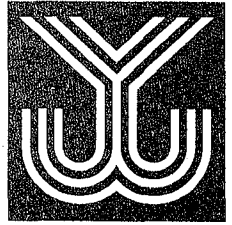


WYL/SECT/  
27.05.2019

**winsome**  
Yarns Limited

Regd. Office : SCO # 191-192, Sector 34-A,  
Chandigarh - 160 022 INDIA  
CIN : LI7115CH1990PLC010566  
Phones : +91-172-2603966, 4612000, 4613000  
Fax : +91-172-4614000  
e-mail : [exports@winsomegroup.com](mailto:exports@winsomegroup.com)  
website: [www.winsomegroup.com](http://www.winsomegroup.com)



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: Outcome of Board Meeting under Regulation 33 of LODR.  
(Audited Financial Results for the year 2018-19)**

Dear Sir/Madam,

Pursuant to Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith Audited Financial Results of the Company for the Quarter and Year ended 31<sup>st</sup> March, 2019, duly approved by the Board of Directors of the Company at its meeting held on 27.05.2019 along with duly signed Auditors Report and Form 'B'.

The meeting of the Board of Directors of the Company commenced at 11.30 a.m. and concluded at 8.16 p.m.

This is for your information and records please.

Thanking you,

Yours faithfully,  
**For WINSOME YARNS LIMITED**

(K. V. SINGHAL)  
GM (Legal) & Company Secretary  
Mobile No. 9914030030  
Email : [kvsinghal@winsomegroup.com](mailto:kvsinghal@winsomegroup.com), [cshare@winsomegroup.com](mailto:cshare@winsomegroup.com)

Encl : as above.



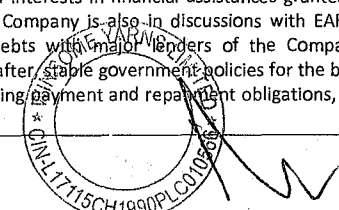
**WINSOME YARNS LIMITED**

Regd. Office: SCO # 191-192, Sector 34-A, Chandigarh - 160022

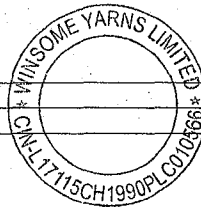
CIN : L17115CH1990PLC010566, Email – cshare@winsomergroup.com, Website – www.winsomergroup.com Phone No.91-172-4613000, Fax No.91-172-4614000

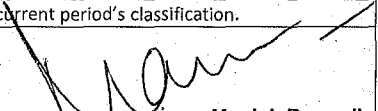
**AUDITED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED ON 31ST MARCH 2019**

PART-I Sr. No.	Particulars	Rs.in Lakhs						
		Standalone			Consolidated			
		Unaudited			Audited			
		Quarter Ended			Year Ended			
	31.03.2019	31.12.2018	31.03.2018	31.03.2019	31.03.2018	31.03.2019	31.03.2018	
	<b>Revenue</b>							
1	Income from operations	4238	6473	8768	25025	33305	25025	33305
2	Other Income	67	7	107	204	182	204	182
3	Total Revenue(1+2)	4,305	6,480	8,875	25,229	33,487	25,229	33,487
4	<b>Expenses</b>							
	(a) Cost of Material consumed	2267	3949	6029	15085	21858	15085	21858
	(b) Purchase of stock-in-trade	0	-	-	22	-	22	-
	(c) Excise Duty	0	-	-	-	2	0	2
	(d) Changes in Inventories of finished goods, Work in progress & stock in trade	(41)	496	229	1,179	1,095	1179	1,095
	(e) Employee Benefit expense	722	818	872	3354	3524	3354	3524
	(f) Finance cost	4	5	7	26	37	26	37
	(g) Depreciation & Amortisation expenses	401	399	427	1610	1707	1610	1707
	(h) Other expenses	1608	1349	2034	6439	7356	6445	7361
	<b>Total Expenses</b>	4,961	7,016	9,598	27,715	35,579	27,721	35,584
5	<b>Profit/(Loss) from Operations before Exceptional Items and tax.(3-4)</b>	(656)	(536)	(723)	(2,486)	(2,092)	(2,492)	(2,097)
6	Exceptional Items	(10)	-	-	9,016	(297)	9,016	(297)
7	<b>Profit/(Loss) before Tax (5-6)</b>	(646)	(536)	(723)	(11,502)	(1,795)	(11,508)	(1,800)
8	Tax Expense							
	- Current Tax	-	-	-	-	-	-	-
	- Earlier years Tax	-	-	-	-	-	-	-
	- Deferred Tax Liability/(Asset)	-	-	-	-	-	-	-
9	<b>Profit/(Loss) after tax (7-8)</b>	(646)	(536)	(723)	(11,502)	(1,795)	(11,508)	(1,800)
10	Other Comprehensive income	15	-	13	15	13	15	13
11	<b>Total Comprehensive income(9+10)</b>	(631)	(536)	(710)	(11,487)	(1,782)	(11,493)	(1,787)
12	Paid - up Equity Capital (Face Value – Rs. 10/- each)	7,071	7,071	7,071	7,071	7,071	7,071	7,071
13	Earnings Per Share of Rs 10/- each (Not Annualised) - Basic & Diluted (Rs.)	(0.89)	(0.76)	(1.00)	(16.25)	(2.52)	(16.25)	(2.53)
Notes:								
1	The above unaudited standalone financial results were reviewed by the Audit Committee and approved by the Board of Directors at its meeting held on May 27, 2019.							
2	The Statutory Auditors of the Company have carried out the Limited Review of the above unaudited standalone financial results pursuant to Regulation 33 of the SEBI (Listing Obligation and Disclosures Requirements) Regulations, 2015, and have issued their Limited Review Report on the same.							
3	The Company has adopted Indian Accounting Standards ("Ind AS") from April 01, 2017 (transition date to Ind AS is April 01, 2016) and the unaudited standalone financial results have been prepared in accordance with the recognition and measurement principles of Indian Accounting Standards as notified under the Companies (Indian Accounting Standards) Rules, 2015, as specified in section 133 of the Companies Act, 2013.							
4	Effective April 01, 2018, the Company adopted Ind AS 115 "Revenue from Contracts with Customers" using the cumulative catch up transition method which is applied to contracts that were not completed as of April 01, 2018. Accordingly, the comparatives have not been retrospectively adjusted. The effect of adoption of Ind AS 115 was insignificant on the financial statements.							
5	In line with the provisions of Ind AS-108 'Operating Segments' as notified under the Companies (Ind AS) Rules, 2015, and as provided in section 133 of the Companies Act, 2013, the operations of the Company fall under one line of business activity namely, Textiles (Yarn, Knitwear & related revenue), which is considered to be the only reportable segment by the management.							
6	The Company has made provisions for doubtful debts of Rs.9016.05 Lakhs against long outstanding trade receivables including overseas overdue trade receivables of Rs.5989.20 Lakhs during the year ended March 31, 2019. The aforesaid provision for doubtful debts have been made based on continuous evaluation and assessment of recoverability of trade receivables by the Company, which is undertaken on regular basis.							
7	Auditors remarks on accounts for the quarter and year ended March 31, 2019: (a) Regarding preparation of accounts on going concern basis despite accumulated losses of the Company being substantially in excess of its net worth: Management Response: Read with Note No. 8 hereinbelow; (b) Regarding no provision having been made against certain long outstanding loans and advances: Management response: The Management has taken up necessary steps for reconciliation and recovery, and the same is part of continuous evaluation and assessment of their recoverability, undertaken by the management of the Company on regular basis; (c) Regarding non-provision for interest and penalty on Borrowings: Management response: Read with Note No. 8 hereinbelow; (d) Regarding pending receipt of part money of GDR invested in money market instrument outside India, non accounting of the same at fair value and non-recognition of exchange fluctuation in respect thereto: Management response: Read with Note No. 9 hereinbelow; (e) Regarding provisions made in books of account in case of investments in subsidiaries, amounts to be written off/written back and adjustment/set off of payment of receivables/payable from/to overseas parties/suppliers, which are pending necessary approval of the competent authority: Management Response: The Company is in the process of obtaining necessary approvals from the competent authority/ies; (f) Regarding pending confirmation/reconciliation of balances of certain receivables (including overseas overdue receivables), bank balances, payables, secured loans, contingent and other liabilities, loans and advances - impact unascertainable): Management response: Steps for confirmation and reconciliation of amounts have since been initiated. The Management is of the opinion that adjustments, if any, arising out of aforesaid reconciliation would not be material, except in case of unprovided interest on borrowings and that appropriate impact thereof will be ascertainable on restructuring of borrowings of the Company, currently in discussions							
8	Due to continuous losses and resulting constraints of liquidity, the Company was not able to make payments, including towards installments of borrowings and interest thereon, both in respect of term loans and working capital as they fell due. Interest on term loans and working capital, including overdue amount, penal interest, etc. for the period October 2014 to March 31, 2019 (amount unascertained) has not been provided in books of account, and that the same will be provided / accounted for as and when the Company's debt restructuring plan is approved and given effect to by the respective lenders / assignee thereof. 6 (six) number banks have since assigned and transferred their debts due from the Company, alongwith the underlying rights, title and interests in financial assistances granted to the Company, to Edelweiss Assets Reconstruction Company Limited (EARC), an Asset Reconstruction Company. The Company is also in discussions with EARC for a structured payment plan of its restructured dues. Considering the ongoing discussion for restructuring of debts with major lenders of the Company and implementation of business plan of the Company for technical upgradation and expected cash flows resulting thereafter, stable government policies for the business, the Management of the Company expects that its cash flows in the near future will be sufficient to meet the resulting payment and repayment obligations, and the accounts of the Company are therefore, prepared on 'Going Concern' basis.							



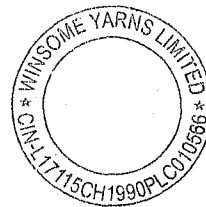
9	An amount of USD 48,62,110 (Rs. 2568.41 Lakhs) out of GDR's issued by the Company, being balance pending repatriation, has been invested in money market instruments outside India as the GDR proceeds are earmarked for utilisation for setting up a Yarn Dying Plant, which could not be implemented for want of support of lenders. The Management of the Company is engaged in firming an active plan for implementation of its proposal for setting up of a Yarn Dying Plant, and upon its finalisation, the aforesaid amount will be utilised for investment and on that date effect of any gain/loss shall be accounted in the books of account of the Company on account accrual and exchange fluctuation. The GDR's, which was earlier listed at the Luxembourg Stock Exchange, have since been delisted.
10	The figures for the previous quarter and year have been regrouped / rearranged, wherever necessary, to confirm to the current period's classification.
Place:	Chandigarh
Date :	27th May, 2019.



  
**Manish Bagrodia**  
**Chairman and Managing Director**  
**DIN No.00046944**

Winsome Yarns Limited  
SCO -191,192 Sector 34-A, Chandigarh -160022  
Audited Standalone Statement of Asset and Liabilities

Particulars	Standalone		Consolidated	
	(Rs. In Lakhs)		(Rs. In Lakhs)	
	As at		As at	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	20,669	22,239	20,669	22,239
Capital Work In Progress	-	-	-	-
Other Intangibles Assets	27	11	27	11
<b>Financial assets</b>				
Investments	-	-	-	-
Loans	2	2	2	2
Deferred tax assets (net)	44	44	44	44
Other Non- Current assets	3,161	2,566	3,161	2,566
<b>Total of non-current assets (a)</b>	<b>23,903</b>	<b>24,862</b>	<b>23,903</b>	<b>24,862</b>
<b>Current assets</b>				
Inventories	2,869	4,238	2,869	4,238
<b>Financial assets</b>				
Loans	24	18	24	18
Investment	2,568	2,679	2,568	2,679
Trade receivables	1,735	12,185	1,778	12,225
Cash and cash equivalents	150	209	156	215
Other bank Balance	31	32	31	32
Other financial assets	1,012	1,047	1,012	1,048
Current Tax Assets	110	100	110	100
Other current assets	925	1,067	925	1,067
<b>Total of current assets (b)</b>	<b>9,424</b>	<b>21,575</b>	<b>9,473</b>	<b>21,621</b>
<b>Total of assets (a+b)</b>	<b>33,327</b>	<b>46,437</b>	<b>33,376</b>	<b>46,483</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	7,070	7,071	7,071	7,071
Other equity	(37,006)	(25,520)	(36,991)	(25,501)
<b>Total of equity (a)</b>	<b>(29,936)</b>	<b>(18,449)</b>	<b>(29,920)</b>	<b>(18,430)</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Deferred grant income	78	88	78	88
Provisions	202	192	202	192
<b>Total of non-current liabilities (b)</b>	<b>280</b>	<b>280</b>	<b>280</b>	<b>280</b>
<b>Current liabilities</b>				
<b>Financial liabilities</b>				
Borrowings	55,636	55,737	55,636	55,737
Trade Payables	4,304	5,646	4,312	5,654
Other financial liabilities	2,932	3,134	2,957	3,153
Deferred grant income	9	9	9	9
Other current liabilities	72	57	72	57
Provisions	30	23	30	23
<b>Total of current liabilities (c)</b>	<b>62,983</b>	<b>64,606</b>	<b>63,016</b>	<b>64,633</b>
<b>Total of liabilities (d = b+c)</b>	<b>63,263</b>	<b>64,886</b>	<b>63,296</b>	<b>64,913</b>
<b>Total of equity and liabilities (a+d)</b>	<b>33,327</b>	<b>46,437</b>	<b>33,376</b>	<b>46,483</b>



**Independent Auditor's 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**

We have audited the annual standalone financial result ("the statement") of WINSOME YARN LIMITED ("the company") for the year ended 31<sup>st</sup> March, 2019 attached herewith, being submitted by the company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. These standalone financial result are based on the standalone financial statements for the year ended 31<sup>st</sup> March, 2019 prepared in accordance with the accounting principles generally accepted in India, including Indian Accounting Standards ('Ind AS') specified under section 133 of the Companies Act, 2013 ('the Act') and published standalone year to date figures up to the end of the third quarter of the financial year prepared in accordance with the recognition and measurement principles laid down in Ind AS 34, Interim Financial Reporting, specified under section 133 of the Act, and SEBI Circular CIR/CFD/CMD/15/2015 dated 30<sup>th</sup> November 2015 and SEBI Circular CIR/CFD/FAC/62/2016 dated 5<sup>th</sup> July 2016, which are the responsibility of the Company's Management. Our responsibility is to express opinion on these standalone financial result are based on our audit of the standalone financial statements for the year ended 31<sup>st</sup> March, 2019 and our review of standalone financial result for the nine-month period ended 31<sup>st</sup> December, 2018.

We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the standalone financial result is free of material misstatement(s). an audit also include examining, on a test basis, evidence supporting the amounts disclosed in standalone financial result. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

We draw attention to:

1. In view of accumulated losses of the Company as at the end of March 31, 2019, the net worth of the Company as at that date being negative, continuous losses, negative cash flows and due to financial constraints, 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 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.

2. The standalone financial result for the year ended on March 31, 2019 are understated due to:
  - a) Non provisioning of interest expenses, on borrowings, of Rs. 11168.88 Lakhs for the year ended on March 31, 2019 (Rs. 9671.90 Lakhs for the year ended on March 31, 2018), and Rs. 39813.00 Lakhs being aggregate amount of interest unprovided till the year ended March 31, 2019 (Rs. 28644.12 Lakhs till the year ended March 31, 2018), and further amount towards penal interest, penalty, etc. as may be charged by the lenders. (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).
  - b) Non provisioning against long outstanding receivables of Rs. 492.12 Lakhs (Rs. 9609.58 Lakhs as at March 31, 2018) including of overseas overdue trade receivables. Further the accounting for exchange fluctuation in respect of overseas trade receivables and export advances is not in line with Ind AS-21 "The Effects of Changes in Foreign Exchange Rates" and accordingly, we are unable to comment its impact on standalone financial result.
3. Non-provisioning against loans and advances (including other current assets) of Rs. 1331.29 Lakhs. (Rs. 1569.63 Lakhs as at March 31, 2018)
4. The principles of Ind AS - 12 states that, the carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. However, the company has not provided any document related to review of deferred tax assets amounting to Rs. 44.36 Lakhs in its standalone financial result as on 31st March, 2019. In the absence of such review of deferred tax assets, we are unable to comment upon possible impact on the standalone financial result.
5. As stated in note no. 9 of standalone financial result, company have investment in money market of 4862.11 redeemable shares of USD 1000 each in Arise Money Market Fund. 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 realisability/receipt, we are unable to comment. The non-accounting of investment at fair value and non-recognition of exchange fluctuation in respect thereto is not in



line with Ind AS 109 "Financial Instruments" and Ind AS-21 "The Effects of Changes in Foreign Exchange Rates" respectively, which has the effect of understatement of investment by Rs. 793.73 lakhs as at March 31<sup>st</sup> 2019 (Rs. 686.63 lakhs as at March 31<sup>st</sup> 2018) overstatement of losses by Rs. 199.63 lakhs for the year ended March 31<sup>st</sup> 2019. (Rs. 10.63 lakhs as at March 31<sup>st</sup> 2018)

6. 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.
7. 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.
8. 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 reliability.
9. As per the audit report of previous auditors for the year ended 31<sup>st</sup> March 2018, they 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 previous financial year.




Our opinion is not modified in respect of this matter.

We would like to draw attention to the following matters as stated in the 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 for advance against restructuring of loan. Loan outstanding from Edelweiss Assets Reconstruction Company amounting of Rs. 47049.46 Lakhs.
- ii) As stated in Note no. 6 in the standalone financial result, the company has made provision for bad debts amounting of Rs. 9016.05 Lakhs as an exceptional item in the standalone financial result.
- iii) We draw attention to the users of the standalone financial result of the company ended on 31<sup>st</sup> March, 2019, that 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.

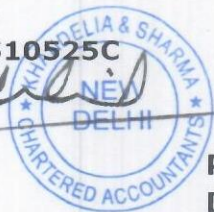
**For Khandelia & Sharma  
Chartered Accountants**

**Firm Registration No: 510525C**



**CA. Arun Khandelia  
Partner**

**Membership No.: 089125**



**Place : New Delhi (Camp at Chandigarh)**

**Date : 27-May-2019**



**Independent Auditor's 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**

We have audited the annual consolidated financial result ("the statement") of WINSOME YARN LIMITED ("the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), for the year ended 31<sup>st</sup> March, 2019, being submitted by the holding company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. These consolidated financial result are based on the consolidated financial statements for the year ended 31<sup>st</sup> March 2019 prepared in accordance with the accounting principles generally accepted in India, including Indian Accounting Standards ('Ind AS') specified under section 133 of the Companies Act, 2013 ('the Act') and published consolidated year to date figures up to the end of the third quarter of the financial year prepared in accordance with the recognition and measurement principles laid down in Ind AS 34, Interim Financial Reporting, specified under section 133 of the Act, and SEBI Circular CIR/CFD/CMD/15/2015 dated 30<sup>th</sup> November 2015 and SEBI Circular CIR/CFD/FAC/62/2016 dated 5<sup>th</sup> July 2016, which are the responsibility of the Company's Management. Our responsibility is to express opinion on these consolidated financial result are based on our audit of the consolidated financial statements for the year ended 31<sup>st</sup> March 2019 and our review of consolidated financial result for the nine-month period ended 31<sup>st</sup> December 2018.

We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial result is free of material misstatement(s). an audit also include examining, on a test basis, evidence supporting the amounts disclosed in consolidated financial result. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

We draw attention to:

1. In view of accumulated losses of the Group as at the end of March 31, 2019, the net worth of the Group as at that date being negative, continuous losses, negative cash flows and due to financial constraints, 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.

2. The consolidated financial result for the year ended on March 31, 2019 are understated due to:
  - a) Non provisioning of interest expenses, on borrowings, of Rs. 11168.88 Lakhs for the year ended on March 31, 2019 (Rs. 9671.90 Lakhs for the year ended on March 31, 2018), and Rs. 39813.00 Lakhs being aggregate amount of interest unprovided till the year ended March 31, 2019 (Rs. 28644.12 Lakhs till the year ended March 31, 2018), and further amount towards penal interest, penalty, etc. as may be charged by the lenders. (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).
  - b) Non provisioning against long outstanding receivables of Rs. 492.12 Lakhs (Rs. 9609.58 Lakhs as at March 31, 2018) including of overseas overdue trade receivables. Further the accounting for exchange fluctuation in respect of overseas trade receivables and export advances is not in line with Ind AS-21 "The Effects of Changes in Foreign Exchange Rates" and accordingly, we are unable to comment its impact on consolidated financial result.
3. Non provisioning against loans and advances (including other current assets) of Rs. 1331.29 Lakhs (Rs. 1569.63 Lakhs as at March 31, 2018)
4. The principles of Ind AS - 12 states that, the carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. However, the holding company has not provided any document related to review of deferred tax assets amounting to Rs. 44.36 Lakhs in its consolidated financial result as on 31st March, 2019. In the absence of such review of deferred tax assets, we are unable to comment upon possible impact on the consolidated financial result.
5. As stated in note no. 9 of consolidated financial result, the holding company have investment in money market of 4862.11 redeemable shares of USD 1000 each in Arise Money Market Fund. 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 realisability/receipt, we are unable to comment. The non-accounting



of investment at fair value and non-recognition of exchange fluctuation in respect thereto is not in line with Ind AS 109 "Financial Instruments" and Ind AS-21 "The Effects of Changes in Foreign Exchange Rates" respectively, which has the effect of understatement of investment by Rs. 793.73 lakhs as at March 31<sup>st</sup> 2019 (Rs. 686.63 lakhs as at March 31<sup>st</sup> 2018) overstatement of losses by Rs. 199.63 lakhs for the year ended March 31<sup>st</sup> 2019. (Rs. 10.63 lakhs as at March 31<sup>st</sup> 2018)

6. 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 by the holding company.
7. 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.
8. 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 reliability.
9. As per the audit report of previous auditors for the year ended 31<sup>st</sup> March 2018, they 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 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 the holding company the matter is still pending and same as it is previous financial year.
10. 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 and (5) S.C. Textile s.r.l, Therefore, we are unable to comment about any possible effect of these subsidiary companies in consolidated financial result for the period ending 31<sup>st</sup> March 2019.



Our opinion is not modified in respect of this matter.

We would like to draw attention to the following matters as stated in the consolidated financial result:

- i) As stated in Note no. 8 in the 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 for advance against restructuring of loan. Loan outstanding from Edelweiss Assets Reconstruction Company amounting of Rs. 47049.46 Lakhs.
- ii) As stated in Note no. 6 in the consolidated financial result, the company has made provision for bad debts amounting of Rs. 9016.05 Lakhs as an exceptional item in the consolidated financial result.
- iii) We draw attention to the users of the consolidated financial result of the holding company for the year ended on 31<sup>st</sup> March, 2019, that 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**



**CA. Arun Khandelia  
Partner  
Membership No.: 089125**



**Place: New Delhi (Campat Chandigarh)  
Date : 27-May-2019**

**STATEMENT OF IMPACT OF AUDIT QUALIFICATIONS (FOR AUDIT REPORT WITH MODIFIED OPINION) SUBMITTED ALONG-WITH ANNUAL AUDITED FINANCIAL RESULTS – STANDALONE BASIS – WINSOME YARNS LIMITED**

Statement of Impact of Audit Qualifications for the Financial Year ended March 31, 2019  
[See Regulation 33/52 of the SEBI (LODR) (Amendment) Regulations 2016]

(Rs. in Lakhs)

I.	Sl. No.	Particulars	Audited Figure (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)*
	1	Turnover/ Total income	25229	25229
	2	Total Expenditure	27715	40707
	3	Net Profit/(Loss)	(11487)	(24479)
	4	Earnings Per Share	(16.25)	(34.62)
	5	Total Assets	33327	31504
	6	Total Liabilities	63263	103076
	7	Net Worth	(29936)	(71752)
	8	Any other financial item(s) (as felt appropriate by the management)	-	-

\* all adjustments are without tax effect.

II.	Audit Qualifications		
(a)	Details of qualification	Audit	Reference is invited to Para (4) of Independent Auditor's Report on Standalone audited financial results:  (i) In view of accumulated losses of the Company as at the end of March 31, 2019, the net worth of the Company as at that date being negative, 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 failure of assumptions as to going concern, and in the

Page 1 of 9



absence of impact of aforesaid assumptions having been un-ascertained, we are unable to comment thereon

(ii) The results for the quarter ended on March 31, 2019 and the year ended on March 31, 2019 are understated due to:

(a) Non provisioning of interest expenses on borrowings of Rs. 2905.99 Lakhs for the quarter ended and Rs. 11168.88 Lakhs for the year ended on March 31, 2019 (Rs. 2512.42 Lakhs for the quarter ended and Rs. 9671.90 Lakhs for the year ended on March 31, 2018), and Rs. 39813.00 Lakhs being aggregate amount of interest unprovided till the year ended March 31, 2019 (Rs. 28644.12 Lakhs till the year ended March 31, 2018), and further amount towards penal interest, penalty, etc. as may be charged by the lenders. (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).

(b) Non provisioning against long outstanding receivables of Rs. 492.12 Lakhs (Rs. 9609.58 Lakhs as at March 31, 2018) including of overseas overdue trade receivables. Further the accounting for exchange fluctuation in respect of overseas trade receivables and export advances is not in line with Ind AS-21 "The Effects of Changes in Foreign Exchange Rates" and accordingly, we are unable to comment its impact on financial statement.

(iii) Non provisioning against loans and advances (including other current assets) of Rs.1331.29 Lakhs (Rs. 1569.63 Lakhs as at March 31, 2018).

(iv) As stated in note no. 10 of standalone financial statement, investment in money market 4862.11



redeemable shares of USD 1000 each in Arise Money Market Fund. 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 realisability/receipt, we are unable to comment. The non-accounting of investment at fair value and non-recognition of exchange fluctuation in respect thereto is not in line with Ind AS 109 "Financial Instruments" and Ind AS-21 "The Effects of Changes in Foreign Exchange Rates" respectively, which has the effect of understatement of investment by Rs. 793.73 lakhs as at March 31<sup>st</sup> 2019 (Rs. 686.63 lakhs as at March 31<sup>st</sup> 2018) overstatement of losses by Rs. 199.63 lakhs for the year ended March 31<sup>st</sup> 2019. (Rs. 10.63 lakhs as at March 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/payable 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



				<p>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 reliability</p> <p>(viii) As per the audit report of previous auditors for the year ended 31<sup>st</sup> March 2018, they 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. 70.00 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. As per information given to us by management of the Company the matter is still pending and its status is same as it in previous financial year.</p>
(b)	Type of Qualification	Audit	Qualified Opinion	
(c)	Frequency Qualification	of	<ul style="list-style-type: none"> <li>• In case of point no (i), (iv) and (v) – Appeared since F.Y. 2014-15</li> <li>• In case of point no (ii)(a) – Appeared since F.Y. 2013-14 (However, there is change in amount)</li> <li>• In case of point no (ii)(b) and (ii)(c) – Appeared since F.Y. 2003-04 (However, there is change in amount)</li> <li>• In case of point no (iii) – Appeared since F.Y. 2013-14</li> <li>• In case of point no (vi) – Appeared since F.Y. 2003-</li> </ul>	

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			04 • In case of point no. (vii)—Appeared in F.Y. 2017-18
(d)	For Qualification(s) where the impact is quantified by the Auditor, Management views	Audit where Auditor,	<p>With regard to Auditors Qualification No. (ii)(a), (ii)(b), (iii), (iv) and (viii):-</p> <p>(ii)(a) Regarding non-provision of interest expenses, penal interest, penalty, etc. in respect of borrowings of the Company from banks - As stated in Note No. 3.24 of the Audited Financial Statement, due to continuous losses and financial tightness, the Company has not been able to fully pay due installments &amp; interest on term loan on due dates, which resulted into classification of credit facilities as Non-Performing Assets couple with recall of facilities by lenders of the Company &amp; certain overdue amount is continuing/ unpaid till date (as detailed in note no. 3.24 of audited financial statement for the year ended March 31, 2019). Interest on term loans and working capital including overdue amount, penal interest etc. (amount unascertained) has not been provided and as the same will be provided / accounted for as and when paid/settled as the company is in process of discussion/applying for getting loans to be restructured by the lenders/ARC. Six of banks have assigned and transferred the total debts due from the Company along with the underlying rights, title and interests in financial assistances granted to the Company to an Asset Reconstruction Company (ARC).</p> <p>a) (ii)(b) Regarding non-provision against long outstanding receivables-As also explained in Note No. 3.8(a) of Audited Financial Statements, management view is that the receivables for period over one year of Rs 492.12 Lakhs till 31.03.2019 (Rs. 9609.58 Lakhs till 31.03.2018), including of overseas overdue trade receivables. Further the accounting for exchange fluctuation in respect of overseas trade receivables and export advances is</p>



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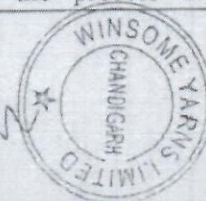
			<p>not in line with Ind AS-21 "The Effects of Changes in Foreign Exchange Rates" and accordingly, we are unable to comment its impact on financial statement.</p> <p>(iii) Regarding non accounting of investment at fair value and non-recognition of exchange fluctuation in respect thereto, the management is of view that the money lying outside India is part of GDRs proceeds of the Company and is earmarked for utilization for setting up a Yarn Dying Plant, which could not be implemented for want of support of lenders. The Management of the Company is engaged in firming an active plan for implementation of its proposal for setting up of a Yarn Dying Plant, and upon its finalization, the aforesaid amount will be utilized for investment and on that date effect of any gain shall be accounted in the books of account of the Company.</p> <p>(vii) In previous year with regard to noticed fraud in the nature of shortage and misappropriation of goods stored at its Ludhiana Branch by the employee/s of the Company, the effect whereof has been accounted in the books of account of the Company, considering the ongoing recovery process and its claim.</p>
(c)	For Qualification(s) where the impact is not quantified by the Auditor:	Audit where is not	
(i)	Management's estimation on the impact of audit qualification		Not ascertainable
(ii)	If management is unable to estimate the impact, reasons for the same		<p>With regard to Auditors Qualification No. (i), (iii), (iv), (v) and (vi):-</p> <p>(i) Regarding net worth of the Company becoming negative and preparation of financial statements on going concern basis - Consequent to erosion of entire net worth, the Company filed Reference</p>



before the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) under Sick Industrial Company (Special Provisions) Act, 1985 (SICA), which was registered. The Company was in discussions with its lenders for evolving a scheme of rehabilitation of its financial debts, which continued during the period when the reference of the Company was under consideration before BIFR and also presently after the SICA has been repealed. Considering the proposed rehabilitation and future business plans of the Company, present business scenario, stable government policies for the business and expected cash flow in the near future as assessed by the Management, accounts of the Company are prepared on 'Going Concern' basis.

(iii) Regarding pending receipt of part money out of GDR issue – As also explained in Note no. 2.3 of the of the Audited Financial Statements that out of the proceeds of GDRs raised in F.Y. 2010-2011, an amount of USD 7,164,490 (INR 3873.75 Lakhs) stood remitted to India, which had been utilised for augmentation of working capital needs of the Company and a balance amount of USD 48,62,110 (INR 2568.41 Lakhs) continues to remain invested in an overseas Money Market Fund outside India as on 31.03.2019, pending utilization of such proceeds. The Company is filing all due returns regularly with RBI. Also the Depository of GDR issue had resigned w.e.f. 29.10.2014 and terminated the agreement w.e.f. 15-06-2015. The GDR had been de-listed from LuxSE w.e.f. 16.06.2015. The Company is in process to appoint new depository and seek relisting of GDR on LuxSE or any other overseas stock Exchange.

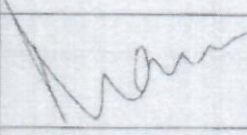


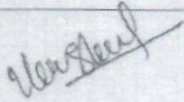


(iv) Regarding provisions in case of investments in subsidiaries, written off/written back and adjustment/set off of payment of receivables/payable from/to overseas parties/suppliers, which is pending necessary approval of the competent authority. The management is in the process of obtaining



necessary approvals from the competent authority

- (v) Regarding further strengthening the system of internal controls – Necessary steps have been initiated by the Company to further strengthen the system of internal controls w.r.t. purchases and consumption of inventory, booking of expenses, set off of balances, for the sale of goods and services, etc.
- (vi) Regarding pending confirmation / reconciliation of balances of certain receivables (including overseas overdue receivables), bank balances, payable (including of an Associate Company/ies), secured loans, other liabilities, loans and advances etc; and contingent liability - The management is of the opinion that adjustment, if any, arising out of such reconciliation would not be material. Further, necessary steps have been initiated to further strengthen system of internal controls w.r.t. accounting of expenses, accounting of income (including sale of licenses and provision written back), payroll payments and of balance reconciliation/confirmation.



	(iii) Auditors' comments on (i) or (ii) above	Refer details of audit qualification [para II(a) above]
III.	Signatories	
	<ul style="list-style-type: none"> <li>Chariman and Managing Director - Mr. Manish Bagrodia</li> </ul>	 
	<ul style="list-style-type: none"> <li>CFO - Mr. Anand Balkishan Sharma</li> </ul>	
	<ul style="list-style-type: none"> <li>Audit Committee Chairman - Mr. Kaushal Kashyap</li> </ul>	
	<ul style="list-style-type: none"> <li>Statutory Auditor</li> </ul>	<p>For Khandelia &amp; Sharma, Chartered Accountants Firm Registration No. 510525C</p>   <p>(Arun Khandelia) Partner Membership No. 089125</p>

Place: Chandigarh  
Date: May 27, 2019

**STATEMENT OF IMPACT OF AUDIT QUALIFICATIONS (FOR AUDIT REPORT WITH MODIFIED OPINION) SUBMITTED ALONG-WITH ANNUAL AUDITED FINANCIAL RESULTS – CONSOLIDATED BASIS – WINSOME YARNS LIMITED**

Statement of Impact of Audit Qualifications for the Financial Year ended March 31, 2019 [See Regulation 33/52 of the SEBI (LODR) (Amendment) Regulations 2016]				
(Rs. in Lakhs)				
I.	Sl. No.	Particulars	Audited Figure (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)*
	1	Turnover/ Total income	25229	25229
	2	Total Expenditure	27721	40713
	3	Net Profit/(Loss)	(11493)	(24485)
	4	Earnings Per Share	(16.25)	(34.63)
	5	Total Assets	33376	31552
	6	Total Liabilities	63296	103109
	7	Net Worth	(29921)	(71557)
	8	Any other financial item(s) (as felt appropriate by the management)	-	-
* all adjustments are without tax effect.				
II.		Audit Qualifications		
	(a)	Details of Audit qualification	Reference is invited to Para (4) of Independent Auditor's Report on Consolidated audited financial results:  (i) In view of accumulated losses of the Company as at the end of March 31, 2019, the net worth of the Company as at that date being negative, 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 failure of assumptions as to going concern, and as the	



			<p>absence of impact of aforesaid assumptions having been un-ascertained, we are unable to comment thereon</p> <p>(ii) The results for the quarter ended on March 31, 2019 and the year ended on March 31, 2019 are understated due to:</p> <p>(a) Non provisioning of interest expenses on borrowings of Rs. 2905.99 Lakhs for the quarter ended and Rs. 11168.88 Lakhs for the year ended on March 31, 2019 (Rs. 2512.42 Lakhs for the quarter ended and Rs. 9671.90 Lakhs for the year ended on March 31, 2018), and Rs. 39813.00 Lakhs being aggregate amount of interest unprovided till the year ended March 31, 2019 (Rs. 28644.12 Lakhs till the year ended March 31, 2018), and further amount towards penal interest, penalty, etc. as may be charged by the lenders. (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).</p> <p>(b) Non provisioning against long outstanding receivables of Rs. 492.12 Lakhs (Rs. 9609.58 Lakhs as at March 31, 2018) including of overseas overdue trade receivables. Further the accounting for exchange fluctuation in respect of overseas trade receivables and export advances is not in line with Ind AS-21 "The Effects of Changes in Foreign Exchange Rates" and accordingly, we are unable to comment its impact on financial statement.</p> <p>(c) Non provisioning against loans and advances (including other current assets) of Rs.1331.29 Lakhs (Rs. 1569.63 Lakhs as at March 31, 2018).</p> <p>(iii) Part amount of USD 48,62,110 (Rs. 2568.41 Lakhs) out of GDR's issued by the Company, which funds had been raised for setting up of Yarn Dying Plant are invested in money market</p>
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			<p>instruments outside India. As the funds were raised for earmarked purposes, the availability thereof to the Company and utilization of the same is subject to Company's undertaking active plans for implementation of the proposed investment. 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 realisability/receipt, we are unable to comment. The non-accounting of investment at fair value and non-recognition of exchange fluctuation in respect thereto is not in line with Ind AS 109 "Financial Instruments" and Ind AS-21 "The Effects of Changes in Foreign Exchange Rates" respectively, which has the effect of understatement of investment by Rs. 793.73 Lakhs as at March 31, 2019 (Rs. 686.63 lakhs as at March 31<sup>st</sup> 2018) overstatement of losses by Rs. 199.63 lakhs for the year ended March 31<sup>st</sup> 2019. (Rs. 10.63 lakhs as at March 31<sup>st</sup> 2018).</p> <p>(iv) Regarding provisions in case of investments in subsidiaries, written off/written back and adjustment/set off of payment of receivables/payable from/to overseas parties/suppliers, which is pending necessary approval of the competent authority.</p> <p>(v) 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.</p> <p>(vi) 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.</p>
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			<p>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 reliability</p> <p>(vii) As per the audit report of previous auditors for the year ended 31<sup>st</sup> March 2018, they 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. 70.00 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. As per information given to us by management of the Company the matter is still pending and its status is same as it in previous financial year.</p>
(b)	Type of Qualification	Audit	Qualified Opinion
(c)	Frequency Qualification	of	<ul style="list-style-type: none"> <li>• In case of point no (i), (iv) and (v) – Appeared since F.Y. 2014-15</li> <li>• In case of point no (ii)(a) – Appeared since F.Y. 2013-14 (However, there is change in amount)</li> <li>• In case of point no (ii)(b) and (ii)(c) – Appeared since F.Y. 2003-04 (However, there is change in amount)</li> <li>• In case of point no (iii) – Appeared since F.Y. 2013-14</li> </ul>



			<ul style="list-style-type: none"> <li>• In case of point no (vi) – Appeared since F.Y. 2003-04</li> <li>• In case of point no. (vii)—Appeared in F.Y. 2017-18</li> </ul>
(d)	For Audit Qualification(s) where the impact is quantified by the Auditor, Management views	With regard to Auditors Qualification No. (ii)(a), (ii)(b), (iii), (iv) and (viii):-	<p>(ii)(a) Regarding non-provision of interest expenses, penal interest, penalty, etc. in respect of borrowings of the Company from banks - As stated in Note No. 3.24 of the Consolidated Audited Financial Statement, due to continuous losses and financial tightness, the Company has not been able to fully pay due installments &amp; interest on term loan on due dates, which resulted into classification of credit facilities as Non-Performing Assets couple with recall of facilities by lenders of the Company &amp; certain overdue amount is continuing/ unpaid till date (as detailed in note no. 3.24 of Consolidated Audited Financial Statement for the year ended March 31, 2019). Interest on term loans and working capital including overdue amount, penal interest etc. (amount unascertained) has not been provided and as the same will be provided / accounted for as and when paid/settled as the company is in process of discussion/applying for getting loans to be restructured by the lenders/ARC. Six of banks have assigned and transferred the total debts due from the Company along with the underlying rights, title and interests in financial assistances granted to the Company to an Asset Reconstruction Company (ARC).</p> <p>(ii)(b) Regarding non-provision against long outstanding receivables-As also explained in Note No. 3.8(a) of Audited Financial Statements, management view is that the receivables for period over one year of Rs 492.12 Lakhs till 31.03.2019 (Rs. 9609.58 Lakhs till 31.03.2018), including of overseas overdue trade receivables. Further the accounting for exchange fluctuation in</p>



			<p>respect of overseas trade receivables and export advances is not in line with Ind AS-21 "The Effects of Changes in Foreign Exchange Rates" and accordingly, we are unable to comment its impact on financial statement.</p> <p>(ii)(c) Regarding overdue amount of Loans and Advances read with Note No. 3.11 (including Other Current Assets) of Rs.1432.02 Lakhs (Rs.1569.63 Lakhs as at March 31, 2018) (including TUFs subsidy Rs. 899.05 Lakhs, capital advances of Rs. 250 Lakhs), in the opinion of the Management, the aforesaid balance are fully realisable and hence considered good. The Company has also initiated necessary steps for recovery of overdues.</p> <p>(iii) Regarding non accounting of investment at fair value and non-recognition of exchange fluctuation in respect thereto, the management is of view that the money lying outside India is part of GDRs proceeds of the Company and is earmarked for utilization for setting up a Yarn Dying Plant, which could not be implemented for want of support of lenders. The Management of the Company is engaged in firming an active plan for implementation of its proposal for setting up of a Yarn Dying Plant, and upon its finalization, the aforesaid amount will be utilized for investment and on that date effect of any gain shall be accounted in the books of account of the Company.</p> <p>(vii) With regard to noticed fraud in the nature of shortage and misappropriation of goods stored at its Ludhiana Branch by the employee/s of the Company, the effect whereof has been accounted in the books of account of the Company, considering the ongoing recovery process and its claim.</p>
	(e)	For Qualification(s) where the impact is not quantified by the	Audit where is not the


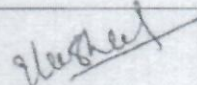



	Auditor:	
(i)	Management's estimation on the impact of audit qualification	Not ascertainable
(ii)	If management is unable to estimate the impact, reasons for the same	<p>With regard to Auditors Qualification No. (i), (iii), (iv), (v) and (vi):-</p> <p>(i) Regarding net worth of the Company becoming negative and preparation of financial statements on going concern basis - Consequent to erosion of entire net worth, the Company filed Reference before the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) under Sick Industrial Company (Special Provisions) Act, 1985 (SICA), which was registered. The Company was in discussions with its lenders for evolving a scheme of rehabilitation of its financial debts, which continued during the period when the reference of the Company was under consideration before BIFR and also presently after the SICA has been repealed. Considering the proposed rehabilitation and future business plans of the Company, present business scenario, stable government policies for the business and expected cash flow in the near future as assessed by the Management, accounts of the Company are prepared on 'Going Concern' basis.</p> <p>(iii) Regarding pending receipt of part money out of GDR issue As also explained in Note no. 2.3 of the of the Audited Financial Statements that out of the proceeds of GDRs raised in F.Y. 2010-2011, an amount of USD 7,164,490 (INR 3873.75 Lakhs) stood remitted to India, which had been utilized for augmentation of working capital needs of the Company and a balance amount of USD 48,62,110 (INR 2568.41 Lakhs) continues to remain invested in an overseas Money Market Fund outside India as on 31.03.2019, pending utilization of such proceeds. The Company is filing all due returns regularly with RBI. Also the Depository of GDR issue had resigned w.e.f.</p>



			<p>29.10.2014 and terminated the agreement w.e.f. 15-06-2015. The GDR had been de-listed from LuxSE w.e.f. 16.06.2015. The Company is in process to appoint new depository and seek relisting of GDR on LuxSE or any other overseas stock Exchange.</p> <p>(iv) Regarding provisions in case of investments in subsidiaries, written off/written back and adjustment/set off of payment of receivables/payable from/to overseas parties/suppliers, which is pending necessary approval of the competent authority. The management is in the process of obtaining necessary approvals from the competent authority</p> <p>(v) Regarding further strengthening the system of internal controls – Necessary steps have been initiated by the Company to further strengthen the system of internal controls w.r.t. purchases and consumption of inventory, booking of expenses, set off of balances, for the sale of goods and services, etc.</p> <p>(vi) Regarding pending confirmation / reconciliation of balances of certain receivables (including overseas overdue receivables), bank balances, payable (including of an Associate Company/ies), secured loans, other liabilities, loans and advances etc; and contingent liability - The management is of the opinion that adjustment, if any, arising out of such reconciliation would not be material. Further, necessary steps have been initiated to further strengthen system of internal controls w.r.t. accounting of expenses, accounting of income (including sale of licenses and provision written back), payroll payments and of balance reconciliation/confirmation.</p>
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	(iii) Auditors' comments on (i) or (ii) above	Refer details of audit qualification [para II(a) above]
III.	Signatories	
	<ul style="list-style-type: none"> <li>Chariman and Managing Director - Mr. Manish Bagrodia</li> </ul>	 
	<ul style="list-style-type: none"> <li>CFO - Mr. Anand Balkishan Sharma</li> </ul>	
	<ul style="list-style-type: none"> <li>Audit Committee Chairman - Mr. Kaushal Kashyap</li> </ul>	
	<ul style="list-style-type: none"> <li>Statutory Auditor</li> </ul>	<p>For Khandelia &amp; Sharma, Chartered Accountants Firm Registration No. 510525C</p>   <p>(Arun Khandelia) Partner Membership No. 089125</p>

Place: Chandigarh  
Date: May 27, 2019