



ANNUAL REPORT

17th

2006-2007

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Winsome Yarns Limited



IS/ISO
9002



WINSOME YARNS LIMITED**BOARD OF DIRECTORS**

| | |
|----------------------|--------------------------|
| Shri Satish Bagrodia | Chairman |
| Shri Chandra Mohan | Director |
| Shri Brij Khanna | Director |
| Shri Ashish Bagrodia | Director |
| Shri S.K. Singla | Director (PSIDC Nominee) |
| Shri Manish Bagrodia | Managing Director |

DGM (MIS) & COMPANY SECRETARY

Shri K.V. Singhal

AUDITORS

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

BANKERS

Canara Bank
State Bank of Patiala
Punjab National Bank

REGISTERED OFFICE

SCO 191-192, Sector 34-A,
Chandigarh-160 022

SHARE TRANSFER AGENT

Intime Spectrum Registry Ltd.
A-40, 2nd Floor, Near Batra Banquet Hall,
Naraina Industrial Area, Phase-II,
New Delhi-110 028

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WINSOME YARNS LIMITED**NOTICE**

NOTICE is hereby given that the 17th Annual General Meeting of the Members of Winsome Yarns Limited, will be held on Friday, the 28th September, 2007 at 10.00 a.m. in Conference Hall No. II of Confederation of Indian Industry (CII), Sector 31-A, 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 2007, 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, 2007.
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 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, be and are hereby appointed as Statutory Auditors of the company from the conclusion of this Annual General Meeting till 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-160 022

By order of the Board

Dated : 29.06.2007
Place : Chandigarh

SATISH BAGRODIA
Chairman

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 duly executed and stamped 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 24.09.2007 to 28.09.2007 (both days inclusive).

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4. The dividend, as recommended by the Board of Directors, if approved 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 23.09.2007 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 023.09.2007.
5. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID Numbers for easy identification for attendance at the meeting.
6. Item No. 3 Padamshree Shri Chandra Mohan aged about 74 years, B.A. (Hons) & B.sc. Mech. Engg. (Hons) has Served Punjab Tractors Limited & Swaraj Mazda Limited as Vice Chairman and Managing Director for about 28 years. He is also member of many Professional Institutions. He is not holding any shares of the company.

 Presently, he is the Chairman of RICO Auto Industries Limited & Engineering Innovations Limited and Director of Sandhar Technologies Limited, Winsome Yarns Limited, DCM Engineering Limited, Kamla Dials & Devices Limited, IOL Chemicals & Pharmaceuticals Limited and Winsome Textile Industries Ltd. He is also the member of Audit Committee in Winsome Yarns Limited, DCM Engineering Limited and Winsome Textile Industries Ltd. and member of Remuneration Committee in DCM Engineering Limited and Kamla Dials & Devices Limited and member of Shareholders/Investors Grievance Committee in Winsome Textile Industries Ltd.
7. Item No. 4- Shri Ashish Bagrodia aged about 36 years, B.E. (Mech.) from Punjab Engineering College having around 14 years of experience in Textile Industry. He is holding 41400 shares of the company.

 Presently, he is Joint Managing Director of Winsome Textile Industries Limited and Director of Winsome Yarns Limited, IDS Infotech Limited, Engineering Innovations Limited and Winsome Yarns (Cyprus) Limited in Cyprus. He also member of Audit Committee in Winsome Yarns Limited and member of Shareholders/ Investors grievance Committee in Winsome Textile Industries limited.
8. M/s Intime Spectrum Registry Limited, A-40, 2nd Floor, Near Batra Banquet Hall, Naraina Industrial Area, Phase-II, New Delhi-110028 (Tele. 011-41410592-94) is acting as common agency for dematerialisation and physical transfer of shares of the company. The members should send their physical shares and letter for change of address and issue of duplicate shares directly to the aforesaid share transfer agent.

DIRECTORS' REPORT**WINSOME YARNS LIMITED**

Your Directors have pleasure in presenting the 17th Annual Report together with the audited statement of Accounts of the Company for the financial year ended 31st March, 2007.

| Financial Highlights | Year ended 31.3.2007 (Rs.in lacs) | Year ended 31.3.2006 (Rs. in lacs) |
|--|--------------------------------------|---------------------------------------|
| Sales | 12579.17 | 12731.64 |
| Profit before Interest , Depreciation & Tax | 2656.79 | 1832.76 |
| Less: Interest | 796.50 | 564.88 |
| Profit before Depreciation | 1860.29 | 1267.88 |
| Less: Depreciation | 748.74 | 728.22 |
| Profit before Taxes | 1111.55 | 539.66 |
| Provision for Taxation — Current Tax | 58.81 | 86.00 |
| — Credit against MAT | (48.46) | — |
| Provision for fringe benefit tax | 6.10 | 9.34 |
| Provision for deferred tax liability/ (asset) | 10.04 | (220.23) |
| Profit after Taxes | 1085.06 | 664.55 |
| Add : Surplus brought forward from previous year | 4217.62 | 3699.40 |
| | 5302.68 | 4363.95 |
| Appropriation: | | |
| Dividend @ 6% (Previous year 5%) | 153.97 | 128.33 |
| Corporate Dividend Tax | 21.59 | 18.00 |
| Surplus carried to Balance Sheet | 5127.12 | 4217.62 |
| | 5302.68 | 4363.95 |

Operations & Performance

During the year under review, your Company has achieved a turnover of Rs. 12579.17 lacs and a profit before tax of Rs. 1111.55 lacs against the previous year's turnover of Rs. 12731.64 lacs and profit before tax of Rs. 539.66 lacs. In spite of no significant changes in the turnover as per last year, the cash profit of the company was significantly increased due to efficiency in operation and cost control.

New Project/ Expansion Plans

Your directors are pleased to inform you that the company's Expansion Plan to add 60000 Spindles, installation of another 180 Knitting Machines and implementation of 3.90 MW Hydel Power Projects in Punjab were under implementation mostly as per schedule. 30000 Spindles of phase I have already been commissioned. 18 Knitting Machines have also received & installed. Another 52 Knitting Machines are expected by August 2007. Various Government approvals for Power Projects have obtained and construction of Power House etc. will start from July, 2007. Your Directors are confident there will not be any significant delay in completion of above Expansion Projects.

Overseas Ventures

During the year the Company had floated a wholly owned subsidiary in Cyprus namely Winsome Yarns (Cyprus) Limited.

Recently, the said Wholly Owned Subsidiary of the Company acquired the knitwear business of IMM International S.p.A, in Italy and Romania. A new Company namely M/s Winsome Romania s.r.l., Satu Mare, Romania was floated for the purpose. Our Wholly Owned Subsidiary holds 90%

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shareholding of this Company. Winsome Romania s.r.l had also acquired 100% shareholding of M/s IMM Winsome Italia s.p.a, based at Agliana, Italy, which is engaged in marketing, designing, planning and sourcing of raw materials etc., which in turn holds 100% shareholding of M/s S.C. Textil s.r.l, Satu Mare, Romania, which is having spinning and yarn dyeing facilities in Bistrita, Romania.

Further, your Company has also invested for acquiring equity stake of M/s Newcocot S.p.A, Italy, engaged in spinning and yarn dyeing through its wholly owned subsidiary in cyprus.

IS/ISO 9002/ 14001

Your directors are pleased to inform you that your company continues to be holder of IS/ISO 9002/ 14001 certificates.

Outlook

A comfortable position in hand. Our client addition continues to be strong. Our initiative in capacity growth & improved productivity are all on track. Pricing pressure are declining and a conducive atmosphere for growth is anticipated. We expect to grow our business substantially and believe should meet this target in current financial year 2007-08.

Dividend

Your Directors are pleased to recommend an enhance dividend @ 6% on equity shares of the company for approval of shareholders at the forthcoming Annual General Meeting.

Directors

During the financial year, the IFCI vide its letter no. IFCI/NDC-1/2006-31836 dated 27.11.2006 has withdrawn the nomination of Shri Dinesh Sharma from the Board of Directors of the company, since the company has repaid all loans of the IFCI. Further Shri S. K. Duggal has also resigned from the Board of the company on 22.01.2007 due to his pre-occupation.

In accordance with the Company's Articles of Association, Shri Chandra Mohan and Shri Ashish Bagrodia, Directors 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, 2007, 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 judgment 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 detecting fraud and other irregularities;
- iv. that the directors have prepared the accounts for the financial year ended 31st March, 2007 on a going concern basis.

WINSOME YARNS LIMITED**Voluntary Delisting**

Shareholders of the company in their Annual General Meeting held on 27.09.2004, approved to get the shares of the company voluntary delisted from Ludhiana, Delhi and Calcutta Stock Exchanges. Accordingly, the company applied for voluntary delisting of shares to the Ludhiana, Delhi & Calcutta stock exchanges simultaneously on 02.05.2005. Ludhiana and Delhi Stock Exchanges had delisted the shares of the company w.e.f 17.08.2005 and 14.10.2005 respectively. Till date, inspite of several reminders, Calcutta Stock Exchange has never raised any objection for voluntary delisting of shares of the company.

Auditors

M/s Lodha & Co, Chartered Accountants, as auditors of the company hold office till the conclusion of the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment. The Company has received a certificate 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 annexed to this report.

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 are self explanatory.

Corporate Governance

During the financial year, the company has continued its commitment to the principles of good Corporate Governance. The company believes that best board practices and transparent disclosures are necessary for enhancing shareholders value.

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 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

Satish Bagrodia

Dated : 29.06.2007

Chairman

ANNEXURE 'A' TO DIRECTORS' REPORT**WINSOME YARNS LIMITED**

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, 2007

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 continued with the following projects during the year.

| Sr.No. | Project Undertaken | Units saved | Annual Saving (in Rs.) |
|---------------------|--|-------------|---------------------------|
| 1 | To reduce the Power Consumption in Workers Colony | 12 | 4,368.00 |
| 2 | To reduce the Power Consumption of Residential Block | — | — |
| 3 | To reduce Power Consumption in Plant Lighting | 274 | 99,736.00 |
| 4 | To reduce Power Consumption in LUWA Plant | 834 | 3,03,576.00 |
| 5 | To reduce Power Consumption in Compressed Air System | — | — |
| 6 | To reduce Power Consumption in Yarn conditioning | 32 | 11,648.00 |
| Total Saving | | 1152 | 419328.00 |

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

Additional Investments, wherever required, are being 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.

Though there is saving of about Rs. 4.19 lacs but overall energy cost has not reduced due to increase in diesel & furnace oil cost and increase in unit power cost of 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:

| | | Current Year | Previous Year |
|---|--|--------------|---------------|
| A) Power and Fuel consumption | | | |
| 1. Electricity | | | |
| a) Purchased Unit (KW) | | 15487840 | 13380460 |
| Total amount (Rs in lacs) | | 671.79 | 574.08 |
| Rate/Unit (Rs) | | 4.34 | 4.29 |
| b) Own Generation through Diesel Generator Unit(KW) | | 17200410 | 19579242 |
| Units/Ltr.of Diesel Oil | | 3.91 | 4.02 |
| Cost/Unit(Rs/KW) | | 5.49 | 4.18 |
| 2. Coal(Specify quality and where used) | | | |
| 3. LSHS & Furnace Oil Qty.(MT) | | | |
| Total amount (Rs.in lacs) | | 3132.81 | 4169.55 |
| Average rate(Rs.per M.T.) | | 642.53 | 658.67 |
| 4. Gas (Qty. in MT) | | | |
| Total amount (Rs.in lacs) | | 17533 | 15797 |
| Average rate(Rs.per Kg) | | NIL | NIL |
| B) Consumption per Unit of Production | | | |
| Electricity (KW) | | 3.35 | 3.27 |
| 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.

WINSOME YARNS LIMITED

| | |
|---|---------------|
| d) Expenditure on R&D (Rs. in lacs) | |
| Capital | NIL |
| Recurring | Rs.14.89 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 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.
Exports (FOB Value) of the Company have increased from Rs. 7137.51 lacs in 2005-06 to Rs. 8073.50 lacs in 2006-07). New export markets have been developed and exports are likely to increase further.
- b) Total foreign exchange used and earned.

| | Current Year | (Rs. in lacs) Previous Year |
|---------|----------------|--------------------------------|
| Earning | 8075.14 | 7146.93 |
| Outgo: | 7949.27 | 409.09 |

For and on behalf of the Board

Place : Chandigarh
Dated : 29.06.2007

Satish Bagrodia
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

STATEMENT OF PARTICULARS OF EMPLOYEES, PURSUANT TO THE PROVISIONS OF THE SECTION 217 2(A) OF COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDING 31ST MARCH, 2007

| Sr. No. | Name of Employee | Designation/ Nature of duties | Qualification | Total Working Experience (Years) | Date of Commencement of Employment | Total Remuneration (Rs. in lacs) | Age (Years) | Previous Employment held |
|---------|------------------|-------------------------------------|---------------|--|--|--|----------------|--------------------------------|
|---------|------------------|-------------------------------------|---------------|--|--|--|----------------|--------------------------------|

A. Persons employed throughout the year, who were in receipt of remuneration not less than 2400000/-

| | | | | | | | | |
|---|----------------------|----------------------|--|----|----------|-------|----|---|
| 1 | Shri Manish Bagrodia | Managing Director | M.Com., Advance Diploma in Computer Applications | 20 | 7/1/1994 | 38.54 | 39 | Winsome Textile Industries Limited |
|---|----------------------|----------------------|--|----|----------|-------|----|---|

B. Persons employed for part of the year who was in receipt of remuneration for any part of the year at a rate which in aggregate was not less than Rs. 200000/- per month. — Nil

NOTES :

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

ANNEXURE 'B' TO DIRECTORS' REPORT**WINSOME YARNS LIMITED****CORPORATE GOVERNANCE****1. Company's philosophy on code of Governance.**

Corporate Governance is an Integral part of values, ethics and the best business practices followed by the Company. The Company reaffirms its commitment to the good Corporate Governance practices. The core values of the Company are:

- Commitment to excellence and customer satisfaction.
- Maximising long term shareholders' value.
- Socially valued enterprise and
- Caring for people and environment.

In a nutshell, the philosophy can be described as observing of business practices with the ultimate aim of enhancing long-term shareholders' value and commitment to high standard of business ethics. The Company has in place a Code of Corporate Ethics and Conduct reiterating its commitment to maintain the highest standards in its Interface with take-holders and clearly laying down the core values and corporate ethics to be practiced by its entire management cadre.

2. Board of Directors

The Board of Directors presently consists of six directors, out of which three are Promoter Directors (one Non Executive Chairman, one Executive Managing Director and one Non-Executive Director) and three are Non-Executive independent directors, out of which one is representing PSIDC (as Joint Sector representative). 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 companies in which they are directors. The necessary disclosures regarding committee memberships have been made by the directors.

During the financial year, the IFCI vide its letter no. IFCI/NDC-1/2006-31836 dated 27.11.2006 has withdrawn the nomination of Shri Dinesh Sharma from the Board of Directors of the company, since the company has repaid all loans of the IFCI. Further Shri S. K. Duggal has also resigned from the Board of the company on 22.01.2007 due to his pre-occupation.

During the financial year 2006-07, seven board meetings were held. The meetings were held on 26th April, 2006, 2nd June, 2006, 28th July, 2006, 28th September, 2006, 30th October, 2006, 23rd November, 2006 and 31st January, 2007 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/ Committee memberships/ chairmanship held by them in other companies are given below:

No. of Directorship and Committee Membership/ Chairmanship

| Name of the Director | Category | Attendance Particulars | | No. of Directorship | No. of Membership/ Chairmanship in Committees | | |
|----------------------|---------------|------------------------|----------|---------------------|---|--------------|-------|
| | | Board Meeting | Last AGM | | Membership | Chairmanship | Total |
| Shri Satish Bagrodia | Chairman(NED) | 6 | Yes | 3 | — | — | — |
| Shri Chandra Mohan | INED | 6 | Yes | 9 | 3 | — | 3 |
| Shri S.K. Duggal* | INED | 5 | No | 11 | 2 | 3 | 5 |
| Shri Brij Khanna | INED | 7 | Yes | 2 | — | 2 | 2 |
| Shri Dinesh Sharma** | INED | 2 | No | 1 | 1 | — | 1 |
| Shri S.K. Singla | INED(PSIDC) | 6 | Yes | 13 | — | — | — |
| Shri Ashish Bagrodia | NED | 6 | Yes | 4 | 2 | — | 2 |
| Shri Manish Bagrodia | MD | 7 | Yes | 5 | 1 | — | 1 |

INED : Independent Non Executive Director

NED : Non Executive Director

MD : Managing Director

*Resigned from the Board of the company on 22.01.2007.

**Withdrawal of nomination by IFCI from the Board of the company on 27.11.2006.