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Winsome Yarns Limited



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BOARD OF DIRECTORS

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

COMPANY 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 144-145, Sector 34 A,
Chandigarh - 160022**CONTENTS****PAGE No.**

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WINSOME YARNS LIMITED**NOTICE**

NOTICE is hereby given that the 11th Annual General Meeting of the Members of Winsome Yarns Limited, will be held on Monday, the 24th September, 2001 at 10.30 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 2001, and the Balance Sheet as at that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Chandra Mohan, who retires by rotation and being eligible, offers himself for re-appointment.
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 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 :

5. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a special Resolution:

"RESOLVED THAT in accordance with the provisions contained in the Articles of Association and Section 77A, 77B and all other applicable provisions, if any, of the Companies Act, 1956 (the act) and the provisions contained in the Securities and Exchange Board of India (Buy-back of securities) Regulations, 1998 ("Buy-back Regulations") (including any statutory modification(s) or re-enactment of the Act or Buy-back Regulations, for the time being in force) and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the Board which term shall be deemed to include any committee which the Board may constitute to exercise its powers, including the powers confirmed by this resolution), the consent of the Company be and is hereby accorded to the Board to purchase its own fully paid equity shares of Rs. 10/- each to the extent of the balance amount out of maximum buyback amount of Rs. 6.50 crores, approved by the shareholders in their meeting held on 29.09.2000 for Buy-back of shares upto 28.09.2001 and upto a maximum price of Rs. 10.00 per share (hereinafter referred to as "Buy-back").

RESOLVED FURTHER THAT for the aforesaid buy-back, Board of Directors of the Company be and is hereby authorised to determine subsequently the appropriate time and the specific price at which the buy-back may be made, provided that the maximum price and maximum amount do not exceed as given hereinabove and the Company may implement the buy-back in one or more tranche/tranches from out of its free reserves as prescribed under the Act and the Buy-back Regulations.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to complete the buy-back through one of the methods referred in sub-regulation (1) of regulation 4 of SEBI (Buy-Back of Securities) Regulations, 1998, at the appropriate time and in such manner as may be prescribed under the Act and the Buy-back Regulations and on such terms and conditions as the Board may in its absolute discretion deem fit.

RESOLVED FURTHER THAT nothing contained hereinabove shall confer any right on the part of the shareholder to offer, or any obligation on the part the Company or the Board to Buy-back, any shares, and/or impair any power of the Company or the Board to terminate any process in relation to such Buy-back, if so permissible by law.

RESOLVED FURTHER THAT the Buy-back from Non-Resident Indian Shareholders, shareholders of foreign nationality etc. shall be subject to such approval from the Reserve Bank of India, if any, as may be required under the Foreign Exchange Management Act, 2000.

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RESOLVED FURTHER THAT the Board of Directors of the Company (including any Committee thereof) be and is hereby authorised to do all such acts, deeds, matters and things as may, in its absolute discretion, deem necessary expedient, usual or proper including the appointment of Merchant Bankers, Brokers, Solicitors, Bankers, Registrars, Advertisement Agency, Investors Service Centre and other Advisors, Consultants or Representative, incidental to the implementation of the scheme of Buy-back as also to prefer all applications to the appropriate authorities, parties and the institutions for their requisite approvals as also to initiate all necessary actions for preparation and issue of Public announcement and filing of Public announcement with SEBI/Stock Exchange(s), filing of declaration of solvency certificate and filing of certificate for extinguishment and physical destruction of certificates, and all other documents required to be filed in the above connection and to settle all such questions or difficulties whatsoever which may arise in the Buy-back and take all such steps and decisions in this regard.

RESOLVED FURTHER THAT the Board of Directors (including any Committee thereof) be and is hereby authorised to sub-delegate all or any of the authorities conferred as above to any Director(s)/Officer(s)/Authorised Representative(s) of the Company to give effect to the aforesaid resolution or to accept any change(s) or modification(s) as may be suggested by the appropriate Authorities or Advisors'.

Registered Office :

SCO 144-145
SECTOR 34-A
CHANDIGARH - 160022

By order of the Board

O.P. GUPTA
COMPANY SECRETARY

Dated : 30.06.2001

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 19.09.2001 to 24.09.2001 (both days inclusive).
4. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID Number for easy identification of attendance at the meeting.
5. Item No. 2 - 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 Prof. Institutions. Presently, he is the Chairman of Twenty First Century Battery Limited, RECO Agro Industries Limited, Pamy's Science World Limited and Engineering Innovations Limited and Director of Winsome Yarns Limited, Reva Electric Car Co., Sandhar Locking Devices Limited. he is also member of Audit Committee of Winsome Yarns Limited.
6. Item No. 3-Shri S.K. Duggal is a Textile Engineer. He served various private and Govt. Organisations in various capacities. He retired as Executive Director (Projects) from PSIDC. Presently, he is the Director of Abhishek Industries Limited, Chima Spintex Limited, Dwarkadish Spinners Limited, Fazilka Cotton & Synthetics Limited, Indian yarns Limited, Mangla Cotex Limited, Rana Polycot Limited, S.R. Industries Limited, Setia Synthetics Limited, Sohrab Spinning Mills Limited, Supreme Woollen Mills Limited, Usha Yarns Limited, Winsome Textile Industries Limited and Winsome Yarns Limited. He is also Chairman of Audit Committees of Chima Spintex Limited, Dwarkadish Spinners Limited, Indian Yarns Limited and Winsome Textile industries Limited and member of Audit Committees of Abhishek Industries Limited, Rana Polycots Limited, S.R. Industries Limited and Winsome Yarns Limited. He is also a member of Shareholders/Investors Grievance Committee of Winsome Yarns Limited.

ANNEXURE TO NOTICE**Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 :****Item No. 5**

The shareholders in their last meeting held on 29th September, 2000 had permitted the company to buy-back its own shares for an amount not exceeding Rs. 6.50 crores with a maximum price of Rs. 10/- per share. However, considering the validity of the existing resolution upto 28th September, 2001, the Board of Directors in their meeting held on 30.06.2001 had decided to start buyback programme of company immediately after completion of necessary formalities as prescribed in law.

The Board also noted that the company may not get the specified number of shares upto the validity period of the resolution expiring on 28.09.2001 and accordingly, the Board approved the buyback by the company of its own fully paid shares for the balance amount out of maximum buyback amount of Rs. 6.50 crores, approved by the shareholders in their meeting held on 29.09.2000 for Buy-back of shares upto 28.09.2001.

Accordingly, following is the explanatory Statement which sets out the various disclosures as required under sub-section (3) of Section 77A of the Companies Act, 1956 and Regulation 5(1) read with Schedule 1 attached to Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998 (Buy-back Regulations):

1. The Board of Directors of the Company in its meeting held on 30th June, 2001 has approved the proposal for Buy-back of its own fully paid up equity shares of Rs. 10 each (hereinafter referred to as "Buy-back") in accordance with the provisions contained in the Articles of Association, Section 77A, 77B and all other applicable provisions of the Act, and the provisions contained in the Buy-back Regulations.
2. The share Buy-back programme is being proposed in pursuance of the Company's desire to maximise return to investors, and enhance overall shareholder value, by returning cash to shareholders. This will be done without, in any manner, compromising on the pursuit of high growth opportunities by the Company.

Nonetheless, the Board shares the perception of investors and analysts that the Company's share continues to remain undervalued. This under-valuation is best reflected by the fact that the share is generally traded at a discount despite the company's consistent track record of all round operational and financial performance and growth.

The implementation of a share Buy-back programme will enhance long term price performance and contribute to an increase in the Company's overall market capitalisation.

The share Buy-back programme is expected to contribute to further improvement in financial ratio and overall enhancement of shareholder value. The Company will judiciously deploy the resources available for the share Buy-back in a manner designed to maximize overall shareholder value.

3. The Company authorises the Board of Directors of the Company to implement the Buy-back through one of the methods referred in sub-regulation(1) of regulation 4 of SEBI (Buy-back of Securities) Regulations, 1998, at the appropriate time and in such manner and procedures, as may be prescribed, from time to time, under the Act, and the Buy-back Regulations, and on such terms and conditions, as may be permitted in law, from time to time. There will be no negotiated deals, spot transactions, or any private arrangements, in the implementation of the share Buy-back.
4. Buy-back regulation require the Company to specify the maximum amount proposed to be utilised for a share Buy-back programme. The Board of your Company has proposed a maximum limit of balance amount out of the share Buy-back programme of Rs. 6.50 crores expiring on 28.09.2001. This will be less than 25% of the aggregate of the paid up share capital and free reserves of the Company.

This amount will be financed out of the Company's free reserves. The funds for Buy-back will be available from current surpluses and/or out of internal accruals of the Company.

5. The share price of the Company is being quoted around Rs. 5/- to Rs. 6/- per share since long. The Board thought it prudent to buy-back its own shares to enhanced the shareholders value. Accordingly, considering all facts, a maximum price at par value of Rs. 10/- per share was considered.
6. The Company's share capital consists of only equity shares. Hence, the buy-back shall be from equity shares.

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7. (a) The aggregate shareholding of the promoters of the company, and/or persons who are in control of the company, and/or persons acting in concert with them, as defined under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997, as on the date of notice convening the General Meeting is 17842756 equity shares of Rs. 10/- each, consisting 66.30 % of the paid up equity share capital of the Company.
- (b) Some of the promoters, and/or persons in control of the company and/or persons acting in concert with them, have purchased 124000 equity shares of Rs. 10/- each, in various transaction at a rate of Rs. 4/-, 5/-, 5.10 & 5.15 and sold Nil equity shares at a rate of Nil during the period of six months preceding 30th June, 2001 being the date of the meeting of the Board of Directors at which the Buy-back was approved.
8. The promoters, and/or persons in control, of the company, and/or their associates, and/or persons acting in concert with them, will not offer their shares to the company under the share Buy-back.
9. The company confirm that there are no defaults subsisting in repayment of deposits, redemption of debentures or preference shares or repayment of term loans to any Financial Institutions or Banks.
10. The Board of Directors of the company confirms that it has made the necessary and full inquiry into the affairs and prospectus of the company and the Board of Directors have formed the opinion that :
 - (a) immediately following the date on which the general meeting is convened, there will be no grounds on which the company could be found unable to pay its debts
 - (b) as regards its prospectus for the year immediately following the date of the general meeting, having regard to their intentions with respect to the management of the company's business during that year and to the amount and character of the financial resources which will in the view of the Board of Directors be available to the company during that year, the Company will be able to meet its liabilities as and when they fall due and will not be rendered insolvent within a period of one year from the date of this Annual General Meeting; and
 - (c) in forming their opinion for the above purposes, the Board of Directors have taken into account the liabilities, as if the Company were being wound up under the provisions of the Companies Act, 1956 (including prospective and contingent liabilities).
11. The text of the Report dated 30th June, 2001 received from M/s Lodha & Co., the Statutory Auditors of the Company addressed to the Board of Directors of the Company is reproduced below :

"In connection with the proposal of Winsome Yarns Limited (the "Company") to Buy-back its shares and in pursuance of the provisions of Section 77A, and 77B of the Companies Act, 1956 and SEBI (Buy-back of Securities) Regulations, 1998, we have examined the audited financial statements of the Company for the year ended 31st March, 2001 and the relevant records, ratios, analysis, reports and according to the information and explanations given to us and on the basis of such verification of records, we considered appropriate, we report that -

We have inquired into the Company's state of affairs, in our opinion, the amount of maximum permissible capital payment, being balance amount from the buyback programme of Rs. 6.50 crores expiring on 28.09.2001 will be within the limit as specified in Section 77A(2) (C) of the Companies Act, 1956.

The Board of Directors in their meeting held on 30th June, 2001 have formed their opinion, as specified in clause (X) of Schedule-I of Securities and Exchange Board of India (Buy-back of Securities) Regulation, 1998, on reasonable grounds and that the Company will not having regard to its state of affairs, be rendered insolvent within a period of one year from the date of Annual General Meeting of the members of the Company proposed to be held on 24th September, 2001."
12. Buy-back regulations also require the Company to specify the maximum price at which shares may be bought back under the share Buy-back. The Board of the Company has proposed a maximum price of Rs. 10.00 per share, for the share Buy-back with the authority of the Board to determine subsequently the specific price at which the buy-back may be made at the appropriate time.
13. As per the provisions of the Act, the special resolution passed by the shareholders approving the share Buy-back will be valid for a maximum period of twelve months from the date of passing of the special resolution (or such extended period as may be permitted under the Act or the Regulations or by the appropriate authorities). The company proposes to complete the buy-back on or before 23rd September, 2002.

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14. In accordance with the regulatory provisions, the shares bought back by the Company will compulsorily be cancelled and will not be held for re-issuance.
15. The company's total debt : equity ratio, after the share Buy-back will be well below the maximum limit of 2:1 specified in law.
16. In accordance with the provisions of the Act, the Company will not be entitled to make a fresh offering of equity shares for a period of 2 years from the date of completion of this share Buy-back programme except in cases/circumstances referred to in sub section(8) of section 77A of the Act.
17. The share Buy-back programme will be implemented after the approval of the shareholders, subject to completion of necessary formalities as prescribed in law.
18. All the material documents referred to in the Explanatory Statement such as Memorandum and Articles of Association, relevant Board resolution for Buy-back of shares and the Auditors Report on their enquiry into the state of affairs of the Company will be made available for inspection at the Registered Office of the Company on all working days, except Sunday and holidays, between 11.00 a.m. and 1.00 p.m. upto the date of Annual General Meeting.
19. As the proposal for Buy-back of equity shares will be in the interests of the Company, the Directors recommend the passing of the resolution as set out in the notice.
20. None of the Directors of the Company is, in any ways, concerned or interested in the resolution, save and except to the extent that, in like manner as for all other shareholders, their percentage holding in the post Buy-back equity share capital will proportionately stand enhanced as a result of the share Buy-back.

This resolution is subject to provisions of the Companies Act, 1956 and amendments therein from time to time.

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DIRECTORS' REPORT**WINSOME YARNS LIMITED**

Your Directors have pleasure in presenting the 11th Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2001.

Financial Highlights	Year ended 31.3.2001 (Rs.in lacs)	Year ended 31.3.2000 (Rs.in lacs)
Sales	11032.21	10131.97
Profit before Interest & Depreciation	2185.11	2188.93
Less: Interest	920.00	911.90
Profit before Depreciation	1265.11	1286.94
Less: Depreciation	549.69	528.54
Profit before Taxes	715.42	758.40
Profit after Taxes	715.42	758.40

Operations & Performance

During the year under review, your company has shown good performance. It has achieved the sales turnover of Rs. 11032.21 lacs against Rs. 10131.97 lacs in the previous year. The Company has earned a net profit of Rs. 715.42 lacs against Rs. 758.40 lacs of the last year.

Further, the operations of the Company during the current year so far have been very satisfactory and your Directors are confident of improved performance. The Company has also taken adequate steps to improve its performance through constant improvement by optimum utilisation of available resources, better management of current assets and increasing value addition with cost optimization.

During the year your Company has implemented part of the additional balancing equipments to improve its productivity. The estimated cost of total balancing equipment is Rs. 1492.00 lacs. The addition of these balancing equipments are being financed by internal accruals and term loans from bankers of the Company.

With the profitability under pressure and heavy amount of instalment and interest on term loan availed by the company for the additional capacity and balancing equipment, your Directors express their inability to recommend any dividend.

Directors

Shri Dinesh Khaitan resigned from the Directorship of the Company w.e.f. 16.05.2001. The Board places on record its appreciation of the services rendered by Shri Dinesh Khaitan during his tenure as a Director of the Company.

Shri Chandra Mohan and Shri S.K. Duggal 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 Director's Responsibilities Statement, it is hereby confirmed :

- That in the preparation of the annual accounts for the financial year ended 31st March, 2001, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- That the directors had selected such accounting policies and applied them consistently and made judgements and estimates that were 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 or loss of the company for the year under review.
- That the directors had 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 had prepared the accounts for the financial year ended 31st March, 2001 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 limits under Section 224 (1-B) of the Companies Act, 1956.

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 employees 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 of Schedule 14 (B), Notes on accounts referred in the Auditors' Report is self explanatory.

Voluntary Delisting of the Company's equity shares from Ahmedabad, Jaipur and Madras Stock Exchanges.

As per terms of Prospectus dated 20.09.1993, the company's Shares were listed with Ludhiana, Mumbai, Delhi, Calcutta, Ahmedabad, Jaipur and Madras Stock Exchanges. Since, the date of listing, there is practically no trading of company's shares at Ahmedabad, Jaipur and Madras Stock Exchanges. Further, Mumbai Stock Exchange is accessible to online dealings in the company's equity shares across the Country and the company has also applied to The National Stock Exchange (NSE) for listing of its shares to have wide coverage. Since, National Stock Exchange is also accessible to online dealings. Therefore, the listing fee paid for Ahmedabad, Jaipur and Madras Stock Exchanges do not have any Cost benefit for the Listing facility. Accordingly as per SEBI guidelines for voluntary delisting of securities by the company, the company took necessary steps for delisting of its securities from the aforesaid Stock Exchanges, namely Ahmedabad, Jaipur and Madras Stock Exchanges. For the said purpose, a record date of 16th April, 2001 was fixed to give an exit opportunity to all shareholders of the region falling under the aforesaid three Stock Exchanges. The opening & closing date of Letter of Offer was 26th April, 2001 and 26th May, 2001 respectively. A total 606 shareholders of all the three regions surrendered their 109900 shares to the company under the exit opportunity.

Now, all the compliances for delisting process have been completed and a request has been made to the aforesaid three Stock Exchanges for delisting of its shares.

Buy-back of shares

Board of Directors in their meeting held on 17th August, 2000 and Shareholders in their meeting held on 29th September, 2000 had passed the special resolutions for buy-back of shares.

Board of Directors have taken a decision to initiate the process during the current year.

Corporate Governance

Corporate Governance as stipulated under clause 49 of the Listing Agreement is attached to this report. Further, compliance for corporate governance is applicable to the company w.e.f. 31st March, 2002, hence, no compliance certificate from the Auditor has been obtained now.

Acknowledgement

Your Directors place on records their appreciation of the assistance and support extended by all Government Authorities, Financial Institutions, Banks and Shareholders.

Your Directors take this opportunity to thank customers, suppliers and others for the cooperation, trust and confidence reposed by them in the Company.

Your Directors also 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: 30.06.2001

(Satish Bagrodia)
Chairman