

# winsome

## Yarns Limited

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WYL/SECT/  
15.02.2020

BSE Limited  
Dept. of Corporate Service  
1st Floor, New Trading Ring  
Rotunda Building, P. J. Towers  
Dalal Street, Fort, **MUMBAI-400001**

Script Code : 514348

National Stock Exchange of India Ltd  
**Listing Department**  
"Exchange Plaza" Bandra-Kurla Complex  
Bandra (E), **MUMBAI - 400051**

Script Code : WINSOME

**Sub : Limited Review Report for the quarter ended December 31, 2019.**

Dear Sir/Madam,

Please find enclosed herewith Limited Review Report for the quarter ended December 31, 2019 of the Statutory Auditors of the Company.

This is for your information and records please.

Thanking you,

Yours faithfully,

For **WINSOME YARNS LIMITED**



(RAJPAL S RATHORE)  
Dy. Manager (Legal & Secretarial)  
Mobile No.9855601267  
Email : [cshare@winsomegroup.com](mailto:cshare@winsomegroup.com)



IS/ISO  
9001



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Independent Auditor's Review Report on Standalone Financial Result of the Winsome Yarn Limited Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To Board of Director of Winsome Yarn Limited

1. We have reviewed the accompanying statement of standalone unaudited financial result ("the statement") of WINSOME YARN LIMITED ("the company"), for the quarter and nine months ended 31<sup>st</sup> December, 2019, being submitted by the company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ('Listing Regulations').
2. This statement which is the responsibility of company's management and approved by company's board of directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, "Interim financial reporting" ("Ind AS 34"), prescribed under section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the statement in accordance with the Standard on Review Engagements (SRE) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Institute of Chartered Accountant of India (ICAI). A review of interim financial information consists of making inquiries, primarily of the company's personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with standards on auditing specified under section 143(10) of the companies Act, 2013 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
4. We draw attention to qualified conclusion
  1. In view of accumulated losses of the Company as at the end of quarter ended December 31<sup>st</sup>, 2019, the net worth of the Company as at that date being negative, continuous losses, negative cash flows and due to financial constraints and resignation of KMPs and directors, material uncertainty exists about the company ability to continue as going concern. The decision of management of the Company to prepare the accounts of the Company on going concern basis for reasons that, (a) proposed rehabilitation plan of the Company is under discussions with majority of lenders, and (b) future business plans of the Company and expected cash flows therefrom will suffice to service restructured debts of the Company, there would arise a need to adjust the realizable value of assets and liabilities in the event of

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Dimapuri, Agra

Peer Review Certificate No. 011580 Dated 05th March 2019





failure of assumptions as to going concern, and in the absence of impact of aforesaid assumptions having been un-ascertained, we are unable to comment thereon.

- II. The unaudited standalone financial result for the quarter and nine months ended on December 31<sup>st</sup>, 2019 are understated due to:  
Non provisioning of interest expenses, on borrowings, of Rs.10906.24 Lakhs for the nine months ended on December 31<sup>st</sup>, 2019 (Rs. 8256.50 Lakhs for the nine months ended on December 31<sup>st</sup>, 2018) In the absence of statement of account, the above amount has been arrived at as per estimates of the Company, and the aggregate unprovided amount in books of account of the Company is not ascertainable with accuracy.
- III. Amount towards penal interest, penalty, etc. as may be charged by the lenders also not provided and in the absence of statement of account, the above unprovided amount in books of account of the Company is not ascertainable with accuracy.
- IV. As stated in note no. 9 of unaudited standalone financial result, company have investment in money market of 4862.11 redeemable shares of USD 1000 each, out of GDR's issued by the company are invested in Arise Money Market instrument outside India. As per information given to us, the balance above is as per rate of exchange prevailing at the time of investment, and is subject to adjustment in rate of foreign exchange and accruals on money market investments. In respect of its realizability/receipt, we are unable to comment. The measurement of investment is not in line with Ind AS 109 "Financial Instruments" and exchange fluctuation in respect thereto is not in line with Ind AS 21 "The Effects of Changes in Foreign Exchange Rates" respectively, which has the effect of understatement of investment by Rs. 902.16lakh as at December 31<sup>th</sup>, 2019 (Rs. 895.61lakhs as at December 31<sup>st</sup>, 2018).
- V. Regarding provisions in case of investments in subsidiaries, written off/written back and adjustment/ set off of payment of receivables/payables from/to overseas parties/suppliers, which is pending necessary approval of the competent authority.
- VI. The Internal Control Systems need to be further strengthened in order that they are commensurate with the size of the Company and the nature of its business, more particularly in areas of, purchases and consumption of materials, charging of expenses, set-off of balances, and invoicing of sale of goods and services.
- VII. Confirmation of balances and reconciliation thereof with respective parties are pending, which include balances pertaining to, accounts receivable and payable (including Associate Company/ies), bank balances, secured loans, other liabilities, loans and advances recoverable, and contingent liabilities. All balances have been certified by the management of the Company. In the absence of the Company having aforementioned details, the impact thereof is unascertainable, and therefore, not being commented. Further strengthening of internal controls by the Company will provide greater liability.





VIII. Refer to the audit report for the year ended 31<sup>st</sup> March 2018 and 31<sup>st</sup> March 2019, the management of the company noticed and found fraud in the nature of shortage/misappropriation of goods stored at its Ludhiana Branch during the financial year 2017-18 by its employee/s against which the management took action by lodging F.I.R. with the concerned Police Station and investigation in the matter is pending. The misappropriation of goods has been valued at Rs. 70 Lakhs against which some of the parties to whom goods were sold by the concerned employees have confirmed having received the goods and also confirmed to the Company as having made payment against the same. The Company also filed its claim to insurance company under Employee Fidelity Insurance, effect whereof has been accounted in the books of account of the Company, considering the ongoing recovery process of its claims and as per information given to us by management the matter is still pending and same as it is in previous financial year.

5. We would like to draw attention to the following matters as stated in the unaudited standalone financial result:

- i) As stated in Note no. 8 in the standalone financial result, as per information given to us, the company has made advance payment of Rs. 2268.50 Lakhs to Edelweiss Assets Reconstruction Company during the financial ending March 31<sup>st</sup>, 2019 for advance against restructuring of loan. Loan outstanding from Edelweiss Assets Reconstruction Company amounting of Rs. 47071.07 Lakhs.
- ii) The lender Edelweiss Assets Reconstruction Company Limited and Indian Overseas Bank has filed an application against company under section 7 of the Insolvency & Bankruptcy Code, 2016 before National Company Law Tribunal, Chandigarh Branch.

For KHANDELIA & SHARMA

Chartered Accountants

Firm Registration No: 5105254

  


CA. Arun Khandelia

Partner

Membership No.: 089125

UDIN: 20089125AAAAAO5232

Place : New Delhi (Camp at Chandigarh)

Date : 13-February-2019



**Independent Auditor's Review Report on Consolidated Financial Result of the Winsome Yarn Limited Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

**To Board of Director of Winsome Yarn Limited**

1. We have reviewed the accompanying statement of consolidated unaudited financial result ("the statement") of WINSOME YARN LIMITED ("the parent"), and its subsidiaries (the parent and its subsidiaries together referred to as "the group"), for the quarter and nine months ended 31<sup>st</sup> December, 2019, being submitted by the company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ('Listing Regulations').
2. This statement which is the responsibility of parent's management and approved by parent's board of directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, "Interim financial reporting" ("Ind AS 34"), prescribed under section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the statement in accordance with the Standard on Review Engagements (SRE) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Institute of Chartered Accountant of India (ICAI). A review of interim financial information consists of making inquiries, primarily of the parent's personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with standards on auditing specified under section 143(10) of the companies Act, 2013 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
4. We draw attention to qualified conclusion:
  - i. In view of accumulated losses of the Group as at the end of quarter ended December 31<sup>st</sup>, 2019, the net worth of the Group as at that date being negative, continuous losses, negative cash flows and due to financial constraints and resignation of KMPs





and directors, material uncertainty exists about the Group ability to continue as going concern. The decision of management of the Group to prepare the accounts of the Company on going concern basis for reasons that, (a) proposed rehabilitation plan of the Holding Company is under discussions with majority of lenders, and (b) future business plans of the Group and expected cash flows therefrom will suffice to service restructured debts of the Holding Company, there would arise a need to adjust the realizable value of assets and liabilities in the event of failure of assumptions as to going concern, and in the absence of impact of aforesaid assumptions having been un-ascertained, we are unable to comment thereon.

- II. The unaudited consolidated financial result for the quarter ended on September 30<sup>th</sup>, 2019 are understated due to:  
Non provisioning of interest expenses, on borrowings, of Rs. 10906.24 Lakhs for the half year ended on December 31<sup>st</sup>, 2019 (Rs. 8256.50 Lakhs for the nine months ended on December 31<sup>st</sup>, 2018) In the absence of statement of account, the above amount has been arrived at as per estimates of the Company, and the aggregate unprovided amount in books of account of the Company is not ascertainable with accuracy.
- III. Amount towards penal interest, penalty, etc. as may be charged by the lenders also not provided and in the absence of statement of account, the above unprovided amount in books of account of the Company is not ascertainable with accuracy.
- IV. As stated in note no. 9 of unaudited consolidated financial result, company have investment in money market of 4862.11 redeemable shares of USD 1000 each, out of GDR's issued by the company are invested in Arise Money Market instrument outside India. As per information given to us, the balance above is as per rate of exchange prevailing at the time of investment, and is subject to adjustment in rate of foreign exchange and accruals on money market investments. In respect of its realizability/receipt, we are unable to comment. The measurement of investment is not in line with Ind AS 109 "Financial Instruments" and exchange fluctuation in respect thereto is not in line with Ind AS 21 "The Effects of Changes in Foreign Exchange Rates" respectively, which has the effect of understatement of investment by Rs. 902.16 lakh as at December 31<sup>st</sup>, 2019 (Rs. 895.61 lakhs as at December 31<sup>st</sup>, 2018).
- V. Regarding written off/written back and adjustment/ set off of payment of receivables/payables from/to overseas parties/suppliers, which is pending necessary approval of the competent authority.
- VI. The Internal Control Systems need to be further strengthened in order that they are commensurate with the size of the Group and the nature of its business, more particularly in areas of, purchases and consumption of materials, charging of expenses, set-off of balances, and invoicing of sale of goods and services.





- VII. Confirmation of balances and reconciliation thereof with respective parties are pending, which include balances pertaining to, accounts receivable and payable (including Associate Company/ies), bank balances, secured loans, other liabilities, loans and advances recoverable, and contingent liabilities. All balances have been certified by the management of the Holding Company. In the absence of having aforementioned details, the impact thereof is unascertainable, and therefore, not being commented. Further strengthening of internal controls by the Holding Company will provide greater reliability.
- VIII. Refer to the audit report for the year ended 31<sup>st</sup> March 2018 and 31<sup>st</sup> March 2019, the Holding Company had noticed and found fraud in the nature of shortage/misappropriation of goods stored at its Ludhiana Branch during the financial year 2017-18 by its employee/s against which the management of holding company took action by lodging F.I.R. with the concerned Police Station and investigation in the matter is pending. The misappropriation of goods has been valued at Rs. 70 Lakhs against which some of the parties to whom goods were sold by the concerned employees have confirmed having received the goods and also confirmed to the Holding Company as having made payment against the same. The holding Company also filed its claim to insurance company under Employee Fidelity Insurance, effect whereof has been accounted in the books of account of the holding Company, considering the ongoing recovery process of its claims and as per information given to us by management of holding company the matter is still pending and same as it is in previous financial year.
- IX. We have not been provided the financial statement/financial information of subsidiary companies (1) Winsome Yarns (Cyprus) Ltd., (2) Winsome Yarns FZE, (3) S.C. Winsome Romania s.r.l., (4) I.M.M Winsome Italia s.r.l., (5) S.C. Textile s.r.l. . Therefore, we are unable to comment about any possible effect of these subsidiary companies in consolidated unaudited financial result for the period ending December 31<sup>st</sup>, 2019.
5. We would like to draw attention to the following matters as stated in the unaudited consolidated financial result:
- i) As stated in Note no. 8 in the unaudited consolidated financial result, as per information given to us, the holding company has made advance payment of Rs. 2268.50 Lakhs to Edelweiss Assets Reconstruction Company during the financial ending March 31<sup>st</sup> 2019 for advance against restructuring of loan. Loan outstanding from Edelweiss Assets Reconstruction Company amounting of Rs. 47071.07 Lakhs.



ii) The lender Edelweiss Assets Reconstruction Company Limited and Indian Overseas Bank has filed an application against the holding company under section 7 of the Insolvency & Bankruptcy Code, 2016 before National Company Law Tribunal, Chandigarh Branch.

For Khandelia & Sharma

Chartered Accountants

Firm Registration No: 510525C

*Arun Khandelia*



CA. Arun Khandelia

Partner

Membership No.: 089125

UDIN: 20089125AAAAAP1185

Place : New Delhi (Camp at Chandigarh)

Date : 13-February-2020