 2006.

2.23 Earning per share

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

Particulars	2012-13	2011-12
Net Profit/(Loss) attributable to Equity Shareholders (Rs. in Lacs)	<b>(7480.38)</b>	(3177.14)
Weighted average number of equity shares for Basic EPS	<b>70707229</b>	66157188
Nominal Value per equity share(Rs.)	<b>10</b>	10
Basic/Diluted EPS (Rs.)	<b>(10.58)</b>	(4.81)

### 2.24 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) 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 ( Since resigned on 16-9-2013)

III. Organisations where Key Management Personnel & their relative have Significant influence.

-Star Point Financial Services (Pvt.) Ltd.

## WINSOME YARNS LIMITED

-Shell Business Pvt. Ltd.

-Satyam Combines Pvt Ltd.

Transactions with the Related Parties during the period ended 2012-13 (18 months).

<u>Particulars</u>	<u>2012-13</u>	(Rs. In lacs) <u>2011-12</u>
Winsome Textile Industries Ltd.		
– Sale of material & goods and services	-	-
– Purchase of material & goods and services	6.33	214.32
– Expenses incurred on our behalf	1.95	8.87
– Expenses incurred by us on behalf of party	8.52	5.82
– Balance Outstanding as at period end		
Receivable / (Payable)	<b>(575.28)</b>	(676.50)
Sh. Satish Bagrodia		
– Sitting Fee	0.30	0.30
Sh. Manish Bagrodia		
– Remuneration	43.78	29.18
Sh. Ashish Bagrodia		
– Sitting Fee	0.30	0.40
Starpoint Financial Services Pvt. Ltd.		
– Rent	37.45	21.31
– Unsecured Loan	537.00	-
– Interest on Unsecured Loan	26.78	-
– Balance in current account	13.11	-
– Balance in Loan account	-	-
Shell Business Pvt. Ltd.		
– Application/ Allotment Money against Convertible Warrants	-	318.00
S.C. Winsome Romania		
– Sale of material & goods and services	-	-
– Purchase of material & goods and services	-	-
– Balance Outstanding as at period end	-	-
– Receivable / (Payable)	49.80	49.80
IMM Winsome Italia		
– Sale of material & goods and services	-	-
– Purchase of material & goods and services	-	-
– Balance Outstanding as at period end	-	-
– Receivable / (Payable)	149.24	149.24
Winsome Yarns (Cyprus) Ltd.		
– Advance Given	-	20.98
– Receivable/ (Payable)	20.98	20.98
Winsome Yarns FZE		
– Advance given	-	647.72
– Purchase of material & goods and services	498.45	-
– Refund Received (including foreign exchange gain)	210.02	-
– Receivable/ (Payable)	-	647.72

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



**WINSOME YARNS LIMITED**

2.25 (A) (i) Details of WIP:- (Rs. in Lacs)

<b>Particulars</b>	<b>2012-13</b>	<b>2011-12</b>
Mixing Material	<b>330.37</b>	324.21
Fleece	<b>4414.55</b>	4278.02
Winding	<b>89.38</b>	47.37
Garments	<b>597.72</b>	266.32
<b>Total</b>	<b>5432.02</b>	<b>4915.92</b>

(ii) Raw Material Consumed (Net of adjustment of waste) :- (Rs. in Lacs)

<b>Particulars</b>	<b>2012-13</b>	<b>2011-12</b>
Cotton	<b>29834.92</b>	20468.39
Others	<b>5095.99</b>	2219.63
<b>Total</b>	<b>34930.91</b>	<b>22688.02</b>

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

(Rs. in Lacs)

<b>Particulars</b>	<b>Raw Material</b>				<b>Stores &amp; Spares</b>			
	2012-13	%	2011-12	%	2012-13	%	2011-12	%
Imported	--	--	14.90	0.07	263.94	14.66	28.64	2.88
Indigenous	34930.91	100.00	22673.12	99.93	1536.73	85.34	966.75	97.12
<b>Total</b>	<b>34930.91</b>	<b>100.00</b>	<b>22688.02</b>	<b>100.00</b>	<b>1800.67</b>	<b>100.00</b>	<b>995.39</b>	<b>100.00</b>

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 Investment. To the extent same has 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 raw-material, process stock and finished goods has been considered as taken, valued and certified by the management.

(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.

	<b>2012-13</b>	(Rs in Lacs) 2011-12
<b>(B) CIF Value of Imports :</b>		
Plant & Machinery	-	153.65
Spare Parts & Components	<b>243.75</b>	57.34
Raw Material	-	14.90
<b>(C) Earnings in Foreign Exchange</b>		
Exports of goods on FOB basis (excluding export through export houses)	<b>19928.41</b>	14954.31
Commission Income	<b>668.41</b>	929.52
Handling Charges	-	298.12
<b>(D) Expenditure in Foreign currency:</b>		
Foreign Traveling	<b>61.10</b>	39.94
Commission on sales	<b>163.17</b>	238.02
Others	<b>3.72</b>	8.21

**WINSOME YARNS LIMITED**

2.26 (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	Document Currency	Amount in Document Currency		Amount	
		30.09.2013	31.3.2012	30.09.2013	31.3.2012
Sundry Debtors	USD	<b>19946870.08</b>	17042784.17	<b>12457.85</b>	8615.87
	Euro	<b>2736290.82</b>	2828850.85	<b>1862.20</b>	1609.50
	GBP	<b>15746.14</b>	29737.59	<b>15.91</b>	23.13
Advance from Customers	GBP	<b>24337.50</b>	-	<b>18.68</b>	-
	Euro	<b>30268.00</b>	-	<b>20.61</b>	-
	USD	<b>596420.89</b>	761016.49	<b>284.96</b>	387.13
Sundry Creditors	HKD	-	11447.70	-	0.68
	Euro	<b>79022.43</b>	25441.05	<b>66.77</b>	16.82
	JPY	<b>1576544.00</b>	1576544.00	<b>10.11</b>	9.68
	USD	<b>4866966.52</b>	82823.58	<b>3047.21</b>	37.83
	CHF	<b>100857.83</b>	91633.89	<b>69.72</b>	53.88
	GBP	<b>289.08</b>	289.08	<b>0.29</b>	0.22
Advance to Suppliers	Euro	<b>86059.47</b>	13607.23	<b>53.35</b>	9.24
	USD	<b>26070.46</b>	35431.98	<b>11.85</b>	18.02
	HKD	<b>1070.21</b>	1070.21	<b>0.07</b>	0.07
	GBP	<b>488.45</b>	2308.45	<b>0.36</b>	1.88
	CHF	<b>9650.75</b>	128863.87	<b>3.80</b>	72.63
Investment in Preference Shares	Euro	-	1800000.00	-	10.71
Foreign Commission payable	USD	<b>149125.44</b>	1222176.46	<b>74.75</b>	229.18
Foreign Commission Receivable	USD	<b>1201955.00</b>	775352.00	<b>752.42</b>	411.71

(b) Forward contract USD 850953.77 (PY USD 4714259.00) taken to hedge the foreign currency receivables are outstanding as at 30/09/2013.

2.27 (a) Current period figures in Statement of Profit & Loss and Cash Flow are for eighteen months which are not strictly comparable with the figures of the previous year.

(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  
FRN : 301051E

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

Deepak Mahajan  
Chief Financial Officer

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

Manish Bagrodia  
Managing Director

Satish Bagrodia  
Chairman

Place : Chandigarh  
Date : 18.10.2013

**NOTES ON FINANCIAL STATEMENT**  
FOR THE YEAR ENDED 30th SEPTEMBER, 2013

**WINSOME YARNS LIMITED**

PARTICULARS	As at 30.09.2013 (Rs. in Lacs)	As at 31.03.2012 (Rs. in Lacs)
<b>NOTE 3 - SHARE CAPITAL</b>		
<b>1. AUTHORISED*</b>		
8,50,00,000 Equity Shares of Rs.10/- each (Previous Year 8,50,00,000 Equity Shares of Rs.10/- each)	<u>8500.00</u>	<u>8500.00</u>
<b>ISSUED*</b>		
7,10,86,829 Equity Shares of Rs.10/- each (Previous Year 7,10,86,829 Equity Shares of Rs.10/- each)	<u>7108.68</u>	<u>7108.68</u>
<b>SUBSCRIBED &amp; PAID UP*</b>		
7,07,07,229 Equity Shares of Rs.10/- each (Previous Year 7,07,07,229 Equity Shares of Rs.10/- each)	<u>7070.72</u>	<u>7070.72</u>
Amount Paid-up on shares forfeited	<u>11.61</u>	<u>11.61</u>
	<u><b>7082.33</b></u>	<u><b>7082.33</b></u>

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

**2. Rights of Shareholders**

- 2.1 The Company has only one class of Equity Shares having face value of Rs. 10/- each (Previous Year Rs. 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 30.09.2013 No. of Shares held	As on 31.03.2013 No. of Shares held
The Bank Of New York Mellon (Shares held by custodian & against which Depository Receipts have been issued)	<b>1,99,41,250</b>	1,99,41,250
Shell Business (P) Ltd	<b>2,07,21,244</b>	2,07,21,244
Satyam Combines (P) Ltd	<b>50,96,243</b>	50,96,243
Arpit Agencies (P) Ltd	<b>42,00,000</b>	42,00,000
Landscape Traders (P) Ltd	<b>42,00,000</b>	42,00,000

**4. Reconciliation of Share Capital**

Particular	Nos.	Nos.
Shares outstanding as at the beginning of the year	<b>70,707,229</b>	5,86,39,729
Issued during the year *	-	12,067,500
Buyback during the year	-	-
Shares outstanding as at the end of the year	<b>70,707,229</b>	70,707,229

\* During the Previous year, company allotted 1,20,67,500 equity shares of Rs. 10/- each at a premium of Rs.6/- each upon conversion of equal number of warrants allotted on preferential basis.

**WINSOME YARNS LIMITED**

PARTICULARS	As at 30.09.2013 (Rs. in Lacs)	As at 31.03.2012 (Rs. in Lacs)		
<b>NOTE 4- RESERVES &amp; SURPLUS</b>				
<b>-Capital Reserve</b>				
As per last Balance sheet	261.03	27.03		
Add: Addition	--	234.00		
Less: Adjustment	<u>--</u>	<u>--</u>		
	<b>261.03</b>	261.03		
<b>-Capital Redemption Reserve</b>				
As per Balance sheet	124.44	124.44		
Add: Addition	--	--		
Less: Adjustment	<u>--</u>	<u>--</u>		
	<b>124.44</b>	124.44		
<b>-Securities Premium Account</b>				
As per last Balance sheet	5181.95	4457.90		
Add: Addition	--	724.05		
Less: Adjustment	<u>--</u>	<u>--</u>		
	<b>5181.95</b>	5181.95		
<b>-General Reserve</b>				
As per last Balance sheet	35.08	35.08		
Add: Addition	--	--		
Less: Adjustment	<u>--</u>	<u>--</u>		
	<b>35.08</b>	35.08		
<b>-State Investment Subsidy</b>				
As per last Balance sheet	25.00	25.00		
Add: Addition	--	--		
Less: Adjustment	<u>--</u>	<u>--</u>		
	<b>25.00</b>	25.00		
<b>-Capital Subsidy Reserve</b>				
As per last Balance sheet	152.12	161.35		
Add: Addition	--	--		
Less: Adjustment	<u>13.85</u>	<u>9.23</u>		
	<b>138.27</b>	152.12		
<b>-Statement of Profit &amp; Loss</b>				
Surplus in statement of profit and loss from Previous year	(1259.41)	1917.73		
Profit/(Loss) for the year	<u>(7480.38)</u>	<u>(3177.14)</u>		
Surplus in statement of profit and loss carried to balance sheet	<u>(8739.79)</u>	<u>(1259.41)</u>		
	<b>(2974.02)</b>	<b>4520.21</b>		
<b>NOTE 5 - LONG TERM BORROWINGS</b>				
<b>SECURED LOANS (Refer Note No. 2.2)</b>				
	Non Current	Current	Non Current	Current
Term Loans				
-From Banks	19206.30	5645.53	24773.55	4531.99
-Working Capital Term Loan	246.53	1166.90	1031.15	1557.34
-Vehicle Loan	5.08	6.23	4.02	7.78
	<u>19457.91</u>	<u>6818.66</u>	<u>25808.72</u>	<u>6097.11</u>
<b>UNSECURED LOANS</b>				
From Banks (Refer note no. 5.5 below)	<u>--</u>	<u>--</u>	<u>--</u>	<u>472.25</u>
	<u>--</u>	<u>--</u>	<u>--</u>	<u>472.25</u>
Less: Current maturity of Long term borrowings (Amount disclosed under other current liabilities Note No. 10)	<u>--</u>	<u>6818.66</u>	<u>--</u>	<u>6569.36</u>
	<b>19457.91</b>	<u>--</u>	<u>25808.72</u>	<u>--</u>

## WINSOME YARNS LIMITED

5.1 Term Loan of Rs.24781.01 lacs (P.Y. Rs 28331.35 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. 354.14 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:

<b>Repayment</b> (Rs. in lacs)	<b>1-2 years</b>	<b>2-3 years</b>	<b>after 3 years</b>
	4204.98	4272.00	10729.32

5.2 Term Loans from Banks of Rs. NIL (P.Y. Rs.620.05 lacs ) & Working Capital Term Loans of Rs.1413.43 Lacs (P.Y. Rs.2588.49 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:-

<b>Repayment</b> (Rs. in lacs)	<b>1-2 years</b>	<b>2-3 years</b>	<b>after 3 years</b>
	246.53	--	--

5.3 All the aforesaid credit facilities mentioned here in above are also guaranteed by two directors of the Company and by Pledge of Shares of the Company held by the Promoter Group read with Note no 2.2(A)(ii).

5.4 Vehicle Finance of Rs.11.31 Lacs (P.Y. Rs. 11.80 lacs) is secured by hypothetical of specific assets purchased under such arrangements. Maturity Profile of vehicle loan is as under:-

<b>Repayment</b> (Rs. in lacs)	<b>1-2 years</b>	<b>2-3 years</b>	<b>after 3 years</b>
	4.39	0.69	--

5.5 Rs. Nil (Previous year Rs. 366.64 lacs) secured by hypothecation of immovable property owned by a group company and Rs. Nil (Previous year Rs. 105.61 lacs) is secured by pledge of 5000000 nos. (Previous year 5000000 nos.) equity shares of the Company held by a Promoter Company.

### 5.6 - Delay repayment of principal and interest amount of long term borrowings

(Rs. in lacs)

S.No.	Default	Due Date	Amount Outstanding As on 30 September 2013	Subsequent Payments	Date of Payment	Delay	Outstanding
1	Principal	30-Sep-13	1,212.53	268.50	7th October 2013 to 16th October 2013	7 to 16 days	944.03
2	Principal	30-Jun-13	692.80	161.78	7th October 2013	99 days	531.02
3	Principal	31-Mar-13	70.83	-	-	-	70.83
	<b>Total Principal</b>		<b>1,976.16</b>	<b>430.28</b>	-	-	<b>1,545.88</b>
4	Interest	30-Sep-13	217.16	41.95	7th October 2013 to 12th October 2013	7 to 12 days	175.21
5	Interest	26-Sep-13	5.83	0.75	15th October 2013	19 days	5.09
6	Interest	31-Aug-13	206.29	42.09	7th October 2013 to 11th October 2013	37 to 41 days	164.20
7	Interest	26-Aug-13	5.77	5.77	11th October 2013	46 days	-
8	Interest	31-Jul-13	181.90	42.25	7th October 2013 to 11th October 2013	68 to 72 days	139.65
9	Interest	26-Jul-13	1.74	1.74	11th October 2013	77 days	-
10	Interest	30-Jun-13	99.18	57.43	4th October 2013 to 7th October 2013	96 to 99 days	41.75
11	Interest	31-May-13	0.74	-	-	-	0.74
	<b>Total Interest</b>		<b>718.63</b>	<b>191.98</b>	-	-	<b>526.65</b>

**NOTES ON FINANCIAL STATEMENT**  
FOR THE YEAR ENDED 30th SEPTEMBER, 2013

**WINSOME YARNS LIMITED**

PARTICULARS	As at 30.09.2013 (Rs. in Lacs)	As at 31.03.2012 (Rs. in Lacs)
<b>NOTE 6 - DEFERRED TAX</b>		
<b>Deferred Tax Liability (DTL)</b>		
Tax impact on difference between book value of depreciable assets and written down value for tax purposes	--	4558.70
<b>Deferred Tax Assets (DTA)</b>		
Tax impact of unabsorbed depreciation and business losses	--	5642.85
Tax impact of expenses charged to Profit & Loss Account but allowance under tax laws deferred	--	45.01
Tax impact on doubtful debts & advances	--	104.08
<b>Deferred Tax Asset / (Liability) (Net) {Refer Note 2.22}</b>	<u>--</u>	<u>1233.24</u>
<b>NOTE 7 - LONG TERM PROVISIONS</b>		
For Employees Benefits	<u>156.95</u>	<u>110.58</u>
	<b>156.95</b>	<b>110.58</b>
<b>NOTE 8 - SHORT TERM BORROWINGS</b>		
<b>SECURED LOANS</b>		
Working capital demand loan from Banks	<u>23424.28</u>	<u>20899.66</u>
	<b>23424.28</b>	<b>20899.66</b>
8.1	Working capital demand loan includes Packing Credit & Cash Credit which are secured by hypothecation of current assets and also secured by second charge on fixed assets of the company.	
8.2	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.	
<b>NOTE 9 - TRADE PAYABLES</b>		
-Acceptances	4300.66	5992.16
-Other (refer Note no 2.19)	<u>9377.60</u>	<u>3823.68</u>
	<b>13678.26</b>	<b>9815.84</b>
<b>NOTE 10 - OTHER CURRENT LAIBILITIES</b>		
Current maturities of long term borrowings	6818.66	6569.36
Interest accrued and due on borrowings	718.63	352.40
Book Overdraft with Banks	488.55	--
Interest accrued but not due	96.70	--
Advance From Customers	483.31	315.45
Unpaid Dividend*	11.73	24.02
<b>Other Payables</b>		
-Capital payables (refer Note no. 2.19)	120.37	122.33
-Statutory Dues	82.27	64.68
-Others (refer Note no. 2.19)	<u>1702.31</u>	<u>810.75</u>
	<b>10522.53</b>	<b>8258.99</b>
* shall be credited to investor's education & protection fund when due		
<b>NOTE11 - SHORT TERM PROVISIONS</b>		
Provision for employee Benefits:	<u>13.50</u>	<u>11.23</u>
	<b>13.50</b>	<b>11.23</b>

Nature of Assets	Gross Carrying amount				Depreciation			Net Carrying amount	
	As at 01.04.12	Additions	Sale/ Adjustment	As at 30.09.13	For the year	Sale/ Adjustment	As at 30.09.13	As at 30.09.13	As at 31.03.12
<b>Tangible</b>									
Freehold Land	341.09	-	-	341.09	-	-	-	341.09	341.09
Leasehold Land	280.27	-	-	280.27	4.25	-	22.29	257.98	262.23
Buildings*	7,958.97	664.52	-	8,623.49	400.29	-	1,798.16	6,825.33	6,561.10
Plant & Machinery	39,341.00	622.25	51.55	39,911.70	2,829.89	15.63	16,613.71	23,297.99	25,541.55
Furniture & Fixture*	376.10	14.99	25.39	365.70	26.97	9.79	290.88	74.82	102.40
Office Equipments	44.12	5.55	(17.95)	67.62	4.31	(2.48)	27.07	40.55	23.84
Vehicles	112.57	14.22	1.43	125.36	11.71	1.36	78.93	46.43	43.99
<b>Total (A)</b>	<b>48,454.12</b>	<b>1,321.53</b>	<b>60.42</b>	<b>49,715.23</b>	<b>3,277.42</b>	<b>24.30</b>	<b>18,831.04</b>	<b>30,884.19</b>	<b>32,876.20</b>
<b>Previous Year</b>	<b>46,026.41</b>	<b>2,500.85</b>	<b>73.14</b>	<b>48,454.12</b>	<b>2,300.99</b>	<b>11.51</b>	<b>15,577.92</b>	<b>32,876.20</b>	<b>32,737.97</b>
<b>Intangible</b>									
Specialized Software	63.67	-	-	63.67	4.40	-	63.53	0.14	4.54
<b>Total (B)</b>	<b>63.67</b>	<b>-</b>	<b>-</b>	<b>63.67</b>	<b>4.40</b>	<b>-</b>	<b>63.53</b>	<b>0.14</b>	<b>4.54</b>
<b>Previous Year</b>	<b>63.48</b>	<b>0.19</b>	<b>-</b>	<b>63.67</b>	<b>4.36</b>	<b>-</b>	<b>59.13</b>	<b>4.54</b>	<b>8.71</b>
<b>Grand Total (A+B)</b>	<b>48,517.79</b>	<b>1,321.53</b>	<b>60.42</b>	<b>49,778.90</b>	<b>3,281.82</b>	<b>24.30</b>	<b>18,894.57</b>	<b>30,884.33</b>	<b>32,880.74</b>
<b>Previous Year</b>	<b>46,089.89</b>	<b>2,501.04</b>	<b>73.14</b>	<b>48,517.79</b>	<b>2,305.35</b>	<b>11.51</b>	<b>15,637.05</b>	<b>32,880.74</b>	<b>32,746.68</b>

\* Building and Furniture & Fixture 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. 4.12 lacs and Rs. 3.83 lacs).



**NOTES ON FINANCIAL STATEMENT**  
FOR THE YEAR ENDED 30th SEPTEMBER, 2013

**WINSOME YARNS LIMITED**

PARTICULARS	As at 30.09.2013 (Rs. in Lacs)	As at 31.03.2012 (Rs. in Lacs)
<b>NOTE 13 - NON-CURRENT INVESTMENTS</b>		
<b>Other (Non trade)</b>		
<b>Investment in Equity Shares:</b>		
<b>Unquoted</b>		
<b>Subsidiary Companies (Wholly owned)</b>		
101710 Equity Shares of Winsome Yarns (Cyprus) Limited of 1 Euro each (Previous year 101710 shares of 1 Euro each)	446.25	446.25
Less : Provision for Diminution in Investment [Refer Note No. 2.9]	446.25	0.54
(A)	<u>          --</u>	<u>445.71</u>
1800000 Preference Shares of Winsome Yarns (Cyprus) Limited of 1 Euro each (Previous Year 1800000 shares)	1071.00	1071.00
Less : Provision for Diminution in Investment (Refer Note No. 2.9)	1071.00	--
(B)	<u>          --</u>	<u>1071.00</u>
<b>Total (A+B)</b>	<u>          --</u>	<u>1516.71</u>
Aggregate amount of unquoted investment	1517.25	1517.25
Aggregate amount of provision for diminution in value of investment	1517.25	0.54
<b>NOTE 14 - LONG TERM LOANS &amp; ADVANCES</b>		
<b>(Unsecured, considered good unless otherwise stated)</b>		
Capital Advances	44.83	71.18
Security Deposits	271.39	269.14
Other Loans & advances	2.03	--
-MAT Credit Entitlement	50.43	50.43
	<u>368.68</u>	<u>390.75</u>
<b>NOTE - 15</b>		
<b>CURRENT INVESTMENTS</b>		
<b>Unquoted</b>		
Investment in Money Market (6049 nonvoting redeemable participating shares of USD 1000 each in Aries Money Market Fund) (Refer note no. 2.3) (Previous year Nil)	3195.38	--
	<u>3195.38</u>	<u>          --</u>
<b>NOTE 16 - INVENTORIES (At lower of cost and net realizable value)</b>		
(As taken, valued and certified by the management)		
Raw Materials	2703.80	5630.12
Stock in Process	5432.02	4915.92
Stores & Spares	653.81	450.99
Finished Goods *	5849.38	6285.56
Waste (At net realizable value)	36.88	83.67
	<u>14675.89</u>	<u>17366.26</u>
*Includes in transit Rs.231.13 Lacs (Previous Year Rs. 895.69 Lacs)		
<b>NOTE 17 - TRADE RECEIVABLES</b>		
(Unsecured, considered good unless otherwise stated )		
<b>- Exceeding Six months from due date</b>		
-Good	6578.16	1968.97
-Doubtful	2453.09	280.54
Less : Provision for Doubtful Debts	2453.09	280.54
	<u>6578.16</u>	<u>1968.97</u>
<b>- Other Debts</b>	<u>9628.19</u>	<u>10893.88</u>
	<u>16206.35</u>	<u>12862.85</u>

**NOTES ON FINANCIAL STATEMENT**  
FOR THE YEAR ENDED 30th SEPTEMBER, 2013

**WINSOME YARNS LIMITED**

PARTICULARS	As at 30.09.2013 (Rs. in Lacs)	As at 31.03.2012 (Rs. in Lacs)
<b>NOTE 18 - CASH &amp; BANK BALANCES</b>		
<b>CASH &amp; CASH EQUIVALENTS</b>		
Cash in hand (As certified by Management)	0.01	0.01
<b>Balances with Banks</b>		
-On Current Accounts	3.71	38.56
<b>Earmarked balances</b>		
-On Escrow Accounts	--	3077.09
-On Unpaid Dividend Account	11.68	24.02
<b>Other Bank balances</b>		
-On Fixed Deposit Account ( Lodged with Banks as Margin )	794.77	712.62
	<u>810.17</u>	<u>3852.30</u>
<b>NOTE 19 - SHORT TERM LOANS &amp; ADVANCES (Unsecured, Considered good unless otherwise stated)</b>		
Loan & Advance to Subsidiary	--	647.72
Advance Income Tax including TDS	105.32	121.41
Refunds/Claims Receivable	583.19	581.03
Interest Subsidy Receivable (Under TUFs)	956.79	1205.03
Balances with government authorities	147.92	166.42
Export Incentives Receivable	589.00	967.49
Advances to suppliers	1835.45	800.45
(Net of Provisions for doubtful advances Rs. 195.51 lacs (P.Y. Rs. 56.25 lacs))		
Others	1003.27	848.78
	<u>5220.94</u>	<u>5338.33</u>
<b>NOTE 20 - REVENUE FROM OPERATION</b>		
<b>Sale of Product</b>		
-Yarns*	51795.48	30357.64
-Knitwear*	2393.48	1671.63
-Trading Sale	18593.40	8893.73
	(A) <u>72782.36</u>	<u>40923.00</u>
<b>Sale of Services</b>		
-Job Charges	26.53	95.30
-Commission Income (Refer Note no 2.11 (i))	668.41	929.52
	(B) <u>694.94</u>	<u>1024.82</u>
<b>Other operating revenue</b>		
Waste Sales	3338.30	1236.14
Sale of Scrap	14.80	14.03
Provision for Doubtful Debts/Advances Written back	--	57.83
Material handling Charges (Refer Note no 2.11 (i))	--	298.12
	(C) <u>3353.10</u>	<u>1606.12</u>
<b>Revenue From Operation</b>	(A+B+C) <u>76830.40</u>	43553.94
Less : Excise Duty	34.20	78.64
<b>Net Revenue from operations</b>	<u>76796.20</u>	<u>43475.30</u>

\*includes duty drawback & DEPB of Rs 988.17 lacs (P.Y Rs. 1124.03 Lacs)

**NOTES ON FINANCIAL STATEMENT**  
FOR THE YEAR ENDED 30th SEPTEMBER, 2013

**WINSOME YARNS LIMITED**

PARTICULARS	As at 30.09.2013 (Rs. in Lacs)	As at 31.03.2012 (Rs. in Lacs)
<b>NOTE 21 - OTHER INCOME</b>		
Interest Received	156.54	93.21
Exchange Rate Difference (net)	801.64	371.22
Liability/Balances written back ( Net )	--	12.13
Miscellaneous Income	18.05	4.19
	<u>976.23</u>	<u>480.75</u>
<b>NOTE 22 - CHANGE IN INVENTORIES OF FINISHED GOODS, WIP STOCK AND STOCK IN TRADE</b>		
<b>Closing Stock</b>		
Finished Goods		
- Yarn	5374.66	5608.01
- Knitwear	474.72	677.55
	<u>5849.38</u>	<u>6285.56</u>
Stock in Process		
- Yarn	4834.30	4649.60
- Knitwear	597.72	266.32
	<u>5432.02</u>	<u>4915.92</u>
	(A) <u>11281.40</u>	<u>11201.48</u>
<b>Less : Opening Stock</b>		
Finished Goods		
- Yarn	5608.01	8191.28
- Knitwear	677.55	364.05
	<u>6285.56</u>	<u>8555.33</u>
Stock in Process		
- Yarn	4649.60	3646.48
- Knitwear	266.32	392.92
	<u>4915.92</u>	<u>4039.40</u>
	(B) <u>11201.48</u>	<u>12594.73</u>
Differential excise duty on increase/(decrease) in stock	(C) <u>(39.24)</u>	<u>3.51</u>
(Increase) /Decrease in Stocks	(B-A+C) <u>(119.16)</u>	<u>1396.76</u>
<b>NOTE 23 - EMPLOYEE BENEFIT EXPENSES</b>		
Salaries, Wages, Bonus, etc	3215.60	1673.15
Contribution to Provident & Other Funds	186.31	92.43
Employees Welfare	87.30	42.26
	<u>3489.21</u>	<u>1807.84</u>
<b>NOTE 24 - FINANCIAL EXPENSES</b>		
Interest on Borrowings	7877.79	4851.72
(Net of reimbursement under TUFs Rs. 1,977.88 lacs, PY Rs.1,451.06 lacs )		
Other borrowing cost	132.52	75.37
	<u>8010.31</u>	<u>4927.09</u>
<b>NOTE 25 - DEPRECIATION &amp; AMORTISATION EXPENSES</b>		
Depreciation	3277.42	2300.99
Less : Prorata Capital Subsidy	13.85	9.23
Amortisation	4.40	4.36
	<u>3267.97</u>	<u>2296.12</u>

**NOTES ON FINANCIAL STATEMENT**  
FOR THE YEAR ENDED 30th SEPTEMBER, 2013

**WINSOME YARNS LIMITED**

PARTICULARS	As at 30.09.2013 (Rs. in Lacs)	As at 31.03.2012 (Rs. in Lacs)
<b>NOTE 26 - OTHER EXPENSES</b>		
Stores & Spares consumed	1800.67	995.39
Power & Fuel	5702.39	2596.79
Repairs & Maintenance		
-Building	11.64	4.85
-Plant & Machinery	36.89	15.04
-Others	61.79	35.99
Processing Charges & Dyeing Charges	1227.23	718.40
Material Handling Charges	187.77	135.87
Rent	58.82	36.63
Rates & Taxes	13.85	0.11
Printing & Stationery	7.27	6.39
Director sitting Fee	1.57	1.85
Insurance	155.08	74.49
Bank Charges	547.83	296.62
Traveling & Conveyance	248.37	177.29
Postage, Telegrams and Telephones	49.60	33.93
Loss/Discard on Sale of Fixed Assets	30.81	57.60
Legal & Professional Charges	114.15	44.05
Charity & Donation	0.70	0.05
Asset Written off	0.30	--
Provision for Doubtful Debts	205.41	--
Provision or Doubtful Advance	139.26	--
Auditors remuneration		
-Audit Fees	8.43	
-Tax audit Fees	0.39	
-Other services	4.95	
-Reimbursement of expenses	0.19	4.86
Commission on sales	665.03	483.42
Freight & Handling Charges	1020.22	805.37
Advertisement & Other Selling Expenses	272.52	171.85
Liability/Balances written back ( Net )	8.33	--
Miscellaneous Expenses	244.83	166.74
	<u>12826.29</u>	<u>6863.58</u>

**SECTION 212**

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

S. No.	Name of the Subsidiary Companies	Number of Shares in the Subsidiary Company held by Winsome Yarns Limited at the financial year ending date		The net aggregate of profit/(losses) of the Subsidiary Companies so far as they concern the members of Winsome Yarns Limited			
		Equity (Nos.)	Extent of holding (% age)	For Current Financial Year		For Previous Financial Year	
				Dealt with in the accounts of Winsome Yarns Limited for the year ended 30th Sept., 2013	Not dealt with in the accounts of Winsome Yarns Limited for the year ended 30th Sept., 2013	Dealt with in the accounts of Winsome Yarns Limited for the year ended 31st March, 2012	Not dealt with in the accounts of Winsome Yarns Limited for the year ended 31st March, 2012
1.	Winsome Yarns (Cyprus) Limited (Subsidiary of Winsome Yarns Limited)	101000	100%	Rupees in Lacs --	Rupees in Lacs 128.34	Rupees in Lacs --	Rupees in Lacs 11.51
2.	Winsome Yarns FZE (Subsidiary of Winsome Yarns (Cyprus) Limited)	1	100%	--	3.93	--	22.95
3.	S.C. Winsome Romania S.r.l. (Subsidiary of Winsome Yarns (Cyprus) Limited)	90	90%	The accounts have not been considered for consolidation, since company is under liquidation			
4.	I.M.M. Winsome Italia S.r.l. (Subsidiary of S. C. Winsome Romania S.r.l.)	2705	90%	The accounts have not been considered for consolidation, since company is under liquidation			
5.	S.C. Textil S.r.l. (Subsidiary of IMM Winsome Italia , S. r. l.)	321772	90%	The accounts have not been considered for consolidation, since company is under liquidation			

**Note:** The financial year of Winsome Yarns (Cyprus) Limited is from 1st April, 2012 to 30th June, 2013 and Winsome Yarns FZE is 1st April, 2012 to 31st March, 2013 and other three subsidiary companies (Sr. No. 3, 4, 5) are 1st January, 2012 to 31st December, 2012.

**INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS  
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 2013, and the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the period 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 section 211(3C) of the Companies Act, 1956 ("The Act"). 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 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. 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. 2.10 regarding pending confirmation/ reconciliation of balances of certain receivables (including overseas overdue receivables as stated in note no.2.5) and payables (including of a Associate Company, in this respect impact is unascertainable and cannot be commented by us. As explained, the exercise of reconciliation is being carried out on regular basis, in our view internal control needs to be further strengthened in this regards.*
- (ii) *Note No. 2.7 regarding non provision against certain overdue receivables in respect of commission and Handling Charges of Rs. 944.33 lacs and loans and advances of amounting to Rs. 828.71 lacs, for the reasons as stated in the said note.*
- (iii) *Note No. 2.16 (a) to (c) regarding accounting of consumption as balancing figure And the valuation of inventories is as taken, valued and certified by the management, the impact whereof on the statement of profit and loss and state of affairs not being ascertained.*
- (iv) *As stated in note no. 2.5 and as per the AS-28 (Impairment of Assets) during the period the company have carried out assessment of value in use of assets of knitwear unit, by an independent professional firm, based on this impairment loss estimated comes to amounting to Rs. 2996.00 Lacs . However, the company, as explained in note no. 2.5, have not accounted for this impairment loss. The Non provision against diminution in value of assets of stated above is not in line with AS-28 and as such to that extent assets are stated higher and loss is stated lower for the period.*
- (v) *We report that, without considering item mentioned in paragraph (i) and (iii) above the impact of which could not be determined, had the impact of notes referred in paragraph (ii) and (iv) above been given to in these financial statements, the loss for the period would have been Rs. 12333.83 lacs(as against the reported figures of Rs.7604.79 lacs), accumulated loss at the period end would have been Rs. 13644.07 Lacs (as against the reported figure of Rs. 8875 .03 lacs), Loans and advances at the period end would have been Rs. 4585.83 lacs (as against the reported figure of Rs. 5414.54 lacs), carrying value of fixed assets would have been Rs. 27888.33 lacs (as against the reported figure of Rs. 30884.33 Lacs), trade receivables would have been Rs.15294.78 lacs (as against the reported figure of Rs.16239.11 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, 2013;
- (b) In the case of Consolidated Statement of Profit & Loss, of the Loss of the Group for the period ended on that date; and
- (c) In the case of Consolidated Cash Flow Statement, of the cash flows of the Group for the period ended on that date.

**Emphasis of Matter:**

1. Attention is drawn to note no.2.4 whereas stated that balance money amounting to USD 60,49,664 (Rs. 3196.48 lacs) out of the GDR issue made by the company in the year 2010-11, is still 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, pending utilisation for the purposes the issue was made.
2. Attention is drawn to note no. 2.11, as stated the subsidiary company namely M/s Winsome Yarns (Cyprus) Limited has reported regarding non recoverability of the amount (Euro 2.5 Million) due from Newcocot S.P.A. (an Italian company) which is shown in the financial statements as "Other Receivables" As stated represents amount paid (partial payment) for acquisition of 933750 nos. Shares in the stated Italian Company. As of 30th June 2013, Newcocot S.P.A. 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.P.A, the management decided to written off the balance (90%) amounting to Rs. 1633.12 Lacs (Euro 2.25 Million).
3. Attention is drawn to 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.
4. In view of the accumulated losses read together with our comments under para (ii) to (v) under the head 'Basis for Qualified Opinion', had the impact of the same been considered, the net worth of the Company become negative as on 30th September 2013. However, as stated in Note No. 2.8 accounts have been prepared by the management on going concern 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 thereof has not been ascertained and therefore can not be commented upon by us.

**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. 253.26 Lacs as at their reporting date (i.e. 30th June 2013 and 30th September 2013 respectively) and total revenues of Rs. 490.76 Lacs and net cash out flows of amounting to Rs. 100.55 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, insofar 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

Place : New Delhi

Date: 18.10.2013

**CONSOLIDATED BALANCE SHEET**  
AS AT 30th SEPT. 2013

**WINSOME YARNS LIMITED**

<b>PARTICULARS</b>	<b>NOTE No.</b>	<b>As at 30th Sep 2013 (Rs. in Lacs)</b>	<b>As at 31st Mar 2012 (Rs. in Lacs)</b>
<b>I. EQUITY &amp; LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share Capital	3	7082.33	7082.33
(b) Reserves & Surplus	4	(2768.96)	4757.07
		<u>4313.37</u>	<u>11839.40</u>
<b>(2) Non- Current Liabilities</b>			
(a) Long Term Borrowings	5	19457.91	25808.72
(b) Long Term Provisions	7	156.95	110.58
		<u>19614.86</u>	<u>25919.30</u>
<b>(3) Current Liabilities</b>			
(a) Short Term Borrowings	8	23424.28	20899.66
(b) Trade Payables	9	13721.23	9835.67
(c) Other Current Liabilities	10	10527.76	8301.50
(d) Short Term Provisions	11	13.50	11.23
		<u>47686.77</u>	<u>39048.06</u>
<b>TOTAL</b>		<u><b>71615.00</b></u>	<u><b>76806.76</b></u>
<b>II. ASSETS</b>			
<b>(1) Non- Current Assets</b>			
(a) Fixed Assets			
(i) Tangible Assets	12	30884.19	32876.20
(ii) Intangible Assets	12	0.14	4.54
(iii) Capital Work-in-Progress		--	1066.38
(b) Non Current Investment	13	--	--
(c) Deferred Tax Asset (Net)	6	--	1233.24
(d) Long Term Loans & Advances	14	368.68	390.75
		<u>31253.01</u>	<u>35571.11</u>
<b>(2) Current Assets</b>			
(a) Current Investment	15	3195.38	--
(b) Inventories	16	14675.89	17366.26
(c) Trade Receivables	17	16239.11	13583.68
(d) Cash & Bank balances	18	837.07	3886.60
(e) Short Term Loans & Advances	19	5414.54	6399.11
		<u>40361.99</u>	<u>41235.65</u>
<b>TOTAL</b>		<u><b>71615.00</b></u>	<u><b>76806.76</b></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  
FRN : 301051E

*For and on behalf of the Board*

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

Deepak Mahajan  
Chief Financial Officer

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

Manish Bagrodia  
Managing Director

Satish Bagrodia  
Chairman

Place : Chandigarh  
Date : 18.10.2013



**CONSOLIDATED STATEMENT OF PROFIT & LOSS**  
FOR THE YEAR ENDED 30th SEPT. 2013

**WINSOME YARNS LIMITED**

<b>PARTICULARS</b>	<b>NOTE No.</b>	<b>As at 30th Sep 2013 (Rs. in Lacs)</b>	<b>As at 31st Mar 2012 (Rs. in Lacs)</b>
<b>I. Revenue from operations</b>			
Sales(Gross)	20	<b>76830.40</b>	45537.72
Less : Excise Duty		<b>34.20</b>	78.64
Net Sales		<b>76796.20</b>	45459.08
<b>II. Other Income</b>			
	21	<b>968.51</b>	832.28
<b>III. Total Revenue ( I+II )</b>			
		<b>77764.71</b>	46291.36
<b>IV. Expenses :</b>			
Cost of Material consumed		<b>34930.91</b>	22688.02
Purchase of stock-in-trade		<b>18107.85</b>	10466.20
Change in inventories of finished goods,work in progress and stock in Trade	22	<b>(119.16)</b>	1396.76
Employee benefit expense	23	<b>3489.21</b>	1811.30
Financial costs	24	<b>8010.31</b>	4927.09
Depreciation and amortization expense	25	<b>3267.97</b>	2296.12
Other Expenses	26	<b>14482.03</b>	7216.21
<b>Total Expenses (IV)</b>		<b>82169.12</b>	50801.70
<b>V. Profit before tax and exceptional items (III-IV)</b>			
		<b>(4404.41)</b>	(4510.34)
Exceptional Items		<b>1967.14</b>	--
<b>VI. Profit before tax</b>			
		<b>(6371.55)</b>	(4510.34)
<b>VII. Tax Expense:</b>			
---Current Tax		--	--
---Previous years Tax		--	--
---Deferred Tax {Refer Note no. 2.13}		<b>1233.24</b>	(1367.66)
<b>VIII. Profit/(Loss) form the period from continuing operations(VI-VII)</b>			
		<b>(7604.79)</b>	(3142.68)
IX.Profit /(Loss)from discontinuing operations			
		--	--
X. Tax expense of discontinuing operations			
		--	--
XI. Profit/(Loss) from discontinuing operations(IX-X)			
		--	--
<b>XII. Profit/(Loss) for the period (VIII+XI)</b>			
		<b>(7604.79)</b>	(3142.68)
XIII. Earning per equity share :			
- Basic (Rs.)	2.14	<b>(10.76)</b>	(4.75)
- Diluted(Rs.)	2.14	<b>(10.76)</b>	(4.75)

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  
FRN : 301051E

*For and on behalf of the Board*

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

Deepak Mahajan  
Chief Financial Officer

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

Manish Bagrodia  
Managing Director

Satish Bagrodia  
Chairman

Place : Chandigarh  
Date : 18.10.2013

**CONSOLIDATED CASH FLOW STATEMENT**  
FOR THE YEAR ENDED 30th SEPT. 2013

**WINSOME YARNS LIMITED**

PARTICULARS	2012-13 (Rs. In lacs)	2011-12 (Rs. In lacs)	2010-11 (Rs. In lacs)
<b>(A) CASH FLOW ARISING FROM OPERATING ACTIVITIES</b>			
<b>NET PROFIT/(LOSS) BEFORE TAX AND EXTRAORDINARY / EXCEPTIONAL ITEMS</b>	<b>(4404.41)</b>		(4510.34)
<b>Adjustment for:</b>			
Depreciation	3277.56	2298.16	
Amortization of Leasehold Land	4.25	7.19	
Prorata Capital Subsidy	(13.85)	(9.23)	
Effect of Exchange Fluctuation	(1042.20)	(768.31)	
(Profit)/Loss on sale/written back of fixed assets	31.11	57.60	
Interest expense	8010.31	4851.72	
Provision for doubtful debts & advances	344.67	(57.83)	
Liability /Balance Written off	1641.45	363.96	
Provision for diminution in investment	-	0.52	
Elimination of provision for diminution In investment	-	-	
Provision for doubtful debts & advances w/back	-	-	
Interest income	(156.54)	(93.21)	6650.57
	<b>12096.76</b>	<b>(93.21)</b>	<b>6650.57</b>
	<b>7692.35</b>		2140.23
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>			
<b>Adjustment for:</b>			
Trade & other receivable	(4283.47)	(7502.37)	
Inventories	2690.37	(910.68)	
Trade & other Payables	4642.84	3856.09	(4556.95)
<b>CASH GENERATED FROM OPERATIONS</b>	<b>10742.09</b>		(2416.72)
Direct Taxes Paid	-		-
Income Tax Refund	16.09		118.78
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>10758.18</b>		(2297.94)
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets	(230.76)	(565.12)	
Sale of fixed assets	5.01	4.03	
Purchase of Investments	(3195.38)	-	
Interest Received	156.54	93.21	(467.88)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(3264.59)</b>		(467.88)
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>			
Convertible Warrants- Received towards Conversion	-	1166.00	
Capital Subsidy received	-	234.00	
Interest paid	(7547.39)	(4601.38)	
Proceeds from borrowings	3013.17	6656.49	
Repayment of borrowings	(6101.51)	(4120.74)	(665.63)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(10635.73)</b>		(665.63)
<b>CHANGES IN CURRENCY FLUCTUATION RESERVE ARISING ON CONSOLIDATION</b>	<b>92.61</b>		153.96
Effect of Exchange Fluctuation on Bank Balance	-		375.03
<b>Net Increase/(decrease) in cash and cash equivalents</b>	<b>(3049.53)</b>		(2902.46)
<b>Opening balance</b>			
Cash & Cash Equivalents	3149.96	6273.90	
Others	736.64	515.16	6789.06
<b>Closing balance</b>			
Cash & Cash Equivalents	30.62	3149.96	
Others	806.45	736.64	3886.60

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

*For and on behalf of the Board*

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

Deepak Mahajan  
Chief Financial Officer

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

Manish Bagrodia  
Managing Director

Satish Bagrodia  
Chairman

Place : Chandigarh  
Date : 18.10.2013

**NOTE: 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 Shareholding	Nature of Interest	Country of Incorporation	Year Ending	Period
1.	Winsome Yarns (Cyprus) Limited	100	Direct	Cyprus	30.06.2013	15 Months
2.	S.C. Winsome Romania S.R.L.	90	Indirect	Romania	(b)	NA
3.	Winsome Yarns FZE	100	Indirect	U.A.E	31.03.2013	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 SRL, I.M.M. Winsome Italia SRL., and S.C. Textil SRL. 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. have not yet been confirmed by the relevant court. Accordingly standalone financial statements of Winsome Yarns (Cyprus) Limited & Winsome Yarns FZE have been considered.
- (b) Adjustments of non-consolidation of the financial statements of the aforesaid step down subsidiaries had been considered in the respective accounts during the previous year.
- (v) (a) Winsome Yarns (Cyprus) Limited holds 90% shares (investment) in S.C. Winsome Romania S.R.L. & 100% shares (investment) in Winsome Yarns FZE.
- (b) S.C. Winsome Romania S.R.L. is holding 100% shares (investment) of IMM Winsome Italia S.R.L, Italy and the later Company holds 100% shares (investment) of S. C. Textil S.R.L, Romania. The financial statements of the above said companies have not been considered for the purpose of consolidation, as the same are under liquidation {read with note no.(iv) (a) above}.
- (vi) The Consolidated Financial Statements have been prepared based on a line-by-line consolidation using uniform accounting policies for like transactions and other events in similar circumstances. The effects of intra group transactions and balances are eliminated in consolidation.
- (vii) The difference between the costs to the Holding Company of its investment in the subsidiary Companies over the holding Company's portion of equity of the subsidiary is recognized in the financial statements as Goodwill or Capital Reserve as the case may be.
- (viii) 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.

**2 ADDITIONAL NOTES FORMING PART OF THE ACCOUNTS**

2.1 The financial statements of the subsidiaries are not for the 18 months period ended 30th September 2013. Financial statements of Winsome Yarns (Cyprus) Limited is for the 15 Months period ending June 30, 2013 & Winsome Yarns FZE for the year ending March 31, 2013.

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

<u>Particulars</u>	<u>2012-13</u>	<u>2011-12</u>
(i) Bills discounted with banks	<b>3278.86</b>	2986.42
(ii) Outstanding Letter of Credit	<b>32.67</b>	202.00
(iii) Sales Tax liability in respect of matters in appeal	<b>64.64</b>	25.85
(iv) Excise duty show cause notices / matters in appeal	<b>543.35</b>	548.35
(v) Income Tax Demand	<b>308.23</b>	308.23
(vi) Outstanding bank guarantees	<b>550.09</b>	213.59
(vii) Customs duty saved of Rs. 89.51 lacs (Previous Year 3679.50 lacs) for import of capital good made against EPCG license against which export obligations amounting to Rs. 358.04 lacs (Previous Year Rs. 27965.79 lacs ) are pending.		
B) In respect of certain disallowances and additions made by the Income Tax Authorities, appeals are pending before the Appellate Authorities and adjustments, if any, will be made after the same are finally determined. Considering the past experience, management is of the view that there will not be any material impact on accounts on settlement / finalization of above.		
C) Estimated amount of contracts remaining to be executed on Capital Account and not provided for is Rs. Nil (Previous year 118.83 Lacs) net of advances, Rs. Nil (Previous year Rs. 71.18 lacs), 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 had been implemented based on the sanctioned so far received from the lenders or the agreement to the restructuring scheme and Master Restructuring Agreement (MRA) as approved on 21st July 2009. In the year 2010, CDR-EG had approved the rework package for the company effective from 01.04.2010, post this during the period 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 shares held by PSIDC has already been pledged on behalf of CDR Lenders.

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

(C) Forms/papers of charge in respect of a unsecured loan are pending for filing/modifications.

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 1994125 number of GDR of USD 6.64 each (Each GDR comprising of 100 equity shares, now total 19941250 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, balance Rs. 3195.38 lacs (including foreign exchange gain) is invested in Money Market Fund and lying outside India as on 30.09.2013, 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 Plot 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 2013, the Company on the basis of projected scale of operations and prevailing market conditions assessed that the recoverable value of the above CGU is 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 (the firm), impairment loss of Rs. 2996.00 lacs as estimated by the Management, based, on a comparison of

carrying value of the asset vis-a-vis recoverable value. The Reports of the firm is under consideration of the Management and Impairment Loss will be accounted as and when finally assessed. Further, management is of the view that in view of growth in export of textile items in general, possible impairment would be lower.

- 2.6 Trading sale amounting to Rs.18593.40 lacs includes sale made to Overseas parties where overdue outstanding is Rs. 8148.78 lacs, It includes outstanding amount for a period over one year of Rs. 933.65 lacs, where company is in process of filing necessary papers with appropriate authority for extension of time. In this regards, management is confident about full recovery/ reliability considering the past performance of the customer and recovery initiative taken by the. Company.
- 2.7 (i) Revenue from Operations (note no.20) includes Commission income and Handling charges receivable in foreign currency amounting to Rs. 752.42 lacs (including exchange fluctuation gain) and Rs. NIL (Previous Year Rs. 929.52 lacs and Rs. 298.12 lacs) respectively on sale which have been accounted for on accrual basis as per the terms of agreements. Company has initiated necessary steps for recovery of the outstanding amount of Rs. 944.33 lacs (which includes Commission Income of Rs. 752.42 lacs and Rs. 191.91 lacs for Handling Charges)
- (ii) Short Term Loans and Advances of Rs. 828.71 lacs (including Refunds/ Claims Receivables of Rs. 403.87 lacs & advances and Balance with Government Authorities of Rs 83.30 lacs) where management is initiating necessary steps for recovery of the same. Hence no provision against these is considered necessary.
- 2.8 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. Considering future business plan and expected cash flow in near future by the management of the company, accounts are prepared on 'Going Concern' basis.
- 2.9 (i) The trade receivable includes certain overdue overseas Trade Receivables of amounting to Rs.1641.09 lacs (P.Y. Rs.1641.09 lacs) and cumulative exchange difference (gain) on restatement of foreign currency debtors of Rs. 326.05 lacs (P.Y. Rs. 326.05 lacs). For necessary approval, for the extension of time, application has been filed with the appropriate authority. However, considering the fact that recovery from them is not certain, provision there against has been made and included under "Exceptional Items".
- (ii) Trade Receivables (including overseas trade receivables of Rs 24.07 lacs) and loans and advances amounting to Rs. 205.41 lacs and Rs. 139.26 lacs respectively which in the opinion of the Management are not realizable / recoverable hence provision there against has been made during the period.
- 2.10 Balances of certain Trade Receivables (including overseas overdue trade receivables as stated in note no. 2.6), Trade Payables (including Associate Company and contingent liabilities are as certified by the management read with note no. 2.2A), are subject to confirmation/ reconciliation. The management is of the opinion that adjustment, if any; arising out of such reconciliation would not be material.
- 2.11 (i) The subsidiary company namely M/s Winsome Yarns (Cyprus) Limited 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.P.A. It was expected that the total cost for the acquisition would have been EURO 4600000. The transfer of shares of Newcocot S.P.A.to the company's name should have been effected upon the receipt of the full amount which was expected to be finalized by 31st March 2014. As of 30th 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) Auditor 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 and for the reason as stated in para (i) above.
- 2.12 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)

## WINSOME YARNS LIMITED

(Rs. in lacs)				
No.	Particulars	India	Outside India	Total
i)	External Revenue-Sale*	41915.62	34880.58	76796.20
		(19225.85)	26254.04	45479.89
ii)	Carrying amount of segment assets by location of assets	56768.90	11494.97	68263.87
		60138.20	15263.48	75401.68
iii)	Capital Expenditure	255.15	---	255.15
		(565.12)	---	(565.12)

\* Includes Export Incentives of Rs. 988.17 lacs (P.Y. Rs. 1124.03 lacs)

2.13 During the period, deferred tax in respect of timing differences and carry over losses have been re-assessed/re-computed and net deferred tax assets carry over from earlier years of amounting to Rs. 1233.24 lacs have been charged off to Statement of Profit & Loss considering principal of "Virtual Certainty" as per AS-22 notified under Companies (Accounting Standards), Rules 2006.

2.14 Earnings per share.

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

Particulars	2012-13	2011-12
Net Profit/(Loss) attributable to Equity Shareholders (Rs. in Lacs)	(7604.79)	(3142.65)
Weighted average number of equity shares for Basic EPS	70707229	66157188
Nominal Value per equity share(Rs.)	10	10
Basic / Diluted EPS (Rs.)	(10.76)	(4.75)

2.15 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 (Resigned on September 16, 2013)
- Shri Andreas Alexiou Director
- Shri Androulla Kakoyianni Director (Resigned on September 16, 2013)
- Shri Stelios Sivitanides Director
- Shri Mariquel Bacatan Lune Manager
- Maria Michail Georgiade Director

**III) Organisations where Key Management Personnel & their relative have Significant influence**

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

Transactions with the Related Parties during the 18 months period ended 30th September, 2013.

Particulars	2012-13	2011-12
Winsome Textile Industries Ltd.		
- Sale of material & goods and services	-	-
- Purchase of material & goods and services	6.33	214.32
- Expenses incurred on our behalf	1.95	8.87



## WINSOME YARNS LIMITED

– Expenses incurred by us on behalf of Party	<b>8.52</b>	5.82
– Balance Outstanding as at period end Receivable / (Payable)	<b>(575.28)</b>	(676.50)
Sh. Satish Bagrodia		
– Sitting Fee	<b>0.30</b>	0.30
Sh. Manish Bagrodia		
– Remuneration	<b>43.78</b>	29.18
Sh. Ashish Bagrodia		
– Sitting Fee	<b>0.30</b>	0.40
Starpoint Financial Services Pvt. Ltd.		
– Rent	<b>37.45</b>	21.31
– Unsecured Loans	<b>537.00</b>	-
– Interest on Unsecured Loan	<b>26.78</b>	-
– Balance in current account	<b>13.11</b>	-
– Balance in loan account	-	-
Shell Business Pvt. Ltd.		
– Application/ Allotment Money against Convertible Warrants	-	318.00
S.C. Winsome Romania		
– Sale of material & goods and services	-	-
– Purchase of material & goods and services	-	-
– Balance Outstanding as at year end	-	-
– Receivable / (Payable)	<b>49.80</b>	49.80
IMM Winsome Italia		
– Sale of material & goods and services	-	-
– Purchase of material & goods and services	-	-
– Balance Outstanding as at year end	-	-
– Receivable / (Payable)	<b>149.24</b>	149.24

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

- 2.16 (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 same has 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 raw material, process stock and finished goods has been considered as taken, valued and certified by the management.
- (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.
- 2.17 Accounting Policies and other notes on accounts are set out in the financial statements of the Company.
- 218 (a) Current period figures in Consolidated Statement of Profit & Loss and Consolidated Cash Flow Statement are for eighteen months which are not strictly comparable with the figures of the previous year.
- (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  
FRN : 301051E

*For and on behalf of the Board*

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

Deepak Mahajan  
Chief Financial Officer

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

Manish Bagrodia  
Managing Director

Satish Bagrodia  
Chairman

**Place : Chandigarh**  
**Date : 18.10.2013**



**NOTES ON FINANCIAL STATEMENT**  
FOR THE YEAR ENDED 30th SEPTEMBER, 2013

**WINSOME YARNS LIMITED**

PARTICULARS	As at 30.09.2013 (Rs. in Lacs)	As at 31.03.2012 (Rs. in Lacs)
<b>NOTE 3 - SHARE CAPITAL</b>		
<b>1. AUTHORISED*</b>		
8,50,00,000 Equity Shares of Rs.10/- each (Previous Year 8,50,00,000 Equity Shares of Rs.10/- each)	<u>8500.00</u>	<u>8500.00</u>
<b>ISSUED*</b>		
7,10,86,829 Equity Shares of Rs.10/- each (Previous Year 7,10,86,829 Equity Shares of Rs.10/- each)	<u>7108.68</u>	<u>7108.68</u>
<b>SUBSCRIBED &amp; PAID UP*</b>		
7,07,07,229 Equity Shares of Rs.10/- each (Previous Year 7,07,07,229 Equity Shares of Rs.10/- each)	<u>7070.72</u>	<u>7070.72</u>
Amount Paid-up on shares forfeited	<u>11.61</u>	<u>11.61</u>
	<u><b>7082.33</b></u>	<u><b>7082.33</b></u>

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

**2. Rights of Shareholders**

- 2.1 The Company has only one class of Equity Shares having face value of Rs. 10/- each (Previous Year Rs. 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 30.09.2013 No. of Shares held	As on 31.03.2013 No. of Shares held
The Bank Of New York Mellon (Shares held by custodian & against which Depository Receipts have been issued)	<b>1,99,41,250</b>	1,99,41,250
Shell Business (P) Ltd	<b>2,07,21,244</b>	2,07,21,244
Satyam Combines (P) Ltd	<b>50,96,243</b>	50,96,243
Arpit Agencies (P) Ltd	<b>42,00,000</b>	42,00,000
Landscape Traders (P) Ltd	<b>42,00,000</b>	42,00,000

**4. Reconciliation of Share Capital**

Particular	Nos.	Nos.
Shares outstanding as at the beginning of the year	<b>70,707,229</b>	5,86,39,729
Issued during the year *	-	12,067,500
Buyback during the year	-	-
Shares outstanding as at the end of the year	<b>70,707,229</b>	70,707,229

\* During the Previous year, company allotted 1,20,67,500 equity shares of Rs. 10/- each at a premium of Rs.6/- each upon conversion of equal number of warrants allotted on preferential basis.

**WINSOME YARNS LIMITED**

PARTICULARS	As at 30.09.2013 (Rs. in Lacs)		As at 31.03.2012 (Rs. in Lacs)	
<b>NOTE 4 - RESERVES &amp; SURPLUS</b>				
<b>-Capital Reserve</b>				
As per last Balance sheet	261.03		27.03	
Add: Addition	--		234.00	
Less: Adjustment	--	261.03	--	261.03
<b>-Capital Redemption Reserve</b>				
As per Balance sheet	124.44		124.44	
Add: Addition	--		--	
Less: Adjustment	--	124.44	--	124.44
<b>-Securities Premium Account</b>				
As per last Balance sheet	5181.95		4457.90	
Add: Addition	--		724.05	
Less: Adjustment	--	5181.95	--	5181.95
<b>-General Reserve</b>				
As per last Balance sheet	35.08		35.08	
Add: Addition	--		--	
Less: Adjustment	--	35.08	--	35.08
<b>-State Investment Subsidy</b>				
As per last Balance sheet	25.00		25.00	
Add: Addition	--		--	
Less: Adjustment	--	25.00	--	25.00
<b>-Capital Subsidy Reserve</b>				
As per last Balance sheet	152.12		161.35	
Add: Addition	--		--	
Less: Adjustment	13.85	138.27	9.23	152.12
<b>-Foreign Currency Translation Reserve (Net)</b>				
As per last Balance sheet	248.23		94.27	
Add: Addition	92.61		153.96	
Less: Adjustment	-	340.84	-	248.23
<b>-Statement of Profit &amp; Loss</b>				
Surplus in statement of Profit and Loss from Previous year	(1270.78)		1871.90	
Profit/(Loss) for the year	(7604.79)		(3142.68)	
Surplus in statement of Profit and Loss carried to Balance Sheet	(8875.57)		(1270.78)	
	<u>2768.96</u>		<u>4757.07</u>	
<b>NOTE 5 - LONG TERM BORROWINGS</b>				
<b>SECURED LOANS (Refer Note No. 2.3)</b>				
Term Loans	Non Current	Current	Non Current	Current
-From Banks	19206.30	5645.53	24773.55	4531.99
-Working Capital Term Loan	246.53	1166.90	1031.15	1557.34
-Vehicle Loan	5.08	6.23	4.02	7.78
	<u>19457.91</u>	<u>6818.66</u>	<u>25808.72</u>	<u>6097.11</u>
<b>UNSECURED LOANS</b>				
From Banks (Refer note no. 5.5 below)	--	--	--	472.25
	<u>--</u>	<u>--</u>	<u>--</u>	<u>472.25</u>
Less: Current maturity of Long term borrowings (Amount disclosed under other current liabilities Note No. 10)	--	6818.66	--	6569.36
	<u>19457.91</u>	<u>--</u>	<u>25808.72</u>	<u>--</u>

## WINSOME YARNS LIMITED

5.1 Term Loan of Rs.24781.01 lacs (P.Y. Rs 28331.35 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. 354.14 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:

<b>Repayment</b> (Rs. in lacs)	<b>1-2 years</b>	<b>2-3 years</b>	<b>after 3 years</b>
	4204.98	4272.00	10729.32

5.2 Term Loans from Banks of Rs. NIL (P.Y. Rs.620.05 lacs ) & Working Capital Term Loans of Rs.1413.43 Lacs (P.Y. Rs.2588.49 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:-

<b>Repayment</b> (Rs. in lacs)	<b>1-2 years</b>	<b>2-3 years</b>	<b>after 3 years</b>
	246.53	--	--

5.3 All the aforesaid credit facilities mentioned here in above are also guaranteed by two directors of the Company and by Pledge of Shares of the Company held by the Promoter Group read with Note no 2.2(A)(ii).

5.4 Vehicle Finance of Rs.11.31 Lacs is secured by hypothecation of specific assets purchased under such arrangements. Maturity Profile of vehicle loan is as under:-

<b>Repayment</b> (Rs. in lacs)	<b>1-2 years</b>	<b>2-3 years</b>	<b>after 3 years</b>
	4.39	0.69	--

5.5 Rs. Nil (Previous year Rs. 366.64 lacs) secured by hypothecation of immovable property owned by a group company and Rs. Nil (Previous year Rs. 105.61 lacs) is secured by pledge of 5000000 nos. (Previous year 5000000 nos.) equity shares of the Company held by a Promoter Company.

### 5.6 - Delay repayment of principal and interest amount of long term borrowings

(Rs. in lacs)

S.No.	Default	Due Date	Amount Outstanding As on 30 September 2013	Subsequent Payments	Date of Payment	Delay	Outstanding
1	Principal	30-Sep-13	1,212.53	268.50	7th October 2013 to 16th October 2013	7 to 16 days	944.03
2	Principal	30-Jun-13	692.80	161.78	7th October 2013	99 days	531.02
3	Principal	31-Mar-13	70.83	-	-	-	70.83
	<b>Total Principal</b>		<b>1,976.16</b>	<b>430.28</b>	-	-	<b>1,545.88</b>
4	Interest	30-Sep-13	217.16	41.95	7th October 2013 to 12th October 2013	7 to 12 days	175.21
5	Interest	26-Sep-13	5.83	0.75	15th October 2013	19 days	5.09
6	Interest	31-Aug-13	206.29	42.09	7th October 2013 to 11th October 2013	37 to 41 days	164.20
7	Interest	26-Aug-13	5.77	5.77	11th October 2013	46 days	-
8	Interest	31-Jul-13	181.90	42.25	7th October 2013 to 11th October 2013	68 to 72 days	139.65
9	Interest	26-Jul-13	1.74	1.74	11th October 2013	77 days	-
10	Interest	30-Jun-13	99.18	57.43	4th October 2013 to 7th October 2013	96 to 99 days	41.75
11	Interest	31-May-13	0.74	-	-	-	0.74
	<b>Total Interest</b>		<b>718.63</b>	<b>191.98</b>	-	-	<b>526.65</b>

## WINSOME YARNS LIMITED

PARTICULARS	As at 30.09.2013 (Rs. in Lacs)	As at 31.03.2012 (Rs. in Lacs)
<b>NOTE 6 - DEFERRED TAX</b>		
<b>Deferred Tax Liability (DTL)</b>		
Tax impact on difference between book value of depreciable assets and written down value for tax purposes	--	4558.70
<b>Deferred Tax Assets (DTA)</b>		
Tax impact of unabsorbed depreciation and business losses	--	5642.85
Tax impact of expenses charged to Profit & Loss Account but allowance under tax laws deferred	--	45.01
Tax impact on doubtful debts & advances	--	104.08
<b>Deferred Tax Asset / (Liability) (Net) {Refer Note 2.13}</b>	<u>--</u>	<u>1233.24</u>
<b>NOTE 7 - LONG TERM PROVISIONS</b>		
For Employees Benefits	<u>156.95</u>	<u>110.58</u>
	<u>156.95</u>	<u>110.58</u>
<b>NOTE 8- SHORT TERM BORROWINGS</b>		
<b>SECURED LOANS</b>		
Working capital demand loan from Banks	<u>23424.28</u>	<u>20899.66</u>
	<u>23424.28</u>	<u>20899.66</u>
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.		
<b>NOTE 9 - TRADE PAYABLES</b>		
-Acceptances	<u>4300.66</u>	5992.16
-Other	<u>9420.57</u>	3843.51
	<u>13721.23</u>	<u>9835.67</u>
<b>NOTE 10 - OTHER CURRENT LIABILITIES</b>		
Current maturities of long term borrowings	<u>6818.66</u>	6569.36
Interest accrued and due on borrowings	<u>718.63</u>	352.40
Book Overdraft with Banks	<u>488.55</u>	--
Interest accrued but not due	<u>96.70</u>	--
Advance From Customers	<u>483.31</u>	315.45
Unpaid Dividend*	<u>11.73</u>	24.02
<b>Other Payables</b>		
-Capital payables	<u>120.37</u>	122.33
-Statutory Dues	<u>82.27</u>	64.68
-Others	<u>1707.54</u>	853.26
	<u>10527.76</u>	<u>8301.50</u>
* shall be credited to Investors Education & Protection Fund when due		
<b>NOTE 11 - SHORT TERM PROVISIONS</b>		
Provision for employee Benefits:	<u>13.50</u>	11.23
	<u>13.50</u>	<u>11.23</u>

Nature of Assets	Gross Carrying amount				Depreciation			Net Carrying amount	
	As at 01.04.12	Additions	Sale/ Adjustment	As at 30.09.13	For the year	Sale/ Adjustment	As at 30.09.13	As at 30.09.13	As at 31.03.12
<b>Tangible</b>									
Freehold Land	341.09	-	-	341.09	-	-	-	341.09	341.09
Leasehold Land	280.27	-	-	280.27	4.25	-	22.29	257.98	262.23
Buildings*	7,958.97	664.52	-	8,623.49	400.29	-	1,798.16	6,825.33	6,561.10
Plant & Machinery	39,341.00	622.25	51.55	39,911.70	2,829.89	15.63	16,613.71	23,297.99	25,541.55
Furniture & Fixture*	376.10	14.99	25.39	365.70	26.97	9.79	290.88	74.82	102.40
Office Equipments	44.12	5.55	(17.95)	67.62	4.31	(2.48)	27.07	40.55	23.84
Vehicles	112.57	14.22	1.43	125.36	11.71	1.36	78.93	46.43	43.99
<b>Total (A)</b>	<b>48,454.12</b>	<b>1,321.53</b>	<b>60.42</b>	<b>49,715.23</b>	<b>3,277.42</b>	<b>24.30</b>	<b>18,831.04</b>	<b>30,884.19</b>	<b>32,876.20</b>
<b>Previous Year</b>	<b>46,026.41</b>	<b>2,500.85</b>	<b>73.14</b>	<b>48,454.12</b>	<b>2,300.99</b>	<b>11.51</b>	<b>15,577.92</b>	<b>32,876.20</b>	<b>32,737.97</b>
<b>Intangible</b>									
Specialized Software	63.67	-	-	63.67	4.40	-	63.53	0.14	4.54
<b>Total (B)</b>	<b>63.67</b>	<b>-</b>	<b>-</b>	<b>63.67</b>	<b>4.40</b>	<b>-</b>	<b>63.53</b>	<b>0.14</b>	<b>4.54</b>
<b>Previous Year</b>	<b>63.48</b>	<b>0.19</b>	<b>-</b>	<b>63.67</b>	<b>4.36</b>	<b>-</b>	<b>59.13</b>	<b>4.54</b>	<b>8.71</b>
<b>Grand Total (A+B)</b>	<b>48,517.79</b>	<b>1,321.53</b>	<b>60.42</b>	<b>49,778.90</b>	<b>3,281.82</b>	<b>24.30</b>	<b>18,894.57</b>	<b>30,884.33</b>	<b>32,880.74</b>
<b>Previous Year</b>	<b>46,089.89</b>	<b>2,501.04</b>	<b>73.14</b>	<b>48,517.79</b>	<b>2,305.35</b>	<b>11.51</b>	<b>15,637.05</b>	<b>32,880.74</b>	<b>32,746.68</b>

\* Building and Furniture & Fixture 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. 4.12 lacs and Rs. 3.83 lacs).

## WINSOME YARNS LIMITED

PARTICULARS	As at 30.09.2013 (Rs. in Lacs)	As at 31.03.2012 (Rs. in Lacs)
<b>NOTE 13 - NON-CURRENT INVESTMENTS</b>		
<b>Other [Non Trade]</b>		
<b>Investment in Equity Shares</b>		
<b>Unquoted</b>		
<b>Subsidiary Companies:</b>		
90 Equity Shares of S.C. Winsome Romania S.r.l., (Face Value of RON 30 each)	0.52	0.52
Less : Provision for diminution in investment	0.52	0.52
	<u>-</u>	<u>-</u>
Aggregate amount of unquoted investment	0.52	0.52
Aggregate amount of provision for diminution in value of investment	0.52	0.52
<b>NOTE 14 - LONG TERM LOANS &amp; ADVANCES</b>		
(Unsecured, considered good unless otherwise stated)		
Capital Advances	44.83	71.18
Security Deposits	271.39	269.14
Other Loans & advances	2.03	-
-MAT Credit Entitlement	50.43	50.43
	<u>368.68</u>	<u>390.75</u>
<b>NOTE 15 - CURRENT INVESTMENTS</b>		
Investment in Money Market	3195.38	--
(6049 non voting redeemable participating shares of USD 1000 each in Aries Money Market Fund) (Previous year Nil)	3195.38	--
<b>NOTE 16 - INVENTORIES (At lower of cost and net realizable value)</b>		
(As taken, valued and certified by the management)		
Raw Materials	2703.80	5630.12
Stock in Process	5432.02	4915.92
Stores & Spares	653.81	450.99
Finished Goods *	5849.38	6285.56
Waste (At net realizable value)	36.88	83.67
	<u>14675.89</u>	<u>17366.26</u>
*Includes in transit Rs. 231.13 Lacs (Previous Year Rs. 895.69 Lacs)		
<b>NOTE 17 - TRADE RECEIVABLES</b>		
(Unsecured, considered good unless otherwise stated )		
<b>- Exceeding Six months from due date</b>		
-Good	6578.16	1968.97
-Doubtful	2453.09	280.54
Less : Provision for Doubtful Debts	2453.09	280.54
	<u>6578.16</u>	<u>1968.97</u>
<b>- Other Debts</b>	<u>9660.95</u>	<u>11614.71</u>
	<u>16239.11</u>	<u>13583.68</u>
<b>NOTE 18 - CASH &amp; BANK BALANCES</b>		
<b>Cash &amp; cash equivalents</b>		
Cash in hand (As certified by Management)	1.68	3.79
Balances with Banks		
-On Current Accounts	28.94	69.08
<b>Earmarked balances</b>		
-On Escrow Accounts	--	3077.09
-On Unpaid Dividend Account	11.68	24.02
<b>Other Bank balances</b>		
-On Fixed Deposit Account (Lodged with Banks as Margin)	794.77	712.62
	<u>837.07</u>	<u>3886.60</u>

## WINSOME YARNS LIMITED

PARTICULARS	As at 30.09.2013 (Rs. in Lacs)	As at 31.03.2012 (Rs. in Lacs)
<b>NOTE 19 - SHORT TERM LOANS &amp; ADVANCES</b>		
<b>(Unsecured, Considered Good unless otherwise stated)</b>		
Loan & Advance to Subsidiary	--	--
Advance Income Tax including TDS	105.32	121.41
Refunds/Claims Receivable	583.19	581.03
Interest Subsidy Receivable (Under TUFSS)	956.79	1205.03
Balances with government authorities	147.92	166.42
Export Incentives Receivable	589.00	967.49
Advances to suppliers	1835.45	1050.45
(Net of Provisions for doubtful advances Rs. 195.51 lacs (P.Y. Rs. 56.25 lacs))		
Other*	1196.87	2307.28
	<u>5414.54</u>	<u>6399.11</u>

\*Includes Euro 0.25 million equivalent to Rs. 193.60 lacs (P.Y. Euro 2.5 million equivalent to Rs. 1581.00 lacs) for Partial Payment for the acquisition of 933750 shares in overseas company namely, Newcocot s.r.l. (Refer note no. 2.11).

### NOTE 20 - REVENUE FROM OPERATION

#### Sale of Product

-Yarns*	51795.48	30357.64
-Knitwear*	2393.48	1671.63
-Trading Sale	18593.40	10877.51
	(A) <u>72782.36</u>	<u>42906.78</u>

#### Sale of Services

-Job Charges	26.53	95.30
-Commission Income (Refer Note no. 2.6 (i))	668.41	929.52
	(B) <u>694.94</u>	<u>1024.82</u>

#### Other operating revenue

Waste Sales	3338.30	1236.14
Sale of Scrap	14.80	14.03
Provision for Doubtful Debts/Advances Written back	--	57.83
Material handling Charges (Refer Note no. 2.6 (i))	--	298.12
	(C) <u>3353.10</u>	<u>1606.12</u>

Revenue from operations	(A+B+C) <u>76830.40</u>	45537.72
Less : Excise Duty	34.20	78.64
<b>Net Revenue from operation</b>	<u>76796.20</u>	<u>45459.08</u>

\*includes duty drawback & DEPB of Rs 988.17 lacs (P.Y 1124.03 Lacs)

### NOTE 21 - OTHER INCOME

Interest Received	156.54	93.21
Exchange Rate Difference (net)	793.92	370.92
Liability/Balances written back ( Net )	--	363.96
Miscellaneous Income	18.05	4.19
	<u>968.51</u>	<u>832.28</u>



## WINSOME YARNS LIMITED

PARTICULARS	As at 30.09.2013 (Rs. in Lacs)	As at 31.03.2012 (Rs. in Lacs)
<b>NOTE 22 - CHANGE IN INVENTORIES OF FINISHED GOODS, WIP STOCK AND STOCK IN TRADE</b>		
<b>Closing Stock</b>		
Finished Goods		
- Yarn	5374.66	5608.01
- Knitwear	474.72	677.55
	<u>5849.38</u>	<u>6285.56</u>
Stock in Process		
- Yarn	4834.30	4649.60
- Knitwear	597.72	266.32
	<u>5432.02</u>	<u>4915.92</u>
	(A) <u>11281.40</u>	<u>11201.48</u>
<b>Less : Opening Stock</b>		
Finished Goods (Yarn)		
- Yarn	5608.01	8191.28
- Knitwear	677.55	364.05
	<u>6285.56</u>	<u>8555.33</u>
Stock in Process		
- Yarn	4649.60	3646.48
- Knitwear	266.32	392.92
	<u>4915.92</u>	<u>4039.40</u>
	(B) <u>11201.48</u>	<u>12594.73</u>
Differential excise duty on increase/(decrease) in stock	(C) <u>(39.24)</u>	<u>3.51</u>
Decrease/(Increase) in Stocks	(A-B-C) <u>(119.16)</u>	<u>1396.76</u>
<b>NOTE 23 - EMPLOYEE BENEFIT EXPENSES</b>		
Salaries, Wages, Bonus, etc.	3215.60	1676.61
Contribution to Provident & Other Funds	186.31	92.43
Employees Welfare	87.30	42.26
	<u>3489.21</u>	<u>1811.30</u>
<b>NOTE 24 - FINANCIAL EXPENSES</b>		
Interest on Borrowings	7877.79	4851.72
(Net of reimbursement under TUFS Rs.1977.88 lacs, PY Rs.1451.06 lacs )		
Other borrowing cost	132.52	75.37
	<u>8010.31</u>	<u>4927.09</u>
<b>NOTE 25 - DEPRECIATION &amp; AMORTISATION EXPENSES</b>		
Depreciation	3277.42	2300.99
Less : Prorata Capital Subsidy	13.85	9.23
Amortisation	4.40	4.36
	<u>3267.97</u>	<u>2296.12</u>

**WINSOME YARNS LIMITED**

<b>PARTICULARS</b>	<b>As at 30.09.2013 (Rs. in Lacs)</b>	<b>As at 31.03.2012 (Rs. in Lacs)</b>
<b>NOTE-26 OTHER EXPENSES</b>		
Stores & Spares consumed	<b>1800.67</b>	995.39
Power & Fuel	<b>5702.39</b>	2596.79
Repairs & Maintenance		
-Building	<b>11.64</b>	4.85
-Plant & Machinery	<b>36.89</b>	15.04
-Others	<b>61.79</b>	35.99
Processing Charges & Dyeing Charges	<b>1227.23</b>	718.40
Material Handling Charges	<b>187.77</b>	135.87
Rent	<b>59.78</b>	37.51
Rates & Taxes	<b>13.85</b>	0.11
Printing & Stationery	<b>7.55</b>	6.63
Director Sitting Fee	<b>2.01</b>	2.38
Insurance	<b>155.08</b>	74.49
Bank Charges	<b>548.10</b>	296.91
Traveling & Conveyance	<b>248.63</b>	177.50
Postage, Telegrams and Telephones	<b>49.97</b>	34.26
Loss/Discard on Sale of Fixed Assets	<b>30.81</b>	57.60
Legal & Professional Charges	<b>130.11</b>	61.95
Charity & Donation	<b>0.70</b>	0.05
Asset Written off	<b>0.30</b>	--
Provision for Doubtfull Debts	<b>205.41</b>	--
Provision for Doubtfull Advance	<b>139.26</b>	--
Receivable written off	<b>1633.12</b>	--
Auditors remuneration		
-Audit Fee	<b>10.87</b>	5.14
-Tax audit Fee	<b>0.39</b>	0.39
-Other services	<b>4.95</b>	0.38
-Reimbursement of expenses	<b>0.19</b>	1.17
Commission on sales	<b>665.03</b>	483.42
Freight & Handling Charges	<b>1020.22</b>	805.37
Advertisement & Other Selling Expenses	<b>272.52</b>	171.85
Investment impairment charges	--	328.38
Provision for diminution of Investment	--	0.52
Liability/Balances written back (Net)	<b>8.33</b>	--
Miscellaneous Expenses	<b>246.47</b>	167.87
	<b><u>14482.03</u></b>	<u>7216.21</u>

**WINSOME YARNS LIMITED**  
 Regd. Office : SCO 191-192, Sector 34-A,  
 CHANDIGARH-160 022

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

**ATTENDANCE SLIP**

I hereby record by presence at the 23rd ANNUAL GENERAL MEETING of the Company being held on Wednesday the 12th February, 2014 at 11.30 a.m. at PHD Chamber of Commerce and Industry, Sector 31-A, Chandigarh.

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

\*Applicable for investors holding shares in electronic form.

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

..... Tear Here .....

**WINSOME YARNS LIMITED**  
 Regd. Office : SCO 191-192, Sector 34-A,  
 CHANDIGARH-160 022

**PROXY FORM**

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

\*Applicable for investors holding shares in electronic form.

I/We .....of ..... Being a Member/Members of WINSOME YARNS LIMITED hereby appoint ..... of ..... or failing him/her ..... of ..... as my/our Proxy to attend and vote for me/us on my/our behalf at the 23rd ANNUAL GENERAL MEETING of the Company to be held on Wednesday the 12th February, 2014 at 11.30 a.m. at PHD Chamber of Commerce and Industry, Sector 31-A, Chandigarh and at any adjournment thereof.

AS WITNESS my/our hand this .....day of .....2014.

Signature of Proxy .....



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

NOTE :

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

# Book - Post

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

Japnika - 98155 59966