



Winsome Yarns Limited



WINSOME YARNS LIMITED**BOARD OF DIRECTORS**

| | |
|----------------------|-------------------|
| SHRI SATISH BAGRODIA | CHAIRMAN |
| SHRI CHANDRA MOHAN | |
| SHRI BRIJ KHANNA | |
| SHRI S.K. DUGGAL | |
| SHRI ASHISH BAGRODIA | |
| SHRI S. K. SINGLA | |
| SHRI MANISH BAGRODIA | MANAGING DIRECTOR |

Audit Committee

Shri Brij Khanna
Shri Chandra Mohan
Shri S.K. Duggal

DGM (FINANCE) & SECRETARY

Shri O.P. Gupta

AUDITORS :

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

Shareholder's / Investors**Grievance Committee**

Shri Brij Khanna
Shri S.K. Duggal
Shri Manish Bagrodia

BANKERS :

Canara Bank
State Bank of Patiala

REGISTERED OFFICE :

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

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WINSOME YARNS LIMITED**NOTICE**

NOTICE is hereby given that the 13th Annual General Meeting of the Members of Winsome Yarns Limited, will be held on Monday the 29th September, 2003 at 11.00 a.m. at Tagore Theatre, Sector 18-C, Chandigarh to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March 2003, and the Balance Sheet as at that date together with the Reports of the Directors and Auditors thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a Director in place of Shri S.K. Duggal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri S. K. Singla, who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:
 "RESOLVED THAT M/s. Lodha & Co., Chartered Accountants, be and are hereby appointed as Statutory Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, at a remuneration to be decided by the Board of Directors."

Registered Office :

SCO 191-192
 SECTOR 34-A
 CHANDIGARH - 160022

By order of the Board

O.P. GJPTA
 DGM (Finance) & Secretary

Dated : 30.06.2003

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
2. The proxy form should be deposited with the company at its Registered Office not less than forty-eight hours before the meeting.
3. The Register of Members and Share Transfer Book of the Company will remain closed from 20.09.2003 to 29.09.2003 (both days inclusive).
4. The dividend, as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid to those persons;
 - (a) whose names appear as Beneficial Owners as at the end of business hours on 19th September, 2003 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form, and
 - (b) whose names appear as members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company/its Registrar & Share Transfer Agents on or before 19th September, 2003.
5. Member who hold shares in dematerialised form are requested to bring their Client ID and DP ID Numbers for easy identification of attendance at the meeting.
6. Item No. 3 - Shri S. K. Duggal is a Textile Engineer. He has served various Private and Government Organisations in various capacities. He retired as an Executive Director (Project) from PSIDC. He also served as Managing Director of NITCON after his retirement from PSIDC.
 Presently, he is the Director of Bhandari Export Industries Ltd., Cheema Spintex Ltd., Dwarikadhish Spinners Ltd., Fazilka Cotton & Synthetics Ltd., Indian Yarns Ltd., Rana Polycot Ltd., S.R. Industries Ltd., Sohrab Spinning Mills Ltd., Supreme Yarns Ltd., Shamken Spinners Ltd., Usha Yarns Ltd., Winsome Textile Industries Ltd. and Winsome Yarns Ltd. He is also the Chairman of Audit Committee in Cheema Spintex Ltd, Indian Yarns Ltd., S.R. Industries Ltd., Winsome Textile Industries Ltd. and Supreme Yarns Ltd., He is a member of Audit Committee in Winsome Yarns Ltd., Dwarikadhish Spinners Ltd. and Rana Polycot Ltd. and also a member of Shareholders / Investors Grievance Committee in Winsome Yarns Ltd.
7. Item No. 4 - Shri S.K. Singla, B. (Tech.) is a nominee of PSIDC. He is the Asstt. General Manager (Textile) at PSIDC. He is also nominee director on many other assisted / promoted companies of PSIDC.

DIRECTORS' REPORT**WINSOME YARNS LIMITED**

Your Directors have pleasure in presenting the 13th Annual Report together with the audited statement of Accounts of the Company for the year ended 31st March, 2003.

| Financial Highlights | Year ended 31.3.2003 (Rs.In lacs) | Year ended 31.3.2002 (Rs.In lacs) |
|--|--|--|
| Sales | 12193.13 | 10678.62 |
| Profit before Interest & Depreciation | 2070.07 | 1820.13 |
| Less: Interest | 551.55 | 722.60 |
| Profit before Depreciation | 1518.52 | 1097.53 |
| Less: Depreciation | 600.88 | 599.43 |
| Profit before Taxes | 917.64 | 498.10 |
| Profit after Taxes | 917.64 | 498.10 |
| Appropriation : | | |
| Transfer to Capital Redemption Reserve | 83.28 | 41.16 |
| Proposed Dividend on Equity Shares | 128.33 | - |
| Tax on Dividend | 16.44 | - |

Operations & Performance

The Directors are pleased to report that your Company has recorded satisfactory growth of production as well as sales during the year under review. There has been over 14.18% growth in the sales turnover, while the net profit has increased from Rs. 498.10 lacs to Rs. 917.64 lacs.

Your Company has also been continuously following the strategy of upgrading its products mix and catering to the quality conscious market. Your company performed very satisfactorily by its relentless thrust on productivity and resource utilisation, effective cost containment, sound financial management, quality upgradation, and value addition and abiding commitment to Customer service and satisfaction.

Further, under the WTO agies, the quota restriction is going to be phased out by 2004. To make your Company strong enough to compete in the international market, a diversification plan for manufacture of knitwears has been undertaken with an outlay of about Rs. 1468 lacs to be financed by term loan of about Rs. 1211 lacs & internal accrual of about Rs. 257 lacs.

Dividends

The directors have recommended a Maiden Dividend @5% on 25665979 equity shares of Rs. 10 each for the financial year ended 31st March, 2003, which if approved at the forthcoming Annual General Meeting, will be paid to (i) all those equity shareholders whose names appear in the Register of Members as on 19.09.2003 and (ii) to those whose names as beneficial owners are furnished by the National Securities Depository Limited and Central Depository Services (India) Limited.

Buy back of shares

During the year your Company has bought back 832816 equity shares under its buyback offer, which was opened on 07.06.2002 and closed on 20.08.2002.

Directors

Shri S.K. Duggal and Shri S.K. Singla retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Directors' Responsibility Statement

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibilities Statement, it is hereby confirmed :

- that in the preparation of the annual accounts for the financial year ended 31st March, 2003, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- that the accounting policies are applied consistently and reasonable prudent judgement and estimates are made so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the year under review;
- that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- that the directors have prepared the accounts for the financial year ended 31st March, 2003 on a going concern basis.

Auditors

M/s Lodha & Co., Chartered Accountants, as auditors of the company hold office till the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from M/s. Lodha & Co., Chartered Accountants, to the effect that their re-appointment as Auditors, if made, would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956.

CONTINUE**WINSOME YARNS LIMITED****Particulars of the Employees**

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (particulars of Employees) Rules, 1975, as amended, the name and other particulars of the employee are set out in the Annexure to the Directors' Reports.

Conservation of Energy, Technology Absorption and Foreign Exchange earning and outgo.

Information in accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the Annexure forming part of this report.

Auditors' Report

Note No. 3 and 11 of Schedule 14 (B), Notes on accounts referred in the Auditors' Report is self explanatory.

Corporate Governance

Your company's is committed for achieve a high standard of Corporate Governance and aspires to put best practices in the company.

The Corporate Governance practices followed by your company are enclosed as an Annexure to this report.

Acknowledgement

Your Directors wish to thanks the company's esteemed Customers, Financial Institutions, Banks, Government Authorities, Suppliers and above all the shareholders for their continue support and cooperation.

Your Directors also wish to place on record their appreciation for the sincere services and hard work put in by the employees at all levels.

By order of the Board

Place: Chandigarh
Dated: 30.06.2003

(Satish Bagrodia)
Chairman

ANNEXURE 'A' TO DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1)(E) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF DIRECTORS) RULES 1988 AND FORMING PART OF THE DIRECTORS REPORT FOR THE PERIOD ENDED 31ST MARCH, 2003.

I. CONSERVATION OF ENERGY

- a) Energy conservation measures taken :
Measures taken to reduce the light and power consumption.
Every possible step has been undertaken for conservation of energy.
- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.
Additional investment made is being planned and work is in progress.
- 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 a cost reduction due to effective utilisation of own generated power through DG set. But there is a small impact on the cost per unit due to increase in rate of power per unit purchased from Punjab State Electricity Board (PSEB).
- d) Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the rules in respect of industries specified in the schedule thereto:

| A) Power and Fuel consumption | Current Year | Previous Year |
|---|---------------------|----------------------|
| 1. Electricity | | |
| a) Purchased Unit (KW) | 11129020 | 10908640 |
| Total amount (Rs in lacs) | 418.15 | 373.17 |
| Rate/Unit (Rs) | 3.76 | 3.42 |
| b) Own Generation through Diesel Generator Unit(KW) | 21172822 | 21363837 |
| Units/Ltr.of Diesel Oil | 3.91 | 3.85 |
| Cost/Unit(Rs/KW) | 3.03 | 3.35 |
| 2. Coal(Specify quality and where used) | NIL | NIL |
| 3. LSHS & Furnace Oil Qty.(MT) | 4077.763 | 3222.596 |
| Total amount (Rs.in lacs) | 412.98 | 268.43 |
| (Average rate(Rs.per M.T) | 10128 | 8330 |

ANNEXURE TO DIRECTORS' REPORT CONTINUE

WINSOME YARNS LIMITED

| | | | |
|-----------|---|------|------|
| 4. | Gas | | |
| | (Qty. (M.T.)) | NIL | NIL |
| | Total amount (Rs.in lacs) | NIL | NIL |
| | Average rate(Rs.per Kg) | NIL | NIL |
| B) | Consumption per Unit of Production | | |
| | Electricity (KW) | 3.54 | 3.85 |
| | LSHS & Furnace Oil (Lts) | NIL | NIL |
| | Gas (Kgs) | NIL | NIL |

II. TECHNOLOGY ABSORPTION

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

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

| | |
|---|------------|
| Capital | NIL |
| Recurring | 16.44 lacs |
| Total R & D expenditure as a percentage of total turnover = | 0.13%. |
- 2) Technology absorption, adoption and innovation.
 - a) Efforts, in brief, made towards technology absorption and innovation :
 - Equipments of latest technology have been installed.
 - b) Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.
 - There has been benefit in respect of quality and Productivity of the product.
 - c) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year).
 - Nil

III. FOREIGN EXCHANGE EARNING AND OUTGO

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

During the year Exports of the Company are of Rs. 6187.17 lacs (FOB Value). New export markets have been developed and with this exports are likely to increase further.

- b) Total foreign exchange used and earned (Rs. in lacs)

| | Current Year | Previous Year |
|--|--------------|---------------|
| Earnings in Foreign Exchange : | | |
| Export of goods on F.O.B. basis | 6187.17 | 6574.15 |
| (Excluding Export through Export Houses) | | |
| Interest realisation | 11.57 | 11.88 |
| Outgo : | | |
| i) Value of imports calculated on CIF basis by the Company : | | |
| - Raw materials | 792.57 | 2592.01 |
| - Components, Spares & Stores | 141.57 | 42.20 |
| - Capital Goods | 50.05 | 3.54 |
| ii) Expenditure in Foreign Currencies (Cash basis) | | |
| - Foreign Travelling | 36.78 | 13.39 |
| - Commission on Sale | 75.90 | 97.36 |
| - Others | 12.80 | 19.55 |
| - Bank Charges | 30.30 | 21.93 |

for and on behalf of the Board

Place: Chandigarh

Dated: 30.06.2003

Satish Bagrodia
Chairman

ANNEXURE TO DIRECTORS' REPORT CONTINUE

WINSOME YARNS LIMITED

STATEMENT OF PARTICULARS OF EMPLOYEES, PURSUANT TO THE PROVISIONS OF THE SECTION 217(2A) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (PARTICULARS OF THE EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH, 2003.

| Sr. No. | Name of the Employee | Designation/Nature of duties | Qualification | Total Working Experience (Years) | Date of Commencement of Employment | Total Remuneration (Rs. in lacs) | Age (Years) | Previous Employment held |
|---|----------------------|------------------------------|---|----------------------------------|------------------------------------|----------------------------------|-------------|--------------------------------------|
| A. Persons employed throughout the year, who were in receipt of remuneration not less than Rs. 24,00,000/- | | | | | | | | |
| 1 | Shri Manish Bagrodia | Managing Director | M. Com., Advance Diploma in Computer Applications | 16 | 01-07-1994 | 24.54 | 35 | Winsome Textile Inds. Ltd Baddi (HP) |
| B. Persons employed for part of the year who was in receipt of remuneration for any part of the year at a rate which in aggregate was not less than Rs. 200000/- per month. | | | | | | | | |
| Nil | | | | | | | | |

NOTES :

- Remuneration as above includes Salary, House Rent Allowance or Housing Accommodation and other perks/benefits provided by the Company.
- Shri Manish Bagrodia, Managing Director is related to Shri Satish Bagrodia, Chairman and Shri Ashish Bagrodia, Director of the Company.

ANNEXURE 'B' TO DIRECTORS' REPORT

Corporate Governance

1. Company's Philosophy on code of Governance

The company's philosophy on corporate governance is to attain highest levels of transparency and equity in all facts of its operations and in all its inter-actions with its shareholders, employees, the government and lenders.

Company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholder value, over a sustained period of time.

2. Board of Directors

The Board of Directors consists of three Promoter Directors (one Non Executive Chairman, one Managing Director and One Non-Executive Director), One Non-executive independent nominee director representing PSIDC as Joint Sector representative and three Non-executive independent Directors. None of the directors on the board is a member on more than 10 committees and chairman of more than 5 committees (as specified in clause 49 of the Listing Agreement with Stock Exchanges), across all the company in which they are directors. The necessary disclosures regarding committee memberships have been made by the directors.

During the year 2002-03, the Company has held 5 Board meetings as against the minimum requirement of 4 meetings. The meetings were held on 16th April, 2002, 30th June, 2002, 29th July, 2002, 31st October, 2002 and 25th January, 2003 and the maximum time gap between any two meetings was not more than four months.

The names and categories of directors on the board, their attendance at Board Meetings during the year and at the last Annual General Meeting, as also the number of Directorships held by them in other companies are given below :

| Name of the Director | Category | Attendance Particulars | | No. of other Directorship and Committee Member/Chairmanship | | |
|----------------------|----------|------------------------|----------|---|----------------------|------------------------|
| | | Board Meetings | Last AGM | Other Directorship | Committee Membership | Committee Chairmanship |
| Sh. Satish Bagrodia | Chairman | 5 | Yes | 3 | - | - |
| Sh. Chandra Mohan | NED | 5 | Yes | 7 | 1 | - |
| Sh. S.K. Duggal | NED | 5 | Yes | 12 | 9 | 5 |
| Sh. Brij Khanna | NED | 5 | Yes | 2 | 2 | 2 |
| Sh. S. K. Singla | NED | 4 | Yes | 14 | - | - |
| Sh. Ashish Bagrodia | NED | 5 | Yes | 3 | 1 | - |
| Sh. Manish Bagrodia | MD | 5 | Yes | 4 | 1 | - |

NED : Non Executive Director

MD : Managing Director

3. Audit Committee

The Audit Committee was constituted on 20th July, 2000 to carry the functions in accordance with the terms of reference set out under Clause 49 of the Listing Agreement read together with Section 292A of the Companies Act, 1956, and additional responsibilities assigned to it by the Board of Directors. The Committee also reviews the reports of the internal auditors alongwith the comments of management. The senior level executives are invited to attend the meeting of the Audit Committee as and when considered appropriate. The functions of the Audit Committee among others, include approving and implementing the audit procedures, reviewing the financial reporting system internal control and procedure and ensuring compliance with regulatory guidelines.

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

| Sr. No. | Name of members | Category | No. of meetings attended during the year 2002-2003 |
|---------|----------------------------|---------------------------|--|
| 1. | Shri Brij Khanna, Chairman | Independent/Non-Executive | 4 |
| 2. | Shri Chandra Mohan | Independent/Non-Executive | 4 |
| 3. | Shri S.K. Duggal | Independent/Non-Executive | 4 |

During the year, the Audit Committee held its meetings on 30th June, 2002, 29th July, 2002, 31st October, 2002 and 25th January, 2003.

The Managing Directors alongwith the Statutory Auditors and Internal Auditor are invitees to the meeting.

4. Remuneration of Directors

As per terms of appointment, no remuneration has been paid to Shri Satish Bagrodia, Chairman and other non executive Directors do not draw any remuneration from the Company except sitting fees for attending the meetings of the Board.

Only Managing Director, who has been appointed for a period of five years w.e.f. 01.07.1999 draw his remuneration as per terms of appointment.

Accordingly, the company has not set up a remuneration committee. However, for any remuneration to the Directors, the same shall be placed before the Board for its consideration.

The sitting fees paid to all non-executive directors during the year is as below :

Shri Satish Bagrodia, Chairman-Rs. 25000/-, Shri Chandra Mohan-Rs. 25000/-, Shri Brij Khanna-Rs. 25000/-, Shri S.K. Duggal-Rs. 25000/-, Shri Ashish Bagrodia-Rs. 25000/-, Shri S.K. Singla (PSIDC's Nominee)-Rs. 20000/-.

The aggregate value of salary, perquisites and commission payable @ 1% of net profit paid to Shri Manish Bagrodia, Managing Director during the year is Rs. 24.54 lacs. Besides this, he is also entitle to company's contribution to provident Fund, superannuation and annuity fund, gratuity and encashment of leave at the end of his tenure, as per rules of the company.

5. Shareholders / Investors Grievance Committee

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

Redressing of Shareholders and Investors complaints, to ensure expeditious share transfers, non-receipt of balance sheet by the shareholder etc.

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

| Sr. No. | Name of members | Category | No. of meetings attended during the year 2002-2003 |
|---------|----------------------------|---------------------------|--|
| 1. | Shri Brij Khanna, Chairman | Independent/Non-Executive | 4 |
| 2. | Shri S.K. Duggal | Independent/Non-Executive | 4 |
| 3. | Shri Manish Bagrodia | Executive | 4 |

During the year, the Investors Grievance Committee held its meetings on 30th June, 2002, 29th July, 2002, 31st October, 2002 and 25th January, 2003.

During the year, the request for transfer/demat/remat of shares, change of address etc. received by the company have been effected.

Shri O.P. Gupta, DGM (Finance) & Company Secretary is the Compliance Officer for SEBI/Stock Exchanges related issues.

6. General Body Meetings

The last three Annual General Meetings of the Company were held as under :

| Year | Venue | Date | Time |
|-----------|---|---------------------|------------|
| 1999-2000 | Tagore Theatre, Sector 18-C, Chandigarh | 29th September 2000 | 09.30 A.M. |
| 2000-2001 | Tagore Theatre, Sector 18-C, Chandigarh | 24th September 2001 | 10.30 A.M. |
| 2001-2002 | The Technical Teacher Training Institute Sector 26, Chandigarh | 30th September 2002 | 09.30 A.M. |