



ANNUAL REPORT
&
ACCOUNTS
2008-2009

DEEPAK SPINNERS LIMITED

**Board of Directors**

Shri Pradip Kumar Daga, Chairman
Shri Vikram Prakash Aggarwal
Shri Yashwant Daga
Shri P. K. Drolia
Shri J. N. Pathak
Shri V. N. Khemka, Executive Director

Administrative Office

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

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

Baddi Works

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

Shri R. N. Singh, Vice President (Admn.)
Shri Sudesh Tiwari, Vice President (Technical)

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 11th September, 2009, at 11.30 A.M. at its 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 2009 and the Profit and Loss Account for the period ended on that date and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Pradip Kumar Daga, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Shri Yashwant Daga, who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors and to fix their remuneration.

By Order of the Board

Place : New Delhi
Date : 30.06.2009

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 10-09-2009 to 11-09-2009 (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-160019 latest by 10-09-2009.
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 1997-98. Members who have not yet encashed their dividend warrant(s) for the financial year ended 30.06.2000 onwards are requested to make claims to the Company.

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.

**Details of the Directors seeking re-appointment at the ensuing
Annual General Meeting fixed on 11-09-2009**

Name of Director	Shri Pradip Kumar Daga	Shri Yashwant Daga
Date of Birth	24-04-1937	07-03-1961
Date of Appointment	25-03-1982	19-02-1998
Qualification	B.Com (Hon's)	B.Com (Hon's)
Experience in Specific functional area	Industrialist with varied experience	Industrialist With varied experience
List of Directorships held	Century Textile & Ind. Ltd. Govind Sugar Mills Ltd. Long View Tea Co. Ltd. Continental Profiles Ltd. Deepak Gears Ltd. Deepak Industries Ltd.	HGI Industries Ltd. Long View Tea co. Ltd. DSL Hydrowatt Ltd. Deepak Gears Ltd. Merlin Holding Pvt. Ltd. Narshingh Holdings Pvt. Ltd. Jalpaiguri Holdings Pvt. Ltd. Contransys Pvt. Ltd. Solding Hydrowatt Pvt. Ltd. Darjeeling Power Ltd. Mint Investments Ltd.
Chairman/Member of the Committees of Board of Directors of the Company	Nil	i) Audit Committee (Member) ii) Shareholders/Investors Grievances Committee (Member) iii) Remuneration Committee (Member)
Chairman/Member of the Committee of Directors of other Companies in which he is a Director	Govind Sugar Mills Ltd. (Chairman-Audit Committee) (Member-Remuneration Committee) Century Textiles & Industries Ltd. (Member-Audit Committee and Shareholders/Investors Grievance Committee)	HGI Industries Ltd. (Member-Audit Committee and Remuneration Committee)

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present their Report together with the Audited Accounts for the Period ended 31st March, 2009.

FINANCIAL RESULTS	(Rs. in lacs)
Profit before Depreciation, Exceptional Items and Tax	256.31
Less : Depreciation	(592.96)
Exceptional Item	
(Loss on sale of Capital Goods)	(148.94)
Tax Provision	
- Current	—
- Fringe Benefit	(3.65)
- Deferred Tax Credit	215.40
Net Loss	<u>(273.84)</u>

DIVIDEND

In view of loss incurred after provision for depreciation, your Directors do not recommend any dividend for the period ended 31st March 2009.

GENERAL REVIEW

General economic slowdown has affected the purchasing power of the people. However, in spite of the sluggish demand, the situation is within control. We are expecting improved results in the next year.

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 Pradip Kumar Daga and Shri Yashwant Daga, Directors retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS & AUDITORS' REPORT

M/s Singhi & Co. Chartered Accountants, 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 have been suitably explained in Note No. 9 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**P. K. DROLIA****J. N. PATHAK**

Directors

V. N. KHEMKA

Executive Director & CEO

P. K. DAGA

Chairman

Place : Kolkata

Date : 30-06-2009

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

The Board of Director 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 2009, received from Directors and Senior Management Team of the Company a declaration of compliance with the Code of Conduct as applicable to them.

Place : Kolkata

Date : 30-06-2009

V. N. KHEMKA

Executive Director

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

In pursuance of its policy towards energy conservation, another captive power plant of 5.0 MW capacity at its Baddi Unit has been put up which has started power production since May 2006. It will ensure uninterrupted power supply at lower cost. Other measures in this direction are also pursued continuously.

FORM A	Current Year	Previous Year
A. POWER AND FUEL CONSUMPTION		
1. Electricity		
a. Purchased (Million Units)	15.53	21.47
Total amount (Rs. in Millions)	55.80	70.63
Rate/Unit (Rs.)	3.59	3.29
b. Own generation		
i) Through D.G.Sets (Million Units)	1.13	0.73
Units amount (Rs. in Millions)	11.15	12.23
Cost/Unit (Rs.)	9.86	9.66
ii) Through Steam Turbine (Million Units)	12.68	21.51
Units per kg. of Bio-Fuel	0.45	0.44
Cost/Unit (Rs.)	2.96	3.14
2. Coal (C, Grade) used in Boiler (Quantity-Million Kgs.)	1.23	—
Total cost (Rs. in Millions)	8.55	—
Average rate per Kg. (Rs.)	6.95	—
B. CONSUMPTION PER UNIT OF PRODUCTION		
Production of yarns (Million Kgs.)	11.74	16.32
Electricity (KWH/Kg.)	2.31	2.80
Others		
Diesel (Ltr/Kg. yarn)	0.03	0.03
Bio-Fuel (Kg/Kg. yarn)	5.32	3.16

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's)
Total Foreign exchange used		12067
Total Foreign exchange earned		196582

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	:	31-03-2009
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

P. K. DROLIA

J. N. PATHAK

Directors

V. N. KHEMKA

Executive Director & CEO

P. K. DAGA

Chairman

Place : Kolkata

Date : 30-06-2009

MANAGEMENT DISCUSSION AND ANALYSIS REPORT**INDUSTRY SCENARIO**

The last year has been an exceptionally challenging year for the global economy and textile industry. India, while fundamentally in a much stronger position, has also experienced the impact of these events.

The economic meltdown in the West and significant slowdown in Europe is having an adverse impact on the Indian Textile Industry. Although the Rupee has depreciated considerably over the past couple of months, the advantage of export gains has been lost in view of the low consumer demand both in USA and Europe.

However, some signs of economic recovery are already visible and hopefully, the same will gain momentum in the coming months.

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

In spite of the sluggish market conditions, the textile industry has managed to keep the situation under control. To maintain its efficiency, the textile industry has to concentrate on cost reduction, product innovation and increased marketing efforts.

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 2009 were 1171.

CAUTIONARY STATEMENT

Statements in this Management Discussions and Analysis Report describing the Company objectives, projections, estimates, expectations or predictions may be 'forward looking statement' 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. Deepak Spinners Limited has established a tradition of best practices in Corporate Governance. The Corporate Governance framework in our Company is based on an effective independent Board, and the constitution of Board Committees generally comprising a majority of independent directors. The Board continuously reviews its policies and practices of Corporate Governance with a clear goal not merely to comply with statutory requirements in letter and spirit but also constantly endeavours to implement the best international practices of Corporate Governance in the overall interest of all stakeholders.

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		*Directorship in other companies		Committee Membership in other companies	
	Board Meeting	Last AGM	As Director	As Chairman	As Member	As Chairman
Promoter Non-executive						
P. K. Daga - Chairman	4	—	6	—	3	1
Yashwant Daga	4	—	11	—	2	—
Independent Non-executive						
Vikram Prakash	2	Yes	6	—	5	3
Pradeep Kumar Drolia	3	—	4	—	—	—
J. N. Pathak	3	—	1	—	—	—
Executive Director						
V. N. Khemka	3	Yes	—	—	—	—

*Including Private Limited Companies.

Board Meetings held during the year

During the financial year ended 31st March 2009, four meetings of the Board of Directors were held on 5th July 2008, 11th September 2008, 24th October 2008 and 22nd January 2009.

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.

b) 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.

During the year, this Committee held Three meetings, on 11th September 2008, 24th October 2008 and 22nd January 2009. Attendance of each member of the Committee was as follows –

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

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

b) 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.

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)

(Rs.)

Name of the Director	Salary	Perquisites/LTA	Commission	Sitting Fee	Total
Shri P. K. Daga (Chairman)	—	—	—	20000	20000
Shri Yashwant Daga	—	—	—	44000	44000
Shri Vikram Prakash	—	—	—	26000	26000
Shri Pradeep Kumar Drolia	—	—	—	31000	31000
Shri J. N. Pathak	—	—	—	39000	39000
Shri V. N. Khemka (Executive Director)	900000	464664	—	—	1364664

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, 2009 :-

Non-Executive Directors	No of ordinary shares @ Rs.10/- held singly and /or jointly
Shri Pradip Kumar Daga	458389
Shri Yashwant Daga	307635

5) 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.

- a) During the financial year ended 31st March, 2009, 24 complaints were received and all were satisfactorily disposed off. As on 30.03.2009, pendency is Nil.
- b) There were no pending requests for Share transfers as on 31st March 2009.

During the year, this Committee held three meetings on 11th September 2008, 24th October 2008, and 22nd January 2009, Attendance of each member of the Committee was as follows —

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

6) General Body Meetings

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

Particulars	Location	Date	Time
24th AGM	121, Industrial Area, Baddi Tehsil : Nalagarh, Distt. Solan Pin - 173 205 (H.P.)	24-11-2006	11.30 A.M
25th AGM	-do-	30-11-2007	11.30 A.M
26th AGM	-do-	27-11-2008	11.30 A.M

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

7) 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.

8) 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.deepakspinnerslimited.com

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

Management Discussion and Analysis is a part of Annual Report.

9) General Shareholder Information

(i) **Date, time and location of next AGM** : 11th September, 2009 at 11.30 A.M. at the Registered Office : 121, Industrial Area, Baddi, Tehsil : Nalagarh, Dist. - Solan 173205 (HP)

(ii) **Financial Calendar (tentative)**

Results for the quarter ending 30th June 2009 — Last week of July 2009
 Results for the quarter ending 30th September 2009 — Last week of October 2009
 Results for the quarter ending 31st December 2009 — Last week of January 2010
 Results for the quarter ending 31st March 2010 — Last week of June 2010
Book Closure date : 10-09-2009 To 11-09-2009 (both days inclusive)

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

(iv) Annual listing fees for 2009-10 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
July 2008	16.00	13.00	January 2009	10.37	7.70
August 2008	17.00	13.75	February 2009	8.84	7.60
September 2008	15.90	11.42	March 2009	8.25	6.02
October 2008	14.90	7.30			
November 2008	9.40	7.31			
December 2008	9.95	7.80			

There was NIL trading in equity shares of the Company at Calcutta Stock Exchange during the period from 1st July 2008 to 31st March 2009.

(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 31.03.2009**

Category	No. of Shares held	% of total paid up Capital
Resident Individuals	46,83,644	65.15
Financial Institutions, Banks and Mutual Funds	3,28,880	4.58
Bodies Corporate	20,18,271	28.07
NRIs / OCBs	1,58,573	2.20
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	1520618	21.15	9960	90.94
501 – 1000	434666	6.05	549	5.01
1001 – 10000	1039275	14.46	389	3.56
Above – 10000	4194809	58.34	54	0.49
TOTAL	7189368	100.00	10952	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 2009, 69.08% equity shares of the Company stood dematerialized.

(xi) **Plant Locations**

- a) 121, Industrial Area, Baddi, Tehsil : Nalagarh, District Solan - 173 205 (H.P.)
- b) Village Pagara, Tehsil & District Guna - 473 001 (M.P.)

(xii) **Address for Correspondence**

Deepak Spinners Limited
S.C.O. 16, 2nd Floor,
Sector - 26, Chandigarh - 160 019

The above report was adopted by the Board of Directors at its meeting held on 30th June 2009.

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, 2009 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 in all material respect complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance 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
B. K. SIPANI
Partner
Membership No. 88926

Camp : Kolkata
Date : 30.06.2009

AUDITORS' REPORT

TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of DEEPAK SPINNERS LIMITED, as at 31st March'2009 and also the Profit and Loss Account and the Cash Flow Statement for the period 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, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2009 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. 9 in Schedule 14 regarding accumulated Cenvat Credit aggregating Rs.11,93,89 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, 2009
 - b) In the case of the Profit and Loss Account, of the loss of the company for the period ended on that date and
 - c) In the case of Cash Flow Statement, of the cash flow of the company for the period ended on that date.

For **SINGHI & CO.**
Chartered Accountants
B. K. SIPANI
Partner
Membership No. 88926

Camp : Kolkata
Date : 30th June, 2009

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 period. 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 period.
- (ii) a. As explained to us, inventories were physically verified during the period 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 period 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 period.
- (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 10 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 any cash loss in current period 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 and based on the documents and records produced 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 period the Company has not issued any debentures.
- (xx) The Company has not raised any money through a public issue during the period.
- (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 on or by the Company, noticed or reported during the period.

For **SINGHI & CO.**
Chartered Accountants
B. K. SIPANI
Partner
Membership No. 88926

Camp : Kolkata
Date : 30th June, 2009

BALANCE SHEET AS AT 31ST MARCH, 2009

	Schedule		As at 31st March, 2009	(Rs. in 000's) As at 30th June, 2008
SOURCES OF FUNDS				
A. Shareholders' Funds				
Capital	1	7,20,11		7,20,11
Reserves & Surplus	2	<u>47,58,23</u>	54,78,34	<u>50,32,07</u>
B. Loan Funds				
Secured Loans	3		79,74,83	1,07,12,84
C. Deferred Tax Liabilities (Net)	4		<u>15,17,41</u>	<u>17,32,81</u>
			<u>1,49,70,58</u>	<u>1,81,97,83</u>
APPLICATION OF FUNDS				
A. Fixed Assets	5			
Gross Block		1,75,31,25		1,80,00,29
Less : Depreciation		<u>83,87,66</u>		<u>79,76,32</u>
Net Block		91,43,59		1,00,23,97
Capital Work-in-Progress		<u>69,32</u>		<u>35,55</u>
			92,12,91	1,00,59,52
B. Investments	6		4,99	4,99
C. Current Assets, Loans and Advances	7			
Inventories		28,90,25		36,62,85
Sundry Debtors		16,90,37		31,78,91
Cash & Bank Balances		1,29,61		2,65,48
Loans & Advances		<u>20,38,63</u>		<u>23,10,90</u>
		67,48,86		94,18,14
Less : Current Liabilities & Provisions	8			
Current Liabilities		8,75,15		12,04,02
Provisions		<u>1,21,03</u>		<u>80,80</u>
Net Current Assets			<u>57,52,68</u>	<u>81,33,32</u>
			<u>1,49,70,58</u>	<u>18,19,783</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
B. K. SIPANI
Partner
Membership No. 88926

Camp : Kolkata
Date : 30th June, 2009

For and on behalf of Board of Directors
V. N. KHEMKA
Executive Director & CEO
P. K. DAGA
Chairman

S. B. SHARDA
CFO & V.P. (Marketing)
PUNEETA ARORA
Company Secretary

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

DEEPAK SPINNERS LIMITED**PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2009**

		(Rs. in 000's)	
	Schedule	For Nine Months ended 31st March, 2009	As at 30th June, 2008
INCOME			
Sales		1,40,90,59	1,98,14,34
Less : Excise Duty		1,02,99	1,43,03
Net Sales		<u>1,39,87,60</u>	<u>1,96,71,31</u>
Increase/(Decrease) in Stocks	9	(7,43,07)	6,72,90
Other Income	10	83,17	1,83,02
		<u>1,33,27,70</u>	<u>2,05,27,23</u>
EXPENDITURE			
Raw Material Consumed	11	93,01,48	1,45,33,93
Manufacturing & Other Expenses	12	32,82,61	46,82,28
Financial Expenses	13	4,87,30	8,07,47
Depreciation		5,92,96	8,28,44
		<u>1,36,64,35</u>	<u>2,08,52,12</u>
Profit/(Loss) before Exceptional Items and Tax		(3,36,65)	(3,24,89)
Exceptional Items		(1,48,94)	—
Profit/(Loss) before Tax		<u>(4,85,59)</u>	<u>(3,24,89)</u>
Provision for Taxation			
- Fringe Benefit		(3,65)	(6,50)
- Deferred		2,15,40	62,53
Income tax related to earlier year (Net)		<u>—</u>	<u>1,17</u>
Profit/(Loss) after Tax		(2,73,84)	(2,67,69)
Profit brought forward from previous year		19,68,72	22,36,41
Balance available for appropriation		<u>16,94,88</u>	<u>19,68,72</u>
Surplus carried to Balance Sheet		<u>16,94,88</u>	<u>19,68,72</u>
Basic & Diluted Earning Per Share of Rs. 10/- each (Refer Note No. 12 in Schedule 14)		Rs. (3.81)	Rs. (3.72)

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
B. K. SIPANI
Partner
Membership No. 88926

Camp : Kolkata
Date : 30th June, 2009

For and on behalf of Board of Directors

V. N. KHEMKA
Executive Director & CEO

P. K. DAGA
Chairman

S. B. SHARDA
CFO & V.P. (Marketing)

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

PUNEETA ARORA
Company Secretary

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH, 2009

(Rs. in 000's)

	For Nine Months ended 31st March, 2009	Year ended 30th June, 2008
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before Tax	(48,559)	(32,489)
Adjustment for-		
Depreciation	59,296	82,844
Financial Expenses (Net)	48,730	80,747
Profit on Sale of Fixed Assets (Net)/Assets written off	(5,283)	(831)
Loss on sale of Fixed Assets (Exceptional Items)	14,894	-
Provision for Doubtful Debts/Advances	1,198	418
Exchange Difference (Net)	<u>5,431</u>	<u>49,982</u>
Operating Profit before Working Capital Changes	75,707	180,671
Adjustment for-		
Trade & Other Receivables	180,640	(95,009)
Inventories	77,260	(4,765)
Trade Payables & Other Liabilities	<u>(28,649)</u>	<u>57,164</u>
	304,958	138,061
Direct Taxes (Paid)/Refunds	(4,904)	(3,460)
Exchange Difference (Net)	<u>(1,939)</u>	<u>(29,488)</u>
Net Cash from Operating Activities	(A) <u>298,115</u>	<u>105,113</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets*	(5,743)	(10,262)
Sale of Fixed Assets	22,050	5,261
Movement in fixed Deposit	(96)	(44)
Interest received	<u>10,292</u>	<u>7,029</u>
Net Cash from Investing Activities	(B) <u>26,503</u>	<u>1,984</u>
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Increase in Long Term Borrowings	(49,188)	(78,964)
Increase in Working Capital facilities	(229,517)	75,519
Interest & Financial Expenses	(59,584)	(87,553)
Dividend Paid (Including Dividend Tax)	-	(4,205)
Net Cash from Financing Activities	(C) <u>(338,289)</u>	<u>(95,203)</u>
Net Increase/Decrease in Cash & Cash Equivalents	(A+B+C) (13,671)	11,894
Cash and Cash equivalents as at (Opening Balance)	<u>24,139</u>	<u>12,245</u>
Cash and Cash equivalents as at (Closing Balance)	<u>10,468</u>	<u>24,139</u>
Components of Cash & Cash equivalents		
Cash in hand	292	387
Balance with Scheduled Banks		
In Current Accounts	10,176	23,752
Unclaimed Dividend Accounts	2,087	2,098
Fixed Deposit Accounts	89	83
Employees Security Deposit Accounts	<u>317</u>	<u>228</u>
	<u>12,961</u>	<u>26,548</u>
Less : Fixed Deposit & Employees Security Deposit consider in Investing Activity & Unclaimed Dividend lying with Bank	2,493	2,409
	<u>10,468</u>	<u>24,139</u>

The aforesaid Statement is prepared on Indirect Method.

As per our report of even date attached.

For **SINGHI & CO.**
Chartered Accountants
B. K. SIPANI
Partner
Membership No. 88926

Camp : Kolkata
Date : 30th June, 2009

For and on behalf of Board of Directors

V. N. KHEMKA
Executive Director & CEO

P. K. DAGA
Chairman

S. B. SHARDA
CFO & V.P. (Marketing)

PUNEETA ARORA
Company Secretary

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

DEEPAK SPINNERS LIMITED

	As at 31st March, 2009	(Rs. in 000's) As at 30th June, 2008
SCHEDULE - 1		
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	<u>6,00,00</u>	<u>6,00,00</u>
	<u>14,00,00</u>	<u>14,00,00</u>
Issued & Subscribed		
72,12,868 Equity Shares of Rs. 10/- each	<u>7,21,29</u>	<u>7,21,29</u>
Paid-up		
71,89,368 Equity Shares of Rs. 10/- each fully paid up	7,18,94	7,18,94
Add : Shares forfeited	<u>1,17</u>	<u>1,17</u>
	<u>7,20,11</u>	<u>7,20,11</u>

	As at 30th June, 2008	Additions	Deductions	As at 31st March, 2009
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	<u>19,68,72</u>	<u>16,94,88</u>	<u>19,68,72</u>	<u>16,94,88</u>
	<u>50,32,07</u>	<u>16,94,88</u>	<u>19,68,72</u>	<u>47,58,23</u>

	As at 31st March, 2008	As at 30th June, 2008
SCHEDULE - 3		
SECURED LOANS		
a. Rupee Term Loans from Bank	44,24,00	46,31,00
b. Corporate Loans from Banks :		
Foreign Currency Loans	1,05,73	4,59,84
Rupee Loans	6,96,63	6,00,00
c. Working Capital facilities	27,46,80	50,18,75
d. Others	<u>1,67</u>	<u>3,25</u>
	<u>79,74,83</u>	<u>1,07,12,84</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 Bank is secured/to be secured by way of first charge on fixed assets of the Company on pari-passu basis except assets 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. 7,48,00 (Previous year Rs. 8,14,00)

(Rs. in 000's)

As at
31st March, 2009 As at
30th June, 2008

SCHEDULE - 4

DEFERRED TAX LIABILITIES

Deferred Tax Liabilities

- On Depreciation	(A)	20,43,91	21,94,68
Deferred Tax Assets			
- On Retirement Benefits		39,90	41,18
- On unabsorbed depreciation		4,82,53	4,19,45
- On Others		4,07	1,24
	(B)	5,26,50	4,61,87
Deferred Tax Liabilities (Net)	(A – B)	15,17,41	17,32,81

Refer Note No. 4 in Schedule 14

SCHEDULE - 5

FIXED ASSETS

(Rs. in 000's)

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 30.06.08	Additions	Deductions/ Adjustments	Total As at 31.03.09	Upto 30.06.08	During Period	Deduction/ Adjustments	Total as on 31.03.2009	As at 31.03.2009	As at 30.06.08
Land *	31,00	-	-	31,00	-	-	-	-	31,00	31,00
Land (lease hold)	34,45	-	-	34,45	7,61	28	-	7,88	26,57	26,84
Buildings	24,42,72	99	-	24,43,71	8,11,81	55,48	-	8,67,29	15,76,43	16,30,91
Plant & Machinery	1,47,31,76	26,35	4,81,24	1,42,76,87	67,36,55	5,10,42	1,67,62	70,79,36	71,97,51	79,95,21
Electrical Installation	3,93,45	1,05	-	3,94,50	2,46,50	14,08	-	2,60,57	1,33,93	1,46,95
Office & Other Equipments	23,89	80	16	24,53	16,98	83	9	17,72	6,81	6,91
Furniture & Fixtures	1,03,80	-	6,89	96,91	88,15	3,14	6,42	84,87	12,04	15,65
Vehicles **	1,07,47	-	9,94	97,53	52,74	7,12	7,49	52,37	45,14	54,73
Tubewell	49,07	-	-	79,07	5,90	60	-	6,50	42,57	43,17
Road & Culverts	82,68	-	-	82,68	10,08	1,01	-	11,10	71,59	72,60
Total	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	1,00,23,97
Previous Year	1,80,40,93	88,41	1,29,05	1,80,00,29	72,32,63	8,28,44	84,74	79,76,32	10,02,397	

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

** Includes assets acquired under Hire Purchase Scheme for Rs. 17,46.

DEEPAK SPINNERS LIMITED

	As at 31st March, 2009	(Rs. in 000's) As at 30th June, 2008
SCHEDULE - 6		
INVESTMENTS (LONG TERM)		
In subsidiary company (unquoted)		
49940 Equity Shares of Rs. 10 each fully paid up in M/s. DSL Hydrowatt Ltd.	<u>4,99</u>	<u>4,99</u>
	<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	1,67,19	1,37,81
Raw Materials	7,14,72	7,73,63
Finished Goods	14,46,73	21,07,47
Work-in-Process	5,54,44	6,32,66
Waste/Scrap	7,17	11,28
	<u>28,90,25</u>	<u>36,62,85</u>
Sundry Debtors (unsecured)		
Outstanding for a period exceeding six months		
Considered Good	1,10,61	1,96,12
Considered Doubtful	11,98	3,66
	<u>1,22,59</u>	<u>1,99,78</u>
Less : Provision for Doubtful Debts	11,98	3,66
	<u>1,10,61</u>	<u>1,96,12</u>
Other Debts	<u>15,79,76</u>	<u>29,82,79</u>
	<u>16,90,37</u>	<u>31,78,91</u>
Cash & Bank Balances		
Cash Balances (as certified)	2,92	3,87
Balance with Scheduled Banks		
In Current Account	1,01,76	2,37,52
In Fixed Deposit Account	89	83
(Pledged with Govt. Deptt. Rs. 82 Previous year Rs.61 and interest accrued Rs.7 Previous year Rs.16)		
In Employees Security Deposit Account	3,17	2,28
(In Fixed Deposit Account including interest accrued Rs.15 Previous Year Rs.7)		
In Unpaid Dividend Account	<u>20,87</u>	<u>20,98</u>
	<u>1,29,61</u>	<u>2,65,48</u>

	As at 31st March, 2009	(Rs. in 000's) As at 30th June, 2008
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	90	1,24
Advances (others) (including export benefit receivable under D.E.P.B. Scheme, Rs. 7,75 (Previous year Rs. Rs. 5,61) Duty Draw Back Rs. 28,74, (Previous year Rs. 98,94) TUFS Subsidy Rs. 1,66,07 (Previous year Rs. 2,41,92)		
Considered Good	4,96,91	7,22,19
Considered Doubtful	-	52
	<u>4,96,91</u>	<u>7,22,71</u>
Less : Provision for Doubtful Advances	-	52
	<u>4,96,91</u>	<u>7,22,19</u>
Advances for Capital Goods	1,15,76	1,21,29
Prepaid Expenses	4,44	20,55
Tax Payment/Tax Deducted at Source (Net)	1,61,06	1,15,67
Balance with Excise Deptt. (Net)	11,94,01	12,66,15
Deposit with Govt. Deptt. and others (including interest Receivable Rs. 3,59)	65,55	63,81
	<u>20,38,63</u>	<u>23,10,90</u>
SCHEDULE - 8		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors		
For Goods & Expenses	7,78,38	10,48,05
Other Liabilities	33,40	57,73
Sundry Debtors Credit Balances	32,64	65,47
Deposit from Selling Agents	7,00	7,00
Interest Accrued but not due	-	2,04
Employees Security Deposit	2,86	2,75
Investor Education and Protection Fund :		
Unclaimed Dividend (not due as on Balance Sheet date)	20,87	20,98
	<u>8,75,15</u>	<u>12,04,02</u>

DEEPAK SPINNERS LIMITED

(Rs. in 000's)

for Nine Months ended 31st March, 2009 Year ended 30th June, 2008

SCHEDULE - 9**INCREASE/(DECREASE) IN STOCKS****Closing Stock**

Finished Goods	14,46,73	21,07,47
Work-in-Process	5,54,44	6,32,66
Waste/Scrap	7,17	11,28

	20,08,34	27,51,41
--	----------	----------

Less : Opening Stock

Finished Goods	21,07,47	15,51,37
Work-in-Process	6,32,66	5,07,01
Waste/Scrap	11,28	20,13

	27,51,41	20,78,51
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	(7,43,07)	6,72,90
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SCHEDULE - 10**OTHER INCOME**

Miscellaneous Receipts	23,92	63,75
Sundry Credit Balances/Liabilities no longer required written back	6,42	17,97
Profit on Sale of Fixed Assets (Net)	52,83	8,31
Profit on Sale of Stores/Raw Material	-	92,99
	83,17	1,83,02

SCHEDULE - 11**RAW MATERIAL CONSUMED**

Opening Stock	7,73,63	13,64,47
Add : Purchases	92,42,57	1,48,74,39
	1,00,16,20	1,62,38,86
Less : Sales & Claims	-	9,31,30
Less : Closing Stock	7,14,72	7,73,63
Consumption*	93,01,48	1,45,33,93

* Including Stock-in-Transit Rs. 2,27,62

* Including Dyes & Chemicals Consumed

(Rs. in 000's)
for Nine Months ended 31st March, 2009 Year ended 30th June, 2008

SCHEDULE - 12

MANUFACTURING & OTHER EXPENSES

Manufacturing Expenses

Stores and Spares Consumed	2,98,73	4,88,68
Packing Expenses	2,35,04	3,56,21
Job Charges	51,66	89,48
Power and Fuel (Net)	10,64,29	12,51,65

Repair, Maintenance & Replacements

Plant and Machinery	37,24	49,79
Buildings	2,83	6,08
Other Repairs	2,83	2,51

Payment to and Provision for Employees

Salary,Wages,Bonus,Gratuity and Others	8,09,86	10,37,15
Contribution to P.F. and Others Funds	53,70	77,30
Employees Welfare (Net)	44,99	63,85

Administrative and Other Expenses

Rent (Net)	10,63	13,28
Rates and Taxes	4,34	4,97
Insurance (Net)	14,35	28,78
Travelling and Conveyance	33,98	43,05
Auditors' Remuneration	5,20	3,52
Directors' Sitting Fee	1,60	1,76
Miscellaneous Expenses	59,17	78,81
Foreign Exchange Fluctuation Loss (Net)	54,31	4,99,82
Bad debts & Advances Written off	98,71	5,57
Less : Provision for doubtful debts	<u>4,18</u>	94,53
Provision for doubtful Debts/Advances	11,98	4,18

Selling and Distribution Expenses

Freight and Other Handling Expenses (Net)	2,83,28	4,03,87
Commission and Brokerage	1,06,93	1,70,74
Other Selling Expenses	1,14	1,23
	<u>32,82,61</u>	<u>46,82,28</u>

SCHEDULE - 13

FINANCIAL EXPENSES

Interest

On Term Loans	3,00,43	4,24,64
To Bank & Others (Net)	1,63,91	3,59,40
(after adjusting interest received (Gross) Rs. 1,06,50 Previous Year Rs. 70,10) (TDS Rs. 26,32 Previous Year Rs. 14,27)		
Other Financial Expenses (Net)	22,96	23,43
	<u>4,87,30</u>	<u>8,07,47</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 where-ever not correctly ascertainable and insurance claim lodged with insurance pending for settlement are accounted for as and when received/settled.
- 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. 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 stock in process, 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 arising on cancellation or renewal of a forward contract is recognised as income or expense in the year in which such cancellation or renewal has been made.
- 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 as the amount of tax payable in respect of taxable income for the period. Deferred tax liabilities and assets are recognised at 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.

		(Rs. in 000's)	
		As at 31st March, 2009	As at 30th June, 2008
2.	Contingent Liability not provided for in respect of :-		
	i) Bank Guarantee	2.00	-
	ii) Demand for Excise Duty, being contested by the Company	40.86	21,18
	iii) Demand for Income Tax, being contested by the Company (Amount deposit Rs. 69.04)	1,10,60	1,38,71
	iv) Letter of Credit issued by Bank	33.24	-
3.	Capital Commiments (Net of Advance paid)	8,54,78	8,82,56
4.	(a) The tax year for the Company being the year ending 31st March, the provision for taxation including for deferred tax for the period is estimated on the basis of figures of 9 months as company has prepared the accounts from 1st July 2008 to 31st March 2009. The ultimate tax including deferred tax liability will be determined on the basis of figures for the assessment year 2009-10 comprising of . current period of 9 months.		
	(b) Deferred tax assets on unabsorbed depreciation has been recognized to the extent of timing difference on depreciation, the reversal of which will result in sufficient income in future.		
5.	Prior Period Expenses (Net) Rs. 2,93 (Previous Year Rs. 1,46) has been adjusted in respective heads.		
6.	Sales includes export incentives/benefits Rs.2,29,59 .(Previous year Rs.6,89,03) and are net of returns relating to earlier years amounting to Rs. 29,54 (Previous year Rs.32,88).		
7.	Balances of debtors, creditors and others are subject to confirmation.		
8.	Foreign currency exposure not hedged by derivative instrument or otherwise :		

		(Rs. in 000's)	
		As at 31st March, 2009	As at 30th June 2008
	i) Receivable	2,48,20	8,13,21
	ii) Payable	5,10,78	1,92,19
9.	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 31.03.2009 the accumulated cenvat credit balance is Rs.11,93,89 (Previous Year Rs. 12,66,09).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 balance 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.		
10.	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	Custom Excise and Service Tax Appellate Tribunal (CESTAT) by the Department
Central Excise Act, 1944	Demand for Service Tax Year 2004-05, 2005-06, 2006-07, 2007-08	31,83	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
		<u>40,86</u>	
Income Tax Act, 1961	Disallowance of Excise Duty on finished goods A.Y. 1997-98	56	DCIT Kolkata
Income Tax Act, 1961	Deduction under Section 80 HHC and short allowance of TDS A.Y. 1998-99	10,66	CIT (Appeals) Kolkata
Income Tax Act, 1961	Rectification petition for allowance of TDS A.Y. 1999-2000, 2000-01	6,12	DCIT Kolkata
Income Tax Act, 1961	Deduction under section 80 HHC A.Y. 2001-02	3,18	CIT (Appeals) Kolkata
Income Tax Act, 1961	Short adjustment of MAT of earlier years A.Y. 2002-03	19,74	DCIT Kolkata
Income Tax Act, 1961	Deduction under Section 80 HHC and Short allowance of TDS A.Y. 2003-04	17,00	CIT (Appeals) Kolkata
Income Tax Act, 1961	Disallowance of claim under Section 80 HHC and and Short allowance	40,15	CIT (Appeals) Kolkata
Income Tax Act, 1961	A.Y. 2004-05 Deduction u/s 88HHC & and other expences not considered of Deferred tax & FBT benefit A.Y. 2006-07	13,19	CIT (Appeals) Kolkata
		<u>1,10,60*</u>	

* Amount deposited of Rs. 69,04 against above disputed cases.

DEEPAK SPINNERS LIMITED

11. The Company has not received any information from its suppliers regarding 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 closed.

		(Rs. in 000's)
	Current Period	Previous Year
12. Earning Per Share :		
Profit after tax as per Profit & Loss Account	(2,73,84)	(2,67,69)
Basic and weighted average Number of Equity Shares	71,89,368	71,89,368
Basic and diluted earning per share in Rs.	(3.81)	(3.72)

13. Auditors' Remuneration represents : Audit Fee Rs. 2,05 (2,05), for Certification & other matters Rs.2,16 (66), for Service tax Rs.48 (25).

Reimbursement of Expenses Rs. 51 (56) (Figures in brackets related to previous year).

14. Power and fuel is after taking credit of Rs.1,12,15 (previous year Rs. 2,18,60) 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 will be taken as and when amount for the same shall be determined based on CER units approved from UNFCC.

15. Exceptional items represents loss on sale of cotton spinning machines Rs. 1,48,94

16. Sundry balances written off includes Rs. 86,70 on account of lower realisation on sale of carbon credit.

17. a) Managerial Remuneration paid/provided to the Executive Director of the Company for the period include: Salary Rs.9,00 (12,00) Provident Fund Rs 1,08 (1,44) Rent Rs.1,35 (1,80) Other perquisites Rs. 2,22 (2,74) (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.

18. Disclosure as per Accounting Standard - 15

		(Rs. in 000's)
	31st March, 2009	30th June, 2008
Earning Per Share :		
Define Contribution Plan -		
The Company has recognized the following amounts in the Profit and Loss Account		
Contribution to Employees Provident Fund	53,46	76,96

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 July, 2008	1,09,44	1,20,95
Current Service Cost	13,63	18,17
Interest cost	6,16	9,07
Actuarial (gain)/loss	21,06	1,48
Benefits paid	(37,68)	(40,23)
Closing DBO as on 31st March, 2009	1,12,61	1,09,44

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

Opening fair value of plan assets	67,11	74,07
Expected return	4,72	6,67
Actuarial gain/(loss)	49	(4,84)
Contribution by the employer *	18,78 *	31,44
Benefits paid	(37,68)	(40,23)
Closing fair value of plan assets	37,58	67,11

* 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	1,12,61	1,09,44
Fair value of the plan assets at the end of the year	(37,58)	(67,11)
Liability recognized in the balance sheet	75,03	42,33

The total expense recognised in the profit and loss account :

Current service cost	13,63	18,17
Interest cost	6,16	9,07
Expected return on plan assets	(4,72)	(6,67)
Actuarial (gains)/loss	20,57	6,32
Net Gratuity cost	35,64	26,89

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:

Qualifying Insurance policy 100% 100%

The Gratuity Scheme is invested in a Group Gratuity -com- 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 readily available

Following are the Principal Actuarial Assumptions used as at the balance sheet date:

Discount rate 7.50% 7.50%

Expected rates of return on any plan assets 9.00% 9.00%

Average Salary escalation rate 5.00% 5.00%

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

19. Segment reporting :

i) As per guidelines contain in AS 17 (Segment reporting), the company is operating in a single segment mainly in manufacture and sale of yarn.

ii) Secondary Segment is geographical Segment which includes export sales (including export incentive) Rs. 22,96,35 (Previous year Rs. 47,83,31) and domestic sales Rs. 1,17,94,24 (Previous year Rs.1,50,31,03) All assets of the Company are Located in India except export debtors Rs. 2,48,20 (Previous year Rs.8,13,21).

20. Related Party Disclosure :

a) List of related parties and relationship

A) Subsidiary DSL Hydrowatt Ltd.
 B) Key Management Personnel Sh. V.N. Khemka, Executive Director & CEO
 C) Relative of key management personnel Smt. Sulochna Khemka

b) Related Party Transaction (Rs. in 000's)

Transaction	Key Management personnel		Relatives of Key Management personnel	
	Current Period	Previous Year	Current Period	Previous Year
i) Remuneration	13.65	17,98	-	-
ii) Rent	-	-	2,25	3,00

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

A) Quantitative Information

i) Installed Capacity (As Certified by the Management) 57,408 spindles 61,664 spindles
 (Licensed Capacity not applicable)

(Rs. in 000's)

ii) Actual Production, Turnover & Stock

Item	Unit	Opening Stock As at 01.07.2008		Production ! Qty.	Sales		Closing Stock As at 31.03.2009	
		Qty.	Amount		Qty.**	Amount	Qty.	Amount
Yarn	Kg	1741847 (1,324,529)	21,07,47 (15,51,37)	11,74,64,92 !! (16,232,222) !!	12,02, 13,03 (15814904)	140,90,59\$ (1,98,14,34\$)	148,06,17 (1,741,847)	14,46,73 (210,747)

!! Excludes 13581 Kg. (77222 kg.) for reprocessing.

\$ Includes waste sale Rs. 1,24,56 (1,64,39)

** including sample etc.

(Figures in brackets relate to Previous year.)

B) Raw Materials Consumed	Current Period		Previous Year	
	Kg.	(Rs. in 000's)	Kg.	(Rs. in 000's)
Cellulosic & Non Cellulosic Fibres	12,29,89,80	90,45,15	17,04,40,54	1,41,61,74
Cotton		-	2,47,68	-
Dyes & Chemicals		2,56,33		3,72,19
		<u>93,01,48</u>		<u>1,45,33,93</u>
C) Value of Import on CIF basis				
Raw Materials		52,92		3,37,36
Stores & Spares		12,02		15,13

DEEPAK SPINNERS LIMITED

	Current Period		Previous Year	
	Rs.	%	Rs.	%
D) Value of Raw Materials Consumed				
IMPORTED	1,25,39	1,35	5,18,45	3,56
INDIGENOUS	91,76,09	98,65	1,40,15,48	96,44
	<u>93,01,48</u>	<u>100,00</u>	<u>1,45,33,93</u>	<u>100,00</u>
E) Value of Stores & Spare parts Consumed *				
IMPORTED	8,33	2,79	17,28	3,53
INDIGENOUS	2,90,40	97,21	4,71,40	96,47
	<u>2,98,73</u>	<u>100</u>	<u>4,88,68</u>	<u>100,00</u>

* Excluding debited to other heads of account

	Current Period	Previous Year
F) Expenditure in Foreign Currency		
Travelling	2,42	3,17
Commission	51,72	60,22
Legal & Professional charges	1,59	-
G) Non Resident Shareholders etc.		
a) Number of Non-Resident Shareholders	445	471
b) Number of Shares held by them	15,85,73	17,75,50
c) Amount of Dividend for the year 2007-08 declared, out of this paid in Indian Currency	-	85
d) Amount remitted in foreign currency	-	4
H) FOB Value of exports (Net)	19,65,82	39,17,14
22. During the period the Company 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 previous year ended 30th June, 2008.		
23. Previous year's figures have been re-grouped and re-arranged wherever found necessary to confirm with current year's classification.		

As per our report of even date attached.

For and on behalf of Board of Directors

For **SINGHI & CO.**
Chartered Accountants

V. N. KHEMKA
Executive Director & CEO

P. K. DAGA
Chairman

B. K. SIPANI
Partner
Membership No. 88926

S. B. SHARDA
CFO & V.P. (Marketing)

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

Camp : Kolkata
Date : 30th June, 2009

PUNEETA ARORA
Company Secretary

**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.	06-016465	State Code	06
Balance Sheet Date	31st March, 2009		

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	1,49,70,58	Total Assets	1,49,70,58
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Sources of Funds

Paid up Capital	7,20,11	Secured Loans	79,74,83
Reserve & Surplus	47,58,23	Unsecured Loans	Nil
		Deferred Tax Liabilities	15,17,41

Application of Funds

Net Fixed Assets	91,43,59	Investments	4,99
Net Current Assets	57,52,68	Misc. Expenditure	Nil
Accumulated Losses	Nil		

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

Turnover and other Income	1,40,70,77	Total Expenditure	1,36,64,35
Profit/Loss before Tax	-4,85,59	Profit/Loss after Tax	-2,73,84
Earning per Share in (Rs.)	-3.81	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 on behalf of Board of Directors

V. N. KHEMKA
Executive Director & CEO

P. K. DAGA
Chairman

S. B. SHARDA
CFO & V.P. (Marketing)

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

PUNEETA ARORA
Company Secretary

Place : Kolkata
Date : 30th June, 2009

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

We have audited the attached Consolidated Balance Sheet of Deepak Spinners Limited and its Subsidiary Company as at 31st March, 2009 and also the related Profit and Loss account and the Cash Flow Statement for the period ended on that date.

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 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. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the Subsidiary Company DSL Hydrowatt Ltd. whose financial statements reflects total assets of Rs. 49,01,32 thousands as at 31st March, 2009 and total revenue of Rs. 4,81,53 thousands for the period then ended. The said financial statements has been certified by the management and in our opinion, insofar as it relates to the amounts included in respect of the said subsidiary company, is based solely on as certified by the management.

We report that the consolidated financial statements have been prepared by the company 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.

Refer Note No. 10 in the schedule 15 regarding accumulated Cenvat credit agreement Rs. 11,93,89 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.

Refer Note No. 20(b) in the schedule 15 regarding non provision and disclosure of Employees Benefits as required by revised AS-15 (Employees Benefits) issued under the Companies Accounting Standard Rules, 2006.

Subject to our inability to ascertain the financial impact, if any, due to reason given above, *and on the basis of the information and explanation given to us and on the consideration of the separate audit report on individual audited financial statements of Deepak Spinners Limited and management certified financial statements of its aforesaid subsidiary, we are of the opinion that:*

- 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, 2009 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

B. K. SIPANI
Partner
Membership No. 88926

Camp : Kolkata
Dated : 30th June, 2009

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009

(Rs. in 000's)

SOURCES OF FUNDS	Schedule	As at	
		31st March, 2009	30th June, 2008
A. Shareholders' Funds			
Capital	1	7,20,11	7,20,11
Reserves & Surplus	2	<u>49,83,70</u>	57,03,81
			50,48,02
B. Loan Funds			
Secured Loans	3		1,10,57,85
Unsecured Loans	4		9,90,21
			1,37,76,01
			11,55,04
C. Minority Interest			2,21,42
D. Deferred Tax Liabilities (Net)	5		15,17,41
			<u>17,32,81</u>
Total		<u>1,94,90,70</u>	<u>2,24,52,11</u>
 APPLICATION OF FUNDS			
A. Fixed Assets	6		
Gross Block		2,16,04,51	2,19,33,64
Less : Depreciation		85,24,68	80,04,05
Net Block		<u>1,30,79,83</u>	<u>1,39,29,59</u>
Capital Work-in-Progress		<u>7,60,31</u>	3,49,77
			1,38,40,14
			1,42,79,36
B. Current Assets, Loans and Advances	7		
Inventories		28,95,44	36,62,85
Sundry Debtors		17,49,19	33,32,29
Cash & Bank Balances		1,91,49	2,95,36
Loans & Advances		<u>21,77,59</u>	<u>24,47,14</u>
		70,13,71	97,37,64
Less : Current Liabilities and Provisions	8		
Current Liabilities		12,47,11	14,79,94
Provisions		<u>1,26,93</u>	95,81
Net Current Assets			56,39,67
			81,61,89
C. Miscellaneous Expenditure	9		
(to the extent not written off or adjusted)			10,89
Total		<u>1,94,90,70</u>	<u>2,24,52,11</u>
 Notes on Accounts	15		

Schedules and Notes annexed hereto form part of these Accounts.
As per our report of even date attached.

For and on behalf of Board of Directors

For **SINGHI & CO.**
Chartered Accountants

V. N. KHEMKA
Executive Director & CEO

P. K. DAGA
Chairman

B. K. SIPANI
Partner
Membership No. 88926

S. B. SHARDA
CFO & V.P. (Marketing)

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

Camp : Kolkata
Date : 30th June, 2009

PUNEETA ARORA
Company Secretary

DEEPAK SPINNERS LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2009**

		(Rs. in 000's)	
	Schedule	Nine Months ended 31st March, 2009	Year ended 30th June, 2008
INCOME			
Sales		1,45,69,59	1,99,43,69
Less : Excise Duty		<u>1,02,99</u>	<u>1,43,03</u>
Net Sales		1,44,66,60	1,98,00,66
Increase/(Decrease) in Stocks	10	(7,37,89)	6,72,90
Other Income	11	<u>84,57</u>	<u>1,83,02</u>
		<u>1,38,13,28</u>	<u>2,06,56,58</u>
EXPENDITURE			
Raw Material Consumed	12	93,01,48	1,45,33,93
Manufacturing & Other Expenses	13	33,63,93	47,04,47
Financial Expenses	14	7,27,70	8,49,72
Depreciation		<u>7,02,25</u>	<u>8,51,54</u>
		<u>1,40,95,36</u>	<u>2,09,39,66</u>
Profit/(Loss) before Exceptional Items and Tax		(2,82,08)	(2,83,08)
Exceptional Items		<u>(1,48,94)</u>	<u>-</u>
Profit/(Loss) before Tax		(4,31,02)	(2,83,08)
Provision for Taxation			
- Current			(3,31)
- Fringe Benefit	(3,65)		(12,56)
- Deferred tax credit	2,15,40		62,53
Income tax related to earlier year (Net)	<u>-</u>	<u>2,11,75</u>	<u>-</u>
Profit/(Loss) after Tax		(2,19,27)	(2,36,42)
Less : Minority Interest		<u>26,74</u>	<u>15,32</u>
		(2,46,01)	(2,51,74)
Profit brought forward from previous year		<u>19,84,67</u>	<u>22,36,41</u>
Balance available for appropriation		<u>17,38,66</u>	<u>19,84,67</u>
Surplus carried to Balance Sheet		<u>17,38,66</u>	<u>19,84,67</u>
Basic & Diluted Earning Per Share of Rs. 10/- each (Refer Note No. 14 in Schedule 15)		Rs. (3.42)	Rs. (3.50)

Notes on Accounts 15

Schedules and Notes annexed hereto form part of these Accounts.
As per our report of even date attached.

For and on behalf of Board of Directors

For **SINGHI & CO.**
Chartered Accountants

V. N. KHEMKA
Executive Director & CEO

P. K. DAGA
Chairman

B. K. SIPANI
Partner
Membership No. 88926

S. B. SHARDA
CFO & V.P. (Marketing)

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

Camp : Kolkata
Date : 30th June, 2009

PUNEETA ARORA
Company Secretary

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31ST MARCH, 2009

	Nine Months ended 31st March, 2009	(Rs. in 000's) Year ended 30th June, 2008
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before Tax	(4,31,02)	(2,83,08)
Adjustment for-		
Depreciation	7,02,26	8,51,54
Financial Expenses (Net)	7,27,70	8,49,87
Profit on sale of Fixed Assets (Net)/Assets written off	(52,83)	(8,31)
Loss on sale of Fixed Assets (Exceptional Items)	1,48,94	—
Misc. Expenditure	—	(10,76)
Misc. Expenditure written off	3	3
Provision for Doubtful Debts/Advances	11,98	4,18
Exchange Difference (Net)	54,31	4,99,82
Operating Profit before Working Capital Changes	<u>11,61,37</u>	<u>19,03,29</u>
Adjustment for -		
Trade & Other Receivables	19,04,88	(11,20,42)
Inventories	7,67,41	(47,65)
Trade Payables & Other Liabilities	(2,99,41)	6,06,62
Cash from Operating Activities	<u>35,34,25</u>	<u>13,41,84</u>
Direct Taxes (Paid)/Refunds	(55,68)	(43,79)
Deferred Revenue Expenditure	—	10,76
Preliminary Expenses	(6)	—
Exchange Difference (Net)	<u>(19,39)</u>	<u>(2,94,89)</u>
Net Cash from Operating Activities	(A) <u>34,59,12</u>	<u>10,13,92</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets*	(31,45,78)	(22,67,48)
Sale of Fixed Assets	27,92,16	52,62
Movement in Fixed Deposit	19,48	1,18,39
Subsidy received of Capital nature	3,56,25	—
Interest received	1,03,21	73,76
Net Cash from Investing Activities	(B) <u>1,25,32</u>	<u>(20,22,71)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Increase in Borrowings	(24,37,44)	6,38,89
Increase in Working Capital facilities	(4,94,59)	13,27,52
Interest & Financial Expenses	(8,38,82)	(9,17,94)
Proceeds from issue of Preference share Capital	1,00,00	—
Dividend Paid (Including Dividend Tax)	—	(42,05)
Net Cash from Financing Activities	(C) <u>(36,70,85)</u>	<u>10,06,42</u>
Net Increase/Decrease in Cash & Cash Equivalents	(A+B+C) (86,41)	(2,37)
Cash and Cash equivalents as at (Opening Balance)	2,50,93	2,53,30
Cash and Cash equivalents as at (Closing Balance)	<u>1,64,52</u>	<u>2,50,93</u>
Components of Cash & Cash equivalents		
Cash on hand	15,72	16,62
Balance with Scheduled Banks		
In Current Accounts	1,48,80	2,34,31
Unclaimed Dividend Accounts	20,87	20,98
Fixed Deposit Accounts	2,93	20,15
Employees Security Deposit Accounts	3,17	3,30
	<u>1,91,49</u>	<u>2,95,36</u>
Less : Fixed Deposit & Employees Security Deposit consider in Investing Activity & Unclaimed Dividend lying with Bank	26,97	44,43
	<u>1,64,52</u>	<u>2,50,93</u>

For and on behalf of Board of Directors

V. N. KHEMKA
Executive Director & CEO

P. K. DAGA
Chairman

S. B. SHARDA
CFO & V.P. (Marketing)

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

PUNEETA ARORA
Company Secretary

For **SINGHI & CO.**
Chartered Accountants
B. K. SIPANI
Partner
Membership No. 88926

Camp : Kolkata
Date : 30th June, 2009

DEEPAK SPINNERS LIMITED

SCHEDULE - 1

	As at 31st March, 2009	(Rs. in 000's) As at 30th June, 2008
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	<u>6,00,00</u>	<u>6,00,00</u>
	<u>14,00,00</u>	<u>14,00,00</u>
Issued & Subscribed		
72,12,868 Equity Shares of Rs. 10/- each	<u>7,21,29</u>	<u>7,21,29</u>
Paid-up		
71,89,368 Equity Shares of Rs. 10/- each fully paid up	7,18,94	7,18,94
Add : Shares Forfeited	<u>1,17</u>	<u>1,17</u>
	<u>7,20,11</u>	<u>7,20,11</u>

SCHEDULE - 2

	As at 31st March, 2009	As at 30th June, 2008
RESERVES AND SURPLUS		
Capital Reserve :		
Central Investment Subsidy	25,75	25,75
State Investment Subsidy	10,00	10,00
MNRES Subsidy	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	<u>17,38,66</u>	<u>19,84,67</u>
	<u>49,83,70</u>	<u>50,48,02</u>

SCHEDULE - 3

	As at 31st March, 2009	As at 30th June, 2008
SECURED LOANS		
a) Rupee Term Loans from Banks	44,24,00	46,31,00
b) Other Term Loan from Bank	30,11,28	30,15,49
c) Corporate Loans from Banks :		
Foreign currency Loans	1,05,73	4,59,84
Rupee Loans	6,96,63	6,00,00
d) Working Capital facilities	28,03,28	50,50,08
e) Others	<u>16,93</u>	<u>19,60</u>
	<u>1,10,57,85</u>	<u>1,37,76,01</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) Other Term Loan from Bank Secured by charge on all fixed and other assets of the subsidiary company.
- c) 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.
- d) 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.
- e) Other loans from bank is secured by specific charge on assets purchased.
Repayable within one year Rs.7,48,00 (Previous year Rs.8,14,00)

SCHEDULE - 4
UNSECURED LOANS

From Body Corporates

	As at 31st March, 2009	(Rs. in 000's) As at 30th June, 2008
	9,90,21	11,55,04
	9,90,21	11,55,04

SCHEDULE - 5
Deferred Tax Liabilities

On Depreciation	(A)	20,43,91	21,94,68
Deferred Tax Assets			
On Retirement Benefits		39,90	41,18
On Unabsorbed Depreciation		4,82,53	4,19,45
On Others		4,07	1,24
	(B)	5,26,50	4,61,87
Deferred Tax Liabilities (Net)	(A-B)	15,17,41	17,32,81

SCHEDULE - 6
FIXED ASSETS

Description	Gross Block				Depreciation				Net Block	
	As at 01.07.2008	Additions	Deductions/ Adjustments	Total as at 31.03.2009	Up to 30.06.2008	During the Year	Deductions/ Adjustments	Total as on 31.03.2009	As at 31.03.2009	As at 30.06.2008
Land *	91,80	65,37	—	1,57,17	—	—	—	—	1,57,17	91,80
Land (lease hold)	34,45	—	—	34,45	7,83	72	—	8,55	25,90	26,62
Buildings	24,42,72	26,35,19	—	50,77,91	8,11,81	1,31,26	—	9,43,07	41,34,84	16,30,91
Plant & Machinery	1,85,73,48	27,57	30,52,90	1,55,48,15	67,57,18	5,40,96	1,67,62	71,30,52	84,17,63	1,18,16,30
Electrical Installation Office & Other	3,93,45	1,05	—	3,94,50	2,46,51	14,08	—	2,60,59	1,33,91	1,46,94
Equipments	25,22	1,93	16	26,99	17,67	86	9	18,44	8,55	7,55
Furniture & Fixtures	1,05,72	32	6,89	99,15	89,29	3,16	6,42	86,03	13,12	16,43
Vehicles **	1,35,04	9,34	9,94	1,34,44	57,77	9,60	7,49	59,88	74,56	77,27
Tubewell	49,07	—	—	49,07	5,90	60	—	6,50	42,57	43,17
Road & Culverts	82,68	—	—	82,68	10,08	1,01	—	11,10	71,58	71,60
Total	2,19,33,63	27,40,77	30,69,89	21,60,451	80,04,05	7,02,25	1,81,62	85,24,68	1,30,79,83	1,39,29,59
Previous Year	1,80,72,15	39,90,53	1,29,05	2,19,33,63	72,34,52	8,54,26	84,74	80,04,05	1,39,29,59	

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

** Includes asstes acquired under Hire Purchase Scheme for Rs. 17,46.

DEEPAK SPINNERS LIMITED

SCHEDULE - 7

	As at 31st March, 2009	(Rs. in 000's) As at 30th June, 2008
CURRENT ASSETS, LOANS & ADVANCES :		
Inventories (Including in transit) (As taken, valued & certified by the Management)		
Stores & Spares	1,72,38	1,37,81
Raw Materials	7,14,72	7,73,63
Finished Goods	14,46,73	21,07,47
Work-in-Process	5,54,44	6,32,66
Waste/Scrap	7,17	11,28
	<u>28,95,44</u>	<u>36,62,85</u>
Sundry Debtors (Unsecured)		
Outstanding for a period exceeding six months		
Considered Good	1,10,61	3,49,50
Considered Doubtful	11,98	3,60
	<u>1,22,59</u>	<u>3,53,16</u>
Less : Provision for Doubtful Debts	11,98	3,66
	<u>1,10,61</u>	<u>3,49,50</u>
Other debts	16,38,58	29,82,79
	<u>17,49,19</u>	<u>33,32,29</u>
Cash & Bank Balances		
Cash Balances (as certified)	15,72	16,62
Balance with Scheduled Banks		
In Current account	1,48,80	2,34,31
In Fixed Deposit Account (Pledged with Govt. Deptt. Rs. 82 Previous year Rs. 67 and interest accrued Rs. 221 Previous year Rs.16)	2,93	20,15
In Employees Security Deposit account (In Fixed Deposit Account including interest accrued Rs. 15 Previous Year Rs.7)	3,17	3,30
In Unpaid Dividend Account	20,87	20,98
	<u>1,91,49</u>	<u>2,95,36</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	90	1,24
Advances (others) (including export benefit receivable under D.E.P.B. Scheme, Rs.7,75 (Previous year Rs. 5,61) Duty Draw Back Rs. 28,74 (Previous year Rs. 98,94), TUFS Subsidy Rs. 1,66,07 (Previous year Rs. 2,41,92)		
Considered Good	6,13,62	8,38,32
Considered Doubtful	—	52
	<u>6,13,62</u>	<u>8,38,84</u>
Less : Provision for Doubtful Advances	—	52
	<u>6,13,62</u>	<u>8,38,32</u>
Advance for Capital Goods	1,15,76	1,21,29
Prepaid Expenses	4,44	20,55
Tax Payment/Tax deducted at Source (Net)	1,78,18	1,26,15
Balance with Excise Deptt. (Net)	11,94,01	12,66,15
Deposit with Govt. Deptt. and Other (including Interest Receivable Rs. 3,59)	70,68	73,44
	<u>21,77,59</u>	<u>24,47,14</u>

SCHEDULE - 8

	As at 31st March, 2009	(Rs. in 000's) As at 30th June, 2008
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors		
For Goods & Expenses	8,70,32	11,50,09
Others liabilities	33,66	58,76
Sundry Debtors Credit Balances	39,70	65,47
Deposit from Selling Agents	7,00	7,00
Interest Accrued but not due	—	2,19
Employees Security Deposit	2,86	2,75
Investor Education and Protection Fund		
Unclaimed Dividend (not due as on Balance Sheet date)	20,87	20,98
Preference Shareholders of Subsidiary Company	2,72,70	1,37,81
Share Application money in Subsidiary Company	—	34,89
	<u>12,47,11</u>	<u>14,79,94</u>
Provisions		
Proposed for Taxation	—	4,49
Provision for Fringe Benefit Tax	3,65	11,25
Provision for Retirement Benefits	1,23,28	80,07
	<u>1,26,93</u>	<u>95,81</u>

SCHEDULE - 9
MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)

Deferred Revenue Expenditure	10,86	10,76
Preliminary Expenses	6	13
Less : Written off during the year	3	3
	<u>10,89</u>	<u>10,86</u>

DEEPAK SPINNERS LIMITED**SCHEDULE - 10**

	Nine Months ended 31st March, 2009	(Rs. in 000's) Year ended 30th June, 2008
INCREASE/(DECREASE) IN STOCKS		
Closing Stocks		
Stores & Spares	5,18	0
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>
	20,13,52	27,51,41
Less : Opening Stocks		
Finished Goods	21,07,47	15,51,37
Work-in-Process	6,32,66	5,07,01
Waste/Scrap	<u>11,28</u>	<u>20,13</u>
	27,51,41	20,78,51
	<u>(7,37,89)</u>	<u>6,72,90</u>

SCHEDULE - 11**OTHER INCOME**

Miscellaneous Receipts	24,02	63,75
Sundry Credit Balances/Liabilities no longer required written back	7,72	17,97
Profit on Sale of Fixed Assets (Net)	52,83	8,31
Profit on Sale of Stores/ Raw material	—	92,99
	<u>84,57</u>	<u>1,83,02</u>

SCHEDULE - 12**RAW MATERIAL CONSUMED**

Opening Stock	7,73,63	13,64,47
Add : Purchases (Net)*	<u>92,42,57</u>	<u>1,48,74,39</u>
	1,00,16,20	1,62,38,86
Less : Sales & Claims	—	9,31,30
Less : Closing Stock	<u>7,14,72</u>	<u>7,73,63</u>
Consumption*	<u>93,01,48</u>	<u>1,45,33,93</u>

* Including Stock-in-Transit Rs. 2,27,62

** Including Dyes & Chemicals Consumed.

SCHEDULE - 13

	Nine Months ended 31st March, 2009	(Rs. in 000's) Year ended 30th June, 2008
MANUFACTURING AND OTHER EXPENSES		
Manufacturing Expenses		
Stores and Spares Consumed	3,04,05	4,88,68
Packing Expenses	2,35,04	3,56,21
Job Charges	51,66	89,48
Power and Fuel (Net)	10,64,35	12,51,65
Repair, Maintenance and Replacements		
Plant and Machineries	39,39	49,79
Buildings	2,83	6,08
Other Repairs	3,80	3,48
Payment to and provision for Employees		
Salary, Wages, Bonus, Gratuity and Others	8,38,71	10,44,45
Contribution to P.F. and Other Funds	54,14	77,30
Employees Welfare (Net)	46,43	64,48
Administrative and other Expenses		
Rent (Net)	12,21	13,93
Rates and Taxes	4,41	4,97
Insurance (Net)	14,95	35,68
Travelling and Conveyance	37,84	43,12
Auditors' Remuneration	6,30	3,52
Directors Sitting Fee	1,60	1,76
Miscellaneous Expenses	89,00	84,44
Foreign Exchange Fluctuation Loss (Net)	54,31	4,99,82
Bad debts & Advances Written off	1,02,99	
Less : Provision for doubtful debts	<u>4,18</u>	5,57
Provision for Doubtful Debts/Advances	11,98	4,18
Selling and Distribution Expenses		
Freight and Other Handling Expenses (Net)	2,83,62	4,03,87
Commission and Brokerage	1,06,93	1,70,74
Other Selling Expenses	1,57	1,27
	<u>33,63,93</u>	<u>47,04,47</u>

SCHEDULE - 14
FINANCIAL EXPENSES
Interest

On Term Loans (Net)	5,39,01	4,64,86
To Bank and Others (Net) (after adjusting interest received (Gross) Rs. 1,08,93 Previous Year Rs. 70,10) (T.D.S. Rs.26,32 Previous Year Rs. 14,27)	1,65,56	3,59,57
Other Financial Expenses (Net)	23,13	25,29
	<u>7,27,70</u>	<u>8,49,72</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 the 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 where-ever not correctly ascertainable and insurance claim lodged with insurance pending for settlement are accounted for as and when received/settled.
 - 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.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 stock in process, 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 arising on cancellation or renewal of a forward contract is recognised as income or expense in the year in which such cancellation or renewal has been made.

- vi) Retirement Benefits :
 - a) Year end Liability in respect of Gratuity to Employees is provided on the basis of actuarial valuation except in case of subsidiary company, for which refer note no. 22(b)
 - b) Year end leave encashment benefit is provided for on the basis of actuarial valuation except in case of subsidiary company. For which [Refer note no. 22(b)]
 - 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 as the amount of tax payable in respect of taxable income for the period. Deferred tax liabilities and assets are recognised at 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
 - xii) 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) will be allocated to fixed assets on the commissioning of the Small Hydro Project Sarbari -II.
3. The Consolidated Financial Statements comprise the financial statements of Deepak Spinners Limited and its subsidiary DSL Hydrowatt Limited as on 31st March 2009. During the period, Deepak Spinners Limited has changed its accounting year from 30th June to 31st March and therefore figures for 2008-09 is for the period of nine months. For the purpose of consolidation, financial statements of Subsidiary Company for the nine months ended on 31st March has been considered as certified by the management.
The Company's interest in DSL Hydrowatt Limited is 51%.
DSL Hydrowatt Limited is incorporated in India.

	As at 31st March, 2009	(Rs. in 000's) As at 30th June, 2008
4. Contingent Liability not provided for in respect of		
i) Bank Gurantees	1,12,50	1,26,25
ii) Demand for Excise duty, being contested by the Company	40,86	21,18
iii) Demand for Income Tax, being contested by the Company	1,10,60	1,38,71
v) Letter of credit issued by bank	33,24	—
5. Capital Commiments (Net of Advance paid)	39,74,51	8,82,56
6. a) The tax year for the Company being the year ending 31st March, the provision for taxation including for deferred tax for the period is estimated on the basis of figures of 9 months as company has prepared the accounts from 1st July 2008 to 31st March 2009. The ultimate tax including deferred tax liability will be determined on the basis of figures for the assessment year 2009-10 comprising of current period of 9 months.		
b) Deferred tax assets on unabsorbed depreciation has been recognized to the extent of timing difference on depreciation, the reversal of which will result in sufficient income in future.		
c) The Subsidiary Company has commissioned the Sarbari SHP on 17th May, 2008 and the income is exempt under Section 80 IA of the Income Tax Act, 1961. As no deferred tax liability arises during the tax holiday period in accordance with the Accounting Standards Interpretation (ASI)-3 issued by the Institute of Chartered Accountants of India, no provision for deferred tax has been considered.		

7. Prior Period Expenses (Net) Rs. 4,44 (Previous Year Rs. 12,00) has been adjusted in respective heads.
8. Sales includes export incentives/benefits Rs.22959 ,(Previous year Rs.68903) and are net of returns relating to earlier years amounting to Rs. 29,54 (Previous year Rs.32,88).
9. Foreign currency exposure not hedged by derivative instrument or otherwise :

	As at 31st March, 2009	As at 30th June, 2008
i) Receivable	2,48,20	8,13,21
ii) Payable	5,10,78	1,92,19

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 31.03.2009 the accumulated cenvat credit balance is Rs.11,93,89 (Previous Year Rs.12,66,09).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 balance 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. a) Capital work in progress includes Pre-operative Expenses During the construction period of New Project/ Modernisation under TUFs (other than those directly allocated) to be capitalized and allocated to fixed assets, as decided by Management, as under :

	As at 31st March, 2009	As at 30th June, 2008
Balance brought forward from previous year	47,64	2,82,35
Expenses incurred during the year	—	—
Salary and allowances	—	3,52
Staff welfare expenses	—	1,14
Professional charges	—	6,42
Travelling and conveyance	—	14,35
Rent	—	63
Interest & Bank Charges	—	—
Telephone expenses	—	69
Insurance charges	—	—
Vehicle expenses	—	4,47
Directors' Fees	—	—
Lodging and boarding expenses	—	5,05
Rates and taxes	—	45
Donations	—	9,00
Audit Fees	—	—
Advertisement expenses	—	56
Business promotion	—	63
Depreciation	—	—
Preliminary Expenses written off	—	—
Other expenses	—	73
Provision for Income Tax	—	—
Provision for FBT	—	—
	47,64	3,29,99
Less :		
Interest income on fixed deposits	—	—
Other Interest on Loans	—	—
Interest on Income Tax Refund	—	—
Foreign Exchange Fluctuation Gain	—	—
Miscellaneous income	—	—
	—	—
Total	47,64	3,29,99
Less : Allocated During the Year	47,64	2,77,02
Less: Written off during the year	—	5,33
(Debited to respective head of accounts)	—	—
Balance carried forward (pending allocation)	—	47,64

(Rs. in 000's)

- b) Capital work-in-progress of Subsidiary Company includes equipment not yet installed, construction/ erection material, construction/erection work and machinery at site :

Particulars	As at 31st March, 2009	As at 30th June, 2008
Civil Works	2,60,07	—
Electro Mechanic Supplies	88,00	—
Transmissin line	1,14,93	19,12
Advance to Suppliers and consultants	92,04	2,47,47
Advance for land and other procurement	<u>1,35,95</u>	<u>—</u>
Total	<u>6,90,99</u>	<u>2,66,59</u>

12. The Subsidiary Company has already commissioned during the year its first SHP known as Sarbari-I with capacity of 4.5MW at Village Nagujgarh, Taluka Sarbari, District Kullu, Himachal Pradesh at an estimated capital outlay of Rs. 39,00,00. The other SHP of the company known as Sarbari-2 with a capacity of 5.4MW is under implementation in Village Nagujgarh, 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)

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.

Earning Per Share	Current Period	Previous Year
Loss after tax as per Profit & Loss Account	(2,46,01)	(2,51,74)
Basic & weighted average number of Equity Shares of Rs. 10/- each	7189368	7189368
Basic & Diluted earning per share in Rs.	(3.42)	(3.50)

15. Auditors' Remuneration including for Subsidiary company's Auditors represents : Audit Fee Rs. 3,00 (2,05), for Certification & other matters Rs.2,21 (66), for Service tax Rs.58 (25). Reimbursement of Expenses Rs. 51 (56) (Figures in brackets related to previous year).

16. Power and fuel is after taking credit of Rs.1,12,15 (previous year Rs. 2,18,60) 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 will be taken as and when amount for the same shall be determined based on CER units approved from UNFCC.

17. Exceptional items represents loss on sale of cotton spinning machines Rs. 1,48,94.

18. Sundry balances written off includes Rs. 86,70 on account of lower realisation on sale of carbon credit.

19. Managerial Remuneration paid/provided to the Executive Director of the Company for the period include:Salary Rs.9,00 (12,00) Provident Fund Rs 1,08 (1,44) Rent Rs.1,35 (1,80) Other perquisites Rs. 2,22 (2,74) (Figures in brackets related to previous year).

20. Disclosure as per Accounting Standard - 15

(Rs. in 000's)

As at 31st March, 2009	As at 30th June, 2008
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Define Contribution Plan -

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

Contribution to Employees Provident Fund	53,46	76,96
------------------------------------------	-------	-------

(Rs. in 000's)

As at
31st March, 2009 As at
30th June, 2008

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 July, 2008	1,09,44	1,20,95
Current Service Cost	13,63	18,17
Interest cost	6,16	9,07
Actuarial (gain)/loss	21,06	1,48
Benefits paid	(37,68)	(40,23)
Closing DBO as on 31st March, 2009	1,12,61	1,09,44

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

Opening fair value of plan assets	67,11	74,07
Expected return	4,72	6,67
Actuarial gain/(loss)	49	(4,84)
Contribution by the employer *	18,78 *	31,44
Benefits paid	(37,68)	(40,23)
Closing fair value of plan assets	37,58	67,11

* 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	1,12,61	1,09,44
Fair value of the plan assets at the end of the year	(37,58)	(67,11)
Liability recognized in the balance sheet	75,03	42,33

The total expense recognised in the profit and loss account :

Current service cost	13,63	18,17
Interest cost	6,16	9,07
Expected return on plan assets	(4,72)	(6,67)
Actuarial (gains)/loss	20,57	6,32
Net Gratuity cost	35,64	26,89

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 :

Qualifying Insurance policy	100%	100%
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The Gratuity Scheme is invested in a Group Gratuity -com- 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 readily available

Following are the Principal Actuarial Assumptions used as at the balance sheet date :

Discount rate	7.50%	7.50%
Expected rates of return on any plan assets	9.00%	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.

b) In case of subsidiary company liability in respect of retirement benefits is provided as follows :

Provision has been made towards accrued gratuity liability payable to its employees as per the provisions of "The Payment of Gratuity Act 1972." instead of actuarial valuation basis. Further, leave encashment is determined on the basis of accumulated leave to the credit of the employees as at the year end as per the Company's rules instead of actuarial valuation basis. The above practice followed by the Company is not in accordance with Accounting Standard-15 'employees Benefits' (revised 2005) issued under the Companies Accounting Standard Rules, 2006. The impact of the above deviation on the 'Expenditure during construction period account', Profit & loss account and provisions could not be ascertained, In the opinion of the management the amount is not material.

21. Segment Reporting

(Rs. in 000's)

a) Primary Segment Information

	2008-09			2007-2008		
	Yarn	Power	Total	Yarn	Power	Total
BUSINESS SEGMENT						
Segment Revenue						
Net External Revenue*	1,40,70,77	4,80,40	1,45,51,17	1,98,54,33	1,29,35	1,99,83,68
Segment Result	(21,25)	2,94,80	2,73,55	4,59,15	82,20	5,41,35
Less: Interest (Net)			7,04,57			8,24,43
Profit before Tax			(4,31,02)			(2,83,08)
Provision for Taxation						
Current Tax						(3,31)
Fringe Benefit Tax			(3,65)			(12,56)
Deferred Tax			2,15,40			62,53
Profit after Tax before Minority Interest			(2,19,27)			(2,36,42)
Less: Minority Interest			(26,74)			(15,32)
Net Profit			(2,46,01)			(2,51,74)
OTHER INFORMATION						
Segment Assets	1,58,00,71	48,85,85	2,06,86,56	1,93,61,99	45,39,72	2,39,01,71
Unallocable Assets			1,78,18			1,26,15
Total		2,08,64,74			2,40,27,86	
Segment Liabilities	9,92,53	3,77,86	13,70,39	12,78,32	2,81,69	15,60,01
Unallocable Liabilities	15,21,06			17,48,55		
Total	28,91,45			33,08,56		
Capital Expenditure	62,96	30,88,35	31,51,31	58,19	21,54,35	22,12,54
Total		31,51,31			22,12,54	
Depreciation	5,92,96	1,09,30	7,02,26	8,28,44	23,10	8,51,54
Total			7,02,26			8,51,54

b) Secondary Segment is geographical Segment which includes export sales (including export incentive) Rs. 22,96,35 (Previous year Rs. 47,83,31) and domestic sales Rs. 1,22,73,24 (Previous year Rs.1,51,60,38) All assets of the Company are Located in India except export debtors Rs. 2,48,20 (Previous year Rs.8,13,21).

22. Related Party Disclosure :

a) List of related parties and relationship

A) Subsidiary : DSL Hydrowatt Ltd.

B) Key Management Personnel :Sh. V. N. Khemka, Executive Director & CEO

C) Relative of key management personnel : Smt. Sulochana Khemka

b) Related Party Transaction

Transaction	Key Management personnel		Relatives of Key Management personnel	
	Current Period	Previous Year	Current Period	Previous Year
i) Remuneration	13,65	17,98	—	—
ii) Rent	—	—	2,25	3,00

23. During the period 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 previous year ended 30th June, 2008.

24. Previous Year's figures have been regrouped and re-arranged wherever found necessary to confirm with current period's classification.

As per our report of even date attached.

For and on behalf of Board of Directors

For **SINGHI & CO.**
Chartered Accountants

B. K. SIPANI
Partner
Membership No. 88926

Camp : Kolkata
Date : 30th June, 2009

V. N. KHEMKA
Executive Director & CEO

S. B. SHARDA
CFO & V.P. (Marketing)

PUNEETA ARORA
Company Secretary

P. K. DAGA
Chairman

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

DSL HYDROWATT LIMITED

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting the Eighth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2009.

FINANCIAL RESULTS :

Particulars	2008-09 Amount	2007-08 Amount
Income from Operations	6,08,34,250	—
Other Income	1,90,457	—
Profit/(Loss)before depreciation	2,30,22,472	—
Less : depreciation	1,80,49,203	—
Profit/(Loss)after Depreciation	49,73,269	—
Provision for Taxation (MAT)	(5,36,846)	—
Provision for FBT	(2,35,000)	—
Deferred Tax Asset	14,02,109	—
Profit/(Loss)for the year	56,03,532	—
Prior period Adjustment	(21,28,830)	—
Balance brought forward	—	—
Available for appropriation	34,74,702	—
Dividend paid / payable	—	—
Balance carried forward	34,74,702	—

The comparative figures for the previous year are not available as the Project of the Company was commissioned in the financial year 2008-09 only

OPERATIONS :

Your Directors are pleased to inform you that the first project of the Company known as SARBARI-1 in Kullu Dist in Himachal Pradesh is operational with effect from 17th May, 2008. It has the generating capacity of 4.5 MW and will generate around 30.25 mn. Kwh in a normal water year. The capital outlay for the Project was around Rs.3850 lakhs. During the year under review we generated the net saleable units as mentioned hereunder :

(Units in Mn.)

	2008-09	2007-08
SARBARI -1 SHP :	25.29	Nil

The Outlook for the power producing sector in the country is bright as there is wide gap between the electricity generated and demand and particularly in view of the Government of India's programmes for rural electrification in the current five year plan and the rural development programmes of the new Government. The Company has already taken up expansion of its present capacity by starting work of construction, fabrication and erection of their second Small Hydro Project, SARBARI II in the same region, that is, Kullu Dist. Himachal Pradesh, which will have the generating capacity of 5.4 MW and will generate around 33 MUs in a normal water year and will improve the profitability of the company.

DIVIDEND :

In furtherance of a prudential policy of conservation and plough back of the profits of the company for company's on going project SARBARI- II in Kullu Dist. Himachal Pradesh, your Directors are not recommending any dividend on Equity and Preference Shares for the financial year 2008-09.

DIRECTORS :

Mr. Shrikant Somani and Mr. O.P. Dokania, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment.

Mr. M. N. Ramachandra resigned from the Directorship of the Company with effect from 6th January, 2009. The Board acknowledges and places on record the valuable services rendered by Mr. M. N. Ramachandra during the tenure of his directorship of the Company.

Mrs. Aradhana Somani has been appointed as an Additional Director of the Company with effect from 6th January, 2009 and she holds office up to the date of the forthcoming Annual General Meeting of the Company. The Company has received a notice from a member in terms of Section 257 of the Companies Act, 1956 signifying his intention to propose the name of Mrs. Aradhana Somani for appointment as Director of the Company at the next Annual General Meeting. This item has been included in the Notice convening the next Annual General Meeting of the Company.

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, 2009.

Name of Employee and Age: Mr. M. N. Ramachandra (62), Designation and Nature of Duty: Advisor, Gross Remuneration: Rs.6,60,000, Qualification: B.E., Experience in years: 35 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. Suresh Surana & Associates, Chartered Accountants, Statutory Auditors of the Company who retire at the ensuing Annual General Meeting have not offered themselves for re-appointment. Your Company proposes to appoint M/s. Batliboi & Purohit, Chartered Accountants as its Statutory Auditors from the conclusion of the Eighth 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 2009.

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 2009 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 Project of the Company in the Scheduled time.

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

Place : Mumbai
Date : 17/07/2009

For and on behalf of the Board of Directors

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** as at 31 March 2009, 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) (Amendment) Order ("the Order"), 2004 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 dealt with by 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 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2009 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 2009;
 - 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 **SURESH SURANA & ASSOCIATES**

Chartered Accountants

RAMESH GUPTA

Partner

Membership No. 102306

Place : Mumbai

Dated : July 17, 2009

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. 116,404,000 and the aggregate year end balance was Rs. 99,021,000.
- (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) In our opinion and according to the information and explanations given to us, the Company has not given any guarantees for the loans taken by others from banks or financial institutions.
- (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.

For **SURESH SURANA & ASSOCIATES**

Chartered Accountants

RAMESH GUPTA

Partner

Membership No. 102306

Place : Mumbai

Dated : July 17, 2009

BALANCE SHEET AS AT 31ST MARCH, 2009

	Schedule	As at 31st March, 2009 Rs.	As at 31st March, 2008 Rs.
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	2,82,48,960	1,47,59,530
Share application money		—	34,89,430
Reserves and Surplus	2	3,90,99,702	—
Loan Fund			
Secured loans	3	30,83,01,702	28,89,22,211
Unsecured loans	4	9,90,21,000	11,51,04,000
	TOTAL	<u>47,46,71,364</u>	<u>42,22,75,171</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross block	5	40,73,27,385	31,84,325
Less : Depreciation		1,84,73,165	4,23,962
Net Block		38,88,54,220	27,60,363
Capital work-in-progress including capital advances (Refer note 6 of Schedule '14')		5,59,38,001	36,05,09,679
		44,47,92,221	36,32,70,042
2. Deferred tax assets		14,02,109	—
Pre-Operative expenditure during construction period (Pending capitalisation/allocation)	6	1,35,95,013	6,28,45,558
Current Assets, Loans & Advances			
Inventories		5,18,476	—
Sundry debtors		58,82,500	—
Cash and bank balances		60,43,621	64,33,239
Other current assets		1,44,903	72,198
Loans and advances		1,43,85,208	51,84,665
	Total 'A'	<u>2,69,74,708</u>	<u>1,16,90,102</u>
Less :			
Current Liabilities & Provisions			
Current Liabilities	8	1,00,10,412	1,42,23,371
Provisions		20,91,754	13,19,798
	Total 'B'	<u>1,21,02,166</u>	<u>1,55,43,169</u>
Net Current Assets (A - B)		1,48,72,542	(38,53,067)
Miscellaneous Expenditure (to the extent not written off or adjusted)	9	9,479	12,638
	TOTAL	<u>47,46,71,364</u>	<u>42,22,75,171</u>

Significant accounting policies
and Notes on Accounts 14
Schedules referred to above form an integral
part of the financial statements

As per our report of even date attached.

For **SURESH SURANA & ASSOCIATES**

Chartered Accountants

RAMESH GUPTA

Partner

Membership No. 102306

Place : Mumbai

Date : July 17, 2009

For and on behalf of the Board of Directors

SHRIKANT SOMANI
Director

BHAVIN SHETH
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

	Schedule	Current Year Rs.
INCOME		
Revenue from operations		6,08,34,250
Other Income		1,90,457
Increase/(Decrease) in inventory	10	5,18,476
		<u>6,15,43,183</u>
EXPENDITURE		
Employees' remuneration and benefits	11	39,16,758
Manufacturing and administrative expenses	12	62,58,603
Interest and finance charges	13	2,83,42,191
Depreciation/amortisation		1,80,49,203
Preliminary expenses written off		3,159
		<u>5,65,69,914</u>
Profit before Tax		49,73,269
Provision for taxation		
- Current tax (MAT)		(5,36,846)
- Deferred tax		14,02,109
- Fringe benefit tax		(2,35,000)
Profit after Tax		<u>56,03,532</u>
Less : Prior year pre-operative expenditure written off		21,28,830
Balance carried to Balance Sheet		34,74,702
Basic Earning/(Loss) Per Share		57.23
Diluted Earning/(Loss) Per Share		19.67
Face value per share		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 **SURESH SURANA & ASSOCIATES**

Chartered Accountants

RAMESH GUPTA

Partner

Membership No. 102306

Place : Mumbai

Date : July 17, 2009

For and on behalf of the Board of Directors

SHRIKANT SOMANI

Director

BHAVIN SHETH

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2009

	Current Year Rs.	Previous Year Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net profit before tax as per profit and loss account	49,73,269	—
Adjusted for :		
Depreciation	1,80,49,203	—
Interest and finance charges	2,83,42,191	—
Preliminary expenses written off	3,159	—
Interest Income	(1,79,957)	—
Operating profit before working capital changes	<u>4,62,14,596</u>	—
Adjusted for :		
Trade and other receivables	(1,34,95,630)	—
Inventories	(5,18,476)	—
Trade and other payables	3,97,569	—
Cash generated from operation	<u>3,75,71,328</u>	—
Direct taxes paid	(15,87,413)	—
Prior period expenditures written off	(21,28,830)	—
Net cash from/(usedin) operating activities	<u>3,38,55,085</u>	—
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets (Including capital work in progress and pre-operative expenses)	(4,96,20,900)	(23,24,24,541)
Proceeds from maturity of fixed deposits	2,28,399	1,25,25,500
Interest received	1,70,205	9,37,767
Trade and other receivables	—	(16,91,553)
Trade and other payables	—	(7,50,839)
Direct taxes paid	—	(7,38,146)
Net Cash used in Investing Activities	<u>(4,92,22,296)</u>	<u>(22,21,41,814)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of preference shares (net of share application money)	1,00,00,000	—
Proceeds from borrowings (net of repayment)	3,89,21,491	24,71,70,813
Interest paid	(3,37,15,499)	(2,32,19,791)
Net cash from financing activities	<u>1,52,05,992</u>	<u>22,39,51,022</u>
Net increase/(decrease) in cash and cash equivalents (A+B+C)	<u>(1,61,219)</u>	<u>18,09,208</u>
Cash and cash equivalents - Opening balance	50,40,739	32,31,531
Cash and cash equivalents - Closing balance	<u>48,79,520</u>	<u>50,40,739</u>
	<u>(1,61,219)</u>	<u>18,09,208</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
 - Balances with banks in current accounts

	12,80,547	1,00,968
	35,98,973	49,39,771
	<u>48,79,520</u>	<u>50,40,739</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 **SURESH SURANA & ASSOCIATES**

Chartered Accountants

RAMESH GUPTA

Partner

Membership No. 102306

Place : Mumbai

Date : July 17, 2009

For and on behalf of the Board of Directors

SHRIKANT SOMANI
Director

BHAVIN SHETH
Director

SCHEDULES FORMING PART OF ACCOUNTS

	As at 31st March, 2009 Rs.	As at 31st March, 2008 Rs.
SCHEDULE '1'		
SHARE CAPITAL		
Authorised		
100,000 Equity shares of Rs.10 each	10,00,000	10,00,000
1,900,000 6% Non-cumulative preference share of Rs. 10 each	1,90,00,000	1,90,00,000
1,500,000 (Nil) 0% Optionally convertible non-cumulative redeemable preference share of Rs.10 each	1,50,00,000	—
	<u>3,50,00,000</u>	<u>2,00,00,000</u>
Issued, Subscribed & 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)	9,79,200	9,79,200
1,726,976 (previous year:1,378,033) 6% Non-cumulative preference shares of Rs.10 each fully paid up	1,72,69,760	1,37,80,330
1,000,000 (previous year:Nil) 0% Optionally convertible non-cumulative redeemable preference share of Rs.10 each	1,00,00,000	—
	<u>2,82,48,960</u>	<u>1,47,59,530</u>
Notes : 1. (a) 3,48,943 6% Non-cumulative redeemable preference shares shall be redeemed at any time after expiry of three years but before twenty year from the date of issue i.e. 28 July, 2008. (b) 13,78,033 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. 2. 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.		
SCHEDULE '2'		
Reserves and Surplus		
Capital subsidy (Received from Ministry of New & Renewable Energy Sources - small hydro power division for setting up of Sarbari - I)	3,56,25,000	—
Surplus as per profit and loss account	34,74,702	—
	<u>3,90,99,702</u>	<u>—</u>
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).	30,11,27,426	28,71,61,421
Cash credit		
(Secured against hypothecation of stocks of consumables and sundry debtors of the Company)	56,48,060	—
From others :		
Vehicle loans		
Kotak Mahindra Prime Limited (Secured against hypothecation of vehicles)	15,26,216	17,60,790
	<u>30,83,01,702</u>	<u>28,89,22,211</u>
SCHEDULE '4'		
UNSECURED LOANS		
From body corporates (Interest free)	9,90,21,000	11,51,04,000
	<u>9,90,21,000</u>	<u>11,51,04,000</u>

SCHEDULE ' 5 '

FIXED ASSETS

Sr. No.	Description of Assets	GROSS BLOCK (AT COST)			DEPRECIATION			NET BLOCK	
		As at 1.4.08 Rs.	Additions Rs.	As at 31.3.09 Rs.	Upto 31.3.08 Rs.	For the year Rs.	Upto 31.3.09 Rs.	As at 31.3.09 Rs.	As at 31.3.08 Rs.
1.	Leasehold land	—	1,26,16,496	1,26,16,496	—	3,15,412	3,15,412	1,23,01,084	—
2.	Plant and machinery	45,981	35,82,29,901	35,82,75,882	277	1,65,31,904	1,65,32,181	34,17,43,701	45,704
3.	Building	—	3,19,60,673	3,19,60,673	—	8,21,371	8,21,371	3,11,39,302	—
4.	Furniture and Fixture	1,19,419	1,06,393	2,25,812	59,964	9,430	69,394	1,56,418	59,455
5.	Vehicles	27,56,636	9,34,053	36,90,689	3,16,544	3,13,022	6,29,566	30,61,123	24,40,092
6.	Office equipments	73,180	1,73,314	2,46,494	12,032	16,979	29,011	2,17,483	61,148
7.	Computers	1,89,109	1,22,230	3,11,339	35,145	41,085	76,230	2,35,109	1,53,964
	Total	31,84,325	40,41,43,060	40,73,27,385	4,23,962	1,80,49,203	1,84,73,165	38,88,54,220	27,60,363
	Previous Year	30,45,535	1,38,790	31,84,325	1,16,852	3,07,110	4,23,962	27,60,363	

As at
31st March, 2009
Rs.

As at
31st March, 2008
Rs.

SCHEDULE ' 6 '

PRE-OPERATIVE EXPENDITURE DURING CONSTRUCTION PERIOD

(Pending capitalisation/allocation)

Pre-operative expenses brought forward from previous year	6,28,45,558	2,01,86,157
Additions during the year :		
Salary and allowances	37,07,517	44,23,439
Staff welfare expenses	2,20,894	2,60,310
Professional charges	15,11,770	15,44,334
Travelling and conveyance	19,81,550	24,21,308
Filing fees	—	8,612
Rent	95,306	3,17,422
Bank interest		
- on term loans	52,37,697	2,29,96,129
- others	1,19,051	2,22,711
Bank charges and commission	5,68,872	6,26,190
Office expenses	—	808
Telephone expenses	1,18,635	1,66,124
Transportation charges	1,30,560	2,90,845
Testing fees	—	6,12,308
Fees to government	8,00,325	—
Legal fees	53,500	—
Insurance charges	1,24,074	10,33,043
Vehicle expenses	8,63,005	7,86,217
Postage and courier	8,109	12,694
Electricity charges	15,349	25,606
Printing and stationery	59,140	52,379
Guest house expenses	—	4,185
Membership and subscription	5,000	2,90,952
Lodging and boarding expenses	6,93,908	9,86,504
Repairs and maintenance	23,704	51,342
Rates and taxes	7,79,365	6,221
Donations	10,50,000	9,25,000
Development expenses	—	12,07,055
Advertisement expenses	3,40,932	1,43,932
Forward contract premium	—	6,64,027
Foreign exchange fluctuation loss	—	15,39,878
Business promotion	1,23,334	7,20,048

	As at 31st March, 2009 Rs.	As at 31st March, 2008 Rs.
SCHEDULE '6' (Contd.)		
Auditors remuneration :		
- Audit fees	—	1,06,742
- Other services	—	—
Depreciation	78,020	3,07,110
Miscellaneous expenses	1,10,054	79,267
Preliminary expenses written off	—	3,159
Provision for taxation :		
- Income tax	—	2,43,000
- Fringe benefit tax	—	3,10,000
Total 'A'	<u>8,16,65,228</u>	<u>6,35,75,058</u>
Less :		
Interest income on fixed deposits (TDS Rs.10,004 ; previous year Rs.97,148)	62,953	6,61,111
Interest on loans (TDS Rs. Nil ; previous year Rs. Nil)	—	15,822
Revenue during trial run (Sale of electrical energy)	24,03,250	—
Miscellaneous income	—	52,567
TOTAL 'B'	<u>24,66,203</u>	<u>7,29,500</u>
TOTAL (A-B)	<u>7,91,99,025</u>	<u>6,28,45,558</u>
Less : Pre-operative expenditures capitalised during the year - Sarbari - I		
Less : Pre-operative expenditures allocated to Sarbari - II	47,63,413	—
Less : Prior year pre-operative expenditures written off	21,28,830	—
	<u>1,35,95,013</u>	<u>6,28,45,558</u>
SCHEDULE '7'		
CURRENT ASSETS, LOANS AND ADVANCES		
CURRENT ASSETS		
Inventories (As valued and certified by the management)		
Stores and spares	5,18,476	—
TOTAL 'A'	<u>5,18,476</u>	<u>—</u>
Sundry Debtors (Unsecured, considered good)		
Outstanding for a period exceeding six months	24,03,250	—
Others	34,79,250	—
TOTAL 'B'	<u>58,82,500</u>	<u>—</u>
Cash and bank balances		
Cash on hand	12,80,547	1,00,968
Bank balance with scheduled banks :		
- Incurrent accounts	35,98,973	49,39,771
- In fixed deposit accounts	11,64,101	13,92,500
TOTAL (C)	<u>60,43,621</u>	<u>64,33,239</u>
Note		
Fixed deposit includes Rs. 11,05,000 (previous year Rs. 13,92,500) 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	1,44,903	72,198
TOTAL (D)	<u>1,44,903</u>	<u>72,198</u>
LOANS AND ADVANCES		
Loans and advances (Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	1,12,36,810	31,73,680
Deposit	5,12,815	9,62,815
Taxes paid (including fringe benefit tax Rs. 7,48,691; previous year Rs. 4,57,510)	26,35,583	10,48,170
TOTAL (E)	<u>1,43,85,208</u>	<u>51,84,665</u>
TOTAL (A TO E)	<u>2,69,74,708</u>	<u>1,16,90,102</u>

	As at 31st March, 2009 Rs.	As at 31st March, 2008 Rs.
SCHEDULE ' 8 '		
CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITY		
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')	99,14,646	1,38,41,309
Other liabilities	95,766	3,65,502
Interest accrued but not due on loans	—	16,560
TOTAL 'A'	<u>1,00,10,412</u>	<u>1,42,23,371</u>
PROVISIONS		
Provision for taxation	9,86,016	4,49,170
Provision for fringe benefit tax	7,10,000	4,75,000
Provision for retirement benefits	3,95,738	3,95,628
TOTAL 'B'	<u>20,91,754</u>	<u>13,19,798</u>
TOTAL (A+B)	<u>1,21,02,166</u>	<u>1,55,43,169</u>
SCHEDULE ' 9 '		
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Preliminary expenses	12,638	15,797
Less : Written off during the year	3,159	3,159
	<u>9,479</u>	<u>12,638</u>
SCHEDULE ' 10 '		
OTHER INCOME		
Interest income on fixed deposits (Tax deducted at source Rs.28,598)	1,79,957	
Miscellaneous income	10,500	
	<u>1,90,457</u>	
SCHEDULE ' 11 '		
EMPLOYEES' REMUNERATION AND BENEFITS		
Salaries, wages and bonus	37,00,805	
Contribution to provident and other funds	51,702	
Staff welfare expenses	1,64,251	
	<u>39,16,758</u>	
SCHEDULE ' 12 '		
MANUFACTURING AND ADMINISTRATIVE EXPENSES		
Stores and spares	7,38,026	
Insurance charges	7,50,597	
Rent	23,059	
Repairs and maintenance :		
-Plant and machinery	2,63,573	
-Others	1,09,859	
Auditors' remuneration		
- Audit fees	1,04,842	
Legal and professional charges	6,87,242	
Vehicle expenses	8,90,374	
Traveling and conveyance	4,64,770	
Rebate paid	4,28,151	
Bank charges	2,03,816	
Security charges	3,46,377	
Miscellaneous expenses	10,47,917	
	<u>62,58,603</u>	

	Current Year Rs.
SCHEDULE '13'	
INTEREST AND FINANCE CHARGES	
Interest :	
- On term loans	2,79,02,293
- Others	<u>4,39,898</u>
	<u>2,83,42,191</u>

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.

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.

Fringe benefit tax has been paid or provided on the basis of expenses incurred under specified head as provided under the 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.

o) Miscellaneous expenditure:

Preliminary expenses are written off in 10 equal annual installments.

2. Contingent liabilities not provided for in respect of :

Particulars	As at 31.03.2009 (Rs.)	As at 31.03.2008 (Rs.)
a) Bank guarantee issued in favour of Governemnt of Himachal Pradesh, State Electricity Board, Kullu, Himachal Pradesh.	—	15,75,000
b) Bank guarantee issued in favour of Assistant Excise and Taxation Commissioner, Dist. Kullu, Himachal Pradesh	—	2,00,000
c) Bank Guarantee issued in favour of the President of India through Assistant/Deputy Commissioner of Customes, ICD, Tuglakabad, New Delhi.	1,08,50,000	1,08,50,000
d) Bank Guarantee issued in favour of the Tata Power Company Limited.	2,00,000	—
Total	1,10,50,000	1,26,25,000

3. Capital Commitments (net of advances) :

Particulars	As at 31.03.2009 (Rs.)	As at 31.03.2008 (Rs.)
Estimated amount of contracts remaining to be executed on capital account	31,19,72,999	28,75,641

4. The Company has commissioned during the year 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 at an estimated capital outlay of Rs 3,900 lacs. The Other 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. a) Borrowing cost of Rs. 33,027,280 attributable to the acquisition or construction of qualifying assets is capitalized during the year as part of the cost of such assets.
 b) Exchange difference of Rs.2,684,314 in respect of liabilities and loans taken to acquire fixed assets is capitalized during the year as part of cost of such assets.

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

Sr. No.	Particulars	As at 31.03.2009 (Rs.)	As at 31.03.2008 (Rs.)
1.	Civil works	14,116,901	217,124,875
2.	Electro mechanic supplies	8,800,000	91,848,290
3.	Transmission line	11,492,364	21,457,329
4.	Advance to suppliers and consultants	21,528,736	24,191,126
5.	Advance for land and other procurement charges	0	5,888,059
Total – Capital work-in-progress		55,938,001	360,509,679
Add : Pre-operative expenditures (pending capitalization /allocation)		13,595,013	62,845,558
Total - Capital work-in-progress including pre- operative expenditures		69,533,014	423,355,237

7. Disclosure under (AS) – 15 (Revised 2005) :

In the current year, the Company has adopted Accounting Standard (AS) - 15 (Revised) "Employee Benefits" which is mandatory from accounting periods commencing on or after 7 December 2006. Accordingly, 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.50,452 recognized as expense for the year.

b. Defined Benefit Plan:

Gratuity Fund

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 funded 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 2009.

	Gratuity (Unfunded)	Leave encashment (Unfunded)
a) Change in present value of obligation		
Present value of obligation as at 1 April 2008	1,23,098	1,95,874
Interest cost	11,263	14,691
Service cost	1,10,245	1,48,036
Benefits paid	—	—
Actuarial (gain)/loss on obligation	(64,811)	(1,42,658)
Present value of obligation as at 31 March 2009	1,79,795	2,15,943
b) Change in fair value plan assets		
Fair value of plan assets as at 1 April 2008	—	—
Expected return on plan assets	—	—
Contributions	—	—
Benefits paid (estimated upto 31.03.2009)	—	—
Actuarial gain/(loss) on plan assets	—	—
Fair value of plan assets as at 31 March 2009	—	—
c) Amount recognized in the Balance Sheet		
Present value of obligation, as at 31 March 2009	1,79,795	2,15,943
Fair value of plan assets as at 31 March 2009	—	—
Assets / (Liabilities) recognized in the Balance Sheet (shown as provisions in Schedule I - Current liabilities and provisions)	1,79,795	2,15,943
d) Expense recognized during the year		
Current service cost	1,10,245	1,48,036
Interest cost	11,263	14,691
Expected return on plan assets	—	—
Net Actuarial (gain)/loss to be recognized	(64,811)	(1,42,658)
Net periodic cost	56,697	20,069
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	—	—

8. **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.

9. **Related party disclosure :**

(i) Related party relationships :

Holding Company	Deepak Spinner Limited
Enterprises in which key management personnel or relatives of key management personnel have Significant influence	Chinar Tie Up Private Limited, Ellora Mercantile Private Limited, India Ener-Gen Limited, Vindhyachal Hydro 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 (68,200,000)
Unsecured loan repaid	17,783,000 (3,200,000)
Issue of preference shares	10,000,000 (—)
Guarantees issued to banks on behalf of the Company	594,000,000 (305,000,000)
Collaterals issued to banks on behalf of the Company	136,100,000 (136,100,000)
Balances payables	99,021,000 (115,104,000)

(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		
Chinar Tie Up Private Limited	1,400,000	33,900,000
Ellora Mercantile Private Limited	300,000	21,100,000
India Ener-Gen Limited	—	28,328,024
Unsecured loans repaid		
Ellora Mercantile Private Limited	7,783,000	—
India Ener-Gen Limited	9,000,000	3,200,000
Issue of preference shares		
Vindhyachal Hydro Power Limited	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	441,100,000

10. Earnings per share :

Sr. No.	Particulars	As at 31/03/2009 Rs.
(i)	Net profit after tax as per profit and loss account (Rs.)	5,603,532
(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.)	57.23
(iv)	Weighted average number of equity shares outstanding during the year for diluted earnings per share (No.)	284,905
(v)	Diluted earnings / (loss) per share (Rs.)	19.67
(vi)	Nominal value of share (Rs.)	10.00

11. (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 2009 of Rs.1,402,109 has been recognized.

12. 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.

13. (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.

14. Expenditure in foreign currency (on actual payment basis) :

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Travelling and lodging/boarding expenses	—	8,18,319

15. 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

2,52,94,997 (units)

16. (a) The Company has started its commercial production on 17 May 2008; hence no Profit and loss Account has been prepared for previous year 2007-08.

- (b) 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 **SURESH SURANA & ASSOCIATES**

Chartered Accountants

RAMESH GUPTA

Partner

Membership No. 102306

Place : Mumbai

Date : July 17, 2009

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 State Code : 06
2001 PLC 024791
Balance Sheet Date : 31.03.2009

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

Public Issue (Net of allotment money in arrears) : NIL
Rights Issue : NIL
Bonus Issue : NIL
Private Placement : 13,489

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

Total Liabilities 4,86,773
Total Assets 4,86,773

Sources of Funds

Paid-up Capital : 28,249
Share Application Money : NIL
Reserves & Surplus : 39,100
Secured Loans : 3,08,302
Unsecured Loans : 99,021

Application of Funds

Net Fixed Assets (including capital work-in-progress : 4,58,387
including capital advances and pre-operative
expenditure during construction period)
Deferred Tax Assets : 1,402
Investments : NIL
Net Current Assets : 14,873
Miscellaneous Expenditure : 10

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

Turnover : 61,543
Total Expenditure : 56,570
(Net of increase/decrease in stocks)
Profit before Tax : 4,973
Profit after Tax : 5,603
Basic earnings per share in Rs. : 57.23 (Face value Rs. 10/-)
Diluted earnings per share in Rs. : 19.67 (Face value Rs. 10/-)
(Not annualised)
Dividend Rate (%) : NIL

V. Generic names of three principal products/services of Company : (As per monetary terms)

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

For **SURESH SURANA & ASSOCIATES**

Chartered Accountants

RAMESH GUPTA

Partner

Membership No. 102306

Place : Mumbai

Date : July 17, 2009

For and on behalf of the Board of Directors

SHRIKANT SOMANI
Director

BHAVIN SHETH
Director



DEEPAK SPINNERS LIMITED

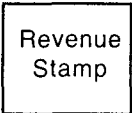
Regd. Office : 121, Industrial Area, Baddi
Tehsil : Nalagarh, Distt. Solan (H.P.)

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 11th September, 2009 at 11.30 A.M.
and at any adjoumment thereof.

AS WITNESS my/our hand this day of 2009.
Signed by the said
Regd. Folio No.
D.P. & Client ID No.



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 : Nalagrh, Distt. Solan (H.P.). on Friday,
the 11th September, 2009.

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