

23rd ANNUAL REPORT

2012-13



Winsome Yarns Limited



**IS/ISO
9001**



BOARD OF DIRECTORS

Shri Satish Bagrodia	Chairman
Shri Rohtash Kumar Kucheria	Director
Shri Pradeep Kumar	Director
Shri Joginder Kumar Gupta	Director (PNB Nominee)
Shri Suresh Kumar Singla	Director (PSIDC Nominee)
Shri Manish Bagrodia	Managing Director

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

REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Pvt. Ltd.
44, Community Centre, 2nd Floor,
PVR Naryana, Naraina Industrial Area,
Phase-I, New Delhi - 110028

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NOTICE

NOTICE is hereby given that the 23rd Annual General Meeting of the Members of Winsome Yarns Limited, will be held on Wednesday, the 12th day of February, 2014 at 11.30 a.m. at PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh to transact the following business:

ORDINARY BUSINESS:

Item No. :- 1. To receive, consider and adopt the Audited Profit & Loss Account for the financial year ended 30th September, 2013, and the Balance Sheet as at that date together with the Reports of the Directors and Auditors thereon.

Item No. :- 2. To appoint a Director in place of Shri Satish Bagrodia, who retires by rotation and being eligible, offers himself for re-appointment.

Item No. :- 3. 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, on a remuneration to be decided by the Board of Directors."

SPECIAL BUSINESS:

Item No. 4 :- To consider and if thought fit, to pass with or without modification, the following resolution as Ordinary Resolution.

"RESOLVED THAT Shri Pradeep Kumar who was appointed as an Additional Director with effect from 30.09.2013 by the Board and who hold office as such upto the date of this Annual General Meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 have been received from the member signifying his intention to propose Shri Pradeep Kumar as a candidate for the office of Director of the Company be and is hereby appointed as a Director of the Company."

Item No. 5 :- To consider and if thought fit, to pass with or without modification, the following resolution as Ordinary Resolution.

"RESOLVED THAT Shri Rohtash Kumar Kucheria who was appointed as an Additional Director with effect from 30.09.2013 by the Board and who hold office as such upto the date of this Annual General Meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 have been received from the member signifying his intention to propose Shri Rohtash Kumar Kucheria as a candidate for the office of Director of the Company be and is hereby appointed as a Director of the Company."

Item No. 6 :- To consider and if thought fit, to pass with or without modification, the following resolution as Special Resolution.

"RESOLVED THAT pursuant to the provisions of Section 180(1)(a) and other applicable provisions of the Companies Act, 2013 (including any amendment thereto or re-enactment thereof), the consent of the shareholders be and is hereby accorded to Board of Directors (hereinafter called "the Board" which term shall be deemed to include any Committee thereof, which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution and with the power to delegate such authority to any person or persons) to mortgage and/or charge any movable and/ or immovable properties of the Company wherever situated both present and future or to sell, lease or otherwise dispose off the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking(s) and to create a mortgage/ and/ or charge, on such terms and conditions at such time(s) and in such form and manner, and with such ranking as to priority as the Board in its absolute discretion thinks fit on the whole or substantially the whole of the Company's any one or more of the undertakings or all of the undertakings of the Company in favour of any bank(s) or body(ies) corporate or person(s), whether shareholders of the Company or not, together with interest, cost, charges and expenses thereon.

"RESOLVED FURTHER THAT the securities to be created by the Company aforesaid may rank prior/ pari passu/ subservient with/to the mortgages and/or charges already created or to be created by the company as may be agreed to between the concerned parties".

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things and to sign all such documents and writings as may be necessary, expedient and incidental thereto to give effect to this resolution and for matter connected therewith or incidental thereto."

By order of the Board

Dated : 25.11.2013
Place : Chandigarh

SATISH BAGRODIA
Chairman

WINSOME YARNS LIMITED

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 03.02.2014 to 05.02.2014 (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 Details of Directors seeking re-appointment. (Item No. 2 of the Notice)

Name of Director	Shri Satish Bagrodia
Date of Birth	14.10.1938
Brief Profile	Shri Satish Bagrodia has more than 48 years of experience of setting up and implementing Industrial Projects. He is Chairman of Winsome Textile Industries Limited and Winsome Yarns Limited. He is Past President of PHD Chamber of Commerce & Industry. He was nominated for "Udyog Patra" and "Golden Global Award" and is a recipient of Selection Award and Gold Medal from Transworld Trade Fairs and Udyog Ratna from Govt. of Punjab. He was honoured with 'Eminent Engineers Award', for his long and outstanding contribution to the Textile Industry by the Institution of Engineering (India) and Punjab Ratan by All India Conference of Intellectuals. He is the Founder President of Textile Association of India (PHC Unit) and the Chairman of Advisory Committee, BHU Alumni Association. He is also a member of Governing Council of PTU's Gian Jyoti School of TQM & Entrepreneurship.
Qualifications	B.Sc. Engg. (Mech.), FIE, Diploma in German Language.
Directorship held in other companies.	Winsome Textile Industries Limited IDS Infotech Limited Voguestock Commodities Limited IDS Engineering Limited
Membership/ Chairmanship of Committees of other public companies .	Nil
Shareholding in the Company	42900 equity shares of Rs.10 each.

None of the directors and key managerial persons except Shri Satish Bagrodia and Shri Manish Bagrodia is interested.

- 9 M/s Link Intime India Pvt. Limited, 44, Community Centre, 2nd Floor, Naraina Industrial Area, Phase-I, Near PVR Naraina, 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

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mode, should send their physical shares and letter for change of address and issue of duplicate shares directly to the aforesaid share transfer agent.

- 10 According to section 205(A)(5) of the Companies Act, 1956, the unclaimed/ unpaid dividend for the year 2004-05 and 2005-06 have been transferred to Investor Education and Protection Fund on 22.11.2012 and 25.11.2013 respectively. 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.
- 11 The Registrar of Companies vide its order dated 20.11.2013, under section 166(1) read with second proviso attached thereto, granted the extension of period to hold the Annual General Meeting up to 15th February, 2014.
- 12 The Securities and Exchange Board of India (SEBI) vide its circular number CIR/CFD/DIL/10/2010 dated 16th December, 2010 has amended the Clause 5A(II) of the Listing Agreement that the issuer company shall transfer all undelivered/unclaimed shares, which were issued in PHYSICAL FORM pursuant to a public or any other issue, into one folio in the name of "Unclaimed Suspense Account". Accordingly, the company has opened a demat account on 07.05.2012 in the name of "WINSOME YARNS LIMITED-UNCLAIMED SUSPENSE ACCOUNT" and transferred the unclaimed shares in this account.

Shareholders who have not received their shares, may claim from the registered office of the company by sending the complete details of demat account, copy of PAN Card and address proof.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 (1) OF THE COMPANIES ACT, 2013**ITEM NO. 4**

The Board of Directors have appointed Shri Pradeep Kumar as Additional Director of the Company with effect from 30th September, 2013 in terms of Section 161 of the Companies Act, 2013. Pursuant to the provisions of section 161 of the Companies Act, 2013 and in terms of Article 113 of the Articles of Association of the company, he shall hold office only upto the date of ensuing Annual General Meeting of the Company. The company has received a notice under section 257 of the Companies Act, 1956 from the member of the company proposing his candidature as Director of the Company.

Name of Director	Shri Pradeep Kumar
Date of Birth	15.08.1949
Brief Profile	Shri Pradeep Kumar has served State Bank of Patiala for 39 years. He retired as Dy. General Manager from State Bank of Patiala. During his tenure with the bank, he worked at various levels and acquired varied experience of banking sector. He is also partner in Pharmaceutical firm named Santo Formulations.
Qualifications	B.Sc., CAIIB
Directorship held in other companies.	Ind-Swift Laboratories Limited HIM Teknoforce Limited
Membership/ Chairmanship of Committees of other public companies .	(i) Chairman-Audit Committee of Winsome Yarns Ltd. (ii) Chairman-Remuneration Committee of Winsome Yarns Ltd. (iii) Member-Shareholders/ Investors Grievance Committee of Winsome Yarns Ltd
Shareholding in the Company	Nil

None of the Directors and key managerial persons except Shri Pradeep Kumar is interested or concerned in the resolution mentioned at item no. 4 in the notice of annual general meeting for approval of the members of the company.

ITEM NO. 5

The Board of Directors have appointed Shri Rohtash Kumar Kucheria as Additional Director of the Company with effect from 30th September, 2013 in terms of Section 161 of the Companies Act, 2013. Pursuant to the provisions of section 161 of the Companies Act, 2013 and in terms of Article 113 of the Articles of Association of the company, he shall hold office only upto the date of ensuing Annual General Meeting of the Company. The

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company has received a notice under section 257 of the Companies Act, 1956 from the member of the company proposing his candidature as Director of the Company.

Name of Director	Shri Rohtash Kumar Kucheria
Date of Birth	01.09.1951
Brief Profile	Shri Rohtash Kumar Kucheria has served Punjab National Bank for 39 years. He retired as General Manager from Punjab National Bank on 31st August, 2011. He is an experienced professional with successful career in Banking, Business Development & Administration. He has been awarded Study Tour to Singapore in appreciation of best performance as Sr. Regional Manager, North Delhi. He attended training programme at Chicago, USA conducted by NIBM meant for General Managers of Public Sector Banks and second part conducted by Kellogg's School of Business Management, Chicago. Hon'ble Union Minister of State appreciated him for launching of Janshree Bima Yojna on 31.12.2008, covering 1587 women beneficiaries on the opening day. During his tenure with the bank, he worked at various levels and acquired varied experience of banking sector.
Qualifications	M.A., CAIIB, MBA
Directorship held in other companies	Zorg Financial Services Pvt. Limited
Membership/ Chairmanship of Committees of other public companies .	(i) Chairman-Shareholders/ Investors Grievance Committee of Winsome Yarns Ltd (ii) Member-Audit Committee of Winsome Yarns Ltd (iii) Member-Remuneration Committee of Winsome Yarns Ltd
Shareholding in the Company	Nil

None of the Directors and key managerial persons except Shri Rohtash Kumar Kucheria is interested or concerned in the resolution mentioned at item no. 5 in the notice of annual general meeting for approval of the members of the company.

ITEM NO. 6

The Board of Directors of the Company in their meeting held on 18-10-2013 envisage requirements of funds in future. Hence it is proposed, subject to the approval of shareholders of the Company to empower and authorize the Board of Directors of the Company or its committee thereof, upto the overall limits as had already been approved by the shareholder of the company to borrow money from any Bank(s), Financial Institutions (FIs), Bodies Corporate or Business Associates etc., in excess of paid up capital and free reserves of the Company for the purposes of business activities of the Company from time to time and if need be to sell, lease or mortgage the movable/ immovable assets of the company as per the requirements of lenders/ parties from time to time. This would be regarded as mortgage or sale/ lease of whole or substantially whole of the undertakings of the company.

The Directors recommend the resolution for your approval.

None of the Directors and key managerial persons of the company is personally interested in the resolutions mentioned at item no. 6 in the notice.

DIRECTORS' REPORT**WINSOME YARNS LIMITED**

Your Directors have pleasure in presenting the 23rd Annual Report together with the audited statement of Accounts of the Company for the extended financial year ended 30th September, 2013.

Financial Highlights	Year ended 30.9.2013* (Rs. in lacs)	Year ended 31.3.2012 (Rs. in lacs)
Revenue from Operations	77772.43	43956.05
Profit before Interest, Depreciation & Tax	8514.99	2678.41
Less: Interest	8010.31	4927.09
Profit/(Loss) before Depreciation	504.68	(2248.68)
Less: Depreciation	3267.97	2296.12
Profit/(Loss) before Taxes and exceptional items	(2763.29)	(4544.80)
Exceptional items	3483.85	--
Less : – Current Tax	--	--
– Previous years Tax	--	--
– Deferred Tax	1233.24	(1367.66)
Profit/ (Loss) for the period	(7480.38)	(3177.14)
Add : Surplus brought forward from previous year	(1259.41)	1917.73
Balance Carried to Balance Sheet	(8739.79)	(1259.41)

* Period ended 30-09-2013 is of 18 months.

Operations & Performance

Last five years beginning 2008-09 have been the most challenging period in the history of Indian Textile Industry, which faced multiplicity of adverse factors. Barring the year 2010-11 which reported some recovery, rest of the period was mired in adversities arising from global meltdown, continued slowdown in advanced economies and weakening economic growth in India as well as other developing countries. Business related and political factors also took heavy toll on recovery of the textile industry which witnessed severe power constraints, rising interest rates, wide currency fluctuations, besides considerable mismatch in input/ output costs resulting from ever changing Government Policies relating to export of cotton and cotton yarn and export incentives.

The current period under review faced additional challenges, like sudden glut in the domestic and international market, fluctuating global commodity prices and low demand coupled with high debt which had their own adverse financial impact on the Company.

Further, to contribute in the turnover of the Company, the value added made ups i.e. Knitwear division, as forward integration, had been started some time back. To capture the European and other developed markets for knitwear, the company also acquired knitwear businesses in Europe and floated three subsidiary companies in Europe. However, the recession in European countries effected the knitwear business of the company, due to which the three subsidiaries of the Company in Europe went into liquidation which resulted in severe liquidity problem for the company and put negative impact on the overall performance of the company.

Further, to cater to high value European markets for value added yarn the Company also invested in spinning business in Europe through its subsidiary in Cyprus. However, due to Global recession that spinning business in Europe also went into liquidation.

Further, as backward integration the company started putting up in the year 2009 five micro hydel power projects having total capacity of 3.9 MW to keep a check on the erratic power supply and ever increasing tariffs. However, due to delays in various clearances, the last project could have been commissioned in June, 2013. Further due to less availability of water & stoppage of water supply for long repair & maintenance work of the canal & drainage system, the company could have generated the revenue much less than the required to cover its cost and interest, which resulted in negative impact on the performance of the Company.

All the above mentioned factors coupled together took a heavy toll on the overall performance and the company has ended the 18 months accounting period (which ended on 30-09-2013) with a loss of Rs. 7480.38 lacs in comparison to the net loss of Rs. 3177.14 lacs of previous period of 12 months which ended on 31-03-2012. During the period (18 months) under review your Company has achieved a turnover of Rs. 77772.43 lacs against the previous year's (12 months) turnover of Rs. 43956.05 lacs.

WINSOME YARNS LIMITED

During the period under review there was exceptional increase in losses of the company. This is mainly on account of some exceptional items related to provisions for doubtful debtors, investment and deferred tax assets.

Erosion of Net Worth

As per the audited financial statements as at 30th September 2013, the total losses of the Company have resulted in substantial erosion of the peak net worth during the immediately preceding four financial years. The company in the process of making necessary compliances as per the applicable provisions of Sick Industrial Companies (Special Provisions) Act. 1985.

Outlook:

In order to come out of the difficult situation and explore the current opportunities, the Management of the Company is working on various options and some of the steps which would have an effect on the overall performance of the Company are:

- ❖ The Company is restructuring/ realigning / re-sizing its manufacturing operations including impairment of some of the production facilities to reduce costs by increasing efficiencies, rationalization of manpower and other costs.
- ❖ Efforts continue on development of low cost variants of value added yarns.
- ❖ Exploring possibilities of disposing of non core assets of the Company and the funds so generated will be infused in the working of the company.
- ❖ Efforts to explore and develop overseas markets as export of yarn is profitable on account of appreciation of US dollar.
- ❖ Govt. of Punjab has fully repaired the canal on which all the five Micro Hydel Projects of the Company are situated. With this the water availability will be much better and Company will be able to generate more electricity. This will reduce the power cost.
- ❖ With revival of US economy the demand of yarn will increase, which will result in increase in better margins.

In order to revive the Company and sustain the production, the Company require urgent infusion of funds/ working capital. The management is working in this regard in consultation with its Bankers, the Monitoring Agency for CDR and all other CDR lenders. The Company is quiet confident that with the infusion of requisite funds for which negotiations and discussion are being held with prospective investors/ bankers, the re-sized operations of the Company can be sustained with reasonable margins and profitability.

On the other hand the management of the company is putting in lot of efforts in increasing its sales and profit margins by increased production/ development of value added yarns. In the international market the Company is launching some new products with some major retailers in US as well as Europe. This coupled with market conditions the directors are very confident for revival of the Company.

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 and Winsome Yarns FZE have not been attached in this Annual Report, but the same are available for inspection at the registered office of the company. Further, due to Global recession of which European Countries are the worst affected, the three 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. are under 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 informed that pursuant to General Circular No. 2/2011 issued 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.

ISO 9001/2008

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

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 Satish Bagrodia, Director retire by rotation and being eligible, offer himself for re-appointment.

During the year 2012-13, the Punjab National Bank has nominated Shri Joginder Kumar Gupta, FGM as nominee director of the Company in place of Shri Vinay Kumar. Board of Directors in their meeting held on 14.08.2013 appointed to Shri Joginder Kumar Gupta as Nominee Director of the Company.

Further, Shri Brij Mohan Khanna has resigned from the directorship of the company and the Board has approved the same in its meeting held on 14.08.2013. Shri Chandra Mohan and Shri Ashish Bagrodia have also resigned from the directorship of the company and the Board has approved the same by circular resolution on 30.09.2013. Further, the Board of Directors vide circular resolutions dated 30.09.2013 have appointed Shri Pradeep Kumar and Shri Rohtash Kumar Kucheria as Additional Directors of the Company w.e.f. 30.09.2013.

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, Winsome Yarns (Cyprus) Limited and Winsome Yarns FZE 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 2013-14. 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 Aggarwal Vimal & Associates, Cost Accountants, having its office at SCO 124-125, Sector 34-A, Chandigarh to carryout the audit for the financial year 2013-2014. Further the cost audit report for the financial year 2011-12 had been filed on 15.01.2013 (Due date on 28.02.2013) vide SRN-S19924042.

Auditors' Report

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

Particulars of Employees

None of the employees is covered under section 217(2A) of the Companies Act, 1956 read with Companies (particulars of Employees) Rules, 1975 as amended.

Management's Discussion and Analysis Report

Management's Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is presented in a separate section forming part of the Annual 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 30th September, 2013, 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 30th September, 2013 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.

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 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.

Next financial year of the Company

Next financial year of the Company shall be for a period of six months starting from 1st October, 2013 and ending on 31st March, 2014.

Acknowledgement

Your Directors wish to place on record their deep appreciation of the timely support provided by the Company's bankers, all the vendors and the dedication and commitment of the employees at all levels. We are sure 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

Dated : 18.10.2013

Satish Bagrodia

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.

(A) Attention is drawn to:

- (i) *Note No. 2.17 regarding pending confirmation/ reconciliation of balances of certain receivables (including oversea overdue receivables as stated in note no. 2.10) and payables (including of a Associate Company, in this respect impact is unascertainable and cannot be commented by us. As explained, the exercise of reconciliation is being carried out on regular basis, in our view internal control needs to be further strengthened in this regards.*
- (ii) *Note No. 2.11 regarding non provision against certain overdue receivables in respect of commission and Handling Charges of Rs. 944.33 lacs and loans and advances of amounting to Rs. 828.71 lacs, for the reasons as stated in the said note.*
- (iii) *Note No. 2.25(A)(iv)(a) to (c) regarding accounting of consumption as balancing figure And the valuation of inventories is as taken, valued and certified by the management, the impact whereof on the statement of profit and loss and state of affairs not being ascertained.*