

Winsome Yarns Limited

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WYL/SECT/
16.11.2021

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**

Symbol : WINSOME

Sub : Auditors Limited Review Reports for the quarter ended 30th September, 2021.

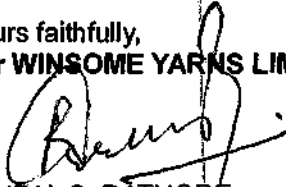
Dear Sir/Madam,

Please find enclosed herewith Auditors Limited Review Reports on unaudited Standalone and Consolidated Financial Results of the Company pursuant to the Regulation 33 of SEBI (LODR), Regulations, 2015 for the quarter and half year ended September 30, 2021.

This is for your information and records please.

Thanking you,

Yours faithfully,
For **WINSOME YARNS LIMITED**


RAJPAL S. RATHORE
Dy. Manager (Legal & Secretarial)
Mobile No. 9855601267
Email : cshare@winsomegroup.com



Encl : as above.



Works : Village Kurawala, Barwala Road, Derabassi-140507, Distt. Mohali (Pb.)
Ludhiana : Office No. 3, MD Complex, Near Samrala Chowk, Ludhiana -141008
Tirupur : No. 2, First Floor, Mahaveer Colony, Valipalayam Main Road, Tirupur - 641601

Independent Auditor's Review Report on unaudited Standalone Financial Result of the Winsome Yarn Limited Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To Board of Director of Winsome Yarn Limited

1. We have reviewed the accompanying statement of standalone unaudited financial result ("the statement") of WINSOME YARN LIMITED ("the company"), for the quarter ended 30th September, 2021, being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ('Listing Regulations').
2. This statement which is the responsibility of company's management and approved by company's board of directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, "Interim financial reporting" ("Ind AS 34"), prescribed under section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the statement in accordance with the Standard on Review Engagements (SRE) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Institute of Chartered Accountant of India (ICAI). A review of interim financial information consists of making inquiries, primarily of the company's personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with standards on auditing specified under section 143(10) of the Companies Act, 2013, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

1. Basis of Qualified Conclusion

- I. In view of accumulated losses of the Company as at the end of quarter ended September 30th, 2021, the net worth of the Company as at that date being negative, continuous losses, negative cash flows, due to financial constraints and non-deposit of statutory dues on time, material uncertainty exists about the company ability to



continue as going concern. The decision of management of the Company to prepare the accounts of the Company on going concern basis for reasons that, (a) the debt due to lenders if not payable until disputes are settled, and (b) future business plans of the Company and expected cash flows therefrom will be able to service the liabilities of the Company, there would arise a need to adjust the realizable value of assets and liabilities in the event of failure of assumption as to going concern, and in the absence of impact of aforesaid assumption having been un-ascertained, we are unable to comment thereon.

- II. The unaudited standalone financial result for the quarter ended on September 30, 2021, are understated due to:
 - a. Non provisioning of interest expenses, on borrowings, of Rs. 4145.09 Lakhs for quarter ended on September 30, 2021 (of Rs. 3681.95 Lakhs for quarter ended September 30, 2020), 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, and the aggregate not provided amount in books of account of the Company is not ascertainable with accuracy.
 - b. Non-provisioning against long outstanding receivables amounting to Rs. 602.50 lakhs including overseas overdue trade receivables. Further, the accounting for exchange fluctuation in respect of overseas trade receivables, overseas trade payables and overseas advances is not in line with Ind AS 21 titled, "The effects of change in foreign exchange rates", and accordingly, we are unable to comment on its impact on financial results.
- III. As stated in note no. 7 of standalone financial statement, the Company has an investment of USD 48,19,980 in Arise Money Market Fund. As per information given to us, the above is stated at rate of exchange prevailing at the time of investment, and the amount is subject to adjustment in rate of foreign exchange and accounting of accruals on money market investments. 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 titled, "Financial Instruments" and Ind AS-21 titled, "The Effects of Changes in Foreign Exchange Rates". In the absence of complete details, the effect of over/under valuation of investment and over/under statement of profit or loss cannot be estimated, and we are unable to comment.
- IV. Regarding provisions in case of investments in subsidiaries, written off/written back and adjustment/ set off of payment of receivables/payables from/to overseas parties/suppliers, the amounts therefor will be accounted on approval from 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, which include balances pertaining to, accounts receivable and accounts payable, bank balances (including FDR) and bank reconciliations, other current assets, advance for leasing, security deposit with government, loans and advances recoverable, secured loans, other liabilities, provisions, and contingent liabilities. The aforementioned balances have been certified by the management of the Company. In the absence of the Company having complete details about the aforementioned amounts, the impact thereof is unascertainable, and we are therefore, unable to provide any comments. Further strengthening of internal controls by the Company will render greater reliability.

4. Qualified Conclusion

Based on our review conducted as above, except in “Basis of Qualified Conclusion” paragraph mentioned in para 3 above, nothing has come to our attention that causes us to believe that the accompanying statement unaudited financial results prepared in accordance with applicable accounting standard and other recognized accounting practices and policies has not disclosed the information required to be disclosed in term of regulation 33 of the SEBI (Listing obligation and disclosure requirements) Regulations, 2015, including the manner in which it is to be disclosed, or that it contain any material misstatement.

5. EMPHASIS OF MATTER

- i. In reference to Note no. 6 in the standalone financial result, as per information given to us, the Company had suggested to Edelweiss Assets Reconstruction Company (EARC) in December 2017 to restructure its debt and had made advance payments aggregating to Rs. 2268.50 Lakhs upto July 2018, but no agreement was reached. EARC has claiming Rs. 47071.07 Lakhs and the Company has counter claims pending before the Hon'ble Debt Recovery Tribunal- III, Chandigarh, in Securitisation Appeal 159 of 2018. The Company does not consider itself liable to EARC for any amount, and in the event of settlement of pending disputes resulting in a requirement to account any values, the same shall then be effected.



- ii. The Company has not made provision for demand raised by various authorities as appeals filed by the Company are pending before respective appellate forum. We are unable to comment upon possible impact in the standalone financial results.
- iii. In reference to Note no. 6, we draw attention to the fact that EARC and Indian Overseas Bank (IOB) petitioned for insolvency of the Company under section 7 of Insolvency & Bankruptcy Code, 2016, before the Hon'ble National Company Law Tribunal, Chandigarh Bench (NCLT). The Petition of EARC was dismissed and an Appeal filed by EARC before the Hon'ble National Company Law Appellate Tribunal is pending adjudication. The Petition of IOB is under adjudication. The actions of Banks and EARC for recovery of debt are disputed by the Company before the Hon'ble Debt Recovery Tribunal – III, Chandigarh, as the debt is not acknowledged. The Company has counter claims against banks and EARC for the loss caused to the Company and the Company does not consider itself liable towards them, and no amount has been accounted by the Company. We are unable to comment on possible impact of the above on the standalone financial statements for the quarter and half year ended September 30, 2021.

For Khandelia & Sharma
Chartered Accountants
Firm Registration No: 510525C




CA. Arun Khandelia
Partner
2021

Membership No.: 089125
UDIN:21089125AAAAIM1930

Place: New Delhi

Date : 14-November-

Independent Auditor's Review Report on unaudited Consolidated Financial Result of the Winsome Yarn Limited Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To Board of Director of Winsome Yarn Limited

1. We have reviewed the accompanying statement of consolidated unaudited financial result ("the statement") of WINSOME YARN LIMITED ("the parent"), and its subsidiaries (the parent and its subsidiaries together referred to as "the group"), for the quarter ended 30st September 2021, being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ('Listing Regulations').
2. This statement which is the responsibility of parent's management and approved by parent's board of directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, "Interim financial reporting" ("Ind AS 34"), prescribed under section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the statement in accordance with the Standard on Review Engagements (SRE) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Institute of Chartered Accountant of India (ICAI). A review of interim financial information consists of making inquiries, primarily of the parent's personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with standards on auditing specified under section 143(10) of the Companies Act, 2013 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion:

1. In view of accumulated losses of the Group as at the end of quarter ended September 30th, 2021, the net worth of the Group as at that date being negative, continuous losses, negative cash flows due to financial constraints and non-deposit of statutory dues on time, material uncertainty exists about the Group ability to



continue as going concern. The decision of management of the Group to prepare the accounts of the holding company on going concern basis for reasons that, (a) the debt due to lenders if not payable until disputes are settled, and (b) future business plans of the Group and expected cash flows therefrom will be able to service the liabilities of the Holding Company, there would arise a need to adjust the realizable value of assets and liabilities in the event of failure of assumption as to going concern, and in the absence of impact of aforesaid assumption having been unascertained, we are unable to comment thereon.

- II. The unaudited consolidated financial result for the quarter ended on September 30th, 2021 are understated due to:
 - a. Non provisioning of interest expenses, on borrowings, of Rs 4145.09 Lakhs for quarter ended on September 30th, 2021 (Rs. 3681.95 Lakhs for the quarter ended on September 30th, 2020), 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 Holding Company, and the aggregate unprovided amount in books of account of the Holding Company is not ascertainable with accuracy).
 - b. Non-provisioning against long outstanding receivables of Rs 602.50 lakhs including overseas overdue trade receivables. Further the accounting for exchange fluctuation in respect of overseas trade receivables, overseas trade payables and overseas advances is not in line with Ind AS 21 titled "The effects of change in foreign exchange rates" and accordingly unable to comment on its impact on financial result.
- III. As stated in note no. 7 of financial statement, the holding company has an investment in USD 48,19,980 in Arise Money Market Fund. As per information given to us, the balance above is as per rate of exchange prevailing at the time of investment, and the amount is subject to adjustment in rate of foreign exchange and accruals on money market investments. 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". In the absence of any confirmation and working, the effect of over/under valuation of investment and over/under statement of profit or loss, we are unable to comment.
- IV. Regarding written off/written back and adjustment/ set off of payment of receivables/payables from/to overseas parties/suppliers, the amount thereof will be accounted on 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 Group and the nature of its business, more particularly in areas of, purchases and consumption of materials, charging of expenses, set-off of balances, and invoicing of sale of goods and services.
- VI. Confirmation of balances and reconciliation thereof with respective parties are pending, which include balances pertaining to, accounts receivable and payable, bank balances (including FDR) and bank reconciliations , other current assets, advance for leasing, security deposit with government, loans and advances recoverable, secured loans, other liabilities, provisions, and contingent liabilities. The aforementioned balances have been certified by the management of the Holding Company. In the absence of the Holding Company having details of the aforementioned amounts, the impact thereof is unascertainable, and therefore unable to provide any comments. Further strengthening of internal controls by the Holding Company will provide greater reliability.
- VII. We have not been provided the financial statement/financial information of subsidiary companies (1) Winsome Yarns (Cyprus) Ltd, (2) Winsome Yarns FZE. Therefore, we are unable to comment about any possible effect of these subsidiary companies in consolidated financial statement for the period ending September 30th, 2021.

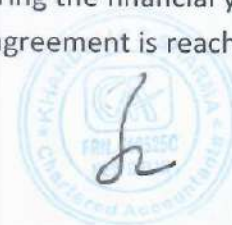
4. Qualified Conclusion

Based on our review conducted as above except in “**Basis of Qualified conclusion**” paragraph mentioned in para 5 above, nothing has come to our attention that causes us to believe that the accompanying Unaudited Consolidated Financial Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, including the manner in which it is to be disclosed, or that it contains any material misstatement.

5. EMPHASIS OF MATTER

We would like to draw attention to:

- i. In reference to Note no. 6 in the unaudited consolidated financial result, as per information given to us, the holding company has made advance payment of Rs. 2268.50 Lakhs to Edelweiss Assets Reconstruction Company during the financial year 2018-19 for advance against restructuring of loan but no such agreement is reached.



Loan outstanding from Edelweiss Assets Reconstruction Company amounting of Rs. 47071.07 Lakhs.

- ii. The holding company has not made the provision for the demand raised by various authorities as the matter are pending before various appellate forum. We are unable to comment upon possible impact in the consolidated financial statements for the year 31st March, 2021.
- iii. In reference to Note no. 6, we draw attention to the fact that EARC and Indian Overseas Bank (IOB) petitioned for insolvency of the Company under section 7 of Insolvency & Bankruptcy Code, 2016, before the Hon'ble National Company Law Tribunal, Chandigarh Bench (NCLT). The Petition of EARC was dismissed and an Appeal filed by EARC before the Hon'ble National Company Law Appellate Tribunal is pending adjudication. The Petition of IOB is under adjudication. The actions of Banks and EARC for recovery of debt are disputed by the Company before the Hon'ble Debt Recovery Tribunal – III, Chandigarh, as the debt is not acknowledged. The Company has counter claims against banks and EARC for the loss caused to the Company and the Company does not consider itself liable towards them, and no amount has been accounted by the Company. We are unable to comment on possible impact of the above on the standalone financial statements for the quarter and half year ended September 30, 2021.

For Khandelia & Sharma

Chartered Accountants

Firm Registration No: 510525C



CA. Arun Khandelia

Partner

Membership No.: 089125

ICAI Udin No. 21089125AAAAIN487

Place: New Delhi

Date : 14-November-2021