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15th ANNUAL REPORT

2004-2005

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Winsome Yarns Limited

IS/ISO 9002

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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
Shri Dinesh Sharma

Shareholder's / Investors Grievance Committee

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

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 15th Annual General Meeting of Members of Winsome Yarns Limited, will be held on Monday the 19th September, 2005 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 2005, 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 for the financial year ended 31st March, 2005.
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 Ashish Bagrodia, 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, New Delhi 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

MANISH BAGRODIA
Managing Director

Dated : 30.05.2005

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 Books of the Company will remain closed from 15.9.2005 to 19.9.2005 (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 14.9.2005 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 14.9.2005.
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 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 has 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., Usha Yarns Ltd., Winsome Textile Industries Ltd. and Winsome Yarns Ltd. He is also Chairman of Audit Committee in Cheema Spintex Ltd., Indian Yarns Ltd., S.R. Industries Ltd., Winsome Textile Industries Ltd. and Supreme Yarns Ltd. and member of Audit Committee in Dwarikadhish Spinners Ltd., Rana Polycot Ltd., Winsome Yarns Ltd. and also member of shareholder/investor Grievance Committee in Winsome Yarns Ltd.
7. Item No. 4 - Shri Ashish Bagrodia is B.E. (Mech.) Hons and is Joint Managing Director of Winsome Textile Industries Limited.

   Presently, he is the Director of Winsome Yarns Ltd., Agarsar Commerce Limited and Engineering Innovations Limited and member of Shareholder/Investor Grievance Committee of Winsome Textile Industries Limited.

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Your Directors have pleasure in presenting the 15th Annual Report together with the audited statement of Accounts of the Company for the financial year ended 31st March, 2005.

Financial Highlights	Year ended 31.3.2005 (Rs.in lacs)	Year ended 31.3.2004 (Rs.in lacs)
Sales	**12147.37**	11798.22
Profit before Interest & Depreciation	**1539.65**	1532.51
Less: Interest	**466.46**	524.38
Profit before Depreciation	**1073.19**	1008.13
Less: Depreciation	**670.25**	613.54
Profit before Taxes	**402.94**	394.59
Provision for Taxation	**17.00**	--
Provision for deferred tax	**26.04**	219.84
Profit after Taxes	**359.90**	174.75
Appropriation :		
Transfer to General Reserve	--	1600.00
Proposed Dividend on Equity Shares	**128.33**	128.33
Tax on Dividend	**18.00**	16.44

Operations & Performance

During the year under review, your Company has achieved a turnover of Rs. 12147.37 lacs and a net profit before tax of Rs. 402.94 lacs against the previous year's sales of Rs. 11798.22 lacs and net profit of Rs. 394.59 lacs. The Yarn Division of the Company showed improved performance during the year despite the fact that performance of the first half year of 2004-2005 was affected due to higher cost prices and low yarn prices.

Now cotton prices are stable and no substantial increase is expected till the arrival of new cotton crop in October, 2005. The demand of yarn is also increasing with the opening of World Trade due to abolition of quotas w.e.f. 01.01.2005. In view of above, the Company is expected to do much better results in the current year.

Your Directors are pleased to report that commercial production of Knitwear Project started from 01.04.2004 on the partial installed machines.

New Project/Expansion Plans

In order to replace machines & equipments installed during 1992 to 1994, the Company has undertaken a project to replace 23040 Spindles, 4 Autoconers, 1 D G Set besides buying balancing equipments of 3 Cards, 2 Draw Frames and 66 KVA Power supply line instead of 11 KVA. The cost of project is estimated at Rs. 16.85 crores, which will be financed by Term Loans of Rs. 13.75 crores under TUFs from Banks and balance Rs. 3.10 crores from Internal Accruals. The project is expected to be fully completed by March, 2006. This will help in increasing productivity and lower maintenance cost, theseby resulting in higher profitability.

IS/ISO 9002/14001

During the year 2004-05, one Surveillance Audit was carried out by Bureau of Indian Standards. Our systems have been found well established and confirming to laid down procedures of IS/ISO 9002/14001.

Dividends

Your directors are pleased to recommend a dividend @5% on equity shares of the company for approval of shareholders at the forthcoming Annual General Meeting.

Directors

In accordance with the Company's Articles of Association Shri S.K. Duggal and Shri Ashish Bagrodia 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 :

i) that in the preparation of the annual accounts for the financial year ended 31st March, 2005, the applicable accounting standards have been followed along with proper explanation relating to material departures;

ii) that the accounting policies are applied consistently and reasonable prudent 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;

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 defecting fraud and other irregularities;

iv) that the directors have prepared the accounts for the financial year ended 31st March, 2005 on a going concern basis.

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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

The particulars of the employees as required by the provisions of section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975 as amended, is not given as No employee was in receipt of remuneration equal to or exceeding Rs. 24,00,000/- per annum, if employed for full year or Rs. 2,00,000/- per month, if employed for the part of the year.

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

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

Auditors' Report

Note No. 3 and 5 of Schedule 14 (B), Notes on accounts referred in the Auditors' Report is self explanatory.

Corporate Governance

A report on Corporate Governance, alongwith a Certificate of compliance from the Auditors of the Company is attached as annexure 'B' 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 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: 30.05.2005

(Satish Bagrodia)
Chairman

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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, 2005.

I. CONSERVATION OF ENERGY

a) **Energy conservation measures taken :**

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

Sr.No.	*Project Undertaken*	*Units saved*	*Annual Saving (Rs. in lacs)*
1.	To reduce the existing Power Consumption in Worker Colony	192674	7.13
2.	To reduce the Power Consumption of Residential Block	54334	2.01
3.	To reduce Power Consumption in Plant Lighting	160199	5.93
4.	To reduce Power Consumption in LUWA Plant	388786	14.38
5.	To reduce Power Consumption in Compressed Air System	265417	9.83
6.	To reduce Water Consumption	11109	0.41
7.	To reduce Power Consumption in Yarn conditioning	49016	1.81
	Total Saving	**1121535**	**41.50**

b) **Additional investments and proposals, if any, being implemented for reduction of consumption of energy.**

During the year, the Company invested Rs. 24.85 Lacs on energy consumption devices and further proposes to spend Rs. 35.41 lacs in next years.

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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 savings of about Rs. 67 lacs (including from projects mentioned above)

There has also been cost reduction due to effective utilisation of own generated power through DG set and decrease 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)	**12444220**	13504600
Total amount (Rs in lacs)	**483.06**	541.21
Rate/Unit (Rs)	**3.88**	4.01
b) Own Generation through		
Diesel Generator Unit(KW)	**19735708**	18933695
Units/Ltr.of Diesel Oil	**4.06**	3.87
Cost/Unit(Rs/KW)	**3.68**	3.79
2. Coal(Specify quality and where used)	**NIL**	NIL
3. LSHS & Furnace Oil Qty.(MT)	**4235.78**	3337.08
Total amount (Rs.in lacs)	**439.71**	357.06
(Average rate(Rs.per M.T)	**11162**	10700
4. Gas		
(Qnty.(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)	**3.43**	3.48
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	10.82 lacs
Total R & D expenditure as a percentage of total turnover =	0.09%.

2) Technology absorption, adoption and innovation.

a) Efforts, in brief, made towards technology absorption and innovation :
- Equipments of latest technology have been installed without any foreign technical knowledge.

b) Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.
- There has been benefit in respect of quality and Productivity of the product.

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

III. FOREIGN EXCHANGE EARNING AND OUTGO

a) Activities relating to exports, initiatives taken to increase exports, development for new export market for products and services and export plans.
During the year Exports of the Company are of Rs. 5481.04 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)

	Current Year	Previous Year
Earning	**5486.19**	6838.23
Outgo :	**2962.87**	3561.52

for and on behalf of the Board

Satish Bagrodia
Chairman

Place: Chandigarh
Dated: 30.05.2005

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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 (Non Executive Chairman, Managing Director and Non-Executive Director), Two Non-executive nominee directors representing PSIDC as Joint Sector representative and IFCI respectively 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.

During the year 2004-05, the Company has held 5 Board meetings. The meetings were held on 24th May, 2004, 30th June, 2004, 29th July, 2004, 29th October, 2004 and 31st January, 2005 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	4	Yes	9	4	–
Sh. S.K. Duggal	NED	5	Yes	11	4	5
Sh. Brij Khanna	NED	5	Yes	2	–	2
Sh. Dinesh Sharma	NED	4	No	–	1	–
Sh. S. K. Singla	NED	5	Yes	13	–	–
Sh. Ashish Bagrodia	NED	3	No	3	1	–
Sh. Manish Bagrodia	MD	5	Yes	4	1	–

NED : Non Executive Director
MD : Managing Director

3. Audit Committee

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

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

Sr. No.	Name of members	Category	No. of meetings attended during the year 2004-2005
1.	Shri Brij Khanna, Chairman	Independent/Non-Executive	4
2.	Shri Chandra Mohan	Independent/Non-Executive	3
3.	Shri S.K. Duggal	Independent/Non-Executive	4
4.	Shri Dinesh Sharma	Independent/Non-Executive	2

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During the year, the Audit Committee held its meetings on 30th June, 2004, 29th July, 2004, 29th October, 2004 and 31st January, 2005.

The Managing Director alongwith the Statutory Auditors and Internal Auditor are invitees to the meetings.

4. Remuneration of Directors

The company has not set up a Remuneration Committee because remuneration of Directors has been approved by the Board of Directors. Managing Director has been appointed for 5 years w.e.f. 01.07.2004 and has drawn his remuneration as per terms of appointment. The details of remuneration paid to the Directors during the year 2004-05 are given below :

(Amount in Rs.)

Name of Directors	Salary	Perquisites*	Sitting Fees	Total
Sh. Satish Bagrodia	-	-	25000	25000
Sh. Chandra Mohan	-	-	20000	20000
Sh. Brij Khanna	-	-	25000	25000
Sh. S.K. Duggal	-	-	25000	25000
Sh. Dinesh Sharma (IFCI Nominee)	-	-	20000**	20000
Sh. S. K. Singla (PSIDC Nominee)	-	-	25000**	25000
Sh. Manish Bagrodia	2066000	255820	-	2321820
Sh. Ashish Bagrodia	-	-	15000	15000

* Perquisites includes Contribution to Provident Fund and other perks.

** The sitting fee has been paid to the nominating institutions.

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 2004-2005
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, 2004, 27th July, 2004, 29th October, 2004 and 31st January, 2005.

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

The Managing Director/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
2001-2002	The Technical Teacher Training Institute Sector 26, Chandigarh	30th September 2002	09.30 A.M.
2002-2003	Tagore Theatre, Sector 18-C, Chandigarh	29th September 2003	11.00 A.M.
2003-2004	Tagore Theatre, Sector 18-C, Chandigarh	27th September 2004	10.00 A.M.

All the resolutions including the special resolutions set out in the respective notices were passed by the shareholders. No Postal ballots were used for voting at these meetings. At the forthcoming AGM, there is no item on the agenda that needs approval by Postal ballots.

7. Disclosures

- There are no materially significant related party transactions made by the company with its promoters, directors or management, their relatives etc. that may have potential conflict with the interest of the company at large. Transactions with related parties are disclosed in Note No. 20 of Schedule 14(B) of the Accounts in the Annual Report.
- During the last three years, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any Statutory Authority for non-compliance of any matter related to the capital markets.

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