



Winsome Yarns Limited



BOARD OF DIRECTORS

Shri Satish Bagrodia	<i>Chairman</i>
Shri Chandra Mohan	<i>Director</i>
Shri Brij Mohan Khanna	<i>Director</i>
Shri Ashish Bagrodia	<i>Director</i>
Shri Yashpal Barar	<i>Director (PNB Nominee)</i>
Shri S.K. Singla	<i>Director (PSIDC Nominee)</i>
Shri Manish Bagrodia	<i>Managing Director</i>

GM (LEGAL) & 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

Linkintime India Pvt. Ltd.
A-40, 2nd Floor, Near Batra Banquet Hall,
Naraina Industrial Area, Phase-II,
New Delhi-110 028

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NOTICE

NOTICE is hereby given that the 21st Annual General Meeting of the Members of Winsome Yarns Limited, will be held on **Monday, the 18th day of July, 2011** at 3.30 p.m. at PHD Chamber of Commerce and Industry, Regional Office, PHD House, 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 2011, 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 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, (Firm Registration No. 301051E) 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."

SPECIAL BUSINESS:**Item No. 5**

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

"RESOLVED THAT in supersession of earlier resolution passed by the members of the Company in their Annual General Meeting held on 28.08.2009 and pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the company to mortgage and/or create charge on all immovable and movable properties of the company wheresoever situated, both present and future and the whole or substantially the whole of the undertaking or undertakings of the company to or in favour of the Public Financial Institutions/ Banks/ Financial Institutions etc., from time to time for their financial assistance provided to the Company, subject to a maximum limit as approved by shareholders under section 293(1)(d) of the companies Act, 1956 including mortgages and/ or charges already created.

RESOLVED FURTHER THAT the mortgage/charge created/to be created and/or all agreements/ documents executed/ to be executed and all acts done in terms of the above resolutions by and with the authority of the Board of Directors are hereby confirmed and ratified.

RESOLVED FURTHER THAT Board of Directors be and are hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for giving effect to the resolution and to settle any questions or disputes that may arise in relation thereto."

Item No. 6

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

"RESOLVED that in supersession of the earlier resolution passed at the Annual General Meeting held on 28.08.2009 and pursuant to Section 293(1)(d) of the Companies Act 1956 and other applicable provisions, if any, of the Companies Act, 1956, the Company accords its consent to the Board of Directors to borrow any sum or sums of money from time to time notwithstanding that the money to be borrowed together with the money already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and any free reserves, that is to say, reserves not set apart for any specific purposes, provided however, the total amount upto which the money may be borrowed by the Board of Directors and outstandings at any time shall not exceed Rs. 1250.00 Crores (Rupees One thousand two hundred fifty crores only)."

Item No. 7

To consider and if thought fit, to pass, with or without modification the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT pursuant to section 94 and all other applicable provisions of the Companies Act, 1956, the Authorized Share Capital of the Company be and is hereby increased from Rs. 65,00,00,000 (Rupees Sixty Five Crores only) divided into 65,00,00,000 (Sixty Five Crores) equity shares of Re. 1/- (One) each to Rs. 85,00,00,000 (Rupees Eighty Five Crores only) divided into 85,00,00,000 (Eighty Five crores) equity shares of Re. 1/- (One) each by creation of further 20,00,00,000 equity shares of Re. 1/- each.

RESOLVED FURTHER THAT pursuant to Section 16 and other applicable provisions of the Companies Act, 1956, the Clause (V) of the Memorandum of Association of the Company be and is hereby amended accordingly to incorporate therein the effect of the increase in Authorized Share Capital and be read as follows:

- (V) The Authorised Share Capital of the Company is Rs. 85,00,00,000 (Rupees Eighty Five Crores only) divided into 85,00,00,000 (Eighty Five crores) equity shares of Re. 1/- (One) each."

Item No. 8

To consider and if thought fit, to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to Section 13, 16 and 94(1)(b) and other applicable provisions of the Companies Act, 1956 (including any modification or re-enactment thereof); the provisions of the Articles of Association of the Company and also subject to the regulations prescribed in this behalf by the Government of India and further subject to the guidelines, regulations and clarifications issued by the Securities & Exchange Board of India (SEBI) for the time being in force, and the listing agreements entered into by the Company with the stock exchanges, where the shares of the Company are listed and subject to such other statutory approvals, consents, permissions and sanctions, consent and approval of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter called the **"Board"**, which term shall include any duly constituted and authorized committee thereof), to consolidate Ten (10) equity shares of Re. 1/- (Rupee One) each into One (1) equity share of Rs. 10/- (Rupees Ten) each and to fix a record date for the purpose.

RESOLVED FURTHER THAT the Equity Shares to be allotted upon conversion of warrants already allotted by the Board which are convertible in to one Equity Share of Re. 1/- each shall be adjusted in such a way that, after the consolidation coming into effect, such ten warrants be convertible in one equity share of Rs. 10/- each.

RESOLVED FURTHER THAT in consolidation of 10 equity shares of Re. 1/- each into one equity share of Rs.10/- each, the Board shall not issue any fractional shares/certificates, but the total number of the equity shares representing such fractions shall be transferred to a person or persons appointed by the Board as trustee/trustees for and on behalf of such fractional equity shareholders, who would, otherwise have been entitled to such fractional shares/certificates. The trustee shall be provided with details of the persons entitled for fractions shares/ certificates so as to enable the trustee to distribute the net proceeds of the sale of such fractional shares, amongst the members/ shareholders in proportion to their respective fractional entitlement thereto after payment of all expenses of the sale and other related expenses.

RESOLVED FURTHER THAT the Board be and is hereby authorized to inform the Registrar & Transfer Agents of the Company and the depositories, to take the necessary action to give effect to this resolution, to file necessary corporate action forms with Depositories i.e. National Securities Depository Limited and Central Depository Services (India) Limited, such that the consolidated Equity Shares would be credited to the demat/electronic accounts of shareholders and also to issue, wherever applicable, new share certificates representing the consolidated shares with new distinctive numbers, in the aforesaid proportion subject to the rules as laid down in the Companies (Issue of Share Certificates) Rules, 1960 with an option to either exchange the new physical share certificates in lieu of cancellation of the old physical share certificates or without physically exchanging the share certificates, by treating the old physical share certificates as deemed to be cancelled. The Board be and is hereby also authorised to inform the stock exchanges to give the effect of the consolidation of shares of the company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things and execute all such documents, instruments and writings as may be required in the said connection.

RESOLVED FURTHER THAT pursuant to Section 16 and other applicable provisions of the Companies Act, 1956, Clause (V) of the Memorandum of Association of the Company be and is hereby amended to incorporate therein the effect of the consolidation of equity shares from nominal value of Re. 1/- per share to Rs. 10/- per share and be read as follows:

- (V) The Authorised Share Capital of the Company is Rs. 85,00,00,000 (Rupees Eighty Five Crores only) divided into 8,50,00,000 (Eight Crores Fifty lacs) equity shares of Re. 10/- (Ten) each."

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to delegate all or any of the powers herein conferred by this resolution to any director or directors or to any committee of director(s) or any other officer or officers of the company and to do all such acts, matters, things and deeds and to take all such steps and do all such things and give all such directions as the Board may consider necessary, expedient or desirable including forming of trust and to authorise the trustee/trustees to take delivery of fractional shares and to sell such fractional shares transferred to him/them and also to settle any questions or difficulties or doubts that may arise in regard to the offer/issue, allotment and further to do all such acts, deeds, matters and things and to finalize and execute all documents and writings as may be necessary, proper, desirable or expedient as the Board, in its absolute discretion, may deem fit and take all such steps which are incidental and ancillary in this regard."

By order of the Board

Dated : 12.05.2011
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 Books of the Company will remain closed on 27.06.2011 and 28.06.2011 (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 for attendance at the meeting. The members holding shares in dematerialized mode are requested to intimate all changes pertaining to their bank details, ECS mandates, power of attorney, change of address/ name etc. to their depository participants. Changes intimated to the depository participants will help the Company and its Registrar and Share Transfer Agent to provide efficient and better services to the members.
 5. Members / proxies should fill the attendance slip for attending the Meeting.
 6. In case of joint holders attending the meeting only such joint holders who are higher in the order of names will be entitled to vote.
 - 7 Corporate Members intending to send their authorized representative(s) are requested to send a duly certified copy of the Board Resolution authorizing their representative(s) to attend and vote at the Meeting.
 - 8 Item No. 2 - Padamshree, Shri Chandra Mohan aged about 78 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, KDDL Limited, IOL Chemicals & Pharmaceuticals Limited, Winsome Textile Industries Limited and Nextgen Telesolutions Pvt. Limited.
He is member of the following Committees of the Board.
- | | |
|------------------------------------|--|
| Name of the Company | Name of the Committees |
| Winsome Yarns Limited | (i) Audit Committee , (ii) Remuneration Committee |
| DCM Engineering Limited | (i) Audit Committee , (ii) Remuneration Committee |
| KDDL Limited | (i) Remuneration Committee |
| Winsome Textile Industries Limited | (i) Audit Committee , (ii) Investors Grievance Committee |
- 9 Item No. 3 - Shri Ashish Bagrodia aged about 40 years, B.E. (Mech.) from Punjab Engineering College having around 18 years of experience in Textile Industry. He is holding 414000 shares of the company.
Presently, he is Managing Director of Winsome Textile Industries Limited and Director of Winsome Yarns Limited, IDS Infotech Limited, Winsome Yarns (Cyprus) Limited in Cyprus, Engineering Innovations Limited, S.C. Winsome Romania s.r.l., Kamla Retail Limited and Vogue Commercial Co. Limited.
He is also member of Audit and GDR issue Committees in Winsome Yarns Limited and member of Shareholders/ Investors Grievance Committee in Winsome Textile Industries limited.
 - 10 M/s Link Intime India Pvt. Limited, A-40, 2nd Floor, Near Batra Banquet Hall, Phase-II, Naraina Industrial Area, New Delhi-110028 (Tele. 011-41410592-94, Fax No. 011-41410591) is acting as common agency for dematerialisation and physical transfer of shares of the company. The members who have shares in physical mode, should send their physical shares and letter for change of address and issue of duplicate shares directly to the aforesaid share transfer agent.
 - 11 According to section 205(A)(5) of the Companies Act, 1956, the unclaimed/ unpaid dividend for the year 2002-03 has been transferred to Investor Education and Protection Fund on 04.12.2010. As per amended section 205B, nothing contained in this section shall apply to any person claiming to be entitled to any money transferred to the fund referred to in section 205C on and after the commencement of the Companies (Amendment) Act, 1999.
 - 12 According to section 205(A)(5) of the Companies Act, 1956, unclaimed dividend for the year 2003-04 is due to be transferred to Investor Education and Protection Fund, in the month of October/November, 2011. The shareholders who have not claimed their dividend for the year 2003-04 are requested to claim the same from the company immediately.
 - 13 The company issued the new physical share certificates of Re. 1/- each on 23.01.2010 in lieu of old share certificate(s) of Rs.10/- each, and despatched to the shareholders by registered post. But some of them have been received back as undelivered. The shareholders are requested to kindly send us a request letter, mentioning COMPLETE ADDRESS WITH PIN CODE, to enable us to despatch the share certificates, otherwise after three reminders, the undelivered/ unclaimed shares shall be transferred in "Unclaimed Suspense Account" as per amended listing agreement.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**ITEM NO. 5 & 6**

Shareholders in their meeting held on 28.08.2009 had approved borrowing limits of Rs. 750 crores under section 293(1)(a) and section 293(1)(d). The Company may require to raise additional financial facilities from Banks/ financial institutions for setting up of proposed dyeing unit and to meet increased working capital requirements in times to come. Thus there is a need to increase the limit from Rs. 750 crores to Rs. 1250 crores under section 293(1)(a) and section 293(1)(d) to borrow the loans from financial institutions/ banks and to create necessary security in favour of the Lenders for future requirements for which consent of shareholders of the Company is required.

The Directors recommend the resolution for your approval.

None of the Directors of the company is personally interested in the aforesaid resolutions.

ITEM NO. 7

The existing Authorised Share Capital of the Company is Rs. 65,00,00,000 (Rupees Sixty five crores only) divided into 65,00,00,000 (Sixty five crores) equity shares of Re. 1/- (One) each.

The company had issued 251000000 convertible warrants on 19.02.2010 to the promoter group and financial investors. The company had allotted 130325000 equity shares on 30.09.2010 upon conversion of 130325000 warrants, out of 251000000 convertible warrants. The balance 120675000 warrants are required to be converted into equal number of equity shares on or before 18.08.2011 i.e. within 18 months from the date of allotment of warrants.

Presently the paid up share capital of the company consists of 586397290 equity shares of Re. 1/- each. In order to enable the company to issue and allot further shares/ securities, it is proposed to increase the Authorised Share Capital of the Company from Rs. 65,00,00,000 (Rupees Sixty five crores only) to Rs. 85,00,00,000 (Rupees Eighty Five Crores only) divided into 85,00,00,000 (Eighty Five crores) equity shares of Re. 1/- (One) each.

Consequent to the increase of the Authorised Share Capital, under clause 16 and other applicable provisions of the Companies Act, 1956, the clause (V) of the Memorandum of Association of the Company needs to be altered, for which consent of share holders of the company is required.

The Directors recommend the resolution for your approval.

None of the Directors of the company is personally interested in the aforesaid resolutions.

ITEM NO. 8

Having regard to the anticipated growth of the Company in future, it is proposed to reorganize the capital structure by consolidating the equity shares from Re.1/- each to Rs. 10/- each. The restructuring will help the Company to give a better picture of earning per share to the equity shareholders of the Company and also in better servicing to shareholders. The Board of your Company is also of the view that though the present share price of the Company is approx. four times of its face value of Re. 1/- each, it is being treated as penny stock by Financial Institutions and Private Equity funds and they are not inclined to invest in penny stocks.

Accordingly, it is proposed that to rebuild the image of the Equity Share of the Company the denomination of the face value of each Equity Share of the Company be changed from Re 1/- each to Rs. 10/- each i.e. every 10 (ten) equity shares of the Company be consolidated into 1 (One) equity share of the Company.

The authority is sought to be given to Board of Directors to fix the Record Date and issue fresh Equity Shares of the denomination of Rs. 10/- each to the members in place of existing Equity Shares of Re.1/- each. In case of members having fractional shares not divisible by 10, the same will be transferred to a trust which will be formed by the Board for this purpose. All the fractional shares will be transferred as on the record date. The trust will consolidate the fractional shares transferred to it and will sell the total shares. The proceeds of the total shares will be paid to the respective shareholders after deducting the expenses incurred in this regard, if any. The said resolution, if passed, will have the effect of the allowing the Board to do all such matters and deeds as are necessary to effect the said matter.

Consequent to the consolidate the Share Capital, under clause 16 and other applicable provisions of the Companies Act, 1956, the clause (V) of the Memorandum of Association of the Company needs to be altered.

The proposed resolution as set out in the notice is intended to give effect to the above proposal and seeks approval of the shareholders for consolidation of share capital of the company.

The Directors of the Company are deemed to be interested in the said resolution to the extent of their shareholding in the Company.

By order of the Board

Dated : 12.05.2011
Place : Chandigarh

SATISH BAGRODIA
Chairman

Your Directors have pleasure in presenting the 21st Annual Report together with the audited statement of Accounts of the Company for the financial year ended 31st March, 2011.

Financial Highlights	Year ended 31.3.2011 (Rs.in lacs)	Year ended 31.3.2010 (Rs.in lacs)
Sales	33012.56	22225.71
Profit before Interest , Depreciation & Tax	7436.77	3394.73
Less: Interest	4132.60	3173.93
Profit /(Loss) before Depreciation	3304.17	220.80
Less: Depreciation	2179.58	2014.09
Profit/ (Loss) before Taxes	1124.59	(1793.29)
Less : - Current Tax	--	--
- Previous years Tax	46.13	--
- Fringe Benefit Tax	--	0.15
- Deferred Tax Liability/ (Asset)	467.56	(586.02)
Net Profit/ (Loss) after Taxes	610.90	(1207.42)
Add : Surplus brought forward from previous year	1306.83	2514.25
Balance Carried to Balance Sheet	1917.73	1306.83

Operations & Performance

The year under review was an extremely trying one. A runaway inflation touching a high point of 13.9% during the year, the tight monetary policies followed by the authorities for most of the year to control inflation with the consequent high interest rates, the precipitous fall in the value of the Rupee during the year, increase in cotton prices from Rs. 29000 per candy (approximately) in May, 2010 to Rs.63000 per candy (approximately) in March, 2011 i.e an increase of 117%, all lead to an extremely challenging environment in which the Company had to operate. Further the government of India restricted the total quantity of export of cotton yarn to 720 million kgs which had an adverse impact on the sales during the year.

During the year, there was a progressive recovery in the Textile industry, both in India and overseas. Further, a series of planned steps that were taken during the year ensured that the Company remains competitive through stringent cost control and fiscal prudence. The Constant introduction of strategic marketing without affecting the quality of the product, enabled your company to achieve better performance as compared to previous year. Your Company has achieved a turnover of Rs. 33012.56 lacs against the previous year's turnover of Rs. 22225.71 lacs i.e registering an increase of 49% (approx.). The Company has earned a net profit (after tax) of Rs. 610.90 lacs against previous year's net loss after tax of Rs. 1207.42 lacs.

During the current financial year with the improved production, it is expected that the performance will be substantially better.

Expansion Projects

The management is pleased to inform you that out of five Micro Hydel Power Projects having a total capacity to produce 3.9 MW of electricity, two Micro Hydel Projects have been commissioned during the year. The implementation of three Micro Hydel Power Projects is at an advanced stage and are expected to be commissioned with in current financial year 2011-2012.

Subsidiary Companies & Overseas Operations

According to the provisions of Section 212 of Companies Act, 1956, the holding company is required to attach the balance sheet etc. of its subsidiary companies along with its balance sheet. However, pursuant to provisions of general circular no. 2/2011 issued by Ministry of Corporate Affairs on 8th February 2011, a general exemption is granted to attach the balance sheet of the subsidiary companies. Accordingly, the annual accounts of Winsome Yarns (Cyprus) Limited has not been attached in this Annual Report, but the same is available for inspection at the registered office of the company. Due to Global recession of which European Countries are the worst affected, the second, third and fourth step down subsidiaries of the Company namely; S.C. Winsome Romania, S.r.l., IMM Winsome Italia S.r.l. and S.C. Textil, S.r.l. went in to liquidation and their balance sheet etc. is not available. The exemption from attaching the balance sheet etc. of these three subsidiary companies was sought, pursuant to Section 212(8) of Companies Act, 1956, and in response to which, Ministry of Corporate Affairs vide its letter no. 47/177/2011-CL-III dated 06.04.2011 informed that pursuant to General Circular No. 2/2011 issue by Ministry of Corporate Affairs the approval of Ministry of Corporate Affairs is no more required.

The present status of these three subsidiary companies is given as under:-

Sr. No.	Name of Subsidiary	Start of liquidation process	Present status
1	IMM Winsome Italia S.r.l.	30.09.2008	Liquidation process is going on.
2	S.C. Winsome Romania S.r.l.	26.11.2008	Liquidation process is going on.
3	S.C. Textil S.r.l.	09.02.2010	Liquidation process is going on.

Allotment of equity shares pursuant to conversion of equivalent number of convertible warrants

During the year 2010-11, the company has allotted 130325000 equity shares of Re. 1/- each on 30.09.2010 to promoter and Public Financial Investors pursuant to conversion of equivalent number of convertible warrants, out of total number of 251000000 convertible warrants issued on 19.02.2010. The Company is utilising these funds for purposes as stated in Notice for convening the Extraordinary General Meeting held on 05.02.2010 vide which approval of members was received for the issue of said allotment.

Issue of Global Depository Receipts

During the year the Company has allotted 199412500 equity shares of Re. 1/- each underlying 1994125 Global Depository Receipts (GDRs) @ US\$ 6.64 per GDR on 29.03.2011. Each GDR represents 100 equity shares of the company. The total proceeds from the GDRs issue was US\$ 13.24 Million. The GDRs are listed on:

Luxembourg Stock Exchange/ LuxSE
Societe de la Bourse de Luxembourg S.A.
B.P. 165, L-2011 Luxembourg
Siege Social, 11, av de la Porte-Neuve.
Telehpone: (352) 47 79 36216, Fax: (352) 47 79 36344

After the allotment of underlying equity shares, the paid up equity capital of the company stands increased from Rs. 386984790 to Rs. 586397290 comprising of 586397290 equity shares of Re. 1/- each.

ISO 9001/ 2008

Your directors are pleased to inform you that your company continue to be the holder of ISO 9001/2008 certificate.

Dividend

Your Directors are unable to recommend any dividend on Equity Shares for the year under review.

Directors

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.

During the year 2010-11, the Punjab National Bank has nominated Shri Yashpal Barar as nominee director of the Company in place of Shri Gulshan Kumar Sawhney. Board of Directors in their meeting held on 17.03.2011 appointed to Shri Yashpal Barar as Nominee Director of the Company. Shri Yashpal Barar is DGM & Circle Head of PNB, Ludhiana. The Punjab National Bank is entitled to nominate one Director on the Board of the Company pursuant to LOA dated 28.03.2010 in respect of restructuring of Company's accounts under CDR mechanism.

Consolidated Accounts

In accordance with Accounting Standards AS-21 on Consolidated Financial Statements, your directors provide the Audited Consolidated Financial Statement of Winsome Yarns Limited and Winsome Yarns (Cyprus) Limited in the Annual Report.

Insurance

All the properties of your Company have been adequately insured against fire, flood, earthquake and explosive risks etc.

Public Deposit

The Company did not accept any Fixed Deposit during the year.

Auditors

M/s. Lodha & Co., Chartered Accountants (FRN 301051E), who are Statutory Auditors of the Company hold office up to the forthcoming Annual General Meeting and are recommended for re-appointment to audit the accounts of the Company for the Financial Year 2011-12. As required under the provisions of the Section 224(1B) of the Companies Act, 1956, the Company has obtained written confirmation from M/s. Lodha & Co. that their appointment, if made would be in conformity with the limits specified in the Section.

Cost Audit

The Central Government's Cost Auditor order specified an audit of cost accounting records of the textile Companies every year. This is applicable to the products manufactured by the Company. The Board of Directors, subject to approval of Central Government, appointed M/s V. Kumar & Associates, Cost Accountants, having its office at SCO 124-25, 1st Floor, Sector 34-A, Chandigarh to carryout this audit for the current year.

Auditors' Report

Observations made in the Auditors' Report are self explanatory and therefore do not call for any further explanation.

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, along with a Certificate of compliance from the Auditors of the Company is attached as **ANNEXURE 'B'** to this report.

Statutory Information**(A) 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, 2011, 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, 2011 on a going concern basis.

(B) 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.

Statutory Disclosures

None of the Directors are disqualified under the provisions of Section 274(1)(g) of the Companies Act, 1956. The Directors have made the requisite disclosures, as required under the provisions of Companies Act, 1956 and Clause 49 of the Listing Agreement.

Acknowledgement

Your Directors wish to place on record their deep appreciation of the timely support provided by the Company's bankers, and all the vendors and of the dedication and commitment of the employees at all levels. We are sure that we will continue to dare and reach the pinnacle of our journey called success.

Your Directors convey their grateful thanks to all the Government authorities and shareholders for their continued and unstinted assistance, co-operation and patronage.

We also take this opportunity to thank all the valued customers who have appreciated our products and have patronised them.

For and on behalf of the Board

Place : Chandigarh

Satish Bagrodia

Dated : 12.05.2011

Chairman

ADDENDUM TO THE DIRECTORS' REPORT

Pursuant to Section 217(3) of the Companies Act 1956 following explanations are given on remarks contained in the Auditors Report :

Auditor's observations regarding non provision for diminution in the value of investment in a subsidiary company (impact unascertainable) and non provision for shortfall in recovery (amount unascertained) against overdue overseas debtor aggregating to Rs. 1900.18 lacs and cumulative gain recognised on restatement of said debtors of Rs. 217.90 lacs have been explained in detail in Note No. 10B and 16 of Schedule 15(B) on Accounting Policies and Notes on accounts. However, the explanations of the directors are further given as under:

1. Diminution in the value of investment made amounting to Rs. 1516.71 lacs in subsidiary has not been considered necessary by the company in view of strategic and long term in nature and considering the intrinsic value of the assets of the subsidiary company.
2. The company has initiated persuasive action for recovery of certain overdue overseas debtors of amounting to Rs. 1900.18 lacs (P.Y. Rs. 1903.39 lacs) {excluding cumulative gain on restatement of foreign currency debtors of Rs. 217.90 lacs}. In the opinion of the management these are good and fully realizable hence no provision there against is considered necessary. However for necessary approval for the extension of time applicable have been filed with the appropriate authority.

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, 2011.

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 (in Rs)	Annual Saving (in Rs)
1	To reduce the Power Consumption in Worker Colony	296103.00	1489398
2	To reduce the Power Consumption of Residential Block	19448.00	97823
3	To reduce Power Consumption in Roller motor of uniflok u1 & u2 project	5241.60	26365
4	To reduce Power Consumption in exhaust fan-6 of erm no-6 in u2 & u3, project	12436.56	62556
5	Installed the energy saving fan 50 watt one no in Worker colony A,B,& C block in place of two no;s 80 watt ceiling fan	34355.20	172807
6	To reduced the motor pully 10 MM (170 to 160 MM) of OHB of ring frame 18 no in unit-2	44431.20	223489
7	Modified in waste system and stop the waste fan motor of OHB A/C unit-2 (only03 M/C 238)	20117.52	101191
	Total Saving	432133.08	2173629

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

Additional Investments, where ever 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. 21.73 lacs but overall energy cost has not reduced due to increase in diesel & furnace oil cost.

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)	69083013	53917896
Total amount (Rs in lacs)	2857.43	2433.71
Rate per Unit (Rs)	4.14	4.51
b) Own Generation through FO/Diesel Generator Unit(KW)	1544178	6614861
Units/Ltr.of Diesel Oil /FO	3.53	3.85
Cost/Unit(Rs/KW)	9.55	8.06
2 Coal(Specify quality and where used)	NIL	NIL
3 HSD & Furnace Oil Qty.(MT)	437.75	1049.95
Total amount (Rs.in lacs)	147.39	533.43
Average rate(Rs.per M.T)	33670	50805
4 Gas (Qty in 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 /Own generation (KW)	3.73	4.44
HSD & Furnace Oil (Lts)	0.15	NIL
Gas (Kgs)	NIL	NIL