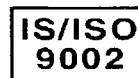


Winsome Yarns Limited



BOARD OF DIRECTORS

SHRI SATISH BAGRODIA	CHAIRMAN
SHRI CHANDRA MOHAN	
SHRI BRIJ KHANNA	
SHRI S.K. DUGGAL	
SHRI DINESH SHARMA	NOMINEE (IFCI)
SHRI ASHISH BAGRODIA	
SHRI S. K. SINGLA	NOMINEE (PSIDC)
SHRI MANISH BAGRODIA	MANAGING DIRECTOR

Audit Committee

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

Shareholder's / Investors Grievance Committee

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

DGM (FINANCE) & SECRETARY

Shri O.P. Gupta

AUDITORS :

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

BANKERS :

Canara Bank
State Bank of Patiala

REGISTERED OFFICE :

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

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NOTICE

NOTICE is hereby given that the 14th Annual General Meeting of Members of Winsome Yarns Limited, will be held on Monday the 27th September, 2004 at 10.00 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 2004, 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 Chandra Mohan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Brij Khanna, 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."

SPECIAL BUSINESS :

6. To consider and, if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED THAT Shri Dinesh Sharma, who was appointed as an Additional Director of the Company, pursuant to Article 94 of the Company's Articles of Association, who hold office till the date of this Annual General Meeting be and is hereby appointed as a Director of the Company."

7. To consider and, if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to Section 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII thereto as amended from time to time and subject to such other approvals as may be necessary, the consent of the Company be and hereby accorded to the re-appointment of Shri Manish Bagrodia as Managing Director of the Company for a period of five years w.e.f. 01.07.2004 on the terms and conditions including remuneration and commission as set out in the explanatory statement with liberty to the Board of Directors to alter and vary, the terms and conditions of the said appointment so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto."

8. To consider and, if thought fit to pass with or without modification, the following resolution as an Special Resolution :

"RESOLVED THAT subject to provisions of the Securities Contracts (Regulation) Act, 1956, Listing Agreement with the Stock Exchanges and Guidelines/Rules of the Securities Exchange Board of India (SEBI) and all other applicable laws, rules, regulations and guidelines and subject to such approvals and sanctions as may be required, the Board of Directors (hereinafter referred to as "the Board") be and are hereby authorised to de-list the equity shares of the Company from the Stock Exchanges at Ludhiana, Delhi and Kolkata.

"RESOLVED FURTHER THAT the Shri Satish Bagrodia, Chairman and Shri Manish Bagrodia, Managing Director be and are hereby authorised severally or jointly as per the requirement to do all such acts, deeds, matters and things and execute all such documents, deeds and writings as may be necessary or expedient for the purpose of giving effect to this resolution and for matters connected thereto or incidental thereto."

Registered Office :

SCO 191-192
SECTOR 34-A
CHANDIGARH - 160022

By order of the Board

O.P. GUPTA
DGM (Finance) & Secretary

Dated : 30.06.2004

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 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 23.9.2004 to 27.9.2004 (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 22th September, 2004 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 22th September, 2004.
5. Members 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 Padamshree, Shri Chandra Mohan is a B.A. (Hons) and B.Sc. Mech. Engg. (Hons.). He served Punjab Tractors Limited as Vice Chairman and Managing Director for about 28 years. He is also member of many Professional Institutions and Chairman of 21st Century Battery Limited, which is a high tech batteries project with technology from Telcordia, USA.
 Presently, he is the Chairman of RICO Auto Industries Ltd., Twenty First Century Battery Ltd., Engineering Innovations Ltd. and Meera Explorations Pvt. Ltd. and Director of Winsome Yarns Ltd., DCM Precision Engineering Ltd., Kamla Dials & Devices Ltd., Indo-Asian Fusegear Ltd., Abhishek Industries Ltd., Sandhar Locking Devices Ltd., Reva Electric Car Co. Pvt. Ltd., Renaissance Trusttee Co. Pvt. Ltd. and ITIDA CAD Services Pvt. Ltd. He is also member of Audit Committee of Winsome Yarns Ltd., Twenty First Century Battery Ltd., Indo-Asian Fusegear Ltd. and DCM Precision Engg. Ltd.
7. Item No. 4 - Shri Brij Khanna is a leading Income Tax practitioner. He is also Director on many other Companies.
 Presently, he is the Director of Winsome Yarns Ltd., Engineering Innovations Ltd. and Stanlay Engineering (P) Ltd. and also the Chairman of Audit Committee and Shareholders/Investors Grievance Committee of Winsome Yarns Ltd.

ANNEXURE TO NOTICE :**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956;****ITEM No. 6 :**

Shri Dinesh Sharma was appointed as an Additional Director of the Company w.e.f. 30.06.2004 by the Board of Directors in accordance with Section 260 of the Companies Act, 1956 and Articles 94 of the Company's Articles of Association. Shri Dinesh Sharma holds office upto the date of ensuing Annual General Meeting. Notice from a member u/s 257 of the Act, expressing his intention to propose the appointment of Shri Dinesh Sharma as a Director has been received by the Company. Shri Dinesh Sharma is General Manager in IFCI Ltd. Your Directors feel that the Company would be benefited from the wide experience of Shri Dinesh Sharma and accordingly recommends adoption of this resolution.

None of the Director except Shri Dinesh Sharma is interested in this resolution.

ITEM No. 7 :

Shri Manish Bagrodia was appointed Managing Director of the Company for a period of five years w.e.f. 01.7.1999. Now, the period of his office is due to expire on 30th June, 2004.

He has versatile experience and knowledge of textile industry. During his tenure, the Company has made good progress. The Board has approved his re-appointment for a further period of five years w.e.f. 01.07.2004 subject to the approval of shareholders of the Company on the following terms and conditions as set out hereunder :

I. REMUNERATION :

- a) Salary Rs. 1,00,000/- per month in the grade of 1,00,000-20,000-2,00,000.
- b) **Commission :**
1% of Net Profit of the Company in the manner laid down in Section 309 of the Companies Act, 1956.
- c) **Perquisites :**
 - i) **Housing**
 - i) Fully furnished residential accommodation. In case, the fully furnished residential accommodation is not provided, H.R.A. As per Company's Rule will be paid.
 - ii) Expenses pertaining to gas, electricity, water and other utilities will be borne/reimbursed by the Company.
 - ii) **Medical Reimbursement :**
Reimbursement of actual medical expenses incurred in India and/or abroad and including hospitalization, nursing home and surgical charges for himself and family.
 - iii) **Leave Travel Concession :**
Reimbursement of actual travelling expenses for proceeding only once in a year in respect of himself and family.
 - iv) **Club Fees :**
Reimbursement of membership fee for clubs including admission and life membership fees.
 - v) **Personal Accident Insurance :**
Personal Accident Insurance Policy for an amount, the annual premium of which shall not exceed Rs. 10000/- p.a.
 - vi) **Contribution to Provident Fund, Superannuation and Annuity Fund :**
The Company's contribution to Provident and Superannuation or Annuity Fund as per the rules of the Company applicable to senior executives.
 - vii) **Gratuity :**
As per rules of the Company applicable to the senior executives.
 - viii) **Leave :**
Encashment of leave at the end of the tenure.
 - ix) **Other Perquisites :**
Subject to an overall ceiling of remuneration stipulated in Section 198 and 309 of the Companies Act, 1956, other perquisites and/or allowances payable to the Managing Director shall be evaluated, wherever applicable, as per Income Tax Act, 1961 or any rules thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force).

EXPLANATION :

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

II. OVERALL REMUNERATION :

The aggregate of salary, commission and perquisites in any one financial year shall not exceed the limits prescribed or to be prescribed from time to time under section 198, 309 and other applicable provisions of the Companies Act, 1956 read with schedule XIII to the said Act as may for the time being in force.

III. MINIMUM REMUNERATION :

In the event of loss or inadequacy of profits in any financial year during the tenure of service of the Managing Director,

WINSOME YARNS LIMITED

the payment of salary, commission perquisites and other allowances shall be governed by the limits prescribed under Section II of part II of Schedule XIII to the Companies Act, 1956.

The Board recommends adoption of this resolution.

None of the Directors except Shri Satish Bagrodia, Manish Bagrodia and Shri Ashish Bagrodia are interested in this resolution.

ITEM No. 8 :

Equity shares of the Company are presently listed at Ludhiana, Delhi, Kolkata, Mumbai and National Stock Exchanges.

The Securities and Exchange Board of India has notified "Delisting of Securities Guidelines-2003" (The Guidelines). As per the Guidelines, a Company may seek voluntary delisting of its securities from all or some of the Stock Exchanges. Further, an exit opportunity is not required to be provided in cases where such securities continue to be listed at a Stock Exchange having nationwide trading terminals i.e. The Stock Exchange, Mumbai (BSE), The National Stock Exchange (NSE) and any other Stock Exchange(s) that may be specified by SEBI in this regard.

With the extensive networking of BSE and NSE, members of the Company have access to online dealing in the Company's securities across the Country. Further, securities of the Company being in demat mode and no trading at Ludhiana, Delhi and Kolkata Stock Exchanges, it is felt that continued listing with these three stock exchanges shall not provide any advantage to the Members.

Therefore, it is proposed to get Company's shares delisted from the Ludhiana, Delhi and Kolkata Stock Exchanges.

The Directors recommend adoption of the resolution set out in item No. 8 of the Notice.

None of the Director of the Company is interested or concerned in the proposed resolution.

**Registered Office :**

SCO 191-192
SECTOR 34-A
CHANDIGARH - 160022

By order of the Board

O.P. GUPTA
DGM (Finance) & Secretary

Dated : 30.06.2004

DIRECTORS' REPORT**WINSOME YARNS LIMITED**

Your Directors have pleasure in presenting the 14th Annual Report together with the audited statement of Accounts of the Company for the year ended 31st March, 2004.

Financial Highlights

	Year ended 31.3.2004 (Rs.in lacs)	Year ended 31.3.2003 (Rs.in lacs)
Sales	11798.22	12193.13
Profit before Interest & Depreciation	1438.64	2070.07
Less: Interest	430.51	551.55
Profit before Depreciation	1008.13	1518.52
Less: Depreciation	613.54	600.88
Profit before Taxes	394.59	917.64
Provision for deferred tax	219.84	--
Profit after Taxes	174.75	917.64
Appropriation:		
Transfer to General Reserve	1600.00	--
Proposed Dividend on Equity Shares	128.33	128.33
Tax on Dividend	16.44	16.44
Transfer to Capital Redemption Reserve	--	83.28

Operations & Performance

The Directors are pleased to report that despite heavy increase in cotton price by about 35% and appreciation of the rupee by about 9% as compared to previous year, your Company has achieved a turnover of Rs. 11798.22 lacs and a net profit before tax of Rs. 394.59 lacs against the previous year's sales of Rs. 12193.13 lacs and net profit of Rs. 917.64 lac.

The company has implemented a Total Quality Management system which has resulted in cost savings and productivity improvements thereby achieving this profitability despite the adverse conditions.

Also substantial steps have been undertaken in the field of Energy conservation which also has had an impact of reducing the additional burden of increase in Energy and oil prices.

Further, your Company has also been regularly upgrading its manufacturing facilities to bring in overall improvement in cost efficiency and quality and consequently in profits.

During the year under report, your Company has partially completed the implementation of Knitwear project at Mohali. The Company has started manufacturing of goods for supply to the prospective buyers both in the domestic as well as international market. The market for Knitwear products is growing every year. The implementation of balance part of the project shall be undertaken after satisfactory performance of the partial installed machines.

Dividends

Your directors have recommended a dividend of Rs. 0.50 per Equity Share on 25665979 equity shares of Rs. 10 each for the financial year ended 31st March, 2004, 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 22.09.2004 and (ii) to those whose names as beneficial owners are furnished by the National Securities Depository Limited and Central Depository Services (India) Limited.

Delisting

As the members may be aware that Company's shares are presently listed at Ludhiana, Delhi, Kolkata, Mumbai and National Stock Exchanges. With near 100% trading of Company's shares taking place in Mumbai Stock Exchange (BSE) and National Stock Exchange (NSE), continued listing with the above other three Stock Exchanges have no advantage to the Members, while entailing additional costs to the Company. Requisite resolution for getting Company's shares delisted from Ludhiana, Delhi and Kolkata Stock Exchanges have accordingly been proposed at the forthcoming Annual General Meeting.

Directors

Shri Dinesh Sharma who has been appointed as Additional Director on 30.06.2004 shall vacate his office at the ensuing Annual General Meeting and being eligible offer himself for re-appointment as Director of the Company.

In accordance with the Company's Articles of Association Shri Chandra Mohan and Shri Brij Khanna retire by rotation 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, 2004, 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;

CONTINUE**WINSOME YARNS LIMITED**

- iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) that the directors have prepared the accounts for the financial year ended 31st March, 2004 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.

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, 5 and 18 of Schedule 15 (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 continued 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: 30.06.2004

(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, 2004.

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)		13504600	11129020
Total amount (Rs in lacs)		541.21	418.15
Rate/Unit (Rs)		4.01	3.76
b) Own Generation through			
Diesel Generator Unit(KW)		18933695	21172822
Units/Ltr.of Diesel Oil		3.87	3.91
Cost/Unit(Rs/KW)		3.79	3.03

ANNEXURE TO DIRECTORS' REPORT CONTINUE

WINSOME YARNS LIMITED

2	Coal(Specify quality and where used)	NIL	NIL
3	LSHS & Furnace Oil Qty.(MT)	3337.083	4077.763
	Total amount (Rs.in lacs)	357.06	412.98
	(Average rate(Rs.per M.T.))	10700	10128
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)	3.48	3.54
	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 maintenance and the quality of finished products.
 - d) Expenditure on R&D (Rs. in lacs)

Capital	NIL
Recurring	12.50 lacs
Total R & D expenditure as a percentage of total turnover =	0.11%.
- 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. 6827.04 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)

Earnings in Foreign Exchange :	Current Year	Previous Year
Export of goods on F.O.B. basis	6827.04	6187.17
(Excluding Export through Export Houses)		
Interest realisation	11.19	11.57
Outgo		
i) Value of imports calculated on CIF basis by the Company :		
- Raw materials	2648.15	792.57
- Components, Spares & Stores	154.74	141.57
- Capital Goods	570.74	50.05
ii) Expenditure in Foreign Currencies (Cash basis)		
- Foreign Travelling	28.50	36.78
- Commission on Sale	103.25	75.90
- Consultancy Fee	13.91	--
- Others	21.45	12.80
- Bank Charges	20.78	30.30

for and on behalf of the Board

Place: Chandigarh
Dated: 30.06.2004

Satish Bagrodia
Chairman