

Winsome Yarns Limited

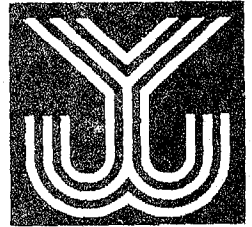
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WYL/SECT/
30.07.2016

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

Script Code : 514348

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

Script Code : WINSOME

Sub: Statements of Impact of Audit Qualifications.

Dear Sir,

Please find enclosed herewith the Statements of Impact of Audit Qualifications of Standalone and Consolidated Financials for the financial year ended 31st March, 2016.

This is for your information and records please.

Thanking you,

Yours faithfully,
For WINSOME YARNS LIMITED



(K.V. SINGHAL)

G. M. (Legal) & Company Secretary

Email : kvsinghal@winsomegroup.com, cshare@winsomegroup.com

Mobile No. 9914030030



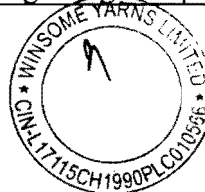
Works : Village Kurawala, Barwala Road, Derabassi-140507, Distt. Mohali (Pb.) Phones : 01762-280236, 280936, 280638 Fax : 01762-280237
Ludhiana : Office No. 3, MD Complex, Near Samrala Chowk, Ludhiana - 141008, e-mail : ludhiana@winsomegroup.com
Delhi : # 3, Ground Floor, Rajendra Bhawan, Rajendra Place, New Delhi - 110 008, e-mail : delhi@winsomegroup.com
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WINSOME YARNS LIMITED
STATEMENT OF IMPACT OF AUDIT QUALIFICATIONS OF
STANDALONE FINANCIALS FOR THE FINANCIAL YEAR ENDED MARCH 2016

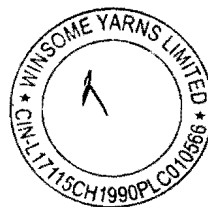
1.	S. No	Particulars	(Rs. In Lacs, except for earnings per share)	
			Audited Figure (As reported before adjusting for qualifications)	Audited Figure (As reported After adjusting for qualifications)*
	1.	Turnover/Total Revenue	37887	37887
	2	Total Expenditure	40887	65425
	3	Net Profit/(Loss)	(3000)	(27538)
	4	Earning Per Share (Rs.)	(4.24)	(38.95)
	5	Total Assets	49067	35112
	6	Total Liabilities	63939	74522
	7	Net Worth**	(14872)	(39410)
* all adjustments are without tax effect.				
** Impact of only current year qualification has been given				
2.	Audit Qualifications(Each Audit Qualification Separately) :			
	a	Detail of Audit Qualifications	Qualification in the Annexure referred to in 'Basis for Qualified Opinion' paragraph of the Auditors' Report dated 30 th May, 2016 to the members of Winsome Yarns Limited on the accounts for the year ended 31 st March, 2016:-	
		i.	Note No.3 (and read with Note no. 2.12(b) of the Audited financial statement) of accompanying statement regarding the net worth of the Company become negative and preparation of financial statements by the management on "going concern basis", considering the future business plans and expected cash flows as stated in the said note. In the event of the same not being held to be a "going concern" and various assets and liabilities being consequently required to be adjusted with respect to their realizable value, the impact thereof has not been ascertained.	
		ii.	Note No.4(e) & 6 (and read with Note no. 2.25 of the Audited financial statement) of accompanying statement regarding non-provisioning of Interest Expenses of Rs. 10583.08 Lacs (Previous Year Rs. 3273.37 Lacs), penal interest, penalty etc. (amount unascertainable)	
		iii.	Note No.4(i) (and read with Note no. 2.8(c), 2.8(d) & 2.9(a) of the Audited financial statement) of accompanying statement regarding written off/written back and Adjustment/set off of payment of receivables/payables from/to overseas parties/suppliers pending necessary approval respectively as stated in the said notes.	
		iv.	Note No.4(a) (Read with Note No. 2.14 of the Audited financial statement) of accompanying statement regarding pending confirmation / reconciliation of balances of certain receivables (including overseas overdue receivables as stated in note no.2.8), bank balances, payables (including of an Associate Company), secured loans, other liabilities, loans and advances	



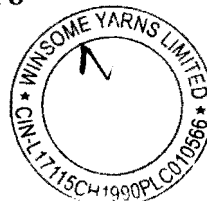
	etc.; and contingent liability being considered as certified by the management in the absence of full detail, in this respect impact is unascertainable and cannot be commented upon by us. In our view read with said note internal control needs to be further strengthened.
v.	Note No.4(b) (and read with Note No. 2.8 (a)&(b) and Note no. 2.11 of the Audited financial statement) of accompanying statement regarding non-provision against receivables [including of oversea overdue debtors of amounting to Rs. 6173.94 lacs (Previous Year Rs. 6908.79 Lacs)] [including accounting of exchange fluctuation of Rs. 897.86 Lacs (Previous Year 897.41 Lacs) till 31 st March 2015] and loans and advances(including other current assets) of Rs. 10357.62 lacs (Previous Year Rs.10377.68 Lacs) and Rs. 1743.40 lacs (Previous Year Rs.2599.32 Lacs) respectively. The accounting of exchange fluctuation is not in line with generally accepted accounting principles and Accounting Standards 11 (AS-11)-"The Effect of Changes in Foreign Exchange Rates".
vi.	Note No.4(c) (and read with Note No. 2.22(A)(iv)(a) to (d) of the Audited financial statement) of accompanying statement regarding accounting of consumption of Raw Material and Stores & Spares as balancing figure and the valuation of inventories is as taken, valued and as certified by the management as stated in said note; the impact thereof on the statement of state of affairs and loss for the period not being ascertainable for the reason stated in the said note and cannot be commented upon by us.
vii.	Note No.4(d) (and read with Note no. 2.5 of the Audited financial statement) of accompanying statement, the company have carried out assessment of value in use of assets of knitwear unit, by an independent professional firm, based on this estimated impairment loss is of amounting to Rs. 1853.72 lacs (Previous Year 2365.58 Lacs)(net). However, no provision against the same has been made by the company for the reason as explained in the said note. The Non provision against impairment in value of above stated assets is not in line with AS 28.
viii.	Note No.4(f) (and read with Note no. 2.3 of the Audited financial statement) of accompanying statement regarding pending receipt of part money of amounting to USD 50,72,110 (Rs. 2679.34 lacs) out of the GDR issue made by the company and as explained lying outside India [i.e. balance amount against GDR issue of 19,94,125 nos. made in financial year 2010-11, entitling 19,94,12,500 fully paid up equity shares of Re. 1/ each at Rs. 2.97 per share including premium (now 1,99,41,250 fully paid up equity shares of Rs. 10/- each at Rs. 29.70 including premium)]. In respect of realisability/receipt we are unable to comment. As explained, above stated amount is invested in money market fund outside India, pending for utilization.
ix.	Note no. 4(g) (and read with Note No. 2.23 (read with note no. 2.14) of the Audited financial statement) of accompanying statement regarding non-provisions of Interest, Penalty etc. on



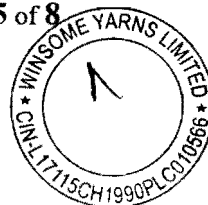
			<p>delay/non-payment of certain statutory dues on time w.r.t. Employee State Insurance, Provident Fund, Punjab Welfare Fund, Tax Deducted at source, Tax Collected at source, Service Tax and sales tax etc. (amount unascertainable) and our inability to comment the impact on the loss for the period.</p>
		x.	Note No.4(h) (and read with Note no. 2.27 of the Audited financial statement) of accompanying statement regarding pending appointment of requisite number of independent directors as stated in the said note.
		xi.	In view of our comment under para (i) to (ix) above and on our comments in terms of the internal control system needs to be further strengthened to be made the same commensurate with the size of the Company and the nature of its business for the purchases and consumption of inventory, booking of the expenses, set off of balances and for the sale of goods and services.
	b	Type of Audit Qualification	Qualified Opinion
	c	Frequency of Qualification	<ul style="list-style-type: none"> • In case of point no. (i) – Second time (two time under emphasis of Matter paragraph) • In case of point no (ii) – Second time • In case of point no (iii) – Second time • In case of point no. (iv) – For period > 3 Years • In case of point no. (v) – For period > 3 Years (However there is change in amount) • In case of point no. (vi) – For period > 3 Years • In case of point no. (vii) – For period > 3 Years (However there is change in amount) • In case of point no. (viii) – Third time • In case of point no. (ix) – Second time • In case of point no. (x) – Second time • In case of point no. (xi) – Second time
	d	Management Views for audit qualifications where the impact is quantified by auditor (Qualification No.(ii) ,(v) & (vii) mentioned under Para 2a above is quantified)	ii. Note No.4(e) & 6 of the accompanying statement- As also explained in Note No. 2.25 of Audited financial statement, due to continuous losses and acute financial stress, the Company was unable to pay due instalments and interest on term loan and an overdue amount is continuing to remain as unpaid till date (as detailed in note no. 5.6). No provision for interest, as calculated/estimated by the Management on secured loans and short term borrowings amounting to Rs. 4574.10 Lac (Including Rs. 1442.87 Lacs previous year) and Rs. 6008.98 lacs (Including Rs. 1830.50 Lacs previous year) respectively payable to Banks has been made in the books of account. The Company's proposal for restructuring of its borrowings is under consideration with its lenders, now an Asset Restructuring Company (ARC), which holds more than 80% of secured debt of the Company. The Company will be giving effect to its liability of interest on debts and settled amount of debt in line with the restructuring scheme upon its sanction.



		v.	<p>Note No.4(b) of the accompanying statement- As also explained in Note No. 2.8(a) of Audited financial statement,Receivables exceeding six months includes outstanding amount for period over one year of Rs. 6173.94 Lacs (including exchange gain of Rs. 897.86 lacs till 31.03.2015) [excluding amount as stated in note no. (b) below], where the recoverable being from an overseas party the Company is in process of filing necessary papers with appropriate authority seeking extension of time [read with note no. 2.9 (a)]. The Management is confident of recovery and realisability of the amount as the party has offered its cooperation in recovery efforts of the Company; however, adopting a conservative approach in the matter, the Company has provided an amount of Rs. 855.62 Lacs (Including Rs 184.59 Lacs Previous year),being 12.50% of the reocverable amount, as a provision for possible amount as may remain irrecoverable at some point of time in future.</p> <p>Note No.4(b) of the accompanying statement- As also explained in Note No. 2.8(b) of Audited financial statement, The trade receivables include certain overdue Trade Receivables/Other Receivables of Rs. 4183.68 lacs. The Management is confident of recovery and realisability from these debtors. However, adopting a conservative approach in the matter, the Company has provided an amount of Rs. 584.61 Lacs(Including Rs 91.36 Lacs Previous year), being 12.50% of the amount as may remain irrecoverable at some of time in future.</p> <p>Note No.4(b) of the accompanying statement- As also explained in Note No. 2.11 of Audited financial statement, Overdue amount includes Short Term Loans and Advances (including Other Current Assets) of Rs. 1743.40 lacs. In the opinion of the Management these are fully realisable and hence, considered good. Further, the Management has initiated necessary steps for recovery of these amounts.</p> <p>Note No.4(d) of the accompanying statement- As also explained in Note No. 2.5 of Audited financial statement, In accordance with Accounting Standard 28 titled 'Impairment of Assets', the Company has identified its garmenting manufacturing facility (Knitwear Unit) located at Village B-58, Industrial Area Phase – VII, Mohali (Punjab), as the relevant Cash Generating Units (CGU). The CGU is engaged in manufacture of sweaters, pullover and garments of various sizes. Considering the continuing past losses of the CGU during and upto the period ended 31st March 2016, the Company on the basis of projected scale of operations and prevailing market conditions assessed that the recoverable value of the above CGU would be lower as compared to the carrying value, thus, indicating impairment. As a result of impairment testing carried out as at 30th September 2013 by an independent expert, impairment loss of Rs. 2996.00 Lacs were estimated based on a comparison of the carrying value of the asset vis-a-vis recoverable</p>
		vii.	



			<p>value. Post the assessment of aforesaid impairment value of CGU, the Company has already charged an amount of Rs. 1142.28 Lacs on account of depreciation on assets of CGU till the year end, and accordingly, the assessed amount of impairment loss since stands reduced to Rs. 1853.72 Lacs. However, in keeping with certain favourable developments in the textile industry, the aforesaid report of independent expert is under re-review by the Board of Directors of the Company, and accordingly, the impairment loss as may finally be assessed on completion of aforesaid reassessment, will be accounted thereafter.</p>
e	Management Views for audit qualifications where the impact is not quantified by auditor		
	(i) Management estimation on the impact of audit qualification		Presently not ascertainable in view of facts stated below
	(ii) If management is unable to estimate the impact, reason for the same		<p>i) Note No.3 of the accompanying statement- As also explained in Note No. 2.12(b) of Audited financial statement, The accumulated losses of the Company exceeded its net worth based on the audited accounts as at and for the period ended 30th September 2014. Accordingly, the Company had filed an Reference beofre the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) in terms of its statutory obligation under section 15 of the Sick Industrial Companies (Special Provisions) 1985 (SICA). The Reference of the Company under SICA was registered by the Hon'ble BIFR on 10th April 2015. Considering the proposed rehabilitation plan of the Company as under consideration by ARC and future business plans, the prevailing business scenario and the applicable government policies for the time being in force, the business and expected cash flow of the Company in the near future as assessed by the Management of the Company, the accounts of the Company have prepared on 'Going Concern' basis.</p> <p>iii) Note No.4(i) of the accompanying statement- As also explained in Note no. 2.8(c), 2.8(d) & 2.9(a) of Audited financial statement, regarding Adjustment/set off of payment of receivables/payables pending necessary approvals in respect thereof. The Company is in process of obtaining necessary approvals from AD/RBI.</p> <p>iv) Note No.4(a) of the accompanying statement- As also explained in Note no. 2.14 of Audited financial statement, The Company is making efforts to obtain confirmation of balance of parties forming part of Trade Receivables (including subsidiaries) and overseas overdue trade receivables as stated in note no. 2.8), bank balances (including bills discounted and outstanding Letter of Credit), Trade Payables (including Associate Company of amounting to Rs. 568.78 lacs), Secured Loans, and Other Liabilities and Loans & Advances, and necessary reconciliation thereof is concurrently available. The Management is of the opinion that adjustments, if any, arising on</p>



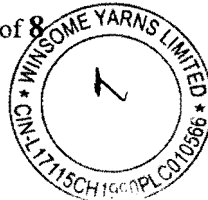
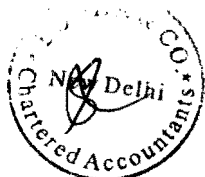
aforesaid reconciliation, would not be material. The Company has also initiated steps to set up internal committees for better control over day to day business and operations of the Company, and has also strengthened the system of internal controls.

vi) Note No.4(c) of the accompanying statement- As also explained in Note no. 2.22(A)(iv)(a) of Audited financial statement - Quantitative Consumption of raw material and stores & spares is derived as net of opening stock plus purchases less closing stock from figures extracted from records maintained in the systems adopted by the Company, and that valuation of quantities is an amount certified by the Management arrived at from prevailing market prices.(b) The Company is in process of carrying out complete item wise reconciliation of physical quantities of Fixed Assets. To the extent assets and inventories have been physically verified by the Management, no material discrepancies have been observed between the book record and physical quantity.(c) In view of Para (a) above, closing inventory of stock-in- process and finished goods has been considered as taken, valued and certified by the management after providing against old/ non-moving inventory as assessed/ estimated by the management and/or based on contracts/ subsequent sales realization. (d) - In view of security arrangements in place and controls on physical movement of materials, the Management is confident that there will not be any material adjustment on updation/completion of records of physical verification of inventory and fixed assets.

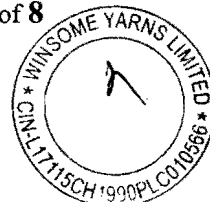
viii) Note No.4(f) of the accompanying statement- As also explained in Note no. 2.3(a) of Audited financial statement - In the Extraordinary General Meeting of the Company held on 28/06/2010, the Members of the Company had approved the issue of new capital through Global Depository Receipts (GDRs), and 19,94,125 number of GDR of USD 6.64 each (each GDR converting / equivalent to 100 equity shares – being 1,99,41,250 nos. of equity shares of Rs. 10 each at Rs. 29.70 including premium) had been issued and allotted on 29/03/2011. The GDR were listed for trading at the Luxembourg Stock Exchange (LuxSE). Out of the proceeds of GDRs raised in 2011, an amount of USD 6,954,515 (INR 3721.05 Crore) stood remitted to India, which had been utilised for augmentation of working capital needs of the Company and a balance amount of US\$ 50,72,110 (INR 2679.34 Lacs) continues to remain invested in an overseas Money Market Fund outside India as on 31.03.2016, pending inability of the Company to utilise the said funds for purposes for which the same were raised. The Company is filing all due returns regularly with RBI.

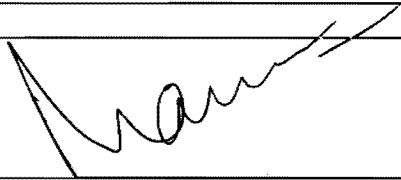

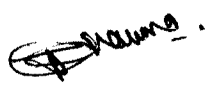
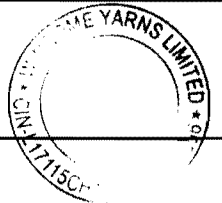

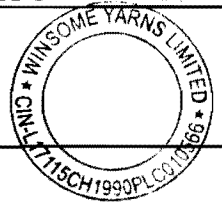
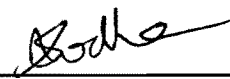
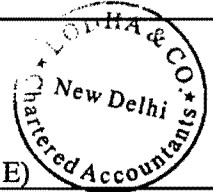
Note No.4(f) of the accompanying statement- As also explained in Note no. 2.3(b) of Audited financial statement - The Depository holding GDR had terminated the contract for their services w.e.f. 15-06-2015. The GDR had been de-listed from LuxSE. The Company proposes to appoint new depository and seek relisting of GDR on LuxSE or any other overseas stock Exchange.

ix) Note No.4(g) of the accompanying statement- As also explained in Note no. 2.23 of Audited financial statement, due to financial stress



		<p>and losses suffered by the Company, it could not make due payments of various statutory dues (TDS, TCS, PF, ESIC, PWF, Service Tax, Sales / Value Added Tax, etc.) on due dated, and the amounts pending payment at close of the year on following accounts are: Provident Fund Rs. 110.15 lacs, ESI Rs. 22.24 Lacs and PWF Rs. 2.01 Lacs. These amounts have since been paid by the Company. The Company will seek waiver and / or remission in penal interest and penalty to be levied by the Authorities (amount unascertained), and the amount if any, will be accounted for as and when the same is discharged.</p> <p>x) Note No.4(h) of the accompanying statement- As also explained in Note no. 2.27 of Audited financial statement, the Nomination Committee of Board of Directors of the Company is engaged in identifying a person to be proposed to the Board of Directors of the Company as an independent director so that Board of Directors of Company consists of at least half the number of persons who are independent persons.</p> <p>xi) Para (i) to (ix) – 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 and for the sale of goods and services.</p>
	<p>(iii) Auditor's Comment on (i) or (ii) above</p>	<p>Refer management estimation [e.(i).] and reasons [e.(ii).].</p>



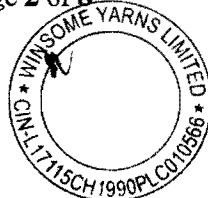
III. Signatories:	
1	<p>CEO/Managing Director</p>   <p>Manish Bagrodia Managing Director</p>
2	<p>Chief Financial Officer</p>   <p>Anand Balkishan Sharma President (Corporate Finance) and CFO</p>
3.	<p>Audit Committee Chairman</p>   <p>Pradeep Kumar Audit Committee Chairman</p>
4	<p>Auditor of the Company</p>   <p>Gaurav Lodha (Partner) M.No. 507462 M/s Lodha & Co. Chartered Accountants (FRN: 301051E)</p>
	<p>Place : Chandigarh Date : 30th May 2016</p>

WINSOME YARNS LIMITED
STATEMENT OF IMPACT OF AUDIT QUALIFICATIONS OF CONSOLIDATED FINANCIALS FOR THE
FINANCIAL YEAR ENDED MARCH 2016

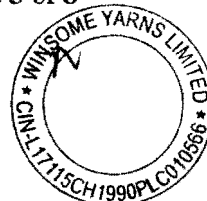
1.	S.N o.	Particulars	(Rs. In Lacs, except for earnings per share)	
			Audited Figure (As reported before adjusting for qualifications)	Audited Figure (As reported After adjusting for qualifications)*
	1.	Turnover/Total Revenue	37904	37904
	2	Total Expenditure	40899	65437
	3	Net Profit/(Loss)	(2995)	(27533)
	4	Earning Per Share (In Rs.)	(4.24)	(38.94)
	5	Total Assets	49282	35327
	6	Total Liabilities	63959	74542
	7	Net Worth**	(14677)	(39215)
* all adjustments are without tax effect.				
** Impact of only current year qualification has been given				
2.	Audit Qualifications(Each Audit Qualification Separately) :			
	a.	Detail of Audit Qualifications	Qualification in the Annexure referred to in 'Basis for Qualified Opinion' paragraph of the Auditors' Report dated 30 th May, 2016 to the members of Winsome Yarns Limited on the accounts for the year ended 31 st March, 2016:-	
		i.	Note No.3 (and read with Note no. 2.9 of the Consolidated financial statement) of accompanying statement regarding the net worth of the Company become negative and preparation of financial statements by the management on "going concern basis", considering the future business plans and expected cash flows as stated in the said note. In the event of the same not being held to be a "going concern" and various assets and liabilities being consequently required to be adjusted with respect to their realizable value, the impact whereof has not been ascertained.	
		ii.	Note No.4(e) and 6 (and read with Note no. 2.18 of the Consolidated financial statement) of accompanying statement regarding non-provisioning of Interest Expenses of Rs. 10583.08 Lacs (Previous Year 3273.37 Lacs), penal interest, penalty etc. (amount unascertainable)	
		iii.	Note No.4(i) (and read with Note no. 2.6(c), 2.6(d) & 2.7(a) of the Consolidated financial statement) of accompanying statement regarding written off/written back and Adjustment/set off of payment of receivables/payables from/to overseas/suppliers which is pending necessary approval respectively as stated in the said notes.	
		iv.	Note No.4(a) (and read with Note No. 2.10 of the Consolidated financial statement) of accompanying statement regarding pending confirmation / reconciliation of balances of certain receivables (including overseas overdue receivables as stated in note no.2.6), bank balances, payables (including of an As-	



		sociate Company), secured loans, other liabilities, loans and advances etc.; and contingent liability being considered as certified by the management in the absence of full detail, in this respect impact is unascertainable and cannot be commented upon by us. In our view read with said note internal control needs to be further strengthened.
	v.	Note No.4(b) (and read with Note No. 2.6 (a)&(b) and Note no. 2.8 of the Consolidated financial statement) of accompanying statement regarding non-provision against receivables [including of oversea overdue debtors of amounting to Rs. 6173.94 lacs (Previous Year Rs. 6908.79 Lacs)] [including accounting of exchange fluctuation of Rs. 897.86 Lacs (Previous Year Rs. 897.41 Lacs) till 31 st March 2015] and loans and advances (including other current assets) of Rs. 10357.62 lacs (Previous Year Rs. 10377.68 Lacs) and Rs. 1743.40 lacs (Previous Year Rs. 2599.32 Lacs) respectively. The accounting of exchange fluctuation is not in line with generally accepted accounting principles and Accounting Standards 11 (AS-11)-"The Effect of Changes in Foreign Exchange Rates".
	vi.	Note No.4(c) (and read with Note No. 2.16(i)(a) to (d) of the Consolidated financial statement) of accompanying statement regarding accounting of consumption of Raw Material and Stores & Spares as balancing figure and the valuation of inventories is as taken, valued and as certified by the management as stated in said note; the impact whereof on the statement of state of affairs and loss for the period not being ascertainable for the reason stated in the said note and cannot be commented upon by us.
	vii.	Note No.4(d) (and read with note no. 2.5 of the Consolidated financial statement) of accompanying statement the company have carried out assessment of value in use of assets of knitwear unit, by an independent professional firm, based on this estimated impairment loss is of amounting to Rs. 1853.72 lacs (Previous Year 2365.58 Lacs) (net). However, no provision against the same has been made by the company for the reason as explained in the said note. The Non provision against impairment in value of above stated assets is not in line with AS 28.
	viii.	Note No.4(f) & 5 (and read with Note no. 2.4 of the Consolidated financial statement) of accompanying statement regarding pending receipt of part money of amounting to USD 50,72,110 (Rs. 2679.34 lacs) out of the GDR issue made by the company and as explained lying outside India [i.e. balance amount against GDR issue of 19,94,125 nos. made in financial year 2010-11, entitling 19,94,12,500 fully paid up equity shares of Re. 1/ each at Rs. 2.97 per share including premium (now 1,99,41,250 fully paid up equity shares of Rs. 10/- each at Rs. 29.70 including premium)]. In respect of realisability/receipt we are unable to comment. As explained, above stated amount is invested in money market fund outside India, pending for utilization.
	ix.	Note No.4(g) [and read with Note No. 2.17 (read with note



			no. 2.10) of the Consolidated financial statement] of accompanying statement regarding non-provisions of Interest, Penalty etc. on delay/non-payment of certain statutory dues on time w.r.t. Employee State Insurance, Provident Fund, Punjab Welfare Fund, Tax Deducted at source, Tax Collected at source, Service Tax and sales tax etc. (amount unascertainable) and our inability to comment the impact on the loss for the period.
			x. Note No.4(h) (and read with Note no. 2.21 of the Consolidated financial statement) of accompanying statement regarding pending appointment of requisite number of independent directors as stated in the said note.
			xi. In view of our comment under para (i) to (ix) above and on our comments in terms of the internal control system needs to be further strengthened to be made the same commensurate with the size of the Company and the nature of its business for the purchases and consumption of inventory, booking of the expenses, set off of balances and for the sale of goods and services.
	b	Type of Audit Qualification	Qualified Opinion
	c	Frequency of Qualification	<ul style="list-style-type: none"> • In case of point no. (i) – Second time (two time under emphasis of Matter paragraph) • In case of point no (ii) – Second time • In case of point no (iii) – Second time • In case of point no. (iv) – For period > 3 Years • In case of point no. (v) – For period > 3 Years (However there is change in amount) • In case of point no. (vi) – For period > 3 Years • In case of point no. (vii) – For period > 3 Years (However there is change in amount) • In case of point no. (viii) – Third time • In case of point no. (ix) – Second time • In case of point no. (x) – Second time • In case of point no. (xi) – Second time
	d	Management Views for audit qualifications where the impact is quantified by auditor (Qualification No.(ii) ,(v) & (vii) mentioned under Para 2a above is quantified)	ii. Note No.4(e) & 6 of the accompanying statement- As also explained in Note no. 2.18 of Consolidated financial statement, due to continuous losses and acute financial stress, the Company was unable to pay due installments and interest on term loan and an overdue amount is continuing to remain as unpaid till date (as detailed in note no. 5.6). No provision for interest, as calculated/estimated by the Management on secured loans and short term borrowings amounting to Rs. 4574.10 Lac (Including Rs. 1442.87 lacs previous year) and Rs. 6008.98 lacs (Including Rs. 1830.50 Lacs previous year) respectively payable to Banks has been made in the books of account. The Company's proposal for restructuring of its borrowings is under consideration with its lenders, now an Asset Restructuring Company (ARC), which holds more than 80% of secured debt of the Company. The Company will be giving effect to its liability of interest on debts and settled amount of debt in line with the restructuring scheme upon its sanction.



v.

Note No.4(b) of the accompanying statement- As also explained in Note no. 2.6(a) of Consolidated financial statement, Receivables exceeding six months includes outstanding amount for period over one year of Rs. 6173.94 Lacs (including exchange gain of Rs. 897.86 lacs till 31.03.2015) [excluding amount as stated in note no. (b) below], where the recoverable being from an overseas party the Company is in process of filing necessary papers with appropriate authority seeking extension of time [read with note no. 2.9 (a)]. The Management is confident of recovery and realisability of the amount as the party has offered its cooperation in recovery efforts of the Company; however, adopting a conservative approach in the matter, the Company has provided an amount of Rs. 855.62 Lacs (Including Rs 184.59 Lacs Previous year), being 12.50% of the recoverable amount, as a provision for possible amount as may remain irrecoverable at some point of time in future.

Note No.4(b) of the accompanying statement- As also explained in Note no. 2.6(b) of Consolidated financial statement, The trade receivables include certain overdue Trade Receivables/Other Receivables of Rs. 4183.68 lacs. The Management is confident of recovery and realisability from these debtors. However, adopting a conservative approach in the matter, the Company has provided an amount of Rs. 584.61 Lacs (Including Rs 91.36 Lacs Previous year), being 12.50% of the amount as may remain irrecoverable at some of time in future.

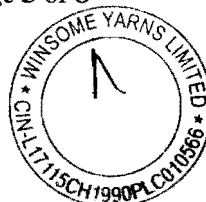
Note No.4(b) of the accompanying statement- As also explained in Note no. 2.8 of Consolidated financial statement,- Overdue amount includes Short Term Loans and Advances (including Other Current Assets) of Rs. 1743.40 lacs. In the opinion of the Management these are fully realisable and hence, considered good. Further, the Management has initiated necessary steps for recovery of these amounts.

vii.

Note No.4(d) of the accompanying statement- As also explained in Note no. 2.5 of Consolidated financial statement, In accordance with Accounting Standard 28 titled 'Impairment of Assets', the Company has identified its garmenting manufacturing facility (Knitwear Unit) located at Village B-58, Industrial Area Phase – VII, Mohali (Punjab), as the relevant Cash Generating Units (CGU). The CGU is engaged in manufacture of sweaters, pullover and garments of various sizes. Considering the continuing past losses of the CGU during and upto the period ended 31st March 2016, the Company on the basis of projected scale of operations and prevailing market conditions assessed that the recoverable value of the above CGU would be lower as compared to the carrying value, thus, indicating impairment. As a result of impairment testing carried out as at 30th September 2013 by an independent expert, impairment loss of Rs. 2996.00 Lacs were estimated based on a comparison of the carrying value



			of the asset vis-a-vis recoverable value. Post the assessment of aforesaid impairment value of CGU, the Company has already charged an amount of Rs. 1142.28 Lacs on account of depreciation on assets of CGU till the year end, and accordingly, the assessed amount of impairment loss since stands reduced to Rs. 1853.72 Lacs. However, in keeping with certain favourable developments in the textile industry, the aforesaid report of independent expert is under re-review by the Board of Directors of the Company, and accordingly, the impairment loss as may finally be assessed on completion of aforesaid reassessment, will be accounted thereafter.
	e.	Management Views for audit qualifications where the impact is not quantified by auditor :	
		(i) Management estimation on the impact of audit qualification	Presently not ascertainable in view of facts stated below
		(ii) If management is unable to estimate the impact, reason for the same	<p>i) Note No.3 of the accompanying statement- As also explained in Note no. 2.9 of Consolidated financial statement, The accumulated losses of the Company having exceeded its net worth, based on the audited accounts for the period ended 30th September 2014. Accordingly, the Company have filed an Reference before the Hon'ble Board for Industrial and Financial Reconstruction (BIFR), in terms of its statutory obligation under section 3(1)(o) of the Sick Industrial Companies (Special Provisions) 1985 (SICA). The Reference of the Company under SICA was registered by the Hon'ble BIFR on 10th April 2015. Considering the proposed rehabilitation plan of the company as under consideration by ARC and future business plans, the prevailing business scenario and the applicable government policies for the time being in force, the business and expected cash flow of the Company in the near future as assessed by the management of the Company, the accounts of the company have prepared on 'Going Concern' basis.</p> <p>iii. Note No.4(i) of the accompanying statement- As also explained in Note no. 2.6(c), 2.6(d) & 2.7(a) of Consolidated financial statement, regarding Adjustment/set off of payment of receivables/payables pending necessary approval in respect thereof. The Company is in process of obtaining necessary approvals from AD/RBI.</p> <p>iv. Note No.4(a) of the accompanying statement- As also explained in Note no. 2.10 of Consolidated financial statement, The Company is making efforts to obtain confirmation of balances of parties forming part of Trade Receivables (including subsidiaries) and oversea overdue trade receivables as stated in note no.2.8), bank balances (including bills discounted and outstanding Letter of Credit), Trade Payables (including of Associate Company of amounting to Rs. 568.78 lacs), Secured Loans, Other Liabilities and</p>



Loans & Advances and necessary reconciliation thereof will too be concurrently available. The management is of the opinion that adjustment, if any, arising on aforesaid reconciliation, would not be material. The Company has also initiated steps to set up internal committees for better control over day to day business and operations of the Company, and has also strengthened the system of internal controls.

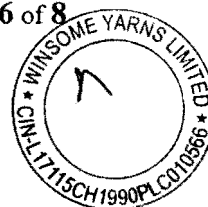
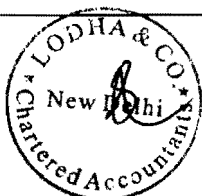
vi. Note No.4(c) of the accompanying statement- As also explained in Note no. 2.16(i)(a) to (d) of Consolidated financial statement, Quantitative Consumption of raw material and stores & spares is derived as net of opening stock plus purchases less closing stock from figures extracted from records maintained in the systems adopted by the Company, and that valuation of quantities is an amount certified by the Management arrived at from prevailing market prices.

(b) The Company is in process of carrying out complete item wise reconciliation of physical quantities of Fixed Assets. To the extent assets and inventories have been physically verified by the Management, no material discrepancies have been observed between the book record and physical quantity.

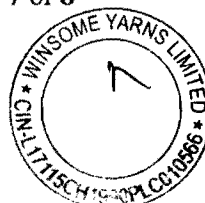
(c)- In view of Para (a) above, closing inventory of stock-in- process and finished goods has been considered as taken, valued and certified by the management after providing against old/ non-moving inventory as assessed/ estimated by the management and/or based on contracts/ subsequent sales realization.

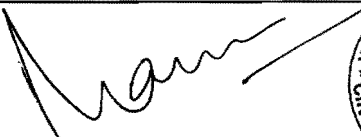


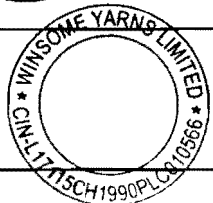

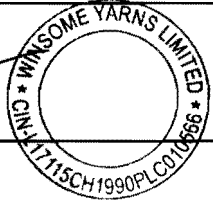

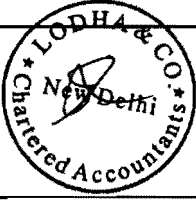
(d)- In view of security arrangements in place and controls on physical movement of materials, the Management is confident that there will not be any material adjustment on updation/completion of records of physical verification of inventory and fixed assets.

viii. Note No.4(f) & 5 of the accompanying statement- As also explained in Note no. 2.4(a) of Consolidated financial statement, In the Extraordinary General Meeting of the Company held on 28/06/2010, the Members of the Company had approved the issue of new capital through Global Depository Receipts (GDRs), and 19,94,125 number of GDR of USD 6.64 each (each GDR converting / equivalent to 100 equity shares – being 1,99,41,250 nos. of equity shares of Rs. 10 each at Rs. 29.70 including premium) had been issued and allotted on 29/03/2011. The GDR were listed for trading at the Luxembourg Stock Exchange (LuxSE). Out of the proceeds of GDRs raised in 2011, an amount of USD 6,954,515 (INR 3721.05 Crore) stood remitted to India, which had been utilised for augmentation of working capital needs of the Company and a balance amount of US\$ 50,72,110 (INR 2679.34 Lacs) continues to remain invested in an overseas Money Market Fund outside India as on 31.03.2016, pending inability of the Company to utilise the said funds for purposes for which the same were raised. The Company is filing all due returns regularly with RBI.



		<p>Note No.4(f) & 5 of the accompanying statement- As also explained in Note no. 2.4(b) of Consolidated financial statement, The Depository holding GDR had terminated the contract for their services w.e.f. 15-06-2015. The GDR had been de-listed from LuxSE. The Company proposes to appoint new depository and seek relisting of GDR on LuxSE or any other overseas stock Exchange.</p> <p>ix. Note No.4(g) of the accompanying statement- As also explained in Note no. 2.17 of Consolidated financial statement, Due to financial stress and losses suffered by the Company, it could not make due payments of various statutory dues (TDS, TCS, PF, ESIC, PWF, Service Tax, Sales / Value Added Tax, etc.) on due dated, and the amounts pending payment at close of the year on following accounts are: Provident Fund Rs. 110.15 lacs, ESI Rs. 22.24 Lacs and PWF Rs. 2.01 Lacs. These amounts have since been paid by the Company. The Company will seek waiver and / or remission in penal interest and penalty to be levied by the Authorities (amount unascertained), and the amount if any, will be accounted for as and when the same is discharged.</p> <p>x. Note No.4(h) of the accompanying statement- As also explained in Note no. 2.21 of Consolidated financial statement, The Nomination Committee of Board of Directors of the Company is engaged in identifying a person to be proposed to the Board of Directors of the Company as an independent director so that Board of Directors of Company consists of at least half the number of persons who are independent persons.</p> <p>xi. Para (i) to (ix) 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 and for the sale of goods and services.</p>
	<p>(iii) Auditor's Comment on (i) or (ii) above</p>	<p>Refer management estimation [e.(i).] and reasons [e.(ii).]</p>



III. Signatories:	
1	<p>CEO/Managing Director</p>   <p>Manish Bagrodia Managing Director</p>
2	<p>Chief Financial Officer</p>   <p>Anand Balkishan Sharma President (Corporate Finance) and CFO</p>
3.	<p>Audit Committee Chairman</p>   <p>Pradeep Kumar Audit Committee Chairman</p>
4	<p>Auditor of the Company</p>  <p>Gaurav Lodha (Partner) M.No. 507462 M/s Lodha & Co. Chartered Accountants (FRN: 301051E)</p> 
	<p>Place : Chandigarh Date: 30th May 2016</p>