



ANNUAL REPORT
&
ACCOUNTS
2009 - 2010

DEEPAK SPINNERS LIMITED

**Board of Directors**

Shri Pradip Kumar Daga, Chairman cum Managing Director
Shri Vikram Prakash Aggarwal
Shri Yashwant Daga
Shri P. K. Drolia
Shri J. N. Pathak

Administrative Office

SCO 16, II Floor, Sector 26,
Madhya Marg,
Chandigarh - 160 019.

Shri S. B. Sharda, President
Shri R. C. Rustagi, Sr. Vice President (Export & Development)

Baddi Works

121, Industrial Area, Baddi - 173 205
Tehsil Nalagarh, Distt. Solan
Himachal Pradesh

Shri Sudesh Tiwari, Vice President (Technical)
Shri S. K. Thakur, Vice President (Engineering)

Guna Works

Village : Pagara
Tehsil & Distt. Guna
Madhya Pradesh

Shri D. L. Yajnik, Executive President
Shri S. N. Aggarwal, Vice President (Commercial)
Shri R. O. Sharma, Vice President (Admn.)

Company Secretary

Smt. Puneeta Arora

Bankers

State Bank of India

Auditors

Messrs Singhi & Co.,
New Delhi

Registered Office

121, Industrial Area, Baddi
Tehsil Nalagarh, Distt. Solan
Himachal Pradesh - 173 205

Corporate Office

16, Hare Street,
Kolkata - 700 001



NOTICE

NOTICE is hereby given that the Annual General Meeting of the Members of Deepak Spinners Limited will be held on Friday, the 17th day of September 2010 at 12.15 P.M. at Registered Office at 121, Industrial Area, Baddi, Tehsil Nalagarh, Distt. Solan, Himachal Pradesh to transact the following business :

ORDINARY BUSINESS

1. To receive and adopt the Audited Balance Sheet as at 31st March 2010 and the Profit and Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Jagdish Narain Pathak, who retires by rotation and is eligible for re-appointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit to pass, with or without modification(s), the following Resolution as a Special Resolution :-

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 , 316 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (including any amendment thereof or re-enactment thereof) and in accordance with the provisions of the Articles of Association, consent of the Company be and is hereby accorded to the appointment of Shri Pradip Kumar Daga as Managing Director of the Company for a period of Two years with effect from 16th April 2010 and approval of the Company be and is hereby accorded to the terms & conditions as set in Explanatory Statement annexed to the Notice convening this Annual General Meeting, with liberty to the Board of Directors to alter and verify the terms & conditions of the said appointment and/or agreement in such manner as may be agreed to between the Board of Directors and Shri Pradip Kumar Daga.

“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take all steps as may be necessary, proper and expedient to give effect to this resolution.”

5. To consider and if thought fit to pass, with or without modification(s), the following Resolution as a Special Resolution :-

“RESOLVED THAT pursuant to the provisions of Section 314(1)(b) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the appointment of Mr. Shantanu Daga, as a Management Executive of the Company, at a remuneration of Rs. 50,000/- (Rupees Fifty Thousand Only) with effect from 1st June 2010 on the following terms and conditions –

Basic Salary	– Rs. 50,000/- per month
Provident Fund	– 12% on basic salary
Medical Benefits	– as per rules of the Company
Leave Travel Allowance	– payable as per the rules of the Company
Accommodation	– 40% of the basic salary or free unfurnished accommodation.”

By Order of the Board

Place : New Delhi
Date : 29th May, 2010

PUNEETA ARORA
Company Secretary

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/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY COMPLETED MUST REACH THE COMPANY'S REGISTERED OFFICE AT LEAST 48 HOURS BEFORE THE TIME OF THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 16th September, 2010 to 17th September, 2010 (both days inclusive).
3. Members are requested to notify the change in their addresses to the Company at S.C.O.16, 2nd Floor, Sector-26, Madhya Marg, Chandigarh - 160 019 latest by 15th September, 2010.
4. Consequent upon amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend for the subsequent years remaining unpaid or unclaimed for seven years from the date of transfer to Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund (IEPF) set up by the Government of India and no payment shall be made in respect of any such claims by the IEPF.

Accordingly, the Company has transferred to IEPF all unclaimed / unpaid dividends in respect of the financial year 2001-02. Members who have not yet encashed their dividend warrant(s) for the financial year ended 30.06.2002 onwards are requested to make claims to the Company.

The Company shall be transferring unclaimed / unpaid dividends in respect of financial year 2002-03 to IEPF in October 2010.

5. Pursuant to listing provisions, Company has appointed M/s. Maheshwari Datamatics Private Limited, 6, Mangoe Lane, 2nd Floor, Kolkata – 700 001 as its Registrar and Transfer Agents (RTA) in physical and electronic mode. Members are requested to send all their correspondence at the above address of RTA.
6. All documents referred to in the accompanying notice are open for inspection at the Registered Office of the Company during office hours on all working days except Saturday between 11.00 a.m. to 1.00 p.m. upto the date of the Annual General Meeting.
7. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed herewith.

ANNEXURE TO NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****ITEM NO. 4**

The Company had appointed Shri Pradip Kumar Daga as Managing Director for a period of 2 years with effect from 16th April 2010. Shri Pradip Kumar Daga, aged 73 years is an eminent Industrialist having vast Industrial experience in diverse fields like Tea, Textile, Spinning and Engineering etc. It is to be noted that Shri Pradip Kumar Daga holds the responsible position of Chairman cum Managing Director of M/s Deepak Industries Limited. The management feels that by elevating such a renowned personality on the board, the Company will lead to a better growth & development. It is, therefore, proposed to appoint him as Managing Director for a period of two years with effect from 16th April 2010.



The main terms & conditions of his appointment are as follows :

1. Tenure of Appointment

The appointment of Shri Pradip Kumar Daga has been made for a period of 2(Two) years from 16th April 2010 to 15th April 2012.

2. Nature of Duties

The appointee shall devote his whole time & attention to the business of the Company and carry out his duties as may be entrusted to him by the Board from time to time and exercise such powers as may be assigned to him, subject to control and direction of the Board and in the best interest of the business of the Company.

3. Other terms of Appointment

- i) Mr Pradip Kumar Daga will not receive any remuneration from the Company. As Mr. Pradip Kumar Daga is the resident of Kolkata, all expenses incurred by him such as Boarding, Lodging, Traveling, etc during discharge of his duties as Managing Director of the Company will be reimbursed and/or borne by the Company.
- ii) Mr. Pradip Kumar Daga shall, subject to the superintendence, control and direction of the Board, perform and discharge such duties and responsibilities as may be entrusted to him by the Board of Directors.
- iii) Mr. Pradip Kumar Daga shall, not be entitled to any sitting fees for attending the meetings of the Board of Directors or Committees thereof.
- iv) The appointment may be terminated by either party by giving three months notice in writing to other party.

None of the Directors except Mr. Pradip Kumar Daga and Mr. Yashwant Daga are interested. The resolution is placed before you to pass as a Special Resolution.

This may be treated as an abstract of the draft Agreement between the Company and Shri Pradip Kumar Daga, pursuant to Section 302 of the Companies Act, 1956.

ITEM NO. 5

In order to strengthen the Management Team, the Board has appointed Shri Shantanu Daga, as a Management Executive of the Company. Considering his rich qualification, he is well qualified to give suitable advice on the matters referred to him.

As Shri Shantanu Daga is relative of Shri P. K. Daga and Shri Yashwant Daga, Directors of the Company, his appointment will be construed as holding an 'office of profit' in the Company as per Section 314(1)(b) of the Companies Act, 1956.

In view of the above, Members are requested to pass this resolution as a Special Resolution.

None of the Directors, except Shri Pradip Kumar Daga and Shri Yashwant Daga, Directors are interested in the resolution.

**Details of the Director seeking re-appointment at the ensuing
Annual General Meeting fixed on 17th September, 2010**

Name of Director	Shri Jagdish Narain Pathak
Date of Birth	17-02-1923
Date of Appointment	11-09-2008
Qualification	M.A., B.Com, CAIIB
Experience in Specific functional area	Retired Banker
List of other Directorships held	East India Hospital & Medical Research Ltd.
Chairman/Member of the Committees of Board of Directors of the Company	i) Audit Committee (Member) ii) Shareholders/Investors Grievances Committee (Member) iii) Remuneration Committee (Member)
Chairman of the Committee of Directors of other Companies in which he is a Director	East India Hospital & Medical Research Ltd. (Member - Audit Committee and Shareholders/ Investors Grievances Committee)



DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present their Report together with the Audited Accounts for the period ended 31st March 2010.

FINANCIAL RESULTS	(Rs. in Lacs)
Profit before Depreciation,	
Exceptional Items and Tax	422.61
Less : Depreciation	(765.55)
Impairment	(850.00)
Exceptional Item	
(Loss on sale of Capital Goods)	(41.13)
Tax Provision	
Tax related to previous year	(4.96)
Deferred Tax Credit	147.70
Net Loss	<u>(1091.33)</u>

DIVIDEND

In view of loss incurred after provision for depreciation, your Directors do not recommend any dividend for the period ended 31st March 2010.

GENERAL REVIEW

In view of the economy showing signs of recovery, increased overseas and domestic demand, there is improvement in the performance of the Company. We hope to achieve better results in spite of devalued US dollar and Euro and rising cost of labour.

SUBSIDIARY COMPANY

M/s. DSL Hydrowatt Limited is the only subsidiary of the Company. Consolidated accounts and the Statement under Section 212 of the Companies Act, 1956, are annexed with this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors confirm as under :

- i) That in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures.
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) That the Directors have prepared the annual accounts on a going concern basis.

DIRECTORS

Shri Jagdish Narain Pathak, Director retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

Shri Pradip Kumar Daga was appointed Managing Director of the Company for a period of two years, by Board, with effect from 16th April 2010. His appointment as Managing Director of the Company is sought to be approved by the members of the Company at the forthcoming Annual General Meeting.

Shri V. N. Khemka, vacated the office of Executive Director during this year.

AUDITORS & AUDITORS' REPORT

M/s Singhi & Co., Chartered Accountants, (Registration No. 302049E) New Delhi retire as Auditors of the Company at the ensuing Annual General Meeting and are eligible for re-appointment. Auditors' observations are self explanatory and suitably explained in the Notes on Accounts.

The remarks made by the Auditors in para vi of their report with respect to accumulated Cenvat credit

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have been suitably explained in para 10 of the Notes of Accounts.

ADDITIONAL INFORMATION

A report on Corporate Governance and Management Discussion and Analysis as required under clause 49 of the Listing Agreement is attached.

Energy conservation measures, progress made in technology absorption and foreign exchange earnings and outgo as required by the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 are annexed and form part of this report.

None of the employees of the Company is covered under the provisions of Section 217(2A) of the Companies Act, 1956, as amended to date.

ACKNOWLEDGEMENT

Your Directors record their appreciation of the co-operation extended by our Bankers and various authorities of the State Governments. They also record their appreciation of the dedicated services rendered by the executives, staff members and workers of the Company.

	YASHWANT DAGA		
	PRADEEP KUMAR DROLIA		
Place : New Delhi	J. N. PATHAK	VIKRAM PRAKASH	P. K. DAGA
Date : 29th May, 2010	<i>Directors</i>	<i>Director</i>	<i>Chairman cum Managing Director</i>

**DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND
SENIOR MANAGEMENT PERSONNEL WITH THE CODE OF CONDUCT**

The Board of Directors at its meeting held on 24.10.2005 has adopted Code of Conduct for its Directors and Senior Management personnel. This Code is also posted on its website.

I confirm that the Company has in respect of the financial year ended 31st March 2010, received from Directors and Senior Management Team of the Company a declaration of compliance with the Code of Conduct as applicable to them.

Place : New Delhi	P. K. DAGA
Date : 29th May, 2010	<i>Chairman cum Managing Director</i>



ANNEXURE TO DIRECTORS' REPORT

Additional information as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

A CONSERVATION OF ENERGY

Energy Conservation remains on the top of Company's priorities, forming part of a continuous process.

FORM A

A. POWER AND FUEL CONSUMPTION	Current year	Previous year
1. Electricity		
(a) Purchased (Million Units)	22.49	15.53
Total amount (Rs. in Millions)	80.87	55.80
Rate / Unit	3.60	3.59
(b) Own Generation		
i) Through D.G. Sets (Million Units)	1.81	1.13
Units amount (Rs. in millions)	17.60	11.15
Cost / Unit	9.72	9.86
ii) Through steam turbine (Million units)	17.50	12.68
Units per kg. of Bio – Fuel	0.45	0.45
cost / unit	3.29	2.96
2. Coal (C, Grade) used in Boiler		
(Quantity – Million Kgs)	1.50	1.23
Total cost (Rs. in Millions)	11.32	8.55
Average rate per Kg.	7.55	6.95
B. CONSUMPTION PER UNIT OF PRODUCTION		
Production of yarns (Million Kgs)	17.50	11.74
Electricity (KWH/Kg.)	2.33	2.31
Others		
Diesel (Ltr/Kg. Yarn)	0.03	0.03
Bio – Fuel (Kg/Kg. Yarn)	4.68	5.32

FORM B : Technology Absorption, Research & Development

The Company's R & D department continues developing new range of Products. It also keeps exploring technological upgradation of existing production facilities so as to maximize production at minimum cost.

C. FOREIGN EXCHANGE EARNINGS & OUTGO	(Rs. in 000)
Total Foreign exchange used	30,021
Total Foreign exchange earned	3,09,521

STATEMENT REGARDING SUBSIDIARY COMPANIES PURSUANT TO SECTION 212(3) AND 212 (5) OF THE COMPANIES ACT, 1956

1. Name of Subsidiary Company	: DSL HYDROWATT LTD.
2. Financial year to which accounts relate	: 31.03.2010
3. Holding Company's interest at the closing of F.Y. of Subsidiary Company	: I) Shareholding - 49940 Equity Shares of Rs.10/- each II) Extent of holding - 51%
4. Net aggregate amount of Subsidiary Company's Profit after deducting losses & vice-versa as Concerns members of Holding Company (Rs. in lacs)	: NIL
5. Net aggregate amount of Subsidiary Company's Profit after deducting losses & vice versa dealt within the Company's account (Rs. in lacs)	: NIL
6. Holding Company's interest as at 31st March 2009 incorporating changes since closing of F.Y. of Subsidiary Company.	: I) Shareholding - 49940 Equity Shares of Rs. 10/- each II) Extent of company holding - 51%

YASHWANT DAGA
PRADEEP KUMAR DROLIA
J. N. PATHAK
Directors

VIKRAM PRAKASH
Director

P. K. DAGA
Chairman cum
Managing Director

Place : New Delhi
Date : 29th May, 2010

MANAGEMENT DISCUSSION AND ANALYSIS REPORT**INDUSTRY SCENARIO**

The textile industry plays vital role in Indian economy. Apart from providing one of the basic necessities of life, it contributes about 14% to industrial production, 4% to GDP (Gross Domestic Product) and 13.50% to the exchange earnings, in addition to providing direct employment to 35 million people.

The recession finally receded resulting in continuous inflow of demand for the textile products. However, this positive change has to deal with certain challenges.

The high cost of raw materials is pushing up the cost of textile products. Trained manpower has become hard to come by and is getting harder to retain, making it difficult to even fully utilize their installed capacity.

RISKS AND CONCERNS

The synthetic textile sector is vulnerable to market risk and operational risk. *Market risk* is the possibility of loss arising from changes in procurement price of the raw materials and selling price of the final product. *Operational risk* is the risk of loss resulting from inadequate internal processes, people and systems or from external events.

OUTLOOK

The demand for textile products is improving both in the domestic as well as foreign markets. However, to improve its profitability, the textile industry must explore new areas of consumption such as non-woven disposable products like wipes, diapers etc. The problem of lack of skilled labour has also to be dealt with properly.

INTERNAL CONTROL SYSTEM AND ADEQUACY

The Company has in place adequate internal control systems and procedures commensurate with the size and nature of its business. The Audit Committee periodically reviews such systems with help of the internal and statutory auditors and reports to the board on its adequacy. Internal Audit is conducted by an independent Chartered Accountant, on quarterly basis.

FINANCIAL PERFORMANCE

The report of the Board of Directors may be referred to on financial performance.

HUMAN RESOURCES

Industrial relations remained normal at all levels. The development of human resources is a key strategic challenge in order to prepare people for future responsibilities in terms of professional skills as well as business skills. Customized training programs that enhance both personal as well as career growth are conducted on a continuing basis. The employees on roll in the Company as on 31st March 2010 were 1772.

CAUTIONARY STATEMENT

Statements in this Management Discussions and Analysis Report describing the Company objectives, projections, estimates, expectations or predictions may be 'forward looking statements' within the meaning of applicable security laws or regulations. These statements are based on certain assumptions and expectations of future events. Actual results could however, differ materially from those expressed or implied. Factors that could make a difference to the Company's operations include market price both domestic and overseas availability and cost of raw materials, change in Government regulations and tax structure, economic conditions affecting demand / supplies and other factors over which the Company does not have any control.

REPORT ON CORPORATE GOVERNANCE

1) Company's Philosophy on Code of Corporate Governance

Corporate Governance refers to a set of laws, regulations and good practices that enable an organization to perform efficiently and ethically generate long term wealth and create value for all its stakeholders. During the year under review, the Board continued its pursuit of achieving these objectives through the adoption and monitoring of corporate strategies, prudent business plans, and ensuring that the Company pursues policies and procedures to satisfy its legal and ethical responsibilities. The Board considers itself as a trustee of its shareholders and acknowledges its responsibilities towards them for creation and safeguarding shareholders wealth.

2) Composition of Board of Directors

Names of Directors, details of other Directorships / Committee memberships held by them in other companies and attendance at Company's Board meetings and last Annual General Meeting :

Category Names of Directors	Attendance at Board Meeting Last AGM		*Directorship in other companies As As Director Chairman		Committee Membership in other companies As As Member Chairman	
Promoter Non-Executive						
Yashwant Daga	5	—	11	—	2	—
Promoter Executive						
P. K. Daga Chairman cum Managing Director	5	—	6	—	3	1
Independent Non-Executive						
Vikram Prakash	4	—	5	—	2	3
Pradeep Kumar Drolia	3	—	5	—	—	—
J.N.Pathak	3	—	—	—	1	—
Executive Director (past)						
V.N.Khemka	—	—	—	—	—	—

*Including Private Limited Companies.

3) Board Meetings held during the year

During the financial year ended 31st March 2010, five meetings of the Board of Directors were held on 19th May 2009, 30th June 2009, 30th July 2009, 27th October 2009 and 25th January 2010.

Dates for the Board Meetings are decided well in advance and communicated to the Directors. The Agenda along with the explanatory notes are sent in advance to the Directors.

The information as required under Annexure 1A to Clause 49 is being made available to the Board. The Board periodically reviews Compliance Report of all laws applicable to the Company. Steps are taken by the Company to rectify instances of non-compliance, if any.

The Company has adopted Code of Conduct for Directors and Senior Management Personnel of the Company. The Company has received confirmations from the Directors as well as Senior Management Personnel regarding compliance of the Code during the year under review. The Code is posted on the website of the Company.

4) Audit Committee

The Audit Committee comprises of three Non-Executive Directors namely Shri Vikram Prakash, Chairman, Shri J.N.Pathak, Shri Yashwant Daga and Shri Pradeep Kumar Drolia as members. The Members have adequate knowledge of accounts and financial matters. Smt. Puneeta Arora, Company Secretary is Secretary to the Committee.

The Audit Committee *inter-alia*, reviews annual financial statements, accounting policies, system of internal controls, reports of internal auditors, recommend the appointment of statutory auditors and oversee compliance with stock exchanges and other legal requirements.

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During the year, this Committee held Five meetings, on 19th May 2009, 30th June 2009, 30th July 2009, 27th October 2009 and 25th January 2010. Attendance of each member of the Committee was as follows –

Name of Member	No. of Meetings attended
Shri Vikram Prakash	Four
Shri J.N.Pathak	Three
Shri Yashwant Daga	Five
Shri Pradeep Kumar Drolia	Three

The necessary quorum was present at the meeting. Statutory and Internal Auditors also try to attend the Meeting on the invitation of Chairman. The Company Secretary acts as the Secretary of the Audit Committee.

5) Remuneration Committee

The Remuneration Committee has been constituted to determine and recommend Directors remuneration including Whole Time Directors. The Remuneration Committee comprises Shri Vikram Prakash Chairman, Shri Yashwant Daga and Shri Pradeep Kumar Drolia and Shri J.N.Pathak.

There being no agenda to consider, the committee did not hold any meeting during the year.

Details of remuneration paid to Whole Time Director and other Directors is given below :-

(Particulars of remuneration paid)

Name of the Director	Salary	Perquisites/LTA	Commission	Sitting Fee	Total
Shri P. K. Daga (Chairman-cum-Managing Director)	—	—	—	25000	25000
Shri Yashwant Daga	—	—	—	61000	61000
Shri Vikram Prakash	—	—	—	48000	48000
Shri Pradeep Kumar Drolia	—	—	—	35000	35000
Shri J.N.Pathak	—	—	—	39000	39000
Shri V.N.Khemka (Past Executive Director)	500000	214312	—	—	714312

The Company pays sitting fees of Rs. 5000/- per meeting to the Non-Executive Directors for attending the meetings of the Board and Rs. 4000/- per meeting for attending the meetings of the Committees of the Board.

Shareholdings of Non-Executive Directors in the Company as on 31st March 2010 :-

Non-Executive Directors	No of ordinary shares @ Rs.10/- held singly and/or jointly
Shri Yashwant Daga	307635

6) Shareholders / Investors Grievances Committee

The Committee comprises of four Non-Executive Directors namely Shri Vikram Prakash, Chairman, Shri J.N.Pathak, Shri Yashwant Daga and Shri Pradeep Kumar Drolia, as members.

Smt. Puneeta Arora, Company Secretary has been designated as the Compliance Officer by the Board.

The Committee deals with shareholders complaints and grievances etc.

- During the financial year ended 31st March 2010, 3 complaints were received and all were satisfactorily disposed off. As on 31.03.2010, pendency is Nil.
- There were no pending requests for Share transfers as on 31st March 2010.

During the year, this Committee held four meetings on 30th June 2009, 30th July 2009, 27th October 2009 and 25th January 2010. Attendance of each member of the Committee was as follows –

Name of Member	No. of Meetings attended
Shri Vikram Prakash	Three
Shri J.N.Pathak	Three
Shri Yashwant Daga	Four
Shri Pradeep Kumar Drolia	Two

7) General Body Meetings

a) Location, date and time of last three Annual General Meetings is as follows :-

Particulars	Location	Date	Time
25th AGM	121, Industrial Area, Baddi Tehsil Nalagarh, Distt. Solan Pin - 173 205 (H.P.)	30-11-2007	11.30 A.M
26th AGM	-do-	27-11-2008	11.30 A.M
27th AGM	-do-	11-09-2009	11.30 A.M

b) No Extra Ordinary General Meeting was held during the year.

8) Disclosures

i) The Company did not enter into any transaction of material nature with related parties, which may have potential conflict with the interests of the Company. The Company has fully complied with all the requirements of regulatory authorities on Capital Markets and consequently, no penalties / strictures have been imposed against it during the last three years.

ii) Secretarial Audit

A qualified practicing Chartered Accountant carried out a Secretarial Audit to reconcile, the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) with the total issued and listed capital. The audit confirms that the total issued / paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

9) Means of Communication

Half Yearly results along with the quarterly results are published as given below.

Quarterly/ Half Yearly Results are published in the following newspapers :-

Dainik Jagran (regional newspaper) and Financial Express (National - English)

Website where displayed : www.dsl-india.com

The Company does not display the official news release on its web site.

Management Discussion and Analysis is a part of Annual Report.

10) (i) General Shareholder Information

Date, time and location of next AGM : 17th September, 2010 at 12.15 P.M. at the Registered Office : 121, Industrial Area, Baddi, Tehsil Nalagarh, Distt. – Solan 173205 (HP)

(ii) Financial Calendar (tentative dates of the publication of the following):-

Results for the quarter ending 30th June 2010	— Middle of August 2010
Results for the quarter ending 30th September 2010	— Middle of November 2010
Results for the quarter ending 31st December 2010	— Middle of February 2011
Audited results for the year ending 31st March 2011	— Last week of May 2011

Book closure date : 16th September, 2010 to 17th September, 2010 (both days inclusive)

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(iii) **Listing on Stock Exchanges at :** Mumbai and Kolkata

(iv) Annual listing fees for 2010-11 has been paid to above Stock Exchanges.

Stock Exchange	Stock Code for DEMAT Trading	Stock Code for Physical Trading
Stock Exchange, Mumbai	514030	514030
Calcutta Stock Exchange	10014004	14004

(vi) **Market Price Data**

Month/Year	Mumbai Stock Exchange (BSE)		Month/Year	Mumbai Stock Exchange (BSE)	
	High	Low		High	Low
April 2009	10.20	7.83	October 2009	15.45	12.02
May 2009	13.18	8.15	November 2009	12.95	11.21
June 2009	14.48	12.50	December 2009	16.27	12.55
July 2009	13.00	10.50	January 2010	18.40	15.65
August 2009	12.70	11.00	February 2010	16.35	13.95
September 2009	14.97	11.94	March 2010	16.00	14.00

There was NIL trading in equity shares of the Company at Calcutta Stock Exchange during the period from 1st April 2009 to 31st March 2010.

The performance of the Company's shares cannot be compared to BSE Sensex for reasons of low liquidity.

(vii) **Registrars & Transfer Agents in Physical and Electronic (DEMAT) Mode :**

M/s MAHESHWARI DATAMATICS PRIVATE LIMITED

6, MANGOE LANE, 2ND FLOOR, KOLKATA – 700 001

(viii) **Share Transfer System**

Share transfers are registered and returned within a maximum period of 15 days from the date of receipt, if the documents are clear in all respects. The transfers are approved by delegated authorized person, that is, Registrars & Transfer Agents as authorized by the Board.

(ix) **Pattern and Distribution of Shareholding as on 31.03.2010**

Category	No. of Shares held	% of total paid up Capital
Resident Individuals	64,50,876	89.73
Financial Institutions	3,28,880	4.58
Banks, Mutual Funds and Bodies Corporate	2,54,633	3.54
NRIs / OCBs	1,54,979	2.15
TOTAL	71,89,368	100.00

From	To	No. of Shares held	% of total Paid-up Capital	No. of Shareholders	% of total no. of Shareholders
Upto	– 500	1445780	20.10	9541	90.88
501	- 1000	408460	5.69	516	4.91
1001	- 10000	1031834	14.35	386	3.68
Above	- 10000	4303294	59.86	56	0.53
TOTAL		7189368	100.00	10499	100.00



(x) **Dematerialisation of shares and liquidity**

The equity shares of the Company are under compulsory Demat trading for all categories of investors. The Company's shares are available for Demat trading with both the depositories i.e. CDSL and NSDL. As on 31st March 2010, 69.41% equity shares of the Company stood dematerialized.

(xi) **Plant locations**

- a) 121, Industrial Area, Baddi, Tehsil Nalagarh, District Solan - 173205 (HP)
- b) Village Pagara, Tehsil & District Guna - 473001 (MP)

(xii) **Address for correspondence**

Deepak Spinners Limited,
S.C.O. 16, 2nd Floor,
Sector - 26, Chandigarh - 160019.

11) CEO and CFO Certification

The Chairman and Managing Director, that is, the Chief Executive Officer (CEO) of the Company give annual certification on financial reporting and internal controls to Board in terms of Clause 49 of the Listing Agreement. The CEO and CFO also give quarterly certification on financial results while placing the financial results before the Board in terms of Clause 41 of the Listing Agreement.

The above report was adopted by the Board of Directors at its meeting held on 29th May 2010.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

We have examined the compliance of conditions of Corporate Governance by DEEPAK SPINNERS LTD. for the year ended 31st March 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investor Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **SINGHI & CO.**
Chartered Accountants
Firm Reg. No. 302049E
B. K. SIPANI
Partner
Membership No. 88926

Place : New Delhi
Date : 29th May, 2010

AUDITORS' REPORT

TO THE MEMBERS OF DEEPAK SPINNERS LIMITED

We have audited the attached Balance Sheet of DEEPAK SPINNERS LIMITED, as at 31st March 2010 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating, the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that :

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- ii. In our opinion, proper books of account as required by company law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from depots.
- iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account and with the returns from the depots.
- iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- v. On the basis of written representations received from the Directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- vi. *Refer Note No. 10 in Schedule 14 regarding accumulated Cenvat Credit aggregating Rs. 11,19,27 thousands, considered good by the Company due to reason stated in the above note. We are unable to comment about the extent of utilization of above Cenvat Credit in future due to uncertainty involved.*
- vii. *Subject to our inability to ascertain the financial impact, if any, due to reason given in (vi) above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :*
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010
 - b) In the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date and
 - c) In the case of Cash Flow Statement, of the cash flow of the Company for the year ended on that date.

For **SINGHI & CO.**
Chartered Accountants
Firm Reg. No. 302049E
B. K. SIPANI
Partner
Membership No. 88926

Place : New Delhi
Date : 29th May, 2010

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

Re : DEEPAK SPINNERS LIMITED

- (i) a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b. Fixed Assets of the Company has been physically verified by the management during the year. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification.
- c. There is no substantial disposal of fixed assets during the year.
- (ii) a. As explained to us, inventories were physically verified during the year by the management at reasonable intervals.
- b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. In our opinion and according to the information and explanation given to us, the Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) a. According to the information and explanations given to us, during the year the Company has not granted any loan to companies, firm or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- b. According to the information and explanation given to us, the Company has not taken any loan from companies, firm or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in internal control system.
- (v) In our opinion and according to the information and explanations provided by the management, there are no transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted any deposit from the public during the year.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained.
- (ix) a. According to the records of the Company, the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, service tax, wealth tax, custom duty, excise duty, cess and other statutory dues applicable to it with the appropriate authorities. There is no undisputed outstanding statutory dues as at the year end for a period of more than six months from the date they became payable.

- b. According to the records of the Company, there are no dues outstanding of sales tax, income tax, service tax, custom tax, wealth tax, excise duty and cess on account of any dispute except the dispute indicated in Note 11 of Schedule 14 (Notes on Accounts).
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash loss in current and immediately preceding year.
- (xi) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions and banks.
- (xii) According to the information and explanations given to us, the Company has not granted any loan and advance on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 (as amended), are not applicable to the Company.
- (xiv) The Company does not deal or trade in shares, securities, debentures and other securities.
- (xv) According to the information and explanations given to us, the Company has not given any corporate guarantee in favour of financial institution/bank for loans taken by other.
- (xvi) To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the Company as on balance sheet date, were applied by the Company for the purpose for which loans were obtained.
- (xvii) According to the information and explanation given to us, as on balance sheet date on an overall basis, funds raised on short term basis have not been used for long term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) During the year the Company has not issued any debentures.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based on our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practice in India and according to the information and explanations given to us, no fraud by the Company, noticed or reported during the year. *However during the year Company has detected certain wrongful act by one of the employee of the Company. The matter is under investigation & final outcome will be known after the completion of investigation.*

Place : New Delhi
Date : 29th May, 2010

For **SINGHI & CO.**
Chartered Accountants
Firm Reg. No. 302049E
B. K. SIPANI
Partner
Membership No. 88926



BALANCE SHEET AS AT 31ST MARCH, 2010

			(Rs. in 000's)
		As at	As at
	Schedule	31st March, 2010	31st March, 2009
SOURCES OF FUNDS			
A. Shareholders' Funds			
Capital	1	7,20,11	7,20,11
Reserves & Surplus	2	<u>36,66,91</u>	<u>47,58,23</u>
B. Loan Funds			
Secured Loans	3	78,14,09	79,74,83
C. Deferred Tax Liabilities (Net)	4	<u>13,69,70</u>	<u>15,17,41</u>
		<u>1,35,70,81</u>	<u>1,49,70,58</u>
APPLICATION OF FUNDS			
A. Fixed Assets	5		
Gross Block		1,74,25,35	1,75,31,25
Less: Depreciation/Impairment		<u>99,22,79</u>	<u>83,87,66</u>
Net Block		75,02,56	91,43,59
Capital Work-in-Progress		<u>3,50,38</u>	<u>69,32</u>
		78,52,94	92,12,91
B. Investments	6	4,99	4,99
C. Current Assets, Loans and Advances	7		
Inventories		27,69,20	28,90,25
Sundry Debtors		18,11,58	16,90,37
Cash & Bank Balances		1,31,49	1,29,61
Loans & Advances		<u>21,66,09</u>	<u>20,38,63</u>
		68,78,36	67,48,86
Less: Current Liabilities and Provisions	8		
Current Liabilities		10,45,71	8,75,15
Provisions		<u>1,19,77</u>	<u>1,21,03</u>
Net Current Assets		57,12,88	57,52,68
		<u>1,35,70,81</u>	<u>1,49,70,58</u>
Notes on Accounts	14		

Schedules and Notes annexed hereto form part of these Accounts.

As per our report of even date attached.

For **SINGHI & CO.**
Chartered Accountants
Firm Reg : 302049E

B. K. SIPANI
Partner
Membership No. 88926
Place : New Delhi
Date : 29th May, 2010

PUNEETA ARORA
Company Secretary

For and on behalf of Board of Directors

P. K. DAGA
Chairman cum Managing Director
YASHWANT DAGA
P. K. DROLIA
VIKRAM PRAKASH
J. N. PATHAK
Directors

DEEPAK SPINNERS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

		(Rs. in 000's)	
		For Nine Months ended	
	Schedule	Year ended 31st March, 2010	31st March, 2009
INCOME			
Sales		2,10,26,98	1,40,90,59
Less : Excise Duty		1,15,30	1,02,99
Net Sales		2,09,11,68	1,39,87,60
Increase/(Decrease) in Stocks	9	(6,72,73)	(7,43,07)
Other Income	10	1,44,17	1,89,67
		<u>2,03,83,12</u>	<u>1,34,34,20</u>
EXPENDITURE			
Raw Materials Consumed	11	1,46,11,13	93,01,48
Manufacturing & Other Expenses	12	46,99,32	32,82,61
Financial Expenses	13	6,50,06	5,93,80
Depreciation		7,65,55	5,92,96
Impairment		8,50,00	-
		<u>2,15,76,06</u>	<u>1,37,70,85</u>
Profit/(Loss) before Exceptional Items and Tax		(11,92,94)	(3,36,65)
Exceptional Items		(41,13)	(1,48,94)
Profit/(Loss) before Tax		<u>(12,34,07)</u>	<u>(4,85,59)</u>
Provision for Taxation			
- Fringe Benefit		-	(3,65)
- Deferred Tax Credit		1,47,71	2,15,40
- Income Tax related to earlier year		(4,96)	-
		<u>1,42,75</u>	<u>-</u>
Profit/(Loss) after Tax		(10,91,32)	(2,73,84)
Profit brought forward from previous year		16,94,88	19,68,72
Balance available for appropriation		<u>6,03,56</u>	<u>16,94,88</u>
Surplus carried to Balance Sheet		6,03,56	16,94,88
Basic & Diluted Earning Per Share of Rs. 10/- each (Refer Note No. 20 in Schedule 14)		Rs. (15.18)	Rs. (3.81)
Notes on Accounts	14		

Schedules and Notes annexed hereto form part of these Accounts.

As per our report of even date attached.

For **SINGHI & CO.**
Chartered Accountants
Firm Reg : 302049E

B. K. SIPANI
Partner
Membership No. 88926
Place : New Delhi
Date : 29th May, 2010

PUNEETA ARORA
Company Secretary

For and on behalf of Board of Directors

P. K. DAGA
Chairman cum Managing Director
YASHWANT DAGA
P. K. DROLIA
VIKRAM PRAKASH
J. N. PATHAK
Directors



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

	Year ended 31st March, 2010	(Rs. in 000's) For Nine Months ended 31st March, 2009
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit /(Loss) before Tax	(123,407)	(48,559)
Adjustment for-		
Depreciation (including impairment loss)	161,555	59,296
Financial Expenses	65,006	59,380
Profit on sale/discard of Fixed Assets (Net)	(1,080)	(5,283)
Loss on sale of Fixed Assets (Exceptional Items)	4,113	14,894
Interest Received	(7,466)	(10,650)
Provision for Doubtful Debts/Advances	340	1,198
Exchange Difference (Net)	1,409	3,492
Operating Profit before Working Capital Changes	100,470	73,768
Adjustment for -		
Trade & Other Receivables	(25,169)	180,640
Inventories	12,105	77,260
Trade Payables & Other Liabilities	17,533	(28,649)
	<u>104,939</u>	<u>303,019</u>
Direct Taxes (Paid)/Refunds	(1,765)	(4,904)
Net Cash from Operating Activities	(A) <u>103,174</u>	<u>298,115</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(38,055)	(5,743)
Sale of Fixed Assets	8,921	22,050
Momments in Fixed Deposits	70	(96)
Interest received	7,460	10,292
Net Cash from Investing Activities	(B) <u>(21,604)</u>	<u>26,503</u>
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Decrease in Long Term Borrowings	(76,432)	(49,188)
Increase in Working Capital facilities	60,358	(229,517)
Interest & Financial Expenses	(65,006)	(59,584)
Net Cash from Financing Activities	(C) <u>(81,080)</u>	<u>(338,289)</u>
Net Increase/Decrease in Cash & Cash Equivalents	(A+B+C) 490	(13,671)
Cash and Cash equivalents as at (Opening Balance)	<u>10,468</u>	<u>24,139</u>
Cash and Cash equivalents as at (Closing Balance)	<u>10,958</u>	<u>10,468</u>
Components of cash & cash equivalents		
Cash in hand	654	292
Balance with Sheduled Banks		
In Current Accounts	10304	10176
Unclaimed Dividend Accounts	1849	2087
Fixed Deposits Accounts*	82	82
Employees Security Deposits Accounts*	232	302
	<u>13121</u>	<u>12939</u>
*Excluding Interest Accured		
Less : Fixed Deposit & Employee Security Deposit consider in Investing Activity & Unclaimed Dividend lying with Bank	<u>2163</u> <u>10958</u>	<u>2471</u> <u>10468</u>

The aforesaid Statement is prepared on Indirect Method.

As per our report of even date attached.

For **SINGHI & CO.**
Chartered Accountants
Firm Reg : 302049E

B. K. SIPANI
Partner
Membership No. 88926
Place : New Delhi
Date : 29th May, 2010

PUNEETA ARORA
Company Secretary

For and on behalf of Board of Directors

P. K. DAGA
Chairman cum Managing Director
YASHWANT DAGA
P. K. DROLIA
VIKRAM PRAKASH
J. N. PATHAK
Directors

DEEPAK SPINNERS LIMITED

	(Rs. in 000's)
	As at
	As at
	31st March, 2010
	31st March, 2009
SCHEDULE - 1	
SHARE CAPITAL	
Authorised	
80,00,000 Equity Shares of Rs. 10/- each	8,00,00
60,00,000 Unclassified Shares of Rs. 10/- each	6,00,00
	<u>14,00,00</u>
Issued & Subscribed	
72,12,868 Equity Shares of Rs. 10/- each	7,21,29
Paid-up	
71,89,368 Equity Shares of Rs. 10/- each fully paid up	7,18,94
Add : Shares forfeited	1,17
	<u>7,20,11</u>

	As at			As at
	31st March, 2009	Additions	Deductions	31st March, 2010
SCHEDULE - 2				
RESERVES AND SURPLUS				
Capital Reserve :				
Central Investment Subsidy	25,75	—	—	25,75
State Investment Subsidy	10,00	—	—	10,00
Share Premium	2,17,81	—	—	2,17,81
General Reserve	28,09,79	—	—	28,09,79
Surplus as per Profit and Loss Account	16,94,88	6,03,56	16,94,88	6,03,56
	<u>47,58,23</u>	<u>6,03,56</u>	<u>16,94,88</u>	<u>36,66,91</u>

	As at	As at
	31st March, 2010	31st March, 2009
SCHEDULE - 3		
SECURED LOANS		
a. Rupee Term Loans from Bank	42,13,70	44,24,00
b. Corporate Loans from Banks :		
Foreign Currency Loans	—	1,05,73
Rupee Loans	2,50,00	6,96,63
c. Working Capital facilities	33,50,39	27,46,80
d. Others	—	1,67
	<u>78,14,09</u>	<u>79,74,83</u>

- a. Term Loans from Banks are secured by either (a) exclusive first charge on fixed assets purchased from such loans under TUFS or (b) *pari-passu* charge on fixed assets other than (a) above. Same are further secured by second charge either on current assets or entire other fixed assets of the Company. These loans are further secured by personal guarantee of two Directors of the Company.
- b. Corporate loans from Banks is secured/to be secured by way of first charge on fixed assets of the Company on *pari-passu* basis except assets charged exclusively for term loan under TUFS. Part of Corporate Loan is also secured/to be secured by second charge on the current assets both present and future of the Company. These loans are further secured by personal guarantee of two Directors. Rupee Corporate Loan is additionally secured by pledge of part of promoters equity shares in the Company.

- c. Working capital facilities from Banks are secured by first charge on current assets both present and future and additionally secured/to be secured by way of second charge on all fixed assets except assets charged exclusively for term loans under TUFS. The same is further secured by personal guarantee of two Directors of the Company.
- d. Other loans from bank is secured by specific charge on assets purchased.
Repayable within one year Rs.4.89,00 (Previous year Rs.7.48,00)

SCHEDULE - 4

DEFERRED TAX

Deferred Tax Liabilities

Deferred Tax Liabilities			
- On Depreciation	(A)	<u>18,85,29</u>	<u>20,43,91</u>
Deferred Tax Assets			
- On Retirement Benefits		39,77	39,90
- On Unabsorbed Depreciation		4,61,79	4,82,53
- On Others		<u>14,03</u>	<u>4,07</u>
	(B)	<u>5,15,59</u>	<u>5,26,50</u>
Deferred Tax Liabilities (Net)	(A – B)	13,69,70	15,17,41

Refer Note no. 5 in Schedule 14

SCHEDULE - 5

FIXED ASSETS

(Rs. in 000's)

(Rs. in '000/-)											
	GROSS BLOCK					DEPRECIATION		IMPAIRMENT		NET BLOCK	
Description	As at 31.03.09	Additions	Deductions/ Adjustments	Total as at 31.03.10	Upto 31.03.09	During the period	Deduction/ Adjustments	Total as on 31.03.10	As on 31.03.10	As at 31.03.10	As at 31.03.09
Land *	31,00	-	-	31,00	-	-	-	-	-	31,00	31,00
Land (lease hold)	34,45	-	-	34,45	7,88	37	-	8,25	-	26,20	26,57
Buildings	24,43,71	1,37	1,16	24,43,92	8,67,29	74,11	-	9,41,40	-	15,02,52	15,76,43
Plant & Machinery	1,42,76,87	78,71	1,69,32	1,41,86,26	70,79,36	6,57,83	64,87	76,72,32	8,27,65	56,86,29	71,97,51
Electrical Installation	3,94,50	24	-	3,94,74	2,60,57	16,88	-	2,77,45	22,35	94,94	1,33,93
Office & Other Equipments	24,53	64	-	25,17	17,72	1,17	-	18,89	-	6,28	6,81
Furniture & Fixtures	96,91	11	3,17	93,85	84,87	4,25	2,98	86,14	-	7,71	12,04
Vehicles **	97,53	12,99	26,31	84,21	52,37	8,79	12,57	48,59	-	35,62	45,14
Tubewell	49,07	-	-	49,07	6,50	80	-	7,30	-	41,77	42,57
Road & Culverts	82,68	-	-	82,68	11,10	1,35	-	12,45	-	70,23	71,59
Total	1,75,31,25	94,06	1,99,96	1,74,25,35	83,87,66	7,65,55	80,42	90,72,79	8,50,00	75,02,56	91,43,59
Previous Year	1,80,00,29	29,19	4,98,23	1,75,31,25	79,76,32	5,92,96	1,81,62	83,87,66	-	91,43,59	

* Deed yet to be executed in the name of Company for Rs. 2,42. (Previous year Rs. 2,42)

** Includes assets acquired under Hire Purchase Scheme for Rs. 17,46 (Previous year Rs. 17,46)

DEEPAK SPINNERS LIMITED

	(Rs. in 000's)	
	As at	As at
	31st March, 2010	31st March, 2009
SCHEDULE - 6		
INVESTMENTS (Long Term)		
In Subsidiary Company (unquoted)		
49940 Equity Shares @ Rs. 10/- each fully paid up		
M/s DSL Hydrowatt Ltd.	4,99	4,99
	<u>4,99</u>	<u>4,99</u>
SCHEDULE - 7		
CURRENT ASSETS, LOANS & ADVANCES		
Inventories (Including in-transit)		
(As taken, valued & certified by the Management)		
Stores & Spares	2,14,34	1,67,19
Raw Materials	12,19,25	7,14,72
Finished Goods	9,73,97	14,46,73
Work-in-Progress	3,50,08	5,54,44
Waste/Scrap	11,56	7,17
	<u>27,69,20</u>	<u>28,90,25</u>
Sundry Debtors (Unsecured)		
Outstanding for a period exceeding six months		
Considered Good	58,54	1,10,61
Considered Doubtful	3,47	11,98
	<u>62,01</u>	<u>1,22,59</u>
Other Debts	17,53,04	15,79,76
	<u>18,15,05</u>	<u>17,02,35</u>
Less: Provision for Doubtful Debts	3,47	11,98
	<u>18,11,58</u>	<u>16,90,37</u>
Cash & Bank Balances		
Cash Balances (as certified)	6,54	2,92
Balance with Scheduled Banks		
In Current Account	1,03,04	1,01,76
In Fixed Deposit Account		
(Pledged with Govt. Deptt. Rs. 82 Previous		
year Rs.82 and interest accrued Rs. 16		
Previous year Rs. 7)	98	89
In Employees Security Deposit Account		
(In Fixed Deposit Account including interest accrued		
Rs.12 Previous year Rs.15)	2,44	3,17
In Unpaid Dividend Account	18,49	20,87
	<u>1,31,49</u>	<u>1,29,61</u>

	As at 31st March, 2010	(Rs. in 000's) As at 31st March, 2009
SCHEDULE - 7 (CONTD.)		
Loans and Advances (unsecured, considered Good) (Advances Recoverable in Cash or in kind or for value to be received or to be adjusted)		
Advance to Employees	2,88	90
Advances (others) (including export benefit receivable under D.E.P.B. Scheme, Rs 90,80(Previous year Rs. 7,75) Duty Draw Back Rs. Nil ,(Previous year Rs. 28,74), TUFs Subsidy Rs. 1,64,77(Previous year Rs.1,66,07)		
Considered Good	6,67,49	4,96,91
Considered Doubtful	3,40	—
	<u>6,70,89</u>	<u>4,96,91</u>
Less: Provision for Doubtful Advances	3,40	—
	<u>6,67,49</u>	<u>4,96,91</u>
Advances for Capital Goods	1,21,19	1,15,76
Prepaid Expenses	6,85	4,44
Tax Payment/Tax deducted at Source (Net)	1,70,10	1,61,06
Balance with Excise Deptt. (Net)	11,19,39	11,94,01
Deposit with Govt. Deptt. and Others (including Interest Receivable Rs. 3,59, Previous year Rs. 3,59)	78,19	65,55
	<u>21,66,09</u>	<u>20,38,63</u>
SCHEDULE - 8		
CURRENT LIABILITIES & PROVISIONS		
Current Liabilities		
Sundry Creditors*		
For Goods & Expenses	9,26,45	7,78,38
Other Liabilities	40,61	33,40
Advances from and credit balances of Customers	55,85	32,64
Deposit from Selling Agents	2,00	7,00
Employees Security Deposit	2,31	2,86
Unclaimed Dividend (not due as on Balance Sheet date)	18,49	20,87
	<u>10,45,71</u>	<u>8,75,15</u>
Provisions		
Provision for Fringe Benefit Tax	—	3,65
Provision for Retirement Benefits	1,19,77	1,17,38
*Refer Note No. 12 in Schedule 14	<u>1,19,77</u>	<u>1,21,03</u>
SCHEDULE - 9		
	Year ended 31st March, 2010	For Nine Months ended 31st March, 2009
INCREASE/(DECREASE) IN STOCKS		
Closing Stocks		
Finished Goods	9,73,97	14,46,73
Work-in-Progress	3,50,08	5,54,44
Waste/Scrap	11,56	7,17
	<u>13,35,61</u>	<u>20,08,34</u>
Less : Opening Stocks		
Finished Goods	14,46,73	21,07,47
Work-in-Progress	5,54,44	6,32,66
Waste/Scrap	7,17	11,28
	<u>20,08,34</u>	<u>27,51,41</u>
	<u>(6,72,73)</u>	<u>(7,43,07)</u>

DEEPAK SPINNERS LIMITED

	Year ended 31st March, 2010	(Rs. in 000's) For Nine Months ended 31st March, 2009
SCHEDULE - 10		
OTHER INCOME		
Miscellaneous Receipts	22,28	23,92
Sundry Credit Balances/Liabilities no longer required written back	12,66	6,42
Profit on Sale/Discard of Fixed Assets (Net)	10,80	52,83
Bad Debts Recovered	4,24	—
Interest Received (Gross) (TDS Rs.11,54 Previous year Rs. 26,32)	74,45	1,06,34
From Others	21	16
On Deposits	74,66	—
Foreign Exchange Difference (Net)	19,53	—
	<u>1,44,17</u>	<u>1,89,67</u>
SCHEDULE - 11		
RAW MATERIALS CONSUMED		
Opening Stock	7,14,72	7,73,63
Add : Purchases (Net) *	1,51,15,66	92,42,57
	1,58,30,38	1,00,16,20
Less : Closing Stock	12,19,25	7,14,72
Consumption**	<u>1,46,11,13</u>	<u>93,01,48</u>
* including Stock-in-Transit Rs. 3,75,77 Previous year Rs. 2,27,62		
** Including Dyes & Chemicals Consumed.		
SCHEDULE 12		
MANUFACTURING AND OTHER EXPENSES		
Manufacturing Expenses		
Stores and Spares Consumed	6,27,98	2,98,73
Packing Expenses	2,74,94	2,35,04
Job Charges	66,88	51,66
Power and Fuel (Net)	16,81,26	10,64,29
Repair, Maintenance and Replacements		
Plant and Machinery	98,58	37,24
Buildings	6,14	2,83
Other Repairs	2,63	2,83
Payment to and Provision for Employees		
Salary,Wages,Bonus,Gratuity and Others	11,83,55	8,09,86
Contribution to P.F. and Other Funds	68,48	53,70
Employees Welfare (Net of recovery Rs.6,62)	61,99	44,99
Administrative and other Expenses		
Rent	17,39	10,63
Rates and Taxes	5,20	4,34
Insurance	10,45	14,35
Travelling and Conveyance	38,09	33,98
Auditors' Remuneration	6,43	5,20
Cost Audit Fee (Including for Previous year Rs. 20)	40	—
Directors Sitting Fee	2,08	1,60
Miscellaneous Expenses	77,92	59,17
Foreign Exchange Fluctuation Loss (Net)	—	54,31
Bad debts & Advances Written off	33,67	98,71
Less: Provision for doubtful debts	<u>8,51</u>	<u>4,18</u>
Provision for Doubtful Debts/Advances	25,16	94,53
Selling and Distribution Expenses	3,40	11,98
Freight and Other Handling Expenses (Net of recovery Rs. 85,48)	3,39,98	2,83,28
Commission and Brokerage	95,02	1,06,93
Other Selling Expenses	5,37	1,14
	<u>46,99,32</u>	<u>32,82,61</u>
SCHEDULE - 13		
FINANCIAL EXPENSES		
Interest		
On Term Loans	3,08,53	3,00,43
To Bank and Others	3,15,39	2,70,41
Other Financial Expenses	26,14	22,96
	<u>6,50,06</u>	<u>5,93,80</u>

SCHEDULE - 14

NOTES ON ACCOUNTS

1. Significant Accounting Policies :

- i) (a) Recognition of Income and Expenditure : All Income and Expenditure are accounted for on accrual basis except interest from customers and insurance claim lodged with insurance company pending for settlement are accounted for as and when received/settled due to uncertainty in realisation.
- b) Incentive in respect of export made as per the Import Export Policy is being accounted for on accrual basis
- ii) Fixed Assets :
 - a) Fixed Assets are stated at their original cost(excluding cenvat, wherever taken) which includes acquisition, construction/installation and pre-operational expenses for new project as applicable. Impairment of Assets are assessed at Balance Sheet date and if any indicators of impairment exists, the same is assessed and provided for.
 - b) Depreciation has been provided on all fixed assets as per Straight Line Method at rates and manner prescribed in Schedule XIV of the Companies Act, 1956 (as amended).
 - c) Leasehold land is amortised over the period of the lease.
 - d) Depreciation on foreign exchange fluctuations on fixed assets upto 30/06/07 is being provided on the basis of residual life of assets.
- iii) Investments :

Long term investments are stated at cost less provision for permanent diminution in value of such investment, if any.
- iv) Valuation of Inventories :

Inventories are valued at cost or net realisable value whichever is lower except waste/scrap which is valued at estimated net realisable value. In case of Raw Materials and Stores and Spare parts cost is determined on FIFO method.

Cost in respect of work in progress and Finished Goods includes cost of purchase, cost of conversion and other appropriate overheads (including depreciation but excludes interest cost) incurred in bringing the inventories to their present location. However, materials and other items held for use in the production of inventories are not written down below cost if finished product in which they will be incorporated are expected to sold at or above cost. In view of substantially large number of items in work in progress, it is not feasible to maintain the status of movement of each item at shop floor on perpetual basis. The Company, however, physically verifies such stocks at the end of every month and valuation is made on the basis of such physical verification.
- v) Foreign Currency Transactions :
 - a) The foreign currency transactions completed during the year are adjusted at the rate of exchange prevailing on the date of transactions. Outstanding monetary items related to Foreign Currency transaction are stated at the rates ruling at the year end. Exchange difference, if any, arising on such transactions is charged to the Profit and Loss Account.
 - b) Foreign currency transactions covered by forward contracts, the difference between the forward rate and the exchange rate at the inception of a forward contract is recognised as the income or expenses over the life of contract. Profit or loss on forward contract is recognised as income or expense in the year in which value of such forward contract changes.
- vi) Retirement Benefits :
 - a) Year end Liability in respect of Gratuity to Employees is provided on the basis of actuarial valuation.
 - b) Year end leave encashment benefit is provided for on the basis of actuarial valuation.
- vii) Stores and Spares issued for repairs and maintenance of assets is charged directly to Stores and Spares Consumed Account
- viii) Sales :
 - a) Revenue from sales is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with the delivery.
 - b) Net sales are exclusive of excise duty and net of sales returns, discounts, claims and rebates.

DEEPAK SPINNERS LIMITED

ix) Provisions, Contingent Liability & Contingent Assets :

Provisions are recognised in respect of present obligations arising out of past events where there are reliable estimate of probable outflows of resources. Contingent liabilities are the possible obligation of the past events, the existence of which will be confirmed only by the occurrence or non occurrence of a future event. These are not provided for and are disclosed by way of notes on accounts. Contingent Assets are not provided for or disclosed.

x) Borrowing Cost :

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalised. Other borrowing costs are recognised as expenses in the period in which they are incurred.

xi) Taxation :

Current Tax is determined on the amount of tax payable in respect of taxable income for the period. Deferred tax liabilities and assets are recognised at current tax rates or substantively enacted tax rates, subject to the consideration of prudence in case of deferred tax assets, on timing difference, being the difference between book and tax income

	As at 31st March, 2010	(Rs. in 000's) As at 31st March, 2009
2. Contingent Liability not provided for in respect of		
i) Bank Guarantee	2,00	2,00
ii) Demand for Excise duty, being contested by the Company*	57,08	40,86
iii) Demand for Income Tax, being contested by the Company (Amount deposited Rs.75,57 Previous year Amount Rs 69,04)*	1,13,31	1,10,60
iv) Legal Cases (Employees)*	21,00	—
*The management believes that The Company has a strong chance of success in these cases,here no provision considered necessary.		
3. Capital Commitments (Net of Advance paid)	8,42,32	8,54,78
4. Due to non-viability of one of the power generating unit,the management has decided to conduct impairment test as on 31.03.2010 and based on net selling price estimated by the management, the company has recognised impairment loss of Rs. 85000 in Profit & Loss A/c.		
5. Deferred tax assets on unabsorbed depreciation has been recognized only to the extent of timing difference on depreciation, the reversal of which will result in sufficient income in future.		
6. Prior Period Expenses (Net) Rs. 2 (Previous year Rs. 2,93) has been adjusted in respective heads.		
7. Sales includes export incentives/benefits Rs.2,69,87 .(Previous year Rs.2,29,59) and are net of returns/claims relating to earlier years amounting to Rs.1,27,42 (Previous year Rs.29,54).		
8. Balances of debtors, creditors and others are subject to confirmation.		
9. Foreign currency exposure not hedged by derivative instrument or otherwise :		

	As at 31st March, 2010	(Rs. in 000's) As at 31st March, 2009
i) Receivable	1,75,46	2,48,20
ii) Payable	35,32	5,10,78
10. The Excise duty on Finished Goods (i.e. man made synthetic yarn) was lower than on its input which has resulted in accumulation of unutilised balance in Cenvat account. From 1st March, 2006 excise duty on input i.e. men made fibre has been reduced to be at par with finished goods. As on 31.03.2010 the accumulated cenvat credit balance is Rs.11,19,27 (Previous year Rs.11,93,89).Based on export sale projections and additional duty due to value addition of yarn,the management is quite hopeful to utilise the above accumulated Cenvat credit by paying duty on export goods under claim for rebate/ refund. Hence in the opinion of the management at this stage, no provision is required for non usable excess cenvat credit, if any.		

11. Particulars of disputed demands in respect of Excise Duty and Income Tax which have not been deposited with concerned authorities are given below :

Name of the Statute	Nature of dues	Amount	Forum where dispute is pending
Central Excise Act, 1944	Classification of Goods supplied to handloom society in year 1998-1999, 1999-2000	9,03	High Court, Shimla
Central Excise Act, 1944	Demand for Service Tax Year 2004-05 & 2005-06	4,12	High Court, Shimla
Central Excise Act, 1944	Demand for Service Tax, Penalty & Interest Year 2004-05 to 2007-08	43,93	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
		<u>57,08</u>	
Income Tax Act, 1961	Interest demand 1997-98	56	DCIT Kolkata
Income Tax Act, 1961	Disallowance of claim u/s 80HHC & short allowance of TDS 1998-99	10,66	CIT (Appeals) Kolkata
Income Tax Act, 1961	Disallowance of deduction under section 80 HHC 2001-02	3,18	CIT (Appeals) Kolkata
Income Tax Act, 1961	Demand for excess credit allowed u/s 115JAA 2002-03	19,74	DCIT Kolkata
Income Tax Act, 1961	Disallowance of claim under section 80HHC, 80G and Short allowance of TDS 2003-04	17,00	CIT (Appeals) Kolkata
Income Tax Act, 1961	Disallowance of claim under section 80HHC and Disallowance of expenses 2004-05	40,15	CIT (Appeals) Kolkata
Income Tax Act, 1961	Not considered Deferred Tax & FBT while computing Book Profit 2006-07	13,19	CIT (Appeals) Kolkata
Income Tax Act, 1961	Not considered Deferred Tax while computing Book Profit u/s 115JB Non-allowance of Advance Tax, Dividend Tax and Short allowance of TDS 2007-08	8,83	CIT (Appeals) Kolkata
		<u>1,13,31*</u>	

* Net of amount deposited of Rs. 75,57 against above disputed cases

In case of Income Tax dispute, related year means assessment year.

12. The Company has not received any information from its suppliers regarding registered under "The Micro, Small and Medium Enterprises Development Act, 2006." Hence, the information required to be given in accordance with Section 22 of the said Act, is not ascertainable and not disclosed.
13. Auditors' Remuneration represents : Audit Fee Rs. 3,05 (Rs. 2,05), for Certification & other matters Rs. 2,02 (Rs. 2,16), for Service Tax Rs. 52 (Rs. 48).
Reimbursement of Expenses Rs. 84 (Rs. 51) (Figures in brackets related to previous year).
14. In the previous year power and fuel was after taking credit of Rs. 1,12,15 for estimated sale value determined on the basis of prevailing rate of carbon credit emission reduction units for the period January, 2008 to December, 2008. Credit for the period January, 2009 to December, 2009 estimated to be Rs. 92,50 will be taken as and when same shall be sold in the market after approval for CER units by UNFCCC.
15. Interest on term loan is net off Tuff subsidy received Rs. 2,16,93 (Previous year Rs. 1,69,38).
16. Exceptional items represents loss on sale of cotton spinning machines.
17. Sundry balances written off includes Rs. 9,20 (Previous year Rs. 86,70) on account of value declined/ lower realisation on sale of carbon credit.
18. a) Managerial Remuneration paid/provided to the Executive Director of the Company for the Year include: Salary Rs. 5,00 (Rs. 9,00) Provident Fund Rs. 60 (Rs. 1,08) Rent Rs. 75 (Rs. 1,35) Other perquisites Rs. 79 (Rs. 2,22) (Figures in brackets related to previous year).
- b) Due to loss, Commission is not payable to Executive Director and therefore computation of Net Profit under Section 349 of the Companies Act, 1956, has not been given.

DEEPAK SPINNERS LIMITED

19. Disclosure as per Accounting Standard - 15

Define Contribution Plan -

(Rs. in 000's)

31st March, 2010 31st March, 2009

The Company has recognized the following amounts in the Profit and Loss Account

Contribution to Employees Provident Fund	68,48	53,46
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Define Benefit Plan -

The following table set out the status of the gratuity plan as required under AS 15 (Revised 2005) :

(a) A reconciliation of opening and closing balances of the present value of the defined benefit obligation (DBO) :

Opening DBO as on 1st April, 2009	1,12,61	1,09,44
Current Service Cost	18,07	13,63
Interest cost	9,01	6,16
Actuarial (gain)/loss	1,13	21,06
Benefits paid	(17,27)	(37,68)
Closing DBO as on 31st March, 2010	1,23,55	1,12,61

A reconciliation of opening and closing balances of the fair value of plan assets :

Opening fair value of plan assets	37,58	67,11
Expected return	3,43	4,72
Actuarial gain/(loss)	2	49
Contribution by the employer	24,76	*2,94
Benefits paid	(17,27)	(37,68)
Closing fair value of plan assets	48,52	37,58

*Including Rs.2,78 related to previous year

A reconciliation of the present value of the defined benefit obligation and the fair value of the plan assets recognized in the Balance Sheet :

Present value of defined benefit obligation at the end of the period	1,23,55	1,12,61
Less : Fair value of the plan assets at the end of the year	48,52	37,58
Liability recognized in the Balance Sheet	75,03	75,03

The total expense recognised in the Profit and Loss Account :

Current service cost	18,07	13,63
Interest cost	9,01	6,16
Expected return on plan assets	(3,44)	(4,72)
Actuarial (gains)/loss	1,11	20,57
Net Gratuity cost	24,75	35,64

For each major category of plan assets, following is the percentage that each major category constitutes of the fair value of the total plan assets :

Funds managed by Insurer	100%	100%
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The Gratuity Scheme is invested in a Group Gratuity-cum-Life Assurance

Cash Accumulation policy offered by Life Insurance Corporation (LIC) of India. The information on the allocation of the fund into major asset classes and expected return on each major class are not available

Following are the Principal Actuarial Assumptions used as at the Balance Sheet date :

Discount rate	8.00%	7.50%
Expected rates of return on any plan assets	9.15%	9.00%
Average Salary escalation rate	5.00%	5.00%

The estimates of the future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

(Rs in '000)

20. Earning Per Share

	Current Year	Previous Period
Loss after tax as per Profit & Loss Account	(10,91,33)	(2,73,84)
Basic & weighted average number of Equity Shares of Rs. 10/- each	71,89,368	71,89,368
Basic & Diluted earning per share in Rs.	(15.18)	(3.81)

21. Segment reporting :

- As per guidelines contain in AS 17 (Segment reporting), the Company is operating in a single segment mainly in manufacture and sale of yarn.
- Secondary Segment is geographical Segment which includes export sales (including export incentive) Rs. 33,99,16 (Previous year Rs. 22,96,35) and domestic sales Rs. 1,76,27,82 (Previous year Rs. 1,17,94,24) All assets of the Company are Located in India except export debtors Rs. 1,75,46 (Previous year Rs. 2,48,20).

22. Related Party Disclosure :

a) List of related parties and relationship

- Subsidiary : DSL Hydrowatt Ltd.
- Key Management personnel : Sh. V.N. Khemka, Executive Director & CEO (upto 31st Aug, 2009)
- Relative of key management personnel : Smt. Sulochana Khemka (upto 31st Aug, 2009)

b) Related Party Transaction

Transaction	Key Management personnel		Relatives of Key Management personnel	
	Current year	Previous year	Current year	Previous year
i) Remuneration	7,14	13,65	—	—
ii) Rent	—	—	1,25	2,25

*Includes rent Rs. 75 (Previous year Rs. 135) also included in the remuneration to Key Management personnel.

23. Additional information pursuant to the provisions of 3 & 4 of part II of Schedule VI to the Companies Act, 1956 :

A) Quantitative Information

	Current Year	Previous Year
i) Installed Capacity (As Certified by the Management) (Licensed Capacity not applicable)	57,408 spindles	57,408 spindles
ii) Actual Production, Turnover & Stock		

Item	Unit	Opening Stock		Production		Sales		Closing Stock	
		As at 01.04.09						As at 31.03.2010	
		Qty.	Amount	Qty.	Qty.**	Amount		Qty.	Amount
Yarn	Kg	1,48,06,17	14,46,73	1,74,97,202 !!	1,81,87,544	2,10,26,98\$		7,90,275	9,73,97
		(1741847)	(21,07,47)	(11,746,492) !!	(1,20,07,722)	(1,40,90,59\$)		(1,480,617)	(144,673)

!! Excludes 16314 Kg. (13581 Kg.) for reprocessing.

\$ Includes waste sale Rs. 1,13,32 (Rs.1,24,56)

** including sample etc.

(Figures in brackets relate to previous year.)

	Current year		Previous year	
	Kg.	(Rs. in 000's)	Kg.	(Rs. in 000's)
B) Raw Materials Consumed				
Cellulosic & Non Cellulosic Fibres	18354595	1,43,09,89	12298980	90,45,15
Cotton	—	—	—	—
Dyes & Chemicals		3,01,24		2,56,33
		<u>1,46,11,13</u>		<u>93,01,48</u>

DEEPAK SPINNERS LIMITED

	Current year		Previous year	
	Kg.	(Rs. in 000's)	Kg.	(Rs. in 000's)
C) Value of Import on CIF basis				
Raw Materials		25,36		52,92
Stores & Spares		19,90		12,02
Capital Goods		1,98,22		—
D) Value of Raw Materials Consumed	Rs.	%	Rs.	%
IMPORTED	22,22	0.15	1,25,39	1,35
INDIGENOUS	1,45,88,91	99,85	91,76,09	98,65
	<u>1,46,11,13</u>	<u>100.00</u>	<u>93,01,48</u>	<u>100.00</u>
E) Value of Stores & Spare parts Consumed *				
IMPORTED	16,24	2,59	8,33	2,79
INDIGENOUS	6,11,74	97,41	2,90,40	97,21
	<u>6,27,98</u>	<u>100</u>	<u>2,98,73</u>	<u>100</u>
* Excluding debited to other heads of account				
F) Expenditure in Foreign Currency		Current Year		Previous Period
Travelling		73		2,42
Commission		17,56		51,72
Legal & Professional charges.		—		1,59
G) Non Resident shareholders etc.				
a) Number of Non Resident shareholders		433		445
b) Number of shares held by them		154979		158573
c) Amount of Dividend for the Year 2007-2008 declared, out of this paid in Indian Currency		—		—
d) Amount remitted in foreign currency		—		—
H) FOB Value of exports (Net)		31,14,31		19,65,82
24. Previous Year the Company has changed its accounting year ending on 30th June to 31st March and therefore figures for 2008-09 being for the period of nine months are not comparable with the Current year ended on 31st March, 2010.				
25. Previous Year's figures have been regrouped and re-arranged wherever found necessary to confirm with current period's classification.				

For **SINGHI & CO.**
Chartered Accountants
Firm Reg : 302049E

B. K. SIPANI
Partner
Membership No. 88926
Place : New Delhi
Date : 29th May, 2010

PUNEETA ARORA
Company Secretary

For and on behalf of Board of Directors

P. K. DAGA
Chairman cum Managing Director
YASHWANT DAGA
P. K. DROLIA
VIKRAM PRAKASH
J. N. PATHAK
Directors



**BALANCE SHEET ABSTRACT AND COMPANY'S BUSINESS PROFILE AS REQUIRED
IN PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956**

I. Registration Details

Registration No.	L17111HP1982PLC-016465	State Code	06
Balance Sheet Date	31st March, 2010		

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Pvt. Placement	Nil

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	1,35,70,81	Total Assets	1,35,70,81
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Sources of Funds

Paid up Capital	7,20,11	Secured Loans	78,14,09
Reserve & Surplus	36,66,91	Unsecured Loans	Nil
		Deferred Tax Liabilities	13,69,70

Application of Funds

Net Fixed Assets	78,52,94	Investments	4,99
Net Current Assets	57,12,88	Misc. Expenditure	Nil
Accumulated Losses	Nil		

IV. Performance of Company (Amount in Rs. Thousands)

Turnover and other Income	2,11,71,15	Total Expenditure	2,24,05,22
Profit/Loss before Tax	(12,34,07)	Profit/Loss after Tax	(10,91,32)
Earning per Share in (Rs.)	(15.18)	Dividend Rate (%)	Nil

**V. Generic Names of Three Principal Products/Services of Company
(As per Monetary terms)**

Item Code No. (ITC CODE)	5509
Product Description	Yarn of Synthetic Staple Fibre

For and behalf of Board of Directors

P. K. DAGA
Chairman cum Managing Director

YASHWANT DAGA
P. K. DROLIA
VIKRAM PRAKASH
J. N. PATHAK
Directors

Place : New Delhi
Date : 29th May, 2010

PUNEETA ARORA
Company Secretary

DEEPAK SPINNERS LIMITED

Auditors' Report to the Board of Directors of Deepak Spinners Limited on the Consolidated Financial Statement of Deepak Spinners Limited and its Subsidiary

1. We have audited the attached Consolidated Balance Sheet of Deepak Spinners Limited and its Subsidiary Company as at 31st March, 2010 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respect, in accordance with and identified reporting frame work and are free of material misstatement. An audit includes examining, on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the Subsidiary Company DSL Hydrowatt Ltd. whose financial statements reflects total assets of Rs. 67,81,19 thousands as at 31st March, 2010 and total revenue of Rs. 6,75,96 thousands for the period then ended. These financial statements and other financial information have been audited by other auditor whose report has been furnished to us, and our opinion is based solely on the report of other auditor.
4. We report that the consolidated financial statements have been prepared by the Company management in accordance with requirement of Accounting Standard (AS) 21 'Consolidated Financial Statements' issued under the Companies Accounting Standard Rules, 2006 and on the basis of the separate financial statements of Deepak Spinners Limited and its subsidiary company included in the consolidated financial statements.
- 5(a) *Refer Note No. 10 in the Schedule 15 regarding accumulated Cenvat credit agreement Rs. 11,19,27 thousands, considered good by the Company due to reason stated in the above note .We are unable to comment about the extent of utilization of above Cenvat credit in future due to uncertainly involved.*
- 5(b) *Refer Note No. 22 in the Schedule 15 regarding adjustments relating to previous period based on audited accounts of Subsidiary Company. Subject to our inability to ascertain the financial impact , if any, due to reason given in 5(a) above and impact of adjustments relating to previous period as given in 5(b) above, based on our audit on consideration of report of other auditor on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.*
 - a) The Consolidation Balance Sheet gives a true and fair view of the consolidated state of affairs of Deepak Spinners Limited and its subsidiary as at 31st March, 2010 and
 - b) The Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Deepak Spinners Limited and its subsidiary for the period ended on that date.
 - c) The Consolidated Cash Flow Statement, gives a true and fair view of the consolidated results of operations of Deepak Spinners Limited and its subsidiary for the period ended on that date.

For **SINGHI & CO.**
Chartered Accountants
Firm Reg: 302049E

B. K. Sipani
Partner
Membership No. 88926

Place : New Delhi
Dated : 29th May, 2010



CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

		(Rs. in 000's)	
		As at	As at
SOURCES OF FUNDS	Schedule	31st March, 2010	31st March, 2009
A. Shareholders' Funds			
Capital	1	7,20,11	7,20,11
Reserves & Surplus	2	<u>38,78,56</u>	<u>45,98,67</u>
B. Loan Funds			
Secured Loans	3	1,19,37,38	1,10,57,85
Unsecured Loans	4	9,50,99	9,90,21
C. Minority Interest		2,19,79	2,21,42
D. Deferred Tax Liabilities (Net)	5	<u>13,55,68</u>	<u>15,17,41</u>
		<u>1,90,62,51</u>	<u>1,94,90,70</u>
APPLICATION OF FUNDS			
A. Fixed Assets	6		
Gross Block		2,15,80,43	2,16,04,51
Less : Depreciation/Impairment		<u>1,03,10,94</u>	<u>85,24,68</u>
Net Block		1,12,69,49	1,30,79,83
Capital Work-in-Progress		<u>31,52,99</u>	<u>7,60,31</u>
		1,44,22,48	1,38,40,14
B. Current Assets, Loans and Advances	7		
Inventories		27,74,33	28,95,44
Sundry Debtors		18,97,88	17,49,19
Cash & Bank Balances		1,87,87	1,91,49
Loans & Advances		<u>21,86,90</u>	<u>21,77,59</u>
		70,46,98	70,13,71
Less : Current Liabilities and Provisions	8		
Current Liabilities		22,68,58	12,47,11
Provisions		<u>1,38,37</u>	<u>1,26,93</u>
Net Current Assets		46,40,03	56,39,67
C. Miscellaneous Expenditure	9		
(to the extent not written off or adjusted)		—	10.89
		<u>1,90,62,51</u>	<u>1,94,90,70</u>
Notes on Accounts	15		

Schedules and Notes annexed hereto form part of these Accounts.

As per our report of even date attached.

For **SINGHI & CO.**
Chartered Accountants
Firm Reg : 302049E

B. K. SIPANI
Partner
Membership No. 88926
Place : New Delhi
Date : 29th May, 2010

PUNEETA ARORA
Company Secretary

For and on behalf of Board of Directors

P. K. DAGA
Chairman cum Managing Director
YASHWANT DAGA
P. K. DROLIA
VIKRAM PRAKASH
J. N. PATHAK
Directors

DEEPAK SPINNERS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

		(Rs. in 000's)	
		Year ended 31st March, 2010	For Nine Months ended 31st March, 2009
INCOME	Schedule		
Sales		2,17,01,70	1,45,69,59
Less : Excise Duty		<u>1,15,29</u>	<u>1,02,99</u>
Net Sales		2,15,86,41	1,44,66,60
Increase/(Decrease) in Stocks	10	(6,72,73)	(7,43,07)
Other Income	11	<u>1,37,07</u>	<u>1,93,50</u>
		<u>2,10,50,75</u>	<u>1,39,17,03</u>
EXPENDITURE			
Raw Materials Consumed	12	1,46,11,13	93,01,48
Manufacturing & Other Expenses	13	48,30,28	33,58,75
Interest & Financial Expenses	14	9,27,60	8,36,63
Depreciation/Impairment		<u>18,72,28</u>	<u>7,02,25</u>
		<u>2,22,41,29</u>	<u>1,41,99,11</u>
Profit/(Loss) before Exceptional Items and Tax		(11,90,54)	(2,82,08)
Exceptional Items		<u>(41,13)</u>	<u>(1,48,94)</u>
Profit/(Loss) before Tax		(12,31,67)	(4,31,02)
Provision for Taxation			
Current	(17.40)		—
Fringe Benefit for earlier year	(2.35)		(3.65)
Deferred Tax Credit	1,61,73		2,15,40
Income tax related to earlier year	<u>(4,96)</u>	<u>1,37,02</u>	<u>2,11,75</u>
Profit / (Loss) after Tax		(10,94,65)	(2,19,27)
(Less)/Add : Share of Minority Interest in profit/(loss)		<u>(1.63)</u>	<u>26,74</u>
		(10,93,02)	(24,601)
Profit brought forward from previous year		<u>17,38,66</u>	<u>19,84,67</u>
Balance available for appropriation		6,45,64	17,38,66
Dividend Paid		10,36	—
Dividend Tax Paid		<u>1,76</u>	<u>—</u>
Surplus carried to Balance Sheet		<u>6,33,52</u>	<u>17,38,66</u>
Basic & Diluted Earning Per Share of Rs. 10/- each (Refer Note No. 14 in Schedule 15)		Rs. (15.20)	Rs. (3.42)

Notes on Accounts 15

Schedules and Notes annexed hereto form part of these Accounts.

As per our report of even date attached.

For **SINGHI & CO.**
Chartered Accountants
Firm Reg : 302049E

B. K. SIPANI
Partner
Membership No. 88926
Place : New Delhi
Date : 29th May, 2010

PUNEETA ARORA
Company Secretary

For and on behalf of Board of Directors

P. K. DAGA
Chairman cum Managing Director

YASHWANT DAGA
P. K. DROLIA
VIKRAM PRAKASH
J. N. PATHAK
Directors



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

	Year ended 31st March, 2010	(Rs. in 000's) For Nine Months ended 31st March, 2009
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit /(Loss) before Tax	(12,31,67)	(4,31,02)
Adjustment for-		
Depreciation(including impairment loss)	18,72,28	7,02,26
Financial Expenses	9,27,60	8,36,63
Profit on sale/discard of Fixed Assets (Net)/Assets written off	(3,24)	(52,83)
Loss on sale of Fixed Assets(Exceptional Items)	41,13	1,48,93
Misc. Expenditure written off	10,89	3
Interest Received	(75,12)	(1,08,93)
Provision for Doubtful Debts/Advances	3,40	11,98
Exchange Difference (Net)	14,09	34,92
Operating Profit before Working Capital Changes	15,59,36	11,41,98
Adjustment for -		
Trade & Other Receivables	(1,68,99)	19,04,88
Inventories	1,21,11	7,67,41
Trade Payables & Other Liabilities	2,56,83	(2,99,41)
	<u>17,68,31</u>	<u>35,14,86</u>
Direct Taxes (Paid)/Refunds	(27,65)	(55,68)
Preliminary Expenses	-	(6)
Net Cash from Operating Activities	(A) <u>17,40,66</u>	<u>34,59,12</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(25,92,94)	(31,45,78)
Sale of Fixed Assets	95,39	27,92,16
Momments in Fixed Deposits	(12,98)	19,48
Subsidy received of Capital nature	-	3,56,25
Interest received	77,20	1,03,21
Net Cash from Investing Activities	(B) <u>(24,33,33)</u>	<u>1,25,32</u>
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Increase/(Decrease) in Long Term Borrowings	2,49,28	(24,37,44)
Increase/(Decrease) in Working Capital facilities	5,91,04	(4,94,59)
Interest & Financial Expenses	(9,29,79)	(8,38,82)
In Proceeds from issue of Preference Share Capital	7,70,00	1,00,00
Net Cash from Financing Activities	(C) <u>6,80,53</u>	<u>(36,70,85)</u>
Net Increase/Decrease in Cash & Cash Equivalents	(A+B+C) (12,14)	(86,41)
Cash and Cash equivalent as at (Opening Balance)	<u>1,64,52</u>	<u>2,50,93</u>
Cash and Cash equivalent as at (Closing Balance)	<u>1,52,38</u>	<u>1,64,52</u>
Components of cash & cash equivalents		
Cash in hand	10,30	15,72
Balance with Scheduled Banks		
In Current Accounts	1,42,08	1,48,80
Unclaimed Dividend Accounts	18,49	20,87
Fixed Deposits Accounts*	14,40	72
Employees Security Deposits Accounts*	2,32	3,02
	<u>1,87,59</u>	<u>1,89,13</u>
*Excluding Interest Accured		
Less : Fixed Deposit & Employee Security Deposit consider in Investing	<u>35,21</u>	<u>24,61</u>
Activity & Unclaimed Dividend lying with Bank	<u>1,52,38</u>	<u>1,64,52</u>

The aforesaid Statement is prepared on Indirect Method.

As per our report of even date attached.

For **SINGHI & CO.**
Chartered Accountants
Firm Reg : 302049E

B. K. SIPANI
Partner
Membership No. 88926
Place : New Delhi
Date : 29th May, 2010

PUNEETA ARORA
Company Secretary

For and on behalf of Board of Directors

P. K. DAGA
Chairman cum Managing Director
YASHWANT DAGA
P. K. DROLIA
VIKRAM PRAKASH
J. N. PATHAK
Directors

DEEPAK SPINNERS LIMITED

SCHEDULE - 1

	As at 31st March, 2010	(Rs. in 000's) As at 31st March, 2009
SHARE CAPITAL		
Authorised		
80,00,000 Equity Shares of Rs. 10/- each	8,00,00	8,00,00
60,00,000 Unclassified Shares of Rs. 10/- each	6,00,00	6,00,00
	<u>14,00,00</u>	<u>14,00,00</u>
Issued & Subscribed		
72,12,868 Equity Shares of Rs. 10/- each	7,21,29	7,21,29
Paid-up		
71,89,368 Equity Shares of Rs. 10/- each fully paid up	7,18,94	7,18,94
Add : Shares Forfeited	1,17	1,17
	<u>7,20,11</u>	<u>7,20,11</u>

SCHEDULE - 2

RESERVES AND SURPLUS

Capital Reserve :		
Central Investment Subsidy	25,75	25,75
State Investment Subsidy	10,00	10,00
MNRES Subsidy	1,81,69	1,81,69
Securities Premium	2,17,81	2,17,81
General Reserve	28,09,79	28,09,79
Surplus as per Profit and Loss Account	6,33,52	17,38,66
	<u>38,78,56</u>	<u>49,83,70</u>

SCHEDULE - 3

SECURED LOANS

a) Rupee Term Loans from Banks	82,73,96	44,24,00
b) Other Term Loan from Bank	-	30,11,28
c) Corporate Loans from Banks :		
Foreign Currency Loans	-	1,05,73
Rupee Loans	2,50,00	6,96,63
d) Working Capital Facilities	33,94,32	28,03,28
e) Others	19,10	16,93
	<u>1,19,37,38</u>	<u>1,10,57,85</u>

- a. Term Loans from Banks are secured by either (a) exclusive first charge on fixed assets purchased from such loans under TUFS or (b) pari-passu charge on fixed assets other than (a) above. Same are further secured by second charge either on current assets or entire other fixed assets of the Company. These loans are further secured by personal guarantee of two Directors of the Company. In case of Subsidiary Company Term loan are secured by way of first and exclusive charge against all movable and immovable properties (including current assets) of the Company, both present and future.
- b. Corporate loans from Banks is secured/to be secured by way of first charge on fixed assets of the Company on pari-passu basis except assets charged exclusively for term loan under TUFS. Part of Corporate Loan is also secured/to be secured by second charge on the current assets both present and future of the Company. These loans are further secured by personal guarantee of two Directors. Rupee Corporate Loan is additionally secured by pledge of part of promoters equity shares in the Company.
- c. Working capital facilities from Banks are secured by first charge on current assets both present and future and additionally secured/to be secured by way of second charge on all fixed assets except assets charged exclusively for term loans under TUFS. The same is further secured by personal guarantee of two Directors of the Company. In case of subsidiary Company working capital are secured against hypothecation of stock of consumables and sundry debtors of the Company.
- d. Other loans from bank is secured by specific charge on assets purchased.
Repayable within one year Rs.4,89,00 (Previous year Rs.7,48,00).



SCHEDULE - 4

	As at 31st March, 2010	(Rs. in 000's) As at 31st March, 2009
UNSECURED LOANS		
From Body Corporates	9,50,99	9,90,21
	<u>9,50,99</u>	<u>9,90,21</u>

SCHEDULE - 5

DEFERRED TAX LIABILITIES

Deferred Tax Liabilities			
– On Depreciation	(A)	18,85,29	20,43,91
Deferred Tax Assets			
– On Retirement Benefit		39,77	39,90
– On Unabsorbed Depreciation		4,61,79	4,82,53
– On Others		28,05	4,07
	(B)	<u>5,29,61</u>	<u>5,26,50</u>
Deferred Tax Liabilities (Net)	(A-B)	<u>13,55,68</u>	<u>15,17,41</u>
Refer Note No. 6 in Schedule 15			

SCHEDULE - 6

FIXED ASSETS

Description	Gross Block				Depreciation				Impairment	Net Block	
	As at 31.03.2009	Additions	Deductions/ Adjustments	Total as at 31.03.2010	Up to # 31.03.2009	During the Period	Deductions/ Adjustments	Total as on 31.03.2010	As on 31.03.2010	As at 31.03.2010	As at 31.03.2009
Land *	31,00	–	–	31,00	–	–	–	–	–	31,00	31,00
Land (lease hold)	1,60,61	23,91	–	1,84,52	8,53	6,62	–	15,15	–	1,69,37	1,52,08
Buildings	27,63,32	51,87	1,16	28,14,03	8,75,50	85,17	–	9,60,67	–	18,53,36	18,87,83
Plant & Machinery	1,78,62,75	80,93	1,69,32	1,77,74,36	72,00,24	8,92,83	64,87	80,28,20	8,27,65	89,18,51	1,06,62,50
Electrical Installation	3,94,50	24	–	3,94,74	2,60,57	16,88	–	2,77,45	22,35	94,94	1,33,93
Office & Other Equipments	26,99	92	–	27,91	18,01	1,28	–	19,29	–	8,62	8,98
Furniture & Fixtures	99,15	48	3,17	96,46	85,56	4,40	2,98	86,98	–	9,48	13,61
Vehicles * *	1,34,44	36,48	45,26	1,25,66	58,67	12,56	17,78	53,45	–	72,21	75,75
Tubewell	49,07	–	–	49,07	6,50	80	–	7,30	–	41,77	42,57
Road & Culverts	82,68	–	–	82,68	11,10	1,35	–	12,45	–	70,23	71,58
Total	2,16,04,51	1,94,83	2,18,91	2,15,80,43	85,24,68	10,21,89\$	85,63	94,60,94	8,50,00	1,12,69,49	1,30,79,83
Previous Year	2,19,33,63	27,40,77	30,69,89	2,16,04,51	80,04,05	7,02,25	1,81,62	85,24,68	–	1,30,79,83	

* Deed yet to be executed in the name of Company for Rs. 2,42 (Previous year Rs. 2,42)

** Includes assets acquired under Hire Purchase Scheme for Rs. 17,46 (Previous year Rs. 17,46)

Assets as on 01.04.2009 has been reclassified based on the audited accounts of DSL HYDROWATT LTD. and accordingly Depreciation as on 31.03.2009 & Net Block as on 31.03.2009 has been reclassified (Refer Note No. 22 in Schedule 15).

\$ Rs. 39 adjusted relating to prior period.

DEEPAK SPINNERS LIMITED

SCHEDULE - 7

	As at 31st March, 2010	(Rs. in 000's) As at 31st March, 2009
CURRENT ASSETS, LOANS & ADVANCES :		
Inventories (Including in-transit) (As taken, valued & certified by the Management)		
Stores & Spares	2,19,47	1,72,38
Raw Materials	12,19,25	7,14,72
Finished Goods	9,73,97	14,46,73
Work-in-Progress	3,50,08	5,54,44
Waste/Scrap	11,56	7,17
	<u>27,74,33</u>	<u>28,95,44</u>
Sundry Debtors (Unsecured)		
Outstanding for a period exceeding six months		
Considered Good	58,54	1,10,61
Considered Doubtful	3,47	11,98
	<u>62,01</u>	<u>1,22,59</u>
Less: Provision for Doubtful Debts	3,47	11,98
	58,54	1,10,61
Other Debts	<u>18,39,34</u>	<u>16,38,58</u>
	<u>18,97,88</u>	<u>17,49,19</u>
Cash & Bank Balances		
Cash Balances (as certified)	10,30	15,72
Balance with Scheduled Banks		
In Current account	1,42,08	1,48,80
In Fixed Deposit Account (Pledged with Govt. Deptt. Rs.87 Previous year Rs.87 and interest accrued Rs.16 Previous year Rs.2,21)	14,56	2,93
In Employees Security Deposit account (In Fixed Deposit Account including interest accrued Rs.12 Previous year Rs.15)	2,44	3,17
In Unpaid Dividend Account	<u>18,49</u>	<u>20,87</u>
	<u>1,87,87</u>	<u>1,91,49</u>
Loans and Advances (unsecured, considered Good) (Advances Recoverable in Cash or in kind or for value to be received or to be adjusted)		
Advance to Employees	2,88	90
Advances (others) (including export benefit receivable under D.E.P.B. Scheme, Rs90,80 (Previous year Rs. 7,75) Duty Draw Back Rs.Nil, (Previous year Rs. 28,74 TUFS Subsidy Rs.1,64,77 (Previous year Rs.1,66,07)		
Considered Good	6,74,03	6,13,62
Considered Doubtful	3,40	—
	<u>6,77,43</u>	<u>6,13,62</u>
Less: Provision for Doubtful Advances	3,40	—
	6,74,03	6,13,62
Advances for Capital Goods	1,21,19	1,15,76
Prepaid Expenses	6,85	4,44
Tax Payment/Tax deducted at Source (Net)	1,79,24	1,78,18
Balance with Excise Deptt. (Net)	11,19,39	11,94,01
Deposit with Govt. Deptt. and Others including Interest Receivable Rs. 3,59 (Previous year Rs. 3,59)	83,32	70,68
	<u>21,86,90</u>	<u>21,77,59</u>



SCHEDULE - 8

	As at 31st March, 2010	(Rs. in 000's) As at 31st March, 2009
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors*		
For Goods & Expenses	11,05,62	8,70,32
Other Liabilities	41,61	33,66
Sundry Debtors Credit Balances	55,85	39,70
Deposit from Selling Agents	2,00	7,00
Employees Security Deposit	2,31	2,86
Unclaimed Dividend (not due as on Balance Sheet date)	18,49	20,87
Preference Shareholders of Subsidiary Company	10,42,70	2,72,70
	<u>22,68,58</u>	<u>12,47,11</u>
Provisions		
Provision for Taxation	—	—
Provision for Fringe Benefit Tax	—	3,65
Proposed Dividened	10,36	—
Dividend Distribution Tax	1,76	—
Provision for Retirement Benefits	1,26,25	1,23,28
	<u>1,38,37</u>	<u>1,26,93</u>

* Refer Note No.13 in Schedule 15

SCHEDULE - 9

MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)

Deferred Revenue Expenditure	10,89	10,86
Preliminary Expenses	—	6
Less: Written off during the year	10,89	3
	<u>—</u>	<u>10,89</u>

DEEPAK SPINNERS LIMITED

	Year ended 31st March, 2010	(Rs. in 000's) For Nine Months ended 31st March, 2009
SCHEDULE - 10		
INCREASE/(DECREASE) IN STOCKS		
Closing Stocks		
Finished Goods	9,73,97	14,46,73
Work-in-Progress	3,50,08	5,54,44
Waste/Scrap	<u>11,56</u>	<u>7,17</u>
	13,35,61	20,08,34
Less : Opening Stocks		
Finished Goods	14,46,73	21,07,47
Work-in-Progress	5,54,44	6,32,66
Waste/Scrap	<u>7,17</u>	<u>11,28</u>
	20,08,34	27,51,41
	<u>(6,72,73)</u>	<u>(7,43,07)</u>

SCHEDULE - 11

OTHER INCOME

Miscellaneous Receipts	22,28	24,02
Sundry Credit Balances/Liabilities no longer required written back	12,66	7,72
Profit on Sale/Discard of Fixed Assets (Net)	3,24	52,83
Bad debts Recovered	4,24	–
Interest Received (Gross) (TDS Rs. 11,83 Previous year Rs. 26,32)		
From Others	74,45	1,06,97
On Deposits	<u>67</u>	1,96
Foreign Exchange Fluctuation Loss (Net)	19,53	–
	<u>1,37,07</u>	<u>1,93,50</u>

SCHEDULE - 12

RAW MATERIALS CONSUMED

Opening Stock	7,14,72	7,73,63
Add : Purchases (Net)*	<u>151,15,66</u>	<u>92,42,57</u>
	158,30,38	1,00,16,20
Less : Closing Stock	<u>12,19,25</u>	<u>7,14,72</u>
Consumption**	<u>1,46,11,13</u>	<u>93,01,48</u>

* including Stock-in-Transit Rs.3,75,77 (Previous year Rs.2,27,62)

** Including Dyes & Chemicals consumed.



	Year ended 31st March, 2010	(Rs. in 000's) For Nine Months ended 31st March, 2009
SCHEDULE - 13		
MANUFACTURING AND OTHER EXPENSES		
Manufacturing Expenses		
Stores and Spares Consumed	6,29,02	2,98,87
Packing Expenses	2,74,94	2,35,04
Job Charges	66,88	51,66
Power and Fuel (Net)	16,81,26	10,64,35
Repair, Maintenance and Replacements		
Plant and Machinery	1,05,93	39,39
Buildings	6,14	2,83
Other Repairs	3,04	3,80
Payment to and Provision for Employees		
Salary, Wages, Bonus, Gratuity and Others	12,39,36	8,38,71
Contribution to P.F. and Other Funds	68,99	54,14
Employees Welfare (Net of recovery Rs. 6,65)	62,57	46,43
Administrative and other Expenses		
Rent	19,96	12,21
Rates and Taxes	5,20	4,41
Insurance	14,65	14,95
Travelling and Conveyance	41,20	37,84
Auditors' Remuneration	7,53	6,30
Cost Audit Fee(Including for Previous year Rs. 20)	40	—
Directors Sitting Fee	20,8	1,60
Miscellaneous Expenses	1,32,10	89,00
Foreign Exchange Fluctuation Loss (Net)		54,31
Bad debts & Advances Written off	33,76	1,02,99
Less: Provision for doubtful debts	8,50	4,18
Provision for Doubtful Debts/Advances	3,40	11,98
Selling and Distribution Expenses		
Freight and Other Handling Expenses (Net of recovery Rs.85,48)	3,39,98	2,83,62
Commission and Brokerage	95,02	1,06,93
Other Selling Expenses	5,37	1,57
	<u>48,30,28</u>	<u>33,58,75</u>

SCHEDULE - 14

INTEREST & FINANCIAL EXPENSES

Interest

On Term Loans	5,78,52	5,39,01
To Bank and Others	3,21,02	2,74,49
Other Financial Expenses (Net)	28,06	23,13
	<u>9,27,60</u>	<u>8,36,63</u>

SCHEDULE - 15

CONSOLIDATED NOTES ON ACCOUNTS

1. PRINCIPLES OF CONSOLIDATION

- (a) The financial statements have been prepared to comply in all material aspects with applicable accounting principles in India, and the Accounting Standard issued under the Companies Accounting Standard Rules, 2006 and are accounted for as and when received/settled.
- (b) Consolidated Financial Statements relates to Deepak Spinners Limited, the Company and its Subsidiary.
The Consolidated Financial Statements are in conformity with the AS-21 issued under the Companies Accounting Standard Rules, 2006 and are prepared on the following basis :
 - i) The financial statements of the company and its subsidiary have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating inter company balances and transactions.
 - ii) The consolidated Financial Statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements except otherwise stated elsewhere in this schedule.
 - iii) Minority interest in the consolidated financial statements is identified and recognised after taking into consideration the amount of equity attributable to minority at date on which investments in subsidiary is made.

2. Significant Accounting Policies :

- i) a) Recognition of Income and Expenditure : All Income and Expenditure are accounted for on accrual basis except interest from customers and insurance claim lodged with insurance company pending for settlement are accounted for as and when received/settled due to uncertainty in realisation.
- b) Incentive in respect of export made as per the Import Export Policy is being accounted for on accrual basis
- ii) **Fixed Assets :**
 - a) Fixed Assets are stated at their original cost (excluding cenvat, wherever taken) which includes acquisition, construction/ installation and pre-operational expenses for new project as applicable. Impairment of Assets are assessed at Balance Sheet date and if any indicators of impairment exists, the same is assessed and provided for.
 - b) Depreciation has been provided on all fixed assets as per Straight Line Method at rates and manner prescribed in Schedule XIV of the Companies Act, 1956 (as amended).
 - c) Leasehold land is amortised over the period of the lease.
 - d) Depreciation on foreign exchange fluctuations on fixed assets upto 30/06/07 is being provided on the basis of residual life of assets.
- iii) **Investments :**
Long term investments are stated at cost less provision for permanent diminution in value of such investment, if any.
- iv) **Valuation of Inventories :**
Inventories are valued at cost or net realisable value whichever is lower except waste/scrap which is valued at estimated net realisable value. In case of Raw Materials and Stores and Spare parts cost is determined on FIFO method.
Cost in respect of work in progress and Finished Goods includes cost of purchase, cost of conversion and other appropriate overheads (including depreciation but excludes interest cost) incurred in bringing the inventories to their present location. However, materials and other items held for use in the production of inventories are not written down below cost if finished product in which they will be incorporated are expected to sold at or above cost. In view of substantially large number of items in work in progress, it is not feasible to maintain the status of movement of each item at shop floor on perpetual basis. The Company, however, physically verifies such stocks at the end of every month and valuation is made on the basis of such physical verification.
- v) **Foreign Currency Transactions :**
 - a) The foreign currency transactions completed during the year are adjusted at the rate of exchange prevailing

- on the date of transactions. Outstanding monetary items related to Foreign Currency transaction are stated at the rates ruling at the year end. Exchange difference, if any, arising on such transactions is charged to the profit and loss Account.
- b) Foreign currency transactions covered by forward contracts, the difference between the forward rate and the exchange rate at the inception of a forward contract is recognised as the income or expenses over the life of contract. Profit or loss on forward contract is recognised as income or expense in the year in which value of such forward contract changes.
- vi) **Retirement Benefits :**
- a) Year end Liability in respect of Gratuity to Employees is provided on the basis of actuarial valuation
- b) Year end leave encashment benefit is provided for on the basis of actuarial valuation.
- vii) Stores and Spares issued for repairs and maintenance of assets is charged directly to Stores and Spares Consumed Account
- viii) **Sales :**
- a) Revenue from sales is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with the delivery.
- b) Net sales are exclusive of excise duty and net of sales returns, discounts, claims and rebates.
- ix) **Provisions, Contingent Liability & Contingent Assets :**
- Provisions are recognised in respect of present obligations arising out of past events where there are reliable estimate of probable outflows of resources. Contingent liabilities are the possible obligation of the past events, the existence of which will be confirmed only by the occurrence or non occurrence of a future event. These are not provided for and are disclosed by way of notes on accounts. Contingent Assets are not provided for or disclosed.
- x) **Borrowing Cost :**
- Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalised. Other borrowing costs are recognised as expenses in the period in which they are incurred.
- xi) **Taxation :**
- Current Tax is determined on the amount of tax payable in respect of taxable income for the period. Deferred tax liabilities and assets are recognised at current tax rates or substantively enacted tax rates, subject to the consideration of prudence in case of deferred tax assets, on timing difference, being the difference between book and tax income.
3. The Company's interest in DSL Hydrowatt Limited is 51%. DSL Hydrowatt Limited is incorporated in India.
4. Due to non-viability of one of the power generating unit, the management has decided to conduct impairment test as on 31-03-2010 and based on net selling price estimated by the management, the company has recognised impairment loss of Rs. 8,50,00 in Profit & Loss A/c.

		(Rs. in 000's)	
		As at 31st March, 2010	As at 31st March, 2009
5.	Contingent Liability not provided for in respect of		
(a)	i) Bank Guarantee	1,12,50	1,12,50
	ii) Demand for Excise duty, being contested by the Company *	57,08	40,86
	iii) Demand for Income Tax, being contested by the Company (Amount deposited Rs.75,57) *	1,13,31	1,10,60
	iv) Legal Cases (Employees)*	21,00	—
	*The management believes that The Company has a strong chance of success in these cases, here no provision considered necessary.		
	v) Subsidiary Company has given a second charge/hypothecation on project assets of Sarbari-I and Sarbari-II to Bank of Maharashtra for a loan granted by the Bank to a group Company.	25,10,00	
(b)	Capital Commitments (Net of Advance paid)	26,55,34	39,74,51

DEEPAK SPINNERS LIMITED

6. Deferred tax assets on unabsorbed depreciation has been recognized only to the extent of timing difference on depreciation, the reversal of which will result in sufficient income in future.
7. Prior Period Expenses (Net) Rs.11,00 (Previous year Rs. 4,44) has been adjusted in respective heads.
8. Sales includes export incentives/benefits Rs.2,69,87 .(Previous year Rs.2,29,59) and are net of returns relating to earlier years amounting to Rs1,27,42 (Previous year Rs.29,54).
9. Foreign currency exposure not hedged by derivative instrument or otherwise :

	As at 31st March, 2010	As at 31st March, 2009
i) Receivable	1,75,46	2,48,20
ii) Payable	35,32	5,10,78

10. The Excise duty on Finished Goods (i.e. man made synthetic yarn) was lower than on its input which has resulted in accumulation of unutilised balance in Cenvat account. From 1st March, 2006 excise duty on inputs i.e. on man made fibres has been reduced to be at par with Finished Goods. As on 31.03.2010 the accumulated cenvat credit balance is Rs.11,19,27 (Previous year Rs.11,93,89).Based on export sale projections and additional duty due to value addition of yarn,the management is quite hopeful to utilise the above accumulated Cenvat credit by paying duty on export goods under claim for rebate/ refund.Hence in the opinion of the management at this stage, no provision is required for non usable excess cenvat credit, if any.
11. Capital work in progress of Subsidiary Company includes equipment not yet installed, construction/ erection material, construction/ erection work and machinery at site and advances to suppliers :

Particular	As at 31st March, 2010	As at 31st March, 2009
Civil Works	18,75,25	2,60,07
Electro Mechanic Supplies	3,80,92	88,00
Transmission line	1,14,92	1,14,93
Advance to Suppliers and consultants	77,16	92,04
Advance for land and other procurement charges	—	1,35,95
Pre-operative Expenditure (pending capitalization/allocation)	3,53,51	—
Total	28,01,76	6,90,99

12. The Subsidiary Company commissioned its Small Hdropower Project known as Sarbari-I with a capacity of 4.5 MW at Village Nagujharh, Taluka Sarbari, District Kullu, Himachal Pradesh during the year 2008-09. The second phase Small Hydropower roject of the Company known as Sarbari-2 with a capacity of 5.4MW is under implementation at Village Shalang, Taluka Sarbari, Distt. Kullu, Himachal Pradesh. In respect of both the projects Implementation Agreements have been entered into with the Himachal Pradesh State Electricity Board, Shimla, (H.P) and the agreements has an initial validity of 40 years.
13. The company has not received any information from its suppliers regarding registered under "The Micro, Small and Medium Enterprises Development Act, 2006." Hence the information required to be given in accordance with Section 22 of the said Act, is not ascertainable and not disclosed.

14. Earning Per Share

	(Rs.in 000's)
	Current year
	Previous Period
Loss after tax as per Profit & Loss Account	(10,93,03)
Basic & weighted average number of Equity Shares of Rs. 10/- each	7189368
Basic & Diluted earning per share in Rs.	(15.20)

15. Auditors' Remuneration including for Subsidiary company's Auditors represents : Audit Fee Rs. 4,05 (Rs. 3,00), for Certification & other matters Rs. 2,02 (Rs. 2,21), for Service tax Rs. 62 (Rs. 58). Reimbursement of Expenses Rs. 84 (Rs. 51) (Figures in brackets related to previous year).

16. In The previous year Power and fuel was after taking credit of Rs. 1,12,15 for estimated sale value determined on the basis of prevailing rate of carbon credit emission reduction units for the period January, 2008 to December, 2008. Credit for the period January, 2009 to March, 2009 estimated to be 92,50 will be taken as and when amount for the same shall be sold in the market after approval for CER units by UNFCC.
17. Interest on term loan is net off Tuff subsidy received Rs. 2,16,93 (Previous year Rs.1,69,38).
18. Exceptional items represents loss on sale of cotton spinning machines.
19. Sundry balances written off includes Rs. 9,20 (Previous year Rs. 86,70) on account of value decline/ lower realisation on sale of carbon credit.
20. Managerial Remuneration paid/provided to the Executive Director of the Company for the period include : Salary Rs. 5,00 (Rs. 9,00) Provident Fund Rs. 60 (Rs. 1,08) Rent Rs. 75 (Rs. 1,35) Other perquisites Rs. 79 (Rs. 2,22) (Figures in brackets related to previous year).

21. **Segment Reporting**

a) **Primary Segment Information**

(Rs. in 000's)

	2009-2010			2008-2009		
	Yarn	Power	Total	Yarn	Power	Total
BUSINESS SEGMENT						
Segment Revenue						
Net External Revenue*	2,09,81,20	6,67,16	2,16,48,36	1,40,70,77	4,80,40	1,45,51,17
Segment Result						
(before Intt. & Tax)	(6,84,82)	2,77,57	(4,07,25)	(21,25)	2,94,80	2,73,55
Less : Interest (Net)			8,24,42			7,04,57
Profit/(Loss)before Tax			(12,31,67)			(4,31,02)
Provision for Taxation						
Current Tax			(17,40)			
Fringe Benefit Tax			(2,35)			(3,65)
Deferred Tax			1,61,72			2,15,40
Income Tax related to Previous Year			(4,96)			
Profit after Tax before Minority Interest			(10,94,66)			(2,19,27)
Less : Minority Interest			1,63			(26,74)
Net Profit			(10,93,03)			(2,46,01)
OTHER INFORMATION						
Segment Assets	1,45,61,16	67,29,05	2,12,90,21	1,58,00,71	48,85,85	2,06,86,56
Unallocable Assets			1,79,24			1,78,18
Total			2,14,69,45			2,08,64,74
Segment Liabilities	11,46,99	18,665	1,33,364	9,75,31	1,01,51	1,07,682
Unallocable Liabilities			2,42,899			1,81,463
Total			37,62,63			28,91,45
Capital Expenditure	3,75,12	22,12,39	25,87,51	62,96	30,88,35	31,51,31
Total			25,87,51			31,51,31
Depreciation/Impairment	16,15,55	2,56,73	18,72,28	5,92,96	1,09,30	7,02,25
Total			18,72,28			7,02,25

* Net external Revenue includes Sales and other segmental Income.

- b) Secondary Segment is geographical Segment which includes export sales (including export incentive) Rs. 33,99,16 (Previous year Rs. 22,96,35) and domestic sales Rs. 1,81,87,25 (Previous year Rs.1,21,70,25) All assets of the Company are Located in India except export debtors Rs. 1,75,46 (Previous year Rs.2,48,20).
22. In the previous year, the Company has consolidated unaudited accounts on Subsidiary Company M/s DSL Hydrowatt Limited on the basis of certified accounts submitted by its management . During the year the Company has received audited accounts and difference between the audited and unaudited accounts adjusted during the year Break-up is given below :

DEEPAK SPINNERS LIMITED

Profit & Loss A/c		(Rs. in 000's)
Profit as per unaudited a/c (A)		85,84
Less Adjustments :		
Manufacturing expenses	10,29	
Depreciation	48,10	
Income tax	5,37	
Fringe benefit tax	2,35	
Decrease in income	77	66,88
Add Adjustments :		
Deferred tax	14,02	
Financial expenses	1,77	15,79
Profit as per audited a/c (B)		34,75
Decrease of current year profit (A) - (B)	51,09	
Decrease in share of Minority interest		25,03

Balance Sheet

Particulars	Difference adjusted during the year
Reserve & Surplus	(51,09)
Fixed Assets:	
Land	(2,49)
Plant & Machinery	22,01,91
Building	(22,47,03)
Office Equipments	(9)
Capital work in progress	4,34
Loan & advances	4,90
Current liabilities	84
Provision	15,02
Misc expenditure	(10,79)
Deferred tax	14,02
Brackets indicates Decrease in value	

23. Related Party Disclosure :

- a) List of related parties and relationship
A) Key Management personnel : Shri V.N. Khemka, Executive Director & CEO (upto 31st Aug '09)
B) Relative of key management personnel : Smt. Sulochana Khemka (upto 31st Aug '09)

b) Related Party Transaction

Transaction	Key management personnel		Relatives of Key Management personnel*	
	Current year	Previous Period	Current year	Previous Period
i) Remuneration	7,14	13,65	—	—
ii) Rent	—	—	1,25	2,25

*Includes rent Rs 75(Previous year Rs 135) also included in the relatives of Key Management personnel.

24. Previous year the Deepak Spinners Limited has changed its accounting year ending from 30th June to 31st March and therefore figures for 2008-09 being for the period of nine months are not comparable with the current year ended on 31st March, 2010.
25. Previous Year's figures have been regrouped, reclassified and re-arranged wherever found necessary to confirm with current period's classification.

As per our report of even date attached.

For **SINGHI & CO.**
Chartered Accountants
Firm Reg : 302049E

B. K. SIPANI
Partner
Membership No. 88926
Place : New Delhi
Date : 29th May, 2010

PUNEETA ARORA
Company Secretary

For and on behalf of Board of Directors

P. K. DAGA
Chairman cum Managing Director
YASHWANT DAGA
P. K. DROLIA
VIKRAM PRAKASH
J. N. PATHAK
Directors

DEPOSITS :

The Company did not invite/accept any Fixed Deposits from the Public during the year under report.

STATUTORY INFORMATION :

Information with respect to conservation of energy, technology absorption, foreign exchange earnings and outgo pursuant to Section 217 (1) (e) of the Act read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and information on particulars of employees under Section 217(2A) of the Act read with the Companies (Particulars of Employees) Rules, 1975 (as amended) form the part of this Report.

PARTICULARS OF EMPLOYEES :

Statement of particulars of employees pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given hereunder and forms part of the Directors' Report for the period ended 31st March, 2010.

Name of Employee and Age : Mr. M. N. Ramachandra (63), Designation and Nature of Duty: Advisor, Gross Remuneration : Rs.26,40,000, Qualification: B.E., Experience in years : 36 years, Date of Commencement of Employment : 1.1.2009, Last Employment : Tecil Chemicals & Hydropower Ltd.

Notes : 1) Gross Remuneration includes salary only. 2) Nature of employment is contractual. 3) The employee is not related to any other director or employee 4) The employee was in the employment for part of the year

A. CONSERVATION OF ENERGY :

The Company is an electricity generating undertaking through a continuous process and it has only auxiliary consumption, that is, energy consumed in various auxiliaries of the project and generating station. The use of power for the generating station and auxiliaries was minimal and the Company conserves power through improved operational and maintenance practices.

B. TECHNOLOGY ABSORPTION :

The Company's SHP SARBARI-I has been commissioned during the financial year only and, therefore, Company can look forward to the development of technology and innovation in the process of generation of hydel power and adopt them suitably to improve generation and actual saleable power.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

Foreign Exchange Earned	:	Nil
Foreign Exchange Used	:	Nil

AUDITORS :

M/s. Batliboi & Purohit, Chartered Accountants, the Statutory Auditors of the Company were appointed for the first time in the Annual General Meeting of the Company and retire at the ensuing Annual General Meeting of the Company and being eligible, have offered themselves for reappointment from the conclusion of the Ninth Annual General Meeting until the conclusion of the next Annual General Meeting.

M/s. Batliboi & Purohit, Chartered Accountants have confirmed that their appointment, if made, shall be in accordance with the provisions of Section 224(1B) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors confirm the following in respect of the audited annual accounts of the Company for the year ended 31st March 2010 :

that in the preparation of the annual accounts, the applicable accounting standards have been followed by the Company and that there are no material departures.

that the Directors have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the State of Affairs of the Company for the year ended 31st March 2010 and of the profit of the Company for the year under review.

that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

that the Directors have prepared the annual accounts on a going concern basis.



APPRECIATION :

Your Directors place on record their appreciation and sincere thanks to Government of Himachal Pradesh, Himachal Pradesh State Electricity Board, HIMURJA (the state agency for development of power), Forest Department and other Govt. Agencies and Company's Bankers, Bank of Maharashtra, Pune, (Maharashtra) for their valuable co-operation and support received from time to time.

Your Directors are also pleased to place on record their appreciation of the dedicated services of the employees and workmen at all levels and various contractors involved in the construction and erection of the SARBARI-I and SARBARI-II Projects of the Company in the Scheduled time.

For and on behalf of the Board
For **DSL Hydrowatt Limited**

Place : Mumbai
Date : 10th May, 2010

SHRIKANT SOMANI
Director

BHAVIN SHETH
Director

AUDITORS' REPORT

To The Members of

DSL Hydrowatt Limited

1. We have audited the attached Balance Sheet of **DSL Hydrowatt Limited (the Company)** as at 31 March 2010, the Profit and Loss Account and also the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order ("the Order"), 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks, as we considered appropriate, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement referred in this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
 - e) On the basis of written representations received from the Directors of the Company, as on 31 March 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon in Schedule '14', give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010;
 - ii. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii. in the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **BATLIBOI & PUROHIT**
Chartered Accountants
Firm Reg.No.101048W
Kaushal Mehta
Partner
Membership No.111749

Place : Mumbai
Dated : 10th May, 2010

ANNEXURE TO THE AUDITORS' REPORT REFERRED TO IN

PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

- (i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) Fixed assets have been verified by the management in accordance with a phased programme of verification, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) During the year, the Company has not disposed off any part of the fixed assets.
- (ii) (a) As explained to us, the stock of stores and spare parts have been physically verified by the management at the end of the year, which in our opinion is reasonable.
- (b) According to the information and explanations given to us, the procedures for physical verification of stock followed by the management are generally reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. According to the information and explanations given to us, the discrepancies noticed on physical verification of stocks were not material and the same have been properly dealt with in the books of account.
- (iii) (a) According to information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (b) As the Company has not granted any loans as stated above, the clause 4(iii)(b), 4(iii)(c), 4(iii)(d), of the Order are not applicable.
- (c) The Company has taken unsecured interest free loans from 3 companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum balance outstanding during the year was Rs. 99,021,000 and the aggregate year end balance was Rs. 95,099,100.
- (d) The other terms and conditions of the unsecured loans are prima facie, not prejudicial to the interest of the Company. These loans are repayable on demand and there is no repayment schedule. No interest is payable as the loans taken are interest free.
- (iv) In our opinion and according to the information and explanations given to us, there is adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of electrical energy. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 exceeding Rs. 500,000 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time. As explained to us, the Company has not entered into any transactions for sale of goods, materials and services in pursuance to contracts or arrangements as aforesaid.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposits from the public during the year.
- (vii) The Company has an internal audit system. In our opinion, internal audit system is required to be further strengthened as to its coverage and scope in order to be commensurate with the size and nature of its business.
- (viii) In our opinion and according to the information and explanations given to us, the requirement maintenance of cost records under Clause (d) of Sub-Section (1) of Section 209 of the Companies Act, 1956 is not applicable to the Company during the year.

- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, work contract tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues with the appropriate authorities, wherever applicable. No undisputed amounts payable in respect of aforesaid statutory outstanding as on the last day of the financial year for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues in respect of income tax, wealth tax, service tax, customs duty, excise duty and cess, which have not been deposited on account of any dispute.
- (x) The Company do not have accumulated losses at the end of the financial year. The Company has not incurred cash loss during the financial year covered by our audit.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. The Company does not have any borrowings from financial institution and by way of debentures.
- (xii) In our opinion and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Accordingly, clause 4(xiii) of the Order is not applicable to the Company.
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments and accordingly, the clause (xiv) of the Order is not applicable to the Company.
- (xv) The Company has given security by way of mortgage/hypothecation of its project assets in respect of loan taken by a group company from a bank.
- (xvi) In our opinion and according to the information and explanations given to us, the term loan raised during the financial year was applied for the purpose for which the loans were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the no funds raised on short-term basis have been used for long-term investment.
- (xviii) During the year, the Company has made preferential allotment of preference shares to a company covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, the Company has not issued any debentures during the year.
- (xx) According to the information and explanations given to us, the Company has not raised any money by public issue during the year.
- (xxi) During the course of our examination of books of account and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have not come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such cases by the management.

Place : Mumbai
Dated : 10th May, 2010

For **BATLIBOI & PUROHIT**
Chartered Accountants
Firm Reg.No.101048W
(Kaushal Mehta)
Partner
Membership No.111749



BALANCE SHEET AS AT 31ST MARCH, 2010

	Schedule	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
Share Capital	1	105,248,960	28,248,960
Reserves and Surplus	2	42,664,464	39,099,702
2. Loan Funds			
Secured Loans	3	412,329,687	308,301,702
Unsecured Loans	4	95,099,100	99,021,000
Total		655,342,211	474,671,364
II. APPLICATION OF FUNDS			
1. Fixed Assets	5		
Gross Block		415,509,260	407,327,385
Less : Depreciation		38,814,959	18,473,165
Net Block		376,694,301	388,854,220
Capital Work-in-Progress (including capital advances)		244,825,110	55,938,001
(Refer Note 5 of Schedule '14')		621,519,411	444,792,221
2. Deferred Tax Assets		1,402,109	1,402,109
3. Pre-operative Expenditure during Construction Period		35,436,536	13,595,013
(Pending capitalisation / allocation)			
4. Current Assets, Loans and Advances	7		
Inventories		513,491	518,476
Sundry Debtors		8,630,250	5,882,500
Cash and Bank balances		5,385,417	6,043,621
Other Current Assets		253,019	144,903
Loans and Advances		4,979,167	14,385,208
Total (A)		19,761,344	26,974,708
Less : Current Liabilities and Provisions	8		
Current Liabilities		19,229,960	10,010,412
Provisions		3,547,228	2,091,754
Total (B)		22,777,188	12,102,166
Net Current Assets / (Liabilities) (A - B)		(3,015,844)	14,872,542
5. Miscellaneous Expenditure	9		
(to the extent not written off or adjusted)		—	9,479
Total		655,342,211	474,671,364

As per our report of even date attached

For **BATLIBOI & PUROHIT**

Chartered Accountants

Firm Reg. No.: 101048W

KAUSHAL MEHTA

Partner

Membership No.: 111749

Mumbai ; Dated : 10th May, 2010

For and on behalf of the Board of Directors

SHRIKANT SOMANI

Director

BHAVIN SHETH

Director

DSL HYDROWATT LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010**

	Schedule	Current Year (Rs.)	Previous Year (Rs.)
INCOME			
Revenue from Operations		67,472,000	60,834,250
Other Income	10	123,664	190,457
Increase/ (decrease) in Inventory		(4,985)	518,476
		67,590,679	61,543,183
EXPENDITURE			
Employees' remuneration and benefits	11	5,585,086	3,916,758
Operative and Administrative expenses	12	5,378,440	6,258,603
Interest and Finance Charges	13	27,920,837	28,342,191
Depreciation /Amortisation		20,862,802	18,049,203
Loss on Sale of Honda CRV		755,872	—
Preliminary Expenses written off		9,479	3,159
		60,512,516	56,569,914
Profit before Tax		7,078,163	4,973,269
Provision for Taxation			
- Current Tax (MAT)		1,202,934	(536,846)
- Deferred Tax		—	1,402,109
- Fringe benefit Tax		—	(235,000)
Profit after Tax		5,875,229	5,603,532
Less : Prior year expenditure written off		1,098,181	2,128,830
Less : Dividend Paid		1,036,186	—
Less : Dividend Distribution Tax Paid		176,101	—
Balance carried to Balance Sheet		3,564,761	3,474,702
Basic Earning / (Loss) Per Share		60.00	57.23
Diluted Earning / (Loss) Per Share		1.83	19.67
Face value per shares		10.00	10.00

Significant accounting policies and notes to accounts 14

Schedules referred to above form an integral part of the financial statements

As per our report of even date attached

For **BATLIBOI & PUROHIT**

Chartered Accountants

Firm Reg. No.: 101048W

KAUSHAL MEHTA

Partner

Membership No.: 111749

Mumbai ; Dated : 10th May, 2010

For and on behalf of the Board of Directors

SHRIKANT SOMANI

Director

BHAVIN SHETH

Director



CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Current Year (Rs.)	Previous Year (Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax as per profit and loss account	7,078,163	4,973,269
Adjusted for :		
Depreciation	20,862,802	18,049,203
Interest and finance charges	27,920,837	28,342,191
Preliminary expenses written off	9,479	3,159
Loss on sale of Fixed Assets	755,872	-
Interest income	(123,664)	(179,957)
	<u>49,425,326</u>	<u>46,214,596</u>
Operating profit before working capital changes	<u>56,503,489</u>	<u>51,187,865</u>
Adjusted for :		
Trade and other receivables	7,835,305	(13,495,630)
Inventories	4,985	(518,476)
Trade and other payables	9,472,087	397,569
Cash generated from operation	<u>73,815,866</u>	<u>37,571,328</u>
Direct taxes paid	(1,177,014)	(1,587,413)
Prior period expenditures written off	(1,098,181)	(2,128,830)
Net cash from / (used in) operating activities	<u>71,540,671</u>	<u>33,855,085</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(207,351,516)	(49,620,900)
Proceeds from maturity of fixed deposits (including capital work in progress and pre-operative expenses)	645,000	-
Proceeds from sale of Fixed Assets	-	1,392,500
Interest received	123,664	315,108
Trade and other receivables	-	-
Trade and other payables	-	-
Direct taxes paid	-	-
Net cash used in investing activities	<u>(206,582,852)</u>	<u>(47,913,292)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of preference shares (net of share application money)	77,000,000	10,000,000
Proceeds from borrowings (net of repayment)	100,106,085	38,921,491
Dividend Paid Including Dividend Distribution Tax	(1,212,287)	-
Interest paid	(41,401,705)	(33,715,499)
Net Cash from financing activities	<u>134,492,093</u>	<u>15,205,992</u>
Net increase/(decrease) in cash and cash equivalents (A+B+C)	<u>(550,088)</u>	<u>1,147,785</u>
Cash and cash equivalents - Opening balance	<u>6,188,524</u>	<u>5,040,739</u>
Cash and cash equivalents - Closing balance	<u>5,638,436</u>	<u>6,188,524</u>
	<u>(550,088)</u>	<u>1,147,785</u>
Notes :		
1. Previous year's figures have been regrouped or reclassified wherever necessary to conform to the current year		
2. Figure in brackets indicates outgo		
3. Cash and cash equivalents comprise of :		
- Cash on hand	376,252	1,280,547
- Balances with banks in current accounts	5,262,184	4,907,977
	<u>5,638,436</u>	<u>6,188,524</u>

Significant accounting policies and notes to accounts 14

Schedules referred to above form an integral part of the financial statements

As per our report of even date attached

For **BATLIBOI & PUROHIT**

Chartered Accountants

Firm Reg. No.: 101048W

KAUSHAL MEHTA

Partner

Membership No.: 111749

Mumbai ; Dated : 10th May, 2010

For and on behalf of the Board of Directors

SHRIKANT SOMANI

Director

BHAVIN SHETH

Director

DSL HYDROWATT LIMITED

SCHEDULES FORMING PART OF ACCOUNTS

	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
SCHEDULE '1'		
SHARE CAPITAL		
Authorised :		
100,000 Equity Shares of Rs.10 each	1,000,000	1,000,000
1,900,000 6% Non-cumulative Preference Share of Rs. 10 each	19,000,000	19,000,000
13,000,000 (1,500,000) 0% Optionally Convertible Non-cumulative Redeemable Preference Share of Rs.10 each	130,000,000	15,000,000
	150,000,000	35,000,000
Issued, Subscribed and Paid up :		
97,920 Equity Shares of Rs.10 each fully paid up (Out of the above, 49,940 Equity Shares are held by Deepak Spinners Limited, the holding company)	979,200	979,200
1,726,976 , 6% Non-cumulative Preference Shares of Rs.10 each fully paid up	17,269,760	17,269,760
87,00,000 (Previous year: 10,00,000) 0% Optionally Convertible Non-cumulative Redeemable Preference Share of Rs.10 each	87,000,000	10,000,000
	105,248,960	28,248,960

Notes :

- (a) 348,943 6% Non-cumulative Redeemable Preference Shares shall be redeemed at any time after expiry of three years but before twenty years from the date of issue i.e. 28 July 2008.
- (b) 1,378,033 6% Non-cumulative Redeemable Preference Shares shall be redeemed at any time after expiry of three years but before twenty years from the date of issue i.e. 9 February 2007.
- (a) 65,00,000, 0% Optionally Convertible Non-cumulative Redeemable Preference shares shall be converted into equity shares, at any times between 4th and 7th years at the option of the holder. The preference shares, if not converted into equity shares as above shall be redeemed by the Company at the end of 10 years from the date of allotment at a premium of 6% per annum calculated on the issue price.
- (b) 22,00,000, 0% Optionally Convertible Non-cumulative Redeemable Preference shares shall be converted into equity shares, at any times between 4th and 7th years at the option of the holder. The Preference Shares, if not converted into Equity Shares as above shall be redeemed by the Company at the end of 10 years from the date of allotment at a premium of 5% calculated on the issue price.

SCHEDULE '2'

RESERVES AND SURPLUS

a) Capital subsidy (Received from Ministry of New & Renewable Energy Sources - small hydro power division for setting up of Sarbari - I)	35,625,000	35,625,000
b) General Reserve A/c		
Opening Balance	3,474,702	3,474,702
Transferred Surplus as per Profit & Loss A/c	3,564,761	—
	42,664,464	39,099,702

SCHEDULE '3'

SECURED LOANS

From Banks :

Term Loans

(Secured by way of first and exclusive charge against all movable and immovable properties (including current assets) of the Company, both present and future)

Cash credit

(Secured against hypothecation of stocks of consumables and sundry debtors of the Company)

From others :

Vehicle loans

Kotak Mahindra Prime Limited (Secured against hypothecation of vehicles)

	406,026,842	301,127,426
	4,392,249	5,648,060
	1,910,596	1,526,216
	412,329,687	308,301,702



SCHEDULE '4'

UNSECURED LOANS

From Body Corporates (Interest free)

As at
31/03/2010
Rs.

As at
31/03/2009
Rs.

95,099,100

95,099,100

99,021,000

99,021,000

SCHEDULE '5'

FIXED ASSETS

Sr. Description of Assets No.	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01/04/09 Rs.	Additions Rs.	Deductions/ Adjustment Rs.	As at 31/03/10 Rs.	Upto 31/03/09 Rs.	For the year Rs.	Deletion Adjustment Rs.	As at 31/03/10 Rs.	As at 31/03/10 Rs.	As at 31/03/09 Rs.
1 Leasehold land	12,616,496	2,391,190	-	15,007,686	315,412	375,192	-	690,604	14,317,082	12,301,084
2 Plant and machinery	358,275,882	174,499	-	358,450,381	16,532,181	18,925,575	-	35,457,756	322,992,625	341,743,701
3 Building	31,960,673	5,050,271	-	37,010,944	821,371	1,106,433	-	1,927,804	35,083,140	31,139,302
4 Furniture and fixtures	225,812	36,735	-	262,547	69,394	14,771	-	84,165	178,382	156,418
5 Vehicles	3,690,689	2,348,916	1,895,476	4,144,129	629,566	376,524	521,008	485,082	3,659,047	3,061,123
6 Office equipments	246,494	28,240	-	274,734	29,011	11,371	-	40,382	234,352	217,483
7 Computers	311,339	47,500	-	358,839	76,230	52,936	-	129,166	229,673	235,109
Total	407,327,385	10,077,351	1,895,476	415,509,260	8,473,165	20,862,802	521,008	38,814,959	376,694,301	388,854,220
Previous Year	3,184,325	404,143,060	-	407,327,385	423,962	18,049,203	-	18,473,165	388,854,220	

SCHEDULE '6'

PRE-OPERATIVE EXPENDITURE DURING CONSTRUCTION PERIOD

(Pending capitalisation /allocation)

Pre-operative expenses brought forward from previous year

As at
31/03/2010
Rs.

As at
31/03/2009
Rs.

13,595,013

62,845,558

Additions during the year :

Salary and allowances

4,148,916

3,707,517

Staff welfare expenses

108,704

220,894

Professional charges

440,834

1,511,770

Travelling and conveyance

251,764

1,981,550

Filing fees

60

-

Rent

-

95,306

Bank interest :

- on term loans

13,480,868

5,237,697

- others

-

119,051

Bank charges and commission

5,117

568,872

Office expenses

-

-

Telephone expenses

81,056

118,635

Transportation charges

18,435

130,560

Testing fees

-

-

Fees to government

-

800,325

Legal fees

75,000

53,500

Insurance charges

256,811

124,074

Vehicle expenses

526,746

863,005

Postage and courier

3,053

8,109

Electricity charges

-

15,349

Printing and stationery

73,528

59,140

Guest house expenses

-

-

DSL HYDROWATT LIMITED

	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
SCHEDULE '6' (Contd.)		
Membership and subscription	24,000	5,000
Lodging and boarding expenses	641,347	693,908
Repairs and maintenance	2,120	23,704
Repairs and maintenance (Vehicle)	45,642	—
Rates and taxes	18,612	779,365
Donations	125,500	1,050,000
Driver Salary	132,778	—
Development expenses	—	—
Advertisement expenses	111,184	340,932
Forward contract premium	—	—
Foreign exchange fluctuation loss	—	—
Business promotion	147,383	123,334
Bonus	146,577	—
Books & Periodical	6,831	—
Director Travelling Exp.	368,247	—
General Exp	14,871	—
Insurance charges (Vehicle)	16,443	—
L/c Charges	375,220	—
Security charges	109,195	—
Stamp Duty and Franking charges	113,600	—
Stores & spares	11,550	—
Sundry Bal W/off	(52,319)	—
Auditors remuneration :		
- Audit fees	—	—
- Other services	—	—
Depreciation	—	78,020
Miscellaneous expenses	11,850	110,054
Preliminary expenses written off	—	—
Provision for taxation :		
- Income tax	—	—
- Fringe benefit tax	—	—
Total 'A'	35,436,536	81,665,228
Less :		
Interest income on fixed deposits (TDS Rs.10,004; Previous year Rs.97,148)	—	62,953
Interest on loans (TDS Rs. Nil ; Previous year Rs. Nil)	—	—
Revenue during trial run (Sale of electrical energy)	—	2,403,250
Miscellaneous income	—	—
Total 'B'	—	2,466,203
Total (A-B)	35,436,536	79,199,025
Less : Pre-operative expenditures capitalised during the year- Sarbari I	—	58,711,769
Less : Pre-operative expenditures allocated to Sarbari - II	—	4,763,413
Less : Prior year pre-operative expenditures written off	—	2,128,830
	35,436,536	13,595,013

	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
SCHEDULE '7'		
CURRENT ASSETS, LOANS AND ADVANCES		
CURRENT ASSETS		
Inventories		
(As valued and certified by the management)		
Stores and Spares	513,491	518,476
Total (A)	513,491	518,476
Sundry Debtors		
(Unsecured, considered good)		
Outstanding for a period exceeding six months	–	2,403,250
Others	8,630,250	3,479,250
Total (B)	8,630,250	5,882,500
Cash and Bank Balances		
Cash on hand	376,252	1,280,547
Bank balance with scheduled banks :		
- In current accounts	3,904,165	3,598,973
- In fixed deposit accounts	1,105,000	1,164,101
Total (C)	5,385,417	6,043,621
Note :		
Fixed deposit includes Rs. 1,105,000 (Previous year Rs. 1,392,500) being margin money with the bank for the guarantees given by the bank on behalf of the Company.		
Other current assets		
Interest accrued but not due on fixed deposits	253,019	144,903
Total (D)	253,019	144,903
LOANS AND ADVANCES		
Loans and advances		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	653,755	11,236,810
Deposits	512,815	512,815
Taxes paid	3,812,597	2,635,583
(including Fringe Benefit Tax Rs. 748,691; Previous year Rs. 457,510)		
Total (E)	4,979,167	14,385,208
Total (A to E)	19,761,344	26,974,708

DSL HYDROWATT LIMITED

	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
SCHEDULE '8'		
CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry creditors		
(a) Total outstanding dues of micro and small enterprises	—	—
(b) Total outstanding dues of creditors other than micro and small enterprises (Refer Note 12 of Schedule '14')	19,129,080	9,914,646
Other liabilities	100,880	95,766
Interest accrued but not due on loans	—	—
Total 'A'	19,229,960	10,010,412
PROVISIONS		
Provision for taxation	2,188,950	986,016
Provision for fringe benefit tax	710,000	710,000
Provision for retirement benefits	648,278	395,738
Total 'B'	3,547,228	2,091,754
Total (A+B)	22,777,188	12,102,166
SCHEDULE '9'		
MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
Preliminary expenses	9,479	12,638
Less : Written off during the year	9,479	3,159
	—	9,479
	Current Year (Rs.)	Previous Year (Rs.)
SCHEDULE '10'		
OTHER INCOME		
Interest income on fixed deposits	123,664	179,957
(Tax deducted at source Rs.28,598)		
Miscellaneous income	—	10,500
	123,664	190,457
SCHEDULE '11'		
EMPLOYEES' REMUNERATION AND BENEFITS		
Salaries, wages and bonus	5,475,030	3,700,805
Contribution to provident and other funds	51,323	51,702
Staff welfare expenses	58,733	164,251
	5,585,086	3,916,758
SCHEDULE '12'		
MANUFACTURING AND ADMINISTRATIVE EXPENSES		
Stores and spares	99,177	738,026
Insurance charges	419,911	750,597
Lease Rent	257,041	223,059
Repairs and maintenance :		
- Plant and machinery	734,683	263,573
- Others	40,469	109,859
Auditors' remuneration		
- Audit fees	110,300	104,842
- Audit fees (Internal)	143,390	—
CDM Registration Fees	159,282	—

	Current Year (Rs.)	Previous Year (Rs.)
SCHEDULE '12' (Contd.)		
Legal and professional charges	545,379	687,242
Vehicle expenses	839,264	890,374
Traveling and conveyance	311,284	464,770
Rebate paid	348,957	428,151
Bank charges	9,147	203,816
Security charges	446,244	346,377
Stamp Duty	32,500	—
Miscellaneous expenses	881,413	1,047,917
	5,378,440	6,258,603

SCHEDULE '13'

INTEREST AND FINANCE CHARGES

Interest :

- On term loans	27,175,341	27,902,293
- Vehicle Loan	185,487	—
- On C.C. Account	377,201	439,898
Bank guarantee Commission	182,808	—
	27,920,837	28,342,191

SCHEDULE '14'

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1. Significant Accounting Policies :

a) Basis of preparation of financial statements :

The financial statements have been prepared in compliance with all material aspects of the Accounting Standards presented in the Companies (Accounting Standard) Rules, 2006 issued by the Central Government, to the extent applicable and in accordance with the relevant provisions of the Companies Act, 1956.

The financial statements are prepared on the basis of historical cost convention, in accordance with the applicable accounting standards and on the basis of a going concern.

The Company follows mercantile system of accounting and recognises income and expenditure on accrual basis except those with significant uncertainties.

b) Use of estimates :

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affects the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements and reported amounts of revenue and expenses for that year. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

c) Fixed assets :

Fixed assets are stated at cost less depreciation. The cost of assets comprises of purchase price and any attributed cost of bringing the assets to present working condition for its intended use i.e. cost of acquisition of assets and incidental expenditure incurred upto the date of installation/use.

d) Inventories :

Inventories are valued at lower of cost or net realizable value. Cost of inventories comprises of all cost of purchases and other costs incurred in bringing the inventory to their present location and condition.

e) Depreciation :

Depreciation on fixed assets is provided on straight-line basis at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956. Leasehold land is amortised over the period of lease or over the project period, whichever is less.

Assets costing less than Rs. 5,000 are written off in the year of purchase.

f) Pre-operative expenditure during construction period :

Expenditure incurred during construction period on Project is carried forward as Pre-operative expenditure during Construction Period (pending capitalization / allocation) net of income during construction period and will be allocated to fixed assets on the commencement of commercial production.

g) Transaction in foreign currencies :

- i. Foreign currency transactions are recorded at the exchange rates prevailing on the date of such transactions. Monetary assets and liabilities as at the Balance Sheet date are translated at the rates of exchange prevailing at the date of the Balance Sheet. Gains and losses arising on account of differences in foreign exchange rates on settlement/translation of monetary assets and liabilities are recognized in the profit and loss account. Non-monetary foreign currency items are carried at cost.
- ii. Gains and Losses on account of foreign exchange fluctuation in respect of liabilities in foreign currencies specific to acquisition of fixed assets from outside India on or before accounting period commencing after December 7, 2006 are adjusted to the carrying cost of the respective fixed assets.
- iii. The premium or discount arising at the inception of forward exchange contract is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the profit and loss account in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period

h) Revenue recognition :

Revenue from sale of electrical energy is accounted for on the basis of billing to Himachal Pradesh State Electricity Board (HPSEB) in accordance with the provisions of Power Purchase Agreement.

Carbon Credits or Certified Emission Reductions are accounted for on the basis of Certification by an accredited agency and thereafter receipt.

i) Borrowing cost :

Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use will be capitalised.

j) Impairment of assets :

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit and Loss account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

k) Lease :

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

l) Retirement benefits :

i. Defined contribution plans

The Company contributes on a defined contribution basis to Employee's Provident Fund, towards post employment benefits, which is administered by the respective Government authorities, and has no further obligation beyond making its contribution, which is expensed in the year to which it pertains.

ii. Defined benefit plans

The Company has a defined benefit plan namely gratuity for all its employees. The liability for the defined benefit plan of gratuity is determined on the basis of an actuarial valuation by an independent actuary at the year end, which is calculated using projected unit credit method.

Actuarial gains and losses are recognized immediately in the profit and loss account.

iii. Employee leave entitlement

Provision for accrued leave is made on the basis of actuarial valuation at the end of each financial year.

m) Provision for taxation :

Current tax has been determined as the amount of tax payable in respect of estimated taxable income for the year and in accordance with the provisions of Income Tax Act, 1961.

The deferred tax for timing differences between the book profits and tax profits for the year are accounted for using the tax rates and laws that have been enacted or substantially enacted as of the balance sheet

date. Deferred tax assets arising from timing differences are recognised to the extent there is a virtual certainty that these would be realised in future and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

n) **Accounting for provisions and contingent liabilities:**

The Company creates a provision when there is a present obligation as result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, requires an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

2. Contingent liabilities not provided for in respect of :

Particulars	As at 31/03/2010 (Rs.)	As at 31/03/2009 (Rs.)
a) Bank Guarantee issued in favour of the President of India through Assistant / Deputy Commissioner of Customs, ICD, Tuglakabad, New Delhi	10,850,000	10,850,000
b) Bank Guarantee issued in favour of the Tata Power Company Limited	200,000	200,000
c) The Company has given a Second Charge/Hypothecation on project assets of Sarbari-I and Sarbari-II to Bank of Maharashtra for a loan granted by the Bank to a Group Company	251,000,000	—
Total	262,050,000	11,050,000

3. Capital Commitments (net of advances) :

Particulars	As at 31/03/2010 (Rs.)	As at 31/03/2009 (Rs.)
Estimated amount of contracts remaining to be executed on capital account	181,302,293	311,972,999

4. The Company commissioned its first Small Hydropower Project known as Sarbari-I with a capacity of 4.5 MW at Village Nagujharh, Taluka Sarbari, District Kullu, Himachal Pradesh during the year 2008-09. The second phase Small Hydropower Project of the Company known as Sarbari-II with a capacity of 5.4 MW is under implementation at Village Shalang, Taluka Sarbari, District Kullu, Himachal Pradesh. In respect of both the projects, Implementation Agreements have been entered into with the Himachal Pradesh State Electricity Board, Shimla (H.P) and the agreements has an initial validity of 40 years.

5. Capital work-in-progress includes equipment not yet installed, construction/ erection material, construction/ erection work, machinery at site and advances to suppliers :

Sl. No.	Particulars	As at 31/03/2010 (Rs.)	As at 31/03/2009 (Rs.)
1.	Civil works	187,524,732	14,116,901
2.	Electro mechanical supplies	38,091,604	8,800,000
3.	Transmission line	11,492,364	11,492,364
4.	Advance to suppliers and consultants	77,16,410	21,528,736
Total – Capital work-in-progress		244,825,110	55,938,001
Add : Pre-operative expenditures (pending capitalization/allocation)		35,351,203	13,595,013
Total – Capital work-in-progress including pre-operative expenditures		280,176,313	69,533,014

6. **Disclosure under (AS) – 15 (Revised 2005) :**

The Company has adopted Accounting Standard (AS) - 15 (Revised) "Employee Benefits". The Company has provided gratuity liability based on actuarial valuation done as per Projected Unit Credit Method.

- i) Retirement benefits in the form of Provident Fund are a defined contribution scheme and the contributions are charged to the profit and loss account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective trusts.
- ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of each financial year.

The Company has classified the various benefits provided to employees as under:

a. Defined Contribution Plans :

Defined contribution plan consists of Employers' Contribution to Provident Fund of Rs.48,823 recognized as expense for the year.

b. Defined Benefit Plan :

Gratuity (Unfunded)

The Company makes provision for Employees' Gratuity for qualifying employees. Gratuity is payable to all eligible employees on superannuation, death or on separation / termination in terms of the provisions of the Payment of Gratuity Act or as per the Company's policy whichever is beneficial to the employees.

The following table sets out the unfunded status of the gratuity plan and unfunded status of paid leave encashment and the amounts recognized in the Company's financial statements as at 31 March 2010.

Particulars	Gratuity (Unfunded)	Leave encashment (Unfunded)
a) Change in present value of obligation		
Present value of obligation as at 1st April, 2009	179,795	215,943
Interest cost	15,864	16,196
Service cost	95,702	173,527
Benefits paid	—	—
Actuarial (gain)/loss on obligation	(79,834)	(31,085)
Present value of obligation as at 31 March 2010	211,527	436,751
b) Change in fair value plan assets		
Fair value of plan assets as at 1 April 2009	—	—
Expected return on plan assets	—	—
Contributions	—	—
Benefits paid (estimated upto 31.03.2010)	—	—
Actuarial gain/(loss) on plan assets	—	—
Fair value of plan assets as at 31 March 2010	—	—
c) Amount recognized in the Balance Sheet		
Present value of obligation, as at 31 March 2010	211,527	436,751
Fair value of plan assets as at 31 March 2010	—	—
Assets / (Liabilities) recognized in the Balance Sheet (shown as provisions in Schedule I - Current liabilities and provisions)	211,527	436,751
d) Expense recognized during the year		
Current service cost	95,702	173,527
Interest cost	15,864	16,196
Expected return on plan assets	—	—
Net Actuarial (gain)/loss to be recognized	(79,834)	(31,085)
Net periodic cost	31,732	158,638
e) Assumptions used in accounting for the gratuity plan		
Mortality rate	LIC (1994-96)	LIC (1994-96)
Discount rate	7.5%	7.5%
Salary escalation rate	5.0%	5.0%
Expected rate of return on plan assets	-	-

7. Segmental information :

Considering the nature of Company's business and operations, there are no reportable Segments (Business and / or Geographical) in accordance with the requirements of Accounting Standard (AS)-17 'Segment Reporting' issued by The Institute of Chartered Accountants of India.

8. Related party disclosure :

(i) Related party relationships :

Holding Company	Deepak Spinners Limited
Enterprises in which key management personnel or relatives of key management personnel have significant influence	a) Chinara Tie Up Private Limited b) Ellora Mercantile Private Limited c) India Ener-Gen Limited d) Vindhyaachal Hydro Power Limited e) Darjeeling Power Limited

Notes :

The related party relationships have been determined on the basis of the requirements of the Accounting Standard (AS)-18 'Related Party Disclosures' issued by the Institute of Chartered Accountants of India and the same have been relied upon by the auditors.

The relationships as mentioned above pertain to those related parties with whom transactions have taken place during the year.

(ii) Transactions with related parties :

(Amount in Rs.)

Particulars	Enterprises in which key Management personnel have significant influence
Unsecured loan taken	(1,700,000) 2,898,100
Unsecured loan repaid	(17,783,000) 6,820,000
Issue of preference shares	(10,000,000) 55,000,000
Guarantees issued to banks on behalf of the Company	(594,000,000) 594,000,000
Collaterals issued to banks on behalf of the Company	(136,100,000) 136,100,000
Balances payables	(99,021,000) 95,099,100

(Figures in brackets are of previous year)

(iii) Disclosure in respect of transactions, which are more than 10% of the total transactions of the same type with related parties during the year :

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Unsecured loans taken		
Chinara Tie Up Private Limited	970,000	1,400,000
Ellora Mercantile Private Limited	—	300,000
India Ener-Gen Limited	—	—
Vindhyaachal Hydro Power Limited	578,100	—
Darjeeling Power Limited	1,350,000	—
Unsecured loans repaid		
Ellora Mercantile Private Limited	—	7,783,000
India Ener-Gen Limited	4,500,000	9,000,000
Chinara Tie Up Private Limited	970,000	—
Darjeeling Power Limited	1,350,000	—

DSL HYDROWATT LIMITED

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Issue of preference shares Vindhyachal Hydro Power Limited	55,000,000	10,000,000
Guarantees and collaterals Vindhyachal Hydro Power Limited (Guarantees and collaterals issued to banks on behalf of DSL Hydrowatt Limited)	730,100,000	730,100,000

9. **Earnings per share :**

Sr. No.	Particulars	As at 31/03/2010 (Rs.)
(i)	Net profit after tax as per profit and loss account (Rs.)	5,875,229
(ii)	Weighted average number of equity shares outstanding during the year for basic earnings per share (No.)	97,920
(iii)	Basic earnings per share (Rs.)	60.00
(iv)	Weighted average number of equity shares outstanding during the year for diluted earnings per share (No.)	37,70,411
(v)	Diluted earnings / (loss) per share (Rs.)	1.83
(vi)	Nominal value of share (Rs.)	10

10. (a) The Company is eligible for deduction under Section 80-IA of the Income Tax Act, 1961 for a period of 10 consecutive assessment years out of 15 years commencing from the year in which the undertaking generates power.
Section 80-IA provides that the amount of deduction shall be 100% of the profits and gains in case of the company carrying on activities relating to power generation, transmission and distribution.
Accordingly, provision for current tax and deferred tax has been made considering above tax benefits.
- (b) Provision for current tax for the year has been made under Minimum Alternate Tax (MAT) as per provisions of Section 115JB of the Income-Tax Act, 1961.
- (c) As per Accounting Standard (AS)-22 "Accounting for Taxes on Income" and Accounting Standard Interpretation (ASI) – 3 "Accounting for Taxes on income in the situations of Tax Holidays under Section 80-IA and 80-IB of the Income Tax Act, 1961" issued by the Institute of Chartered Accountants of India, deferred tax assets pertaining to timing difference on account of depreciation for the year ended 31 March 2010 - Nil (Previous year Rs.1,402,109) has been recognized.
11. As the Company has not received any intimation from its suppliers as on date regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006, no disclosure has been made.
12. (a) Balances of certain debtors, creditors and advances given are subject to confirmation / reconciliation, if any.
(b) In the opinion of the management, current assets, loans and advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet.
The provision for depreciation and all known liabilities is adequate and not in excess of the amount reasonably stated.
13. Additional information pursuant to Part II of Schedule VI to the Companies Act, 1956 :
Capacity and production (As certified by the management)
Installed annual capacity 4.5 MW
Net Saleable Energy being 91.675% of total generation 27,083,041 (Units)
14. Previous year figures have been rearranged or regrouped wherever necessary and figures in brackets indicate the corresponding figures for previous year.

Signature to Schedules '1' to '14'

For **BATLIBOI & PUROHIT**
Chartered Accountants
Firm Reg. No.: 101048W

KAUSHAL MEHTA
Partner

Membership No.: 111749
Mumbai ; Dated : 10th May, 2010

For and on behalf of the Board of Directors

SHRIKANT SOMANI
Director

BHAVIN SHETH
Director



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per GSR No. 388(E) [F No. 3/24/94-CLV] dated 15/05/1995)

I. Registration Details

Registration No. : CIN U 40101 HP 2001 PLC - 024791 State Code: 06
Balance Sheet Date : 31/03/2010

II. Capital raised during the year (Rs. in Thousands)

Public Issue (Net of allotment money in arrears) : Nil
Rights Issue : Nil
Bonus Issue : Nil
Private Placement : 77,000

III. Position of Mobilisation and Deployment of Funds

Total Liabilities : 652,326
Total Assets : 652,326

Sources of Funds

Paid-up Capital : 105,248
Share application money : Nil
Reserves & Surplus : 42,664
Secured Loans : 412,330
Unsecured Loans : 95,099

Application of Funds

Net Fixed Assets (including capital work-in-progress including capital advances and pre-operative expenditure during construction period) : 656,955
Deferred tax assets : 1,402
Investments : Nil
Net Current Assets : (3,015)
Miscellaneous Expenditure : —

IV. Performance of Company

Turnover : 67,591
Total Expenditure (Net of increase/decrease in stocks) : 60,512
Profit before tax : 7,078
Profit after tax : 5,875
Basic/diluted earnings per share in Rs. (Face value Rs.10) (Not annualised) : 60.00
Dividend rate (%) : Nil

V. Generic Names of Three Principal Products/

Services of the Company (As per monetary terms)

Item Code No.(ITC Code) : 8502.30
Product Description : Hydro Power Generation

For **BATLIBOI & PUROHIT**

Chartered Accountants
Firm Reg. No.: 101048W

KAUSHAL MEHTA

Partner

Membership No.: 111749

Mumbai ; Dated : 10th May, 2010

For and on behalf of the Board of Directors

SHRIKANT SOMANI

Director

BHAVIN SHETH

Director



DEEPAK SPINNERS LIMITED

Regd. Office : 121, Industrial Area, Baddi
Tehsil : Nalagarh, Distt. Solan (H.P.)

PROXY

I/We of
..... being a member / members of DEEPAK SPINNERS LIMITED hereby
appoint of
or failing him of
or failing him of

as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the ANNUAL GENERAL MEETING of the Company to be held on Friday, the 17th September, 2010 at 12.15 P.M. and at any adjournment thereof.

AS WITNESS my/our hand this day of 2010

Signed by the said

Regd. Folio No.

D.P. & Client ID No.

Revenue
Stamp

Notes :

1. The Proxy need not be a member.
2. The Proxy must be deposited at the Registered Office of the Company at 121, Industrial Area, Baddi - 173205, Tehsil : Nalagarh, Distt. Solan (H.P.) not less than 48 hours before the time fixed for holding the meeting.

DEEPAK SPINNERS LIMITED

Regd. Office : 121, Industrial Area, Baddi
Tehsil : Nalagarh, Distt. Solan (H.P.)

ATTENDANCE SLIP

I/We hereby record my/our presence at the ANNUAL GENERAL MEETING of the Company held at its Registered Office at 121, Industrial Area, Baddi, Tehsil : Nalagarh, Distt. Solan (H.P.) on Friday, the 17th September, 2010.

Name (s)

Folio No.

D.P. & Client ID No.

Signature (s) of Shareholder / Proxy attending the meeting.

Notes :

1. You are requested to sign and hand over this at the entrance.
2. Please bring your copy of the Annual Report.

BOOK POST
(PRINTED MATTER)



If undelivered, please return to :

DEEPAK SPINNERS LIMITED

Administrative Office

SCO 16, II Floor, Sector 26

Madhya Marg,

Chandigarh - 160 019