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12th ANNUAL REPORT

2001-2002

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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

Audit Committee

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

Shareholder's / Investors Grievance Committee

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

AGM (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 144-145, Sector 34 A.
Chandigarh - 160022

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NOTICE

NOTICE is hereby given that the 12th Annual General Meeting of the Members of Winsome Yarns Limited, will be held on Monday the 30th September, 2002 at 9.30 a.m. at The Technical Teachers Training Institute, Sector 26, 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 2002, 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 Brij Khanna, who retires by rotation and being eligible, offers himself for re-appointment.

3. To appoint a Director in place of Shri Ashish Bagrodia, 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."

Registered Office :
SCO 144-145
SECTOR 34-A
CHANDIGARH - 160022

By order of the Board

O.P. GUPTA
AGM (Fin.) & Secretary

Dated : 30.06.2002

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 27.09.2002 to 30.09.2002 (both days inclusive).
4. 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.
5. Item No. 2 - Shri Brij Khanna is a leading Income Tax practitioner. He is also Director on many other Companies.

   Presently, he is the Director of Stanlay Engineers (P) Ltd., Engineering Innovations Limited and Winsome Yarns Limited. He is also Chairman of Audit Committee and Shareholders/Investors Grievance Committee of Winsome Yarns Limited.
6. Item No. 3 - Shri Ashish Bagrodia is a Joint Managing Director of Winsome Textile Industries Limited.

   Presently, he is the Director of Winsome Yarns Limited, Agarsar Commerce Limited and Engineering Innovations Limited.

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Your Directors have pleasure in presenting the 12th Annual Report together with the audited statement of Accounts of the Company for the financial year ended 31st March, 2002.

Financial Highlights	Year ended 31.3.2002 (Rs.in lacs)	Year ended 31.3.2001 (Rs.in lacs)
Sales	**10678.62**	11032.21
Profit before Interest & Depreciation	**1820.13**	2185.11
Less: Interest	**722.60**	920.00
Profit before Depreciation	**1097.53**	1265.11
Less: Depreciation	**599.43**	549.69
Profit before Taxes	**498.10**	715.42
Profit after Taxes	**498.10**	715.42
Appropriation :		
Transfer to Capital Redemption Reserve	**41.16**	—

Operations & Performance

The year was a challenging one for the company in the context of the global economic slowdown. This resulted in slowness both in the domestic and overseas markets. In the overseas markets, the already adverse economic conditions were aggravated by the terrorist attack on 11th September, 2001 on the World Trade Centre Towers in New York and the attack on Afghanistan.

Despite this scenario your company was able to achieve the net profit of Rs. 498.10 lacs on the turnover of Rs. 10678.62 lacs, against the net profit of Rs. 715.42 lacs on the sales of Rs. 11032.21 lacs achieved in the previous year.

Further, due to heavy re-payment on account of term loans availed by the company for the additional capacity and balancing equipments, your Directors express their inability to recommend any dividend.

Total Quality Management (TQM)

World competition - powered by a new, smarter management style - has never been so intense. Many Indian companies are realising that they have to do things differently to survive in today's market place where industry after industry is being restructured, reshaped and reformed to keep up with the competition.

CEO's are beginning to nurture and grow healthy corporations for long term strength and going in for new techniques and technologies that are listening to customers more effectively to make certain their products continue to be useful and valuable.

Keeping the above in view the company has gone all the way to introduce the concept of TQM based on the philosophy of world renowned Dr. J. M. Juran.

TQM is an integrated organizational approach in delighting customers (both external and internal) by meeting their expectations on a continuous basis through everyone involved with the organization working on continuous improvement in all products/processes alongwith proper problem solving methodology.

Our top management has undergone intensive training in Juran's philosophy of TQM from a renowned expert on the subject. A Quality Council has been formed to implement the concepts, so as to improve quality, productiivty, reduce costs and give greater value to the shareholders of the company.

Buy back of shares

During the first buyback offer of shares, which was opened on 20.08.2001 and closed on 28.09.2001, the company had acquired 411605 equity shares from its shareholders.

Further, to give an opportunity to the shareholders, who could not avail the same, the company has again opened its buyback offer on 07.06.2002 and it shall continue upto 20.08.2002.

Directors

Shri Brij Khanna and Shri Ashish Bagrodia retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

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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, 2002, 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, 2002 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

Due to amendment, the 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, have not been given as no employee is in receipt of remuneration equal to or exceeding Rs. 24,00,000/- per annum, if employed for the full year or Rs. 2,00,000/- per month, if employed for 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 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.

Corporate Governance

Your company's is committed for achieving 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: 30.06.2002

(Satish Bagrodia)
Chairman

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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, 2002.

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.

No additional investment made.

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 power.

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:

		Current Year	Previous Year
A)	**Power and Fuel consumption**		
1.	Electricity		
	a) Purchased Unit (KW)	**10908640**	11888100
	Total amount (Rs in lacs)	**373.17**	394.23
	Rate/Unit (Rs)	**3.42**	3.32
	b) Own Generation through Diesel Generator Unit(KW)	**21363837**	20150773
	Units/Ltr.of Diesel Oil	**3.85**	3.82
	Cost/Unit(Rs/KW)	**3.35**	2.97
2.	Coal(Specify quality and where used)	**NIL**	NIL
3.	LSHS & Furnace Oil Qty.(MT)	**NIL**	NIL
	Total amount (Rs.in lacs)	**NIL**	NIL
	(Average rate(Rs.per M.T)	**NIL**	NIL
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)	**3.85**	3.90
	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	Rs. 16.54 lacs

Total R & D expenditure as a percentage of total turnover = 0.15%.

2) Technology absorption, adoption and innovation.

a) Efforts, in brief, made towards technology absorption and innovation :

- Equipments of latest technology have been installed.

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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. 6574.15 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	**6574.15**	8466.65
(Excluding Export through Export Houses)		
Interest realisation	**11.88**	23.48
Outgo :		
i) Value of imports calculated on CIF basis by the Company :		
- Raw materials	**2592.01**	462.21
- Components,Spares & Stores	**42.20**	117.50
- Capital Goods	**3.54**	649.97
ii) Expenditure in Foreign Currencies (Cash basis)		
- Foreign Travelling	**13.39**	24.93
- Commission on Sale	**97.36**	91.01
- Others	**19.55**	29.18
- Bank Charges	**21.93**	25.83

for and on behalf of the Board

Place: Chandigarh
Dated: 30.06.2002

Satish Bagrodia
Chairman

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 Director (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 2001-02, the Company has held 5 Board meetings as against the minimum requirement of 4 meetings. The meetings were held on 30th June, 2001, 27th July, 2001, 10th September, 2001, 29th October, 2001 and 29th January, 2002 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 :

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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	3	Yes	6	1	–
Sh. S.K. Duggal	NED	5	Yes	12	9	5
Sh. Brij Khanna	NED	4	Yes	2	2	2
Sh. S. K. Singla	NED	5	Yes	13	–	–
Sh. Ashish Bagrodia	NED	4	Yes	3	1	–
Sh. Manish Bagrodia	MD	5	Yes	4	1	–

NED : Non Executive Director

MD : Managing Director

3. Audit Committee

The terms of reference of the Audit Committee mandated by your Board of Directors, which is also in line with the statutory requirements are :

a. Oversight of the Company's Financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

b. Recommending the appointment and removal of external auditors, fixation of Audit Fee and also approval for payment for any other services.

c. Reviewing with the Management the annual financial statement before submission to the board, potential conflict with the interests of the Company at large.

d) Reviewing with the Management, external and internal auditors, the adequacy of internal control systems.

e) Reviewing the adequacy of internal audit functions including the structure of internal audit deptt., staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

f) Discussion with internal auditors and significant findings and follow up thereon.

g) Reviewing the findings of any investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the Board.

h) Discussion with external auditors before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.

i) Reviewing the Company's financial and risk management policies.

j) To look into the reasons for substantial defaults in the payment to the depositors, debentureholders, shareholders (in case of non payment of declared dividend) and creditors.

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 2001-2002
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

During the year, the Audit Committee held its meetings on 25th June, 2001, 27th July, 2001, 29th October, 2001 and 29th January, 2002.

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.

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