

WYL/SECT/
03.03.2014

winsome Yarns Limited

Regd. Office : SCO # 191-192, Sector 34-A,
Chandigarh - 160 022 INDIA
Phones : +91-172-2603966, 4612000, 4613000
Fax : +91-172-4614000
website: www.winsomegroup.com



Fax No. 022-22722061, 22722037, 22722039
Script Code : 514348
BSE Limited
Dept. of Corporate Service
1st Floor, New Trading Ring
Rotunda Building, P. J. Towers
Dalal Street, Fort, **MUMBAI-400001**

Fax No. 022-26598237, 26598238, 26598348
Script Code : WINSOME
National Stock Exchange of India Ltd
Listing Department
"Exchange Plaza" Bandra-Kurla Complex
Bandra (E), **MUMBAI - 400051**

Sub : Intimation of Extraordinary General Meeting.

Dear Sirs,

We wish to inform you that an Extraordinary General Meeting of the Company is scheduled to be held on **Friday, the 28th March, 2014 at 11.00 A.M. at factory premises at Village-Kurawal, Tehsil-Derabassi, Distt-Patiala, Punjab** to transact the business given in the notice of the said meeting. The copy of the notice is enclosed herewith for your information and records please.

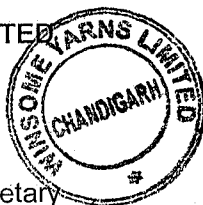
Thanking you,

Yours faithfully,

For WINSOME YARNS LIMITED

(K. V. SINGHAL)

GM (Legal) & Company Secretary



Encl : as above.



WINSOME YARNS LIMITED

REGD. & CORPORATE OFFICE : SCO 191-192, SECTOR 34-A, CHANDIGARH – 160022
PHONE NO. 0172-4612000, 2603966, 2662232, FAX NO. 0172-4614000
E-mail : kvsinghal@winsomegroup.com, cshare@winsomegroup.com

NOTICE

Notice is hereby given that an Extraordinary General Meeting of the Members of Winsome Yarns Limited will be held on **Friday, the 28th day of March 2014 at 11.00 A.M.** at the factory premises at Village – Kurawala, Tehsil- Derabassi, Distt- Mohali (Punjab) to transact the following business:

(1) **To consider and if thought fit to pass with or without modification the following resolution as a SPECIAL RESOLUTION:**

RESOLVED THAT the members of the company consider and take on record the fact that the peak net worth of the company during four financial years immediately preceding the financial year 2012-13 has been eroded by more than fifty percent by the accumulated losses of the company as at 30.09.2013 and that the company has become a potentially sick industrial company as per the provisions of Section 23 of Sick Industrial Companies (Special Provisions) Act, 1985.

FURTHER RESOLVED THAT the report of the Board of Directors of the company under section 23 (1)(a)(i) of the Sick Industrial Companies (Special Provisions) Act, 1985 on erosion of more than fifty percent in the peak net worth of the company during the immediately preceding four financial years i.e. F.Y. 2008-09 to F.Y. 2011-12, by the accumulated losses of the company as on 30th September, 2013 and the causes for the same is hereby considered and adopted.

FURTHER RESOLVED THAT a report / intimation in the prescribed Form C as regards the potential sickness of the company be made to the Hon'ble "Board for Industrial and Financial Reconstruction" (BIFR) as required under Section 23 of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA).

By Order of the Board of Directors

Place : Chandigarh
Date : 03.03.2014

Manish Bagrodia
Managing Director

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
2. The proxy form duly executed and stamped should be deposited with the company at its Registered Office not less than forty-eight hours before the time fixed for the meeting.
3. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID Numbers for easy identification for attendance at the meeting.
4. Members / proxies should fill the attendance slip for attending the Meeting.
5. In case of joint holders attending the meeting only such joint holders who are higher in the order of names will be entitled to vote.
6. Corporate Members intending to send their authorized representative(s) are requested to send a duly certified copy of the Board Resolution authorizing their representative(s) to attend and vote at the Meeting.
7. An Explanatory Statement as required under section 102(1) of the Companies Act, 2013 relating to Special Business to be transacted at the Extraordinary General Meeting is annexed hereto.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 (1) OF THE COMPANIES ACT, 2013

The following explanatory statement sets out all material facts relating to the Special Business mentioned in the accompanying Notice dated 3rd March, 2014 and shall be taken as forming part of the Notice.

Item No. 1

The financial position of your Company, as reflected in its Annual accounts for the financial period ended on 30th September 2013 makes it fall within the ambit of the provisions of section 23 of SICA, which provides that if the Accumulated Losses of an industrial Company as at the end of any financial year have resulted in erosion of 50 percent or more of its Peak Net Worth during the immediately preceding 4 (four) financial years, then the company should convene a general meeting of its shareholders for considering such erosion and should, at least twenty-one days before the date of the shareholders meeting, forward to every member of the company a report as to such erosion and the causes for the same.

In terms of the requirements of section 23 of the Sick Industrial Companies (Special Provisions) Act 1985, a report on the status of the Company with regard to the erosion in its Peak Net Worth, the causes for such erosion and the remedial measures undertaken is attached along with the Notice.

In compliance with the above provisions, the Board of the Company has circulated a separate Director's report to the shareholders and has proposed the resolutions as mentioned above before the members for adoption.

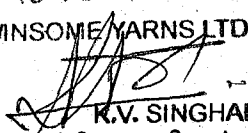
None of the Directors may be deemed to be concerned or interested in the proposed resolutions.

By Order of the Board of Directors

Place : Chandigarh
Date : 03.03.2014

Manish Bagrodia
Managing Director

Certified to be True Copy
For WINSOME YARNS LTD.


K.V. SINGHAL
GM (Legal) & Company Secretary

To
The Members,
WINSOME YARNS LIMITED

REPORT OF THE BOARD OF DIRECTORS ON EROSION OF NET WORTH PURSUANT TO SECTION 23 OF SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985 (SICA)

The financial position of your Company, as reflected in its Annual accounts for the financial period ended on 30th September 2013 makes it fall within the ambit of the provisions of section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA), which provides that if the Accumulated Losses of an industrial Company as at the end of any financial year have resulted in erosion of 50 percent or more of its Peak Net Worth during the immediately preceding 4 (four) financial years, such company shall, hold a general meeting of its shareholders for considering such erosion and the Board of Directors shall, at least twenty one days before the general meeting of shareholders, forward to every member of the Company, a report as to the erosion in the peak net worth of the Company and the causes of such erosion.

In terms of the requirements of section 23 of SICA, a report on the status of the Company with regard to the erosion in its Peak Net Worth, the causes for such erosion and the remedial measures undertaken by the company are summarized as under:

EROSION IN THE PEAK NET WORTH OF THE COMPANY

The Company's net worth during the immediately preceding four financial years was as under:

<u>Financial Year</u>	<u>Net Worth (Rs. in Crores)</u>
2008-09	52.51
2009-10	40.43
2010-11	124.08
2011-12	124.22

It may be observed from the above that the peak net worth of the Company during the immediately preceding four financial years was Rs. 124.22 crores in the financial year 2011-12. The Losses incurred by the Company, for reasons listed hereunder, resulted in accumulation of losses as at 30th September 2013 amounting to Rs. 87.39 Crores. As the accumulated losses of the Company as at 30.09.2013 have resulted in erosion of more than fifty percent in its peak net worth during the immediately preceding four financial years, the Company has become a potentially sick company as per the provisions of Section 23 of SICA.

REASONS FOR EROSION

The Company is in the business of manufacturing of cotton yarn, melange yarn, knitwears and hydro generation for captive use. Long global economic recession and the slowdown in the Indian economy in general and textile industry in particular have affected the performance of almost all the corporates to which your company is not an exception. The various specific reasons that have affected the company financially are discussed below in brief:

1. Tight liquidity position and blockage of funds in Government receivables affected overall performance of the company.
2. Withdrawal/Reduction of Duty drawback, sharp adverse exchange fluctuations and high international and domestic competition put tremendous pressures on the company.
3. Inadequate net working capital resulted into company's inability to store quality raw materials at lower prices at opportune time. Resultantly this forced the company to resort to increased creditor financing involving high cost. Increase in interest rates also added to the finance cost dearly.
4. Export restriction imposed by Government of India during 4 months period from 1.12.2010 to 31.3.2011 coupled with very high volatility in cotton prices resulted in holding of excess finished stock at high cost. However, the same was disposed in the subsequent years at low prices, resulting into substantial loss.
5. Global recession resulted into lower demand with low margins from US & EU markets which are the major consumers of textile products.
6. The Company could not set up the dyeing plant as financial closure could not be achieved.
7. For value addition, the company set up a Knitwear Unit in 2004 with proper market tie up. The project experienced certain teething troubles which were successfully addressed. However, the company is not in a position to operate this unit profitably due to underperformance of Italian JV for marketing its entire production. Product being in high end category faces lack of demand in India.
8. Delay in implementation of captive hydro power project due to delay in getting various statutory approvals and other local problems resulted into lower profitability. There was substantial delay in the repair, restoration and construction of canal & drains.
9. The employee cost and cost of operations have increased substantially which has eroded the profitability of the company.

REMEDIAL MEASURES

The Company has taken/ proposes to take the following steps for wiping out its losses:

1. In spite of inadequate working capital, promoters ensured running the plant undisturbed, by bringing in additional funds and resorting to outside funds.
2. The Company is in the process of hiving off its knitting division/ induction of equity/ strategic partner to reduce the losses and to improve the overall financial position.
3. The Company is taking necessary steps to improve its performance by adding newer value added products in its yarn division, reducing direct & indirect cost and expand its customer base to improve its sales volumes and also improve the utilization of installed capacity.
4. The Company is exploring alternate opportunities to meet its requirement for dyeing and other value added products, having good market demand, through third party processors.
5. In order to increase the exports of the Company it is proposed that direct marketing be undertaken through overseas subsidiaries.
6. The company is in discussions with strategic investors which will help augment the long term resources.
7. The Company is streamlining its operational and employee cost to economize on the cost of operations.
8. The company is drawing out a fresh revival plan and submitting the same to lenders and the CDR Cell.

The Board would like to further inform that despite its financial strain, the Company has honoured most of the commitments towards the Bank and its creditors. The Company is in the process of implementing the above stated remedial measures which would help the company come out of the present distress situation.

By Order of the Board of Directors

Manish Bagrodia
Managing Director

Certified to be True Copy

For WINSOME YARNS LTD.


K.V. SINGHAL
GM (Legal) & Company Secretary

WINSOME YARNS LIMITED

Regd. Office : SCO 191-192, Sector 34-A,
CHANDIGARH-160 022

Please complete the Attendance Slip and hand it over at the time of Extraordinary General Meeting.
Please also bring your copy of the NOTICE

ATTENDANCE SLIP

I hereby record my presence at the EXTRAORDINARY GENERAL MEETING of the Company being held on Friday the **28th March, 2014 at 11.00 a.m.** at the factory premises at Village Kurawala, Tehsil Derabassi, District Mohali (Punjab),

REGD. FOLIO NO.	DP. id*
No. of Shares	Client id*
NAME OF SHAREHOLDER (IN BLOCK LETTERS)	
SIGNATURE OF THE SHAREHOLDER OR PROXY	

*Applicable for investors holding shares in electronic form.

Note: NO GIFTS OR COUPONS WOULD BE GIVEN TO THE SHAREHOLDERS FOR ATTENDING THE MEETING

..... Tear Here

WINSOME YARNS LIMITED

Regd. Office : SCO 191-192, Sector 34-A,
CHANDIGARH-160 022

PROXY FORM

REGD. FOLIO NO.	DP. id*	
No. of Shares	Client id*	

*Applicable for investors holding shares in electronic form.

I/We of
Being a Member/Members of WINSOME YARNS LIMITED hereby appoint.....
of..... or failing him/her of
..... as my/our Proxy to attend and vote for me/us on my/our behalf at the
EXTRA ORDINARY GENERAL MEETING of the Company to be held on Friday, the **28th March, 2014 at 11.00 a.m.** at
the factory premises at Village-Kurawala, Tehsil Derabassi, District Mohali (Punjab) and at any adjournment thereof.

AS WITNESS my/our hand this day of March, 2014.

Signature of Proxy

**NOTE :**

Signature of 1st/Sole Shareholder
(As per specimen signature registered with the Company)

- (i) The Proxy form duly signed across the revenue stamp must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.
- (ii) Incomplete Proxy Form will not be considered.

Certified to be True Copy
For WINSOME YARNS LTD.

K.V. SINGHAL
GM(Legal) & Company Secretary

Book - Post

If undelivered, please return to :
Winsome Yarns Limited
Regd. Office : SCO 191-192,
Sector 34-A,
Chandigarh-160 022 (India)

**Certified to be True Copy
For WINSOME YARNS LTD.**


K.V. SINGHAL
GM(Legal) & Company Secretary