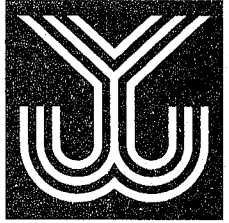


WYL/SECT/
31.05.2018

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



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: Re-submission of Statement of Impact of Audit Qualifications.

Dear Sir/Madam,

Pursuant to Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we had submitted Audited Financial Results of the Company for the Quarter and Year ended 31st March, 2018, duly approved by the Board of Directors of the Company at its meeting held on 18.05.2018 along with duly signed Auditors Report and Statement of Impact of Audit Qualifications.

In this regard, we submit that inadvertently the back pages of the Statement of Impact of Audit Qualifications were not scanned, while submitting after conclusion of Board meeting. Now, we are submitting the complete Statement of Impact of Audit Qualifications for your information and records please.

Thanking you,

Yours faithfully,

For **WINSOME YARNS LIMITED**

(K. V. SINGHAL)

GM (Legal) & Company Secretary

Mobile No. 9914030030

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

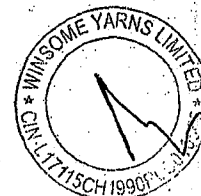


Encl : as above.



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, 2018 [See Regulation 33/52 of the SEBI (LODR) (Amendment) Regulations 2016]				
(Rs. in Lakhs)				
I.	Sl. No.	Particulars	Audited Figure (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)*
	1	Turnover/ Total income	33488	33498
	2	Total Expenditure	35579	56430
	3	Net Profit/(Loss)	(1782)	22622
	4	Earnings Per Share	(2.52)	(31.82)
	5	Total Assets	46437	35944
	6	Total Liabilities	64886	(93530)
	7	Net Worth	(18449)	(57586)
	8	Any other financial item(s) (as felt appropriate by the management)	-	-
* all adjustments are without tax effect.				
II.		Audit Qualifications		
	(a)	Details of Audit qualification	Reference is invited to Para (4) of Independent Auditor's Report on Standalone audited financial results: (i) In view of accumulated losses of the Company as at the end of March 31, 2018, the net worth of the Company as at that date being negative, the decision of management of the Company to prepare the accounts of the Company on going concern basis for reasons that, (a) proposed rehabilitation plan of the Company is under discussions with majority of lenders, and (b) future business plans of the Company and expected cash flows therefrom will suffice to service restructured debts of the Company, there would arise a need to adjust the realizable value of assets and liabilities in the event of failure of assumptions as to going concern, and in the	

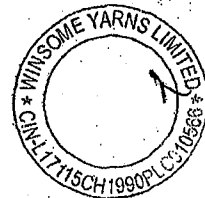


			<p>absence of impact of aforesaid assumptions having been un-ascertained, we are unable to comment thereon</p> <p>(ii) The results for the quarter ended on March 31, 2018 and the year ended on March 31, 2018 are understated due to:</p> <p>(a) Non provisioning of interest expenses on borrowings of Rs. 2515.42 Lakhs for the quarter ended and Rs. 9671.90 Lakhs for the year ended on March 31, 2018 (Rs. 2182.41 Lakhs for the quarter ended and Rs. 8389.14 Lakhs for the year ended on March 31, 2017), and Rs. 28644.12 Lakhs being aggregate amount of interest unprovided till the year ended March 31, 2018 (Rs. 18972.22 Lakhs till the year ended March 31, 2017), and further amount towards penal interest, penalty, etc. as may be charged by the lenders. (In the absence of statement of account, the above amount has been arrived at as per estimates of the Company, and the aggregate unprovided amount in books of account of the Company is not ascertainable with accuracy).</p> <p>(b) Non provisioning against long outstanding receivables of Rs. 9609.58 Lakhs (Rs. 9785.28 Lakhs as at March 31, 2017 and Rs. 9794.95 Lakhs as at December 31, 2017) including of overseas overdue trade receivables of Rs. 5989.20 Lakhs (Rs. 6173.48 Lakhs as at March 31, 2017 and Rs. 5987.96 Lakhs as at December 31, 2017). The accounting for exchange fluctuation in respect of overseas trade receivables is not in line with Ind AS-21 "The Effects of Changes in Foreign Exchange Rates" and accordingly, overseas trade receivables is understated by Rs. 255.58 Lakhs (Rs. 233.89 Lakhs as at March 31, 2017)</p> <p>(c) Non provisioning against loans and advances (including other current assets) of Rs.1569.63 Lakhs (Rs. 1611.71 Lakhs as at March 31, 2017 and Rs 1469.05 Lakhs as at December 31, 2017).</p>
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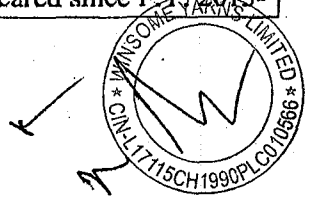


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- (iii) Part amount of USD 50,72,110 (Rs. 2679.34 Lakhs) out of GDR's issued by the Company, which funds had been raised for setting up of Yarn Dying Plant are invested in money market instruments outside India. As the funds were raised for earmarked purposes, the availability thereof to the Company and utilization of the same is subject to Company's undertaking active plans for implementation of the proposed investment. The balance above is as per rate of exchange prevailing at the time of investment, and is subject to adjustment in rate of foreign exchange and accruals on money market investments. In respect of its realisability/receipt, we are unable to comment. The non-accounting of investment at fair value and non-recognition of exchange fluctuation in respect thereto is not in line with Ind AS 109 "Financial Instruments" and Ind AS-21 "The Effects of Changes in Foreign Exchange Rates" respectively, which has the effect of understatement of investment by Rs. 686.63 Lakhs as at March 31, 2018 and overstatement of losses by Rs. 10.63 Lakhs for the year ended on March 31, 2018.
- (iv) Regarding provisions in case of investments in subsidiaries, written off/written back and adjustment/set off of payment of receivables/payable from/to overseas parties/suppliers, which is pending necessary approval of the competent authority.
- (v) The Internal Control Systems need to be further strengthened in order that they are commensurate with the size of the Company and the nature of its business, more particularly in areas of, purchases and consumption of materials, charging of expenses, set-off of balances, and invoicing of sale of goods and services.
- (vi) Confirmation of balances and reconciliation thereof with respective parties are pending,



			<p>which include balances pertaining to, accounts receivable and payable (including Associate Company/ies), bank balances, secured loans, other liabilities, loans and advances recoverable, and contingent liabilities. All balances have been certified by the management of the Company. In the absence of the Company having aforementioned details, the impact thereof is unascertainable, and therefore, not being commented. Further strengthening of internal controls by the Company will provide greater reliability</p> <p>(vii) During the course of our audit for the quarter and year ended March 31, 2018, the management of the Company informed to us that they noticed and found fraud in the nature of shortage/misappropriation of goods stored at its Ludhiana Branch by its employee/s against which the management took action by lodging F.I.R. with the concerned Police Station and investigation in the matter is pending. The misappropriation of goods has been valued at Rs. 70.00 Lakhs against which some of the parties to whom goods were sold by the concerned employees have confirmed having received the goods and also confirmed to the Company as having made payment against the same. The Company also filed its claim to insurance company under Employee Fidelity Insurance, effect whereof has been taken in books of accounts considering the ongoing recovery process and its claim.</p>
	(b)	Type of Audit Qualification	Qualified Opinion
	(c)	Frequency of Qualification	<ul style="list-style-type: none"> • In case of point no (i), (iv) and (v) – Appeared since F.Y. 2014-15 • In case of point no (ii)(a) – Appeared since F.Y. 2013-14 (However, there is change in amount) • In case of point no (ii)(b) and (ii)(c) – Appeared since F.Y. 2003-04 (However, there is change in amount) • In case of point no (iii) – Appeared since F.Y. 2013-



			14
			<ul style="list-style-type: none"> • In case of point no (vi) – Appeared since F.Y. 2003-04 • In case of point no. (vii)—Appeared in F.Y. 2017-18
(d)	For Audit Qualification(s) where the impact is quantified by the Auditor, Management views	With regard to Auditors Qualification No. (ii)(a), (ii)(b), (ii)(c), (iii) and (vii):-	<p>(ii)(a) Regarding non-provision of interest expenses, penal interest, penalty, etc. in respect of borrowings of the Company from banks - As stated in Note No. 3.24 of the Audited Financial Statement, due to continuous losses and financial tightness, the Company has not been able to fully pay due installments & interest on term loan on due dates, which resulted into classification of credit facilities as Non-Performing Assets couple with recall of facilities by lenders of the Company & certain overdue amount is continuing/ unpaid till date (as detailed in note no. 3.24 of audited financial statement for the year ended March 31, 2018). Interest on term loans and working capital including overdue amount, penal interest etc. (amount unascertained) has not been provided and as the same will be provided / accounted for as and when paid/settled as the company is in process of discussion/applying for getting loans to be restructured by the lenders/ARC. Six of banks have assigned and transferred the total debts due from the Company along with the underlying rights, title and interests in financial assistances granted to the Company to an Asset Reconstruction Company (ARC).</p> <p>(ii)(b) Regarding non-provision against receivables and loans and advances – As also explained in Note No. 3.8(a) of Audited Financial Statements, management view is that the receivables includes outstanding amount of overseas receivables for period over one year of Rs 5989.20 Lakhs till 31.03.2018 (Rs. 6173.48 Lakhs till 31.03.2017), where the Company is in process of filing</p>



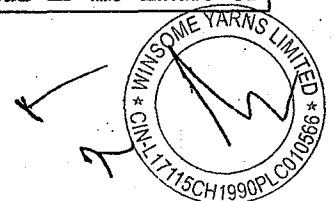
necessary papers with appropriate authority for extension of time [read with note no.3.9]. In this regards, management is confident about full recovery / realisability considering the past performance of the customer and recovery initiative taken by the Company.

Also, as explained in Note No. 3.8(b) of Audited Financial Statements, the trade receivables include certain overdue Trade Receivables/Other Receivables of Rs. 3620.38 Lakhs till 31.03.2018 (3611.80 Lakhs till 31.03.2017 for which the management is confident about full recovery/realisability.

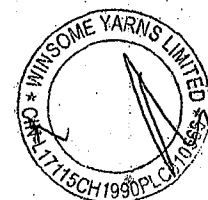
(ii)(c) Regarding overdue amount of Loans and Advances read with Note no. 3.11 (including Other Current Assets) of Rs.1569.63 Lakhs (Rs.1611.71 Lakhs as at March 31, 2017) (including Refunds / Claims Receivables of Rs.53.50 Lakhs, TUFs subsidy Rs. 899.05 Lakhs, capital advances of Rs. 250 Lakhs), in the opinion of the Management, the aforesaid balance are fully realisable and hence considered good. The Company has also initiated necessary steps for recovery of overdues.

(iii) Regarding non accounting of investment at fair value and non-recognition of exchange fluctuation in respect thereto, the management is of view that the money lying outside India is part of GDRs proceeds of the Company and is earmarked for utilization for setting up a Yarn Dying Plant, which could not be implemented for want of support of lenders. The Management of the Company is engaged in firming an active plan for implementation of its proposal for setting up of a Yarn Dying Plant, and upon its finalization, the aforesaid amount will be utilized for investment and on that date effect of any gain shall be accounted in the books of account of the Company.

(vii) With regard to noticed fraud in the nature of

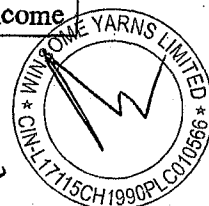


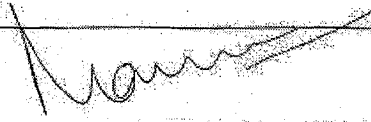




			shortage and misappropriation of goods stored at its Ludhiana Branch by the employee/s of the Company, the effect whereof has been accounted in the books of account of the Company, considering the ongoing recovery process and its claim.
	(e)	For Audit Qualification(s) where the impact is not quantified 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), (v) and (vi):-</p> <p>(i) Regarding net worth of the Company becoming negative and preparation of financial statements on going concern basis - Consequent to erosion of entire net worth, the Company filed Reference before the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) under Sick Industrial Company (Special Provisions) Act, 1985 (SICA), which was registered. The Company was in discussions with its lenders for evolving a scheme of rehabilitation of its financial debts, which continued during the period when the reference of the Company was under consideration before BIFR and also presently after the SICA has been repealed. Considering the proposed rehabilitation and future business plans of the Company, present business scenario, stable government policies for the business and expected cash flow in the near future as assessed by the Management, accounts of the Company are prepared on 'Going Concern' basis.</p> <p>(iii) Regarding pending receipt of part money out of GDR issue - As also explained in Note no. 2.3 of the of the Audited Financial Statements that out of the proceeds of GDRs raised in F.Y. 2010-2011, an amount of USD 6,954,515 (INR 3721.05</p>



Lakhs) stood remitted to India, which had been utilised for augmentation of working capital needs of the Company and a balance amount of USD 50,72,110 (INR 2679.34 Lakhs) continues to remain invested in an overseas Money Market Fund outside India as on 31.03.2018, pending utilization of such proceeds. The Company is filing all due returns regularly with RBI. Also the Depository of GDR issue had resigned w.e.f. 29.10.2014 and terminated the agreement w.e.f. 15-06-2015. The GDR had been de-listed from LuxSE w.e.f. 16.06.2015. The Company is in process to appoint new depository and seek relisting of GDR on LuxSE or any other overseas stock Exchange.

- (iv) Regarding provisions in case of investments in subsidiaries, written off/written back and adjustment/set off of payment of receivables/payable from/to overseas parties/suppliers, which is pending necessary approval of the competent authority. The management is in the process of obtaining necessary approvals from the competent authority
- (v) Regarding further strengthening the system of internal controls – Necessary steps have been initiated by the Company to further strengthen the system of internal controls w.r.t. purchases and consumption of inventory, booking of expenses, set off of balances, for the sale of goods and services, etc.
- (vi) Regarding pending confirmation / reconciliation of balances of certain receivables (including overseas overdue receivables), bank balances, payable (including of an Associate Company/ies), secured loans, other liabilities, loans and advances etc; and contingent liability - The management is of the opinion that adjustment, if any, arising out of such reconciliation would not be material. Further, necessary steps have been initiated to further strengthen system of internal controls w.r.t. accounting of expenses, accounting of income

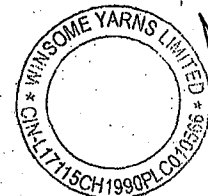


		(including sale of licenses and provision written back), payroll payments and of balance reconciliation/confirmation.
	(iii) Auditors' comments on (i) or (ii) above	Refer details of audit qualification [para II(a) above]
III.	Signatories	
	• Managing Director - Mr. Manish Bagrodia	
	• CFO - Mr. Anand Balkishan Sharma	
	• Audit Committee Chairman - Mr. Pradeep Kumar	
	• Statutory Auditor	For K R & Co, Chartered Accountants Firm Registration No. 025217N  (Kamal Ahluwalia) Partner Membership No. 093182 

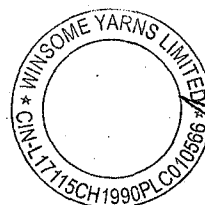
Place: Chandigarh
Date: May 18, 2018

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

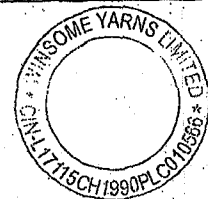
Statement of Impact of Audit Qualifications for the Financial Year ended March 31, 2018 [See Regulation 33/52 of the SEBI (LODR) (Amendment) Regulations 2016]				
(Rs. in Lakhs)				
I.	Sl. No.	Particulars	Audited Figure (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)*
	1	Turnover/ Total income	33488	33498
	2	Total Expenditure	35584	56435
	3	Net Profit/(Loss)	(1787)	(22627)
	4	Earnings Per Share	(2.53)	(31.83)
	5	Total Assets	46483	35990
	6	Total Liabilities	64913	(93557)
	7	Net Worth	(18430)	(57567)
	8	Any other financial item(s) (as felt appropriate by the management)	-	-
* all adjustments are without tax effect.				
II.	Audit Qualifications			
	(a)	Details of Audit qualification	Reference is invited to Para (4) of Independent Auditor's Report on Consolidated audited financial results: (i) In view of accumulated losses of the Company as at the end of March 31, 2018, the net worth of the Company as at that date being negative, the decision of management of the Company to prepare the accounts of the Company on going concern basis for reasons that, (a) proposed rehabilitation plan of the Company is under discussions with majority of lenders, and (b) future business plans of the Company and expected cash flows therefrom will suffice to service restructured debts of the Company, there would arise a need to adjust the realizable value of assets and liabilities in the event of failure of assumptions as to going concern, and in the	



			<p>absence of impact of aforesaid assumptions having been un-ascertained, we are unable to comment thereon</p> <p>(ii) The results for the quarter ended on March 31, 2018 and the year ended on March 31, 2018 are understated due to:</p> <p>(a) Non provisioning of interest expenses on borrowings of Rs. 2515.42 Lakhs for the quarter ended and Rs. 9671.90 Lakhs for the year ended on March 31, 2018 (Rs. 2182.41 Lakhs for the quarter ended and Rs. 8389.14 Lakhs for the year ended on March 31, 2017), and Rs. 28644.12 Lakhs being aggregate amount of interest unprovided till the year ended March 31, 2018 (Rs. 18972.22 Lakhs till the year ended March 31, 2017), and further amount towards penal interest, penalty, etc. as may be charged by the lenders. (In the absence of statement of account, the above amount has been arrived at as per estimates of the Company, and the aggregate unprovided amount in books of account of the Company is not ascertainable with accuracy).</p> <p>(b) Non provisioning against long outstanding receivables of Rs. 9609.58 Lakhs (Rs. 9785.28 Lakhs as at March 31, 2017 and Rs. 9794.95 Lakhs as at December 31, 2017) including of overseas overdue trade receivables of Rs. 5989.20 Lakhs (Rs. 6173.48 Lakhs as at March 31, 2017 and Rs. 5987.96 Lakhs as at December 31, 2017). The accounting for exchange fluctuation in respect of overseas trade receivables is not in line with Ind AS-21 "The Effects of Changes in Foreign Exchange Rates" and accordingly, overseas trade receivables is understated by Rs. 255.58 Lakhs (Rs. 233.89 Lakhs as at March 31, 2017)</p> <p>(c) Non provisioning against loans and advances (including other current assets) of Rs.1569.63 Lakhs (Rs. 1611.71 Lakhs as at March 31, 2017 and Rs 1469.05 Lakhs as at December 31, 2017).</p>
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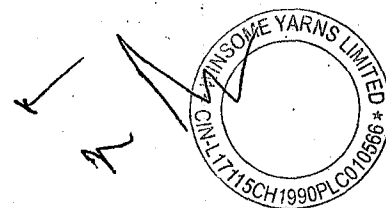


			<p>(iii) Part amount of USD 50,72,110 (Rs. 2679.34 Lakhs) out of GDR's issued by the Company, which funds had been raised for setting up of Yarn Dying Plant are invested in money market instruments outside India. As the funds were raised for earmarked purposes, the availability thereof to the Company and utilization of the same is subject to Company's undertaking active plans for implementation of the proposed investment. The balance above is as per rate of exchange prevailing at the time of investment, and is subject to adjustment in rate of foreign exchange and accruals on money market investments. In respect of its realisability/receipt, we are unable to comment. The non-accounting of investment at fair value and non-recognition of exchange fluctuation in respect thereto is not in line with Ind AS 109 "Financial Instruments" and Ind AS-21 "The Effects of Changes in Foreign Exchange Rates" respectively, which has the effect of understatement of investment by Rs. 686.63 Lakhs as at March 31, 2018 and overstatement of losses by Rs. 10.63 Lakhs for the year ended on March 31, 2018.</p> <p>(iv) Regarding provisions in case of investments in subsidiaries, written off/written back and adjustment/set off of payment of receivables/payable from/to overseas parties/suppliers, which is pending necessary approval of the competent authority.</p> <p>(v) The Internal Control Systems need to be further strengthened in order that they are commensurate with the size of the Company and the nature of its business, more particularly in areas of, purchases and consumption of materials, charging of expenses, set-off of balances, and invoicing of sale of goods and services.</p> <p>(vi) Confirmation of balances and reconciliation thereof with respective parties are pending, which include balances pertaining to, accounts</p>
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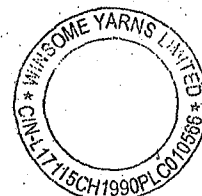


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			<p>which include balances pertaining to, accounts receivable and payable (including Associate Company/ies), bank balances, secured loans, other liabilities, loans and advances recoverable, and contingent liabilities. All balances have been certified by the management of the Company. In the absence of the Company having aforementioned details, the impact thereof is unascertainable, and therefore, not being commented. Further strengthening of internal controls by the Company will provide greater reliability</p> <p>(vii) During the course of our audit for the quarter and year ended March 31, 2018, the management of the Company informed to us that they noticed and found fraud in the nature of shortage/misappropriation of goods stored at its Ludhiana Branch by its employee/s against which the management took action by lodging F.I.R. with the concerned Police Station and investigation in the matter is pending. The misappropriation of goods has been valued at Rs. 70.00 Lakhs against which some of the parties to whom goods were sold by the concerned employees have confirmed having received the goods and also confirmed to the Company as having made payment against the same. The Company also filed its claim to insurance company under Employee Fidelity Insurance, effect whereof has been taken in books of accounts considering the ongoing recovery process and its claim.</p>
	(b)	Type of Audit Qualification	Qualified Opinion
	(c)	Frequency of Audit Qualification	<ul style="list-style-type: none"> • In case of point no (i), (iv) and (v) – Appeared since F.Y. 2014-15 • In case of point no (ii)(a) – Appeared since F.Y. 2013-14 (However, there is change in amount) • In case of point no (ii)(b) and (ii)(c) – Appeared since F.Y. 2003-04 (However, there is change in amount) • In case of point no (iii) – Appeared since F.Y. 2013-

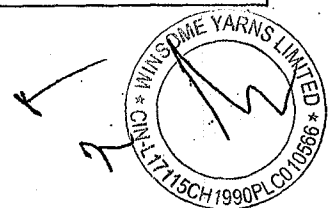


			<ul style="list-style-type: none"> • In case of point no (vi) – Appeared since F.Y. 2003-04 • In case of point no. (vii)—Appeared in F.Y. 2017-18
(d)	For Audit Qualification(s) where the impact is quantified by the Auditor, Management views	With regard to Auditors Qualification No. (ii)(a), (ii)(b), (ii)(c), (iii) and (vii):-	<p>(ii)(a) Regarding non-provision of interest expenses, penal interest, penalty, etc. in respect of borrowings of the Company from banks - As stated in Note No. 3.24 of the Consolidated Audited Financial Statement, due to continuous losses and financial tightness, the Company has not been able to fully pay due installments & interest on term loan on due dates, which resulted into classification of credit facilities as Non-Performing Assets couple with recall of facilities by lenders of the Company & certain overdue amount is continuing/ unpaid till date (as detailed in note no. 3.24 of Consolidated Audited Financial Statement for the year ended March 31, 2018). Interest on term loans and working capital including overdue amount, penal interest etc. (amount unascertained) has not been provided and as the same will be provided / accounted for as and when paid/settled as the company is in process of discussion/applying for getting loans to be restructured by the lenders/ARC. Six of banks have assigned and transferred the total debts due from the Company along with the underlying rights, title and interests in financial assistances granted to the Company to an Asset Reconstruction Company (ARC).</p> <p>(ii)(b) Regarding non-provision against receivables and loans and advances – As also explained in Note No. 3.8(a) of Consolidated Audited Financial Statements, management view is that the receivables includes outstanding amount of overseas receivables for period over one year of Rs 5989.20 Lakhs till 31.03.2018 (Rs. 6173.48 Lakhs till 31.03.2017), where the Company is in</p>

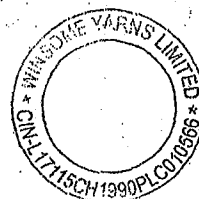


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			<p>necessary papers with appropriate authority for extension of time [read with note no.3.9]. In this regards, management is confident about full recovery / realisability considering the past performance of the customer and recovery initiative taken by the Company.</p> <p>Also, as explained in Note No. 3.8(b) of Audited Financial Statements, the trade receivables include certain overdue Trade Receivables/Other Receivables of Rs. 3620.38 Lakhs till 31.03.2018 (3611.80 Lakhs till 31.03.2017 for which the management is confident about full recovery/realisability.</p> <p>(ii)(c) Regarding overdue amount of Loans and Advances read with Note no. 3.11 (including Other Current Assets) of Rs.1569.63 Lakhs (Rs.1611.71 Lakhs as at March 31, 2017) (including Refunds / Claims Receivables of Rs.53.50 Lakhs, TUFS subsidy Rs. 899.05 Lakhs, capital advances of Rs. 250 Lakhs), in the opinion of the Management, the aforesaid balance are fully realisable and hence considered good. The Company has also initiated necessary steps for recovery of overdues.</p> <p>(iii) Regarding non accounting of investment at fair value and non-recognition of exchange fluctuation in respect thereto, the management is of view that the money lying outside India is part of GDRs proceeds of the Company and is earmarked for utilization for setting up a Yarn Dying Plant, which could not be implemented for want of support of lenders. The Management of the Company is engaged in firming an active plan for implementation of its proposal for setting up of a Yarn Dying Plant, and upon its finalization, the aforesaid amount will be utilized for investment and on that date effect of any gain shall be accounted in the books of account of the Company.</p> <p>(vii)With regard to noticed fraud in the nature of</p>
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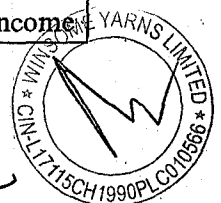
			shortage and misappropriation of goods stored at its Ludhiana Branch by the employee/s of the Company, the effect whereof has been accounted in the books of account of the Company, considering the ongoing recovery process and its claim.
	(e)	For Audit Qualification(s) where the impact is not quantified 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), (v) and (vi):-</p> <p>(i) Regarding net worth of the Company becoming negative and preparation of financial statements on going concern basis - Consequent to erosion of entire net worth, the Company filed Reference before the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) under Sick Industrial Company (Special Provisions) Act, 1985 (SICA), which was registered. The Company was in discussions with its lenders for evolving a scheme of rehabilitation of its financial debts, which continued during the period when the reference of the Company was under consideration before BIFR and also presently after the SICA has been repealed. Considering the proposed rehabilitation and future business plans of the Company, present business scenario, stable government policies for the business and expected cash flow in the near future as assessed by the Management, accounts of the Company are prepared on 'Going Concern' basis.</p> <p>(iii) Regarding pending receipt of part money out of GDR issue - As also explained in Note no. 2.3 of the of the Audited Financial Statements that out of the proceeds of GDRs raised in F.Y. 2010-2011, an amount of USD 6,954,515 (INR 3721.05</p>

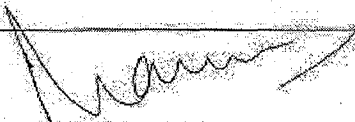






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Lakhs) stood remitted to India, which had been utilised for augmentation of working capital needs of the Company and a balance amount of USD 50,72,110 (INR 2679.34 Lakhs) continues to remain invested in an overseas Money Market Fund outside India as on 31.03.2018, pending utilization of such proceeds. The Company is filing all due returns regularly with RBI. Also the Depository of GDR issue had resigned w.e.f. 29.10.2014 and terminated the agreement w.e.f. 15-06-2015. The GDR had been de-listed from LuxSE w.e.f. 16.06.2015. The Company is in process to appoint new depository and seek relisting of GDR on LuxSE or any other overseas stock Exchange.

- (iv) Regarding provisions in case of investments in subsidiaries, written off/written back and adjustment/set off of payment of receivables/payable from/to overseas parties/suppliers, which is pending necessary approval of the competent authority. The management is in the process of obtaining necessary approvals from the competent authority
- (v) Regarding further strengthening the system of internal controls – Necessary steps have been initiated by the Company to further strengthen the system of internal controls w.r.t. purchases and consumption of inventory, booking of expenses, set off of balances, for the sale of goods and services, etc.
- (vi) Regarding pending confirmation / reconciliation of balances of certain receivables (including overseas overdue receivables), bank balances, payable (including of an Associate Company/ies), secured loans, other liabilities, loans and advances etc; and contingent liability - The management is of the opinion that adjustment, if any, arising out of such reconciliation would not be material. Further, necessary steps have been initiated to further strengthen system of internal controls w.r.t. accounting of expenses, accounting of income



			(including sale of licenses and provision written back), payroll payments and of balance reconciliation/confirmation.
	(iii)	Auditors' comments on (i) or (ii) above	Refer details of audit qualification [para II(a) above]
III.	Signatories		
		• Managing Director – Mr. Manish Bagrodia	
		• CFO – Mr. Anand Balkishan Sharma	
		• Audit Committee Chairman – Mr. Pradeep Kumar	
		• Statutory Auditor	For K R & Co. Chartered Accountants Firm Registration No. 025217N  (Kamal Ahluwalia) Partner Membership No. 093182 

Place: Chandigarh
Date: May 18, 2018