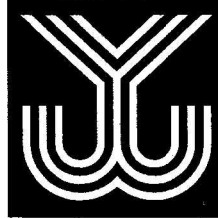


WYL/SECT/  
30.05.2017

**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  
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 (Audited Financial Results for 2016-17)**

Dear Sir/Madam,

Pursuant to Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), please find enclosed herewith Audited Financial Results of the Company for the Quarter and Year ended 31<sup>st</sup> March, 2017, duly approved by the Board of Directors of the Company at its meeting held on 30.05.2017 along with duly signed Auditors Report and Form 'B'.

The meeting of the Board of Directors of the Company commenced at 12.15 p.m. and concluded at 8.50 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. 09914030030

Email : [kvsinghal@winsomegroup.com](mailto:kvsinghal@winsomegroup.com), [cshare@winsomegroup.com](mailto:cshare@winsomegroup.com)



Encl : as above.



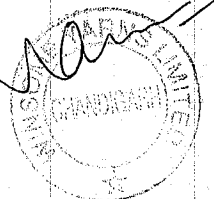
**WINSOME YARNS LIMITED**

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

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

**AUDITED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED ON 31ST MAR. 2017**

PART-I Sr. No.	Particulars	Rs.in lacs						
		Standalone			Consolidated			
		Unaudited		Audited		Audited		
		Quarter Ended		Year Ended		Year Ended	Year Ended	
		31.03.2017	31.12.2016	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
1	<b>Revenue from operations</b>	10471	7493	9241	37131	37468	37131	37474
	Less: Excise Duty	-	4	-	12	-	12	-
	Net Revenue from operations	10471	7489	9241	37119	37468	37119	37474
2	<b>Other Income</b>	93	14	323	186	419	186	430
	<b>Total Revenue(1+2)</b>	<b>10,564</b>	<b>7,503</b>	<b>9,564</b>	<b>37,305</b>	<b>37,887</b>	<b>37,305</b>	<b>37,904</b>
3	<b>Expenses</b>							
	(a) Cost of Material consumed	7183	5605	6015	26022	25740	26022	25740
	(b) Purchase of stock-in-trade	-	29	89	34	137	34	142
	(c) Changes in Inventories of finished goods, Work in progress & stock in trade	790	(344)	468	(733)	(525)	(733)	(525)
	(d) Employee Benefit expense	809	821	600	3232	2767	3232	2767
	(e) Finance cost	14	10	583	45	607	45	607
	(f) Depreciation & Amortisation expenses	434	437	588	1742	1878	1742	1878
	(g) Other expenses	965	2227	3456	8563	10283	8749	10285
	<b>Total Expenses</b>	<b>10,195</b>	<b>8,785</b>	<b>11,799</b>	<b>38,905</b>	<b>40,887</b>	<b>39,091</b>	<b>40,894</b>
4	<b>Profit/(Loss) from Operations before Exceptional Items(2-3)</b>	<b>369</b>	<b>(1,282)</b>	<b>(2,235)</b>	<b>(1,600)</b>	<b>(3,000)</b>	<b>(1,786)</b>	<b>(2,990)</b>
5	Exceptional Items	-	-	(444)	-	-	-	5
6	<b>Profit/(Loss) before Tax (4-5)</b>	<b>369</b>	<b>(1,282)</b>	<b>(1,791)</b>	<b>(1,600)</b>	<b>(3,000)</b>	<b>(1,786)</b>	<b>(2,995)</b>
7	<b>Tax Expense</b>							
	- Current Tax	-	-	-	-	-	-	-
	- Earlier years Tax	6	-	-	6	-	6	-
	- Deferred Tax Liability/(Asset)	-	-	-	-	-	-	-
8	<b>Profit/(Loss) after tax (6-7)</b>	<b>363</b>	<b>(1,282)</b>	<b>(1,791)</b>	<b>(1,606)</b>	<b>(3,000)</b>	<b>(1,792)</b>	<b>(2,995)</b>
9	Extraordinary items	-	-	-	-	-	-	-
10	<b>Profit/(Loss) for the period (8-9)</b>	<b>363</b>	<b>(1,282)</b>	<b>(1,791)</b>	<b>(1,606)</b>	<b>(3,000)</b>	<b>(1,792)</b>	<b>(2,995)</b>
11	Minority Interest	-	-	-	-	-	-	-
12	<b>Profit/(Loss) after taxes &amp; minority interest.</b>	<b>363</b>	<b>(1,282)</b>	<b>(1,791)</b>	<b>(1,606)</b>	<b>(3,000)</b>	<b>(1,792)</b>	<b>(2,995)</b>
13	Paid - up Equity Capital (Face Value – Rs. 10/- each)	7,071	7,071	7,071	7,071	7,071	7,071	7,071
14	Reserves excluding Revaluation Reserve .	-	-	-	(23,570)	(21,955)	(23,548)	(21,759)
15	<b>Earnings Per Share of Rs 10/- each (Not Annualised) - Basic &amp; Diluted (Rs.)</b>	<b>0.51</b>	<b>(1.81)</b>	<b>(2.53)</b>	<b>(2.26)</b>	<b>(4.24)</b>	<b>(2.53)</b>	<b>(4.24)</b>



**WINSOME YARNS LIMITED**

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

Statement of Assets & Liabilities	(Rs in Lacs)			
	Audited			
	Standalone		Consolidated	
Particulars	Year Ended		Year Ended	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
<b>I. EQUITY &amp; LIABILITIES</b>				
<b>(1) Shareholders' Funds</b>				
(a) Share Capital	7,082	7,082	7,082	7,082
(b) Reserves & Surplus	(23,570)	(21,954)	(23,548)	(21,759)
<b>Sub-total- Shareholders' fund</b>	<b>(16,488)</b>	<b>(14,872)</b>	<b>(16,466)</b>	<b>(14,677)</b>
<b>(2) Non- Current Liabilities</b>				
(a) Long Term Borrowings	48,465	49,917	48,465	49,917
(b) Long Term Provisions	158	119	158	119
<b>Sub-total- Non- Current Liabilities</b>	<b>48,623</b>	<b>50,036</b>	<b>48,623</b>	<b>50,036</b>
<b>(3) Current Liabilities</b>				
(a) Short Term Borrowings	-	-	-	-
(b) Trade Payables	6,189	5,220	6,195	5,220
(c) Other Current Liabilities	10,001	8,669	10,019	8,689
(d) Short Term Provisions	19	14	19	14
<b>Sub-total- Current Liabilities</b>	<b>16,209</b>	<b>13,903</b>	<b>16,233</b>	<b>13,923</b>
<b>TOTAL-EQUITY AND LIABILITIES</b>	<b>48,344</b>	<b>49,067</b>	<b>48,390</b>	<b>49,282</b>
<b>II. ASSETS</b>				
<b>(1) Non- Current Assets</b>				
(a) Fixed Assets				
(i) Tangible Assets	24,152	25,816	24,152	25,816
(ii) Intangible Assets	-	-	-	-
(iii) Capital Work-in-Progress	36	-	36	-
(b) Non Current Investment	-	-	-	-
(c) Deferred Tax Asset (Net)	-	-	-	-
(d) Long term loans & advances	1,391	855	1,391	855
<b>Sub-total- Non- Current Assets</b>	<b>25,579</b>	<b>26,671</b>	<b>25,579</b>	<b>26,671</b>
<b>(2) Current Assets</b>				
(a) Current Investment	2,679	2,679	2,679	2,679
(b) Inventories	5,752	5,051	5,752	5,051
(c) Trade receivables	12,062	12,218	12,102	12,447
(d) Cash & bank balances	194	575	200	581
(e) Short term Loans & Advances	1,145	926	1,145	906
(f) Other Current Assets	933	947	933	947
<b>Sub-total- Current Assets</b>	<b>22,765</b>	<b>22,396</b>	<b>22,811</b>	<b>22,611</b>
<b>TOTAL – ASSETS</b>	<b>48,344</b>	<b>49,067</b>	<b>48,390</b>	<b>49,282</b>

**Notes:**

- The above results have been reviewed by the Audit committee and approved by the Board of Directors in their meeting held on 30th May 2017.
- The company is only in one line of business namely Textiles (Yarn, Knitwear & related revenue).
- Consequent to erosion of entire net worth, the Company filed its Reference before the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) under Sick Industrial Company (Special Provisions) Act, 1985 (SICA), which had since been registered. The Company has been in discussions with its lenders for working out a scheme of rehabilitation of its financial debts. For reasons that SICA was repealed with effect from December 1, 2016, the restructuring plan of the Company will now be an outcome of bilateral arrangements to be arrived at between the Company and the lender. In case of lenders who have assigned their debt to an Asset Reconstruction Company, the Company has since reached an arrangement for structured payment of its outstandings.
- Auditors remarks on the accounts for the year ended 31<sup>st</sup> Mar.2017 (a) Regarding pending confirmation/reconciliation of balances of certain receivables (including overseas overdue receivables), bank balances, payables (including associate company), secured loans, contingent and other liabilities, loans and advances- impact unascertainable); Management response : these accounts are in process of confirmation/reconciliation. The Management is of the opinion that adjustment, if any ; arising out of such reconciliation would not be material.(b) Regarding Non provision against certain overdue receivables and loan & advances.; Management response ; the management has already initiated necessary steps for the recovery/ reconciliation of the same .(c) Regarding accounting of consumption of Raw Material and Stores & Spares as balancing figure And valuation of inventories is as taken valued and certified by the management ( Impact unascertainable).:Management response : Accounting is being done as per past practice through system on issue based consumption.(d) Non-provision against impairment (as per AS-28) in value of assets of Knitwear unit(CGU)and [Impact unascertainable]; Management response : The Company will reassess the value of CGU and the resulting impairment loss on sanction by the lenders of corrective Action Plan or Reworking of its Debts, and adjustment of impairment and lenders liability, if any, will be accounted in books of account of the company concurrently therewith.(e) Regarding non-provision for penal interest and penalty; Management response:read with note no.6 as stated below. (f) Regarding pending receipt of part money of GDR; Management response : Read with note no.5 as stated below. (g) regarding non-provision for interest and penalty on statutory dues :Management response : the same will be provided / accounted for as and when paid.(h) Pending appointment of independent Director:Management response : has since been complied.(i)Regarding Written off/ Written back and adjustment/set off of receivable/ payables pending necessary approval :Management response ; the company is in process of obtaining necessary approvals.
- An amount of USD 60,49,664(balance 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 on account of consolidation) is invested in money market fund outside India. The balance issue proceeds of Rs.2679.34 lacs are pending to be utilised, since not been called.The GDR which was earlier listed with Luxembourg stock exchange has been delisted
- Due to continuous losses and financial tightness, the Company has not been able to make payments, including towards installments of borrowings, and obligations towards payment of interest, both in respect of term loans and working capital as they fell due. There are certain overdue amount - for details see note no. 5.6 of audited financial statement for the year ended 31<sup>st</sup> March 2017. Interest on term loans and working capital, including overdue amount, penal interest, etc. for the period October 2014 to March 2017 (amount unascertained) has not been provided in books of account, and that the same will be provided / accounted for as and when the Company final settlement of liability takes place with the respective lender. Six banks have assigned and transferred their debts due from the Company, alongwith the underlying rights, title and interests in financial assistances granted to the Company, to an Asset Reconstruction Company. The Company's discussions for restructuring of its debts have been ongoing with the lenders; and the Company has reached an arrangement with the Asset Reconstruction Company for structured payment thereof. Pending finality of settlement, the Company considers the debts due to the banks and Asset Reconstruction Company as part of Long Term Borrowings.
- Previous year/ quarter figures have been regrouped and/or re-arranged wherever necessary to make their classification comparable with current period.

Place: Chandigarh  
Date: 30<sup>th</sup> May 2017



Manish Bagrodia  
Managing Director  
DIN No.00046944

Independent Auditor's Report on Quarterly Standalone Financial Results and Year to Date Results of Winsome Yarns Limited pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

**To The Board of Directors Of  
WINSOME YARNS LIMITED**

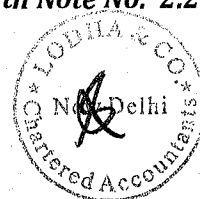
1. We have audited the accompanying statement of standalone quarterly financial results of **WINSOME YARNS LIMITED** ('the Company') for the quarter ended March 31<sup>st</sup>, 2017 and the financial results for the year ended March 31<sup>st</sup>, 2017, attached herewith, being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The quarterly financial results are the derived figures between the audited figures in respect of the year ended March 31<sup>st</sup>, 2017 and the published year-to-date figures up to December 31<sup>st</sup>, 2016, being the date of the end of the third quarter of the current financial year, which were subject to limited review. The financial results for the quarter and year to date ended March 31<sup>st</sup>, 2017 have been prepared on the basis of the financial results for the nine-month period ended December 31<sup>st</sup>, 2016, the audited annual financial statements as at and for the year ended March 31<sup>st</sup>, 2017, and the relevant requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and are the responsibility of the Company's management and have been approved by the Board of Directors of the Company. Our responsibility is to express an opinion on these financial results based on our review of the financial results for the nine-month period ended December 31<sup>st</sup>, 2016 which was prepared in accordance with the recognition and measurement principles laid down in Accounting Standard (AS) 25 "Interim Financial Reporting", Interim Financial Reporting, specified under the Section 133 of the Companies Act, 2013 read with relevant rules issued there under and other accounting principles generally accepted in India; our audit of the annual financial statements as at and for the year ended March 31<sup>st</sup>, 2017; and the relevant requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
2. 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 financial results are free of material misstatement(s). An audit includes examining, on a test basis, evidence supporting the amounts disclosed as financial results. 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 qualified audit opinion.
3. **Basis for Qualified opinion**

**Attention is invited to following:-**

- i. ***In view of the accumulated losses {also to be read with para (viii) under the head 'Basis for Qualified Opinion', of Our Audit Report for the year ended 31.03.2017 and Note No. 2.12(b) of Audited Accounts as on that date}, the net worth of the Company become negative. Accounts have been prepared by the***

*management on going concern basis considering the future business plans and expected cash flows. 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 and therefore cannot be commented upon by us [This to be read together with accounting policy- Note No. 1.1 of Audited Financial Statements for the year ended 31.03.2017 and Note No. 3 of accompanying Statement].*

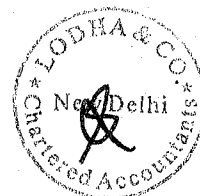
- ii. Regarding non provisioning of Interest Expenses of Rs. 18972.22 Lacs (Rs. 10583.08 Lacs for the period ended 31.03.2016 and Rs. 16789.81 Lacs for the quarter ended 31<sup>st</sup> December 2016), penal interest, penalty etc. (amount unascertainable). [This to be read with note no. 2.25 of Audited Financial Statements for the Year ended 31.03.2017 and Note No. 4(e) & 6 of accompanying Statement].*
- iii. Regarding Written Off /Written Back and Adjustment/Set Off of payment of receivables/payables from/to overseas parties/suppliers which is pending necessary approval [This to be read with note no. 2.8(c), 2.8(d), and 2.9(a) of Audited Financial Statements for the Year ended 31.03.2017 and Note No. 4(i) of accompanying Statement].*
- iv. Regarding pending confirmation / reconciliation of balances of certain receivables, (including overseas overdue receivables as stated in note no.2.8 of Audited Financial Statements for the Year ended 31.03.2017) 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. [This to be read with note no. 2.14 of Audited Financial Statements for the Year ended 31.03.2017 and Note No. 4(a) of accompanying Statement].*
- v. Regarding non-provision against receivables (including of oversea overdue debtors of amounting to Rs. 6173.48 Lacs (Rs. 6173.94 Lacs as at 31<sup>st</sup> March 2016, and Rs.5532.77 Lacs as at 31<sup>st</sup> December 2016) [including accounting of exchange fluctuation of Rs. 897.41 lacs (Rs. 897.86 Lacs as at 31<sup>st</sup> March 2016, and Rs. 898.41 Lacs as at 31<sup>st</sup> December 2016 )] and loans and advances(including other current assets) of Rs. 9785.28 Lacs (Rs. 10357.62 Lacs as at 31<sup>st</sup> March 2016 , and Rs.9141.47 Lacs as at 31<sup>st</sup> December 2016) and Rs. 1611.71 Lacs(Rs. 1743.40 lacs as at 31<sup>st</sup> March 2016 and Rs.1301.41 Lacs as at 31<sup>st</sup> December 2016 ) 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".[ This to be read with Note No. 2.8 (a)&(b) and Note no. 2.11 respectively of Audited Financial Statements for the Year ended 31.03.2017 and Note No. 4(b) of accompanying Statement].*
- vi. 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. [This to be read with Note No. 2.22(A)(iv)(a)*



to (d) of Audited Financial Statements for the Year ended 31.03.2017 and Note No. 4(c) of accompanying Statement].

- vii. The company have carried out assessment of value in use of assets [as per AS-28 (Impairment of Assets)] of knitwear unit (a CGU) by an independent professional firm, based on this estimated impairment loss is of amounting to Rs.1349.90 Lacs (net of depreciation) (Rs. 1853.72 Lacs as at 31<sup>st</sup> March 2016 & Rs.1476.77 Lacs as at 31<sup>st</sup> December 2016). However, no provision against the same has been made by the company for the reason as explained in the note no. 4(d) of the accompanying statement. The Non-provision against impairment in value of above stated assets is not in line with AS-28. [This to be read with Note No. 2.5 of Audited Financial Statements for the Year ended 31.03.2017].
- viii. 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. [This to be read with Note No. 2.3 of Audited Financial Statements for the year ended 31.03.2017 and Note No. 4(f) and 5 of accompanying Statement].
- ix. 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 Quarter and for the year. [This to be read with Note No. 2.23 (read with note no. 2.14) of Audited Financial Statements for the year ended 31.03.2017 and Note No. 4(g) of accompanying Statement].
- x. Regarding pending appointment of requisite number of independent directors. [This to be read with Note No. 2.27 of Audited Financial Statements for the year ended 31.03.2017 and Note No.4 (h) of accompanying Statement].
- xi. In view of our comment under para (i) to (ix) above and on our comments w.r.t. the internal control system which 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.

Our opinion was also qualified on the financial statements for the period ended 31<sup>st</sup> March 2016 and Quarter ended 31<sup>st</sup> December 2016 in respect of matters reported in (i) to (xi) above.



4. In our opinion and to the best of our information and according to the explanations given to us, *except for the effects/possible effects of our observations stated in paragraph 3 above* these quarterly financial results as well as the year to date results:

- (i) are presented in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; and
- (ii) give a true and fair view of the net loss and other financial information for the quarter ended March 31<sup>st</sup>, 2017 and for the year ended March 31<sup>st</sup>, 2017.

**For LODHA & CO.**

Chartered Accountants

Firm's Registration No. 301051E

*Lodha*

**GAURAV LODHA**

Partner

M.No. 507462



Place: Chandigarh

Date: *30/05/2017*

Independent Auditor's Report on Consolidated Year to Date Results of Winsome Yarns Limited pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

**To The Board of Directors Of  
WINSOME YARNS LIMITED**

1. We have audited the accompanying Statement of Consolidated Financial Results of **WINSOME YARNS LIMITED** ("the Company") and its subsidiaries (the company and its subsidiaries together referred to as "the Group") which has been approved by the Board of Directors for the year ended 31.03.2017 ("the Statement") being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. This Statement ("consolidated results"), which is the responsibility of the Company's Management and approved by the Board of Directors, has been prepared on the basis of the related consolidated financial statements of the group which is in accordance with the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 as applicable and other accounting principles generally accepted in India and the relevant requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Our responsibility is to express an opinion on the Consolidated financial statement.
2. 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 financial results are free of material misstatement(s). An audit includes examining, on a test basis, evidence supporting the amounts disclosed as financial results. 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 qualified audit opinion.
3. **Basis for Qualified opinion**

**Attention is invited to following:-**

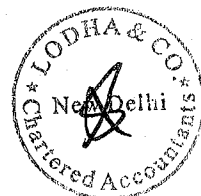
- i. *In view of the accumulated losses {also to be read with para (viii) under the head 'Basis for Qualified Opinion', of Our Audit Report for the year ended 31.03.2017 and Note No. 2.9 of Consolidated Audited Financial statement as on that date}, the net worth of the Company become negative. Accounts have been prepared, by the management on going concern basis considering the future business plans and expected cash flows. 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 and*





therefore cannot be commented upon by us [This to be read together with Note No. 3 of accompanying Statement].

- ii. Regarding non provisioning of Interest Expenses of Rs. 18972.22 Lacs (Rs. 10583.08 Lacs for the period ended 31.03.2016), penal interest, penalty etc. (amount unascertainable). [This to be read with note no. 2.18 of Consolidated Audited Financial statement for the Year ended 31.03.2017 and Note No. 4(e) & 6 of accompanying Statement].
- iii. Regarding Written Off /Written Back and Adjustment/Set Off of payment of receivables/payables from/to overseas parties/suppliers which is pending necessary approval [This to be read with note no. 2.6(c), 2.6(d), and 2.7(a) of Consolidated Audited Financial Statements for the Year ended 31.03.2017 and Note No. 4(i) of accompanying Statement].
- iv. Regarding pending confirmation / reconciliation of balances of certain receivables, (including overseas overdue receivables as stated in note no.2.6 of Consolidated Audited Financial Statements for the Year ended 31.03.2017) 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. [This to be read with Note No. 2.10 of the Consolidated Audited Financial Statement for the year ended 31.03.2017 and Note No. 4(a) of accompanying Statement].
- v. Regarding non-provision against receivables (including of oversea overdue debtors of amounting to Rs. 6173.48 Lacs (Rs. 6173.94 Lacs as at 31st March 2016) [including accounting of exchange fluctuation of Rs. 897.41 Lacs (Rs. 897.86 Lacs as at 31st March 2016 )] and loans and advances(including other current assets) of Rs. 9785.28 Lacs (Rs. 10357.62 Lacs as at 31st March 2016 ) and Rs. 1611.71 Lacs(Rs. 1743.40 lacs as at 31st March 2016 ) 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".[ This to be read with Note No. 2.6 (a)&(b) and Note no. 2.8 respectively of Consolidate Audited Financial Statements for the Year ended 31.03.2017 and Note No. 4(b) of accompanying Statement].
- vi. 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. [This to be read with Note No. 2.16 (a) to (d) of Consolidated Audited Financial Statements for the Year ended 31.03.2017 and Note No. 4(c) of accompanying Statement].
- vii. The company have carried out assessment of value in use of assets [as per AS-28 (Impairment of Assets)] of knitwear unit (a CGU) by an independent professional firm, based on this estimated impairment loss is of amounting to Rs. 1349.90 Lacs (net of depreciation) (Rs. 1853.72 Lacs as at 31st March 2016). However, no provision against the same has been made by the company for the reason as



*explained in the note no. 4(d) of the accompanying statement. The Non-provision against impairment in value of above stated assets is not in line with AS-28. [This to be read with Note No. 2.5 of Consolidated Audited Financial Statements for the Year ended 31.03.2017].*

- viii. *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. [This to be read with Note No. 2.4 of Consolidated Audited Financial Statements for the year ended 31.03.2017 and Note No. 4(f) and 5 of accompanying Statement].*
- ix. *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 year. [This to be read with Note No. 2.17 (read with note no. 2.10) of Consolidated Audited Financial Statements for the year ended 31.03.2017 and Note No. 4(g) of accompanying Statement].*
- x. *Regarding pending appointment of requisite number of independent directors. [This to be read with Note No. 2.21 of Consolidated Audited Financial Statements for the year ended 31.03.2017 and Note No.4 (h) of accompanying Statement].*
- xi. *In view of our comment under para (i) to (ix) above and on our comments w.r.t. the internal control system which 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.*

*Our opinion was also qualified on the financial statements for the period ended 31<sup>st</sup> March 2016 in respect of matters reported in (i) to (xi) above.*

4. In our opinion and to the best of our information and according to the explanations given to us, *except for the effects/possible effects of our observations stated in paragraph 3 above and based on the consideration of the reports of the other auditors referred to in paragraph 5(a) below, the Statement in the case of consolidated financial results of the Group:*

- (i) Include the results for the year ended 31<sup>st</sup> March 2017 of the subsidiaries: Winsome Yarn FZE and Winsome Yarn CYPRUS Limited;



(ii) are presented in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; and

(iii) give a true and fair view in conformity with the aforesaid Accounting Standards and other accounting principles generally accepted in India, of the consolidated net loss and other financial information of the Group for the year ended 31/03/2017.

5. (a) We did not audit the financial statements of one subsidiary, included in the consolidated financial results whose financial statements reflect total assets of Rs. 0.75 Lacs as at 31<sup>st</sup> March 2017, total revenue of Rs. Nil for the year ended 31<sup>st</sup> March 2017 and total net loss after tax of Rs. 186.03 Lacs for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditor whose report have been furnished to us by the management and our opinion on the statement, in so far as it relates to the amounts and disclosures included in respect of subsidiary and our report in terms of sub-section (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary, is based solely on the report of the other auditor.

(b) We did not audit the financial statements of one subsidiary, included in the consolidated financial results whose financial statements reflect total assets of Rs. 45.06 Lacs as at 31<sup>st</sup> March 2017, total revenue of Rs. Nil for the year ended 31<sup>st</sup> March 2017 and total net loss after tax Rs. Nil for the year ended on that date, as considered in the consolidated financial statements. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiary and our report in terms of sub-section (3) and (11) of Section 143 of the Act in so far as it relates to the aforesaid subsidiary is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

**For Lodha & Co.**

Chartered Accountants

FRN:-301051E



**Gaurav Lodha**

Partner

Membership No.507462

Place : Chandigarh

Date : 30/03/2017



**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, 2017 [See Regulation 33/52 of the SEBI (LODR) (Amendment) Regulations 2016]				
(Rs. in Lacs)				
I.	Sl.No.	Particulars	Audited Figure (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)*
	1	Turnover/ Total income	37,305	37,305
	2	Total Expenditure	38,906	70,625
	3	Net Profit/(Loss)	(1,606)	(33,320)
	4	Earnings Per Share	(2.26)	(47.12)
	5	Total Assets	48,344	35,597
	6	Total Liabilities	64,832	83,804
	7	Net Worth	(16,488)	(48,207)
	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	<p>Reference is invited to Para (3) of Independent Auditor's Report on Standalone audited financial results:</p> <p>(i) Note No. 3 (and read with Note No. 2.12(b) of the Audited Financial Statement) of accompanying statement regarding net worth of the Company become negative and preparation of financial statements by the management on "going concern basis", considering the rehabilitation, 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 be ascertained.</p> <p>(ii) Note No. 4(e) &amp; 6 (read with Note No. 2.25 of the Audited Financial Statement) of accompanying statement regarding non provisioning of Interest Expenses of Rs. 18,972.22 Lacs (Rs. 10,583.08 Lacs for the year ended 31.03.2016 and Rs. 16,789.22 Lacs for the quarter ended 31<sup>st</sup> December 2016), penal interest, penalty etc. (amount unascertainable).</p> <p>(iii) Note No. 4 (i) (read with note no. 2.8(c), 2.8(d), and 2.9(a) of Audited Financial Statements) 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.</p> <p>(iv) Note No. 4(a) (read with Note No. 2.14 of the Audited Financial Statement) of the accompanying statement regarding pending confirmation / reconciliation of balances of certain receivables,</p>	



			<p>(including overseas overdue receivables as stated in note no. 2.8 of Audited Financial Statements for the Year ended 31.03.2017) 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.</p> <p>(v) Note No. 4(b) (read with Note No. 2.8 (a)&amp;(b) and Note no. 2.11 respectively of Audited Financial Statements) of the accompanying statement regarding non-provision against receivables (including of overseas overdue debtors of amounting to Rs. 6173.48 Lacs (Rs. 6173.94 Lacs as at 31st March 2016, and Rs. 5,532.77 Lacs as at 31<sup>st</sup> December 2016) [including accounting of exchange fluctuation of Rs. 897.41 lacs (Rs. 897.86 Lacs as at 31st March 2016, and Rs. 898.41 Lacs as at 31<sup>st</sup> December 2016)] of Rs. 9785.28 Lacs (Rs. 10,357.62 Lacs as at 31st March 2016, and Rs. 9,141.47 Lacs as at 31<sup>st</sup> December 2016) and loans and advances (including other current assets) of Rs. 1611.71 Lacs (Rs. 1743.40 Lacs as at 31st March 2016 and Rs. 1,301.41 Lacs as at 31<sup>st</sup> December 2016) 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".</p> <p>(vi) Note No. 4(c) (read with Note No. 2.22 (A) (iv)(a) to (d) of the Audited Financial Statements) of the accompanying statement regarding accounting of consumption of Raw Material and Stores &amp; Spares as balancing figure and the valuation of inventories is as taken, valued and as certified by the management as stated in the said note; the impact whereof on the statement of state of affairs and loss for the year not being ascertainable for the reason stated in the said note and cannot be commented upon by us.</p> <p>(vii) The company have carried out assessment of value in use of assets [as per AS-28 (Impairment of Assets)] of knitwear unit (a CGU) by an independent professional firm, based on this estimated impairment loss is of amounting to Rs. 1,349.90 Lacs (net of depreciation) (Rs. 1,853.72 Lacs as at 31<sup>st</sup> March 2016 &amp; Rs. 1,476.77 Lacs as at 31<sup>st</sup> December 2016). However, no provision against the same has been made by the company for the reason as explained in the said Note No. 4(d) (read with Note No. 2.5 of Audited Financial Statements) of the accompanying statement.</p> <p>(viii) Note No. 4(f) and 5 (read with Note No. 2.3 of the</p>
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*[Handwritten signature]*

		<p>Audited Financial Statement) of the 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.</p> <p>(ix) Note No. 4(g) (read with Note No. 2.23 and 2.14 of the Audited Financial Statements) of the 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 for the year.</p> <p>(x) Note No. 4(h) (read with Note No. 2.27 of the Audited Financial Statements) of the accompanying statement regarding pending appointment of requisite number of independent directors as on 31<sup>st</sup> March 2017.</p> <p>(xi) In view of our comment under para (i) to (ix) above and on our comments w.r.t. the internal control system which 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.</p>	
	(b)	Type of Audit Qualification	Qualified Opinion
	(c)	Frequency of Qualification	<ul style="list-style-type: none"> <li>• In case of point no (i), (iii), (ix), (x) and (xi) - Appeared since F.Y. 2014-15</li> <li>• In case of point no (ii) - Appeared since F.Y. 2013-14 (However, there is change in amount)</li> <li>• In case of point no (iv) - Appeared since F.Y. 2003-04</li> <li>• In case of point no (v) - Appeared since F.Y. 2003-04 (However, there is change in amount)</li> <li>• In case of point no (vi) - Appeared since F.Y. 2012-13</li> <li>• In case of point no (vii) - Appeared since F.Y. 2012-13 (However, there is change in amount)</li> <li>• In case of point no (viii) - Appeared since F.Y. 2013-14</li> </ul>



*[Handwritten signature]*

	<p>(d) For Audit Qualification(s) where the impact is quantified by the Auditor, Management views</p>	<p>With regard to Auditors Qualification No. (ii), (v) and (vii):-</p> <p>(ii) Regarding non-provision of interest expenses, penal interest, penalty, etc. - As stated in Note No. 25 of the Audited Financial Statement, due to continuous losses and financial tightness, the Company has not been able to make payments, including towards installments of borrowings, and obligations towards payment of interest, both in respect of term loans and working capital as they fell due. There are certain overdue amount - for details see note no. 5.6 of audited financial statement for the year ended 31st March 2017. Interest on term loans and working capital, including overdue amount, penal interest, etc. for the period October 2014 to March 2017 (amount unascertained) has not been provided in books of account, and that the same will be provided / accounted for as and when the Company final settlement of liability takes place with the respective lender. Six banks have assigned and transferred their debts due from the Company, alongwith the underlying rights, title and interests in financial assistances granted to the Company, to an Asset Reconstruction Company. The Company's discussions for restructuring of its debts have been ongoing with the lenders; and the Company has reached an arrangement with the Asset Reconstruction Company for structured payment thereof. Pending finality of settlement, the Company considers the debts due to the banks and Asset Reconstruction Company as part of Long Term Borrowings.</p> <p>(v) Regarding non-provision against receivables and loans and advances - As also explained in Note No. 2.8(a) of Audited Financial Statements, management view is that the receivables exceeding six months includes outstanding amount of overseas receivables for period over one year of Rs. 6173.48 Lacs (including exchange gain of Rs. 897.41 lacs till 31.03.2017)[excluding as stated in note no. 2.8 (b) below], where company is in process of filing necessary papers with appropriate authority for extension of time [read with note no.2.9 (a)]. In this regards, management is confident about full recovery / realisability considering the past performance of the customer and recovery initiative taken by the Company.</p> <p>Also, as explained in Note No. 2.8(b) of Audited Financial Statements, the trade receivables include certain overdue Trade Receivables/Other Receivables of Rs. 3611.80 lacs for which the management is confident about full recovery/realisability.</p> <p>Further, for the overdue amount of Loans and</p>
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		<p>Advances (Including Other Current Assets) of Rs. 1611.71 lacs (including Refunds / Claims Receivables of Rs.33.51 Lacs, TUFs subsidy Rs. 899.05 lacs, capital advances of Rs. 250 lacs), 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 overdue.</p> <p>(vii) Regarding non-provision against impairment (as per AS-28) in value of assets of Knitwear Unit (CGU), the management will reassess the value of CGU and the resulting impairment loss on sanction by the lenders of corrective Action Plan or Reworking of its Debts, and adjustment of impairment and lenders liability, if any, will be accounted in books of account of the company concurrently therewith.</p>
	(e)	For Audit Qualification(s) where the impact is not quantified by the Auditor:
	(i)	Management's estimation on the impact of audit qualification
	(ii)	If management is unable to estimate the impact, reasons for the same
		<p>Not ascertainable</p> <p>With regard to Auditors Qualification No. (i), (iii), (iv), (vi), (viii), (ix), (x) and (xi):-</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 its Reference before the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) under Sick Industrial Company (Special Provisions) Act, 1985 (SICA), which had since been registered. The Company has been in discussions with its lenders for working out a scheme of rehabilitation of its financial debts. For reasons that SICA was repealed with effect from December 1, 2016, the restructuring plan of the Company will now be an outcome of bilateral arrangements to be arrived at between the Company and the lender. In case of lenders who have assigned their debt to an Asset Reconstruction Company, the Company has since reached an arrangement for structured payment of its outstandings. 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 written off/ written back and adjustment/set off of payment of receivables/ payables from/to overseas parties/ suppliers pending necessary approvals - the management is in the process of obtaining necessary approvals from</p>





			<p>the regulatory authorities.</p> <p>(iv) Regarding pending confirmation / reconciliation of balances of certain receivables (including overseas overdue receivables), bank balances, payables (including of an Associate Company), 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> <p>(vi) Regarding accounting of consumption of Raw Material and Stores &amp; Spares as balancing figure and the valuation of inventories is as taken, valued and as certified by the management - As per the management, accounting is being done as per past practice through system on issue based consumption and in view of security arrangement in place, the management is confident that there will not be any material adjustment on updation/completion of records of physical verification of inventory.</p> <p>(viii) 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 6,954,515 (INR 3721.05 Crores) 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 31.03.2017, pending utilisation 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.</p> <p>(ix) Regarding non-provisions of Interest, Penalty, etc on delay/non-payment of statutory dues - Due to financial strains and losses Company could not make due payments against various statutory dues on due time which have subsequently been paid. Penal interest and penalty in this regard (amount unascertained) if any, will be accounted for as and when the same will be paid.</p> <p>(x) Regarding pending appointment of requisite number of independent directors as on 31<sup>st</sup> March 2017 -</p>
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		Subsequent to the balance sheet date i.e. 31 <sup>st</sup> March 2017, the Company has appointed and Independent Director.
		(xi) 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.
	(iii) Auditors' comments on (i) or (ii) above	Refer details of audit qualification [para II(a) above]
III.	Signatories	
	• Managing Director - Manish Bagrodia	
	• CFO - Anand Balkishan Sharma	
	• Audit Committee Chairman - Pradeep Kumar	
	• Statutory Auditor	For Lodha & Co, Chartered Accountants Firm Registration No. 301051E  (Gaurav Lodha) Partner Membership No. 507462 
		  

Place: Chandigarh  
Date: 30.05.2017

**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, 2017 [See Regulation 33/52 of the SEBI (LODR) (Amendment) Regulations 2016]				
(Rs. in Lacs)				
I.	Sl.No.	Particulars	Audited Figure (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)*
	1	Turnover/ Total income	37,305	37,305
	2	Total Expenditure	39,092	70,811
	3	Net Profit/(Loss)	(1,792)	(33,506)
	4	Earnings Per Share	(2.53)	(47.39)
	5	Total Assets	48,390	35,643
	6	Total Liabilities	64,855	83,827
	7	Net Worth	(16,465)	(48,184)
	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	<p>Reference is invited to Para (3) of Independent Auditor's Report on Consolidated audited financial results:</p> <p>(i) Note No. 3 (and read with Note No. 2.9 of the Consolidated Audited Financial Statement) of accompanying statement regarding net worth of the Company become negative and preparation of financial statements by the management on "going concern basis", considering the rehabilitation, 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 be ascertained.</p> <p>(ii) Note No. 4(c) &amp; 6 (read with Note No. 2.18 of the Consolidated Audited Financial Statement) of accompanying statement regarding non provisioning of Interest Expenses of Rs. 18,972.22 Lacs (Rs. 10,583.08 Lacs for the year ended 31.03.2016), penal interest, penalty etc. (amount unascertainable).</p> <p>(iii) Note No. 4 (i) (read with note no. 2.6(c), 2.6(d), and 2.7(a) of Consolidated Audited Financial Statements) 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.</p> <p>(iv) Note No. 4(a) (read with Note No. 2.10 of the Consolidated Audited Financial Statement) of the accompanying statement regarding pending confirmation / reconciliation of balances of certain</p>	



			<p>receivables, (including overseas overdue receivables as stated in note no. 2.6 of Consolidated Audited Financial Statements for the Year ended 31.03.2017) 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.</p> <p>(v) Note No. 4(b) (read with Note No. 2.6 (a)&amp;(b) and Note no. 2.8 respectively of Consolidated Audited Financial Statements) of the accompanying statement regarding non-provision against receivables [including of overseas overdue debtors of amounting to Rs. 6173.48 Lacs (Rs. 6173.94 Lacs as at 31st March 2016) (including accounting of exchange fluctuation of Rs. 897.41 lacs (Rs. 897.86 Lacs as at 31st March 2016))] of Rs. 9785.28 Lacs (Rs. 10,357.62 Lacs as at 31st March 2016) and loans and advances (including other current assets) of Rs. 1611.71 Lacs (Rs. 1743.40 Lacs as at 31st March 2016) 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".</p> <p>(vi) Note No. 4(c) (read with Note No. 2.16 (a) to (d) of the Consolidated Audited Financial Statements) of the accompanying statement regarding accounting of consumption of Raw Material and Stores &amp; Spares as balancing figure and the valuation of inventories is as taken, valued and as certified by the management as stated in the said note; the impact whereof on the statement of state of affairs and loss for the year not being ascertainable for the reason stated in the said note and cannot be commented upon by us.</p> <p>(vii) The company have carried out assessment of value in use of assets [as per AS-28 (Impairment of Assets)] of knitwear unit (a CGU) by an independent professional firm, based on this estimated impairment loss is of amounting to Rs. 1,349.90 Lacs (net of depreciation) (Rs. 1,853.72 Lacs as at 31<sup>st</sup> March 2016). However, no provision against the same has been made by the company for the reason as explained in the said Note No. 4(d) (read with Note No. 2.5 of Consolidated Audited Financial Statements) of the accompanying statement.</p> <p>(viii) Note No. 4(f) and 5 (read with Note No. 2.4 of the Consolidated Audited Financial Statement) of the 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</p>
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			<p>unable to comment. As explained, above stated amount is invested in money market fund outside India, pending for utilization.</p> <p>(ix) Note No. 4(g) (read with Note No. 2.17 and 2.10 of the Consolidated Audited Financial Statements) of the 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 for the year.</p> <p>(x) Note No. 4(h) (read with Note No. 2.21 of the Consolidated Audited Financial Statements) of the accompanying statement regarding pending appointment of requisite number of independent directors as on 31<sup>st</sup> March 2017.</p> <p>(xi) In view of our comment under para (i) to (ix) above and on our comments w.r.t. the internal control system which 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.</p>
	(b)	Type of Audit Qualification	Qualified Opinion
	(c)	Frequency of Qualification	<ul style="list-style-type: none"> <li>• In case of point no (i), (iii), (ix), (x) and (xi) - Appeared since F.Y. 2014-15</li> <li>• In case of point no (ii) - Appeared since F.Y. 2013-14 (However, there is change in amount)</li> <li>• In case of point no (iv) - Appeared since F.Y. 2003-04</li> <li>• In case of point no (v) - Appeared since F.Y. 2003-04 (However, there is change in amount)</li> <li>• In case of point no (vi) - Appeared since F.Y. 2012-13</li> <li>• In case of point no (vii) - Appeared since F.Y. 2012-13 (However, there is change in amount)</li> <li>• In case of point no (viii) - Appeared since F.Y. 2013-14</li> </ul>



	<p>(d) For Audit Qualification(s) where the impact is quantified by the Auditor, Management views</p>	<p>With regard to Auditors Qualification No. (ii), (v) and (vii):-</p> <p>(ii) Regarding non-provision of interest expenses, penal interest, penalty, etc. - As stated in Note No. 2.18 of the Consolidated Audited Financial Statement, due to continuous losses and financial tightness, the Company has not been able to make payments, including towards installments of borrowings, and obligations towards payment of interest, both in respect of term loans and working capital as they fell due. There are certain overdue amount - for details see note no. 5.6 of audited financial statement for the year ended 31st March 2017. Interest on term loans and working capital, including overdue amount, penal interest, etc. for the period October 2014 to March 2017 (amount unascertained) has not been provided in books of account, and that the same will be provided / accounted for as and when the Company final settlement of liability takes place with the respective lender. Six banks have assigned and transferred their debts due from the Company, alongwith the underlying rights, title and interests in financial assistances granted to the Company, to an Asset Reconstruction Company. The Company's discussions for restructuring of its debts have been ongoing with the lenders; and the Company has reached an arrangement with the Asset Reconstruction Company for structured payment thereof. Pending finality of settlement, the Company considers the debts due to the banks and Asset Reconstruction Company as part of Long Term Borrowings.</p> <p>(v) Regarding non-provision against receivables and loans and advances - As also explained in Note No. 2.6(a) of Consolidated Audited Financial Statements, management view is that the receivables exceeding six months includes outstanding amount of overseas receivables for period over one year of Rs. 6173.48 Lacs (including exchange gain of Rs. 897.41 lacs till 31.03.2017)[excluding as stated in note no. 2.6 (b) below], where company is in process of filing necessary papers with appropriate authority for extension of time [read with note no. 2.9]]. In this regards, management is confident about full recovery / realisability considering the past performance of the customer and recovery initiative taken by the Company.</p> <p>Also, as explained in Note No. 2.6(b) of Consolidated Audited Financial Statements, the trade receivables include certain overdue Trade Receivables/Other Receivables of Rs. 3611.80 lacs for which the management is confident about full</p>
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		<p>recovery/realisability.</p> <p>Further, for the overdue amount of Loans and Advances (including Other Current Assets) of Rs. 1611.71 lacs (including Refunds / Claims Receivables of Rs.33.51 Lacs, TUFS subsidy Rs. 899.05 lacs, capital advances of Rs. 250 lacs), 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>(vii) Regarding non-provision against impairment (as per AS-28) in value of assets of Knitwear Unit (CGU), the management will reassess the value of CGU and the resulting impairment loss on sanction by the lenders of corrective Action Plan or Reworking of its Debts, and adjustment of impairment and lenders liability, if any, will be accounted in books of account of the company concurrently therewith.</p>
(e)	For Audit Qualification(s) where the impact is not quantified by 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), (vi), (viii), (ix), (x) and (xi):-</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 its Reference before the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) under Sick Industrial Company (Special Provisions) Act, 1985 (SICA), which had since been registered. The Company has been in discussions with its lenders for working out a scheme of rehabilitation of its financial debts. For reasons that SICA was repealed with effect from December 1, 2016, the restructuring plan of the Company will now be an outcome of bilateral arrangements to be arrived at between the Company and the lender. In case of lenders who have assigned their debt to an Asset Reconstruction Company, the Company has since reached an arrangement for structured payment of its outstandings. 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 written off/ written back and adjustment/set off of payment of receivables/ payables from/to overseas parties/ suppliers pending necessary approvals - the management is in the process of obtaining necessary approvals from the regulatory authorities.</p> <p>(iv) Regarding pending confirmation / reconciliation of balances of certain receivables (including overseas overdue receivables), bank balances, payables (including of an Associate Company), 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> <p>(vi) Regarding accounting of consumption of Raw Material and Stores &amp; Spares as balancing figure and the valuation of inventories is as taken, valued and as certified by the management - As per the management, accounting is being done as per past practice through system on issue based consumption and in view of security arrangement in place, the management is confident that there will not be any material adjustment on updation/completion of records of physical verification of inventory.</p> <p>(viii) Regarding pending receipt of part money out of GDR issue - As also explained in Note no. 2.4 of the of the Consolidated Audited Financial Statements that out of the proceeds of GDRs raised in F.Y. 2010-2011, an amount of USD 6,954,515 (INR 3721.05 Crores) 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 31.03.2017, pending utilisation 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.</p> <p>(ix) Regarding non-provisions of Interest, Penalty, etc on delay/non-payment of statutory dues - Due to financial strains and losses Company could not make due payments against various statutory dues on due time which have subsequently been paid. Penal interest and penalty in this regard (amount unascertained) if any, will be accounted for as and when the same is paid.</p>
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*[Handwritten signature]*



			<p>(x) Regarding pending appointment of requisite number of independent directors as on 31<sup>st</sup> March 2017 - Subsequent to the balance sheet date i.e. 31<sup>st</sup> March 2017, the Company has appointed and Independent Director.</p> <p>(xi) 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>
	(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>• Managing Director - Manish Bagrodia</li> </ul>		   
	<ul style="list-style-type: none"> <li>• CFO - Anand Balkishan Sharma</li> </ul>		
	<ul style="list-style-type: none"> <li>• Audit Committee Chairman - Pradeep Kumar</li> </ul>		
	<ul style="list-style-type: none"> <li>• Statutory Auditor</li> </ul>		
			<p>For Lodha &amp; Co, Chartered Accountants Firm Registration No. 301051E</p>  <p>(Gaurav Lodha) Partner Membership No. 50746Z</p> 

Place: Chandigarh  
Date: 30.05.2017