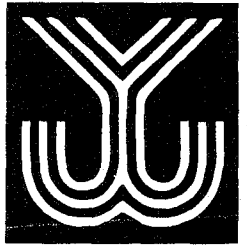


# Winsome Yarns Limited

Regd. Office : SCO # 191-192, Sector 34-A,  
Chandigarh - 160 022 INDIA  
CIN : LI7115CH1990PLC010566  
Phones : +91-172-2603966, 4612000, 4613000  
Fax : +91-172-4614000  
e-mail: info@winsomegroup.com  
website: www.winsomegroup.com



WYL/SECT/  
27.08.2021

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

Symbol : WINSOME

**Sub : Limited Review Report for the quarter ended 30<sup>th</sup> June, 2021.**

Dear Sir/Madam,

This is to inform you that after approved the unaudited financial results of the Company for the quarter ended 30.06.2021 by the Board of Directors in their meeting held on 12.08.2021, we have uploaded scanned copies of Unaudited Financial Results of the Company for the Quarter ended June 30, 2021 along with Limited Review Report of the Auditors of the Company for the Standalone and Consolidated Financial Results.

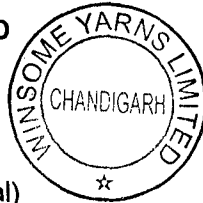
Now, we observed that the Limited Review Report was not properly scanned. In this regard, a scanned copy of the Limited Review Report (Standalone and Consolidated) of the Unaudited Financial Results for the quarter ended 30.06.2021 of the Auditors of the Company, as required under Regulation 30 of the Listing Regulations is attached herewith.

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](mailto:cshare@winsomegroup.com)



IS/ISO  
9001

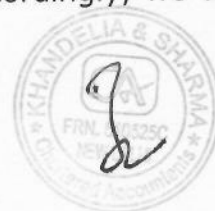


Works : Village Kurawala, Barwala Road, Derabassi-140507, Distt. Mohali (Pb.)  
Ludhiana : Office No. 3, MD Complex, Near Samrala Chowk, Ludhiana -141008  
Tirupur : No. 2, First Floor, Mahaveer Colony, Valipalayam Main Road, Tirupur - 641601

**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 30<sup>th</sup> June, 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 June 30<sup>th</sup>, 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) 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 absence of impact of aforesaid assumptions having been unascertained, we are unable to comment thereon.
  
- II. The unaudited standalone financial result for the quarter ended on June 30<sup>st</sup>, 2021 are understated due to:
  - a. Non provisioning of interest expenses, on borrowings, of Rs. 3945.58 Lakhs for quarter ended on June 30<sup>st</sup>, 2021 (of Rs. 3503.76 Lakhs for quarter ended on June 30<sup>st</sup>, 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 Company, and the aggregate unprovided 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 "The effects of change in foreign exchange rates" and accordingly we are unable to comment its impact on financial result.
  
- III. As stated in note no. 7 of standalone financial statement, 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 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 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, 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, which include balances pertaining to, accounts receivable and accounts payable, bank balances (including FDR), other current assets, advance for leasing, security deposit with government, loans and advances recoverable, secured loans, other liabilities, provisions, and contingent liabilities. All balances have been certified by the management of the Company. In the absence of the Company having aforementioned details and confirmations, the impact thereof is unascertainable, and therefore, not being commented. Further strengthening of internal controls by the Company will provide greater reliability.
- VII. In earlier year, management noticed and found fraud in the nature of shortage/ misappropriation of goods stored at its Ludhiana branch during the financial year 2017-18 by its employee against which the management took action by lodging FIR with the concerned police station and investigation in the matter is pending. The misappropriation of goods has been valued at Rs. 70 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 accounted in the books of account of the company, considering the ongoing recovery process of its claims and as per information given to us by management the matter is still pending and same as it is previous financial year.

#### 4. **Qualified Conclusion**


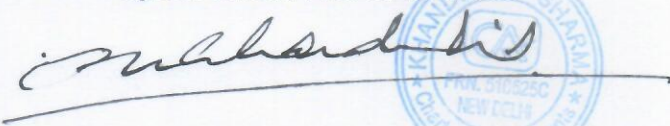
Based on our review conducted as above, except in "**Basis of Qualified Conclusion**" paragraph mentioned in para 3 above, nothing has come to our attention that causes us to believe that the accompanying statement unaudited financial results prepared in accordance with applicable accounting standard 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 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. Loan outstanding from Edelweiss Assets Reconstruction Company amounting of Rs. 47071.07 Lakhs.
- ii. The 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 standalone financial statements for the period ended 30<sup>th</sup> June 2021.
- iii. In reference to Note no. 6, we draw attention to the fact that the lender Edelweiss Assets Reconstruction Company Limited and Indian Overseas Bank has filed an application against company under section 7 of the Insolvency & Bankruptcy Code, 2016 before National Company Law Tribunal, Chandigarh Branch. The Company Petition filed by Edelweiss Asset Reconstruction Company Limited against the Company for initiation of Corporate Insolvency Resolution Process (CIRP) under Insolvency and Bankruptcy Code (IBC), 2016 has been rejected by National Company Law Tribunal, Chandigarh Bench vide its Order dated 17.03.2020 and the matter is pending before the National Company Law Appellate Tribunal. We are unable to comment upon possible impact in the standalone financial statements for the year June 30<sup>th</sup>, 2021.

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



**CA. Arun Khandelia**  
**Partner**  
**Membership No.: 089125**  
**ICAI UDIN No: 21089125AAAAGE1011**

**Place: New Delhi**  
**Date:12-August-2021**

**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 30<sup>st</sup> June 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.



#### 4. Basis for qualified conclusion:

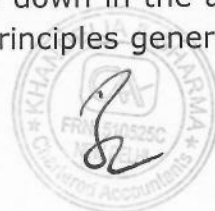
- I. In view of accumulated losses of the Group as at the end of quarter ended June 30<sup>th</sup>, 2021, the net worth of the Group as at that date being negative, continuous losses, negative cash flows due to financial constraints and non-deposit of statutory dues on time, material uncertainty exists 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) proposed rehabilitation plan of the Holding Company is under discussions with majority of lenders, and (b) future business plans of the Group and expected cash flows therefrom will suffice to service restructured debts of the Holding 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 absence of impact of aforesaid assumptions having been un-ascertained, we are unable to comment thereon.
- II. The unaudited consolidated financial result for the quarter ended on June 30<sup>th</sup>, 2021 are understated due to:
- a. Non provisioning of interest expenses, on borrowings, of Rs 3945.58 Lakhs for quarter ended on June 30<sup>th</sup>, 2021 (Rs. 3503.76 Lakhs for the quarter ended on June 30<sup>th</sup>, 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 "The effects of change in foreign exchange rates" and accordingly unable to comment its impact on financial result.
- III. As stated in note no. 7 of financial statement, 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 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, 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 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), other current assets, advance for leasing, security deposit with government, loans and advances recoverable, secured loans, other liabilities, provisions, and contingent liabilities. All balances have been certified by the management of the Holding Company. In the absence of the Holding Company having aforementioned details and confirmations, the impact thereof is unascertainable, and therefore, not being commented. Further strengthening of internal controls by the Holding Company will provide greater reliability.
- VII. In earlier year, management noticed and found fraud in the nature of shortage/ misappropriation of goods stored at its Ludhiana branch during the financial year 2017-18 by its employee against which the management took action by lodging FIR with the concerned police station and investigation in the matter is pending. The misappropriation of goods has been valued at Rs. 70 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 accounted in the books of account of the company, considering the on-going recovery process of its claims and as per information given to us by management the matter is still pending and same as it is previous financial year.
- VIII. 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 June 30<sup>th</sup>, 2021.

#### 5. 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



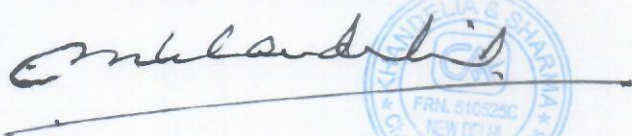

India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, including the manner in which it is to be disclosed, or that it contains any material misstatement.

#### 6. 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. 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 period ended 30<sup>th</sup> June 2021
- iii. In reference to Note no 6, we draw attention to the fact that the lender Edelweiss Assets Reconstruction Holding Company Limited and Indian Overseas Bank has filed an application against Holding Company under section 7 of the Insolvency & Bankruptcy Code, 2016 before National Company Law Tribunal, Chandigarh Branch. The Holding Company Petition filed by Edelweiss Asset Reconstruction Company Limited against the Holding Company for initiation of Corporate Insolvency Resolution Process (CIRP) under Insolvency and Bankruptcy Code (IBC), 2016 has been rejected by National Company Law Tribunal, Chandigarh Bench vide its Order dated 17.03.2020 and the matter is pending before National Company Law Appellate Tribunal.

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

**CA. Arun Khandelia**  
**Partner**  
**Membership No.: 089125**  
**ICAI UDIN No. 21089125AAAAGF3041**

**Place: New Delhi**  
**Date: 12-August-2021**