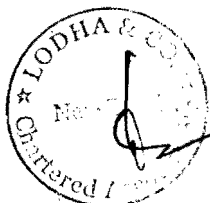


FORM NO. B

| | | |
|---|---|---|
| 1 | Name of the Company | WINSOME YARNS LIMITED |
| 2 | Financial Statements for the period (6 months) ended | 31st March, 2015 (For Standalone Financial Statements) |
| 3 | Type of Audit observation | <p>Qualification in the Annexure referred to in 'Basis for Qualified Opinion' paragraph of the Auditors' Report dated 28th May, 2015 to the members of Winsome Yarns Limited on the accounts for the period (6 months) ended 31st March, 2015:-</p> <p>i. Note no. 2.25 and 2.26 [this is to be read with note. No. 2.8(b) & 2.8(c)] regarding non-provisioning of Interest Expenses of Rs. 3273.37 Lacs (Previous Year NIL), penal interest, penalty etc. (amount unascertainable) AND Adjustment/set off of payment of receivables/payables pending necessary approval respectively as stated in the said notes.</p> <p>ii. Note no. 2.22(A)(iv) (b) and 2.22(A) (v) regarding Non compliance of conditions [read with note no. 2.2 (A) (iii)] with respect to physical verification of fixed assets, as advised not to maintain bank accounts outside consortium parties (Bankers etc.) as directed by the CDR-MC and the impact on the state of affairs on exiting from CDR by Banks, as stated in the said notes.</p> <p>iii. Note No. 2.14 regarding pending confirmation / reconciliation of balances of certain receivables (including overseas overdue receivables as stated in note no.2.8), bank balances, payables (including of an Associate Company), secured loans, other liabilities, loans and advances etc.; and contingent liability being considered as certified by the management in the absence of full detail, in this respect impact is unascertainable and cannot be commented upon by us. In our view read with said note internal control needs to be further strengthened.</p> <p>iv. Note No. 2.8 (a)&(b) and Note no. 2.11 regarding non-provision against receivables [including of oversea overdue debtors of amounting to Rs. 6908.79 lacs (Previous Year Rs. 6846.77 Lacs)] [including accounting of exchange fluctuation of Rs. 897.41 lacs (Previous Year Rs. 823.31 Lacs) till 31st March 2015] and loans and advances of Rs. 10377.68 lacs (Previous Year Rs. 6844.14 Lacs) and Rs. 2599.32 lacs (Previous Year Rs. 2935.38 Lacs) respectively. The accounting of exchange fluctuation is not in line with generally accepted accounting principles and Accounting Standards 11 (AS-11)-"The Effect of Changes in Foreign Exchange Rates".</p> <p>v. Note No. 2.22(A)(iv)(a) to (d) regarding accounting of consumption of Raw Material and Stores & Spares as balancing figure and the valuation of inventories is as taken, valued and as certified by the management [also attention</p> |

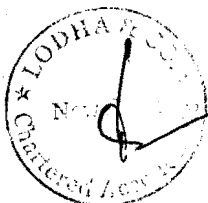


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| | | is drawn on provision against non/slow moving which has been made as assessed by the management] as stated in said note; the impact whereof on the statement of state of affairs and loss for the period not being ascertainable for the reason stated in the said note and cannot be commented upon by us. |
| | vi. | As stated in note no. 2.5 and as per the AS-28 (Impairment of Assets), the company have carried out assessment of value in use of assets of knitwear unit, by an independent professional firm, based on this estimated impairment loss is of amounting to Rs. 2365.58 lacs (Previous Year 2996.00 Lacs -Gross Amount) (net). However, no provision against the same has been made by the company for the reason as explained in the said note. The Non provision against impairment in value of above stated assets is not in line with AS 28. |
| | vii. | Note no. 2.3 regarding pending receipt of part money of amounting to USD 50,72,110 (Rs. 2679.34 lacs) out of the GDR issue made by the company and as explained 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)]. In respect of realisability/receipt we are unable to comment. As explained, above stated amount is invested in money market fund outside India, pending for utilization. |
| | viii. | Note No. 2.23 (read with note no. 2.14) regarding non-provisions of Interest, Penalty etc. on delay of certain statutory dues on time w.r.t. Employee State Insurance, Provident Fund, Punjab Welfare Fund, Tax Deducted at source, Tax Collected at source and Service Tax etc. (amount unascertainable) and our inability to comment the impact on the loss for the period. |
| | ix. | Note no. 2.12(b) regarding the net worth of the Company become negative and preparation of financial statements by the management on "going concern basis", considering the future business plans and expected cash flows as stated in the said note. In the event of the same not being held to be a "going concern" and various assets and liabilities being consequently required to be adjusted with respect to their realizable value, the impact whereof has not been ascertainable. |
| | x. | Note no. 2.21 regarding payment of managerial remuneration of Rs. 44.46 Lacs (w.e.f. 1 st July, 2014) (Previous Year Rs. 14.82 Lacs) is subject to necessary approval of the Central Government. |
| | xi. | Note no. 2.28 regarding pending appointment of requisite number of independent directors as stated in the said note. |

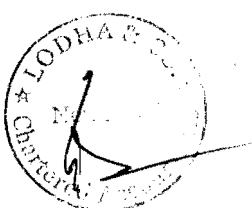


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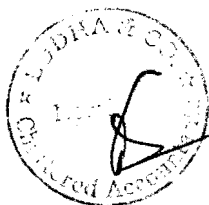
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| | | xii. | In view of our comment under para (i) to (x) above and on our comments in terms of the internal control system needs to be further strengthened to be made the same commensurate with the size of the Company and the nature of its business for the purchases and consumption of inventory, booking of the expenses, set off of balances and for the sale of goods and services. |
| | | xiii. | We report that, without considering items mentioned in paragraph (ii),(iii), (v), (vii) and (viii) above the impact of which could not be determined, had the impact of notes referred in paragraph (i), (iv) & (vi) above been given to in these financial statements, the loss for the period would have been Rs. 23,290.66 lacs (as against the reported figures of Rs. 4,674.71 lacs), accumulated loss at the period end would have been Rs. 43,277.78 Lacs (as against the reported figure of Rs. 24,661.82 lacs), Loans and advances at the period end would have been Rs. 1,167.34 lacs (as against the reported figure of Rs. 3,766.66 lacs), carrying value of fixed assets would have been Rs. 25,342.70 lacs (as against the reported figure of Rs. 27,708.28 Lacs), trade receivables would have been Rs. 1,466.83 lacs (as against the reported figure of Rs. 11,844.51 lacs), other current liability at the period end would have been Rs. 20,311.82 lacs (as against the reported figure of Rs. 17,038.45 lacs). |
| 4 | Frequency of Qualification | | <ul style="list-style-type: none"> In case of point no (i) and (ii) – Second time (except for audit qualification w.r.t. provisioning of Interest Expenses – First time) In case of point no. (iii) – For period > 3 Years (However there is change in amount) In case of point no. (iv) – For period > 3 Years (However there is change in amount) In case of point no. (v) – Third time In case of point no. (vi) – Third time (However there is change in amount) In case of point no. (vii) – Second time In case of point no. (viii) – First time In case of point no. (ix) – First time (Previous year under emphasis of Matter paragraph- Second time) In case of point no. (x) – First time (Previous year under emphasis of Matter paragraph) In case of point no. (xi) – First time In case of point no. (xii) – First time |
| 5 | Draw attention to relevant notes in the Annual Financial Statements and Management response to the qualifications in the Directors' Report. | | As per page no. 12 to 17 of Directors Report of Annual Report 2014-2015 under Annexure "A" (The explanation/ comments of the Board of Directors on qualification/ reservation or adverse remarks given by the Auditors in its report for the financial year 2014-15) to the Directors' Report:- |
| | | i. | 2.25 (i)- Due to continuous losses and financial tightness, the company has not been able to fully pay due installments & interest of term loan on due dates & certain overdue amount is continuing/ unpaid till date (as detailed in note |



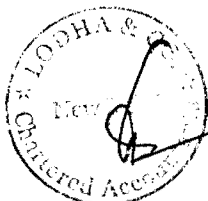
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| | | <p>no.5.6). No provision for interest, as calculated/ estimated by the management, on secured loans and short term borrowings of amounting to Rs.1442.87 lacs & Rs. 1830.50 lacs respectively (of banks) has been made in the accounts and the same will be accounted for as and when settled / paid. Further penal interest etc. (amount unascertained) if any, will be accounted for as and when paid/settled.</p> <p>(ii)- Pending receipt of old dues against the TUFs subsidy claim filed, the Company has not recognized TUFs subsidy claim of amounting to Rs.596.01 lacs for the period.</p> <p>2.26- In the previous year, certain outstanding payments of Rs. 2585.45 lacs of overseas receivables and payables (balances are subject to confirmations) to the overseas parties have been set off/adjusted where the company has applied for permission/ approval with the AD/RBI.</p> <p>2.8(c)(i)- Debts (receivables) exceeding six months of Rs.42.64 lacs (including previous year Rs. 42.58 Lacs, provision made in earlier years) and receivable from a Subsidiary Company have been written off, pending necessary approval of the AD/RBI.</p> <p>(ii)-Certain Overseas Advances of Rs. 40.64 lacs (including provided/ written off in previous year Rs. 39.19 lacs) have been written off, pending necessary approval of the AD/RBI.</p> <p>(iii)-Certain Overseas payables of Rs. 123.57 lacs have been written back, pending necessary approval of the AD/RBI.</p> |
| | ii. | <p>2.22(A)(iv)(b)--Company is in process of item wise physical verification of Fixed Assets and inventories. To the extent assets and inventories have been physically verified by the management, no material discrepancies have been observed between the book record and physical quantity.</p> <p>2.22(A)(v)--The Company has temporarily opened an account with Bank which is outside the consortium.</p> |
| | iii. | <p>2.14- balances of certain Trade Receivables (including subsidiaries and overseas overdue trade receivables as stated in note no. 2.8), bank balances (including bills discounted and outstanding Letter of Credit), Trade Payables (including of Associate Company of amounting to Rs.567.90 lacs), Secured Loans, Other Liabilities and Loans & Advances are in process of confirmation/ reconciliation. Contingent (read with note no. 2.1) liabilities has been considered as certified by the management as full detail could not be made available to the auditors. The management is of the opinion that adjustment, if any, arising out of such reconciliation would not be material. Further, necessary steps have been initiated to further strengthen system of internal controls w.r.t. accounting of expenses, accounting of income (including sale of licenses and provision written back), payroll payments and of balance reconciliation/confirmation.</p> |



| | | | |
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| | | iv. | <p>2.8(a)- Receivables exceeding six months includes outstanding amount for period over one year of Rs. 6908.79 Lacs (including exchange gain of Rs. 897.41 lacs till 31.03.2015) [excluding as stated in note no. (b) below], where company is in process of filing necessary papers with appropriate authority for extension of time [read with note no.2.9 (A)]. In this regards, management is confident about full recovery/ realisability considering the past performance of the customer and recovery initiative taken by the Company.</p> <p>(b)-The trade receivable include certain overdue Trade Receivables/ Other Receivables of Rs. 3468.89 lacs. Considering the fact that management is confident about full recovery/ realisability, provision there against has not been considered necessary.</p> <p>2.11- Overdue amount include Short Term Loans and Advances of Rs. 2599.32 lacs (including Refunds/ Claims Receivables of Rs.349.58 Lacs, TUFS subsidy Rs. 1475.35 lacs, advances and balance with Government Authorities of Rs. 83.30 Lacs and capital advances of Rs. 250 lacs)(net of a provisions of Rs. 83.30 lacs made during the period). In the opinion of the management these are fully realisable and hence considered good. Further, necessary steps have been initiated for recovery of the same.</p> |
| | | v. | <p>2.22(A)(iv)(a)- As per the past practice, consumption of raw material and stores & spares is derived as net of opening stock plus purchases less closing stock as Item wise records are in process of updation.</p> <p>(b)- Company is in process of carrying out item wise reconciliation between item wise physical stock of Fixed Assets and inventories. To the extent assets and inventories have been physically verified by the management, no material discrepancies have been observed between the book record and physical quantity.</p> <p>(c)- In view of Para (a) above, closing inventory of stock-in-process and finished goods has been considered as taken, valued and certified by the management after providing against old/ non-moving inventory as assessed/ estimated by the management and/or based on contracts/ subsequent sales realization.</p> <p>(d)- In view of security arrangement in place, the management is confident that there will not be any material adjustment on updation/ completion of records of physical verification of inventory and fixed assets.</p> <p>This response also</p> |
| | | vi. | <p>2.5-In accordance with Accounting Standard 28- 'Impairment of Assets', the Company has identified its garmenting manufacturing facility (Knitwear Unit) located at Plot No. B-58, Industrial Area, Phase- VII, Mohali (Punjab), [Cash Generating Units (CGU)]. The CGU is engaged in manufacture of sweaters, pullover and garments of various sizes. Considering the continuing past losses of</p> |



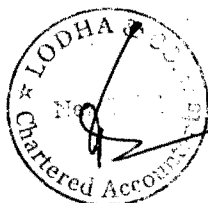
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| | | | <p>the CGU, during the period ended 31st March 2015, the Company on the basis of projected scale of operations and prevailing market conditions assessed that the recoverable value of the above CGU would be lower as compared to the carrying value, thus, indicating impairment. As a result of the impairment testing carried out as at 30th September, 2013 by an independent expert, impairment loss of Rs. 2996.00 Lacs was estimated by the Management, based on a comparison of the carrying value of the asset vis-a-vis recoverable value. Post the assessment of value of CGU, the Company has charged an amount of Rs. 630.42 Lacs on account of depreciation, and the assessed amount of impairment loss has since reduced to Rs. 2365.58 Lacs. However, as the reports are under consideration of the Management, Impairment loss will be accounted as and when finally assessed. Further, management is of the view that in recent past with growth in the textile market (consumption) in general and considering the present economic and political scenario, impairment if any, would be much lower than the amount as assessed by the expert.</p> |
| | | vii. | <p>2.3(a)- In the Extraordinary General Meeting of the Company held on 28/06/2010, the Members of the Company had approved the issue of new capital through Global Depository Receipts (GDRs), and 19,94,125 number of GDR of USD 6.64 each (each GDR converting/ equivalent to 100 equity shares-being 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. The GDR is listed for trading at the Luxembourg Stock Exchange. Out of the proceeds of GDRs raised in 2011, an amount of USD 6,954,515 (INR 3721.05 Crores) stood remitted to India, which had been utilised for augmentation of working capital needs of the Company and a balance amount of US\$ 50,72,110 (INR 2679.34 Lacs) continues to remain invested in an overseas Money Market Fund outside India as on 31.3.2015, pending proceeds to be utilised. In this regards, as advised, Company is filing return regularly with the RBI.</p> <p>(b)- The Depository of GDR Issue. The Bank of New York Mellon, USA, (BNYM) has resigned to act as Depository w.e.f. 29.10.2014 and also issued a termination notice on 16.3.2015 to terminate the depository agreement w.e.f. 15-06-2015. The GDR is listed at Luxembourg Stock Exchange (LSE). The LSE has issued a notice to the company for withdrawal of GDR issued from the LSE w.e.f. 16-06-2015. The company is in process to appoint new depository.</p> |
| | | viii. | <p>2.23- Due to financial tightness and losses, Company could not make due payments against various statutory dues (TDS, TCS, PF, ESIC, PWF, Service Tax etc.) on time and pending for payment at close of the period are on account of Provident Fund Rs. 94.54 lacs, ESI Rs. 0.77 lacs and PWF Rs. 2.02 Lacs. However, the company will honour all the dues in due course on the revival/ availability of fund. Penal interest and penalty in this regard (amount unascertained)</p> |



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| | | | if any, will be accounted for as and when the same will be paid. |
| | | ix. | 2.12 (b)- The accumulated losses of the Company having exceeded its net worth, based on the audited accounts for the period ended 30 th September 2014. Accordingly, the Company have filed an application with the Hon'ble Board for Industrial and Financial Reconstruction, in terms of its statutory obligation under section 3(1)(o) of the Sick Industrial Companies (Special Provisions) 1985 (SICA). Company in terms to the said Act, has been registered since 10 th April 2015. Considering the proposed rehabilitation plan of the company and future business plans, present business scenario, stable government policies for the business and expected cash flow in the near future as assessed by the management of the company, accounts are prepared on 'Going Concern' basis. |
| | | x. | 2.21-The Company has filed Form no. MR-2 on 25.05.2015 with Central Government for approval of payment of managerial remuneration to the Managing Director. The payment of remuneration of Rs. 44.46 lacs (including Rs. 14.82 lacs of previous year) (w.e.f. 1 st July, 2014) is subject to the necessary approval of the Central Government. |
| | | xi. | 2.28-The Company is in process to appoint an Independent Director. |
| | | xii. | Para (i) to (x) Necessary steps have been initiated to further strengthen system of internal controls w.r.t. purchases and consumption of inventory, booking of expenses, set off of balances and for the sale of goods and services. |
| 6 | Additional comments from the board/audit committee chair:- | No | |

(A) Under the Annexure referred under 'Report on other legal and regulatory requirements' paragraph, Independent Auditors have drawn attention to the following:-

- 1) In respect of records and Physical verification of fixed assets. [Refer to clause 1(a) and 1(b) of the above referred Annexure].
This is to be read with point no. 5(ii), 5(v) & 5(vi) as stated above.
- 2) In respect of records and procedure of physical verification of the Inventories. [Refer to clause 2(a), 2(b) & 2(C) of the above referred Annexure].
This is to be read with point no. 5(v) as stated above.
- 3) In respect of further strengthens of internal control system. [Refer to clause 4 of the above referred Annexure].
This is to be read with point no. 5(xii) as stated above.
- 4) Provident Fund, Employee State Insurance dues, Punjab Welfare Fund, TDS, TCS & Service Tax were found paid with certain delay and non- deposition of PF, ESI & PWF. [Refer to clause 7(a) of the above referred Annexure].
This is to be read with point no. 5(viii) as stated above.
- 5) Company has defaulted in repayment of dues on account of interest and principal to banks. [Refer to clause 9 of the above referred Annexure].




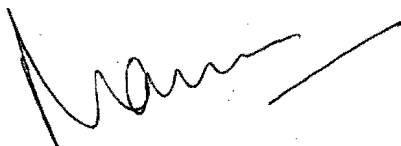


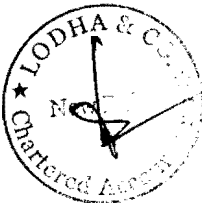
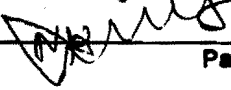

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This is to be read with point no. 5(i) as stated above.

- (B) Under the "**Emphasis of matters**" paragraph, Independent Auditors have drawn attention to the following :-

Attention is drawn to Note No. 2.29 regarding Financial statements of a subsidiary Company namely Winsome Yarns FZE for the year ended 31.3.2015 are unaudited and as certified by the management.

Auditor's opinion is not qualified in respect of the above stated matter.

| To be signed by: | | |
|------------------|--------------------------|--|
| 1 | CEO/Managing Director |   Manish Bagrodia Managing Director (DIN-00046944) |
| 2 | Chief Financial Officer |   Anand Balkishan Sharma President (Corporate Finance) and CFO |
| 3 | Auditor of the Company |   For LODHA & CO. Chartered Accountants Firm Reg. No. 301051E N. K. Lodha (Partner) M.No. 85155 M/s Lodha & Co. Chartered Accountants (FRN: 301051E) Partner |
| 4 | Audit Committee Chairman |  Pradeep Kumar Audit Committee Chairman (DIN-03052477) |

WINSOME YARNS LIMITED

25TH ANNUAL REPORT 2014-15



Winsome Yarns Limited



**IS/ISO
9001**



BOARD OF DIRECTORS

| | |
|--------------------------|------------------------------|
| Shri Satish Bagrodia | Chairman |
| Shri Pradeep Kumar | Independent Director |
| Shri K. P. Ramakrishnan | Independent Director |
| Shri Suresh Kumar Singla | Director (PSIDC-Nominee) |
| Shri Brij Mohan Padha | Director (PNB-Nominee) |
| Ms. Ishika Aggarwal | Independent Director (Woman) |
| Shri Manish Bagrodia | Managing Director |

CHIEF FINANCIAL OFFICER

Shri Anand Balkishan Sharma

G.M. (LEGAL) & COMPANY SECRETARY

Shri K. V. Singhal

AUDITORS

M/s Lodha & Co.
Chartered Accountants
12, Bhagat Singh Marg
New Delhi-110001

BANKERS

Canara Bank
State Bank of Patiala
Punjab National Bank

REGISTERED OFFICE

SCO- 191-192, Sector 34-A, Chandigarh – 160022

REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Pvt. Limited
44, Community Centre, 2nd Floor
Near PVR, Naraina Industrial Area, Phase-1
New Delhi – 110028

CONTENTS

| | |
|---|----|
| Notice of AGM | 1 |
| Directors' Report & annexures | 5 |
| Corporate Governance Report | 34 |
| Auditors' Report on Standalone Accounts | 44 |
| Accounts Statement Standalone | 49 |
| Statement under Section 129 | 74 |
| Auditors' Report on Consolidated Accounts | 75 |
| Consolidated Accounts Statement | 81 |

NOTICE

NOTICE is hereby given that the 25th Annual General Meeting of the Members of Winsome Yarns Limited, will be held on Wednesday, the 23rd day of September, 2015 at 11.30 a.m. at PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh to transact the following business:

ORDINARY BUSINESS:

ITEM NO. 1

To receive, consider and adopt the Audited Financial Statement of the Company for the Financial Year ended March 31, 2015 together with the Reports of the Board of Directors and Auditors thereon.

ITEM NO. 2

To appoint a Director in place of Shri Satish Bagrodia (DIN. 00638647), who retires by rotation in terms of Section 152(6) of the Companies Act, 2013 and being eligible, offers himself for re-appointment.

ITEM NO. 3

To ratify the appointment of M/s Lodha & Co., Chartered Accounts (Firm Registration No. 301051E) as Statutory Auditors of the Company for the year 2015-16 and to fix remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014, the Company hereby ratify the appointment M/s Lodha & Co., Chartered Accountants, (Firm Registration No. 301051E) as the Statutory Auditors of the Company for the financial year 2015-16 to hold the office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting at a remuneration to be decided by the Managing Director of the Company in consultation with the Auditors plus applicable service tax and re-imbursement of out of pocket expenses incurred by them for the purpose of audit."

SPECIAL BUSINESS:

ITEM NO. 4

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 152 and any other applicable provisions, if any, of the Companies Act, 2013 read with Schedule IV to the Companies Act, 2013, the rules made there under and Clause 49 of the Listing Agreement (including any statutory modification(s) or re-enactment thereof for the time being in force), Ms. Ishika Aggarwal (DIN:07143844), who was appointed as an Additional Independent Director of the Company and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director be and is hereby appointed as an Independent Director of the Company not liable to retire by rotation for a term of consecutive five years starting from the date of this Annual General Meeting to the conclusion of 30th Annual General Meeting of the Company."

ITEM NO. 5

To appoint M/s Balwinder and Associates as Cost Auditor of the Company and fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 148 and other applicable provisions, if any, of Companies Act 2013, read with Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force), and final policy of the Central Government on the subject, M/s Balwinder & Associates, Cost Accountants, (Firm registration number 000030), Mohali, Punjab, be and are hereby appointed as Cost Auditor to conduct the audit of cost accounts of the Company for the financial year 2015-2016 at a remuneration to be proposed by the Managing Director in consultation with the Cost Auditor, subject to approval of the shareholders of the Company.

RESOLVED FURTHER THAT pursuant to provisions of section 148(3) of the Companies Act, 2013 and Rules made thereunder, approval of the shareholders be and is hereby accorded for the remuneration of Rs. 75000/- (Rupees Seventy five thousand only) plus service tax and out-of pocket expenses payable to M/s Balwinder and Associates, Cost Accountants, appointed by the Board of Directors as cost auditor of the Company for the financial year 2015-16."

For and on behalf of the Board

Place : Chandigarh
Dated : 28.05.2015

Manish Bagrodia
Managing Director

NOTES :

1. A member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote. The instrument

appointing the proxy should, however, be deposited at the registered office of the Company not less than forty-eight hours before the commencement of the Meeting.

2. Members are requested to bring their attendance slip along with their copy of Annual Report to the Meeting.
3. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
4. Corporate members intending to send their authorized representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.
5. Relevant documents referred to in the accompanying Notice and the Statement are open for inspection by the members at the Registered Office of the Company on all working days, except Saturdays, during business hours up to the date of the Meeting.
6. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company/ RTA.
7. **Members who have not registered their e-mail addresses so far are requested to register their e-mail address with the Depository Participants, who have hold the shares in demat form and with the Company, who have hold the shares in physical form for receiving all communication including Annual Report, Notices, Circulars, etc. from the Company electronically.**
8. M/s Link Intime India Pvt. Limited, 44, Community Centre, 2nd Floor, Near PVR, Naraina Industrial Area, Phase-I, New Delhi-110028 (Tele. 011-41410592-94, Fax No. 011-41410591) is acting as common agency for dematerialisation and physical transfer of shares of the Company.
9. According to section 205(A)(5) of the Companies Act, 1956, the unclaimed/ unpaid dividend for the year 2006-07 have been transferred to Investor Education and Protection Fund on 21.11.2014. As per amended section 205B, nothing contained in this section shall apply to any person claiming to be entitled to any money transferred to the fund referred to in section 205C on and after the commencement of the Companies (Amendment) Act, 1999.
10. The notice of AGM along with Annual Report 2014-15 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company/Depositories, unless any Member has requested for a physical copy of the same. The Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode.
11. Item No. 2 - Shri Satish Bagrodia aged about 76 years is B.Sc. Engg. (Mech.), FIE. He has more than 49 years of experience of setting up and implementing Industrial Projects. He is holding 42900 shares of the company. Presently, he is Chairman of Winsome Yarns Limited. He is also member of Nomination and Remuneration Committee and Risk Management Committee of Winsome Yarns Limited.
12. A Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, relating to the Special Business is annexed hereto.
13. The Register of Members and Share Transfer Books of the Company will remain closed on **09.09.2015 to 11.09.2015** (both days inclusive).

E-voting Procedure

14. The instructions for shareholders voting electronically are as under:
 - (i) The E-voting period begins on **20.09.2015 at 9.00 a.m.** IST and ends on **22.09.2015 at 5.00 p.m.** IST. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (**16.09.2015**), may cast their vote. The e-voting module shall be disabled by CDSL for voting thereafter.
 - (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
 - (iii) Click on "Shareholders" tab.
 - (iv) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
 - (v) Next enter the Image Verification as displayed and Click on Login.
 - (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
 - (vii) If you are a first time user follow the steps given below:

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

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN of Winsome Yarns Limited for e-voting.
- (xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvii) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) Note for Non – Individual Shareholders and Custodians.
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

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

WINSOME YARNS LIMITED

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

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

THE EXPLANATORY STATEMENT UNDER SECTION 102 OF THE COMPANIES ACT, 2013

ITEM NO. 4

Pursuant to the provisions of clause 49 of Listing Agreements, entered with the Stock Exchanges and section 149 of Companies Act 2013 read with Companies (Appointment and Qualifications of Directors) Rules, 2014, which came in to effect from April 1, 2014, every listed public Company is required to have at least one-third of the total number of directors as Independent directors, who are not liable to retire by rotation. On the recommendation of the Nomination and Remuneration Committee in their meeting held on 31.03.2015, the Board of Directors by resolution no. 4/2015 dated 31.03.2015 has appointed Ms. Ishika Aggarwal as an Additional Independent Director of the Company for a term of consecutive five years.

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

| | |
|--|--|
| Name of Director | Ms. Ishika Aggarwal |
| DIN | 07143844 |
| Date of Birth | 20.11.1983 |
| Brief Profile | Ms. Ishika Aggarwal, a Masters in Business Administration from France has overall experience of more than 10 years in various aspects of management. She has worked with two of the big four audit/ consulting firms of India. During her engagement with Ernst & Young as Risk Analyst and with Deloitte Consulting, Strategy and Operations, she worked of projects like Finance Shared Services project for a leading telecom service provider, Captive Strategy project for a leading global financial services firm, vendor management project for a leading resource organisation, diagnostic for finance shared services at a leading hospital chain and was core tam member representing Deloitte as knowledge partner at All India Management Association. Presently she is a Freelance Consultant. |
| Qualifications | Bachelor of Science and Masters of Business Administration |
| Directorship held in other Companies. | Nil |
| Membership/ Chairmanship of Committees of other public Companies . | Nil |
| Shareholding in the Company | Nil |

Ms. Ishika Aggarwal is interested individually in the Resolutions relating to her appointment. None of the other Directors and Key Managerial Personnel of the Company, or their relatives, is interested in this Resolutions.

The Board recommends this Resolution for approval of the shareholders.

ITEM NO. 5

The Board of Directors after considering the recommendations of Audit Committee have appointed M/s Balwinder and Associates, Cost Accountants, as Cost Auditor of Company for the Financial Year 2015-16 to conduct the Cost Audit of Cost Accounts of the Company on a total remuneration of Rs. 75000/- (Rupees Seventy five thousand only) plus service tax and out of pocket expenses. According to provisions of section 148 of Companies Act 2013 read with Companies (Audit & Auditors) Rules 2014, the remuneration of Cost Auditor is subject to the ratification of members of the Company.

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

For and on behalf of the Board

Place : Chandigarh
Dated : 28.05.2015

Manish Bagrodia
Managing Director

DIRECTORS' REPORT

Dear Members,

We are pleased to present the 25th Annual Report of the Company and the audited statement of accounts for the year ended 31st March, 2015. A summary of the financial results is given below. The performance of the Company during the year has been adversely affected due to higher input costs on the one hand and pressure on selling prices on the other, because of demand recession. Labour relations at all the plants are cordial and an atmosphere of mutual trust and confidence prevails.

SUMMARISED FINANCIAL RESULTS:

| Financial Hilights | Year ended 31.03.2015* (Rs. in lacs) | Year ended 30.09.2014 (Rs. in lacs) |
|--|---|--|
| Revenue from Operations | 20452.49 | 40660.72 |
| Profit before Interest, Depreciation & Tax | (3525.83) | (1909.55) |
| Less: Interest | 275.29 | 6133.15 |
| Profit /(Loss) before Depreciation | (3801.12) | (8042.70) |
| Less: Depreciation | 873.59 | 2176.27 |
| Profit/ (Loss) before Taxes | (4674.71) | (10218.97) |
| Exceptional items | – | 944.33 |
| Less : – Current Tax | – | – |
| – Previous years Tax | – | – |
| – Deferred Tax | – | – |
| Net Profit/ (Loss) after Taxes | (4674.71) | (11163.30) |
| Add : Surplus brought forward from previous year | (19903.09) | (8739.79) |
| Balance Carried to Balance Sheet | (24577.80) | (19903.09) |

* Period from 01.10.2014 to 31.03.2015 (6 months)

OPERATIONS & PERFORMANCE:

During the period under review, the Company's operation remained at near similar levels as previous year. However, due to accumulated losses of earlier years, the Company continued to face a strain on its working capital resources, which in turn impacted the overall profitability and capacity utilization of the plant. Despite the liquidity constraints the Company continued maintaining production activity at all its facilities, and was able to retain its dealings with suppliers and customers.

The overall performance of the Company for the period of 6 months ended 31.03.2015 was a loss of Rs. 4674.71 lacs in comparison to the net loss of Rs. 11163.30 lacs of previous period of 12 months ended 30.09.2014. During the period under review, your Company has achieved a turnover of Rs. 20452.49 lacs against the previous year's (12 months) turnover of Rs.40660.72 lacs.

During the period under review the Company was unable to fulfill its sales commitments to its customers as no financial assistance or utilisation of sanctioned facilities was available to the Company, and that the latter has had to suffer losses and make provisions for loss in value of inventories and was unable to recover full amounts from its several customers outstanding for long. The Company expects that the lenders will accede to its requests and permit dealings to the Company so that business is not lost and operations stabilize at higher levels.

EROSION OF ENTIRE NET WORTH:

Consequent to accumulated losses of the Company exceeding its net worth during the accounting period ended 30th September 2014, and the Company having become a sick industrial company within the meaning of section 3(1) (o) of the Sick Industrial Companies (Special Provisions) Act. 1985, a Reference was filed by the Company before the Hon'ble Board for Industrial and Financial Reconstruction (BIFR).

The Company will be proposing a comprehensive scheme for restructuring of its business and affairs, and is keen that the said scheme is considered and approved by all stakeholders, and sanctioned by the Hon'ble BIFR. The scheme to be proposed by the Company will incorporate the restructuring as may have been sanctioned by lenders and other stakeholders by such time.

OUTLOOK:

The Company's restructuring last carried out in 2009 is no longer under the monitoring of CDR Forum. However the Company has submitted rehabilitation cum settlement proposal to all its lenders and is hopeful of its early consideration.

WINSOME YARNS LIMITED

The Management of the Company is discussing various options for restructuring of debts and its proposal to the lenders is based, inter-alia, on the following:

- Restructuring / realignment / re-sizing of it's the debts in accordance with various Guidelines and precedents, which will help reduce costs on account of interest.
- Improving operational efficiencies, and rationalization of manpower and other costs.
- Continually developing lower cost variants of value added yarns.
- Disposal of noncore assets to generate funds to augment working capital resources.

The Company's proposal to its lenders also envisages that petitions and applications pending before various Courts, amongst others, under Recovery of Debts Due to Banks and Financial Institutions Act, 1993 Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, will stand compromised with both parties giving up their respective claims and the Company being required to pay restructured amount of debt.

The lenders had appointed a Techno-Economic expert to assess viability of the Company's plant and its operations, which report is awaited, and a decision in the matter may emerge soon thereafter.

SUBSIDIARY COMPANIES:

According to the provisions of Section 129 of Companies Act, 2013, a statement containing salient features of the financial statements of the Company's subsidiaries in Form AOC-1 is attached to the financial statements of the Company.

As required by Accounting Standard – 21 issued by the Institute of Chartered Accountants of India the consolidated financial statements, included in this Annual Report, incorporate the accounts of its subsidiary Companies namely Winsome Yarns (Cyprus) Limited and Winsome Yarns (FZE) (as at 31.03.2015, unaudited, ceased operations, declared defunct effective 01.04.2014).

Pursuant to the provisions of Section 136 of the Companies Act, 2013, the financial statements of the Company, consolidated financial statements along with relevant documents and separate audited/ unaudited accounts in respect of subsidiaries are available on web site of the Company.

The ongoing business recessionary conditions in European Countries, caused negative effects to 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., which were placed under liquidation, and therefore, their Balance Sheets and other financial statements are not available; accordingly, the instant consolidated financial statements of the Company do not include the financials of the above named three subsidiary Companies

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 | Under Liquidation. |
| 2 | S.C. Winsome Romania S.r.l. | 26.11.2008 | Under Liquidation. |
| 3 | S.C. Textil S.r.l. | 09.02.2010 | Under Liquidation. |

ISO 9001/ 2008:

Your Directors are pleased to inform you that your Company continues to be the holder of ISO 9001/2008 certificates.

DIVIDEND:

Your Directors are unable to recommend any dividend on equity shares for the year under review.

SHARE CAPITAL:

During the year the company has not allotted any securities.

DIRECTORS:

- Ms. Ishika Aggarwal has been appointed as an Additional Director on 31.03.2015 of the Company for a period of five years pursuant to the provisions of Sections 149, 152 and any other applicable provisions, if any, of the Companies Act, 2013 read with Schedule IV to the Companies Act, 2013, the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force). Ms. Ishika Aggarwal is Bachelor of Science and Masters of Business Administration. This had also fulfill the requirement of having a woman Director on the Board of Directors under the Companies Act, 2013.
- Shri K. P. Ramakrishnan has been appointed as an Additional Director on 29.11.2014 of the Company for a period of five years pursuant to the provisions of Sections 149, 152 and any other applicable provisions, if any, of the Companies Act, 2013 read with Schedule IV to the Companies Act, 2013, the rules made there under (including any statutory modification(s)

or re-enactment thereof for the time being in force). Shri K. P. Ramakrishnan is B.Tech (Metallurgy) from IIT, Chennai. He has around 36 years of experience in Banking Sector and has worked at various levels in different locations in India. He retired as Chief General Manager from IDBI Bank in 2014.

- (c) Shri B. M. Padha was nominated as director of the Company by Punjab National Bank and the Board of the Company has appointed w.e.f. 18.10.2014 as Nominee Director of the Company.
- (d) Shri Satish Bagrodia, Director, retires by rotation and being eligible, offers himself for re-election.
- (e) None of the Directors are disqualified under the provisions of Section 164(2) of the Companies Act, 2013. The Directors have made the requisite disclosures, as required under the provisions of Companies Act, 2013 and Clause 49 of the Listing Agreement.

BOARD EVALUATION:

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out an annual evaluation of its own performance, the directors individually, as well as the evaluation of the working of its Committees. At the meeting of the Board all the relevant factors that are material for evaluating the performance of individual Directors, the Board and its various committees were discussed in detail. A structured questionnaire each for evaluation of the Board, its various Committees and individual Directors was prepared and recommended to the Board by Nomination & Remuneration Committee for doing the required evaluation after taking into consideration the input received from the Directors covering various aspects of the Board's functioning and its Committees, execution and performance of specific duties, obligations and governance etc.

A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as level of engagement and contribution, independence of judgement, safeguarding the interest of the Company and its minority shareholders etc. The performance evaluation of the independent Directors was carried out by the entire Board. The performance evaluation of the Chairman and non-independent Directors was also carried out by the Independent Directors at their separate meeting. The Directors expressed their satisfaction with the evaluation process.

NO. OF BOARD MEETINGS:

Three board meetings were convened and held during the financial year 2014-15, comprising a period of 6 months from 01.10.2014 to 31.03.2015. The details thereof are given in the Corporate Governance Report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013.

AUDITORS:

M/s. Lodha & Co., Chartered Accountants (Firm Registration Number: 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 2015-16. As required under the provisions of Section 139 of the Companies Act, 2013, 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 said Section.

AUDITORS' REPORT:

The Statutory Auditors of the Company have submitted Auditors' Report on the accounts of the Company for the financial year ended March 31, 2015. The explanation/ comments of the Board on every qualification/ reservation or adverse remarks given by the Auditor in its report is annexed herewith as **Annexure 'A'**.

COST AUDITORS AND COST AUDIT REPORT:

Pursuant to Section 148 of the Companies Act, 2013 read with The Companies (Cost Records and Audit) Amendment Rules, 2014, the cost audit records maintained by the Company in respect of various activities are required to be audited. Your Directors had, on the recommendation of the Audit Committee, appointed M/s. Balwinder and Associates, Cost Accountants, to audit the cost accounts of the Company for 2015-16 on a remuneration to be decided by the Managing Director of the Company in consultation with the Cost Auditor, subject to approval of the shareholders of the company. The Cost Audit of Textile Industry was not required for the financial year 2014-15.

SECRETARIAL AUDIT:

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s. Girish Madan & Associates, a firm of Company Secretaries in practice (C.P. No. 3577) to undertake the Secretarial Audit of the Company. The Secretarial Audit Report for the financial year ended 31st March, 2015 is annexed herewith as **'Annexure 'B'** to this Report.

PUBLIC DEPOSIT:

During the year, the Company has not accepted any deposits from the public and as such, there are no outstanding deposits

WINSOME YARNS LIMITED

in terms of the Companies (Acceptance of Deposits) Rules, 2014.

DIRECTORS' RESPONSIBILITY STATEMENT:

The Board of Directors acknowledge the responsibility for ensuring compliance with the provisions of Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013 in the preparation of annual accounts for the year ended on 31st March, 2015 and state that:

- a. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b. the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent 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 and loss of the company for that period;
- c. the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d. the directors had prepared the annual accounts on a going concern basis;
- e. the directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively; and
- f. the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

KEY MANAGERIAL PERSONNEL:

Shri Manish Bagrodia, Managing Director, Shri Anand Balkishan Sharma, President (Corporate Finance) and Chief Financial Officer (CFO) and Shri K. V. Singhal, General Manager (Legal) & Company Secretary of the Company are the Key Managerial Personnel of the Company.

CORPORATE GOVERNANCE:

A separate report on Corporate Governance is enclosed as a part of this Annual Report. A certificate from the Secretarial Auditor of the Company regarding compliance with Corporate Governance norms stipulated under Clause 49 of the Listing Agreement is annexed to the Report on Corporate Governance.

AUDIT COMMITTEE & RISK MANAGEMENT:

The details pertaining to composition of audit committee are included in the Corporate Governance Report.

RISK MANAGEMENT

The Board of the Company has formed a risk management committee to frame, implement and monitor the risk management plan for the Company. The committee is responsible for receiving the risk management plan and ensuring its effectiveness. The audit committee has additional oversight in the area of financial risks and controls. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

NOMINATION AND REMUNERATION COMMITTEE:

The Nomination and Remuneration Committee of the Company comprising Shri Pradeep Kumar as Chairman, Shri Satish Bagrodia, Shri K. P. Ramakrishnan and Shri S. K. Singla as its Members, met two times during the year. The Committee formulated Remuneration Policy which is attached as **Annexure 'C'** and forms a part of this Report of the Directors.

RELATED PARTY TRANSACTIONS:

All transactions entered into with related parties as defined under the Companies Act, 2013 and Clause 49 of the Listing Agreement during the financial year were in the ordinary course of business and on an arm's length pricing basis and do not attract the provisions of Section 188 of the Companies Act, 2013. There were no materially significant transactions with the related parties during the financial year which were in conflict with the interest of the Company and hence, enclosing of Form AOC-2 is not required. Suitable disclosure as required by the Accounting Standard (AS 18) has been made in the notes to the Financial Statements.

All Related Party Transactions are placed before the Audit Committee. Prior omnibus approval of the Audit Committee is obtained for the transactions which are of a foreseen and repetitive nature. The transactions entered into pursuant to the omnibus approval so granted are audited and a statement giving details of all related party transactions is placed before the Audit Committee for their approval on a quarterly basis.

The policy on Related Party Transactions as approved by the Board is uploaded on the Company's website. None of the Directors has any pecuniary relationships or transactions vis-à-vis the Company.

DECLARATION BY INDEPENDENT DIRECTORS:

Necessary declarations have been obtained from all the Independent Directors under sub-section (7) of Section 149 of the Companies Act, 2013.

SIGNIFICANT AND MATERIAL ORDER:

During the financial year, there was no significant and material order passed by any Court or any Tribunal against the Company.

INTERNAL FINANCIAL CONTROLS:

The Company has in place internal financial control systems, commensurate with the size and complexity of its operations to ensure proper recording of financial and operational information and compliance of various internal controls and other regulatory and statutory compliances. The internal auditor monitors and evaluates the efficacy and adequacy of internal control systems in the Company. Based on the report of the internal auditor, respective departments undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of The Companies (Accounts) Rules, 2014, is annexed herewith as **Annexure 'D'**.

ENVIRONMENT AND POLLUTION CONTROL:

Top priority continues to be given to preservation of the environment by all the units of the Company. To combat pollution and strengthen the area ecology, considerable emphasis is placed on plantation of fragrant and shady trees. We are cautious of preserving water through recycling and rainwater harvesting to the extent possible. All manufacturing facilities possess the required environmental clearance from the respective Pollution Control Boards and do comply with the relevant legislation.

The Company is well aware of its responsibility towards a better and clean environment. Our efforts in environment management go well beyond mere compliance with statutory requirements. The Company has always maintained harmony with nature by adopting eco-friendly technologies and upgrading the same from time to time incidental to its growth programmes.

PARTICULARS OF EMPLOYEES:

The prescribed particulars of employees required under Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is attached as **Annexure 'E'** and forms a part of this Report of the Directors.

EXTRACT OF ANNUAL RETURN:

The details forming part of the extract of the Annual Return as provided under sub-section (3) of Section 92 of the Companies Act, 2013 is annexed herewith as **Annexure 'F'**.

CASH FLOW ANALYSIS:

In conformity with the provisions of clause 32 of the Listing Agreement, the Cash Flow Statement for the year ended 31.03.2015 is annexed with financial statements.

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.

ACKNOWLEDGEMENTS:

Your Directors thank the various Central and State Government Departments, Organizations and Agencies for the continued help and co-operation extended by them. The Directors also gratefully acknowledge all stakeholders of the Company viz. customers, members, dealers, vendors, banks and other business partners for the excellent support received from them during the year. The Directors place on record their sincere appreciation to all employees of the Company for their unstinted commitment and continued contribution to the Company.

Registered Office :
SCO 191-192, Sector 34-A
Chandigarh – 160022
Dated : 28.05.2015

On behalf of the Board,

Manish Bagrodia Pradeep Kumar
Managing Director Director

MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

This report covers the operations and financial performance of the Company for the year ended 31st March, 2015 and forms part of the Directors' Report.

OVERALL REVIEW:

Working and operational parameters at all the plants of the Company were satisfactory during the year under review but profitability was adversely affected due to higher input costs on the one hand and severe pressure on selling prices on the other, for almost all the products manufactured by the Company. Further, unseasonal rains in many parts of the country had an adverse impact on the marketing scenario and consumer demand, and selling prices of almost all our products declined. However, on account of the thrust on infrastructure development and participation through foreign direct investment in certain important sectors, it is expected that the demand for our products and their prices should improve in the near future. In view of the subdued economy, the Company has to face many challenges in the coming year for which all efforts are being made to surmount the challenges and improve the situation.

BUSINESS SEGMENT – TEXTILES:

a) Industry structure & Development:

For the Textiles industry, the global focus is shifting from China to India due to cost and stability factors. The government's positive steps are expected to help this shift and if foreign investments in textiles retail materialises, the consumption of the textile products in the domestic market should increase in the years to come.

Recently, Government has withdrawn the requirement of export contract registration for cotton and cotton yarn and now these are in the free list, without any requirement of registration, which should boost export of cotton yarn and simultaneously, the domestic market is expected to improve.

Further, Egypt has removed anti dumping duty of 5% against import of cotton yarn from India with effect from 31.12.2014 which will boost the exports of Indian Cotton Yarn to Egypt. The Government has recently announced the much awaited Foreign Trade Policy 2015- 2020 in which the export obligation for domestic procurement of capital goods under EPCG has been reduced from 90% to 75% and the said Policy has also introduced a single Merchandise Exports from India Scheme (MEIS) as against 5 different schemes for rewarding merchandise exports with different kinds of scripts with varying conditions. This has simplified the procedure/documentation to get the export benefits quickly, which will promote textile exports from India.

Power and labour costs are increasing, due to which, cost of production has been going up. The expected fall in the value of rupee should act positively for promotion of exports.

b) Opportunities & Threats:

There is scope for growth in the textile industry as India's share in the global trade in textiles is weak, compared to other countries, based on the availability of raw material and skills. The free trade environment is a good opportunity for Indian textile industry to increase its share in the global market.

Recently Turkey has allowed duty free imports of textile fabrics from Pakistan and hence, India will have to face tough competition in this market for textile products.

Increase in the power costs, higher transaction costs, high cost of labour and general increase in input costs, are all hindering progress, for which the industry has to concentrate on cost reduction exercises and improvement in efficiency.

c) Segmental Review and Analysis:

Our textile unit in Derabassi, Punjab, is utilising its capacities to its optimum but the marketing scenario has not been satisfactory due to lack of demand and higher input costs. In the domestic and export markets, there has been a shift in consumer demand, from high value to low value fabrics, by keeping the volume the same, and thereby reducing the overall product value, which results in pressure on turnover and margins. Further, the cotton yarn market remained depressed for a major part of the year under review, which adversely impacted our yarn unit. Similarly, the denim market also remained dull and domestic sales and exports from India were facing a severe price crunch. We hope that the challenges facing the yarn and denim divisions could be adequately dealt with, with an expectation for better results in the coming year.

During the major part of the year under review, the cotton yarn market remained depressed, but we expect it to improve in due course.

d) Risks and Concerns:

The fluctuations in foreign exchange adversely impacted exports and long term export orders cannot be booked in view of the uncertainty in exchange rates. Depreciation of the Euro against the Indian Rupee has adversely affected textile business, apart from the 9.6% tariff disadvantage Indian textile products suffer from the European Union. India has already started losing its markets and export orders, and countries like Pakistan, Bangladesh, Sri Lanka and Vietnam which have duty-free access, are now grabbing the market share.

Input costs, including power and labour, are extraneous factors which make it difficult for the Company to face competition from China, Pakistan and Bangladesh.

HUMAN RESOURCE DEVELOPMENT / INDUSTRIAL RELATIONS:

Your Company firmly believes that Human Resource Development strategies and practices will continue to provide a sustained competitive advantage and will continuously work towards nurturing and enhancing a competitively superior position in terms of human capital, people processes and employees behaviour. Your company believes that it is the quality and dynamism of its human resources that will enable it make a significant contribution to creating enhanced values. The Directors of your Company deeply appreciate the spirit and commitment of its dedicated team of employees.

HEALTH AND SAFETY MEASURES:

The Company has health and workplace safety programmes in place and has established policies and procedures aimed at ensuring compliance with applicable legislative requirements. The manufacturing operations are conducted to ensure sensitivity towards environment and to help minimize waste by encouraging "Green" practices. Efficient management and use of renewable resources is encouraged. Reduction, reuse and recycling of waste are facilitated. The Company believes that the health and safety of workers and persons residing in the vicinity of its plants is fundamental to the business. The Company considers its commitment for the identification of and elimination or control of the workplace hazards for protection of all, is of utmost importance.

CAUTIONARY STATEMENT:

Statements in this report on Management Discussion and Analysis, describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking, considering the applicable laws and regulations. These statements are based on certain assumptions and expectation of future events. Actual results could, however, differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and domestic demand-supply conditions, finished goods prices, raw materials costs and availability, fluctuations in exchange rates, changes in Government regulations and tax structure, economic developments within India and the countries with which the Company has business contacts.

The Company assumes no responsibility in respect of the forward looking statements herein, which may undergo changes in future on the basis of subsequent developments, information or events.

THE EXPLANATION/ COMMENTS OF THE BOARD ON QUALIFICATION/ RESERVATION OR ADVERSE REMARKS GIVEN BY THE AUDITOR IN ITS REPORT FOR THE FINANCIAL YEAR 2014-15.

Explanation of management on the remarks contained in the Auditors Report for Standalone Financial Statements are given as under:

Basis for Qualified opinion

Attention is drawn to:

- i. Note no. 2.25 and 2.26 [this is to be read with note. No. 2.8(b) & 2.8(c)] regarding non-provisioning of Interest Expenses of Rs. 3273.37 Lacs (Previous Year NIL), penal interest, penalty etc. (amount unascertainable) AND Adjustment/set off of payment of receivables/payables pending necessary approval respectively as stated in the said notes.
- ii. Note no. 2.22(A)(iv) (b) and 2.22(A) (v) regarding Non compliance of conditions [read with note no. 2.2 (A) (iii)] with respect to physical verification of fixed assets, as advised not to maintain bank accounts outside consortium parties (Bankers etc.) as directed by the CDR-MC and the impact on the state of affairs on exiting from CDR by Banks, as stated in the said notes.
- iii. Note No. 2.14 regarding pending confirmation / reconciliation of balances of certain receivables (including overseas overdue receivables as stated in note no.2.8), bank balances, payables (including of an Associate Company), secured loans, other liabilities, loans and advances etc.; and contingent liability being considered as certified by the management in the absence of full detail, in this respect impact is unascertainable and cannot be commented upon by us. In our view read with said note internal control needs to be further strengthened.
- iv. Note No. 2.8 (a)&(b) and Note no. 2.11 regarding non-provision against receivables [including of overseas overdue debtors of amounting to Rs. 6908.79 lacs (Previous Year Rs. 6846.77 Lacs)] [including accounting of exchange fluctuation of Rs. 897.41 lacs (Previous Year Rs. 823.31 Lacs) till 31st March 2015] and loans and advances of Rs. 10377.68 lacs (Previous Year Rs. 6844.14 Lacs) and Rs. 2599.32 lacs (Previous Year Rs. 2935.38 Lacs) respectively. The accounting of exchange fluctuation is not in line with generally accepted accounting principles and Accounting Standards 11 (AS-11)-"The Effect of Changes in Foreign Exchange Rates".
- v. Note No. 2.22(A)(iv)(a) to (d) regarding accounting of consumption of Raw Material and Stores & Spares as balancing figure and the valuation of inventories is as taken, valued and as certified by the management [also attention is drawn on provision against non/slow moving which has been made as assessed by the management] as stated in said note; the impact whereof on the statement of state of affairs and loss for the period not being ascertainable for the reason stated in the said note and cannot be commented upon by us.
- vi. As stated in note no. 2.5 and as per the AS-28 (Impairment of Assets), the company have carried out assessment of value in use of assets of knitwear unit, by an independent professional firm, based on this estimated impairment loss is of amounting to Rs. 2365.58 lacs (Previous Year 2996.00 Lacs -Gross Amount) (net). However, no provision against the same has been made by the company for the reason as explained in the said note. The Non provision against impairment in value of above stated assets is not in line with AS 28.
- vii. Note no. 2.3 regarding pending receipt of part money of amounting to USD 50,72,110 (Rs. 2679.34 lacs) out of the GDR issue made by the company and as explained 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)]. In respect of realisability/receipt we are unable to comment. As explained, above stated amount is invested in money market fund outside India, pending for utilization.
- viii. Note No. 2.23 (read with note no. 2.14) regarding non-provisions of Interest, Penalty etc. on delay of certain statutory dues on time w.r.t. Employee State Insurance, Provident Fund, Punjab Welfare Fund, Tax Deducted at source, Tax Collected at source and Service Tax etc. (amount unascertainable) and our inability to comment the impact on the loss for the period.
- ix. Note no. 2.12(b) regarding the net worth of the Company become negative and preparation of financial statements by the management on "going concern basis", considering the future business plans and expected cash flows as stated in the said note. In the event of the same not being held to be a "going concern" and various assets and liabilities being consequently required to be adjusted with respect to their realizable value, the impact whereof has not been ascertainable.
- x. Note no. 2.21 regarding payment of managerial remuneration of Rs. 44.46 Lacs (w.e.f. 1st July, 2014) (Previous Year Rs. 14.82 Lacs) is subject to necessary approval of the Central Government.

- xi. Note no. 2.28 regarding pending appointment of requisite number of independent directors as stated in the said note.
- xii. In view of our comment under para (i) to (x) above and on our comments in terms of the internal control system needs to be further strengthened to be made the same commensurate with the size of the Company and the nature of its business for the purchases and consumption of inventory, booking of the expenses, set off of balances and for the sale of goods and services.

Management Response:

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

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

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|------|---|
| i. | 2.25 (i)—Due to continuous losses and financial tightness, the company has not been able to fully pay due installments & interest of term loan on due dates & certain overdue amount is continuing/ unpaid till date (as detailed in note no.5.6). No provision for interest, as calculated/ estimated by the management, on secured loans and short term borrowings of amounting to Rs.1442.87 lacs & Rs. 1830.50 lacs respectively (of banks) has been made in the accounts and the same will be accounted for as and when settled / paid. Further penal interest etc. (amount unascertained) if any, will be accounted for as and when paid/settled.(ii)Pending receipt of old dues against the TUFS subsidy claim filed, the Company has not recognized TUFS subsidy claim of amounting to Rs.596.01 lacs for the period.2.26— In the previous year, certain outstanding payments of Rs. 2585.45 lacs of oversea receivables and payables (balances are subject to confirmations) to the oversea parties have been set off/adjusted where the company has applied for permission/ approval with the AD/RBI. |
| ii. | 2.22(A)(iv)(b)— Company is in process of carrying out item wise reconciliation between item wise physical stock of fixed assets and inventories. To the extent assets and inventories have been physically verified by the management, no material discrepancies have been observed between the book record and physical quantity. 2.22(A)(v)--The Company has temporarily opened an account with Bank which is outside the consortium. |
| iii. | 2.14— Balances of certain Trade Receivables (including subsidiaries and oversea overdue trade receivables as stated in note no. 2.8), Bank Balances (including bills discounted and outstanding Letter of Credit), Trade Payables (including of Associate Company of amounting to Rs. 567.90 lacs), Secured Loans, other Liabilities and Loans & Advances are in process of confirmation/ reconciliation. Contingent (read with note no. 2.1) liabilities has been considered as certified by the management as full detail could not be made available to the Auditors. The management is of the opinion that adjustment, if any, arising out of such reconciliation would not be material. Further, necessary steps have been initiated to further strengthen system of internal controls w.r.t. accounting of expenses, accounting of income (including sale of licenses and provision written back), payroll payments and of balance reconciliation/confirmation. |
| iv. | 2.8(a)- Receivables exceeding six months includes outstanding amount for period over one year of Rs. 6908.79 Lacs (including exchange gain of Rs. 897.41 lacs till 31.03.2015) [excluding as stated in note no. (b) below], where company is in process of filing necessary papers with appropriate authority for extension of time [read with note no.2.9 (A)]. In this regards, management is confident about full recovery/ realisability considering the past performance of the customer and recovery initiative taken by the Company.(b)-The trade receivable include certain overdue Trade Receivables/ Other Receivables of Rs. 3468.89 lacs. Considering the fact that management is confident about full recovery/ realisability, provision there against has not been considered necessary.2.11- Overdue amount include Short Term Loans and Advances of Rs. 2599.32 lacs (including Refunds/ Claims Receivables of Rs.349.58 Lacs, TUFS subsidy Rs. 1475.35 lacs, advances and balance with Government Authorities of Rs. 83.30 Lacs and capital advances of Rs. 250 lacs)(net of a provisions of Rs. 83.30 lacs made during the period). In the opinion of the management these are fully realisable and hence considered good. Further, necessary steps have been initiated for recovery of the same. |
| v. | 2.22(A)(iv)(a)- As per the past practice, consumption of raw material and stores & spares is derived as net of opening stock plus purchases less closing stock as item wise records are in process of updation.(b)- Company is in process of carrying out item wise reconciliation between item wise physical stock of Fixed Assets and inventories. To the extent assets and inventories have been physically verified by the management, no material discrepancies have been observed between the book record and physical quantity.(c)- In view of Para (a) above, closing inventory of stock-in- process and finished goods has been considered as taken, valued and certified by the management after providing against old/ non-moving inventory as assessed/ estimated by the management and/or based on contracts/ subsequent sales realization.(d)- In view of security arrangement in place, the management is confident that there will not be any material adjustment on updation/ completion of records of physical verification of inventory and fixed assets. |
| vi. | 2.5-In accordance with Accounting Standard 28-'Impairment of Assets', the Company has identified its garmenting manufacturing facility (Knitwear Unit) located at Plot No. B-58, Industrial Area, Phase- VII, Mohali (Punjab), [Cash Generating Units (CGU)]. The CGU is engaged in manufacture of sweaters, pullover and garments of various sizes. Considering the |

continuing past losses of the CGU, during the period ended 31st March 2015, the Company on the basis of projected scale of operations and prevailing market conditions assessed that the recoverable value of the above CGU would be lower as compared to the carrying value, thus, indicating impairment. As a result of the impairment testing carried out as at 30th September, 2013 by an independent expert, impairment loss of Rs. 2996.00 Lacs was estimated by the Management, based on a comparison of the carrying value of the asset vis-a-vis recoverable value. Post the assessment of value of CGU, the Company has charged an amount of Rs. 630.42 Lacs on account of depreciation, and the assessed amount of impairment loss has since reduced to Rs. 2365.58 Lacs. However, as the reports are under consideration of the Management, Impairment loss will be accounted as and when finally assessed. Further, management is of the view that in recent past with growth in the textile market (consumption) in general and considering the present economic and political scenario, impairment if any, would be much lower than the amount as assessed by the expert.

- vii. 2.3(a)- In the Extraordinary General Meeting of the Company held on 28.06.2010, the Members of the Company had approved the issue of new capital through Global Depository Receipts (GDRs), and 19,94,125 number of GDR of USD 6.64 each (each GDR converting/ equivalent to 100 equity shares-being 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. The GDR is listed for trading at the Luxembourg Stock Exchange. Out of the proceeds of GDRs raised in 2011, an amount of USD 6,954,515 (INR 3721.05 lacs) stood remitted to India, which had been utilised for augmentation of working capital needs of the Company and a balance amount of US\$ 50,72,110 (INR 2679.34 Lacs) continues to remain invested in an overseas Money Market Fund outside India as on 31.3.2015, pending proceeds to be utilised. In this regards, as advised, Company is filing return regularly with the RBI.(b)- The Depository of GDR Issue. The Bank of New York Mellon, USA, (BNYM) has resigned to act as Depository w.e.f. 29.10.2014 and also issued a termination notice on 16.3.2015 to terminate the depository agreement w.e.f. 15.06.2015. The GDR is listed at Luxembourg Stock Exchange (LSE). The LSE has issued a notice to the company for withdrawal of GDR issued from the LSE w.e.f. 16.06.2015. The company is in process to appoint new depository.
- viii. 2.23- Due to financial tightness and losses, Company could not make due payments against various statutory dues (TDS, TCS, PF, ESIC, PWF, Service Tax etc.) on time and pending for payment at close of the period are on account of Provident Fund Rs. 94.54 lacs, ESI Rs. 0.77 lacs and PWF Rs. 2.02 Lacs. However, the company will honour all the dues in due course on the revival/ availability of fund. Penal interest and penalty in this regard (amount unascertained) if any, will be accounted for as and when the same will be paid.
- ix. 2.12 (b)- The accumulated losses of the Company having exceeded its net worth, based on the audited accounts for the period ended 30th September 2014. Accordingly, the Company have filed an application with the Hon'ble Board for Industrial and Financial Reconstruction, in terms of its statutory obligation under section 3(1)(o) of the Sick Industrial Companies (Special Provisions) 1985 (SICA). Company in terms to the said Act, has been registered since 10th April 2015. Considering the proposed rehabilitation plan of the company and future business plans, present business scenario, stable government policies for the business and expected cash flow in the near future as assessed by the management of the company, accounts are prepared on 'Going Concern' basis.
- x. 2.21-The Company has filed Form no. MR-2 with Central Government for approval of payment of managerial remuneration to the Managing Director. The payment of remuneration of Rs. 44.46 lacs (including Rs. 14.82 lacs of previous year) (w.e.f. 1st July, 2014) is subject to the necessary approval of the Central Government.
- xi. 2.28-The Company is in process to appoint an Independent Director.
- xii. Para (i) to (x) Necessary steps have been initiated to further strengthen system of internal controls w.r.t.purchases and consumption of inventory, booking of expenses, set off of balances and for the sale of goods and services.

Explanation of management on the remarks contained in the Auditors Report for Consolidated Financial Statements are given as under:

Basis for Qualified opinion

Attention is drawn to:

- i. Note no. 2.18 and 2.19 [this is to be read with note. No. 2.6(b) & 2.6(c)] regarding non-provisioning of Interest Expenses of Rs. 3273.37 Lacs (Previous Year NIL), penal interest, penalty etc. (amount unascertainable) AND Adjustment/set off of payment of receivables/payables pending necessary approval respectively as stated in the said notes.
- ii. Note no. 2.16(i) (b) and 2.16(ii) regarding Non compliance of conditions [read with note no. 2.3 (A) (iii)] with respect to physical verification of fixed assets, as advised not to maintain bank accounts outside consortium parties (Bankers etc.) as directed by the CDR-MC and the impact on the state of affairs on exiting from CDR by Banks, as stated in the said notes.
- iii. Note No. 2.10 regarding pending confirmation/ reconciliation of balances of certain receivables (including overseas

overdue receivables as stated in note no.2.6), bank balances, payables (including of an Associate Company), secured loans, other liabilities, loans and advances etc.; and contingent liability being considered as certified by the management in the absence of full detail, in this respect impact is unascertainable and cannot be commented upon by us. In our view read with said note internal control needs to be further strengthened.

- iv. Note No. 2.6 (a)&(b) and Note no. 2.8 regarding non-provision against receivables [including of oversea overdue debtors of amounting to Rs. 6908.79 lacs (Previous Year Rs. 6846.77 Lacs)] [including accounting of exchange fluctuation of Rs. 897.41 lacs (Previous Year Rs. 823.31 Lacs) till 31st March 2015] and loans and advances of Rs. 10377.68 lacs (Previous Year Rs. 6844.14 Lacs) and Rs. 2599.32 lacs (Previous Year Rs. 2935.38 Lacs) respectively. The accounting of exchange fluctuation is not in line with generally accepted accounting principles and Accounting Standards 11 (AS-11)-"The Effect of Changes in Foreign Exchange Rates".
- v. Note No. 2.16(i)(a) to (d) regarding accounting of consumption of Raw Material and Stores & Spares as balancing figure and the valuation of inventories is as taken, valued and as certified by the management [also attention is drawn on provision against non/slow moving which has been made as assessed by the management] as stated in said note; the impact whereof on the statement of state of affairs and loss for the period not being ascertainable for the reason stated in the said note and cannot be commented upon by us.
- vi. As stated in note no. 2.5 and as per the AS-28 (Impairment of Assets), the company have carried out assessment of value in use of assets of knitwear unit, by an independent professional firm, based on this estimated impairment loss is of amounting to Rs. 2365.58 lacs (Previous Year 2996.00 Lacs -Gross Amount) (net). However, no provision against the same has been made by the company for the reason as explained in the said note. The Non provision against impairment in value of above stated assets is not in line with AS 28.
- vii. Note no. 2.4 regarding pending receipt of part money of amounting to USD 50,72,110 (Rs. 2679.34 lacs) out of the GDR issue made by the company and as explained 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)]. In respect of realisability/receipt we are unable to comment. As explained, above stated amount is invested in money market fund outside India, pending for utilization.
- viii. Note No. 2.17 (read with note no. 2.10) regarding non-provisions of Interest, Penalty etc. on delay of certain statutory dues on time w.r.t. Employee State Insurance, Provident Fund, Punjab Welfare Fund, Tax Deducted at source, Tax Collected at source and Service Tax etc. (amount unascertainable) and our inability to comment the impact on the loss for the period.
- ix. Note no. 2.9 regarding the net worth of the Company become negative and preparation of financial statements by the management on "going concern basis", considering the future business plans and expected cash flows as stated in the said note. In the event of the same not being held to be a "going concern" and various assets and liabilities being consequently required to be adjusted with respect to their realizable value, the impact whereof has not been ascertainable.
- x. Note no. 2.15 regarding payment of managerial remuneration of Rs. 44.46 Lacs (w.e.f. 1st July, 2014) (Previous Year Rs. 14.82 Lacs) is subject to necessary approval of the Central Government.
- xi. Note no. 2.21 regarding pending appointment of requisite number of independent directors as stated in the said note.
- xii. In view of our comment under para (i) to (x) above and on our comments in terms of the internal control system needs to be further strengthened to be made the same commensurate with the size of the Company and the nature of its business for the purchases and consumption of inventory, booking of the expenses, set off of balances and for the sale of goods and services.
- xiii. We did not audit the financial statements/ financial information of one subsidiary, whose financial statements/ financial information reflect total assets of Rs. 43.09 Lacs as at 31st March, 2015, total revenues of Rs. 2.25 Lacs and net cash flows amounting to Rs. NIL for the year ended on that date, as considered in the consolidated financial statements. This financial statement/ financial information are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary (This is to be read with note no 2.1(iii) and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary, is based solely on such unaudited financial statements/ financial information. In our, opinion and according to the information and explanations given to us by the Management, this financial statement/ financial information are not material to the Group.

WINSOME YARNS LIMITED

Management Response:

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

S.No. Particulars

- i. 2.18(i)— Due to continuous losses and financial tightness, the company has not been able to fully pay due installments & interest of term loan on due dates & certain overdue amount is continuing unpaid till date (as detailed in note no.5.6). No provision for interest, as calculated/estimated by the management, on secured loans and short term borrowings of amounting to Rs.1442.87 lacs & Rs. 1830.50 lacs respectively (of banks) has been made in the, accounts and the same will be accounted for as and when settled/ paid. Further penal interest etc. (amount unascertained) if any, will be accounted for as and when paid/settled.(ii)—Pending receipt of old dues against the TUFS subsidy claim filed, the Company has not recognized TUFS subsidy claim of amounting to Rs.596.01 lacs for the period.2.19—In the previous year, certain outstanding payments of Rs. 2585.45 lacs of oversea receivables and payable (balances are subject to confirmations) to the oversea parties have been set off/ adjusted where the company has applied for permission/ approval with the AD/RBI.
- ii. 2.16(i) (b)— Company is in process of carrying out item wise reconciliation between item wise physical stock of fixed assets and inventories. To the extent assets and inventories have been physically verified by the management, no material discrepancies have been observed between the book record and physical quantity.2.16(ii)—The Company has temporarily opened an account with Bank which is outside the consortium.
- iii. 2.10—Balances of certain Trade Receivables (including oversea overdue trade receivables as stated in note no. 2.6), Bank Balances (including bills discounted and outstanding Letter of Credit), Trade Payables (including of Associate Company of amounting to Rs. 567.90 lacs), Secured Loans, Other Liabilities and Loans & Advances are in process of confirmation/ reconciliation. Contingent (read with, note no: 2.2) liabilities has been considered as certified by the management as full detail could not be made available to the auditors. The management is of the opinion that adjustment, if any, arising out of such reconciliation would not be material. Further, necessary steps have been initiated to further strengthen system of internal controls w.r.t. accounting of expenses, accounting of income (including sale of licenses and provision written back), payroll payments and of balance reconciliation/confirmation.
- iv. 2.6(a)— Receivables exceeding six months includes outstanding amount for period over one year of Rs. 6908.79 Lacs (including exchange gain of Rs. 897.41 lacs till 31.03.2015)[excluding as stated in note no. (b) below], where company is in process of filing necessary papers with appropriate authority for extension of time [read with note no 2.9(A)]. In this regards, management is confident about full recovery/ realisability considering the past performance of the customer and recovery initiative taken by the Company.(b)—The trade receivable include certain overdue Trade Receivables/Other Receivables of Rs. 3468.89 lacs. Considering the fact that management is confident about full recovery/realisability, provision there against has not been considered necessary.2.8—Overdue amount include Short Term Loans and Advances of Rs. 2599.32 lacs (including Refunds/ Claims Receivables of Rs.349.58 Lacs, TUFS subsidy Rs.. 1475.35 lacs, advances and balance with Government Authorities of Rs. 83.30 Lacs and capital advances of Rs. 250 lacs)(net of a provisions of Rs. 83.30 lacs made during the period). In the opinion of the management these are fully realisable and hence considered good. Further, necessary steps have been initiated for recovery of the same.
- v. 2.16(i)(a)— As per the past practice, consumption of raw material and stores & spares is derived as net of opening stock plus purchases less closing stock as item wise records are in process of updation.(b) Company is in process of carrying out item wise reconciliation between item wise physical stock of fixed assets and inventories. To the extent assets and inventories have been physically verified by the management, no material discrepancies have been observed between the book record and physical quantity. (c) In view of Para (a) above, closing inventory of stock-in- process and finished goods has been considered as taken, valued and certified by the management after providing against old/non-moving inventory as assessed/estimated by the management and/or based on contracts /subsequent sales realization. (d) In view of security arrangement in place, the management is confident that there will not be any material adjustment on updation/ completion of records of physical verification of inventory and fixed assets.
- vi. 2.5— In accordance with Accounting Standard 28- 'Impairment of Assets', the Company has identified its garmenting manufacturing facility (Knitwear Unit) located at Plot No. B-58, Industrial Area, Phase - VII, Mohali (Punjab), [Cash Generating Units (CGU)]. The CGU is engaged in manufacture of sweaters, pullover and garments of various sizes. Considering the continuing past losses of the CGU, during the period ended 31st March 2015, the Company on the basis of projected scale of operations and prevailing market conditions assessed that the recoverable value of the above CGU would be lower as compared to the carrying value, thus, indicating impairment. As a result of the impairment testing carried out as at 30th September, 2013 by an independent expert, impairment loss of Rs. 2996.00 Lacs was estimated by the Management, based on a comparison of the carrying value of the asset vis-a-vis recoverable value. Post the assessment of value of CGU, the Company has charged an amount of Rs. 630.42 Lacs on account of depreciation, and the assessed amount of impairment loss has since reduced to Rs. 2365.58 Lacs. However, as the reports are under consideration of the Management, Impairment loss will be accounted as and when finally assessed. Further, management is of the view that in recent past

with growth in the textile market (consumption) in general and considering the present economic and political scenario, impairment if any, would be much lower than the amount as assessed by the expert.

- vii. 2.4(a)— In the Extraordinary General Meeting of the Company held on 28.06.2010, the Members of the Company had approved the issue of new capital through Global Depository Receipts (GDRs), and 19,94,125 number of GDR of USD 6.64 each (each GDR converting / equivalent to 100 equity shares - being 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. The GDR is listed for trading at the Luxembourg Stock Exchange. Out of the proceeds of GDRs raised in 2011, an amount of USD 6,954,515 (INR 3721.05 lacs) stood remitted to India, which had been utilised for augmentation of working capital needs of the Company and a balance amount of US\$ 50,72,110 (INR 2679.34 Lacs) continues to remain invested in an overseas Money Market Fund outside India as on 31.03.2015, pending proceeds to be utilised. In this regards, as advised, Company is filing return regularly with the RBI.(b)—The Depository of GDR Issue, The Bank of New York Mellon, USA, (BNYM) has resigned to act as Depository w.e.f. 29.10.2014 and also issued a termination notice, on 16.3.2015 to terminate the depository agreement w.e.f. 15.06.2015. The GDR is listed at Luxembourg Stock Exchange (LSE). The LSE has issued a notice to the company for withdrawal of GDR issued from the LSE w.e.f. 16.06.2015. The company is in process to appoint new depository.
- viii. 2.17— Due to financial tightness and losses, Company could not make due payments against various statutory dues (TDS, TCS, PF, ESIC; PWF, Service Tax etc.) on time and pending for payment at close of the period are on account of Provident Fund Rs. 94.54 lacs, ESI Rs. 0.77 lacs and PWF Rs. 2.02 Lacs. However, the company will honour all the dues in due course on the revival/ availability of fund. Penal interest and penalty in this regard (amount unascertained) if any, will be accounted for as and when the same will be paid.
- ix. 2.9— The accumulated losses of the Company having exceeded its net worth, based on the audited accounts for the period ended 30th September 2014. Accordingly, the Company have filed an application with the Hon'ble Board for Industrial and Financial Reconstruction, in terms of its statutory obligation under section 3(1)(o) of the Sick Industrial Companies (Special Provisions) 1985 (SICA). Company in terms to the said Act, has been registered since 10th April 2015. Considering the proposed rehabilitation plan of the company and future business plans, present business scenario, stable government policies for the business and expected cash flow in the near future as assessed by the management of the company, accounts are prepared on 'Going Concern' basis.
- x. 2.15— The Company has filed Form no. MR-2 with Central Government for approval of payment of managerial remuneration to the Managing Director. The payment of remuneration of Rs. 44.46 lacs (including Rs. 14.82 lacs of previous year) (w.e.f. 1st July, 2014) is subject to the necessary approval of the Central Government.
- xi. 2.21— The Company is in process to appoint an Independent Director.
- xii. Para (i) to (x) Necessary steps have been initiated to further strengthen system of internal controls w.r.t.purchases and consumption of inventory, booking of expenses, set off of balances and for the sale of goods and services.
- xiii. According to the management, this financial statement/ financial information are not material to the Group.

**FORM MO. MR-3
SECRETARIAL AUDIT REPORT****FOR THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2015**

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Winsome Yarns Limited
Chandigarh

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **WINSOME YARNS LTD.** (hereinafter called the company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31st March, 2015, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2015 according to the provisions of:

- I. The Companies Act, 2013 (the Act) and the rules made there under;
- II. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- III. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- IV. Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.
- V. The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') viz.:-
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011: **No such transaction took place during the Financial Year 2014-15.**
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; **No such transaction took place during the Financial Year 2014-15.**
 - d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; **No such transaction took place during the Financial Year 2014-15.**
 - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; **No such transaction took place during the Financial Year 2014-15.**
 - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **No such transaction took place during the Financial Year 2014-15 and**
 - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; **No such transaction took place during the Financial Year 2014-15**
- VI. Compliance with Tax laws (Income Tax, VAT, Excise and Service Tax)
- VII. And other applicable laws, Labor Laws, Environment Laws, etc

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India. **(Not notified hence not applicable to the Company during the audit period)**
- (ii) The Listing Agreements entered into by the Company with Stock Exchange.

I further report that the Board of Directors of the Company is duly constituted with 7 Directors consisting of One Executive Director (Managing Director), 2 Nominee Non-Executive Directors and 3 Independent Directors which includes one woman director. Company also has one Non executive Chairman. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act. The composition of the Board is in line with the provisions of the Companies Act 2013. However the company should have one more independent Director in line with listing agreement and as per the information provided by the management, Company is in process to appoint Independent Director.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meeting and Committee meetings are carried out unanimously as recorded in the minutes of the meeting of the Board of Directors or Committee of the Board, as the case may be.

During the reporting period, company had the followings committees as applicable under the Companies Act 2013 already in existence:

- 1) Audit Committee
- 2) Nomination and Remuneration Committee
- 3) Stakeholders Relationship Committee
- 4) Risk Management Committee

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that as per the information provided by the management the Company has been regularly depositing statutory dues including Provident Fund, Employee's State Insurance, Income Tax, Sales tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax and other material statutory dues as applicable with the appropriate authorities in India and has generally been regular in depositing statutory dues including tax deducted at source with the appropriate authorities.

I further report that the Company has complied with all the provision and procedure regarding renewal of licenses and NOC under the labour laws, environmental laws etc and also submitted the information regarding any change in factory's manager or occupier in the relevant format with the appropriate authority as applicable to the Company.

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, Custom Duty, Cess and other material statutory dues to the extent applicable to it.

In respect of Provident Fund, Employee State Insurance dues, Punjab Welfare Fund, TDS, TCS & Service Tax it is observed that same has been paid with certain delays and there are cases of non deposition of PF, ESI & PWF (Punjab Welfare Fund) as on date of audit. As informed by the management that all cases of non deposition which are undisputed will be paid on urgent basis 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 31st March 2015.

I further report that during the reporting period:

- 1) The Company has disclosed accidental cases falling under labour laws and the same has been reported to the concerned authority. As per the information provided by the management, there are no other industrial dispute cases, under any law, against the Company.
- 2) During the year Company has made reference to Board for Industrial and Financial Reconstruction (BIFR) as per the provisions of The Sick Industrial Companies Act, 1985 (SICA). The same has been registered with BIFR vide case no. 52/ 2015 dated 09/04/2015.

For Girish Madan and Associates
Company Secretaries

Girish Madan

Membership No. 5017

Certificate of Practice No. 3577

Place : Chandigarh
Dated: 28.05.2015

To,
The Members,
WINSOME YARNS LTD
Chandigarh

My report is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For Girish Madan and Associates
Company Secretaries

Place : Chandigarh
Dated: 28.05.2015

Girish Madan
Membership No. 5017
Certificate of Practice No. 3577

REMUNERATION POLICY**Extract From Nomination and Remuneration Policy:****POLICY RELATING TO THE REMUNERATION FOR THE MANAGING DIRECTOR, NON-EXECUTIVE/INDEPENDENT DIRECTOR, KMP AND SENIOR MANAGEMENT PERSONNEL.****General:**

- a. The remuneration / compensation / commission etc. to the Managing Director, Non-Executive/Independent Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.
- b. The remuneration and commission to be paid to the Managing Director shall be in accordance with the percentage/ slabs / conditions as per the provisions of the Companies Act, 2013, and the Rules made thereunder.
- c. Increments to the existing remuneration / compensation structure linked to performance, should be clear and meet appropriate performance benchmarks and may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Managing Director.
- d. The Committee does not propose to fix the actual amounts of remuneration that may be payable to each individual key managerial personnel or senior management personnel. However, the management, whilst fixing the remuneration of any such key personnel must consider the following:
 1. The Industry practice for the same level of employment/office.
 2. Past performance/seniority of the concerned appointee.
 3. The nature of duties and responsibilities cast upon such person by reason of his holding that office.
 4. The remuneration should be such that it provides adequate incentive to the person to give his best to the Company and feel essence of high satisfaction with his employment.
 5. The perquisites to be given to Managing Director/s, KMP & Senior Management Personnel will be as per industry practice and as may be recommended by the Committee to the Board.

Remuneration to Managing Director, KMP and Senior Management Personnel:

The Managing Director/ KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The break-up of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required, reflecting the short and long term performance objectives appropriate to the working of the Company and its goals.

Remuneration to Non- Executive / Independent Director:

- a. Remuneration / Commission:

The Committee noted that in the past the Company has paid remuneration to Non-Executive Directors by way of commission and if the Company's net profits computed for the purpose under the applicable provisions of the Companies Act, 2013 so permits in future, that practice should be restored.

Commission may be paid within the monetary limit fixed and approved by the Board subject to the overall limit not exceeding 1% of the net profits of the Company computed as per the applicable provisions of the Companies Act, 2013.

- b. Sitting Fees:

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committees thereof as may be recommended by the Committee and approved by the Board provided that the amount of such fees shall not exceed amount prescribed in this behalf by the Central Government from time to time. So far as the Sitting Fees are concerned, presently, for meetings of the various Committees, the same are at par for all the Committees. It should be suitably modified in due course keeping in mind the time and work involved for each of the Committees and the industry practice.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Information as required under Rule 8(3) of the Companies (Accounts) Rules, 2014.

A. 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 also saved the energy to implement the following during the year.

| Sr. No. | Unit No. | M/C | Energy saving measures | Units saved | Annual Saving (Rs. In lacs) |
|---------|-----------|------------|--|---------------|-----------------------------|
| 1 | U1&2 | Draw Frame | Replaced the Fan motor speed fast to slow winding | 11979 | 0.90 |
| 2 | U3(P1&P2) | LUWA | Modification in FDP Plant | 256405 | 19.23 |
| 3 | U3(P1&P2) | LUWA | Balance Return air voulme after adjusted the blade angle of RAF-1(18 deg to13 deg) | 204422 | 15.33 |
| 4 | U1 | Autoconer | Modification in Overhead blower remove the dust removal system in autoconer 338 | 28750 | 2.16 |
| 5 | u2 | Autoconer | Modification in Overhead blower remove the dust removal system in autoconer 338 | 35937 | 2.70 |
| 6 | U3(P2) | Autoconer | Modification in Overhead blower remove the dust removal system in autoconer 338 | 43124 | 3.23 |
| 7 | ALL | comp | Saving In Compressed Air system by Arresting Air leakages (312 CFM) | 284011 | 21.30 |
| | | | Total Saving | 864628 | 64.85 |

The Company has also used new technology and LED lights for low consumption of energy.

b) The capital Investment on energy consumption equipment.

Additional Investments, wherever required, are being made for reduction of consumption of energy.

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

There is saving of about Rs. 64.85 lacs.

d) The steps taken by the Company for using alternate source of energy.

The Company has already installed five micro hydel power projects with total generation capacity of 3.90 MW and the power so generated is being adjusted in the power bill raised by the electricity department for Derabassi plant.

e) Total energy consumption and energy consumption per unit of production:

| (i) Power and Fuel consumption | Current Year | Previous Year |
|---|-----------------|---------------|
| a) Electricity | | |
| a) Purchased Unit | 32293849 | 60353445 |
| Total amount (Rs in lacs) | 2223.13 | 4379.96 |
| Rate per Unit (Rs.) | 6.88 | 7.26 |
| b) Own Generation : | | |
| (I) Through FO/Diesel Generator (Units) | 39949 | 208853 |
| Units generated per Ltr. | 3.15 | 3.42 |
| Cost per Unit (Rs.) | 17.86 | 15.55 |
| (ii) Through Hydro Projects (Units) | 667366 | 7864150 |

| | Current Year | Previous Year |
|---|---------------|---------------|
| b) Coal (Specify quality and where used) | NIL | NIL |
| c) Wood Briquette for Boiler (Qty in MT) | 191.71 | 282.29 |
| Total amount (Rs. in lacs) | 10.71 | 14.80 |
| Avg Rate of Wood Briquette (Per Kg) | 5.59 | 5.24 |
| d) HSD & Furnace Oil Qty.(MT) | 14.72 | 55.22 |
| Total amount (Rs. in lacs) | 9.28 | 34.47 |
| Average rate (Rs. per M.T.) | 63043 | 62437 |
| e) Gas (Qty in M.T.) | NIL | NIL |
| Total amount (Rs. in lacs) | NIL | NIL |
| Average rate (Rs. per Kg) | NIL | NIL |
| (ii) Consumption per Unit of Production | | |
| Electricity /Own Generation | 3.31 | 2.57 |
| HSD & Furnace Oil (Ltr) | 0.12 | 0.07 |
| Hydro Projects (Unit) | 0.08 | 0.53 |
| Gas (Kgs) | NIL | NIL |

B. TECHNOLOGY ABSORPTION
(i) Efforts made in technology absorption.

Research & Development (R&D)

a) Specific area in which R&D carried by the Company :

- Latest new technology has been adopted.

b) 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.

c) Expenditure on R&D (Rs. in lacs)

Capital

Nil

Recurring

Rs. 32.13 lacs

Total R & D expenditure as a percentage of total turnover

= 0.16%

(ii) 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.

- Productivity International quality products.

(iii) In case of imported technology (imported during the last 3 years reckoned from the beginning of the financial year).

- Nil

C. FOREIGN EXCHANGE EARNING AND OUTGO (Rs. in Lacs)

| | <u>Current Year</u> | <u>Previous Year</u> |
|---|---------------------|----------------------|
| (a) Foreign exchange earned in terms of actual inflow during the year | 1823.67 | 6132.72 |
| (b) Foreign exchange outgo in terms of actual outflow during the year | 69.62 | 223.91 |

ANNEXURE 'E'
DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

- (i) The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the financial year 2014-15, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2014-15 and the comparison of remuneration of each Key Managerial Personnel (KMP) against the performance of the Company are as under:

(Amount in Rupees)

| Sr. No. | Name of Director / KMP and Designation | Remuneration of Director/ KMP for financial year 2014-15 | % increase in Remuneration in the Financial year 2014-15 | Ratio of remuneration of each Director to median remuneration of employees | Comparison of the Remuneration of the KMP against the performance of the Company (as % of Revenue) |
|---------|---|--|--|--|--|
| 1 | Shri Satish Bagrodia <i>Chairman</i> | — | — | — | — |
| 2 | Shri Manish Bagrodia <i>Managing Director</i> | 2964000 | — | 81.07 | 0.14% |
| 3 | Shri Pradeep Kumar <i>Independent Director</i> | 15000 | — | 0.41 | — |
| 4 | Shri K. P. Ramakrishnan <i>Independent Director</i> | 10000 | — | 0.27 | — |
| 5 | Shri S. K. Singla* <i>Nominee Director (PSIDC)</i> | 10000 | — | 0.27 | — |
| 6 | Shri B. M. Padha* <i>Nominee Director (PNB)</i> | — | — | — | — |
| 7 | Ms. Ishika Aggarwal <i>Independent Director</i> | — | — | — | — |
| 8 | Shri Anand Balkishan Sharma <i>Chief Financial Officer</i> | 871000 | — | 23.82 | 0.04% |
| 9 | Shri K. V. Singhal <i>Company Secretary</i> | 593000 | — | 16.21 | 0.03% |

*Sitting fee paid to the Nominating Institute/Bank.

- (ii) The median remuneration of employees of the Company during the financial year was Rs. 36560.
- (iii) In the financial year, there was an increase of 8.95% in the median remuneration of employees.
- (iv) There were 1312 permanent employees on the rolls of Company as on March 31, 2015.
- (v) Relationship between average increase in remuneration and company performance:-
The Profit/Loss after Tax for the financial year ended March 31, 2015 increased by 15.98% whereas the increase in median remuneration was 8.95%. The average increase in median remuneration was in line with the increase of salary in the industry.
- (vi) Comparison of Remuneration of the Key Managerial Personnel(s) against the performance of the Company:-

(Rs. in lacs)

| | |
|---|--------|
| Average remuneration of Key Managerial Personnel (KMP) in 2014-15 | 15.10 |
| Revenue | 20135 |
| Aggregate Remuneration of KMP (as % of revenue) | 0.23% |
| Profit/ (Loss) before Tax (PBT) | (4675) |
| Remuneration of KMP (as % of PBT) | N.A. |

- (vii) a) Variations in the market capitalization of the Company: The market capitalization as on March 31, 2015 was Rs. 855.56 lacs (Rs. 1484.85 lacs as on September 30, 2014).
- b) Price Earnings ratio of the Company as at March 31, 2015 was (0.18) and as at September 30, 2014 was (0.13).
- c) Percent increase over/ decrease in the market quotations of the shares of the company as compared to the rate at which the company came out with the last public offer in the year. The company has not made any public issue or rights issue of securities in the recent past, so comparison have not been made of current share price with public offer price. The Company's shares are listed on BSE Limited and National Stock Exchanges of India Limited.
- (viii) Average percentage increase made in the salaries of employees other than the key managerial personnel in the last financial year i.e. 2014-15 was 3% only in case of unskilled workers (Nil for skilled workers & staff), whereas the increase in the key managerial remuneration for the same financial year was also nil.
- (ix) There are no variable component of remuneration availed by the directors except the Managing Director.
- (x) The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year.
 - Not Applicable; and
- (xi) It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees.

Form No. MGT - 9**Extract of Annual Return**as on the financial year ended on **31st March, 2015***[Pursuant to section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]***I. REGISTRATION AND OTHER DETAILS**

| | | |
|------|---|---|
| i. | CIN | L17115CH1990PLC010566 |
| ii. | Registration Date | 19 th July, 1990 |
| iii. | Name of the Company | Winsome Yarns Limited |
| iv. | Category / Sub-Category of the Company | Public Limited Company / Limited by Shares. |
| v. | Address of the Registered Office and Contact details | SCO 191-192, Sector 34-A, Chandigarh-160022 Phone No.: +91-172-2603966, 4612000, 4613000 Fax No. +91-172-4614000 Email : cshare@winsomegroup.com Website : www.winsomegroup.com |
| vi. | Whether Listed Company | Yes BSE Limited and National Stock Exchange of India Limited. |
| vii. | Name, Address and contact details of Registrar and Transfer Agent | M/s Link Intime India Pvt. Limited 44, Community Centre, 2nd Floor, Near PVR Naraina Industrial Area, Phase-I, New Delhi-110028 Phone No.: 011-41410592-94, Fax No. 011-41410591 Email : delhi@linkintime.co.in, sunil.mishra@linkintime.co.in Website : www.linkintime.co.in |

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All business activities contributing 10% or more of the total turnover of the company shall be stated:

| Sl. No. | Name and Description of main products/ service | NIC Code of the Product/ Service* | % to total turnover of the company# |
|---------|--|-----------------------------------|-------------------------------------|
| 1 | Yarn | 13111 | 97.75 |
| 2 | Garments | 13911 / 13912 | 2.25 |

* As per National Industrial Classification – Ministry of Statistics and Programme Implementation.

On the basis of Gross Turnover.

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES.

| Sl. No. | Name and Address of the Company | CIN/GLN | Holding/ Subsidiary/ Associate | % of shares held | Applicable Section |
|---------|---------------------------------|---------|--------------------------------|------------------|--------------------|
| (i) | Winsome Yarns (Cyprus) Limited | | Subsidiary of WYL | 100 | Section 2(6) |
| (ii) | Winsome Yarns FZE | | Subsidiary of (i) above | 100 | Section 2(6) |
| (iii) | S. C. Winsome Romania srl | | Subsidiary of (i) above | 90 | Section 2(6) |
| (iv) | I.M.M. Winsome Italia srl | | Subsidiary of (iii) above | 90 | Section 2(6) |
| (v) | S. C. Textil srl | | Subsidiary of (iv) above | 90 | Section 2(6) |

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)
(i) Category-wise Share Holding

| Category of Shareholders | No. of shares held at the beginning of the year | | | | No. of shares held at the end of the year | | | | % change during the year |
|---|---|---------------|-----------------|-------------------|---|---------------|-----------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| (A) Promoters | | | | | | | | | |
| (1) Indian | | | | | | | | | |
| a) Individual/HUF | 162122 | – | 162122 | 0.23 | 162122 | – | 162122 | 0.23 | – |
| b) Central Government | – | – | – | – | – | – | – | – | – |
| c) State Government | – | – | – | – | – | – | – | – | – |
| d) Bodies Corporate | 25817487 | – | 25817487 | 36.51 | 25817487 | – | 25817487 | 36.51 | – |
| e) Banks / Financial Institutions | 1360000 | – | 1360000 | 1.93 | 1360000 | – | 1360000 | 1.93 | – |
| f) Any other | – | – | – | – | – | – | – | – | – |
| Sub-total (A) (1): | 27339609 | – | 27339609 | 38.67 | 27339609 | – | 27339609 | 38.67 | – |
| (2) Foreign | | | | | | | | | |
| a) NRIs -Individuals | – | – | – | – | – | – | – | – | – |
| b) Other -Individuals | – | – | – | – | – | – | – | – | – |
| c) Bodies Corporate | – | – | – | – | – | – | – | – | – |
| d) Banks / FI | – | – | – | – | – | – | – | – | – |
| e) Any Other | – | – | – | – | – | – | – | – | – |
| Sub-total (A) (II): | – | – | – | – | – | – | – | – | – |
| Total shareholding of Promoter (A)=(A)(1)+(A)(2) | 27339609 | – | 27339609 | 38.67 | 27339609 | – | 27339609 | 38.67 | – |
| B. Public Shareholding | | | | | | | | | |
| (1) Institutions | | | | | | | | | |
| a) Mutual Funds | 11800 | – | 11800 | 0.02 | 11800 | – | 11800 | 0.02 | – |
| b) Banks / Financial Institutions | – | – | – | – | – | – | – | – | – |
| c) Central Government(s) | – | – | – | – | – | – | – | – | – |
| d) State Government(s) | – | – | – | – | – | – | – | – | – |
| e) Venture Capital Funds | – | – | – | – | – | – | – | – | – |
| f) Insurance Companies | – | – | – | – | – | – | – | – | – |
| g) Foreign Institutional Investors | – | – | – | – | 7326186 | – | 7326186 | 10.36 | 10.36 |
| h) Foreign Venture Capital Funds | – | – | – | – | – | – | – | – | – |
| i) Others (Specify) | – | – | – | – | – | – | – | – | – |
| Sub-total (B) (1) | 11800 | – | 11800 | 0.02 | 7337986 | – | 7337986 | 10.38 | 10.36 |
| (2) Non Institutions | | | | | | | | | |
| a) Bodies Corporate | | | | | | | | | |
| (i) Indian | 5760994 | 5100 | 5766094 | 8.15 | 3537101 | 5100 | 3542201 | 5.01 | -3.14 |
| ii) Overseas | – | – | – | – | – | – | – | – | – |
| b) Individuals | | | | | | | | | |
| i) Individual Shareholders holding nominal share capital upto Rs. 1 lakh | 9625903 | 788542 | 10414445 | 14.73 | 9429506 | 785442 | 10214948 | 14.45 | -0.28 |
| ii) Individual Shareholders holding nominal share capital in excess of Rs. 1 lakh | 8381373 | – | 8381373 | 11.85 | 10519377 | – | 10519377 | 14.88 | 3.03 |
| c) Others (Specify) (NRIs) | 267958 | 37200 | 305158 | 0.43 | 277458 | 36900 | 314358 | 0.44 | 0.01 |
| Sub-total (B)(2) | 24036228 | 830842 | 24867070 | 35.16 | 23763442 | 827442 | 24590884 | 34.78 | -0.38 |
| Total Public Shareholding (B)=(B)(1)+(B)(2) | | | | | | | | | |
| C. Shares held by Custodian for GDRs & ADRs | | | | | | | | | |
| i. Promoter and Promoter Group | – | – | – | – | – | – | – | – | – |
| ii. Public | 18488750 | – | 18488750 | 26.15 | 11438750 | – | 11438750 | 16.18 | -9.97 |
| GRAND TOTAL (A+B+C) | 69876387 | 830842 | 70707229 | 100.00 | 69879787 | 827442 | 70707229 | 100.00 | – |

WINSOME YARNS LIMITED

(ii) Shareholding of Promoters

| Sl. No. | Shareholder's Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | % change in shareholding during the year |
|---------|--|---|----------------------------------|--|-------------------------------------|----------------------------------|--|--|
| | | No. of Shares | % of total shares of the Company | % of shares Pledged/encumbered to total shares | No. of Shares | % of total shares of the Company | % of shares Pledged/encumbered to total shares | |
| 1 | Shri S. C. Bagrodia | 42900 | 0.06 | 0.06 | 42900 | 0.06 | 0.06 | – |
| 2 | Shri Manish Bagrodia | 52040 | 0.07 | 0.07 | 52040 | 0.07 | 0.07 | – |
| 3 | Shri Ashish Bagrodia | 41400 | 0.06 | 0.06 | 41400 | 0.06 | 0.06 | – |
| 4 | Smt. Sudha Bagrodia | 11142 | 0.02 | 0.02 | 11142 | 0.02 | 0.02 | – |
| 5 | Smt. Vandya Bagrodia | 2000 | – | – | 2000 | – | – | – |
| 6 | Smt. Shilpa Bagrodia | 12640 | 0.02 | 0.02 | 12640 | 0.02 | 0.02 | – |
| 7 | Satyam Combines (P) Ltd. | 5096243 | 7.21 | 7.21 | 5096243 | 7.21 | 7.21 | – |
| 8 | Shell Business (P) Limited | 20721244 | 29.31 | 29.31 | 20721244 | 29.31 | 29.31 | – |
| 9 | Punjab State Industrial Dev. Corporation Limited | 1360000 | 1.93 | – | 1360000 | 1.93 | – | – |
| | TOTAL | 27339609 | 38.67 | 36.74 | 27339609 | 38.67 | 36.74 | – |

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

| Sl. No. | | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---------|--|---|----------------------------------|---|----------------------------------|
| | | No. of shares | % of total shares of the company | No. of shares | % of total shares of the company |
| 1 | At the beginning of the year | 27339609 | 38.67 | – | – |
| 2 | Date wise increase/decrease in Promoters shareholding during the year specifying reasons for increase/decrease (e.g. allotment / transfer/bonus/sweat equity etc): | – | – | – | – |
| 3 | At the end of the year | 27339609 | 38.67 | 27339609 | 38.67 |

(iv) Shareholding Pattern of top ten Shareholders (Other than Directors, Promoters and Holders of GDRs and ADRs)

| Sl. No. | Name | Shareholding | | Date | Increase/ Decrease in shareholding | Reason | Cumulative Shareholding during the year (01.10.2014 to 31.03.2015) | |
|---------|--------------------|---|----------------------------------|------------|------------------------------------|----------|--|----------------------------------|
| | | No. of shares at the beginning (01.10.2014)/ end of the year (31.03.2015) | % of total shares of the Company | | | | No. of shares | % of total shares of the Company |
| 1 | LSE Securities Ltd | 91260 | 0.13 | 01.10.2014 | | | | |
| | | | | 17.10.2014 | -2699 | Transfer | 88561 | 0.13 |
| | | | | 07.11.2014 | -801 | Transfer | 87760 | 0.12 |
| | | | | 05.12.2014 | -44502 | Transfer | 43258 | 0.06 |
| | | | | 19.12.2014 | 831 | Transfer | 44089 | 0.06 |
| | | | | 31.12.2014 | 2000 | Transfer | 46089 | 0.07 |
| | | | | 09.01.2015 | -80 | Transfer | 46009 | 0.07 |
| | | | | 13.02.2015 | -920 | Transfer | 45089 | 0.06 |
| | | | | 20.02.2015 | -1 | Transfer | 45088 | 0.06 |
| | | | | 27.02.2015 | -1000 | Transfer | 44088 | 0.06 |
| | | | | 06.03.2015 | -12 | Transfer | 44076 | 0.06 |
| | | | | 27.03.2015 | 2914 | Transfer | 46990 | 0.07 |
| | | 46990 | 0.07 | 31.03.2015 | | | 46990 | 0.07 |

WINSOME YARNS LIMITED

| | | | | | | | | |
|---|--|--------|------|------------|--------|----------|--------|------|
| 2 | Bonanza Portfolio Ltd | 110269 | 0.16 | 01.10.2014 | | | | |
| | | | | 10.10.2014 | -6612 | Transfer | 103657 | 0.15 |
| | | | | 17.10.2014 | -26085 | Transfer | 77572 | 0.11 |
| | | | | 24.10.2014 | -8671 | Transfer | 68901 | 0.10 |
| | | | | 31.10.2014 | 11299 | Transfer | 80200 | 0.11 |
| | | | | 07.11.2014 | -4349 | Transfer | 75851 | 0.11 |
| | | | | 14.11.2014 | 2149 | Transfer | 78000 | 0.11 |
| | | | | 21.11.2014 | 2564 | Transfer | 80564 | 0.11 |
| | | | | 28.11.2014 | 8437 | Transfer | 89001 | 0.13 |
| | | | | 05.12.2014 | -8198 | Transfer | 80803 | 0.11 |
| | | | | 12.12.2014 | 18795 | Transfer | 99598 | 0.14 |
| | | | | 19.12.2014 | -3997 | Transfer | 95601 | 0.14 |
| | | | | 31.12.2014 | -11331 | Transfer | 84270 | 0.12 |
| | | | | 02.01.2015 | -16226 | Transfer | 68044 | 0.10 |
| | | | | 09.01.2015 | -9839 | Transfer | 58205 | 0.08 |
| | | | | 16.01.2015 | 3821 | Transfer | 62026 | 0.09 |
| | | | | 23.01.2015 | -866 | Transfer | 61160 | 0.09 |
| | | | | 30.01.2015 | -6220 | Transfer | 54940 | 0.08 |
| | | | | 06.02.2015 | 2705 | Transfer | 57645 | 0.08 |
| | | | | 13.02.2015 | 5522 | Transfer | 63167 | 0.09 |
| | | | | 20.02.2015 | 425 | Transfer | 63592 | 0.09 |
| | | | | 27.02.2015 | -8850 | Transfer | 54742 | 0.08 |
| | | | | 06.03.2015 | -5000 | Transfer | 49742 | 0.07 |
| | | | | 13.03.2015 | 121 | Transfer | 49863 | 0.07 |
| | | | | 20.03.2015 | 1635 | Transfer | 51498 | 0.07 |
| | | | | 27.03.2015 | 3610 | Transfer | 55108 | 0.08 |
| | | | | 31.03.2015 | -3808 | Transfer | 51300 | 0.07 |
| | | 51300 | 0.07 | 31.03.2015 | | | 51300 | 0.07 |
| 3 | Agrawal Suruchi Dinesh | 90350 | 0.13 | 01.10.2014 | | | | |
| | | 90350 | 0.13 | 31.03.2015 | | | 90350 | 0.13 |
| 4 | Epoch Synthetics Pvt. Ltd | 100000 | 0.14 | 01.10.2014 | | | | |
| | | 100000 | 0.14 | 31.03.2015 | | | 100000 | 0.14 |
| 5 | Suseelkumar Thandan Veetil Raghavan | 100000 | 0.14 | 01.10.2014 | | | | |
| | | 100000 | 0.14 | 31.03.2015 | | | 100000 | 0.14 |
| 6 | P. Saravanan | 106500 | 0.15 | 01.10.2014 | | | | |
| | | 106500 | 0.15 | 31.03.2015 | | | 106500 | 0.15 |
| 7 | Akash | 115313 | 0.16 | 01.10.2014 | | | | |
| | | 115313 | 0.16 | 31.03.2015 | | | 115313 | 0.16 |
| 8 | Vikram Jeet Uppal | 120000 | 0.17 | 01.10.2014 | | | | |
| | | 120000 | 0.17 | 31.03.2015 | | | 120000 | 0.17 |
| 9 | Ujagar Singh Naul | 125107 | 0.18 | 01.10.2014 | | | | |
| | | | | 10.10.2014 | 6480 | Transfer | 131587 | 0.19 |
| | | | | 17.10.2014 | -8045 | Transfer | 123542 | 0.17 |
| | | | | 24.10.2014 | 6000 | Transfer | 129542 | 0.18 |
| | | | | 31.10.2014 | -2779 | Transfer | 126763 | 0.18 |
| | | | | 14.11.2014 | 1700 | Transfer | 128463 | 0.18 |
| | | | | 28.11.2014 | 9493 | Transfer | 137956 | 0.20 |
| | | 137956 | 0.20 | 31.03.2015 | | | 137956 | 0.20 |

WINSOME YARNS LIMITED

| | | | | | | | | |
|----|----------------------------------|--------|------|------------|--------|----------|--------|------|
| 10 | Seema | 193801 | 0.27 | 01.10.2014 | | | | |
| | | 193801 | 0.27 | 31.03.2015 | | | 193801 | 0.27 |
| 11 | Shri Parasram Holding Pvt. Ltd | 153135 | 0.22 | 01.10.2014 | | | | |
| | | | | 10.10.2014 | -7595 | Transfer | 145540 | 0.21 |
| | | | | 24.10.2014 | 100 | Transfer | 145640 | 0.21 |
| | | | | 31.10.2014 | 900 | Transfer | 146540 | 0.21 |
| | | | | 07.11.2014 | 6000 | Transfer | 152540 | 0.22 |
| | | | | 14.11.2014 | 11881 | Transfer | 164421 | 0.23 |
| | | | | 21.11.2014 | 4741 | Transfer | 169162 | 0.24 |
| | | | | 28.11.2014 | 104 | Transfer | 169266 | 0.24 |
| | | | | 05.12.2014 | 5017 | Transfer | 174283 | 0.25 |
| | | | | 12.12.2014 | 13250 | Transfer | 187533 | 0.27 |
| | | | | 19.12.2014 | 18410 | Transfer | 205943 | 0.29 |
| | | | | 31.12.2014 | 1671 | Transfer | 207614 | 0.29 |
| | | | | 09.01.2015 | 1650 | Transfer | 209264 | 0.30 |
| | | | | 23.01.2015 | 6999 | Transfer | 216263 | 0.31 |
| | | | | 06.02.2015 | 500 | Transfer | 216763 | 0.31 |
| | | | | 13.02.2015 | 1500 | Transfer | 218263 | 0.31 |
| | | | | 20.02.2015 | -4500 | Transfer | 213763 | 0.30 |
| | | | | 06.03.2015 | -5020 | Transfer | 208743 | 0.30 |
| | | | | 13.03.2015 | 1500 | Transfer | 210243 | 0.30 |
| | | | | 20.03.2015 | -401 | Transfer | 209842 | 0.30 |
| | | | | 27.03.2015 | 900 | Transfer | 210742 | 0.30 |
| | | 210742 | 0.30 | 31.03.2015 | | | 210742 | 0.30 |
| 12 | Prashant Mishra | 85191 | 0.12 | 01.10.2014 | | | | |
| | | | | 05.12.2014 | 134577 | Transfer | 219768 | 0.31 |
| | | 219768 | 0.31 | 31.03.2015 | | | 219768 | 0.31 |
| 13 | Srinivasa Reddy Vajrala | Nil | Nil | 01.10.2014 | | | | |
| | | | | 13.02.2015 | 198 | Transfer | 198 | 0.00 |
| | | | | 20.02.2015 | 19610 | Transfer | 19808 | 0.03 |
| | | | | 27.02.2015 | 122684 | Transfer | 142492 | 0.20 |
| | | | | 06.03.2015 | 46858 | Transfer | 189350 | 0.27 |
| | | | | 13.03.2015 | 65763 | Transfer | 255113 | 0.36 |
| | | 255113 | 0.36 | 31.03.2015 | | | 255113 | 0.36 |
| 14 | Highbluesky Emerging Market Fund | 191963 | 0.27 | 01.10.2014 | | | | |
| | | | | 23.01.2015 | 32955 | Transfer | 224918 | 0.32 |
| | | | | 30.01.2015 | 2500 | Transfer | 227418 | 0.32 |
| | | | | 06.02.2015 | 45 | Transfer | 227463 | 0.32 |
| | | | | 13.02.2015 | 11471 | Transfer | 238934 | 0.34 |
| | | | | 20.02.2015 | 8450 | Transfer | 247384 | 0.35 |
| | | | | 27.02.2015 | 50 | Transfer | 247434 | 0.35 |
| | | | | 13.03.2015 | 28752 | Transfer | 276186 | 0.39 |
| | | 276186 | 0.39 | 31.03.2015 | | | 276186 | 0.39 |

WINSOME YARNS LIMITED

| | | | | | | | | |
|----|-------------------------|---------|------|------------|---------|----------|---------|------|
| 15 | Blessy Thomas | 66213 | 0.09 | 01.10.2014 | | | | |
| | | | | 10.10.2014 | 10280 | Transfer | 76493 | 0.11 |
| | | | | 17.10.2014 | 167038 | Transfer | 243531 | 0.34 |
| | | | | 24.10.2014 | 23503 | Transfer | 267034 | 0.38 |
| | | | | 07.11.2014 | 16581 | Transfer | 283615 | 0.40 |
| | | 283615 | 0.40 | 31.03.2015 | | | 283615 | 0.40 |
| 16 | Mohammed Nasimullah | 285625 | 0.40 | 01.10.2014 | | | | |
| | | 285625 | 0.40 | 31.03.2015 | | | 285625 | 0.40 |
| | | | | | | | | |
| 17 | Karvy Stock Broking Ltd | 351609 | 0.50 | 01.10.2014 | | | | |
| | | | | 10.10.2014 | 35250 | Transfer | 386859 | 0.55 |
| | | | | 17.10.2014 | -22940 | Transfer | 363919 | 0.51 |
| | | | | 24.10.2014 | -8400 | Transfer | 355519 | 0.50 |
| | | | | 31.10.2014 | -1750 | Transfer | 353769 | 0.50 |
| | | | | 07.11.2014 | -2226 | Transfer | 351543 | 0.50 |
| | | | | 14.11.2014 | 13450 | Transfer | 364993 | 0.52 |
| | | | | 21.11.2014 | 585 | Transfer | 365578 | 0.52 |
| | | | | 28.11.2014 | 700 | Transfer | 366278 | 0.52 |
| | | | | 05.12.2014 | -14035 | Transfer | 352243 | 0.50 |
| | | | | 12.12.2014 | 11450 | Transfer | 363693 | 0.51 |
| | | | | 19.12.2014 | -8201 | Transfer | 355492 | 0.50 |
| | | | | 31.12.2014 | -9150 | Transfer | 346342 | 0.49 |
| | | | | 02.01.2015 | -25 | Transfer | 346317 | 0.49 |
| | | | | 09.01.2015 | -500 | Transfer | 345817 | 0.49 |
| | | | | 16.01.2015 | -900 | Transfer | 344917 | 0.49 |
| | | | | 23.01.2015 | -3550 | Transfer | 341367 | 0.48 |
| | | | | 30.01.2015 | -1000 | Transfer | 340367 | 0.48 |
| | | | | 13.02.2015 | 250 | Transfer | 340617 | 0.48 |
| | | | | 20.02.2015 | -372 | Transfer | 340245 | 0.48 |
| | | | | 27.02.2015 | -3250 | Transfer | 336995 | 0.48 |
| | | | | 06.03.2015 | 941 | Transfer | 337936 | 0.48 |
| | | | | 13.03.2015 | 50 | Transfer | 337986 | 0.48 |
| | | | | 27.03.2015 | -6741 | Transfer | 331245 | 0.47 |
| | | | | 31.03.2015 | -50 | Transfer | 331195 | 0.47 |
| | | 331195 | 0.47 | 31.03.2015 | | | 331195 | 0.47 |
| | | | | | | | | |
| 18 | Raju P. | 297050 | 0.42 | 01.10.2014 | | | | |
| | | | | 16.01.2015 | 104930 | Transfer | 401980 | 0.57 |
| | | | | 23.01.2015 | 10013 | Transfer | 411993 | 0.58 |
| | | | | 30.01.2015 | 7327 | Transfer | 419320 | 0.59 |
| | | | | 13.02.2015 | 18000 | Transfer | 437320 | 0.62 |
| | | 437320 | 0.62 | 31.03.2015 | | | 437320 | 0.62 |
| 19 | Hypnos Fund Limited | 773125 | 1.09 | 01.10.2014 | | | | |
| | | | | 05.12.2014 | -100000 | Transfer | 673125 | 0.95 |
| | | 673125 | 0.95 | 31.03.2015 | | | 673125 | 0.95 |
| 20 | Aspire Emerging Fund | Nil | Nil | 01.10.2014 | | | | |
| | | | | 13.03.2015 | 7050000 | Transfer | 7050000 | 9.97 |
| | | 7050000 | 9.97 | 31.03.2015 | | | 7050000 | 9.97 |

Top 10 shareholders at the beginning of the year (01.10.2014) and at the end of the year (31.03.2015).

WINSOME YARNS LIMITED

(v) Shareholding of Directors and Key Managerial Personnel (KMPs).

| Sl. No. | Name | Shareholding | | Date | Increase/ Decrease in shareholding | Reason | Cumulative Shareholding during the year (01.10.2014 to 31.03.2015) | |
|---------|-----------------------------|---|----------------------------------|------|------------------------------------|--------|--|----------------------------------|
| | | No. of shares at the beginning (01.10.2014)/ and end of the year (31.03.2015) | % of total shares of the Company | | | | No. of shares | % of total shares of the Company |
| (A) | Directors* | | | | | | | |
| 1 | Shri Satish Bagrodia | 42900 | 0.06 | – | – | – | 42900 | 0.06 |
| 2 | Shri Manish Bagrodia | 52040 | 0.07 | – | – | – | 52040 | 0.07 |
| (B) | KMPs# | | | | | | | |
| 1 | Shri Anand Balkishan Sharma | – | – | – | – | – | – | – |
| 2 | Shri K. V. Singhal | – | – | – | – | – | – | – |

Note: * Names of only those directors who held shares at any time during the year have been mentioned.

No KMPs held shares at any time during the year have been mentioned.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/ accrued but not due for payment.

(Rs. in Lacs)

| | Secured Loans Excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|--|-------------------------------------|-----------------|----------|--------------------|
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | 47866.92 | - | - | 47866.92 |
| ii) Interest due but not paid | 1422.57 | - | - | 1422.57 |
| iii) Interest accrued but not due | - | - | - | - |
| Total (i+ii+iii) | 49289.49 | - | - | 49289.49 |
| Change in Indebtedness during the financial year | | | | |
| i) Addition | - | - | - | - |
| ii) Reduction | 6600.48 | - | - | 6600.48 |
| Net Change | 6600.48 | - | - | 6600.48 |
| Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | 53357.92 | - | - | 53357.92 |
| ii) Interest due but not paid | 2592.05 | - | - | 2592.05 |
| iii) Interest accrued but not due | - | - | - | - |
| Total (i+ii+iii) | 55949.97 | - | - | 55949.97 |

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director and/or Manager:

(Rs. in Lacs)

| Sl. No. | Particulars of Remuneration | Name of the Managing Director / Manager | Total Amount |
|---------|---|---|--------------|
| | | Shri Manish Bagrodia, Managing Director | |
| 1 | Gross salary | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 27.30 | |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | – | |
| | (c) Profits in lieu of salary under section 17(3) Income tax Act, 1961 | – | 27.30 |
| 2 | Stock Option | | – |
| 3 | Sweat Equity | | – |
| 4 | Commission | | |
| | – as % of profit | | – |
| | – others, specify... | | – |
| 5 | Others, please specify {Co's contribution to Provident Fund (exempted portion)} | | 2.34 |
| | Total (A) | | 29.64 |
| | Ceiling as per the Act | | N/A* |

* Reappointment of Shri Manish Bagrodia as Managing Director of the Company for a period of five years w.e.f. 1st July, 2014 and his remuneration during the tenure of his reappointment were approved by the shareholders of the Company in the Annual General Meeting held on 31st March, 2015 in accordance with the provisions of Sections 196, 197, 198 and 203 read with Schedule V and other applicable provisions of the Companies Act, 2013. The Company has filed the application with Central Govt. for payment of remuneration within the overall limits as approved by the shareholders.

B. Remuneration to other Directors:#

| Sl. No. | Particulars of Remuneration | Name of Directors | | | Total Amount (Amount in Rs.) |
|---------|---|----------------------|------------------------------------|---------------------------------|------------------------------|
| 1 | Independent Director | Shri Pradeep Kumar | Shri K. P. Ramakrishnan | Ms. Ishika Aggarwal | |
| | ♦ Fee for attending board / committee meetings. | 15000 | 10000 | – | 25000 |
| | ♦ Commission. | – | – | – | – |
| | ♦ Others, please specify. | – | – | – | – |
| | Total (1) | 15000 | 10000 | – | 25000 |
| 2 | Other Non-Executive Directors | Shri Satish Bagrodia | Shri S. K. Singla* (Nominee PSIDC) | Shri B. M. Padha* (Nominee PNB) | |
| | ♦ Fee for attending board / committee meetings. | – | 10000 | – | 10000 |
| | ♦ Commission. | – | – | – | – |
| | ♦ Others, please specify. | – | – | – | – |
| | Total (2) | – | 10000 | – | 10000 |
| | Total (B)=(1+2) | 15000 | 20000 | – | 35000 |
| | Total Managerial Remuneration | 15000 | 20000 | – | 35000 |
| | Overall Ceiling as per the Act | – | – | – | N/A\$ |

only sitting fee paid to the Independent Directors and Non-Executive Directors.

* Sitting Fee paid to Nominating Institute/Bank.

\$ There is no net profits calculated as per section 198.

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD.

| Sl. No. | Particulars of Remuneration | CEO* | Key Managerial Personnel | | |
|---------|--|----------------|--------------------------|---------------|----------------|
| | | | Company Secretary | CFO | Total (in Rs.) |
| 1 | Gross salary: | Not Applicable | | | |
| | (a) Salary as per prov(Rs. in Lacs)ained in section 17(1) of the Income-tax Act, 1961 | | 593245 | 870546 | 1463791 |
| | (b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961 | | – | – | – |
| | (c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961 | | – | – | – |
| 2 | Stock Option | | – | – | – |
| 3 | Sweat Equity | | – | – | – |
| 4 | Commission- As % of profit- Others, specify | | – | – | – |
| 5 | Others, please specify : {Co's Contribution to Provident Fund (exempted), Superannuation (exempted portion)} | | 41620 | 61788 | 103408 |
| | Total | | 634865 | 932334 | 1567199 |

*The Managing Director is also CEO of the Company.

WINSOME YARNS LIMITED

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

| Type | Section of the Companies Act | Brief Description | Details of Penalty/ Punishment/ Compounding fees imposed | Authority[RD / NCLT/ COURT] | Appeal made, if any (give Details) |
|------------------------------|------------------------------|-------------------|--|-----------------------------|------------------------------------|
| A. COMPANY | | | | | |
| Penalty | - | - | - | - | - |
| Punishment | - | - | - | - | - |
| Compounding | - | - | - | - | - |
| B. DIRECTORS | | | | | |
| Penalty | - | - | - | - | - |
| Punishment | - | - | - | - | - |
| Compounding | - | - | - | - | - |
| C. OTHER OFFICERS IN DEFAULT | | | | | |
| Penalty | - | - | - | - | - |
| Punishment | - | - | - | - | - |
| Compounding | - | - | - | - | - |

CORPORATE GOVERNANCE REPORT

1. Company's philosophy on code of Governance

The Directors present the Company's Report on Corporate Governance pursuant to Clause 49 of the Listing Agreement made with Stock Exchanges. Winsome Yarns Limited believes that good Corporate Governance is essential to achieve long term corporate goals and enhance stakeholders' value. Thus Company's philosophy on Corporate Governance is aimed at the attainment of highest level of transparency, accountability and compliance of laws in all facets of operations, leading to best standards of Corporate Governance.

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

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

2. Board of Directors

The current strength of the Board of Directors (Board) of the Company is of seven directors, who are senior, competent and eminent experts from diverse fields and professions. The Chairman of the Board is a Non-Executive Promoter Director. The Board comprises one Executive and six Non-Executive Directors. Out of seven Directors, two are Promoter Directors, three are Non-Executive Independent Directors and two are Nominee Directors, in which one is Nominee of Punjab State Industrial Development Corporation Ltd (PSIDC) and one is Nominee of Punjab National Bank (CDR Lead Banker). None of the Directors on the Board is a member on more than 10 Committees and Chairman of more than 5 Committees (as specified in clause 49 of the Listing Agreement), across all the Companies in which they are Directors. The necessary disclosures regarding Committee memberships have been made by the Directors.

During the year 2014-15, Shri K. P. Ramakrishnan and Ms. Ishika Aggarwal have been appointed as Independent/Non-Executive Directors of the Company on 29.11.2014 and 31.03.2015 respectively. Shri B. M. Padha was also nominated as Director of the Company by Punjab National Bank and the Board of the Company has been appointed as Nominee Director w.e.f. 18.10.2014.

The names and categories of directors on the board, their attendance at board meetings during the year and at the last annual general meeting and the number of directorships in other Companies and committee memberships / chairmanship held by the directors as on 31.03.2015 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 | | Membership | Chairmanship | Total |
| Shri Satish Bagrodia | Chairman (NED) | – | – | – | 2 | – | 2 |
| Shri Pradeep Kumar | INED | 3 | Yes | 2 | 9 | 2 | 11 |
| Shri K. P. Ramakrishnan (Appointed as Director on 29.11.2014) | INED | 2 | Yes | – | 2 | 2 | 4 |
| Shri Manish Bagrodia | MD (Executive) | 3 | Yes | 6 [#] | 3 | – | 3 |
| Shri Brij Mohan Padha (Appointed as Nominee Director of Punjab National Bank w.e.f. 18.10.2014) | NED | – | – | – | – | – | – |
| Shri S.K. Singla (Nominee Director of PSIDC) | NED | 2 | – | 10 | 2 | – | 2 |
| Ms. Ishika Aggarwal (Appointed as Director on 31.03.2015) | INED | – | – | – | – | – | – |

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

**Includes membership/ chairmanship in committees other than Audit Committee and Stakeholders Relationship Committee.

Three board meetings were held during the financial year 2014-15, comprising a period of 6 months from 01.10.2014 to 31.03.2015. The meetings were held on 29th November, 2014 (2 separate meetings held on 29.11.2014) and 12th February, 2015 and the maximum time gap between any two meetings was not more than 120 days.

Maximum tenure of Independent Directors

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

3. Code of Conduct

The Company has framed a code of conduct for the members of the Board of Directors and Senior Management Personnel of the Company. The said code of conduct is available on the website of the Company. . The declaration by Shri Manish Bagrodia, Managing Director of the Company regarding compliance by the Board members and Senior Management Personnel, with the said code of conduct is given as **Annexure 'A'** to this report.

4. Whistle Blower Policy

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

5. Subsidiary Companies

The note on the subsidiary companies has already been given in the Directors Report.

6. CEO/ CFO Certification

The Managing Director (CEO) and the Chief Financial Officer (CFO) of the Company have certified to the Board that the requirements of the Clause 49 (IX) of the Listing Agreement, inter alia, dealing with the review of financial statements and cash flow statement for the year ended on 31st March, 2015. 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. A certificate in this regard is given as **Annexure 'B'** to this report.

7. Audit Committee

The Audit Committee functions in accordance with the terms of reference set out under Clause 49 of the Listing Agreement read together with Section 177 of the Companies Act, 2013, and additional responsibilities assigned to it by the Board of Directors. The Committee also reviews the reports of the Internal Auditors along with the comments of management. The functions of the Audit Committee among others, include approving and implementing the audit procedures, reviewing the financial reporting system, internal controls and procedures and ensuring compliance with regulatory guidelines.

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

| Name of members | Category | No. of meetings attended during the year 2014-2015 |
|--|----------------------------|--|
| Shri Pradeep Kumar, Chairman | Independent/ Non-Executive | 2 |
| Shri K. P. Ramakrishnan, Member (Appointed as Director on 29.11.2014) | Independent/ Non-Executive | 2 |
| Shri Manish Bagrodia, Member (Appointed as Member on 29.11.2014) | Promoter/Executive | 2 |
| Shri S. K. Singla, Member (Resigned from Membership on 17.10.2014) | Nominee/Non-Executive | — |

During the financial year, the Audit Committee meetings were held on 29th November, 2014 and 12th February, 2015.

The Auditors, CFO and Internal Auditor were invitees to the meetings.

8. Nomination and Remuneration Committee

The brief description of Terms of Reference of Nomination and Remuneration Committee is to guide the Board in relation to the appointment and removal, identifying persons and to recommend/review remuneration of the directors including Managing Director/Executive Directors, Key Managerial Personnel (KMP) and Senior Management Personnel.

Remuneration policy of the Company is directed towards rewarding performance, based on review of achievements on a periodical basis. The remuneration policy is in accordance with the existing industry practice.

The Company had already constituted a Nomination and Remuneration Committee comprising of two Independent/Non-Executive Directors, one Nominee/Non-Executive Director and one Promoter/Executive Director to fulfill the requirements of the provisions of the Companies Act, 2013 and the listing agreement.

The composition of the Committee are as below:

| Name of Members | Category |
|--|----------------------------|
| Shri Pradeep Kumar, Chairman | Independent/Non-Executive |
| Shri Satish Bagrodia, Member | Promoter/ Non-Executive |
| Shri K. P. Ramakrishnan, Member (Appointed as Director on 29.11.2014) | Independent/ Non-Executive |
| Shri S. K. Singla, Member | Nominee/Non-Executive |

During the financial year, the Nomination and Remuneration Committee meetings were held on 29th November, 2014 and 31st March, 2015.

Remuneration Policy**i). For Non-Executive Directors**

The Non-Executive Directors are paid remuneration by way of Sitting Fees. The Non-Executive Directors are entitled to sitting fees of Rs. 5000/- for each Board Meeting attended. The aforesaid sitting fees is within the limits prescribed under the sections/rules of Companies Act, 2013.

The details of remuneration paid to the Non-Executive Directors during the year 2014-15 are given below:

| Non-Executive (Amount in Rs.) | |
|-------------------------------------|--------------|
| Name of Directors | Sitting Fees |
| Shri Satish Bagrodia | — |
| Shri Pradeep Kumar | 15000 |
| Shri K. P. Ramakrishnan | 10000 |
| Shri S. K. Singla (PSIDC Nominee)* | 10000 |
| Shri Brij Mohan Padha (PNB Nominee) | — |
| Ms. Ishika Aggarwal | — |
| Total | 35000 |

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

ii). For Executive Director

Shri Manish Bagrodia had been appointed as Managing Director of the Company for a period of five years with effect from 01.07.2014. The details of the remuneration drawn by the Managing Director during the financial year (01.10.2014 to 31.03.2015) are as under.

| Name of Director | Salary | HRA | Perquisites* | Total |
|----------------------|--------|------|--------------|-------|
| Shri Manish Bagrodia | 19.50 | 7.80 | 2.34 | 29.64 |

* Company's contribution to Provident Fund.

None of the Non-Executive Directors has any material financial interest in the Company apart from the remuneration by way of sitting fees received by them during the year. In view of the adverse performance of the Company, the Board of Directors of the Company has resolved not to make payment of commission to the Managing Director for the year ended 31st March, 2015.

9. Stakeholders Relationship Committee :

The Stakeholders Relationship Committee functions with the following objectives:

Redressing of Shareholders and Investors complaints, regarding transfer of shares, non-receipt of balance sheet, non-receipt of dividend, demat and remat the shares, change of address etc. During the financial year 2014-15, two Stakeholders Relationship Committee meetings were held on 29th November, 2014 and 12th February, 2015. During the financial year, the total 12 nos. of complaints were received, resolved & replied in time and no grievance was pending at the end of the financial year.

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

| Name of members | Category | No. of meetings attended during the year 2014-2015 |
|--|--|--|
| Shri K. P. Ramakrishnan, Chairman (Appointed as Director on 29.11.2014) | Independent/Non-Executive | 2 |
| Shri Pradeep Kumar, Member | Independent/Non-Executive | 2 |
| Shri Manish Bagrodia, Member | Promoter/Executive | 2 |
| Shri K. V. Singhal, Member | Company Secretary & Compliance Officer | 2 |

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

10. Risk Management Committee

The Board of Directors of the Company had already constituted a Risk Management Committee of the Board. The present composition of the Committee is as below.

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

Risk Management

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

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

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

- iii. **Commodity price risk**The Company is exposed to the risk of price fluctuation on raw materials as well as finished goods in all its products. The Company proactively manages these risks in inputs through forward booking, inventory management, proactive management of vendor development and relationships. The Company's strong reputation for quality, product differentiation and service, the existence of a powerful brand image and a robust marketing network mitigates the impact of price risk on finished goods.
- iv. **Risk element in individual businesses**Apart from the risks on account of interest rate, foreign exchange and regulatory changes, business of the Company is exposed to certain operating business risks, which are managed by regular monitoring and corrective actions.
- v. **Compliance risks**The Company is exposed to risks attached to various statutes and regulations including the Competition Act. The Company is mitigating these risks through regular reviews of legal compliances, through internal as well as external compliance audits.
- vi. **People risks**Retaining the existing talent pool and attracting new manpower are major risks. The Company has initiated various measures such as rollout of strategic talent management system; training and integration of learning activities.

11. Disclosures

- (i) All related party transactions have been entered into in the ordinary course of business and were placed periodically before the audit committee in summary form including transactions for which omnibus approval of the Audit Committee was taken. There were no material individual transactions with related parties which were not in the normal course of business, required to be placed before the audit committee and that may have potential conflict with the interest of the Company at large. All individual transactions with related parties or others were on an arm's length basis. Transactions with related parties as per requirements of Accounting Standard (AS) 18 – 'Related Party Information' are disclosed in Note no. 2.21 to the Financial Statements.
- (ii) All Accounting Standards mandatorily required have been followed without exception in preparation of the financial statements.
- (iii) Procedures for assessment of risk and its minimisation have been laid down by the Company and reviewed by the Board. These procedures are periodically reassessed to ensure that executive management controls risks through means of a properly defined framework.
- (iv) No money was raised by the Company through public issue, rights issue etc. in the last financial year.
- (v) The Company has one Managing Director on the Board whose appointment and remuneration has been reviewed/ approved by the Nomination and Remuneration Committee, The Board of Directors and the members passed the resolution in their meeting held on 31.03.2015, subject to the approval of the Central Government. The remuneration paid is mentioned in item 8(ii) of this report.
- (vi) The number of shares held by each director is mentioned in item 16 of this report.
- (vii) Management Discussion and Analysis forms part of the Annual Report to the shareholders and it includes discussion on matters as required under the provisions of clause 49 of the Listing Agreement with Stock Exchanges.
- (viii) There were no material financial & commercial transactions by Senior Management as defined in Clause 49 of the Listing Agreement where they have any personal interest that may have a potential conflict with the interests of the Company at large requiring disclosure by them to the Board of Directors of the Company.
- (ix) No penalties or strictures have been imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.
- (x) The Company has established a vigil mechanism/whistle blower policy for directors and employees to report concerns about unethical behavior, actual or suspected fraud etc. and the same has been disclosed on the website of the Company.

12. Compliance Certificate

Compliance Certificate for Corporate Governance from Secretarial Auditors of the Company is given as **Annexure-'C'** to this report.

13. General Body Meetings

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

| Year | Venue | Date | Time |
|-----------|--|------------|------------|
| 2011-2012 | PHD Chamber of Commerce and Industry, Regional Office PHD House, Sector 31-A, Chandigarh | 06.09.2012 | 3.30 P.M. |
| 2012-2013 | PHD Chamber of Commerce and Industry, Regional Office PHD House, Sector 31-A, Chandigarh | 12.02.2014 | 11.30 A.M. |
| 2013-2014 | PHD Chamber of Commerce and Industry, Regional Office PHD House, Sector 31-A, Chandigarh | 31.03.2015 | 11.30 A.M. |

During the last three financial year, all resolutions, including three special resolutions on 18.07.2011, one special resolution on 12.02.2014 and one special resolution on 31.03.2015 as set out in the respective notices of General Meetings were passed by the shareholders. During the financial year, no postal ballots was used. At the forthcoming AGM, there is no item on the agenda that needs approval by Postal ballots.

14. 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.

The details of unclaimed shares are as under:-

| Unclaimed shares' details as on 30.09.2014 | | Details of claimed shares during the financial year | | Balance as on 31.03.2015 | |
|---|---------------|--|---------------|-----------------------------|---------------|
| No. of shareholders | No. of shares | No. of shareholders | No. of shares | No. of shareholders | No. of shares |
| 1428 | 298300 | — | — | 1428 | 298300 |

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

15. Means of Communications

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

16. General Shareholder information

| | |
|---|--|
| Financial Year | 1 st October, 2014 to 31 st March, 2015 |
| Date of Annual General Meeting | Wednesday, the 23 rd September, 2015 |
| Venue & Time | PHD Chamber of Commerce & Industry, Sector 31-A, Chandigarh at 11.30 a.m. |
| Date of Book Closure | 09.09.2015 to 11.09.2015 (both days inclusive) |
| Listing of equity shares on Stock Exchanges | BSE Limited (BSE) National Stock Exchange of India Ltd (NSE) |
| Demat ISIN Number | NSDL & CDSL : INE784B01035 |
| Scrip Code | BSE – 514348, NSE – WINSOME |

Market price data :

During the Financial Year, i.e. from 01.10.2014 to 31.03.2015, the month wise High and Low price of the equity shares of the Company on BSE and NSE were as under.

| MONTHS | BSE | | NSE | |
|--------|------|------|------|------|
| | Low | High | Low | High |
| Oct 14 | 2.20 | 1.90 | 2.20 | 1.60 |
| Nov 14 | 2.29 | 1.76 | 2.30 | 1.80 |
| Dec 14 | 2.15 | 0.99 | 1.95 | 1.00 |
| Jan 15 | 1.80 | 1.20 | 1.75 | 1.10 |
| Feb 15 | 1.69 | 1.30 | 1.70 | 1.20 |
| Mar 15 | 1.55 | 1.00 | 1.50 | 1.00 |

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

WINSOME YARNS LIMITED

Annual listing fee to BSE and NSE for the year 2015-16 have already been paid.

| | |
|------------------------------------|--|
| Registrar and Share Transfer Agent | M/s Link Intime India Pvt. Limited 44, Community Centre, 2nd Floor, Near PVR, Naraina Industrial Area, Phase I, New Delhi – 110028 Tele. No. 011-41410592-94, Fax No. 011-41410591 E-mail : delhi@linkintime.co.in, sunil.mishra@linkintime.co.in |
| Share Transfer System | Shares lodged in physical form with the RTA directly or through Company, are processed and returned, duly transferred, within 15 days normally, except in cases which are under objection. In respect of shares held in dematerialised mode, the transfer takes place instantaneously between the transferor, transferee through Depository Participant in electronic mode. |
| Compliance Officers | Shri Manish Bagrodia, Managing Director and Shri K.V. Singhal, GM(Legal) and Company Secretary E-mail : kvsinghal@winsomegroup.com, cshare@winsomegroup.com |

Distribution of shareholding as on 31st March, 2015.

| Range of Shares | No. of Shareholders | % of Shareholders | No. of Shares | % of Shareholding |
|-----------------|---------------------|-------------------|-----------------|-------------------|
| 1 - 500 | 10377 | 71.291 | 1853649 | 2.622 |
| 501 - 1000 | 1597 | 10.971 | 1435746 | 2.031 |
| 1001 - 2000 | 959 | 6.588 | 1611361 | 2.279 |
| 2001 - 3000 | 419 | 2.879 | 1119841 | 1.584 |
| 3001 - 4000 | 198 | 1.360 | 727652 | 1.029 |
| 4001 - 5000 | 201 | 1.381 | 972281 | 1.375 |
| 5001 - 10000 | 406 | 2.789 | 3134987 | 4.434 |
| 10001 and above | 399 | 2.741 | 59851712 | 84.646 |
| Total | 14556 | 100.000 | 70707229 | 100.000 |

Shareholding Pattern as on 31st March, 2015.

| Category | No. of shares | Percentage |
|---|-----------------|---------------|
| Promoter and Promoter Group | 27339609 | 38.67 |
| Mutual Funds | 11800 | 0.02 |
| Foreign Institutional Investors | 7326186 | 10.36 |
| Bodies Corporate | 3542201 | 5.01 |
| NRIs | 314358 | 0.44 |
| Indian Public | 20734325 | 29.32 |
| Shares held by Custodian against which Depository Receipts have been issued | 11438750 | 16.18 |
| Total | 70707229 | 100.00 |

Details of shareholding of Directors in the Company as on 31.03.2015

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

WINSOME YARNS LIMITED

| | |
|---|---|
| Dematerialisation of shares and liquidity. | Out of total 70707229 nos. of shares, 98.83% shares have been dematerialised upto 31.03.2015. |
| Outstanding GDRS/ ADRS/ Warrants or any convertible instruments, conversion date and likely impact on equity. | The Company has not issued during the year any GDRs/ADRs/Warrants or any convertible instruments, the conversion of which will have an impact on equity shares. |
| Plant Location (Yarn) | Village - Kurawala, Tehsil - Derabassi, Distt - Mohali (Punjab) |
| (Knitwear) | Winsome Knitwear (Prop. Winsome Yarns Limited) B-58, Industrial Area, Phase-VII, Mohali (PB) |
| Micro Hydel Power Projects | Barewal, Bharawal, Isewal, Mansion, Raowal at Sidhwan Bate, Distt. Ludhiana, Punjab |
| Address for correspondence | The Company Secretary Winsome Yarns Limited SCO 191-192, Sector 34-A, Chandigarh-160022 E-mail : kvsinghal@winsomegroup.com, cshare@winsomegroup.com Website : www.winsomegroup.com |

For and on behalf of the Board

Pradeep Kumar
Director

Place : Chandigarh
Dated: 28.05.2015

Manish Bagrodia
Managing Director

DECLARATION ON COMPLIANCE OF THE COMPANY'S CODE OF CONDUCT

To,
The Board of Directors
Winsome Yarns Limited
SCO 191-192, Sector 34-A
Chandigarh-160022

The Company has framed a specific Code of Conduct for the members of the Board of Directors and the Senior Management Personnel of the Company pursuant to Clause 49 of the Listing Agreement with Stock Exchanges to further strengthen corporate governance practices of the Company.

All the members of the Board and Senior Management Personnel of the Company have affirmed due observance of the said Code of Conduct in so far as it is applicable to them and there is no non compliance thereof during the year ended 31st March, 2015.

Place : Chandigarh
Dated: 28.05.2015

Manish Bagrodia
Managing Director

Certificate from Managing Director and Chief Financial Officer under clause 49(IX) of the Listing Agreement for the year 2014-15.

- A. We have reviewed financial statements and the cash flow statement for the year ended 31.03.2015 and that to the best of our knowledge and belief:
- 1 these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - 2 these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B To the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- C We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- D
- 1 There has not been any significant change in internal control over financial reporting during the year under reference;
 - 2 There has not been any significant change in accounting policies during the year requiring disclosure in the notes to the financial statements; and
 - 3 We are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Manish Bagrodia
Managing Director

Place : Chandigarh
Dated : 28.05.2015

Anand Balkishan Sharma
Chief Financial Officer

**CERTIFICATE OF SECRETARIAL AUDITORS REGARDING COMPLIANCE OF
CONDITIONS OF CORPORATE GOVERNANCE**

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 March 31, 2015, as stipulated in Clause 49 of the Listing Agreements of the Company entered into with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

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

For Girish Madan and Associates
Company Secretaries

Place: Chandigarh
Dated: 28.05.2015

Girish Madan
Membership No. 5017
Certificate of Practice No. 3577

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WINSOME YARNS LIMITED

Report on the Standalone Financial Statements

We have audited the accompanying Standalone Financial Statements of **WINSOME YARNS LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2015, the Statement of Profit and Loss, the Cash Flow Statement for the period (6 Months) then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Standalone Financial Statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone 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 standalone Financial Statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143 (10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Standalone Financial Statements are free from material misstatement.

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

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

Basis for Qualified opinion

Attention is drawn to:

- i. **Note no. 2.25 and 2.26 [this is to be read with note. No. 2.8(b) & 2.8(c)] regarding non-provisioning of Interest Expenses of Rs. 3273.37 Lacs (Previous Year NIL), penal interest, penalty etc. (amount unascertainable) AND Adjustment/set off of payment of receivables/payables pending necessary approval respectively as stated in the said notes.**
- ii. **Note no. 2.22(A)(iv) (b) and 2.22(A) (v) regarding Non compliance of conditions [read with note no. 2.2 (A) (iii)] with respect to physical verification of fixed assets, as advised not to maintain bank accounts outside consortium parties (Bankers etc.) as directed by the CDR-MC and the impact on the state of affairs on exiting from CDR by Banks, as stated in the said notes.**
- iii. **Note No. 2.14 regarding pending confirmation / reconciliation of balances of certain receivables (including overseas overdue receivables as stated in note no.2.8), bank balances, payables (including of an Associate Company), secured loans, other liabilities, loans and advances etc.; and contingent liability being considered as certified by the management in the absence of full detail, in this respect impact is unascertainable and cannot be commented upon by us. In our view read with said note internal control needs to be further strengthened.**

- iv. Note No. 2.8 (a)&(b) and Note no. 2.11 regarding non-provision against receivables [including of oversea overdue debtors of amounting to Rs. 6908.79 lacs (Previous Year Rs. 6846.77 Lacs)] [including accounting of exchange fluctuation of Rs. 897.41 lacs (Previous Year Rs. 823.31 Lacs) till 31st March 2015] and loans and advances of Rs. 10377.68 lacs (Previous Year Rs. 6844.14 Lacs) and Rs. 2599.32 lacs (Previous Year Rs. 2935.38 Lacs) respectively. The accounting of exchange fluctuation is not in line with generally accepted accounting principles and Accounting Standards 11 (AS-11)-"The Effect of Changes in Foreign Exchange Rates".
- v. Note No. 2.22(A)(iv)(a) to (d) regarding accounting of consumption of Raw Material and Stores & Spares as balancing figure and the valuation of inventories is as taken, valued and as certified by the management [also attention is drawn on provision against non/slow moving which has been made as assessed by the management] as stated in said note; the impact whereof on the statement of state of affairs and loss for the period not being ascertainable for the reason stated in the said note and cannot be commented upon by us.
- vi. As stated in note no. 2.5 and as per the AS-28 (Impairment of Assets), the company have carried out assessment of value in use of assets of knitwear unit, by an independent professional firm, based on this estimated impairment loss is of amounting to Rs. 2365.58 lacs (Previous Year 2996.00 Lacs -Gross Amount) (net). However, no provision against the same has been made by the company for the reason as explained in the said note. The Non provision against impairment in value of above stated assets is not in line with AS 28.
- vii. Note no. 2.3 regarding pending receipt of part money of amounting to USD 50,72,110 (Rs. 2679.34 lacs) out of the GDR issue made by the company and as explained 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)]. In respect of realisability/receipt we are unable to comment. As explained, above stated amount is invested in money market fund outside India, pending for utilization.
- viii. Note No. 2.23 (read with note no. 2.14) regarding non-provisions of Interest, Penalty etc. on delay of certain statutory dues on time w.r.t. Employee State Insurance, Provident Fund, Punjab Welfare Fund, Tax Deducted at source, Tax Collected at source and Service Tax etc. (amount unascertainable) and our inability to comment the impact on the loss for the period.
- ix. Note no. 2.12(b) regarding the net worth of the Company become negative and preparation of financial statements by the management on "going concern basis", considering the future business plans and expected cash flows as stated in the said note. In the event of the same not being held to be a "going concern" and various assets and liabilities being consequently required to be adjusted with respect to their realizable value, the impact whereof has not been ascertainable.
- x. Note no. 2.21 regarding payment of managerial remuneration of Rs. 44.46 Lacs (w.e.f. 1st July, 2014) (Previous Year Rs. 14.82 Lacs) is subject to necessary approval of the Central Government.
- xi. Note no. 2.28 regarding pending appointment of requisite number of independent directors as stated in the said note.
- xii. In view of our comment under para (i) to (x) above and on our comments in terms of the internal control system needs to be further strengthened to be made the same commensurate with the size of the Company and the nature of its business for the purchases and consumption of inventory, booking of the expenses, set off of balances and for the sale of goods and services.

We report that, without considering items mentioned in paragraph (ii),(iii), (v), (vii) and (viii) above the impact of which could not be determined, had the impact of notes referred in paragraph (i), (iv) & (vi) above been given to in these financial statements, the loss for the period would have been Rs. 23,290.66 lacs (as against the reported figures of Rs. 4,674.71 lacs), accumulated loss at the period end would have been Rs. 43,277.78 Lacs (as against the reported figure of Rs. 24,661.82 lacs), Loans and advances at the period end would have been Rs. 1,167.34 lacs (as against the reported figure of Rs. 3,766.66 lacs), carrying value of fixed assets would have been Rs. 25,342.70 lacs (as against the reported figure of Rs. 27,708.28 Lacs), trade receivables would have been Rs. 1,466.83 lacs (as against the reported figure of Rs. 11,844.51 lacs), other current liability at the period end would have been Rs. 20,311.82 lacs (as against the reported figure of Rs. 17,038.45 lacs).

Our opinion was also qualified on the financial statements for the year ended 30th Sept 2014 in respect of matter reported in (i) to (vii) above.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the matters described in the Basis for Qualified Opinion paragraph, the aforesaid Standalone 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, of the state of affairs of the Company as at 31st March, 2015, and its loss and its cash flows for the period ended on that date.

WINSOME YARNS LIMITED

Emphasis of Matters

Attention is drawn to Note no. 2.29 regarding Financial Statements of a Subsidiary Company namely Winsome Yarns FZE for the year ended 31.3.2015 are unaudited and as certified by the management.

Our opinion is not qualified in respect of above matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us during the course of audit, we give in the Annexure a statement on the matters specified in the paragraphs 3 and 4 of the order.
2. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit, **except as stated in para (iii) under the head "Basis of Qualified Opinion"**.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, **Except for the matter described in para (iv) [AS-11 "The Effect of Changes in Foreign Exchange Rates" and read with note no. 2.8(a)] and para (vi) (AS-28 "Impairment of Assets" and read with note no.2.5] under the Basis for Qualified Opinion paragraph**, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) **The matters described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.**
 - (f) On the basis of the written representations received from the directors as on 31st March, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (g) **The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.**
 - (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its Standalone Financial Statements - Refer Note No. 2.1 [read with Note No. 2.2(A)(iv)(a), 2.2(A)(v) and 2.2(B)] to the Standalone Financial Statements.
 - ii. The Company has made provision, as required under the applicable law or Accounting Standards, for material foreseeable losses, if any, on long term contracts including derivative contracts; except to the extent and as explained in Note No.2.2 of the Standalone Financial Statements.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For LODHA & CO.,
Chartered Accountants
Firm's Registration No. 301051E

(N. K. LODHA)
Partner
Membership No. 85155

Place : New Delhi
Date : 28th May, 2015

**Annexure referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date for the period (6 Months) ended 31st March 2015
Standalone Financial Statements of Winsome Yarns Limited**

1. (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets *except in respect of certain fixed assets (including assets of knitwear unit) where, the records as explained, are in process of compilation/ updation [Read with note no. 2.22(A)(iv)(b)].*
(b) *As per information and explanations given to us, certain fixed assets have been physically verified by the Management according to the 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. The discrepancies noticed on such physical verification were not material.*
2. (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 (b) and (c) 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. 2.22(A)(iv)(a) to (c)].*
(c) *In the absence of detailed item wise quantitative records (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. 2.22(A) (iv) (a) to (c) and the book records were not material.*
3. As informed to us, the Company has not granted any loan secured or unsecured to any companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, the provisions of Clause 3(iii) (a) & (b) of the Order are not applicable.
4. 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. 2.8, 2.14, 2.16, 2.22(A) (iv) & 2.26 and our comments under "Basis of Qualified Opinion" paragraph]. 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 clauses (i) and (ii) above.
5. In our opinion and according to the information and explanations given to us, the Company has complied with the directive issued by the Reserve Bank of India and the provisions of Section 73 to 76 of the Act or any other relevant provisions of the Act and the rules framed there under (to the extent applicable) with regard to deposit accepted from the public. 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 other tribunal in this regard.
6. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub section (1) of section 148 of the Act in respect of the Company's products to which the said rules are made applicable and are of the opinion that prima facie, the prescribed records have been made and maintained. We have however not made a detailed examination of the said records with a view to determine whether they are accurate or complete.
7. (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, Custom Duty, Cess and other material statutory dues to the extent applicable to it except in respect of Provident Fund, Employee State Insurance dues, Punjab Welfare Fund, TDS, TCS & Service Tax were same found paid with certain delay (and as stated in note no. 2.23) and non deposition of PF, ESI & PWF amounting to Rs. 94.54 Lacs, Rs. 0.77 Lacs & Rs. 2.02 Lacs respectively and 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 31st March 2015.
(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

WINSOME YARNS LIMITED

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/VAT | 4.35 | 1999-2000 | Joint Director Excise and Taxation, Chandigarh |
| | | 2.25 | 1993-1994 | Sales Tax Tribunal Punjab |
| | | 13.36 | 2003-2004 | Deputy Excise and Taxation Commissioner (Appeal) |
| | | 29.08 | 2008-2009 | Commissioner (Appeal) |
| Central Excise Act# | Excise Duty | 67.45 | 2000-01 to 2004-05 | CESTAT, New Delhi |
| | Excise Duty | 35.54 | 2005-06 to 2008-09 | CESTAT, New Delhi |
| | Excise Duty | 513.39 | 2006-07 to 2009-10 | CESTAT, New Delhi |
| | Excise Duty | 15.97 | 2010-11 | CESTAT, New Delhi |
| | Excise Duty | 13.42 | 2011-12 | CESTAT, New Delhi |

(Excluding show cause notices)

This para is to be read with note no. 2.1(A) and 2.1(B) and note no. 2.14 AND para (iii) of "Basis for Qualified Opinion".

(c) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

8. 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.
9. In our opinion, on the basis of audit procedures and according to the information and explanations given to us, the company has defaulted in repayment of dues on account of interest and principal (maximum) of amounting to Rs. 4024.25 lacs and amounting to Rs. 8083.59 lacs respectively for delay of maximum period of 727 days and 788 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).
10. 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.
11. According to the information and explanations given to us, the term loans were applied for the purposes for which the loans were obtained.
12. 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, 2.22(A)(iv) and our comments under the "Basis for Qualified Opinion"] on or by the Company has been noticed or reported during the course of the audit.

For LODHA & CO.,
Chartered Accountants
Firm's Registration No. 301051E

(N. K. LODHA)
Partner
Membership No. 85155

Place : New Delhi
Date : 28th May, 2015

AUDITED BALANCE SHEET AS AT 31ST MARCH 2015
(Rs. in Lacs)

| PARTICULARS | NOTE No. | As at 31st March, 2015 (6 Months) | As at 30th Sept, 2014 (12 Months) |
|---|----------|-----------------------------------|-----------------------------------|
| I. EQUITY AND LIABILITIES | | | |
| (1) Shareholders' Funds | | | |
| (a) Share Capital | 3 | 7082.33 | 7082.33 |
| (b) Reserves & Surplus | 4 | (18944.98) | (14146.55) |
| | | (11862.65) | (7064.22) |
| (2) Non- Current Liabilities | | | |
| (a) Long Term Borrowings | 5 | 12951.74 | 15005.39 |
| (b) Long Term Provisions | 7 | 120.02 | 170.87 |
| | | 13071.76 | 15176.26 |
| (3) Current Liabilities | | | |
| (a) Short Term Borrowings | 8 | 28155.80 | 28694.39 |
| (b) Trade Payables | 9 | 4153.08 | 5910.11 |
| (c) Other Current Liabilities | 10 | 17038.45 | 15392.99 |
| (d) Short Term Provisions | 11 | 13.42 | 15.62 |
| | | 49360.75 | 50013.11 |
| TOTAL | | 50569.86 | 58125.15 |
| II. Assets | | | |
| (1) Non- Current Assets | | | |
| (a) Fixed Assets | 12 | | |
| (i) Tangible Assets | | 27708.19 | 28705.49 |
| (ii) Intangible Assets | | 0.09 | 0.10 |
| (iii) Capital Work-in-Progress | | - | - |
| (b) Non Current Investment | 13 | - | - |
| (c) Deferred Tax Asset (Net) | 6 | - | - |
| (d) Long term loans & advances | 14 | 689.98 | 394.55 |
| | | 28398.26 | 29100.14 |
| (2) Current Assets | | | |
| (a) Current Investment | 15 | 2679.34 | 2679.34 |
| (b) Inventories | 16 | 4285.12 | 9823.41 |
| (c) Trade Receivables | 17 | 11844.51 | 11996.30 |
| (d) Cash & Bank balances | 18 | 285.95 | 516.87 |
| (e) Short term Loans & Advances | 19 | 3076.68 | 4009.09 |
| | | 22171.60 | 29025.01 |
| Total | | 50569.86 | 58125.15 |
| Significant Accounting Policies & Explanatory Notes are an integral part of the Financial Statement | 1 & 2 | | |

As per our report of even date.

For **LODHA & CO.**

Chartered Accountants

Firm Registration Number : 301051E

For and on behalf of the Board

N.K. Lodha
Partner
M.No.85155

Anand Balkishan Sharma
President (Corporate Finance)
and Chief Financial Officer

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

Manish Bagrodia
Managing Director
DIN- 00046944

Pradeep Kumar
Director
DIN- 03052477

Place : Chandigarh
Date : 28-May -2015

WINSOME YARNS LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 31ST MARCH 2015

(Rs. in Lacs)

| PARTICULARS | NOTE No. | As at 31.03.2015 | As at 30.09.2014 |
|---|----------|------------------|------------------|
| I. Revenue from operations | | | |
| Sales (Gross) | 20 | 20134.60 | 40396.17 |
| Less : Excise Duty | | - | - |
| Net Sales | | 20134.60 | 40396.17 |
| II. Other Income | 21 | 317.89 | 264.55 |
| III. Total Revenue (I+II) | | 20452.49 | 40660.72 |
| IV. Expenses : | | | |
| Cost of Material consumed | | 13378.45 | 25759.01 |
| Purchase of stock-in-trade | | - | 1928.68 |
| Change in inventories of finished goods, work in progress and stock in Trade | 22 | 4668.62 | 3592.45 |
| Employee benefit expense | 23 | 1308.56 | 2599.99 |
| Financial costs | 24 | 275.29 | 6133.15 |
| Depreciation and amortization expense | 25 | 873.59 | 2176.27 |
| Other Expenses | 26 | 4622.69 | 8690.14 |
| Total Expenses (IV) | | 25127.20 | 50879.69 |
| V. Profit before exceptional items and tax (III-IV) | | (4674.71) | (10218.98) |
| VI. Exceptional Items {Refer Note no.2.9} | | - | 944.33 |
| VII. Profit before tax(V-VI) | | (4674.71) | (11163.30) |
| VIII. Tax Expense: | | | |
| - Current Tax | | - | - |
| - Deferred Tax {Refer Note no 2.19 } | | - | - |
| IX. Profit/(Loss) for the period from continuing operations (VII-VIII) | | (4674.71) | (11163.30) |
| X. Profit /(Loss)from discontinuing operations | | - | - |
| XI. Tax expense of discontinuing operations | | - | - |
| XII. Profit/(Loss) from discontinuing operations(X-XI) | | - | - |
| XIII. Profit/(Loss) for the period (IX+XII) | | (4674.71) | (11163.30) |
| XIV. Earning per equity share : | | | |
| - Basic (Rs.) | 2.20 | (6.61) | (15.79) |
| - Diluted (Rs.) | | (6.61) | (15.79) |
| Significant Accounting Policies & Explanatory Notes are an integral part of the Financial Statement | 1 & 2 | | |

As per our report of even date.

For **LODHA & CO.**

Chartered Accountants

Firm Registration Number : 301051E

For and on behalf of the Board

N.K. Lodha
Partner
M.No.85155

Anand Balkishan Sharma
President (Corporate Finance)
and Chief Financial Officer

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

Manish Bagrodia
Managing Director
DIN- 00046944

Pradeep Kumar
Director
DIN- 03052477

Place : Chandigarh
Date : 28-May -2015

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH 2015
(Rs. in Lacs)

| PARTICULARS | For the year ended 31 st March, 2015 | | For the year ended 30 TH Sept., 2014 | |
|---|--|------------------|--|-------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| NET PROFIT/(LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS | | (4674.71) | | (10218.97) |
| Adjustment for: | | | | |
| Depreciation | 876.79 | | 2182.68 | |
| Amortization of Leasehold Land | 1.42 | | 2.83 | |
| Pro rata Capital Subsidy | (4.61) | | (9.23) | |
| Effect of Exchange Fluctuation | (896.40) | | (824.60) | |
| (Profit) / Loss on Sales of Fixed Assets | - | | - | |
| Interest expense | 275.29 | | 6133.15 | |
| Provision for doubtful advances /debts | 401.57 | | 315.00 | |
| Liability /Balance Written off | - | | (26.72) | |
| Profit on sale of Current Investment | - | | (12.21) | |
| Provision for doubtful debts & advances written back | (182.36) | | (94.86) | |
| Interest income | (28.06) | 443.64 | (93.05) | 7572.99 |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES | | (4231.07) | | (2645.98) |
| Adjustment for: | | | | |
| Trade & other receivable | 1735.57 | | 5058.22 | |
| Inventories | 5538.29 | | 4852.48 | |
| Trade & other Payables | (2354.91) | 4918.95 | (7992.23) | 1918.47 |
| CASH GENERATED FROM OPERATIONS | | 687.88 | | (727.51) |
| Direct Taxes Paid | | - | | - |
| NET CASH FLOW FROM OPERATING ACTIVITIES | | 687.88 | | (727.51) |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Purchase of fixed assets | (253.93) | | (25.93) | |
| Sale of Fixed Assets | - | | - | |
| (Purchase) of Investments / Sale | - | | 528.25 | |
| Interest Received | 9.22 | (244.71) | 89.03 | 591.35 |
| NET CASH USED IN INVESTING ACTIVITIES | | (244.71) | | 591.35 |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Interest paid | (275.33) | | (4356.23) | |
| Proceeds from borrowings | 144.54 | | 5268.83 | |
| Repayment of borrowings | (543.31) | (674.10) | (1069.74) | (157.14) |
| NET CASH USED IN FINANCING ACTIVITIES | | (674.10) | | (157.14) |
| Net Increase/(decrease) in cash and cash equivalents | | (230.92) | | (293.30) |
| Opening balance | | | | |
| Cash & Cash Equivalents | 14.16 | | 3.72 | |
| Others | 502.71 | 516.87 | 806.45 | 810.17 |
| Closing balance | | | | |
| Cash & Cash Equivalents | 144.62 | | 14.16 | |
| Others | 141.33 | 285.95 | 502.71 | 516.87 |

Note :- Previous year figures have been regrouped/rearranged wherever considered necessary.

As per our report of even date.

For **LODHA & CO.**

Chartered Accountants

Firm Registration Number : 301051E

For and on behalf of the Board

N.K. Lodha

Partner

M.No.85155

Place : Chandigarh

Date : 28-May -2015

Anand Balkishan Sharma

President (Corporate Finance)

and Chief Financial Officer

K. V. Singhal

GM (Legal) and Company

Secretary

Manish Bagrodia

Managing Director

DIN- 00046944

Pradeep Kumar

Director

DIN- 03052477

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST MARCH 2015

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 mandatory accounting standard under section 133 of the Companies Act 2013 (the Act) read with Rule 7 of the Companies (Accounts) Rule 2014 and the relevant provisions of the Act. 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 on fixed assets is provided using Straight Line Method over their useful life as prescribed under Schedule II of the Companies Act, 2013. In respect of additions/extensions forming an integral part of existing plants and on the revised carrying amount of the assets identified as impaired on which depreciation is provided over residual life of the respective fixed assets. (read with para (ii) below).Continuous process plants as defined in Schedule II have been considered on technical evaluation.
- ii. Depreciation on additions/disposals is provided pro-rata with reference to the month of addition/ disposal.
- iii. Amortisation of leasehold land and buildings is done in proportion to the period of lease.
- iv. Capital Expenditure on assets not owned are written off over the duration of contract or ten years, whichever is lower.
- v. Fixed Assets costing Rs. 5000/- or less has been depreciated fully in the year of purchase.

1.8. Intangible Assets

Intangible Assets are stated at cost of acquisition less accumulated amortisation. Technical know-how is amortised over the useful life of the underlying plant.

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

1.9. Inventories

- I) Inventories are valued at lower of cost or net realisable value except for scrap and by-products which are valued at net realisable value.
- II) Cost of inventories of finished goods and work-in-process includes material cost, cost of conversion and other related overhead costs.
- III) Cost of inventories of raw material, work-in-process and stores & spares is determined on weighted Average Cost Basis.

1.10. Investments

Long Term Investments are stated at cost. Provision for diminution in long term investments is made only if such decline is other than temporary. Current investments are carried at lower of cost or market price. Investments in foreign currency are stated at the rate of exchange prevalent on the date of investment.

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. 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.
- IV. 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. 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.

1.15. 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 Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

1.16. 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 EXPLANATORY NOTES FROMING PART OF THE ACCOUNT**2.1 (A) Contingent Liabilities, not provided for in respect of; (As certified by the management)**

| S.No. | Particulars | 2014-15 | 2013-14 |
|--------|--|---------|---------|
| (i) | Bills discounted with banks | - | 195.88 |
| (ii) | Sales Tax liability in respect of matters under appeal | 64.64 | 64.64 |
| (iii) | Excise duty show cause notices / matters under appeal | 653.31 | 653.31 |
| (iv) | Income Tax Demand | 277.14 | 182.71 |
| (v) | Employee State Insurance Corporation@ | 17.82 | 26.29 |
| (vi) | Outstanding bank guarantees | 102.09 | 189.00 |
| (vii) | Claims against the company not acknowledge as debts# | - | - |
| (viii) | Customs duty saved Nil (Previous Year Nil) for import of capital good made against EPCG license against which export obligations amounting Rs. 1559.22 lacs (Previous Year Rs. 2407.73 lacs) are pending. Non fulfillment of Export obligation will attract demand of Rs 384.52 Lacs (Previous Year Rs. 589.15 lacs) (including interest and excluding penalty). | | |

@ Rs.6.57 lacs (Previous year Nil) paid is shown under short term loans and advances

Excluding claims payable in case of left employees (amount unascertained)

- (B) In respect of certain disallowances and additions made by the Income Tax Authorities, appeals are pending before the Appellate Authorities and adjustments, if any, will be made after the same are finally determined.

Considering the past experience, management is of the view that there will not be any material impact on accounts on settlement / finalization of above.

- (C) Estimated amount of contracts remaining to be executed on Capital Account and not provided for is Rs. Nil (Previous year Nil) net of advances Nil (Previous year Nil), as certified by management.

2.2 (A)

- (i) The Corporate Debt Restructuring (CDR) Empowered group (CDR- EG) in their meeting held under CDR mechanism on 17th March 2009 had approved debt restructuring proposal of the Company which was effective from 1st January 2009, implemented based on Master Restructuring Agreement (MRA) as approved on 21st July 2009. In the year 2010, CDR-EG, had approved the rework package for the company effective from 01/04/2010, post this there was certain delay / default in the payment of Interest & Principal repayments.
- (ii) As per the above, arrangement / loans is further secured by unconditional and irrevocable personal guarantees of promoters, promoters group/ associate companies and secured/ to be secured by pledge of 51% (Fifty one percent) of equity share capital (present /future) of the company or 100% of shares held/ to be held by promoters, promoters group/ associate companies, whichever is lower. Accordingly, the entire shareholding held by Promoters except for 13.60 lacs numbers shares held by PSIDC has already been pledged with CDR Lenders.
- (iii) During the Current period, CDR EG in their meeting held on 14th November 2014 held that the company exited from the CDR mechanism.
- (iv) (a) Prior to exit from the CDR, lenders of the Company initiated recovery proceedings u/s 13(2) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) for due amount. The Company has filed its replies to the aforesaid notices received from lenders with other objections including claim on the lenders for losses caused to be suffered by the Company due to their actions / inactions. The lenders of the company initiated recovery proceeding without providing further financial support and issued notice u/s 13(4) of SARFAESI through Consortium Lead Banker (i.e. Punjab National Bank) which was challenged by the company before the Hon'ble

Punjab & Haryana High Court, Chandigarh who stayed recovery proceedings and also directed to approach the jurisdictional Debt Recovery Tribunal. Appeals filed by the company under section 17 of the SARFAESI before the Hon'ble Debt Recovery Tribunal, Chandigarh, have been admitted and replies of the lenders / Defendants are awaited.

Post above as directed by the lenders proposed Rehabilitation Cum Settlement Scheme submitted to the lenders, the Company has started work on a fresh Techno Economic Viability Study of its operations.

- (b) The Company's requests to the lenders seeking permission for renewal of "Holding-on operations" in the banking accounts (were unilaterally stopped by the banks on several occasions) not been accepted and funds of the Company aggregating Rs.148.22 lacs is lying in the said banking account. The amount is part of Bank Balances in Note 18 of the Financial Statements. The Company has initiated actions for recovery of these amounts.
 - (v) Canara Bank had filed an applications under section 19(1) of the Recovery of Debts due to Banks and Financial Institutions Act, 1993 before the Hon'ble Debt Recovery Tribunal (DRT) at Chandigarh, which is pending for decision in the said matter.
 - (B) The Company is in discussions with parties to settle matters in relation to: - (a) petition filed by a lender of the Company before the Hon'ble High Court of Punjab and Haryana at Chandigarh, seeking winding up of the Company for non-payment of dues of the lender and has also initiated proceedings under SARFAESI; and (b) petitions filed by an overseas parties for recovery of amounts in lieu of obligations performed by the said third parties (other party had extended credit facilities to a subsidiary company on the basis of letter issued by the company) which liabilities are unprovided.
- 2.3** (a) In the Extraordinary General Meeting of the Company held on 28/06/2010, the Members of the Company had approved the issue of new capital through Global Depository Receipts (GDRs), and 19,94,125 number of GDR of USD 6.64 each (each GDR converting / equivalent to 100 equity shares – being 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. The GDR is listed for trading at the Luxembourg Stock Exchange. Out of the proceeds of GDRs raised in 2011, an amount of USD 6,954,515 (INR 3721.05 Lacs) stood remitted to India, which had been utilised for augmentation of working capital needs of the Company and a balance amount of US\$ 50,72,110 (INR 2679.34 Lacs) continues to remain invested in an overseas Money Market Fund outside India as on 31.3.2015, pending proceeds to be utilised. In this regards, as advised, Company is filing return regularly with the RBI.
- (b) The Depository of GDR Issue, The Bank of New York Melon, USA, (BNYM) has resigned to act as Depository w.e.f. 29.10.2014 and also issued a termination notice on 16.3.2015 to terminate the depository agreement w.e.f. 15-06-2015. The GDR is listed at Luxembourg Stock Exchange (LSE). The LSE has issued a notice to the company for withdrawal of GDR issued from the LSE w.e.f. 16-06-2015. The company is in process to appoint new depository.
- 2.4** Research and Development Expenditure (as certified by management) amounting to Rs. 32.13 lacs (Previous year Rs. 63.14 lacs) have been debited to Statement of Profit and Loss.
- 2.5** In accordance with Accounting Standard 28-' Impairment of Assets', the Company has identified its garmenting manufacturing facility (Knitwear Unit) located at Plot No. B-58, Industrial Area, Phase – VII, Mohali (Punjab), [Cash Generating Units (CGU)]. The CGU is engaged in manufacture of sweaters, pullover and garments of various sizes. Considering the continuing past losses of the CGU, during the period ended 31st March 2015, the Company on the basis of projected scale of operations and prevailing market conditions assessed that the recoverable value of the above CGU would be lower as compared to the carrying value, thus, indicating impairment. As a result of the impairment testing carried out as at 30th September 2013 by an independent expert, impairment loss of Rs. 2996.00 Lacs was estimated by the Management, based on a comparison of the carrying value of the asset vis-a-vis recoverable value. Post the assessment of value of CGU, the Company has charged an amount of Rs. 630.42 Lacs on account of depreciation, and the assessed amount of impairment loss has since reduced to Rs. 2365.58 Lacs. However, as the reports are under consideration of the Management, Impairment loss will be accounted as and when finally assessed. Further, management is of the view that in recent past with growth in the textile market (consumption) in general and considering the present economic and political scenario, impairment if any, would be much lower than the amount as assessed by the expert.
- 2.6** Step down subsidiaries (three nos.) are under liquidation, namely M/s, S. C. Winsome Romania s.r.l, Romania, M/s, IMM Winsome Italia s.r.l, Italy and M/s. S.C.Textil s.r.l, Romania. The Company through it's a subsidiary have made investment of amounting to Euro 828 (Equivalent to Rs.0.54 lacs) in these subsidiaries. Necessary provisions in the books of accounts, against this and outstanding in their accounts (as debtors) of Rs. 257.82 Lacs had been made in earlier years.

WINSOME YARNS LIMITED

- 2.7** As per the terms of Agreement entered between Company and private equity partners /sellers, the Company was to invest through a subsidiary i.e. WYCL (Winsome Yarns (Cyprus) Ltd) in a JV Company M/s Newcocot s.r.l. total amounting to Euro 4.64 millions {approx Rs. 3114.37 lacs as on 31.03.15 (including exchange gain/loss)}. In earlier year the Company had made investment in equity and preference share capital of its above stated subsidiary aggregating amounting to EURO 2.55 million (Equivalent to Rs.1517.25 lacs). Considering the fact that its JV company is under liquidation, pending approval of RBI for write off, the Company had made provision for diminution in value of Rs. 1517.25 Lacs in earlier year.
- 2.8** (a) Receivables exceeding six months includes outstanding amount for period over one year of Rs. 6908.79 Lacs (including exchange gain of Rs. 897.41 lacs till 31.03.2015)[excluding as stated in note no. (b) below], where company is in process of filing necessary papers with appropriate authority for extension of time [read with note no.2.9 (A)]. In this regards, management is confident about full recovery / realisability considering the past performance of the customer and recovery initiative taken by the Company.
- (b) The trade receivable include certain overdue Trade Receivables/Other Receivables of Rs. 3468.89 lacs. Considering the fact that management is confident about full recovery/realisability, provision there against has not been considered necessary.
- (c) (i) Debts (receivables) exceeding six months of Rs.42.64 lacs (including previous year Rs. 42.58 Lacs, provision made in earlier years) and receivable from a Subsidiary Company have been written off, pending necessary approval of the AD/RBI.
- (ii) Certain Overseas Advances of Rs. 40.64 lacs (including provided/written off in previous year Rs. 39.19 lacs) have been written off , pending necessary approval of the AD/RBI.
- (iii) Certain Overseas payables of Rs. 123.57 lacs have been written back , pending necessary approval of the AD/RBI.
- (d) Certain adjustment/ set off in overseas receivables account of Rs. 92.43 Lacs have been carried out during the period, where full detail could not be made available to the auditors as company is in process of compiling informations/details etc.
- 2.9** (a) In earlier years, the company had accounted for Commission income and Handling charges under head 'Revenue from Operations' receivable in foreign currency on accrual basis as per the terms of agreements. Company has made provision against outstanding receivable amount of Rs. 944.33 Lacs and shown as part of "Exceptional Items" in the statement of profit and loss in previous year [which includes Commission Income of Rs. 752.42 Lacs and Rs. 191.91 Lacs for Handling Charges (including exchange fluctuations)]. In this regard necessary approval for write off is pending from AD/RBI.
- (b) Prior period adjustments Rs. 166.84 Lacs (P.Y. Rs. 64.82 lacs)(net) :- Includes (i) legal & professional Rs. 7.12 lacs(P.Y. Rs. 45.21 Lacs) (ii) Sales (Dr.) Rs. 53.42 Lacs(Previous Year Nil) (iii) claims and discounts Rs. 4.09 Lacs (Previous year Nil) (iv) Interest* Rs. 90.82 Lacs (Prev. Year Rs. 6.86 lacs)
- * Packing credit subsidy not recoverable as assessed by the management has been charged to Interest expenses.

2.10 Details of Traded Goods:

(Rs. In Lacs)

| Particulars | Cotton Yarn | Industrial Fabric | Total |
|---------------|-------------------|-------------------|-------------------|
| Opening Stock | NIL (NIL) | NIL (NIL) | NIL (NIL) |
| Purchase | NIL (1,928.68) | NIL (NIL) | NIL (1,928.68) |
| Sales | NIL (2,028.08) | NIL (NIL) | NIL (2,028.08) |
| Closing Stock | NIL (NIL) | NIL (NIL) | NIL (NIL) |

- 2.11** Overdue amount include Short Term Loans and Advances of Rs. 2599.32 lacs (including Refunds / Claims Receivables of Rs.349.58 Lacs , TUFS subsidy Rs. 1475.35 lacs, advances and balance with Government Authorities of Rs. 83.30 Lacs and capital advances of Rs. 250 lacs)(net of a provisions of Rs. 83.30 lacs made during the period).In the opinion of the management these are fully realisable and hence considered good. Further, necessary steps have been initiated for recovery of the same.

- 2.12** (a) In the opinion of the Board, the Current Assets, Loans and Advances appearing in the Company's Balance Sheet as at period end would have a value on realisation in the normal course of business at least equal to the respective amounts at which they are stated in the Balance Sheet.
- (b) The accumulated losses of the Company having exceeded its net worth, based on the audited accounts for the period ended 30th September 2014. Accordingly, the Company have filed an application with the Hon'ble Board for Industrial and Financial Reconstruction, in terms of its statutory obligation under section 3(1)(o) of the Sick Industrial Companies (Special Provisions) 1985 (SICA). Company in terms to the said Act, has been registered since 10th April 2015. Considering the proposed rehabilitation plan of the company and future business plans, present business scenario, stable government policies for the business and expected cash flow in the near future as assessed by the management of the company, accounts are prepared on 'Going Concern' basis.
- 2.13** Since it is not possible to ascertain with reasonable certainty/ accuracy the amount of accrual in respect of certain insurance and other claims and interest on overdue bills, the same are continued to be accounted for on settlement/ acceptance basis.
- 2.14** Balances of certain Trade Receivables (including subsidiaries oversea overdue trade receivables as stated in note no. 2.8), Bank Balances (including bills discounted and outstanding Letter of Credit), Trade Payables (including of Associate Company of amounting to Rs.567.90 lacs), Secured Loans, Other Liabilities and Loans & Advances are in process of confirmation/ reconciliation. Contingent (read with note no. 2.1) liabilities has been considered as certified by the management as full detail could not be made available to the auditors. The management is of the opinion that adjustment, if any, arising out of such reconciliation would not be material. Further, necessary steps have been initiated to further strengthen system of internal controls w.r.t. accounting of expenses, accounting of income (including sale of licenses and provision written back), payroll payments and of balance reconciliation/ confirmation.

2.15 Employees Benefits:

(i) Defined Contribution Plan:

Contribution to Defined Contribution Plan, i.e contribution to provident fund amounting to Rs.73.16 Lacs (P. Y. Rs. 146.72 lacs) has been recognized as expense for the period under head 'Contributions to Provident and other Funds' of the statement of Profit and Loss.

(ii) Defined Benefit Plan:

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

(Rs. in Lacs)

| Particulars | Gratuity (Unfunded) | | Leave Encashment (Unfunded) | |
|--|------------------------|----------|--------------------------------|---------|
| | 2015 | 2014 | 2015 | 2014 |
| I. Amount to be recognized in the Balance sheet | | | | |
| Present Value of Obligation as at 31.03.2015 | 90.22 | 120.70 | 43.22 | 65.78 |
| Fair value of plan assets as at 31.03.2015 | - | - | - | - |
| Funded Status [surplus/(Deficit)] | (90.22) | (120.70) | (43.22) | (65.78) |
| Net Assets/(Liability) Recognized in Balance Sheet | (90.22) | (120.70) | (43.22) | (65.78) |
| II. Expenses recognized during the period | | | | |
| Current Service Cost | 16.84 | 45.53 | 5.45 | 41.34 |
| Interest Cost | 4.83 | 10.25 | 2.63 | 5.09 |
| Expected Return on Plan Assets | - | - | - | - |
| Actuarial (gain)/ loss | (35.82) | (25.19) | (19.29) | (11.63) |
| Net Expenses Recognized | (14.15) | 30.59 | (11.21) | 34.80 |

WINSOME YARNS LIMITED

| Particulars | Gratuity (Unfunded) | | Leave Encashment (Unfunded) | |
|---|------------------------|---------|--------------------------------|---------|
| | 2015 | 2014 | 2015 | 2014 |
| III. Reconciliation of opening and closing balance of Defined Benefit Obligation | | | | |
| Present Value of Obligation at the beginning of the period | 120.70 | 113.89 | 65.78 | 56.56 |
| Current Service Cost | 16.84 | 45.53 | 5.45 | 41.34 |
| Interest Cost | 4.83 | 10.25 | 2.63 | 5.09 |
| Actuarial (gain)/ loss on obligations | (35.82) | (25.19) | (19.29) | (11.63) |
| Benefit Paid | (16.33) | (23.77) | (11.35) | (25.58) |
| Present Value of Obligation as at the end of the period | 90.22 | 120.70 | 43.22 | 65.78 |
| IV. Actuarial / Demographic assumptions:- | | | | |
| Indian Assure Lives Mortality Table | 1994-96 | 1994-96 | 1994-96 | 1994-96 |
| Discount rate (Per annum) | 8.00% | 9.00% | 8.00% | 9.00% |
| Expected Return on Plan Assets (Per annum) | 8.00% | 9.00% | 8.00% | 9.00% |
| 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)

- 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.
- 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.

2.16 The Company has not received full information from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 (Act) and hence disclosure relating to amount unpaid as at 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:

| (Rs. In Lacs) | | | |
|---------------|---|---------|---------|
| S.N. | Particulars | 2014-15 | 2013-14 |
| a) | (i) Principal amount remaining unpaid at the end of the accounting year | - | - |
| | (ii) Interest due on above | - | - |
| b) | The amount of interest paid by the buyer alongwith amount of payment made to the supplier beyond the appointed date. | - | - |
| c) | The amount of interest accrued and remaining unpaid at the end of financial year | - | - |
| d) | The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the period) but without adding interest specified under this act. | - | - |
| e) | The amount of further interest due and payable in succeeding year, until such interest is fully paid. | - | - |

2.17 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.

2.18 Segment Reporting

- The Company is only in one line of business namely Textile (Yarn and Knitting)
- 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.N. | Particulars | India | Outside India | Total |
|-------|---|--------------------------|------------------------|--------------------------|
| (i) | External Revenue-Sale* | 17,914.17 (33,472.32) | 2,220.43 (6,923.85) | 20,134.60 (40396.17) |
| (ii) | Carrying amount of segment assets by location of assets | 41,050.12 (47,799.30) | 6,690.08 (7,480.68) | 47,740.20 (55,279.98) |
| (iii) | Capital Expenditure | - (6.78) | - - | - (6.78) |

* Includes Export Incentives of Rs. 88.36 lacs (P.Y. Rs. 465.69 lacs)

2.19 As on 31st March 2015 Company has net deferred tax assets (including of carry over losses and unabsorbed depreciation). However, considering the losses in recent past, deferred tax has been restricted to the amount of liability.

2.20 Earnings per share

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

| Particulars | 2014-15 | 2013-14 |
|---|--------------------|-------------|
| Net Profit/(Loss) attributable to Equity Shareholders (Rs. in Lacs) | (4674.71) | (11163.30) |
| Weighted average number of equity shares for Basic EPS | 7,07,07,229 | 7,07,07,229 |
| Nominal Value per equity share (Rs.) | 10 | 10 |
| Basic/Diluted EPS (Rs.) | (6.61) | (15.79) |

2.21 Related party disclosures

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

(A) 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)

(B) Key management personnel and their relatives.

- Shri Satish Bagrodia Chairman
- Shri Manish Bagrodia Managing Director
- Shri Anand Bal Kishan Sharma^ Chief Financial Officer
- Shri K.V. Singhal^ Company Secretary
- Smt. Kalpana Sharma^ Wife of Chief Financial Officer
- Smt. Manju Singhal^ Wife of Company Secretary

(C) Organizations where Key Management Personnel & their relative have significant influence.

- Star Point Financial Services (Pvt.) Ltd.
- Shell Business Pvt. Ltd.
- Satyam Combines Pvt. Ltd.
- Winsome Textile Industries Limited^

WINSOME YARNS LIMITED

Transactions with the Related Parties during the period ended 31.03.2015 (6 months)

(Rs. in lacs)

| Particulars | 2014-15 | 2013-14 |
|--|----------|----------|
| Winsome Textile Industries Limited | | |
| - Expenses incurred on our behalf | 0.43 | 3.01 |
| - Expenses incurred by us on behalf of other | 4.93 | 4.76 |
| - Balance Outstanding as at period end Receivable / (Payable) | (567.90) | (572.40) |
| Shri Satish Bagrodia | | |
| - Sitting Fees | - | 0.30 |
| Shri Manish Bagrodia | | |
| - Remuneration@ | 29.64 @ | 36.71 |
| Shri Anand Bal Kishan Sharma^ | | |
| -Salary | 8.71 | - |
| Shri K .V. Singhal^ | | |
| - Salary | 5.93 | - |
| Starpoint Financial Services Pvt. Ltd. | | |
| - Rent | 12.48 | 24.96 |
| - Unsecured loan taken | - | 537.00 |
| - Unsecured loan repaid | - | 537.00 |
| - Interest on unsecured loan | - | 11.37 |
| - Balance in current account | 28.43 | 5.68 |
| S.C. Winsome Romania | | |
| - Balance Written off | - | 42.58 |
| - Balance Outstanding as at period end Receivable / (Payable) | 7.22 | 7.22 |
| IMM Winsome Italia | | |
| - Balance Written off | 0.06 | - |
| - Balance Outstanding as at period end Receivable / (Payable) | 149.18 | 149.24 |
| Winsome Yarns (Cyprus) Ltd. | | |
| - Receivable / (Payable) | 20.98 | 20.98 |
| Smt. Kalpana Sharma | | |
| -Salary | 5.67 | - |
| Smt. Manju Singhal | | |
| -Salary | 2.22 | - |

@ The payment of remuneration of Rs. 44.46 Lacs (including Rs.14.82 Lacs of previous years) (w.e.f. 1st July 2014) is subject to the necessary approval of the Central Government.

^ Pursuant to Companies Act 2013

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

(Rs. In Lacs)

| Particulars | 2014-15 | 2013-14 |
|-----------------|----------------|----------------|
| Mixing Material | 743.37 | 1926.46 |
| Fleece | 451.26 | 1273.89 |
| Winding | 134.80 | 71.67 |
| Garments | 98.29 | 385.12 |
| Total | 1427.72 | 3657.14 |

WINSOME YARNS LIMITED

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

(Rs. In Lacs)

| Particulars | 2014-15 | 2013-14 |
|--------------|-----------------|-----------------|
| Cotton | 11057.48 | 22480.86 |
| Others | 2320.97 | 3278.15 |
| Total | 13378.45 | 25759.01 |

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

(Rs. in Lacs)

| Particular | Raw Material | | | | Stores & Spares | | | |
|--------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|----------------|---------------|
| | 2014-15 | % | 2013-14 | % | 2014-15 | % | 2013-14 | % |
| Imported | 5.92 | 0.04 | 41.51 | 0.16 | - | - | 21.32 | 1.92 |
| Indigenous | 13372.53 | 99.96 | 25,717.50 | 99.84 | 748.68 | 100.00 | 1090.53 | 98.08 |
| Total | 13378.45 | 100.00 | 25759.01 | 100.00 | 748.68 | 100.00 | 1111.85 | 100.00 |

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

(iv)

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

(Rs. in Lacs)

| Particulars | 2014-15 | 2013-14 |
|---|---------|---------|
| (B) CIF Value of imports: | | |
| Spare Parts & Components | - | 23.85 |
| Raw Material | 6.23 | 83.17 |
| (C) Earnings in Foreign Exchange | | |
| Exports of goods on FOB basis (excluding export through export houses) | 1823.67 | 6132.72 |
| (D) Expenditure in Foreign currency: | | |
| Foreign Traveling | 11.38 | 15.29 |
| Commission on sales | 44.67 | 83.61 |
| Others | 7.34 | 17.99 |

2.23 Due to financial tightness and losses Company could not make due payments against various statutory dues (TDS, TCS, PF, ESIC, PWF, Service Tax etc.) on time and pending for payment at close of the period are on account of Provident Fund Rs. 94.54 lacs, ESI Rs. 0.77 Lacs and PWF Rs. 2.02 Lacs. However, the company will honour all the dues in due course on the revival / availability of fund. Penal interest and penalty in this regard (amount unascertained) if any, will be accounted for as and when the same will be paid.

WINSOME YARNS LIMITED

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

| Particulars | Domestic Currency | Amount in Document Currency | | Amount in INR (In Lacs) | |
|----------------------------|----------------------|-----------------------------|---------------|-------------------------|------------|
| | | 31.03.2015 | 30.09.2014 | 31.03.2015 | 30.09.2014 |
| Sundry Debtors | USD | 11,555,435.35 | 12,040,492.91 | 7221.57 | 7434.39 |
| | Euro | - | 12,374.19 | - | 9.62 |
| | GBP | 4,500.82 | 4,500.82 | 4.16 | 4.49 |
| Advance From Customer | GBP | - | 13,273.68 | - | 10.60 |
| | EUR | - | 30,444.65 | - | 20.72 |
| | USD | 309,006.81 | 479,661.54 | 150.19 | 217.06 |
| Sundry Creditors | HKD | 3,009.40 | 3,009.40 | 0.24 | 0.24 |
| | Euro | 46,729.59 | 62,407.55 | 31.36 | 48.50 |
| | USD | 113,344.54 | 168,714.87 | 70.85 | 104.19 |
| | CHF | 96,960.88 | 96,960.88 | 62.27 | 62.47 |
| | GBP | 210.82 | 210.82 | 0.19 | 0.21 |
| Advance To Suppliers | EURO | 34,150.00 | 31,717.00 | 22.77 | 20.90 |
| | USD | 39,060.06 | 13,625.38 | 24.05 | 6.96 |
| | HKD | 2,345.21 | 2,345.21 | 0.17 | 0.17 |
| | GBP | 488.45 | 488.45 | 0.36 | 0.36 |
| | CHF | 5,953.80 | 9,641.06 | 2.61 | 3.79 |
| Foreign Commission Payable | USD | 26,615.07 | 71,732.05 | 16.54 | 44.30 |

- (b) Forward contract Nil (PY Nil) taken to hedge the foreign currency receivables are outstanding as at 31/03/2015.

- 2.25 (i) Due to continuous losses and financial tightness, the company has not been able to fully pay due installments & interest of term loan on due dates & certain overdue amount is continuing/ unpaid till date (as detailed in note no.5.6). No provision for interest, as calculated/estimated by the management, on secured loans and short term borrowings of amounting to Rs.1442.87 lacs & Rs. 1830.50 lacs respectively (of banks) has been made in the accounts and the same will be accounted for as and when settled / paid. Further penal interest etc. (amount unascertained) if any, will be accounted for as and when paid/settled.
- (ii) Pending receipt of old dues against the TUFs subsidy claim filed, the Company has not recognized TUFs subsidy claim of amounting to Rs.596.01 lacs for the period .
- 2.26 In the previous year, certain outstanding payments of Rs. 2585.45 lacs of oversea receivables and payables (balances are subject to confirmations) to the oversea parties have been set off/adjusted where the company has applied for permission/ approval with the AD/RBI.
- 2.27 During the current period, the Company has computed depreciation based on useful life of the fixed assets as specified under schedule II of the Companies Act, 2013. The carrying value of the fixed assets which have completed their useful lives as on 1st October, 2014 has been charged to the opening retained earnings of amounting to Rs. 119.11 lacs. Had there not been any change in the useful life of the fixed assets, the depreciation for the period would have been higher by Rs. 212.65 lacs and to that extent loss would have been higher.

- 2.28** Company is in process to appoint an independent director.
- 2.29** Financial Statements of a subsidiary Company namely Winsome Yarns FZE for the year ended 31.03.2015 is unaudited and as certified by the management.
- 2.30** (a) Previous year's figures in Statement of Profit & Loss and Cash Flow Statements are for twelve months ended 30th September 2014. As Current period's figures in Statement of Profit & Loss and Cash Flow Statement are for six months, hence to that extent the same are not strictly comparable.
- (b) Figures for the previous year have been re-grouped/recast wherever considered necessary to make them comparable with those of current period.
-

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

For and on behalf of the Board

N.K. Lodha
Partner
M.No.85155

Anand Balkishan Sharma
President (Corporate Finance)
and Chief Financial Officer

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

Manish Bagrodia
Managing Director
DIN- 00046944

Pradeep Kumar
Director
DIN- 03052477

Place : Chandigarh
Date : 28 May, 2015

WINSOME YARNS LIMITED

NOTE 3. SHARE CAPITAL

(Rs. in Lacs)

| Particulars | As at 31st March, 2015 | As at 30th Sept., 2014 |
|--|---------------------------|---------------------------|
| AUTHORISED | | |
| 8,50,00,000 Equity Shares of Rs.10/- each (Previous Year 8,50,00,000 Equity Shares of Rs.10/- each) | 8500.00 | 8500.00 |
| ISSUED | | |
| 7,10,86,829 Equity Shares of Rs.10/- each (Previous Year 7,10,86,829 Equity Shares of Rs.10/- each) | 7108.68 | 7108.68 |
| SUBSCRIBED & PAID UP | | |
| 7,07,07,229 Equity Shares of Rs.10/- each (Previous Year 7,07,07,229 Equity Shares of Rs.10/- each) | 7070.72 | 7070.72 |
| Amount Paid-up on shares forfeited | 11.61 | 11.61 |
| | 7082.33 | 7082.33 |

2. Rights of Shareholders

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

3. Details of Shareholders holding more than 5%

| Name of Shareholder | As on 31st March, 2015 No. of Shares held | As on 30th Sept., 2014 No. of Shares held |
|---|---|---|
| The Bank of New York Mellon (Shares held by custodian & against which Depository Receipts have been issued) | 11,438,750 | 18,488,750 |
| Shell Business (P) Ltd | 20,721,244 | 20,721,244 |
| Aspire Emerging Fund | 7,050,000 | - |
| Satyam Combines (P) Ltd | 5,096,243 | 5,096,243 |

4. Reconciliation of Share capital

| | | |
|--|------------|------------|
| Shares outstanding as at the beginning of the year | 70,707,229 | 70,707,229 |
| Issued during the year | - | - |
| Buyback during the year | - | - |
| Shares outstanding as at the end of the year | 70,707,229 | 70,707,229 |

5. Detail of bonus shares issued during last 5 financials years

| Particulars | Years (Aggregate no. of shares) | | | | |
|--------------------------------------|---------------------------------|---------|---------|---------|---------|
| | 2014-15 | 2013-14 | 2012-13 | 2011-12 | 2010-11 |
| Equity Shares | | | | | |
| Fully paid up by way of bonus shares | Nil | Nil | Nil | Nil | Nil |

NOTE 4. RESERVES AND SURPLUS
(Rs. in Lacs)

| Particulars | As at 31st March, 2015 | As at 30th Sept., 2014 |
|---|---------------------------|---------------------------|
| Capital Reserve | | |
| As per last Balance sheet | 261.03 | 261.03 |
| Add: Addition | - | - |
| Less: Adjustment | - | - |
| | 261.03 | 261.03 |
| Capital Redemption Reserve | | |
| As per last Balance sheet | 124.44 | 124.44 |
| Add: Addition | - | - |
| Less: Adjustment | - | - |
| | 124.44 | 124.44 |
| Securities Premium Account | | |
| As per last Balance sheet | 5,181.95 | 5,181.95 |
| Add: Addition | - | - |
| Less: Adjustment | - | - |
| | 5,181.95 | 5,181.95 |
| General Reserve | | |
| As per last Balance sheet | 35.08 | 35.08 |
| Add: Addition | - | - |
| Less - Transfer to Statement of P&L | 35.08 | - |
| | | 35.08 |
| State Investment Subsidy | | |
| As per last Balance sheet | 25.00 | 25.00 |
| Add: Addition | - | - |
| Less :Adjustment | - | - |
| | 25.00 | 25.00 |
| Capital Subsidy Reserve | | |
| As per last Balance sheet | 129.04 | 138.27 |
| Add: Addition | - | - |
| Less : Adjustment | 4.61 | 9.23 |
| | 124.43 | 129.04 |
| Statement of Profit & Loss Account | | |
| Surplus in Statement of Profit/(Loss)from Previous Year | (19903.09) | (8739.79) |
| Add:-Transfer from general reserve | 35.08 | |
| Less:- Adjustment for Depreciation* (Refer Note No. 2.27) | (119.11) | |
| Less :-Profit/(Loss) for the year | (4674.71) | (11163.30) |
| Surplus in statement of profit and loss carried to balance sheet | (24661.83) | (19903.09) |
| | (18944.98) | (14146.55) |

*In view of adoption of Schedule II of the Companies Act,2013 depreciation on assets whose life expired prior to 1st October, 2014.
(net of deferred tax Nil)

NOTE 5. LONG TERM BORROWINGS**(Rs. in Lacs)****SECURED LOANS (REFER NOTE NO. 2.2)**

| Particulars | As at 31st March, 2015 Non Current | As at 31st March, 2015 Current | As at 30th Sept., 2014 Non Current | As at 30th Sept., 2014 Current |
|--|--|--------------------------------------|--|--------------------------------------|
| Term Loans: | | | | |
| - From Banks | 12950.85 | 11276.63 | 14999.93 | 9227.55 |
| - Working Capital Term Loan | - | 964.07 | - | 964.07 |
| Vehicle Loan: | | | | |
| - From Others | 0.89 | 9.68 | 5.46 | 9.83 |
| | 12951.74 | 12250.38 | 15005.39 | 10201.45 |
| Less: Current maturity of Long term borrowings (Amount disclosed under other current liabilities Note No.10) | - | 12250.38 | - | 10201.45 |
| | 12951.74 | - | 15005.39 | - |

- 5.1 Term Loan of Rs.24156.66 lacs (PY. Rs 24156.66 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 movable plant & machinery, spares, tools and accessories both present and future, subject to the prior charges created/to be created in favour of Company's bankers on specified movable assets for the working capital facilities. The mortgage and charges created / to be created shall rank pari-passu 'inter-se' between the Banks and (ii) Term loan of Rs.70.82 Lacs (PY Rs. 70.82 Lacs) from a bank which is secured by sub-servient charges on fixed assets. The loans are repayable in quarterly installments and maturity profile is as follows: (Refer Note No 2.2)

| Repayment | 1-2 years | 2-3 years | After 3years |
|--------------|-----------|-----------|--------------|
| (Rs.in lacs) | 4447.41 | 4333.26 | 4170.18 |

- 5.2 Working Capital Term Loans of Rs.964.07 Lacs (P.Y. 964.07 Lacs) (As per CDR terms) are secured by way of first pari-passu charge on Fixed Assets & second pari-passu charge on current assets. The loans are repayable in quarterly installments and maturity profile is as follows:-

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

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

- 5.4 Vehicle Finance of Rs.10.57 Lacs(Previous Year 15.29 Lacs) is secured by hypothetical of specific assets purchased under such arrangements. Maturity Profile of vehicle loan is as under:-

| Repayment | 1-2 years | 2-3 years | After 3years |
|--------------|-----------|-----------|--------------|
| (Rs.in lacs) | 0.89 | - | - |

- 5.5 The lenders to the Company are holding collateral security in the nature of personal guarantees given by Chairman of Board of Directors of the Company, Managing Director of the Company, and corporate Guarantees from certain Companies considered as promoter group companies and additionally pledge of 25,979,609 fully paid up equity shares of the Company.

5.6 Delay in repayment of principal and Interest amount of Long term borrowing (Rs. In lacs)

| SN. | Default | Due Date | Amount Outstanding as on 31st Mar 2015 | Subsequent Payment | Date of Payment | Delay | Outstanding |
|-----|------------------------|-----------|--|--------------------|-----------------|-------|----------------|
| 1 | Principal | 31 Mar 15 | 1066.08 | - | - | - | 1066.08 |
| 2 | Principal | 31 Dec 14 | 1240.98 | - | - | - | 1240.98 |
| 3 | Principal | 30 Sep 14 | 1238.22 | - | - | - | 1238.22 |
| 4 | Principal | 30 Jun 14 | 1238.22 | - | - | - | 1238.22 |
| 5 | Principal | 31 Mar 14 | 956.72 | - | - | - | 956.72 |
| 6 | Principal | 31 Dec 13 | 956.72 | - | - | - | 956.72 |
| 7 | Principal | 30 Sep 13 | 784.73 | - | - | - | 784.73 |
| 8 | Principal | 30 Jun 13 | 531.09 | - | - | - | 531.09 |
| 9 | Principal | 31 Mar 13 | 70.83 | - | - | - | 70.83 |
| | Total Principal | | 8083.59 | | | | 8083.59 |
| 10 | Interest | 31 Mar 15 | 242.78 | - | - | - | 242.78 |
| 11 | Interest | 3 Mar 15 | 7.44 | - | - | - | 7.44 |
| 12 | Interest | 2 Mar 15 | 8.51 | - | - | - | 8.51 |
| 13 | Interest | 1 Mar 15 | 7.30 | - | - | - | 7.30 |
| 14 | Interest | 28 Feb 15 | 217.57 | - | - | - | 217.57 |
| 15 | Interest | 31 Jan 15 | 238.80 | - | - | - | 238.80 |
| 16 | Interest | 31 Dec 14 | 236.74 | - | - | - | 236.74 |
| 17 | Interest | 30 Nov 14 | 227.19 | - | - | - | 227.19 |
| 18 | Interest | 31 Oct 14 | 232.73 | - | - | - | 232.73 |
| 19 | Interest | 30 Sep 14 | 228.55 | - | - | - | 228.55 |
| 20 | Interest | 31 Aug 14 | 232.41 | - | - | - | 232.41 |
| 21 | Interest | 31 Jul 14 | 199.21 | - | - | - | 199.21 |
| 22 | Interest | 30 Jun 14 | 185.39 | - | - | - | 185.39 |
| 23 | Interest | 27 Jun 14 | 4.34 | - | - | - | 4.34 |
| 24 | Interest | 31 May 14 | 189.03 | - | - | - | 189.03 |
| 25 | Interest | 27 May 14 | 4.52 | - | - | - | 4.52 |
| 31 | Interest | 30 Apr 14 | 180.20 | - | - | - | 180.20 |
| 32 | Interest | 31 Mar 14 | 187.51 | - | - | - | 187.51 |
| 26 | Interest | 12 Mar 14 | 7.75 | - | - | - | 7.75 |
| 27 | Interest | 11 Mar 14 | 8.58 | - | - | - | 8.58 |
| 28 | Interest | 10 Mar 14 | 6.95 | - | - | - | 6.95 |
| 29 | Interest | 9 Mar 14 | 5.23 | - | - | - | 5.23 |
| 30 | Interest | 8 Mar 14 | 5.41 | - | - | - | 5.41 |
| 33 | Interest | 28 Feb 14 | 165.55 | - | - | - | 165.55 |
| 34 | Interest | 31 Jan 14 | 181.70 | - | - | - | 181.70 |
| 35 | Interest | 31 Dec 13 | 183.93 | - | - | - | 183.93 |
| 36 | Interest | 30 Nov 13 | 176.15 | - | - | - | 176.15 |
| 37 | Interest | 31 Oct 13 | 168.46 | - | - | - | 168.46 |
| 38 | Interest | 30 Sep 13 | 132.79 | - | - | - | 132.79 |
| 39 | Interest | 31 Aug 13 | 87.22 | - | - | - | 87.22 |
| 40 | Interest | 31 Jul 13 | 52.84 | - | - | - | 52.84 |
| 41 | Interest | 30 Jun 13 | 10.73 | - | - | - | 10.73 |
| 42 | Interest | 31 May 13 | 0.74 | - | - | - | 0.74 |
| | Total Interest | | 4024.25 | | | | 4024.25 |

(Read With Note No. 2.14 & 2.25)

WINSOME YARNS LIMITED

NOTE 6. DEFERRED TAX

(Rs. in Lacs)

| Particulars | As at 31st March, 2015 | As at 30th Sept., 2014 |
|---|---------------------------|---------------------------|
| A) Deferred Tax Liability (DTL) | | |
| Tax impact on difference between book value of depreciable assets and written down value for tax purposes | 4555.05 | 4592.72 |
| Total (A) | <u>4555.05</u> | <u>4592.72</u> |
| B) Deferred Tax Assets (DTA) | | |
| Tax impact of expenses charged to Profit & Loss Account but allowance under tax laws deferred | 71.40 | 79.84 |
| Tax impact on doubtful debts & advances | 132.36 | 105.23 |
| Tax impact of unabsorbed depreciation and business losses (To the extent of Deferred Tax Liabilities) | 4351.29 | 4407.65 |
| Total (B) | <u>4555.05</u> | <u>4592.72</u> |
| Deferred Tax Asset / (Liability) (Net)(A-B) (Refer No. 2.19) | - | - |

NOTE 7. LONG TERM PROVISIONS

| | | |
|----------------------------------|---------------|---------------|
| Provision For Employees Benefits | 120.02 | 170.87 |
| Total | <u>120.02</u> | <u>170.87</u> |

NOTE 8. SHORT TERM BORROWINGS

SECURED LOANS

| | | |
|--|-----------------|-----------------|
| Working capital demand loan from Banks | 28155.80 | 28694.39 |
| Total | <u>28155.80</u> | <u>28694.39</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.

NOTE 9. TRADE PAYABLES

| | | |
|----------------------------|----------------|----------------|
| Acceptances | - | 155.73 |
| Other (Refer note no 2.16) | 4153.08 | 5754.38 |
| Total | <u>4153.08</u> | <u>5910.11</u> |

NOTE 10. OTHER CURRENT LIABILITIES

| | | |
|--|-----------------|-----------------|
| Current maturities of long term borrowings | 12250.38 | 10201.45 |
| Interest accrued and due on borrowings | 2592.05 | 2579.56 |
| Bank Overdraft with Banks | 631.81 | 487.27 |
| Interest accrued but not due | 0.10 | 12.64 |
| Advance From Customers | 284.00 | 436.94 |
| Unpaid Dividend* | 1.00 | 6.73 |
| Other Payables | | |
| - Capital payables (Refer note no. 2.16) | 52.46 | 56.95 |
| - Statutory Dues | 178.04 | 171.23 |
| - Others (Refer note no. 2.16) | 1048.61 | 1440.22 |
| | <u>17038.45</u> | <u>15392.99</u> |

* shall be credited to investor's education & protection fund when due

NOTE 11. SHORT TERM PROVISIONS
(Rs. in Lacs)

Provision for employee Benefits:

13.42
15.62
Total
13.42
15.62
NOTE 12. FIXED ASSETS
(Rs. In Lacs)

| Nature of Assets | Gross Carrying Amount | | | | Depreciation/Amortisation # | | | | Net Carrying Amount | |
|--------------------------|-----------------------|-----------|------------------|------------------|-----------------------------|---------------|------------------|------------------|---------------------|------------------|
| | As at 1.10.2014 | Additions | Sale/ Adjustment | As at 31.03.2015 | As at 1.10.2014 | For the year | Sale/ Adjustment | As at 31.03.2015 | As at 31.03.2015 | As at 30.09.2014 |
| Tangible | | | | | | | | | | |
| Freehold Land | 341.09 | - | - | 341.09 | - | - | - | - | 341.09 | 341.09 |
| Leasehold Land | 280.27 | - | - | 280.27 | 25.12 | 1.42 | - | 26.53 | 253.74 | 255.15 |
| Buildings* | 8623.49 | - | - | 8623.49 | 2073.13 | 154.16 | - | 2227.29 | 6396.20 | 6550.36 |
| Plant & Machinery | 39911.70 | - | - | 39911.70 | 18497.64 | 788.38 | - | 19286.02 | 20625.67 | 21414.06 |
| Furniture & Fixture* | 370.99 | - | - | 370.99 | 303.09 | 19.74 | - | 322.83 | 48.16 | 67.90 |
| Office Equipments | 69.11 | - | - | 69.11 | 31.91 | 26.37 | - | 58.28 | 10.83 | 37.20 |
| Vehicles | 125.36 | - | - | 125.36 | 85.63 | 7.23 | - | 92.86 | 32.50 | 39.73 |
| Total (A) | 49722.01 | - | - | 49722.01 | 21016.52 | 997.30 | - | 22013.81 | 27708.19 | 28705.49 |
| Previous Year | 49715.23 | 6.78 | - | 49722.01 | 18831.04 | 2185.48 | - | 21016.52 | 28705.49 | 30884.19 |
| Intangible | | | | | | | | | | |
| Specialized Software | - | - | - | 63.67 | 63.56 | 0.02 | - | 63.58 | 0.09 | 0.10 |
| Total (B) | 63.67 | - | - | 63.67 | 63.56 | 0.02 | - | 63.58 | 0.09 | 0.10 |
| Previous Year | 63.67 | - | - | 63.67 | 63.53 | 0.03 | - | 63.56 | 0.10 | 0.14 |
| Grand Total (A+B) | 49785.68 | - | - | 49785.68 | 21080.07 | 997.32 | - | 22077.39 | 27708.28 | 28705.59 |
| Previous Year | 49778.90 | 6.78 | - | 49785.68 | 18894.57 | 2185.51 | - | 21080.08 | 28705.59 | 30884.33 |

*Building and Furniture & Fixtures includes capital expenditure incurred on assets/addition not owned by the Company Rs.41.18 Lacs (Gross) and Rs.56.94 Lacs(Gross) (Previous year Rs41.18 Lacs and Rs.56.94 Lacs) and net Rs.NIL and Rs.2.85 Lacs, respectively, (Previous year Rs.Nil and Rs. 2.85 Lacs respectively). # Refer Note No. 2.27

NOTE 13 NON-CURRENT INVESTMENTS
(Rs. In Lacs)
Other (Non trade)
Investment in Equity Shares:
Unquoted
Subsidiary Companies (Wholly owned)

101710 Equity Shares of Winsome Yarns (Cyprus) Limited of 1 Euro each

446.25
446.25

(Previous year 101710 shares of 1 Euro each)

Less : Provision for Diminution in Investment (Refer Note No. 2.7)

446.25
446.25
(A)
-
-

1800000 Preference Shares of Winsome Yarns (Cyprus) Limited of 1 Euro each

1071.00
1071.00

(Previous Year 1800000 shares)

Less :Provision for Diminution in Investment (Refer Note No. 2.7)

1071.00
1071.00
(B)
-
-
Total (A+B)
-
-

Aggregate amount of unquoted investment

1517.25
1517.25

Aggregate amount of provision for diminution in value of investment

1517.25
1517.25

WINSOME YARNS LIMITED

NOTE 14. LONG TERM LOANS & ADVANCES

(Rs. in Lacs)

(Unsecured, considered good unless otherwise stated)

| | | |
|--------------------------|---------------|---------------|
| Capital Advances | 250.00 | 0.56 |
| Security Deposits | | |
| - With Govt | 353.16 | 312.85 |
| - With Others | 19.91 | 11.13 |
| MAT Credit Entitlement | 50.43 | 50.43 |
| Other Loans & advances | 16.48 | 19.58 |
| Total | 689.98 | 394.55 |

NOTE 15. CURRENT INVESTMENTS

(Rs. in Lacs)

Investment in Money Market

2679.34 2679.34

(5072.11 redeemable shares of USD 1000 each in Aries Money Market Fund) (previous year 5072.11 redeemable shares of USD 1000 each) Refer note no. 2.3

Total

2679.34 **2679.34**

NOTE 16. INVENTORIES

(Rs. in Lacs)

(At lower of cost and net realizable value)

(As taken, valued and certified by the management)

| | | |
|---------------------------------|----------------|----------------|
| Raw Materials | 761.47 | 1143.30 |
| Stock in Process | 1427.72 | 3657.14 |
| Stores & Spares | 337.34 | 561.08 |
| Finished Goods * | 1592.61 | 4031.81 |
| Waste (At net realizable value) | 165.98 | 430.08 |
| Total | 4285.12 | 9823.41 |

*Includes in transit Rs.252.07 Lacs (Previous Year Rs.253.07 Lacs)

NOTE 17. TRADE RECEIVABLES

(Rs. in Lacs)

(Unsecured, considered good unless otherwise stated)

- **Exceeding Six months from due date**

| | | |
|--------------------------------------|----------------|----------------|
| - Good | 9933.91 | 9614.04 |
| - Doubtful | 275.95 | 271.45 |
| Less : Provision for Doubtfull Debts | 275.95 | 271.45 |
| | 9933.91 | 9614.04 |

- **Other Debts**

1910.60 **2382.26**

Total

11844.51 **11996.30**

NOTE 18. CASH & BANK BALANCES

(Rs. in Lacs)

CASH & CASH EQUIVALENTS

Cash in hand (As certified by Management)

0.01 0.01

Balances with Banks

| | | |
|-----------------------|--------|-------|
| - On Current Accounts | 144.61 | 14.15 |
|-----------------------|--------|-------|

Earmarked balances

| | | |
|------------------------------|------|------|
| - On Unpaid Dividend Account | 0.94 | 6.68 |
|------------------------------|------|------|

Other Bank balances

| | | |
|---|--------|--------|
| - Fixed Deposit (Lodged with Banks as Margin Money) | 140.39 | 496.03 |
|---|--------|--------|

Total

285.95 **516.87**

NOTE 19. SHORT TERM LOANS & ADVANCES
(Rs. in Lacs)

(Unsecured, Considered Good unless otherwise stated)

| | | |
|--|----------------|----------------|
| Advance Income Tax including TDS | 99.89 | 115.40 |
| Refunds/Claims Receivable | 461.53 | 573.52 |
| Interest Subsidy Receivable (Under TUFS) | 1475.35 | 1475.35 |
| Balances with government authorities* | 62.28 | 145.94 |
| Export Incentives Receivable | 149.77 | 514.86 |
| Interest Accrued | 36.67 | 17.83 |
| Advances to suppliers** | 630.49 | 996.84 |
| Others | 160.70 | 169.35 |
| Total | 3076.68 | 4009.09 |

*Net of provision for doubtful advance Rs. 83.30 Lacs(Previous year Nil)

**(Net of Provisions for doubtful advances Rs. 69.09 lacs (P.Y. Rs.384.09 lacs))

NOTE 20. REVENUE FROM OPERATION
(Rs. in Lacs)
Sale of Product*

| | | |
|----------------|-----------------|-----------------|
| - Yarns | 17952.78 | 35004.86 |
| - Knitwear | 459.05 | 1028.76 |
| - Trading Sale | - | 2028.08 |
| (A) | 18411.83 | 38061.70 |

Sale of Services

| | | |
|---------------|--------------|--------------|
| - Job Charges | 36.00 | 64.38 |
| (B) | 36.00 | 64.38 |

Other operating revenue

| | | |
|----------------------|-----------------|-----------------|
| Waste Sales | 1678.78 | 2257.93 |
| Sale of Scrap | 7.99 | 12.16 |
| (C) | 1686.77 | 2270.09 |
| Total (A+B+C) | 20134.60 | 40396.17 |

Less : Excise Duty

| | |
|---|---|
| - | - |
|---|---|

Net Revenue from Operation

| | |
|----------|----------|
| 20134.60 | 40396.17 |
|----------|----------|

*includes duty drawback of Rs 88.36 lacs (P.Y 465.69 Lacs)

NOTE 21. OTHER INCOME
(Rs. in Lacs)

| | | |
|---|---------------|---------------|
| Interest Received | 28.06 | 93.05 |
| Exchange Rate Difference (Net) | 106.90 | - |
| Profit on sale of Current Investment | - | 12.21 |
| Provision for Doubtful Debts written back | - | 94.86 |
| Balances written back (Net) | 182.36 | 26.72 |
| Miscellaneous Income | 0.57 | 37.71 |
| Total | 317.89 | 264.55 |

WINSOME YARNS LIMITED

NOTE 22. CHANGE IN INVENTORIES OF FINISHED GOODS, WIP STOCK AND STOCK IN TRADE

(Rs. in Lacs)

Closing Stock

Finished Goods

| | | |
|------------|----------------|----------------|
| - Yarn | 1288.59 | 3578.90 |
| - Knitwear | 304.02 | 452.91 |
| | <u>1592.61</u> | <u>4031.81</u> |

Stock in Process

| | | |
|------------|----------------|----------------|
| - Yarn | 1329.43 | 3272.02 |
| - Knitwear | 98.29 | 385.12 |
| | <u>1427.72</u> | <u>3657.14</u> |
| (A) | <u>3020.33</u> | <u>7688.95</u> |

Less : Opening Stock

Finished Goods

| | | |
|------------|----------------|----------------|
| - Yarn | 3578.90 | 5374.66 |
| - Knitwear | 452.91 | 474.72 |
| | <u>4031.81</u> | <u>5849.38</u> |

Stock in Process

| | | |
|------------|----------------|----------------|
| - Yarn | 3272.02 | 4834.30 |
| - Knitwear | 385.12 | 597.72 |
| (B) | <u>3657.14</u> | <u>5432.02</u> |

| | | |
|---|----------------|-----------------|
| | <u>7688.95</u> | <u>11281.40</u> |
| Differential excise duty on (increase)/decrease in stock (C) | - | - |
| (Increase)/Decrease in Stocks (B-A+C) | <u>4668.62</u> | <u>3592.45</u> |

NOTE 23. EMPLOYEE BENEFIT EXPENSES

(Rs. in Lacs)

| | | |
|---|----------------|----------------|
| Salaries, Wages, Bonus, etc. | 1205.65 | 2396.78 |
| Contribution to Provident & Other Funds | 73.16 | 146.72 |
| Employees Welfare | 29.75 | 56.49 |
| Total | <u>1308.56</u> | <u>2599.99</u> |

NOTE 24. FINANCIAL EXPENSES

(Rs. in Lacs)

| | | |
|--|---------------|----------------|
| Interest on Borrowings (Read with Note No. 2.25) | - | 5991.82 |
| (Net of reimbursement under TUFS Nil, PY Rs.1207.73 Lacs) | | |
| Other borrowing cost | 275.29 | 141.33 |
| Total | <u>275.29</u> | <u>6133.15</u> |

NOTE 25. DEPRECIATION & AMORTISATION EXPENSES

(Rs. in Lacs)

| | | |
|--------------------------------|---------------|----------------|
| Depreciation | 878.18 | 2185.47 |
| Less : Prorata Capital Subsidy | 4.61 | 9.23 |
| Amortisation | 0.02 | 0.03 |
| Total | <u>873.59</u> | <u>2176.27</u> |

NOTE 26. OTHER EXPENSES
(Rs. in Lacs)

| | | | |
|---|----------------|---------|----------------|
| Stores & Spares consumed | 748.68 | | 1111.85 |
| Power & Fuel* | 2217.14 | | 4028.80 |
| Repairs & Maintenance | | | |
| - Building | 3.69 | | 12.41 |
| - Plant & Machinery | 23.18 | | 79.25 |
| - Others | 21.83 | | 47.71 |
| Processing Charges & Dyeing Charges | 343.88 | | 713.13 |
| Confection CMT Expense(WKW) | 2.28 | | 142.75 |
| Material Handling Charges | 11.31 | | 103.78 |
| Rent | 27.24 | | 36.45 |
| Rates & Taxes | 0.54 | | 1.89 |
| Printing & Stationery | 6.04 | | 4.31 |
| Director Sitting Fee | 0.45 | | 1.35 |
| Insurance | 37.65 | | 78.83 |
| Bank Charges | 1.08 | | 266.67 |
| Traveling & Conveyance | 104.04 | | 194.31 |
| Postage, Telegrams and Telephones | 14.30 | | 34.54 |
| Legal & Professional Charges | 82.35 | | 210.61 |
| Charity & Donation | 0.88 | | 0.71 |
| Bad debts | - | 2086.80 | |
| Less :-Provision for Doubtful debts written back | - | 2086.80 | - |
| Advances written off | 315.00 | 126.42 | |
| Less :-Provision for Doubtful advances written back | 315.00 | 126.42 | - |
| Provision for doubtful debts | 4.51 | | - |
| Provision for Doubtful Advances | 83.30 | | 315.00 |
| Export incentive written off** | 313.76 | | - |
| Auditors remuneration | | | |
| - Audit Fees | 5.62 | 5.62 | |
| - Tax audit Fees | 0.39 | 0.39 | |
| - Other services | 3.09 | 2.35 | |
| - Reimbursement of expenses | 0.05 | 0.19 | 8.55 |
| Commission on sales | 125.88 | | 463.24 |
| Freight & Handling Charges | 137.49 | | 378.36 |
| Advertisement & Other Selling Expenses | 223.29 | | 248.03 |
| Exchange Rate Difference (Net) | | | 37.24 |
| Miscellaneous Expenses | 78.75 | | 170.38 |
| Total | 4622.69 | | 8690.14 |

* Including delay pa

.arges of Electricity billsRs. 51.11 Lacs (Prev. Year Nil)

** Export Incentives not recoverable as assessed by the management has been charged to the Statement of Profit & Loss.

WINSOME YARNS LIMITED

Salient features of the financial statement of subsidiaries for the year ended 31.03.2015

[Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014]

Part "A": Subsidiaries

(Rs. in lacs)

| Sl.No. | Particulars | (A) | (B) |
|--------|--|---|---|
| 1 | Name of the subsidiary. | Winsome Yarns (Cyprus) Ltd, Cyprus | Winsome Yarns FZE, UAE (Subsidiary of Winsome Yarns (Cyprus) Ltd) |
| 2 | Reporting, period for the subsidiary concerned, if different from the holding company's reporting period. | 31-March-2015 | 31-March-2015 |
| 3 | Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries. | Euro @ 67.12 | AED @ 16.88 |
| 4 | Share Capital. | 1711.51 | 5.90 |
| 5 | Reserves & surplus. | (1571.24) | 22.83 |
| 6 | Total assets. | 176.18 | 43.10 |
| 7 | Total Liabilities. | 41.81 | 14.37 |
| 8 | Investments. | 5.90 | Nil |
| 9 | Turnover. | Nil | Nil |
| 10 | Profit/ (Loss) before taxation. | (7.79) | 2.25* |
| 11 | Provision for taxation. | Nil | Nil |
| 12 | Profit/(Loss) after taxation. | (7.79) | 2.25 |
| 13 | Proposed Dividend. | Nil | Nil |
| 14 | % of shareholding. | Nil | Nil |
| 15 | Names of subsidiaries which are under liquidation process. | Name of the Subsidiaries: S.C. Winsome Romania s.r.l. (Subsidiary of Winsome Yarns (Cyprus) Ltd) | Start of liquidation process: 26.11.2008 |
| | | IMM Winsome Italia s.r.l. (Subsidiary of S.C. Winsome Romania s.r.l.) | 30.09.2008 |
| | | S.C. Textil s.r.l. (Subsidiary of IMM Winsome Italia S.r.l.) | 09.02.2010 |

* Profit due to reinstatement of currency.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WINSOME YARNS LIMITED****Report on the Consolidated Financial Statements**

We have audited, the accompanying consolidated financial statements of WINSOME YARNS LIMITED (hereinafter referred to as "the Holding Company") and its subsidiaries (**the Holding Company and its subsidiaries** together referred to as "**the Group**") comprising of the Consolidated Balance Sheet as at 31st March, 2015, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") 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 the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143 (10) of the Act. 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 the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, 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 financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the holding Company has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Basis for Qualified opinion**Attention is drawn to:**

- i. **Note no. 2.18 and 2.19 [this is to be read with note. No. 2.6(b) & 2.6(c)] regarding non-provisioning of Interest Expenses of Rs. 3273.37 Lacs (Previous Year NIL), penal interest, penalty etc. (amount unascertainable) AND Adjustment/set off of payment of receivables/payables pending necessary approval respectively as stated in the said notes.**
- ii. **Note no. 2.16(i)(b) and 2.16(ii) regarding Non compliance of conditions [read with note no. 2.3 (A) (iii)] with respect to physical verification of fixed assets, as advised not to maintain bank accounts outside consortium parties (Bankers etc.) as directed by the CDR-MC and the impact on the state of affairs on exiting from CDR by Banks, as stated in the said notes.**
- iii. **Note No. 2.10 regarding pending confirmation / reconciliation of balances of certain receivables (including overseas overdue receivables as stated in note no.2.6), bank balances, payables (including of an Associate**

Company), secured loans, other liabilities, loans and advances etc.; and contingent liability being considered as certified by the management in the absence of full detail, in this respect impact is unascertainable and cannot be commented upon by us. In our view read with said note internal control needs to be further strengthened.

- iv. Note No. 2.6 (a)&(b) and Note no. 2.8 regarding non-provision against receivables [including of oversea overdue debtors of amounting to Rs. 6908.79 lacs (Previous Year Rs. 6846.77 Lacs)] [including accounting of exchange fluctuation of Rs. 897.41 lacs (Previous Year Rs. 823.31 Lacs) till 31st March 2015] and loans and advances of Rs. 10377.68 lacs (Previous Year Rs. 6844.14 Lacs) and Rs. 2599.32 lacs (Previous Year Rs. 2935.38 Lacs) respectively. The accounting of exchange fluctuation is not in line with generally accepted accounting principles and Accounting Standards 11 (AS-11)-"The Effect of Changes in Foreign Exchange Rates".
- v. Note No. 2.16(A)(i)(a) to (d) regarding accounting of consumption of Raw Material and Stores & Spares as balancing figure and the valuation of inventories is as taken, valued and as certified by the management [also attention is drawn on provision against non/slow moving which has been made as assessed by the management] as stated in said note; the impact whereof on the statement of state of affairs and loss for the period not being ascertainable for the reason stated in the said note and cannot be commented upon by us.
- vi. As stated in note no. 2.5 and as per the AS-28 (Impairment of Assets), the company have carried out assessment of value in use of assets of knitwear unit, by an independent professional firm, based on this estimated impairment loss is of amounting to Rs. 2365.58 lacs (Previous Year 2996.00 Lacs -Gross Amount) (net). However, no provision against the same has been made by the company for the reason as explained in the said note. The Non provision against impairment in value of above stated assets is not in line with AS 28.
- vii. Note no. 2.4 regarding pending receipt of part money of amounting to USD 50,72,110 (Rs. 2679.34 lacs) out of the GDR issue made by the company and as explained 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)]. In respect of realisability/receipt we are unable to comment. As explained, above stated amount is invested in money market fund outside India, pending for utilization.
- viii. Note No. 2.17 (read with note no. 2.10) regarding non-provisions of Interest, Penalty etc. on delay of certain statutory dues on time w.r.t. Employee State Insurance, Provident Fund, Punjab Welfare Fund, Tax Deducted at source, Tax Collected at source and Service Tax etc. (amount unascertainable) and our inability to comment the impact on the loss for the period.
- ix. Note no. 2.9 regarding the net worth of the Company become negative and preparation of financial statements by the management on "going concern basis", considering the future business plans and expected cash flows as stated in the said note. In the event of the same not being held to be a "going concern" and various assets and liabilities being consequently required to be adjusted with respect to their realizable value, the impact whereof has not been ascertainable.
- x. Note no. 2.15 regarding payment of managerial remuneration of Rs. 44.46 Lacs (w.e.f. 1st July, 2014) (Previous Year Rs. 14.82 Lacs) is subject to necessary approval of the Central Government.
- xi. Note no. 2.21 regarding pending appointment of requisite number of independent directors as stated in the said note.
- xii. In view of our comment under para (i) to (x) above and on our comments in terms of the internal control system needs to be further strengthened to be made the same commensurate with the size of the Company and the nature of its business for the purchases and consumption of inventory, booking of the expenses, set off of balances and for the sale of goods and services.
- xiii. We did not audit the financial statements/ financial information of one subsidiary, whose financial statements/ financial information reflect total assets of Rs. 43.09 lacs as at 31st March, 2015, total revenues of Rs. 2.25 lacs and net cash flows amounting to Rs. NIL for the year ended on that date, as considered in the consolidated financial statements. This financial statement/ financial information are unaudited and have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary (This is to be read with note no. 2.1(iii) and our report in terms of sub-section (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary, is based solely on such unaudited financial statements/ financial information. In our opinion and according to the information and explanations given to us by the Management, this financial statement/ financial information are not material to the Group.

We report that, without considering items mentioned in paragraph (ii), (iii), (v) and (vii) above the impact of which could not be determined, had the impact of notes referred in paragraph (i), (iv) & (vi) above been given to in these consolidated financial statements, the loss for the period would have been Rs. 23,296.20 lacs (as against the reported figures of Rs. 4,680.25 lacs), accumulated loss at the period end would have been Rs. 43,438.83 lacs (as against the

reported figure of Rs. 24,882.88 lacs), Loans and advances at the period end would have been Rs. 1,167.93 lacs (as against the reported figure of Rs. 3,767.25 lacs), carrying value of fixed Assets would have been Rs. 25,342.70 lacs (as against the reported figure of Rs. 27,708.28 Lacs), trade receivables would have been Rs. 1,672.10 lacs (as against the reported figure of Rs. 12,049.78 lacs), other current liability at the period end would have been Rs. 20,328.38 lacs (as against the reported figure of Rs. 17,055.01 lacs).

Our opinion was also qualified on the financial statements for the year ended 30th Sept 2014 in respect of matter reported in (i) to (vii) above.

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 matters described in the Basis for Qualified Opinion paragraph, the aforesaid Consolidated 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, of the Consolidated state of affairs of the Group as at 31st March, 2015, and its consolidated loss and its consolidated cash flows for the period ended on that date.

Other Matters

We did not audit the financial statements / financial information of one subsidiary, whose financial statements / financial information reflect total assets of Rs. 173.80 Lacs as at 31st March, 2015, total revenues of NIL and net cash flows amounting to Rs. 9.05 Lacs for the year ended on that date, as considered in the consolidated financial statements. These financial statements / financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, and our report in terms of sub sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary, is based solely on the reports of the other auditor.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, and on the basis of such checks of the books and records of the holding Company as we considered appropriate and according to the information and explanations given to us during the course of audit, we give in the Annexure a statement on the matters specified in the paragraphs 3 and 4 of the order. Company have only Foreign Subsidiaries, hence we are not required to offer any comment w.r.t. subsidiaries on the said order.
2. **As required by Section 143 (3) of the Act, we report to the extent applicable, that:**
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements **except as stated in para (iii) under the head "Basis of Qualified Opinion"**.
 - (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
 - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
 - (d) In our opinion, **Except for the matter described in para (iv) [AS-11 "The Effect of Changes in Foreign Exchange Rates" and read with note no. 2.6(a)] and para (vi) (AS-28 "Impairment of Assets" and read with note no.2.5] under the Basis for Qualified Opinion paragraph**, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) **The matters described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.**
 - (f) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2015 taken on record by the Board of Directors of the Holding Company, none of the directors of the Holding Company is disqualified as on 31st March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (g) **The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.**

- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its Standalone Financial Statements - Refer Note No. 2.2 [read with Note No. 2.3(A)(iv)(a), 2.3(A)(v) and 2.3(B)] to the Standalone Financial Statements.
 - ii. The Company has made provision, as required under the applicable law or Accounting Standards, for material foreseeable losses, if any, on long term contracts including derivative contracts; except to the extent and as explained in Note No.2.3 of the Standalone Financial Statements.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For LODHA & CO.,
Chartered Accountants
Firm's Registration No. 301051E

(N. K. LODHA)
Partner
Membership No. 85155

Place : New Delhi
Date : 28th May, 2015

Annexure referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date for the period (6 Months) ended 31st March 2015: Consolidated Financial Statements of Winsome Yarns Limited (Holding Company).

1. (a) The holding company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets except in respect of certain fixed assets (including assets of knitwear unit) where, the records as explained, are in process of compilation/ updation [Read with note no. 2.16(A)(iv)(b)].
(b) As per information and explanations given to us, certain fixed assets have been physically verified by the Management according to the 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 holding company and the nature of its fixed assets. The discrepancies noticed on such physical verification were not material.
2. (a) As explained, only some of the inventories of the holding 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 (b) and (c) 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 holding Company and nature of its business [Read with note no. 2.16(A)(iv)(a) to (c)].
(c) In the absence of detailed item wise quantitative records (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. 2.16(A) (iv) (a) to (c) and the book records were not material.
3. As informed to us, the holding Company has not granted any loan secured or unsecured to any companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, the provisions of Clause 3(iii) (a) & (b) of the Order are not applicable.
4. 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 holding 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. 2.6, 2.10, 2.16(A) (iv) & 2.19 and our comments under "Basis of Qualified Opinion" paragraph]. 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 clauses (i) and (ii) above.
5. In our opinion and according to the information and explanations given to us, the holding Company has complied with the directive issued by the Reserve Bank of India and the provisions of Section 73 to 76 of the Act or any other relevant provisions of the Act and the rules framed there under (to the extent applicable) with regard to deposit accepted from the public. 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 other tribunal in this regard.
6. We have broadly reviewed the books of account maintained by the holding Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub section (1) of section 148 of the Act in respect of the holding Company's products to which the said rules are made applicable and are of the opinion that prima facie, the prescribed records have been made and maintained. We have however not made a detailed examination of the said records with a view to determine whether they are accurate or complete.
7. (a) According to the records of the holding Company, the holding Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Cess and other material statutory dues to the extent applicable to it except in respect of Provident Fund, Employee State Insurance dues, Punjab Welfare Fund, TDS, TCS & Service Tax were same found paid with certain delay (and as stated in note no. 2.21) and non deposition of PF, ESI & PWF amounting to Rs. 94.54 Lacs, Rs. 0.77 Lacs & Rs. 2.02 Lacs respectively and 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 31st March 2015.
(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

WINSOME YARNS LIMITED

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/VAT | 4.35 | 1999-2000 | Joint Director Excise and Taxation, Chandigarh |
| | | 2.25 | 1993-1994 | Sales Tax Tribunal Punjab |
| | | 13.36 | 2003-2004 | Deputy Excise and Taxation Commissioner (Appeal) |
| | | 29.08 | 2008-2009 | Commissioner (Appeal) |
| Central Excise Act# | Excise Duty | 67.45 | 2000-01 to 2004-05 | CESTAT, New Delhi |
| | Excise Duty | 35.54 | 2005-06 to 2008-09 | CESTAT, New Delhi |
| | Excise Duty | 513.39 | 2006-07 to 2009-10 | CESTAT, New Delhi |
| | Excise Duty | 15.97 | 2010-11 | CESTAT, New Delhi |
| | Excise Duty | 13.42 | 2011-12 | CESTAT, New Delhi |

(Excluding show cause notices)

This para is to be read with note no. 2.2(A) and 2.2(B) and note no. 2.10 AND para (iii) of "Basis for Qualified Opinion".

(c) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the holding Company.

8. The holding 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.
9. In our opinion, on the basis of audit procedures and according to the information and explanations given to us, the holding company has defaulted in repayment of dues on account of interest and principal (maximum) of amounting to Rs. 4024.25 lacs and amounting to Rs. 8083.59 lacs respectively for delay of maximum period of 727 days and 788 days respectively) to banks (this is to be read with note no.2.3). During the period, holding Company has not taken loan from financial institution or debenture holders (This to be read with Note No. 5.6 for the continuing default).
10. According to the information and explanations given to us, the holding Company has not given any guarantee for loans taken by others from banks and financial institution.
11. According to the information and explanations given to us, the term loans were applied for the purposes for which the loans were obtained.
12. 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.2.4, 2.16(A)(iv) and our comments under the "Basis for Qualified Opinion"] on or by the holding Company has been noticed or reported during the course of the audit.

For LODHA & CO.,
Chartered Accountants
Firm's Registration No. 301051E

(N. K. LODHA)
Partner
Membership No. 85155

Place : New Delhi
Date : 28th May, 2015

CONSOLIDATED AUDITED BALANCE SHEET AS AT 31ST MARCH 2015

(Rs. in Lacs)

| PARTICULARS | NOTE No. | As at 31st March, 2015 (6 Months) | As at 30th Sept, 2014 (12 Months) |
|---|----------|-----------------------------------|-----------------------------------|
| I. EQUITY AND LIABILITIES | | | |
| (1) Shareholders' Funds | | | |
| (a) Share Capital | 3 | 7082.33 | 7082.33 |
| (b) Reserves & Surplus | 4 | (18781.88) | (13936.43) |
| | | (11699.55) | (6854.10) |
| (2) Non- Current Liabilities | | | |
| (a) Long Term Borrowings | 5 | 12951.74 | 15005.39 |
| (b) Long Term Provisions | 7 | 120.02 | 170.87 |
| | | 13071.76 | 15176.26 |
| (3) Current Liabilities | | | |
| (a) Short Term Borrowings | 8 | 28155.80 | 28694.39 |
| (b) Trade Payables | 9 | 4190.31 | 5955.70 |
| (c) Other Current Liabilities | 10 | 17055.01 | 15399.41 |
| (d) Short Term Provisions | 11 | 13.42 | 15.62 |
| | | 49414.54 | 50065.12 |
| TOTAL | | 50786.75 | 58387.28 |
| II. Assets | | | |
| (1) Non- Current Assets | | | |
| (a) Fixed Assets | 12 | | |
| (i) Tangible Assets | | 27708.19 | 28705.49 |
| (ii) Intangible Assets | | 0.09 | 0.10 |
| (iii) Capital Work-in-Progress | | - | - |
| (b) Non Current Investment | 13 | - | - |
| (c) Deferred Tax Asset (Net) | 6 | - | - |
| (d) Long term loans & advances | 14 | 689.98 | 394.55 |
| | | 28398.26 | 29100.14 |
| (2) Current Assets | | | |
| (a) Current Investment | 15 | 2679.34 | 2679.34 |
| (b) Inventories | 16 | 4285.12 | 9823.41 |
| (c) Trade Receivables | 17 | 12049.78 | 12238.34 |
| (d) Cash & Bank balances | 18 | 296.98 | 536.96 |
| (e) Short term Loans & Advances | 19 | 3077.27 | 4009.09 |
| | | 22388.49 | 29287.14 |
| Total | | 50786.75 | 58387.28 |
| Significant Accounting Policies & Explanatory Notes are an integral part of the Financial Statement | 1 & 2 | | |

As per our report of even date.

For **LODHA & CO.**

Chartered Accountants

Firm Registration Number : 301051E

For and on behalf of the Board

N.K. Lodha

Partner

M.No.85155

Anand Balkishan Sharma

President (Corporate Finance)
and Chief Financial Officer

K. V. Singhal

GM (Legal) and Company
Secretary

Manish Bagrodia

Managing Director
DIN- 00046944

Pradeep Kumar

Director
DIN- 03052477

Place : Chandigarh

Date : 28-May -2015

WINSOME YARNS LIMITED

CONSOLIDATED STATEMENT OF PROFIT & LOSS FOR THE PERIOD ENDED 31ST MAR 2015 (Rs. in Lacs)

| PARTICULARS | NOTE No. | As at 31.03.2015 (6 Months) | As at 30.09.2014 |
|---|----------|--------------------------------|---------------------|
| I. Revenue from operations | | | |
| Sales (Gross) | 20 | 20134.60 | 40396.17 |
| Less : Excise Duty | | - | - |
| Net Sales | | 20134.60 | 40396.17 |
| II. Other Income | 21 | 318.68 | 264.74 |
| III. Total Revenue (I+II) | | 20453.28 | 40660.91 |
| IV. Expenses : | | | |
| Cost of Material consumed | | 13378.45 | 25759.01 |
| Purchase of stock-in-trade | | - | 1928.68 |
| Change in inventories of finished goods, work in progress and stock in Trade | 22 | 4668.62 | 3592.45 |
| Employee benefit expense | 23 | 1308.56 | 2599.99 |
| Financial costs | 24 | 275.29 | 6133.15 |
| Depreciation and amortization expense | 25 | 873.59 | 2176.27 |
| Other Expenses | 26 | 4629.02 | 8710.06 |
| Total Expenses (IV) | | 25133.53 | 50899.61 |
| V. Profit before exceptional items and tax (III-IV) | | (4680.25) | (10238.70) |
| VI. Exceptional Items | | - | 944.33 |
| VII. Profit before tax(V-VI) | | (4680.25) | (11183.03) |
| VIII. Tax Expense: | | | |
| - Current Tax | | - | - |
| - Deferred Tax {Refer Note no 2.20 } | | - | - |
| IX. Profit/(Loss) for the period from continuing operations (VII-VIII) | | (4680.25) | (11183.03) |
| X. Profit /(Loss)from discontinuing operations | | - | - |
| XI. Tax expense of discontinuing operations | | - | - |
| XII. Profit/(Loss) from discontinuing operations(X-XI) | | - | - |
| XIII. Profit/(Loss) for the period (IX+XII) | | (4680.25) | (11183.03) |
| XIV. Earning per equity share : | | | |
| - Basic (Rs.) | 2.15 | (6.62) | (15.82) |
| - Diluted (Rs.) | | (6.62) | (15.82) |
| Significant Accounting Policies & Explanatory Notes are an integral part of the Financial Statement | 1 & 2 | | |

As per our report of even date.

For **LODHA & CO.**

Chartered Accountants

Firm Registration Number : 301051E

For and on behalf of the Board

N.K. Lodha

Partner

M.No.85155

Anand Balkishan Sharma

President (Corporate Finance)

and Chief Financial Officer

K. V. Singhal

GM (Legal) and Company

Secretary

Manish Bagrodia

Managing Director

DIN- 00046944

Pradeep Kumar

Director

DIN- 03052477

Place : Chandigarh

Date : 28-May -2015

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH 2015
(Rs. in Lacs)

| PARTICULARS | For the year ended 31 st March, 2015 | | For the year ended 30 TH Sept., 2014 | |
|---|--|------------------|--|-------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| NET PROFIT/(LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS | | (4680.25) | | (10238.70) |
| Adjustment for: | | | | |
| Depreciation | 876.79 | | 2182.68 | |
| Amortization of Leasehold Land | 1.42 | | 2.83 | |
| Pro rata Capital Subsidy | (4.61) | | (9.23) | |
| Effect of Exchange Fluctuation | (896.41) | | (824.60) | |
| Interest expense | 275.29 | | 6133.15 | |
| Provision for doubtful advances /debts | 401.57 | | 315.00 | |
| Balance Written back (Net) | - | | (26.72) | |
| Profit on sale of Current Investment | - | | (12.21) | |
| Provision for doubtful debts written back / Advances written back | (182.36) | | (94.86) | |
| Interest income | (28.06) | 443.63 | (93.05) | 7572.99 |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES | | (4236.62) | | (2665.71) |
| Adjustment for: | | | | |
| Trade & other receivable | 1771.76 | | 5042.56 | |
| Inventories | 5538.29 | | 4852.48 | |
| Trade & other Payables | (2353.12) | 4956.93 | (7988.44) | 1906.60 |
| CASH GENERATED FROM OPERATIONS | | 720.31 | | (759.11) |
| Direct Taxes Paid | | - | | - |
| NET CASH FLOW FROM OPERATING ACTIVITIES | | 720.31 | | (759.11) |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Purchase of fixed assets | (253.93) | | (25.93) | |
| (Purchase) of Investments / Sale | - | | 528.25 | |
| Interest Received | 9.22 | (244.71) | 89.03 | 591.35 |
| NET CASH USED IN INVESTING ACTIVITIES | | (244.71) | | 591.35 |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Interest paid | (275.33) | | (4356.23) | |
| Proceeds from borrowings | 144.54 | | 5268.83 | |
| Repayment of borrowings | (543.31) | (674.10) | (1069.74) | (157.14) |
| NET CASH USED IN FINANCING ACTIVITIES | | (674.10) | | (157.14) |
| D. CHANGE IN CURRENCY FLUCTUATION RESERVE ARISING ON CONSOLIDATION | | | | |
| Effect on Exchange Fluctuation on Bank Balance | (41.48) | | 24.79 | |
| Net Increase/(decrease) in cash and cash equivalents | | (239.98) | | (300.11) |
| Opening balance | | | | |
| Cash & Cash Equivalents | 34.25 | | 30.62 | |
| Others | 502.71 | 536.96 | 806.45 | 837.07 |
| Closing balance | | | | |
| Cash & Cash Equivalents | 155.65 | | 34.25 | |
| Others | 141.33 | 296.98 | 502.71 | 536.96 |

Note :- Previous year figures have been regrouped/rearranged wherever considered necessary.

As per our report of even date.

For **LODHA & CO.**

Chartered Accountants

Firm Registration Number : 301051E

N.K. Lodha

Partner

M.No.85155

Place : Chandigarh

Date : 28-May -2015

Anand Balkishan Sharma

President (Corporate Finance)
and Chief Financial Officer

K. V. Singhal

GM (Legal) and Company
Secretary

For and on behalf of the Board

Manish Bagrodia

Managing Director
DIN- 00046944

Pradeep Kumar

Director
DIN- 03052477

NOTES ON CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED 31ST MARCH 2015

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES OF HOLDING COMPANY 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 mandatory accounting standard under section 133 of the Companies Act 2013 (the Act) read with Rule 7 of the Companies (Accounts) Rule 2014 and the relevant provisions of the Act. 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 capitalized 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 on fixed assets is provided using Straight Line Method over their useful life as prescribed under Schedule II of the Companies Act, 2013. In respect of additions /extensions forming an integral part of existing plants and on the revised carrying amount of the assets identified as impaired on which depreciation is provided over residual life of the respective fixed assets. (read with para (ii) below).Continuous process plants as defined in Schedule II have been considered on technical evaluation.
- ii. Depreciation on additions/disposals is provided pro-rata with reference to the month of addition/ disposal.
- iii. Amortisation of leasehold land and buildings is done in proportion to the period of lease.
- iv. Capital Expenditure on assets not owned are written off over the duration of contract or ten years, whichever is lower.
- v. Fixed Assets costing Rs. 5000/- or less has been depreciated fully in the year of purchase.

1.8 Intangible Assets

Intangible Assets are stated at cost of acquisition less accumulated amortisation. Technical know-how is amortised over the useful life of the underlying plant.

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

1.9 Inventories

- I) Inventories are valued at lower of cost or net realisable value except for scrap and by-products which are valued at net realisable value.
- II) Cost of inventories of finished goods and work-in-process includes material cost, cost of conversion and other related overhead costs.
- III) Cost of inventories of raw material, work-in-process and stores & spares is determined on weighted Average Cost Basis.

1.10 Investments

Long Term Investments are stated at cost. Provision for diminution in long term investments is made only if such decline is other than temporary. Current investments are carried at lower of cost or market price. Investments in foreign currency are stated at the rate of exchange prevalent on the date of investment.

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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Statement of Profit and Loss.

1.13 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 Consolidated 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 Consolidated Statement of Profit & Loss.
- IV. 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 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 consolidated 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.

1.15 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 Consolidated 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.

1.16 Provisions, 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 consolidated notes. Contingent Assets are neither recognised nor disclosed in the consolidated financial statements.

WINSOME YARNS LIMITED

NOTES 2.

2.1 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 as per section 133 of Companies Act 2013.
- 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.N. | Name of the Subsidiary | % of Shareholding | Nature of Interest | Country of Incorporation | Year Ending | Period |
|------|---------------------------------------|-------------------|--------------------|--------------------------|-------------|-----------|
| 1. | Winsome Yarns (Cyprus) Limited (WYCL) | 100 | Direct | Cyprus | 31.03.2015 | 9 Months |
| 2. | S.C. Winsome Romania S.R.L. (SCWR) | 90 | Indirect | Romania | (b)@ | NA |
| 3. | Winsome Yarns FZE (WYF) | 100 | Indirect | U.A.E | 31.03.2015 | 12 Months |
| 4. | I.M.M Winsome Italia S.R.L. (WIS) | 100 | Indirect | Italy | (b)@ | NA |
| 5. | S.C. Textil S.R.L. (TS) | 100 | Indirect | Romania | (b)@ | NA |

- (b) @ Companies are under Liquidation, hence not considered for consolidation. Further as per the past year, financial statements of S.C. Winsome Romania S.R.L, I.M.M.Winsome Italia S.R.L., and S.C. Textil S.R.L. neither been prepared nor been made available to the Auditors.
- IV. (a) The financial Statements of step down subsidiary namely S.C. Winsome Romania S.R.L. had been excluded from consolidation as the same is under liquidation. Further the insolvency of S.C. Winsome Romania S.R.L. has not yet been confirmed by the relevant court. Accordingly audited standalone financial statements of Winsome Yarns (Cyprus) Limited & unandited Winsome Yarns FZE have been considered.
- (b) Winsome Yarns FZE has ceased operations and has remained dormant during the period.
- (c) 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.
- V. 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.
- VI. 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.
- VII. 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 different than the policies followed by the holding company are disclosed in their respective financial statements.
- VIII. Operations of foreign subsidiaries have been considered by the 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 mandatory accounting standard under section 133 of the Companies Act 2013 (the Act) read with Rule 7 of the Companies (Accounts) Rule 2014 and the relevant provisions of the Act. Accounting policies not stated explicitly otherwise are consistent with generally accepted accounting principles and mandatory

accounting standards.

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

(Rs. in Lacs)

| S.No. | Particulars | 2014-15 | 2013-14 |
|--------|---|---------|---------|
| (i) | Bills discounted with banks | - | 195.88 |
| (ii) | Sales Tax liability in respect of matters under appeal | 64.64 | 64.64 |
| (iii) | Excise duty show cause notices / matters under appeal | 653.31 | 653.31 |
| (iv) | Income Tax Demand | 277.14 | 182.71 |
| (v) | Employee State Insurance Corporation@ | 17.82 | 26.29 |
| (vi) | Outstanding bank guarantees | 102.09 | 189.00 |
| (vii) | Claims against the company not acknowledge as debts# | Nil | Nil |
| (viii) | Customs duty saved Nil (Previous Year Nil) for import of capital good made against EPCG license against which export obligations amounting Rs. 1559.22 lacs (Previous Year Rs. 2407.73 lacs) are pending. Non fulfillment of Export obligation will attract demand of Rs. of Rs 384.52 Lacs (Previous Year Rs. 589.15 lacs) (including interest and excluding penalty). | | |

@ Rs. 6.57 Lacs (Previous Year Nil) paid is shown under short term loans and advances

Excluding claims payable in case of left employees (amount unascertained)

(B) In respect of certain disallowances and additions made by the Income Tax Authorities, appeals are pending before the Appellate Authorities and adjustments, if any, will be made after the same are finally determined.

Considering the past experience, management is of the view that there will not be any material impact on accounts on settlement / finalization of above.

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

2.3 (A)

(i) The Corporate Debt Restructuring (CDR) Empowered group (CDR- EG) in their meeting held under CDR mechanism on 17th March 2009 had approved debt restructuring proposal of the Company which was effective from 1st January 2009, implemented based on Master Restructuring Agreement (MRA) as approved on 21st July 2009. In the year 2010, CDR-EG, had approved the rework package for the company effective from 01/04/2010, post this there was certain delay/default in the payment of Interest and 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 secured/ to be secured by pledge of 51% (Fifty one percent) of equity share capital (present /future) of the company or 100% of shares held/ to be held by promoters, promoters group/ associate companies, whichever is lower. Accordingly, the entire shareholding held by Promoters except for 13.60 lacs numbers shares held by PSIDC has already been pledged with CDR Lenders.

(iii) During the current period, CDR EG in their meeting held on 14th November 2014 held that the company exited from the CDR mechanism.

(iv) (a) Prior to exit from the CDR, lenders of the Company initiated recovery proceedings u/s 13(2) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) for due amount. The Company has filed its replies to the aforesaid notices received from lenders with other objections including claim on the lenders for losses caused to be suffered by the Company due to their actions / inactions. The lenders of the company initiated recovery proceeding without providing further financial support and issued notice u/s 13(4) of SARFAESI through Consortium Lead Banker (i.e. Punjab National Bank) which was challenged by the company before the Hon'ble Punjab & Haryana High Court, Chandigarh who stayed recovery proceedings and also directed to approach the Jurisdictional Debt Recovery Tribunal. Appeals filed by the company under section 17 of the SARFAESI before the Hon'ble Debt Recovery Tribunal, Chandigarh, have been admitted and replies of the Lenders / Defendants are awaited.

Post above as directed by the lenders proposed Rehabilitation Cum Settlement Scheme submitted to

the lenders, the Company has started work on a fresh Techno Economic Viability Study of its operations.

- (b) The Company's requests to the lenders seeking permission for renewal of "Holding-on operations" in the bank accounts (were unilaterally stopped by the banks on several occasions) not been accepted and funds of the Company aggregating Rs.148.22 lacs is lying in the said banking account. The amount is part of Bank Balances in Note 18 of the Financial Statements. The Company has initiated actions for recovery of these amounts.
 - (v) Canara Bank had filed an applications under section 19(1) of the Recovery of Debts due to Banks and Financial Institutions Act, 1993 before the Hon'ble Debt Recovery Tribunal (DRT) at Chandigarh, which is pending for decision in the said matter.
 - (B) The Company is in discussions with parties to settle matters in relation to: - (a) petition filed by a lender of the Company before the Hon'ble High Court of Punjab and Haryana at Chandigarh, seeking winding up of the Company for non-payment of dues of the lender and has also initiated proceedings under SARFAESI; and (b) petitions filed by an overseas parties for recovery of amounts in lieu of obligations performed by the said third parties (other party had extended credit facilities to a subsidiary company on the basis of letter issued by the company) which liabilities are unprovided.
- 2.4 (a) In the Extraordinary General Meeting of the Company held on 28/06/2010, the Members of the Company had approved the issue of new capital through Global Depository Receipts (GDRs), and 19,94,125 number of GDR of USD 6.64 each (each GDR converting / equivalent to 100 equity shares – being 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. The GDR is listed for trading at the Luxembourg Stock Exchange. Out of the proceeds of GDRs raised in 2011, an amount of USD 6,954,515 (INR 3721.05 Lacs) stood remitted to India, which had been utilised for augmentation of working capital needs of the Company and a balance amount of US\$ 50,72,110 (INR 2679.34 Lacs) continues to remain invested in an overseas Money Market Fund outside India as on 31/03/2015, pending proceeds to be utilised. In this regards, as advised, Company is filing return regularly with the RBI.
- (b) The Depository of GDR Issue, The Bank of New York Melon, USA, (BNYM) has resigned to act as Depository w.e.f. 29.10.2014 and also issued a termination notice on 16.3.2015 to terminate the depository agreement w.e.f. 15-06-2015. The GDR is listed at Luxembourg Stock Exchange (LSE). The LSE has issued a notice to the company for withdrawal of GDR issued from the LSE w.e.f. 16-06-2015. The company is in process to appoint new depository.
- 2.5 In accordance with Accounting Standard 28-' Impairment of Assets', the Company has identified its garmenting manufacturing facility (Knitwear Unit) located at Plot No. B-58, Industrial Area, Phase – VII, Mohali (Punjab), [Cash Generating Units (CGU)]. The CGU is engaged in manufacture of sweaters, pullover and garments of various sizes. Considering the continuing past losses of the CGU, during the period ended 31st March 2015, the Company on the basis of projected scale of operations and prevailing market conditions assessed that the recoverable value of the above CGU would be lower as compared to the carrying value, thus, indicating impairment. As a result of the impairment testing carried out as at 30th September 2013 by an independent expert, impairment loss of Rs. 2996.00 Lacs was estimated by the Management, based on a comparison of the carrying value of the asset vis-a-vis recoverable value. Post the assessment of value of CGU, the Company has charged an amount of Rs. 630.42 Lacs on account of depreciation, and the assessed amount of impairment loss has since reduced to Rs. 2365.58 Lacs. However, as the reports are under consideration of the Management, Impairment loss will be accounted as and when finally assessed. Further, management is of the view that in recent past with growth in the textile market (consumption) in general and considering the present economic and political scenario, impairment if any, would be much lower than the amount as assessed by the expert.
- 2.6 (a) Receivables exceeding six months includes outstanding amount for period over one year of Rs. 6908.79 Lacs (including exchange gain of Rs. 897.41 lacs till 31.03.2015)[excluding as stated in note no. (b) below], where company is in process of filing necessary papers with appropriate authority for extension of time [read with note no.2.9 (A)]. In this regards, management is confident about full recovery / realisability considering the past performance of the customer and recovery initiative taken by the Company.
- (b) The trade receivable include certain overdue Trade Receivables/Other Receivables of Rs. 3468.89 lacs. Considering the fact that management is confident about full recovery/realisability, provision there against has not been considered necessary.
- (c) (i) Debts (receivables) exceeding six months of Rs.42.64 lacs (including previous year Rs. 42.58 Lacs, provision made in earlier years) and receivable from a Subsidiary Company have been written off,

pending necessary approval of the AD/RBI.

(ii) Certain Overseas Advances of Rs. 40.64 lacs (including provided/written off in previous year Rs. 39.19 lacs)have been written off , pending necessary approval of the AD/RBI.

(iii) Certain Overseas payables of Rs. 123.57 lacs have been written back , pending necessary approval of the AD/RBI.

(d) Certain adjustment/ set off in overseas receivables account of Rs. 92.43 Lacs have been carried out during the period, where full detail could not be made available to the auditors as company is in process of compiling informations/details etc.

2.7 (a) In earlier years, the company had accounted for Commission income and Handling charges under head 'Revenue from Operations' receivable in foreign currency on accrual basis as per the terms of agreements. Company has made provision against outstanding receivable amount of Rs. 944.33 Lacs and shown as part of "Exceptional Items" in the Consolidated statement of profit and loss in previous year [which includes Commission Income of Rs. 752.42 Lacs and Rs. 191.91 Lacs for Handling Charges (including exchange fluctuations)]. In this regard necessary approval for write off is pending from AD/RBI.

(b) Interest subvention claim (subsidy) of Rs. 90.82 lacs (previons year-NIL) not recovasable as assessed by the management has been charged to interest expenses.

2.8 Overdue amount include Short Term Loans and Advances of Rs. 2599.32 lacs (including Refunds / Claims Receivables of Rs.349.58 Lacs , TUFs subsidy Rs. 1475.35 lacs, advances and balance with government authorities of Rs. 83.30 lacs and capital advances of Rs. 250 lacs)(net of a provisions of Rs. 83.30 lacs made during the period). In the opinion of the management these are fully realisable and hence considered good. Further, necessary steps have been initiated for recovery of the same.

2.9 The accumulated losses of the Company having exceeded its net worth, based on the audited accounts for the period ended 30th September 2014. Accordingly, the Company have filed an application with the Hon'ble Board for Industrial and Financial Reconstruction, in terms of its statutory obligation under section 3(1)(o) of the Sick Industrial Companies (Special Provisions) 1985 (SICA).Company in terms to the said Act, has been registered since 10th April 2015. Considering the proposed rehabilitation plan of the company and future business plans, present business scenario, stable government policies for the business and expected cash flow in the near future as assessed by the management of the company, accounts are prepared on 'Going Concern' basis.

2.10 Balances of certain Trade Receivables (including oversea overdue trade receivables as stated in note no. 2.6), Bank Balances (including bills discounted and outstanding Letter of Credit), Trade Payables (including of Associate Company of amounting to Rs.567.90 lacs), Secured Loans, Other Liabilities and Loans & Advances are in process of confirmation/ reconciliation. Contingent (read with note no. 2.2) liabilities has been considered as certified by the management as full detail could not be made available to the auditors. The management is of the opinion that adjustment, if any, arising out of such reconciliation would not be material. Further, necessary steps have been initiated to further strengthen system of internal controls w.r.t. accounting of expenses, accounting of income (including sale of licenses and provision written back), payroll payments and of balance reconciliation/confirmation.

2.11 (i) Auditors of the subsidiary company namely M/s Winsome Yarns (Cyprus) Limited (WCYL) 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 continuons losses and significant erosion of net worth of the Company.

(ii) Post 1st July 2014 the Company WYCL is required to apply certain new standards as per IFRS intespretation etc. for preparing the financial statement as per IFRS which Company did not apply. however, as reported impact could not be material at this account.

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.

WINSOME YARNS LIMITED

(b) Revenue outside India includes sales to customers located outside India.

Information about geographical segments (by location of customers)

| (Rs. in lacs) | | | | |
|---------------|---|------------|---------------|-------------|
| S. N. | Particulars | India | Outside India | Total |
| (i) | External Revenue-Sale* | 17914.17 | 2220.43 | 20134.60 |
| | | (33472.32) | (6923.85) | (40,396.17) |
| (ii) | Carrying amount of segment assets by location of assets | 41050.12 | 6906.97 | 47957.09 |
| | | (47799.30) | (7742.80) | (55542.10) |
| (iii) | Capital Expenditure | - | - | - |
| | | (6.78) | - | (6.78) |

* Includes Export Incentives of Rs. 88.36 lacs (P.Y. Rs. 465.69 lacs)

2.13 As on 31st March 2015, Company has net deferred tax assets (including of carry over losses and unabsorbed depreciation). However, considering the losses in recent past, deferred tax has been restricted to the amount of liability.

2.14 Earnings per share

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

| Particulars | 2014-15 | 2013-14 |
|---|-------------|-------------|
| Net Profit/(Loss) attributable to Equity Shareholders (Rs. in Lacs) | (4680.25) | (11,183.03) |
| Weighted average number of equity shares for Basic EPS | 7,07,07,229 | 7,07,07,229 |
| Nominal Value per equity share (Rs.) | 10 | 10 |
| Basic/Diluted EPS (Rs.) | (6.62) | (15.82) |

2.15 Related party disclosures

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

(A) 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)

(B) Key management personnel and their relatives.

| | |
|---------------------------------|---------------------------------|
| - Shri Satish Bagrodia | Chairman |
| - Shri Manish Bagrodia | Managing Director |
| - Mariquel Bacatan Luna | Manager (Till 01-01-2015) |
| - Shri Andreas Alexiou | Director |
| - Shri Stelios Sivitanides | Director |
| - Maria Michail Geogiade | Director |
| - Shri Anand Bal Kishan Sharma^ | Chief Financial Officer |
| - Shri K.V. Singhal^ | Company Secretary |
| - Smt. Kalpana Sharma^ | Wife of Chief Financial Officer |
| -Smt. Manju Singhal^ | Wife of Company Secretary |

(C) Organizations where Key Management Personnel & their relative have significant influence:

- Star Point Financial Services (Pvt.) Ltd.
- Shell Business Pvt. Ltd.
- Satyam Combines Pvt. Ltd.
- Winsome Textile Industries Limited^

WINSOME YARNS LIMITED

Transactions with the Related Parties during the period ended 31st March 2015. (6 months)

(Rs. In lacs)

| Particulars | 2014-15 | 2013-14 |
|--|----------|----------|
| Winsome Textile Industries Limited | | |
| - Expenses incurred on our behalf | 0.43 | 3.01 |
| - Expenses incurred by us on behalf of other | 4.93 | 4.76 |
| - Balance Outstanding as at period end | (567.90) | (572.40) |
| Receivable / (Payable) | | |
| Shri Satish Bagrodia | | |
| - Sitting Fees | - | 0.30 |
| Shri Manish Bagrodia | | |
| - Remuneration@ | 29.64@ | 36.71 |
| Shri Anand Bal Kishan Sharma^ | | |
| -Salary | 8.71 | - |
| Shri K .V. Singhal^ | | |
| - Salary | 5.93 | - |
| Starpoint Financial Services Pvt. Ltd. | | |
| - Rent | 12.48 | 24.96 |
| - Unsecured loan taken | - | 537.00 |
| - Unsecured loan repaid | - | 537.00 |
| - Interest on unsecured loan | - | 11.37 |
| - Balance in current account | 28.43 | 5.68 |
| S.C. Winsome Romania | | |
| - Balance Written off | - | 42.58 |
| - Balance Outstanding as at year end | 7.22 | 7.22 |
| Receivable / (Payable) | | |
| IMM Winsome Italia | | |
| - Balance Written off | 0.06 | - |
| - Balance Outstanding as at year end | 149.18 | 149.24 |
| Receivable / (Payable) | | |
| Winsome Yarns (Cyprus) Ltd. | | |
| - Receivable / (Payable) | 20.98 | 20.98 |
| Smt. Kalpana Sharma | | |
| -Salary | 5.67 | - |
| Smt. Manju Singhal | | |
| -Salary | 2.22 | - |

@ The payment of remuneration of Rs. 44.46 Lacs (including Rs.14.82 Lacs of previous years) (w.e.f. 1st July 2014) is subject to the necessary approval of the Central Government.

^ Pursuant to Companies Act 2013

- 2.16 (i)
- 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.
 - Company is in process of carrying out item wise reconciliation between item wise physical stock of fixed assets and inventories. To the extent assets and inventories have been physically verified by the management, no material discrepancies have been observed between the book record and physical quantity.
 - In view of Para (a) above, closing inventory of stock-in- process and finished goods has been considered as taken, valued and certified by the management after providing against old /non-moving inventory as assessed/ estimated by the management and/or based on contracts /subsequent sales realization.
 - In view of security arrangement in place, the management is confident that there will not be any material adjustment on updation/completion of records of physical verification of inventory and fixed assets.

WINSOME YARNS LIMITED

- (ii) The Company has temporarily opened an account with Bank which is outside the consortium.
- 2.17 Due to financial tightness and losses, Company could not make due payments against various statutory dues (TDS, TCS, PF, ESIC, PWF, Service Tax etc.) on time and pending for payment at close of the period are on account of Provident Fund Rs. 94.54 lacs, ESI Rs. 0.77 Lacs and PWF Rs. 2.02 Lacs. However, the company will honour all the dues in due course on the revival / availability of fund. Penal interest and penalty in this regard (amount unascertained) if any, will be accounted for as and when the same will be paid.
- 2.18 (i) Due to continuous losses and financial tightness, the company has not been able to fully pay due installments & interest of term loan on due dates & certain overdue amount is continuing unpaid till date (as detailed in note no.5.6). No provision for interest, as calculated/estimated by the management, on secured loans and short term borrowings of amounting to Rs.1442.87 lacs & Rs. 1830.50 lacs respectively (of banks) has been made in the accounts and the same will be accounted for as and when settled / paid. Further penal interest etc. (amount unascertained) if any, will be accounted for as and when paid/settled.
- (ii) Pending receipt of old dues against the TUFs subsidy claim filed, the Company has not recognized TUFs subsidy claim of amounting to Rs.596.01 lacs for the period .
- 2.19 In the previous year, certain outstanding payments of Rs. 2585.45 lacs of overseas receivables and payables (balances are subject to confirmations) to the overseas parties have been set off/adjusted where the company has applied for permission/ approval with the AD/RBI.
- 2.20 During the current period, the Company has computed depreciation based on useful life of the fixed assets as specified under schedule II of the Companies Act, 2013. The carrying value of the fixed assets which have completed their useful lives as on 1st October, 2014 has been charged to the opening retained earnings of amounting to Rs. 119.11 lacs. Had there not been any change in the useful life of the fixed assets, the depreciation for the period would have been higher by Rs. 212.65 lacs and to that extent loss would have been higher.
- 2.21 Company is in process to appoint an independent director.
- 2.22 Additional information to the Consolidated Financial Statement [to be read with note no. 2.1 (iii)]:-

| Name of the Entity | Net Assets i.e. Total Assets Minus Total Liabilities | | Share in Profit/ (Loss) | |
|--|--|----------------------|-------------------------------------|----------------------|
| Parent: | As % of Consolidated Net Assets | Amount (Rs. In lacs) | As % of Consolidated Profit or Loss | Amount (Rs. In lacs) |
| Winsome Yarns Limited | 101.39 | (11862.65) | 99.88 | (4674.71) |
| Subsidiary (Foreign) | | | | |
| Winsome Yarns (Cyprus) Limited | (1.19) | 138.86 | 0.17 | (7.79) |
| Winsome Yarns FZE | (0.25) | 28.72 | (0.05) | 2.25 |
| Total Eliminations | 0.04 | (4.48) | — | — |
| Consolidated Net Assets/ (Loss) after Tax | 100.00 | (11699.55) | 100.00 | (4680.25) |

- 2.23 a) Previous year's figures in Consolidated Statement of Profit & Loss and Consolidated Cash Flow Statements are for twelve months ended 30th September 2014. As Current year's figures in Statement of Profit & Loss and Cash Flow Statement are for six months hence to that extent the same are not strictly comparable.
- b) Figures for the previous year have been re-grouped/rearranged wherever considered necessary to make them comparable with those of current period.

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

For and on behalf of the Board

N.K. Lodha
Partner
M.No.85155

Anand Balkishan Sharma
President (Corporate Finance)
and Chief Financial Officer

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

Manish Bagrodia
Managing Director
DIN- 00046944

Pradeep Kumar
Director
DIN- 03052477

Place : Chandigarh
Date : 28 May, 2015

NOTE 3. SHARE CAPITAL
(Rs. in Lacs)

| Particulars | As at 31st March, 2015 | As at 30th Sept., 2014 |
|--|---------------------------|---------------------------|
| AUTHORISED | | |
| 8,50,00,000 Equity Shares of Rs.10/- each (Previous Year 8,50,00,000 Equity Shares of Rs.10/- each) | 8500.00 | 8500.00 |
| ISSUED | | |
| 7,10,86,829 Equity Shares of Rs.10/- each (Previous Year 7,10,86,829 Equity Shares of Rs.10/- each) | 7108.68 | 7108.68 |
| SUBSCRIBED & PAID UP | | |
| 7,07,07,229 Equity Shares of Rs.10/- each (Previous Year 7,07,07,229 Equity Shares of Rs.10/- each) | 7070.72 | 7070.72 |
| Amount Paid-up on shares forfeited | 11.61 | 11.61 |
| | 7082.33 | 7082.33 |

2. Rights of Shareholders

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

3. Details of Shareholders holding more than 5%

| Name of Shareholder | As on 31st March, 2015 No. of Shares held | As on 30th Sept., 2014 No. of Shares held |
|---|---|---|
| The Bank of New York Mellon (Shares held by custodian & against which Depository Receipts have been issued) | 11,438,750 | 18,488,750 |
| Shell Business (P) Ltd | 20,721,244 | 20,721,244 |
| Aspire Emerging Fund | 7,050,000 | - |
| Satyam Combines (P) Ltd | 5,096,243 | 5,096,243 |

4. Reconciliation of Share capital

| | | |
|--|-------------------|------------|
| Shares outstanding as at the beginning of the year | 70,707,229 | 70,707,229 |
| Issued during the year | - | - |
| Buyback during the year | - | - |
| Shares outstanding as at the end of the year | 70,707,229 | 70,707,229 |

5. Detail of bonus shares issued during last 5 financials years

| Particulars | Years (Aggregate no. of shares) | | | | |
|--------------------------------------|---------------------------------|---------|---------|---------|---------|
| | 2014-15 | 2013-14 | 2012-13 | 2011-12 | 2010-11 |
| Equity Shares | | | | | |
| Fully paid up by way of bonus shares | Nil | Nil | Nil | Nil | Nil |

WINSOME YARNS LIMITED

NOTE 4. RESERVES AND SURPLUS

(Rs. in Lacs)

| Particulars | As at 31st March, 2015 | As at 30th Sept., 2014 |
|---|---------------------------|---------------------------|
| Capital Reserve | | |
| As per last Balance sheet | 261.03 | 261.03 |
| Add: Addition | - | - |
| Less: Adjustment | - | - |
| | <u>261.03</u> | <u>261.03</u> |
| Capital Redemption Reserve | | |
| As per last Balance sheet | 124.44 | 124.44 |
| Add: Addition | - | - |
| Less: Adjustment | - | - |
| | <u>124.44</u> | <u>124.44</u> |
| Securities Premium Account | | |
| As per last Balance sheet | 5,181.95 | 5,181.95 |
| Add: Addition | - | - |
| Less: Adjustment | - | - |
| | <u>5,181.95</u> | <u>5,181.95</u> |
| General Reserve | | |
| As per last Balance sheet | 35.08 | 35.08 |
| Add: Addition | - | - |
| Less: Transfer to Statement of Consolidate P & L | 35.08 | - |
| | <u>-</u> | <u>35.08</u> |
| State Investment Subsidy | | |
| As per last Balance sheet | 25.00 | 25.00 |
| Add: Addition | - | - |
| Less: Adjustment | - | - |
| | <u>25.00</u> | <u>25.00</u> |
| Capital Subsidy Reserve | | |
| As per last Balance sheet | 129.04 | 138.27 |
| Add: Addition | - | - |
| Less: Adjustment | 4.61 | 9.23 |
| | <u>124.43</u> | <u>129.04</u> |
| Foreign Currency Translation Reserve | | |
| As per last Balance sheet | 365.63 | 340.84 |
| Add: Addition | - | 24.79 |
| Less: Adjustment | 41.48 | - |
| | <u>324.15</u> | <u>365.63</u> |
| Statement of Profit & Loss Account | | |
| Surplus in statement of profit/ (loss) from Previous year | (20058.60) | (8875.57) |
| Add :-Transfer from general reserve | 35.08 | - |
| Less :- adjustment for Depreciation* (Refer Note No. 2.20) | (119.11) | - |
| Less :- Profit/(Loss) for the year | (4680.25) | (11183.03) |
| Surplus in statement of profit and loss carried to balance sheet | <u>(24822.88)</u> | <u>(20058.60)</u> |
| | <u>(18781.88)</u> | <u>(13936.43)</u> |

* In view of adoption of schedule II of the Companies act, 2013 Depreciation on assets whose life expired prior to 1st October, 2014 (net of deferred tax Nil)

NOTE 5. LONG TERM BORROWINGS
SECURED LOANS (Refer Note No. 2.3)

(Rs. in Lacs)

| Particulars | As at 31st March, 2015 Non Current | As at 31st March, 2015 Current | As at 30th Sept., 2014 Non Current | As at 30th Sept., 2014 Current |
|--|--|--------------------------------------|--|--------------------------------------|
| Term Loans: | | | | |
| - From Banks | 12950.85 | 11276.63 | 14999.93 | 9227.55 |
| - Working Capital Term Loan | - | 964.07 | - | 964.07 |
| Vehicle Loan: | | | | |
| - From Others | 0.89 | 9.68 | 5.46 | 9.83 |
| | 12951.74 | 12250.38 | 15005.39 | 10201.45 |
| Less: Current maturity of Long term borrowings (Amount disclosed under other current liabilities Note No.10) | - | 12250.38 | - | 10201.45 |
| | 12951.74 | - | 15005.39 | - |

5.1 Term Loan of Rs.24156.66 lacs (PY. Rs 24156.66 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 movable plant & machinery, spares, tools and accessories both present and future, subject to the prior charges created/to be created in favour of Company's bankers on specified movable assets for the working capital facilities. The mortgage and charges created / to be created shall rank pari-passu 'inter-se' between the Banks and (ii) Term loan of Rs.70.82 Lacs (PY Rs. 70.82 Lacs) from a bank which is secured by sub-servient charges on fixed assets. The loans are repayable in quarterly installments and maturity profile is as follows: (Refer Note No 2.3)

| Repayment | 1-2 years | 2-3 years | After 3years |
|--------------|-----------|-----------|--------------|
| (Rs.in lacs) | 4447.41 | 4333.26 | 4170.18 |

5.2 Working Capital Term Loans of Rs.964.07 Lacs (P.Y. 1413.43 Lacs) (As per CDR terms) are secured by way of first pari-passu charge on Fixed Assets & second pari-passu charge on current assets. The loans are repayable in quarterly installments and maturity profile is as follows:-

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

5.3 All the aforesaid credit facilities mentioned here in above are also guaranteed by two directors of the Company and by Pledge of Shares of the Company held by the Promoter Group read with Note no 2.3(A)(ii).

5.4 Vehicle Finance of Rs.10.57 Lacs(Previous Year Rs. 15.29 Lacs) is secured by hypothetical of specific assets purchased under such arrangements. Maturity Profile of vehicle loan is as under:-

| Repayment | 1-2 years | 2-3 years | After 3years |
|--------------|-----------|-----------|--------------|
| (Rs.in lacs) | 0.89 | - | - |

5.5 The lenders to the Company are holding collateral security in the nature of personal guarantees given by Chairman of Board of Directors of the Company, Managing Director of the Company, and corporate Guarantees from certain Companies considered as promoter group companies and additionally pledge of 25,979,609 fully paid up equity shares of the Company.

WINSOME YARNS LIMITED

5.6 Delay in repayment of principal and Interest amount of Long term borrowing (Rs. In lacs)

| SN. | Default | Due Date | Amount Outstanding as on 31st Mar 2015 | Subsequent Payment | Date of Payment | Delay | Outstanding |
|-----|------------------------|-----------|--|--------------------|-----------------|-------|----------------|
| 1 | Principal | 31 Mar 15 | 1066.08 | - | - | - | 1066.08 |
| 2 | Principal | 31 Dec 14 | 1240.98 | - | - | - | 1240.98 |
| 3 | Principal | 30 Sep 14 | 1238.22 | - | - | - | 1238.22 |
| 4 | Principal | 30 Jun 14 | 1238.22 | - | - | - | 1238.22 |
| 5 | Principal | 31 Mar 14 | 956.72 | - | - | - | 956.72 |
| 6 | Principal | 31 Dec 13 | 956.72 | - | - | - | 956.72 |
| 7 | Principal | 30 Sep 13 | 784.73 | - | - | - | 784.73 |
| 8 | Principal | 30 Jun 13 | 531.09 | - | - | - | 531.09 |
| 9 | Principal | 31 Mar 13 | 70.83 | - | - | - | 70.83 |
| | Total Principal | | 8083.59 | | | | 8083.59 |
| 10 | Interest | 31 Mar 15 | 242.78 | - | - | - | 242.78 |
| 11 | Interest | 3 Mar 15 | 7.44 | - | - | - | 7.44 |
| 12 | Interest | 2 Mar 15 | 8.51 | - | - | - | 8.51 |
| 13 | Interest | 1 Mar 15 | 7.30 | - | - | - | 7.30 |
| 14 | Interest | 28 Feb 15 | 217.57 | - | - | - | 217.57 |
| 15 | Interest | 31 Jan 15 | 238.80 | - | - | - | 238.80 |
| 16 | Interest | 31 Dec 14 | 236.74 | - | - | - | 236.74 |
| 17 | Interest | 30 Nov 14 | 227.19 | - | - | - | 227.19 |
| 18 | Interest | 31 Oct 14 | 232.73 | - | - | - | 232.73 |
| 19 | Interest | 30 Sep 14 | 228.55 | - | - | - | 228.55 |
| 20 | Interest | 31 Aug 14 | 232.41 | - | - | - | 232.41 |
| 21 | Interest | 31 Jul 14 | 199.21 | - | - | - | 199.21 |
| 22 | Interest | 30 Jun 14 | 185.39 | - | - | - | 185.39 |
| 23 | Interest | 27 Jun 14 | 4.34 | - | - | - | 4.34 |
| 24 | Interest | 31 May 14 | 189.03 | - | - | - | 189.03 |
| 25 | Interest | 27 May 14 | 4.52 | - | - | - | 4.52 |
| 31 | Interest | 30 Apr 14 | 180.20 | - | - | - | 180.20 |
| 32 | Interest | 31 Mar 14 | 187.51 | - | - | - | 187.51 |
| 26 | Interest | 12 Mar 14 | 7.75 | - | - | - | 7.75 |
| 27 | Interest | 11 Mar 14 | 8.58 | - | - | - | 8.58 |
| 28 | Interest | 10 Mar 14 | 6.95 | - | - | - | 6.95 |
| 29 | Interest | 9 Mar 14 | 5.23 | - | - | - | 5.23 |
| 30 | Interest | 8 Mar 14 | 5.41 | - | - | - | 5.41 |
| 33 | Interest | 28 Feb 14 | 165.55 | - | - | - | 165.55 |
| 34 | Interest | 31 Jan 14 | 181.70 | - | - | - | 181.70 |
| 35 | Interest | 31 Dec 13 | 183.93 | - | - | - | 183.93 |
| 36 | Interest | 30 Nov 13 | 176.15 | - | - | - | 176.15 |
| 37 | Interest | 31 Oct 13 | 168.46 | - | - | - | 168.46 |
| 38 | Interest | 30 Sep 13 | 132.79 | - | - | - | 132.79 |
| 39 | Interest | 31 Aug 13 | 87.22 | - | - | - | 87.22 |
| 40 | Interest | 31 Jul 13 | 52.84 | - | - | - | 52.84 |
| 41 | Interest | 30 Jun 13 | 10.73 | - | - | - | 10.73 |
| 42 | Interest | 31 May 13 | 0.74 | - | - | - | 0.74 |
| | Total Interest | | 4024.25 | | | | 4024.25 |

(Read With Note No. 2.14 & 2.25)

NOTE 6. DEFERRED TAX

(Rs. in Lacs)

| Particulars | As at 31st March, 2015 | As at 30th Sept., 2014 |
|---|---------------------------|---------------------------|
| A) Deferred Tax Liability (DTL) | | |
| Tax impact on difference between book value of depreciable assets and written down value for tax purposes | 4555.05 | 4592.72 |
| Total (A) | <u>4555.05</u> | <u>4592.72</u> |
| B) Deferred Tax Assets (DTA) | | |
| Tax impact of expenses charged to Profit & Loss Account but allowance under tax laws deferred | 71.40 | 79.84 |
| Tax impact on doubtful debts & advances | 132.36 | 105.23 |
| Tax impact of unabsorbed depreciation and business losses (To the extent of Deferred Tax Liabilities) | 4351.29 | 4407.65 |
| Total (B) | <u>4555.05</u> | <u>4592.72</u> |
| Deferred Tax Asset / (Liability) (Net)(A-B) (Refer No. 2.13) | - | - |

NOTE 7. LONG TERM PROVISIONS

| | | |
|----------------------------------|---------------|---------------|
| Provision For Employees Benefits | 120.02 | 170.87 |
| Total | <u>120.02</u> | <u>170.87</u> |

NOTE 8. SHORT TERM BORROWINGS
SECURED LOANS

| | | |
|--|-----------------|-----------------|
| Working capital demand loan from Banks | 28155.80 | 28694.39 |
| Total | <u>28155.80</u> | <u>28694.39</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.

NOTE 9. TRADE PAYABLES

| | | |
|-------------|----------------|----------------|
| Acceptances | - | 155.73 |
| Other | 4190.31 | 5799.97 |
| | <u>4190.31</u> | <u>5955.70</u> |

NOTE-10 OTHER CURRENT LIABILITES

| | | |
|--|-----------------|-----------------|
| Current maturities of long term borrowings | 12250.38 | 10201.45 |
| Interest accrued and due on borrowings | 2592.05 | 2579.56 |
| Book Overdraft with Banks | 631.81 | 487.27 |
| Interest accrued but not due | 0.10 | 12.64 |
| Advance From Customers | 284.00 | 436.94 |
| Unpaid Dividend* | 1.00 | 6.73 |
| Other Payables | | |
| - Capital payables | 52.46 | 56.95 |
| - Statutory Dues | 178.04 | 171.23 |
| - Others | 1065.17 | 1446.64 |
| | <u>17055.01</u> | <u>15399.41</u> |

* shall be credited to investor's education & protection fund when due

WINSOME YARNS LIMITED

NOTE 11. SHORT TERM PROVISIONS

(Rs. in Lacs)

Provision for employee Benefits:

13.42

15.62

Total

13.42

15.62

NOTE 12. FIXED ASSETS

(Rs. In Lacs)

| Nature of Assets | Gross Carrying Amount | | | | Depreciation/Amortisation# | | | | Net Carrying Amount | |
|--------------------------|-----------------------|-------------|------------------|------------------|----------------------------|----------------|------------------|------------------|---------------------|------------------|
| | As at 1.10.2014 | Additions | Sale/ Adjustment | As at 31.03.2015 | As at 1.10.2014 | For the year | Sale/ Adjustment | As at 31.03.2015 | As at 31.03.2015 | As at 30.09.2014 |
| Tangible | | | | | | | | | | |
| Freehold Land | 341.09 | - | - | 341.09 | - | - | - | - | 341.09 | 341.09 |
| Leasehold Land | 280.27 | - | - | 280.27 | 25.12 | 1.42 | - | 26.53 | 253.74 | 255.15 |
| Buildings* | 8623.49 | - | - | 8623.49 | 2073.13 | 154.16 | - | 2227.29 | 6396.20 | 6550.36 |
| Plant & Machinery | 39911.70 | - | - | 39911.70 | 18497.64 | 788.38 | - | 19286.02 | 20625.67 | 21414.06 |
| Furniture & Fixture* | 370.99 | - | - | 370.99 | 303.09 | 19.74 | - | 322.83 | 48.16 | 67.90 |
| Office Equipments | 69.11 | - | - | 69.11 | 31.91 | 26.37 | - | 58.28 | 10.83 | 37.20 |
| Vehicles | 125.36 | - | - | 125.36 | 85.63 | 7.23 | - | 92.86 | 32.50 | 39.73 |
| Total (A) | 49722.01 | - | - | 49722.01 | 21016.52 | 997.30 | - | 22013.81 | 27708.19 | 28705.49 |
| Previous Year | 49715.23 | 6.78 | - | 49722.01 | 18831.04 | 2185.48 | - | 21016.52 | 28705.49 | 30884.19 |
| Intangible | | | | | | | | | | |
| Specialized Software | 63.67 | - | - | 63.67 | 63.56 | 0.02 | - | 63.58 | 0.09 | 0.10 |
| Total (B) | 63.67 | - | - | 63.67 | 63.56 | 0.02 | - | 63.58 | 0.09 | 0.10 |
| Previous Year | 63.67 | - | - | 63.67 | 63.53 | 0.03 | - | 63.56 | 0.10 | 0.14 |
| Grand Total (A+B) | 49785.68 | - | - | 49785.68 | 21080.08 | 997.32 | - | 22077.39 | 27708.28 | 28705.59 |
| Previous Year | 49778.90 | 6.78 | - | 49785.68 | 18894.57 | 2185.51 | - | 21080.08 | 28705.59 | 30884.33 |

*Building and Furniture & Fixtures includes capital expenditure incurred on assets/addition not owned by the Company Rs.41.18 Lacs (Gross) and Rs.56.94 Lacs(Gross) (Previous year Rs 41.18 Lacs and Rs.56.94 Lacs) and net Rs.NIL and Rs.2.85 Lacs, respectively, (Previous year Rs.Nil and Rs. 2.85 Lacs respectively).

NOTE 13 NON-CURRENT INVESTMENTS

Other (Non trade)

Investment in Equity Shares:

Unquoted

Subsidiary Companies (Wholly owned)

90 Equity Shares of S.C.Winsome Romania S.r.l.,
face value of RON 30 each (Previous year 90 shares of RON 30 each)

0.52

0.52

Less: Provision for Diminution in Investment

0.52

0.52

-

-

1800000 Preference Shares of Winsome Yarns
(Cyprus) Limited of 1 Euro each

(Previous Year 1800000 shares)

-

-

Less: Provision for Diminution in Investment

-

-

-

-

-

-

Aggregate amount of unquoted investment

0.52

0.52

Aggregate amount of provision for diminution in value of investment

0.52

0.52

NOTE 14. LONG TERM LOANS & ADVANCES
(Rs. in Lacs)

(Unsecured, considered good unless otherwise stated)

| | | |
|--------------------------|---------------|---------------|
| Capital Advances | 250.00 | 0.56 |
| Security Deposits | | |
| - With Govt | 353.16 | 312.85 |
| - With Others | 19.91 | 11.13 |
| MAT Credit Entitlement | 50.43 | 50.43 |
| Other Loans & advances | 16.48 | 19.58 |
| Total | 689.98 | 394.55 |

NOTE 15. CURRENT INVESTMENTS
(Rs. in Lacs)

| | | |
|---|----------------|----------------|
| Investment in Money Market | 2679.34 | 2679.34 |
| (5072.11 redeemable shares of USD 1000 each in Aries Money Market Fund) (previous year 5072.11 redeemable shares of USD 1000 each) Refer note no. 2.4 | | |
| Total | 2679.34 | 2679.34 |

NOTE 16. INVENTORIES
(Rs. in Lacs)
(AT LOWER OF COST AND NET REALIZABLE VALUE)

(As taken, valued and certified by the management)

| | | |
|---------------------------------|----------------|----------------|
| Raw Materials | 761.47 | 1143.30 |
| Stock in Process | 1427.72 | 3657.14 |
| Stores & Spares | 337.34 | 561.08 |
| Finished Goods * | 1592.61 | 4031.81 |
| Waste (At net realizable value) | 165.98 | 430.08 |
| Total | 4285.12 | 9823.41 |

*Includes in transit Rs.252.07 Lacs (Previous Year Rs.253.07 Lacs)

NOTE 17. TRADE RECEIVABLES
(Rs. in Lacs)

(Unsecured, considered good unless otherwise stated)

| | | |
|---|-----------------|-----------------|
| - Exceeding Six months from due date | | |
| - Good | 9933.91 | 9614.04 |
| - Doubtful | 275.95 | 271.45 |
| Less : Provision for Doubtfull Debts | 275.95 | 271.45 |
| | 9933.91 | 9614.04 |
| - Other Debts | 2115.87 | 2624.30 |
| Total | 12049.78 | 12238.34 |

NOTE 18. CASH & BANK BALANCES
(Rs. in Lacs)
CASH & CASH EQUIVALENTS

| | | |
|---|--------|--------|
| Cash in hand (As certified by Management) | 1.07 | 1.04 |
| Balances with Banks | | |
| - On Current Accounts | 154.58 | 33.21 |
| Earmarked balances | | |
| - On Unpaid Dividend Account | 0.94 | 6.68 |
| Other Bank balances | | |
| - Fixed Deposit (Lodged with Banks as Margin money) | 140.39 | 496.03 |
| | 296.98 | 536.96 |

WINSOME YARNS LIMITED

NOTE 19. SHORT TERM LOANS & ADVANCES

(Rs. in Lacs)

(Unsecured, Considered Good unless otherwise stated)

| | | |
|--|----------------|----------------|
| Advance Income Tax including TDS | 99.89 | 115.40 |
| Refunds/Claims Receivable | 461.53 | 573.52 |
| Interest Subsidy Receivable (Under TUFS) | 1475.35 | 1475.35 |
| Balances with government authorities* | 62.28 | 145.94 |
| Export Incentives Receivable | 149.77 | 514.86 |
| Interest Accrued | 36.67 | 17.83 |
| Advances to suppliers** | 630.49 | 996.84 |
| Others | 161.29 | 169.35 |
| | 3077.27 | 4009.09 |

*includes provision for doubtful advance Rs. 83.30 Lacs(Previous Year Nil)

** (Net of Provisions for doubtful advances Rs. 69.09 lacs (P.Y. Rs.384.09 lacs)

NOTE 20. REVENUE FROM OPERATION

(Rs. in Lacs)

Sale of Product*

| | | |
|----------------|-----------------|-----------------|
| - Yarns | 17952.78 | 35004.86 |
| - Knitwear | 459.05 | 1028.77 |
| - Trading Sale | - | 2028.08 |
| (A) | 18411.83 | 38061.71 |

Sale of Services

| | | |
|---------------|--------------|--------------|
| - Job Charges | 36.00 | 64.38 |
| (B) | 36.00 | 64.38 |

Other operating revenue

| | | |
|---------------|----------------|----------------|
| Waste Sales | 1678.78 | 2257.92 |
| Sale of Scrap | 7.99 | 12.16 |
| (C) | 1686.77 | 2270.08 |

Total (A+B+C)

20134.60 **40396.17**

Less : Excise Duty

- -

Net Revenue from Operation

20134.60 **40396.17**

*includes duty drawback of Rs 88.36 lacs (P.Y 465.69 Lacs)

NOTE 21. OTHER INCOME

(Rs. in Lacs)

| | | |
|---|---------------|---------------|
| Interest Received | 28.06 | 93.05 |
| Exchange Rate Difference (Net) | 107.69 | 0.19 |
| Profit on sale of Current Investment | - | 12.21 |
| Provision for Doubtful Debts written back | - | 94.86 |
| Balances written back (Net) | 182.36 | 26.72 |
| Miscellaneous Income | 0.57 | 37.71 |
| | 318.68 | 264.74 |

NOTE 22.CHANGE IN INVENTORIES OF FINISHED GOODS, WIP STOCK AND STOCK IN TRADE
(Rs. in Lacs)
Closing Stock
Finished Goods

| | | |
|------------|----------------|----------------|
| - Yarn | 1288.59 | 3578.90 |
| - Knitwear | 304.02 | 452.91 |
| | <u>1592.61</u> | <u>4031.81</u> |

Stock in Process

| | | |
|------------|----------------|----------------|
| - Yarn | 1329.43 | 3272.02 |
| - Knitwear | 98.29 | 385.12 |
| | <u>1427.72</u> | <u>3657.14</u> |
| (A) | <u>3020.33</u> | <u>7688.95</u> |

Less : Opening Stock
Finished Goods

| | | |
|------------|----------------|----------------|
| - Yarn | 3578.90 | 5374.66 |
| - Knitwear | 452.91 | 474.72 |
| | <u>4031.81</u> | <u>5849.38</u> |

Stock in Process

| | | |
|------------|----------------|-----------------|
| - Yarn | 3272.02 | 4834.30 |
| - Knitwear | 385.12 | 597.72 |
| | <u>3657.14</u> | <u>5432.02</u> |
| (B) | <u>7688.95</u> | <u>11281.40</u> |

Differential excise duty on (increase)/decrease in stock (C)
(Increase)/Decrease in Stocks (B-A+C))

| | |
|----------------|----------------|
| - | - |
| <u>4668.62</u> | <u>3592.45</u> |

NOTE 23. EMPLOYEE BENEFIT EXPENSES
(Rs. in Lacs)

| | | |
|---|----------------|----------------|
| Salaries, Wages, Bonus, etc. | 1205.65 | 2396.78 |
| Contribution to Provident & Other Funds | 73.16 | 146.72 |
| Employees Welfare | 29.75 | 56.49 |
| Total | <u>1308.56</u> | <u>2599.99</u> |

NOTE 24. FINANCIAL EXPENSES
(Rs. in Lacs)

| | | |
|---|---------------|----------------|
| Interest on Borrowings (Read with Note No. 2.18) | - | 5991.82 |
| (Net of reimbursement under TUFS Nil, PY Rs.1207.73 Lacs) | | |
| Other borrowing cost | 275.29 | 141.33 |
| Total | <u>275.29</u> | <u>6133.15</u> |

NOTE 25. DEPRECIATION & AMORTISATION EXPENSES
(Rs. in Lacs)

| | | |
|--------------------------------|---------------|----------------|
| Depreciation | 878.18 | 2185.47 |
| Less : Prorata Capital Subsidy | 4.61 | 9.23 |
| Amortisation | 0.02 | 0.03 |
| Total | <u>873.59</u> | <u>2176.27</u> |

WINSOME YARNS LIMITED

NOTE 26 OTHER EXPENSES

(Rs. in Lacs)

| | | | |
|--|----------------|---------|----------------|
| Stores & Spares consumed | 748.68 | | 1111.85 |
| Power & Fuel* | 2217.14 | | 4028.80 |
| Repairs & Maintenance | | | |
| - Building | 3.69 | | 12.41 |
| - Plant & Machinery | 23.18 | | 79.25 |
| - others | 21.83 | | 47.71 |
| Processing Charges & Dyeing Charges | 343.88 | | 713.13 |
| Confection CMT Expense(WKW) | 2.28 | | 142.75 |
| Material Handling Charges | 11.31 | | 103.78 |
| Rent | 27.24 | | 37.50 |
| Rates & Taxes | 0.54 | | 1.89 |
| Printing & Stationery | 6.15 | | 4.42 |
| Director Sitting Fee | 0.78 | | 1.57 |
| Insurance | 37.65 | | 78.83 |
| Bank Charges | 1.40 | | 266.97 |
| Traveling & Conveyance | 104.04 | | 194.38 |
| Postage, Telegrams and Telephones | 14.30 | | 34.71 |
| Legal & Professional Charges | 87.24 | | 225.14 |
| Charity & Donation | 0.88 | | 0.71 |
| Bad Debts | - | 2086.78 | |
| Less :- Provision For Doubtful debt written back | - | 2086.78 | - |
| Advance written off | 315.00 | 126.42 | |
| Less :- Provision For Doubtful advances written back | 315.00 | 126.42 | - |
| Provision for doubtful debts | 4.51 | | - |
| Provision for Doubtful Advances | 83.30 | | 315.00 |
| Export incentive written off** | 313.76 | | - |
| Auditors remuneration | | | |
| - Audit Fees | 6.29 | 8.29 | |
| - Tax audit Fees | 0.39 | 0.39 | |
| - Other services | 3.09 | 2.35 | |
| - Reimbursement of expenses | 0.05 | 0.19 | 11.22 |
| Commission on sales | 125.88 | | 463.24 |
| Freight & Handling Charges | 137.49 | | 378.36 |
| Advertisement & Other Selling Expenses | 223.29 | | 248.03 |
| Exchange Rate Difference (Net) | - | | 37.24 |
| Miscellaneous Expenses | 78.75 | | 171.17 |
| | 4629.02 | | 8710.06 |

* Including delay payment charges of Electricity bills Rs. 51.11 Lacs (Prev. Year Nil)

** Export Incentives not recoverable as assessed by the management has been charged to the Statement of Profit & Loss.

WINSOME YARNS LIMITED

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

CIN : L17115CH1990PLC010566

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

ATTENDANCE SLIP

Please complete the Attendance Slip and hand it over at the time of Annual General Meeting

Folio No./ DP ID/ Client ID :

No. of shares :

Name of Member(s) :

Registered Address :

Email :

I/We hereby record my presence at the **25th ANNUAL GENERAL MEETING** of the Company at PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh on **Wednesday the 23rd September, 2015 at 11.30 a.m.**

.....
Signature of the member(s)

.....
Name of proxyholder

.....
Signature of proxy

Note : No gifts or coupons would be given for attending the Meeting.

| RESOLUTION NO. | RESOLUTIONS | OPTIONAL | |
|-------------------|--|----------|---------|
| ORDINARY BUSINESS | | FOR | AGAINST |
| 1 | Adoption of Audited Financial Statement of the Company for the Financial Year ended 31.03.2015 together with the Reports of the Board of Directors and Auditors thereon. | | |
| 2 | Appoint a Director in place of Shri Satish Bagrodia, who retires by rotation and being eligible offers himself for re-appointment. | | |
| 3 | Ratify the appointment of M/s. Lodha & Co., Chartered Accountants, as Auditors and fixing their remuneration. | | |
| SPECIAL BUSINESS | | | |
| 4 | Appointment of Ms. Ishika Aggarwal as an Independent Director. | | |
| 5 | Appointment of M/s Balwinder and Associates as Cost Auditor of the Company and fixing their remuneration. | | |

WINSOME YARNS LIMITED

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

CIN : L17115CH1990PLC010566

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

PROXY FORM

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

Folio No./ DP ID/ Client ID :

No. of shares :

Name of Member(s) :

Registered Address :

Email :

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

- (1) Name:.....Address.....
Email id:.....Signature.....or failing him;
- (2) Name:.....Address.....
Email id:.....Signature.....or failing him;
- (3) Name:.....Address.....
Email id:.....Signature.....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the **25th Annual General Meeting** of the company, to be held on **Wednesday the 23rd September, 2015 at 11.30 a.m.** at PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh and at any adjournment thereof.

Signed thisday of September, 2015.

Signature of shareholder.....

Signature of proxyholder(s).....

Please affix
Revenue
Stamp of
appropriate
value

Note :

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

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