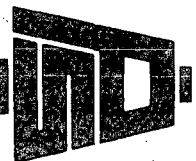


*29th  
Annual  
Report  
2008-2009*



**PASUPATI SPINNING & WEAVING MILLS LIMITED**



## CORPORATE INFORMATION

### Board of Directors

Shri Ramesh Kumar Jain  
Shri S.K. Chhajer  
Shri Praveen Paliwal  
Shri Deepak Gupta

— Chairman & Managing Director  
— Whole-time Director  
— Director  
— Director (IDBI Nominee)

### Company Secretary

Ms. Rekha Sharma

### President (Finance)

Shri A.K. Monga

### Auditors

M/s. B.K. Shroff & Co.,  
3/7-B, Asaf Ali Road,  
New Delhi-110002.

### Bankers

Bank of Baroda  
The Nainital Bank Ltd.  
State Bank of Patiala  
Canara Bank

Punjab National Bank  
State Bank of Travancore  
ING Vysya Bank Ltd.

### Registered Office & Works

Village Kapriwas (Dharuhera),  
Distt. Rewari,  
Haryana.

**Sewing Thread Unit :**  
Village Kheri (Kala-Amb),  
Distt. Sirmour,  
Himachal Pradesh.

### Head Office

1501, Nirmal Tower,  
26, Barakhamba Road,  
New Delhi-110001.  
E'mail : pasupatidelhi@vsnl.net

### Registrars & Shares / Debentures

#### Transfer Agents

M/s. Skyline Financial Services Pvt. Ltd.  
246, 1st Floor, Sant Nagar,  
East of Kailash, New Delhi-110065  
Phones : +91-11-26292682, 26292683  
Fax : +91-11-26292681  
E'mail : admin@skylinerta.com

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## NOTICE

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NOTICE is hereby given that the 29th Annual General Meeting of the Members of the Company will be held at the Registered Office and Works of the Company at Village Kapriwas (Dharuhera), Distt. Rewari, Haryana on Tuesday the 29th September, 2009 at 12.00 Noon to transact the following business :

### ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2009 and Profit & Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
2. To appoint Auditors and fix their remuneration.

### SPECIAL BUSINESS :

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 311 & 316 and all other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals as may be necessary, the Company hereby approves the re-appointment of Shri S.K. Chhajer as Whole-time Director of the Company for a further period of five years w.e.f. 29.03.2010.

RESOLVED FURTHER THAT subject to approval of IDBI, Central Government and all such approvals as may be necessary, the remuneration / salary of Shri S.K. Chhajer, Whole-time Director of the Company be and is hereby increased from the existing Rs. 18075/- per month to Rs. 50,000/- per month for the fresh term of his appointment starting from 29.03.2010 for a period of five years.

RESOLVED FURTHER THAT all other perks will remain the same as already approved by the shareholders of the company in their meeting held on 30.10.2004."

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

"RESOLVED THAT Shri Praveen Paliwal be and is hereby appointed as Director of the Company."

BY ORDER OF THE BOARD  
For PASUPATI SPINNING & WEAVING MILLS LIMITED

### Registered Office

Village Kapriwas  
(Dharuhera), Distt. Rewari,  
HARYANA  
Dated : 4th September, 2009

**REKHA SHARMA**  
COMPANY SECRETARY



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**NOTES :**

1. Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself. A proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
  2. The Register of Members and Share Transfer Books of the Company will remain closed from Friday the 25th September, 2009 to Tuesday the 29th September, 2009 (both days inclusive).
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**EXPLANATORY STATEMENT  
PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

**Item No. 3**

The present term of appointment of Shri S.K. Chhajer is expiring on 28.03.2010. It is proposed to re-appoint him for a further period of five years w.e.f. 29.03.2010 on the terms and conditions stated in the resolution:

None of the Directors except Shri S.K. Chhajer is deemed to be interested in the said Resolution.

The above Statement may be regarded as an abstract for the Term and Memorandum of Interest under Section 302 of the Companies Act, 1956.

**Item No. 4**

Shri Praveen Paliwal was co-opted as an Additional Director on the Board of the Company with effect from 18.05.2009. He holds office up to the conclusion of this Annual General Meeting. A notice proposing his name as Director has been received from a shareholder.

Shri Praveen Paliwal is interested in the resolution to the extent of his appointment as it concerns him. Apart from him, no other Director is interested in the resolution.

None of the Directors except Shri Praveen Paliwal is deemed to be interested in the said Resolution.

The above Statement may be regarded as an abstract for the Term and Memorandum of Interest under Section 302 of the Companies Act, 1956.

## ANNEXURE

**PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGE, FOLLOWING INFORMATION IS FURNISHED ABOUT THE DIRECTORS PROPOSED TO BE APPOINTED / RE-APPOINTED :**

Name of the Director	Shri S.K. Chhajer	Shri Praveen Paliwal
Date of Birth	09.02.1957	02.07.1964
Qualification	Graduate	
Nature of Experience	Industrial & Business experience of about 25 years	
Name of the Companies in which he holds Directorship	- Pasupati Spinning & Weaving Mills Limited	- Pasupati Spinning & Weaving Mills Limited
Name of the Committees of the Companies of which he holds Membership / Chairmanship	<b>Pasupati Spinning &amp; Weaving Mills Limited</b>  -Share / Debenture Transfer -cum-Shareholders / Investors Grievance Committee (Member)  -Finance & PCD / NCD / Share Committee (Member)  -Audit Committee (Member)  -Remuneration Committee (Member)	<b>Pasupati Spinning &amp; Weaving Mills Limited</b>  -Audit Committee (Member)  -Remuneration Committee (Member)



## DIRECTORS' REPORT

### TO THE MEMBERS

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

### FINANCIAL RESULTS :

	For the Year 2008-09	For the Year 2007-08
	(Rs. in Lacs)	(Rs. in Lacs)
Sales & Other Income	10331.15	14035.43
Profit before Interest and Depreciation	505.47	1148.41
Financial Charges	673.20	550.03
Depreciation	371.30	382.29
Profit / (Loss)- before Taxes	(539.04)	216.09
Payment / Provision for Taxation	189.12	19.34
Profit / (Loss) after taxation but before extra-ordinary items :	(728.16)	196.75
Extra-ordinary Items	7515.18	0.31
Impairment Loss of fixed assets	(802.22)	-
Net profit after extra ordinary items	5984.80	197.06

### OPERATIONS :

During the year under review, your company achieved Sales Turnover of Rs. 1033.15 Lacs and incurred Net loss of Rs. 728.16 Lacs as compared to Net Profit of Rs. 196.75 Lacs in last year. However after taking into account extra ordinary items the company has earned a net profit of Rs. 5984.80 Lacs as compared to Rs 197.06 in last year.

The working of Sewing Thread unit during the year 2008-09 has remained satisfactory. However, the profitability of the Sewing Thread unit has been affected due to slow down in Europe and America and also due to appreciation of Indian Rupee. However, from the first quarter of 2009-10, the working of Sewing Thread Unit is improving and we expect further improvement during the Financial Year 2009-10.

The Company is pleased to inform that we have been approved by various international brands such as GAP, BENETTON, MEXX/LIZ CLAIBORNE, NIKE, NEXT (NSL), REEBOK-INDIA, MONDIAL (C&A), THE CHILDREN'S PLACE- TCP, ADIDAS (INDIA), SPIRE, OSHO, LACOSTE (Sports & Leisure Apparels-Trial) GEORGE (IMPULSE), DEBENHAMS (IMPULSE), NEXT (Impulse) & ESPIRIT Outlet (Impulse). We hope that our sales and profitability will increase further as we would be able to increase the volume of finished sewing thread from the existing level 30% to 50% as also the sale of finished sewing thread will be from Rs. 24 Crores per annum to Rs. 36 Crores per annum.

The working of our Dharuhera unit has been adversely affected due to exorbitant rise in cotton prices, yarn prices and depreciation in rupee, international slowdown impact and high fuel prices and employment cost and hence the operations of the unit became unviable. Therefore, we were forced to suspend production activities at our Dharuhera plant since September, 2008. The prices of cotton in international market are ruling far below MSP and hence we are hopeful that the Government should certainly come out with some package to support the Textile Industry whereby cotton may be available to us at international prices and some other major relief so that the operation should again become viable to bring the textile industry back on track.

However, value added products such as knitted fabric, garments etc. are in production. The management is trying to increase the quantum of production quarter by quarter. The working of the current year is better because the loss making unit has been closed and the value added production at both the units is going on and hence the working of the company will definitely be better in the coming years.

**SETTLEMENT WITH FINANCIAL INSTITUTIONS :**

In order to make the company viable, the company had approached IFCI and IDBI for OTS in order to reduce interest burden.

The dues of IFCI have since been settled by swapping surplus 9 acres of factory land situated in the Dharuhera factory compound.

IDBI (SASF) has also agreed to accept the balance outstanding dues of Rs.3145 Lacs in monthly instalments over a period of three years upto 31st March 2012 carrying simple interest @ 10% p.a. plus issue of shares equivalent to 10% of fully paid up capital of the company post de-rating and post fresh issue of equity capital subject to a minimum of 6 lac equity shares of Rs. 10 each.

**REFERRING THE COMPANY TO BOARD FOR INDUSTRIAL & FINANCIAL RESTRUCTURING :**

As mentioned in the last years report, the Company has already been declared a Sick Unit u/s 3 (1) (6) of the Act on 14.07.2005. The requisite proceedings for the restructuring of the company are in process with BIFR.

**DIVIDEND :**

In view of the requirement of fund for working capital of the company, the Board of Directors is not in a position to recommend any dividend for the year under review.

**DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217 (2AA) OF THE COMPANIES ACT, 1956 :**

Your Directors hereby confirm that :

- i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures



- 
- ii) the directors had selected such accounting policies and applied them consistently and made judgements 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 the period;
  - iii) the directors had 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) the directors had prepared the annual accounts on a going concern basis.

**INDUSTRIAL RELATIONS :**

Industrial relations continued to be cordial during the year under review.

**STATEMENT PURSUANT TO LISTING AGREEMENT / (S) :**

The Company's securities are listed at Mumbai Stock Exchange & Delhi Stock Exchange and the Company has paid Annual Listing Fee to Bombay Stock Exchange for the year under review & for the current year.

**CORPORATE GOVERNANCE :**

A report on the implementation of Corporate Governance is enclosed which forms a part of Directors' Report.

**DIRECTORS :**

Shri H.P. Mathur, Whole-time Director of the Company resigned from the board and the Company w.e.f. 01.03.2009. The Directors place on record their appreciation for the valuable services rendered by him while working in the Company.

**AUDITORS' REMARKS :**

The observations as referred to in the Auditors' Report are self-explanatory and, therefore, do not call for any further comments.

**ADDITIONAL INFORMATION :**

Energy conservation measures, progress made in technology absorption and foreign exchange earning and outgo, as required by the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rule, 1988 is annexed and form part of this Report

**ACKNOWLEDGEMENT :**

Yours Directors wish to place on record their deep appreciation of the continued support and co-operation received from All India Financial Institutions, Banks, Central and State Governments, dealers and customers of the Company.

For and on behalf of The Board of Directors

PLACE : NEW DELHI  
DATED : 4th September, 2009

**RAMESH KUMAR JAIN**  
CHAIRMAN & MANAGING DIRECTOR



## CORPORATE GOVERNANCE

### INTRODUCTION

The Securities and Exchange Board of India has introduced a Code of Corporate Governance (Code) by way of amendment to the listing agreements with the Stock Exchanges. The Company has complied with the mandatory requirements of the Code.

#### (I) Company's Philosophy on Corporate Governance :

The philosophy of the Company is to enhance the long-term economic value of the Company, its stake holders and the society at large by adopting better-corporate practices in fair and transparent manner by aligning interest of the Company with its shareholders and other key stake holders.

#### (II) Board of Directors :

- a) The total strength of the Board as on 01.04.2008 was 4 Directors comprising of 3 (three) Executive Directors and 1 (one) Non-executive (Nominee) Director. During the year 01.04.2008 to 31.03.2009, there was change in the directorship as Shri H.P. Mathur, Whole Time Director has resigned from the Board of the Company w.e.f. 01.03.2009.
- b) During the year ended 31.03.2009, 5 (five) Board Meetings were held with at least one meeting in every quarter on 21.04.2008, 30.07.2008, 06.09.2008, 16.10.2008 & 27.01.2009.

Statement of Attendance of each Director at the Board Meetings held during the Year and Last AGM :

S. No.	Name of the Director	Executive / Independent / Non executive / Nominee	No. of Meetings held	No. of Meetings Attended	Attendance at last AGM on 29.09.2008
1.	Shri Ramesh Kumar Jain	Chairman & Managing Director	5	5	Not present
2.	Shri S.K. Chhajjer	Whole Time Director	5	5	Not present
3.	Shri H.P. Mathur	Whole Time Director	5	1	Present
4.	Shri Deepak Gupta	IDBI Nominee	5	5	Not present

Details of Board Meetings held during the year :

S.No.	Date	Board Strength	No. of Directors Present
1	21.04.2008	4	4
2	30.07.2008	4	3
3	06.09.2008	4	3
4	16.10.2008	4	3
5	27.01.2009	4	3



Number of Directorship on other Boards & Membership/ Chairmanship of Committees of other Boards as on 31.03.2009.

S.No.	Name of Director	No. of Director-ship in Other Boards	Membership of Committees of Other Boards	Chairmanship of Committees of Other Boards
1.	Shri Ramesh Kumar Jain	1	NIL	NIL
2.	Shri S.K. Chhajer	NIL	NIL	NIL
3.	Shri H.P. Mathur	Not Applicable	Not Applicable	Not Applicable
4.	Shri Deepak Gupta, IDBI Nominee	2	NIL	NIL

**(III) Audit Committee :**

The strength of the Audit Committee as on 01.04.2008 was three members i.e. Shri Deepak Gupta (Nominee IDBI) as Chairman, Shri S.K. Chhajer & Shri H.P. Mathur as Members. The role, terms of reference, authority and powers of the Audit Committee are in conformity with the listing agreement and as prescribed under Section 292 A of the Companies Act, 1956. The Company Secretary is the Secretary of the Audit Committee. Shri H.P. Mathur ceased to be a director w.e.f. 01.03.2009 and therefore, the strength of the Committee was two members.

Composition and Attendance at the Audit Committee Meetings :

Date of the Meetings	Composition	Attendance (Yes / No)	Chairman
21.04.2008	1. Shri Deepak Gupta, Chairman 2. Shri S.K. Chhajer, Member 3. Shri H.P. Mathur, Member	YES YES YES	Shri Deepak Gupta
30.07.2008	1. Shri Deepak Gupta, Chairman 2. Shri S.K. Chhajer, Member 3. Shri H.P. Mathur, Member	YES YES NO	Shri Deepak Gupta
06.09.2008	1. Shri Deepak Gupta, Chairman 2. Shri S.K. Chhajer, Member 3. Shri H.P. Mathur, Member	YES YES NO	Shri Deepak Gupta
16.10.2008	1. Shri Deepak Gupta, Chairman 2. Shri S.K. Chhajer, Member 3. Shri H.P. Mathur, Member	YES YES NO	Shri Deepak Gupta
27.01.2009	1. Shri Deepak Gupta, Chairman 2. Shri S.K. Chhajer, Member 3. Shri H.P. Mathur, Member	YES YES NO	Shri Deepak Gupta

## – Details of remuneration/sitting fees paid to the directors :

Amount (Rs.)

Sl. No.	Name of the Director	Description of Transaction	Basic	Perquisites	Sitting Fee	Total
1	Shri Ramesh Kumar Jain Chairman & Mg. Director	Remneration & perquisites	–	65575	–	65575
2	Shri S.K. Chhajer Whole Time Director	Remneration & perquisites	216900	83868	–	300768
3	Shri H.P. Mathur Whole Time Director	Remneration & perquisites	165000	77788	242788	–
4	Shri Deepak Gupta (IDBI Nominee)	Remneration & perquisites	–	–	1000	1000

**(IV) Remuneration Committee :**

The strength of the Remuneration Committee as on 01.04.2008 was three members i.e. Shri Deepak Gupta (Nominee IDBI) as Chairman, Shri S.K. Chhajer & Shri H.P. Mathur as Members. Shri H.P. Mathur ceased to be a director w.e.f. 01.03.2009. The role, terms of reference, authority and powers of the Remuneration Committee are in conformity with the listing agreement and as prescribed under the Companies Act, 1956. The Company Secretary is the Secretary of the Remuneration Committee. A meeting of Remuneration Committee was held on 06.09.2008 during the year under review.

## Composition and Attendance at the Remuneration Committee Meeting :

Date of the Meetings	Composition	Attendance (Yes/ No)	Chairman
06.09.2008	1. Shri Deepak Gupta, Chairman 2. Shri S.K. Chhajer, Member 3. Shri H.P. Mathur, Member	YES YES NO	Shri Deepak Gupta

**(V) Share / Debenture Transfer-cum-Shareholders' / Investors' Grievance Committee :**

As on 01.04.2008 the Share / Debenture Transfer-cum-Shareholders' / Investors' Grievance Committee consisted of three members – Shri Ramesh Kumar Jain, Shri S.K. Chhajer and Shri H.P. Mathur. Shri H.P. Mathur ceased to be a director w.e.f. 01.03.2009. The Committee was vested with the requisite power and authority to specifically look into the redressal of the Shareholders' / Investors' Grievance. The Board designated Shri Anil Kumar Jain, Company Secretary as Compliance Officer up to 31.12.2008 and thereafter, the Board designated Ms. Rekha Sharma, Company Secretary as Compliance Officer. During the year ending 31.03.2009, 36 Meetings of Share / Debenture Transfer-cum Shareholders' / Investors' Grievance Committee were held. The Details of attendance of Members are as under :

S.No.	Name of Member	No. of Meetings Held	No of Meetings attended
1.	Shri Ramesh Kumar Jain	36	36
2.	Shri S.K. Chhajer	36	28
3.	Shri H.P.Mathur	33	32

No complaint was received during the year ended on 31.03.2009.



#### **(VI) Annual General Meetings :**

Location and time for the last three AGM's

Year	Date	Venue	Time
2006	27.12.2006	Village Kapriwas (Dharuhera) Distt. Rewari, Haryana	12.00 Noon
2007	29.09.2007	Village Kapriwas (Dharuhera) Distt. Rewari, Haryana	12.00 Noon
2008	29.09.2008	Village Kapriwas (Dharuhera) Distt. Rewari, Haryana	12.00 Noon

No postal ballots resolutions were passed.

#### **(VII) Disclosures :**

##### **(a) Related Party Transactions :**

Transactions of material nature with Directors / Promoters / their relatives have been disclosed in Note No. 12 on Schedule 21 of the Annual Accounts.

##### **(b) Compliance by the Company :**

The Company has complied with the requirements of the Stock Exchanges, SEBI and other Statutory Authorities on all matters related to capital market during the last three years. No penalties or strictures have been imposed on the Company by the Stock Exchange or SEBI or any other Statutory Authority relating to the above.

#### **(VIII) Means of Communication :**

##### **Half Yearly Report to each household of shareholders :**

The Company has not yet started sending the half-yearly reports to each household of Shareholders. But if any shareholder seeks any information, then the same is provided by the Company.

##### **Quarterly Results :**

Quarterly results are published in English and Hindi Newspapers as per the requirement of listing agreement with the Stock Exchanges. The same are also faxed to the Stock Exchanges where the company is listed. Results of March 2009 quarter have not been published.

##### **Presentation made to institutional investors or to analysts :**

Meetings are held with the financial institutions. They are also provided with a copy of financial results.

**Distribution of Shareholding as on 31.03.2009 :**

	Shareholding	%age
A. Promoters' holding including their relatives Associate Companies	3677610	52.12
B. Non-Promoters Holding		
— Directors	900	0.01
— Institutional Investors Financial Institutions, Banks, Mutual Funds etc.	25705	0.36
— Private Corporate Bodies	1566421	22.20
— Public	1785870	25.31
	7056506	100.00

**Plant Location :**

Polyester Viscose Yarn & Cotton Yarn Unit : Village Kapriwas (Dharuhera)  
Distt. Rewari, Haryana

Sewing Thread Unit : Village Kheri (Kala-amb)  
Distt. Sirmour, H.P.

**(IX) Shareholders information :**

**A. Annual General Meeting :**

Day, Date & Time : Tuesday the 29th September, 2009 at 12.00 Noon

Venue : Registered Office of the Company at  
Village Kapriwas (Dharuhera) Distt. Rewari, Haryana

**B. Book Closure** : 25th September, 2009 to 29th September, 2009  
(both days inclusive)

**C. Registrar & Transfer Agents :**

M/s. Skyline Financial Services Pvt. Ltd., 123, Vinoba Puri, Lajpat Nagar-II, New Delhi are the Registrar and Transfer Agents of the Company for physical and demat segments.

**D. Dematerialisation of Shares and Liquidity :**

79.11% of the total share holdings of equity shares have been dematerialized up to 31.03.2009. Trading in Company's shares is permitted only in demat form w.e.f. 06.09.2000 as per notification issued by the Securities & Exchange Board of India.



#### E. Listing at Stock Exchanges :

The details regarding payment of listing fee to Stock Exchange are given below :

Sl. No.	Name of Stock Exchanges	Listing Fee Paid up to	Stock Code No.
1.	Delhi Stock Exchange Association Ltd	2004-05	A-2
2.	The Stock Exchange, Mumbai	2009-10	A-1

#### Market Price data : High/Low during the year :

In view of the suspension of trading in the scrips by Bombay Stock Exchange and no trading in Delhi Stock Exchange, market data has not been provided.

However, requisite steps have been taken to get revoked the suspension of trading by Bombay Stock Exchange.

#### MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT / OUTLOOK ON THREATS, RISKS AND CONCERNS :

The textile industry during the year 2008-09 passed through recession due to slow down in Europe and America. The volume of export were lower during the year 2008-09 as compared to 2007-08. The export volumes severely affected due to appreciation of Indian rupee as compared to other textile competitive countries such as Bangladesh, Pakistan, Sri Lanka, etc.

The working of Sewing Thread unit during the year 2008-09 has remained satisfactory. However, the profitability of the Sewing Thread unit has been affected due to slow down in Europe and America and also due to appreciation of Indian Rupee. However, from the first quarter of 2009-10, the working of Sewing Thread Unit is improving and we expect further improvement during the Financial Year 2009-10.

The Company is pleased to inform that we have been approved by various international brands such as GAP, BENETTON, MEXX/LIZ CLAIBORNE, NIKE, NEXT (NSL), REEBOK-INDIA, MONDIAL (C&A), THE CHILDREN'S PLACE- TCP, ADIDAS (INDIA), SPIRE, OSHO, LACOSTE (Sports & Leisure Apparels-Trial) GEORGE (IMPULSE), DEBENHAMS (IMPULSE), NEXT (Impulse) & ESPIRIT Outlet (Impulse). We hope that our sales and profitability will increase further as we would be able to increase the volume of finished sewing thread from the existing level 30% to 50% as also the sale of finished sewing thread will be from Rs. 24 Crores per annum to Rs. 36 Crores per annum.

The working of our Dharuhera unit has been adversely affected due to exorbitant rise in cotton prices, yarn prices and depreciation in rupee, international slowdown impact and high fuel prices and employment cost and hence the operations of the unit became unviable. Therefore, we were forced to suspend production activities at our Dharuhera plant since September, 2008. The prices of cotton in international market are ruling far below MSP and hence we are hopeful that the Government should certainly come out with some package to support the Textile

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Industry whereby cotton may be available to us at international prices and some other major relief so that the operation should again become viable to bring the textile industry back on track.

However, value added products such as knitted fabric, garments etc. are in production. The management is trying to increase the quantum of production quarter by quarter. The working of the current year is better because the loss unit has been closed and the value added production at both the units is going on and hence the working of the company will definitely be better in the coming years.

**Segment-wise performance :**

Company is only manufacturing textile and textile articles and therefore, segment reporting is not applicable to the Company.

**Internal Control Systems and Adequacy :**

M/s. M.C. Jain & Co. Chartered Accountants was appointed as Internal Auditors of the Company for the year 2008-09 and their report was placed in the Audit Committee Meetings.

**Financial performance :**

The financial performance of the Company has been given separately in the Directors' Report.

**Human Resources :**

The key resource for your Company has been its people. Your Company has been able to create a favorable work environment that motivates performance, customer focus and innovation while adhering to the highest degree of integrity.

Industrial relations have continued to be harmonious at all the units throughout the year.

**CEO / CFO Certificate :**

The requisite certificate has been obtained from the CEO / CFO of the Company.

For and on behalf of The Board of Directors

PLACE : NEW-DELHI  
DATED : 4th September, 2009

**RAMESH KUMAR JAIN**  
CHAIRMAN & MANAGING DIRECTOR



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## CONSERVATION OF ENERGY

### a) Energy Conservation Measures Taken :

1. Replacement of ordinary motors by high power factor high efficiency motors.
2. Putting 36 / 38 mm dia-meter rings to get more productivity with same power consumption.
3. Maximum utilisation of natural light in place of tube-light.
4. Adjusted the angle of fan blades at optimum level to maintain the humidity at minimum power consumption.
5. Ring frame lift reduction to get more production with same power consumption (2-3%).
6. Adjusted the blades of S.A. & R.A. Fans at H. Plants to maintain humidity with minimum power consumption.
7. Some innovative modifications carried out in machine to reduce down the given load - such as simplex pneumafil suction motor stopped by introducing under clearer.
8. By changing the filter media of filtration plant the filtration efficiency improved and thus reduced the load, on suction fans and effected on energy saving.
9. Optimising the Humidification plants saturation efficiency the load on supply air fan and water pumps reduced.
10. By modifying the compressed air line consumption of compressed air reduced thus resulted in energy saving.
11. We have replaced old reeprrocative compressor with new screw compressor having high efficiency & low consumption of power. There would be 10-15% power saving in compressor units.
12. We have obtained additional sanction of 1000 KVA load during peak hours from HPSEB resulting reduction in P.U. cost of power.
13. The new generation air-compressor is added to save the power consumption as well as maintenance cost.
14. Some modifications carried out in our Humidification Plant provided the stationary V Notch Type Filter in place of Rotary filter and save 3.2 KW/Hrs.
15. Optimize the power voltage and reduce the energy consumption.
16. Optimize the compressed air pressure by reducing from 9.5 Kgs to 8 Kgs and save the power.
17. Over-head cleaner travelling frequency reduced by 3 to 4 minutes in all Ring Frames and achieved the conservation in this area.
18. Plugged all air leakage, hence saving of air results power saving.
19. By installing power capacitors near to load.
20. By replacing conventional Tube-lights with new energy saving (TS) Tube-lights.
21. By maintaining Power Factor 11-100%.
22. By providing transparent sheets at Godowns for maximum utilisation of natural day light.
23. By installing Online Energy Monitoring System in our power house, which helped us to make power saving (approx 5 – 10%).

### b) Additional Investment Proposals, if any, being implemented for Saving Energy :

1. To install spinmax system on Ring frames, enabling to increase productivity without increase in power consumption-upto 5%.

### c) Impact of the Measures for Reduction of Energy Consumption and Conversant Impact on the Cost of Production of Goods :

The above measures have resulted in saving of energy and to that extent the cost had reduced.



**Form A :**

	Current Year	Previous Year
1. Electricity		
A) Power and Fuel Consumption		
a) Purchased Units	27953383	30484263
Total Amount Paid (Rs.)	103828421	103788650
Rate/Unit (Rs.)	3.71	3.405
b) Own generated through Diesel Generators (Units)	574305	11390966
Rate of Diesel/HFO (Rs./Ltr.)	32.56	19.26
Cost/Unit (Rs.)	10.13	5.312
2. Coal Used in Boiler		
Quantity (MT)	1315.688	1664.567
Total Cost (Rs.)	7347510	7342558
Average Cost per MT (Rs.)	5584.54	4411
B) Consumption per Unit of Production		
Production of Yarn (MT)	5720.543	9600.186
Electricity (KWH/Ton)	4886.49	6301.64
Coal (Kg/Ton)	229.99	341.90
Others (Diesel/HFO Ltr/Ton)	31.22	662.182

**Form B : TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT**

Specific areas in which R & D carried out by the Company :

- 1) Developed Cotton / Woollen Yarn
- 2) Developed Bamboo Fibre Yarn
- 3) Developed Polyester / Woollen Yarn
- 4) Well equipped quality control lab with premier art, premier classic, evenness tester, cascade and TPI Tester. Latest addition is premier classic, which helps to optimise yarn forming processes and electronic clearers of winding.

**BENEFITS ARRIVED AS A RESULT OF R&D**

With developing different type of yarn, there is a value addition, hence increase in margins.

With the addition of Premier art and classmate, the quality of yarn is adjudged and control, result increase in Export of yarn.

**FUTURE PLAN OF ACTION**

R&D is being carried out for developing new product range from cotton and polyester fibres such as compact yarn.

Further, R&D activities will continue and more efforts will be made towards new innovations and diversifications of the product range for optimisation of process for improving quality and productivity as well.

**FOREIGN EXCHANGE EARNING AND OUTGO**

Total Foreign Exchange earned (on FOB basis)	Rs. 279800369/-
Total Foreign Exchange used	Rs. 14211230/-



## AUDITORS' CERTIFICATE

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We have examined the compliance of conditions of corporate governance by PASUPATI SPINNING & WEAVING MILLS LIMITED for the year ended on 31st March, 2009, as stipulated in clause 49 of the listing agreement of the said company with stock exchange(s).

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 corporate governance. It is neither an audit nor an expression of opinion on the financial statement of the company.

In our opinion and to the best of our information and according to the explanations given to us, subject to the following :

- i) *Listing agreement requires that the board should comprise of not less than fifty percent non-executive directors. However, during the year number of non-executive directors on the board were less than fifty percent.*
- ii) *Listing agreement requires that in case of an executive chairman, at least half of the board should comprise of independent directors. However, during the year the number of independent directors on the board were less than half.*
- iii) *Listing agreement requires that quarterly result of the company should be placed before the board of directors. Results of March '09 quarter has not been placed before the audit committee/board of directors.*
- iv) *Listing agreement requires that the board shall lay down a code of conduct for all board members and senior management of the company, The code of conduct shall be posted on the website of the company. All board members and senior management personnel shall affirm compliance with the code on annual basis. The annual report of the company shall contain a declaration to that effect signed by the CEO. However, no code of conduct for board members and senior management of the company is laid down.*
- v) *Listing agreement requires that the audit committee shall have minimum three directors as members. During the year from 01.03.2009 to 31.03.2009 the members of audit committee were less than three.*
- vi) *Listing agreement requires that two-thirds of the members of audit committee should be independent directors. However, during the year two- third of the members of audit committee were not independent directors.*
- vii) *Listing agreement requires that the chairman of the audit committee shall be present at the annual general meeting to answer shareholder queries. However, the chairman of the audit committee was not present in the annual general meeting held on 29.09.2008.*
- viii) *Listing agreement requires that the quorum of the audit committee meeting shall be minimum of two independent directors. However, two independent directors were not present in meetings of audit committee held during the year.*

- 
- ix) Listing agreement requires that statement in summary form of transactions with related parties in the ordinary course of business shall be placed periodically before the audit committee. No such information has been placed. However, annual accounts approved by the audit committee includes transactions with related parties during the year.
- x) Listing agreement requires that a shareholders / investors grievance committee be formed under the chairmanship of a non-executive director. However the chairman of share/ debenture transfer cum shareholders / investor's grievance committee of the company is not a non-executive director.
- xi) Annual listing fees payable to delhi stock exchange association limited has not been paid for the financial year 2005-06 to 2008-09.

We certify that the company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

We 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 B.K. SHROFF & CO.,  
Chartered Accountants

Place : New Delhi  
Dated : 4th September, 2009

O.P. SHROFF  
Partner  
Membership No. 06329



## AUDITORS' REPORT

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### To the Members,

1. We have audited the attached Balance Sheet of M/s. PASUPATI SPINNING & WEAVING MILLS LIMITED as at 31st March, 2009 and also the Profit and Loss Account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
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 (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) order, 2004, issued by the Central Government of India in terms of subsection (4A) of Section 227 of the Companies Act, 1956 we enclose in the Annexure 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 above, 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 purpose of our audit.
  - ii. 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 the said books.
  - 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.
  - iv. In our opinion the Balance sheet, Profit & Loss Account and cash flow statement dealt with by this report comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, *subject to our observations in paragraph (vi) below.*
  - v. As per information and explanations given to us, we report that as on 31.3.2009 none of the directors of the company are disqualified from being appointed as a director of the company under Section 274 (1)(g) of the Companies Act, 1956. *As the company has not redeemed its debentures on due dates and as the default continues for more than a year, all directors of the company other than the nominee of a financial institution are not qualified for being appointed as directors of any other public company in terms of provision of Section 274(1)(g) of the Companies Act, 1956 as amended by the Companies Amendment Act, 2000.*

vi. Reference is drawn to :

- (a) Note No. 6(e) on Schedule 21 relating to non-provision of interest on 14% and 15% redeemable partly convertible debentures amounting to Rs. 18338237 (including Rs. 16300655 for earlier years) resulting in the profit for the year before tax to be higher and secured loans to be lower by the said amount.
- (b) Note No. 9 on Schedule 21 relating to accounts of the company for the year-ended 31.03.2009 having been prepared on the basis that the company is a going concern.
- (c) We further report that had the observations made by us in paragraph vi(a) and vi(b) above been considered, the profit for the year before tax would have been Rs. 599053970 as against the reported figure of Rs. 617392207 and secured loans would have been Rs. 717861095 as against the reported figure of Rs. 699522858.

Subject to the 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 other notes appearing in Schedule 21 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 31st March, 2009 and
- 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 flow for the year ended on that date.

for B.K. SHROFF & CO.,  
Chartered Accountants

3/7-B, Asaf Ali Road,  
New Delhi-110 002.  
Dated : 4th September, 2009

O.P. SHORFF  
Partner  
Membership No. 06329



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

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- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, all the fixed assets have been physically verified by the management according to a regular program which in our opinion is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies with respect to book records were noticed on such verification.
- (c) In our opinion and according to explanations given to us, fixed assets disposed off during the year were not substantial and as such the disposal has not affected the going concern concept of the company.
- (ii) (a) As explained to us, physical verification of inventory (except material in transit and lying with third parties) has been conducted by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. Discrepancies noticed on verification of inventory as compared to book records were not material and these have been properly dealt with in the books of accounts.
- (iii) The company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 and hence paragraphs (iii)(a) to (iii)(g) of the aforesaid order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures 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 goods and services.
- (v) According to the information and explanations given to us, during the year there were no transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs v(a) and (b) of the aforesaid order are not applicable.
- (vi) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from public as per the provision of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposit) Rules, 1975. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.

(viii) We have broadly reviewed the books of account maintained by the company pursuant to the order made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of such accounts and records.

(ix) (a) According to the records of the company, the company is not regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues applicable to it. According to information and explanations given to us the undisputed amounts payable outstanding as at 31st March, 2009 for a period of more than six months from the date they became payable are as under :

Name of the Statute	Nature of dues	Amount Rs.	Period to which amount relates
Sales Tax Haryana	Sales Tax	243117	September, 2008
Sales Tax Chennai	Sales Tax	123505	March, 2008

b) According to the records of the company, dues in respect of Sales Tax / Income Tax / Customs Duty / Wealth Tax / Service Tax / Excise Duty / Cess which have not been deposited on account of any dispute are as under :

Name of the Statute	Nature of dues	Amount Rs.	Forum where pending
Central Excise Act	Excise Duty	15061080	Hon'ble Supreme Court
Central Excise Act	Excise Duty	11502981	Hon'ble High Court
Central Excise Act	Excise Duty	3983953 plus Interest	Central Excise & Service Tax Appellate Tribunal
Haryana Value Added Tax Act	VAT	4407602	Joint Excise & Taxation Commissioner

(x) As at 31.03.2009 the accumulated losses of the company are more than fifty percent of its net worth. The company has not incurred cash losses during the financial year covered by our audit and immediately preceding financial year.



(xi) The company has defaulted in payment of dues to financial institutions, banks and debenture holders. Details as per company's books of accounts are as under :

Name of Institution /Bank	Nature of Dues		Due Dates	Remarks
	Principal Rs.	Interest Rs.		
Debentures — 14%	2429330 2430170	437387 6122970	21.12.1999 21.12.2000 Since 30.09.1998 Since 01.04.2000	Not provided in Books of Accounts (Refer Note No. 6(e) in Schedule 21)
Debentures — 15%	2895472 2895472 3257406	1138090 12215267	09.12.2000 09.12.2001 09.12.2002 Since 30.09.1998 Since 01.04.2000	Not provided in Books of Accounts (Refer Note No. 6(e) in Schedule 21)
Debentures — 19%	1666666 1666667 1666666	38520780	03.01.2000 03.01.2001 03.01.2002 Since 03.01.2000	

**Note :** Does not include amount for which one time settlement (OTS) has been negotiated with the lenders and repayment of dues has been rescheduled and payments are being made as per reschedulement. (Refer Note No. 5(d) and 6 (d) on Schedule 21).

The limits with banks were overdrawn for most of the year and were within limits for the remaining part of the year. The overdrawn limits as on 31.03.2009 are as under :

Nature of Limit	Name of the Bank	Limit (Rs. in Lacs)	Balance as per Banks (Rs. in Lacs)	Excess (Rs. in Lacs)	Remarks
Demand Loan	State Bank of Travancore	82.20	83.12	0.92	Borrowings in excess of limit
	Canara Bank	98.00	99.45	1.45	
	Bank of Baroda	136.00	137.44	1.44	
Packing Credit	State Bank of Patiala	316.50	318.66	2.16	
Cash Credit	ING Vysya Bank Ltd.	146.05	149.78	3.73	

Nature of Limit	Name of the Bank	Amount Overdue (Rs.)	Due Date	Remarks
Bill Discounted / Purchased	Bank of Baroda	2369906	17.03.2009	Payment pending on due date
		2571417	22.03.2009	
		2610690	24.03.2009	
	Canara Bank	6726334	02.03.2009	



- (xii) Based on our examination of documents and records maintained by the company, we are of the opinion that since the company has not granted any loan and advance on the basis of security by way of pledge of shares, debentures and other securities, it is not required to maintain records in respect thereof.
- (xiii) In our opinion the company is neither a chit fund nor nidhi/mutual benefit fund/society and hence paragraph 4 (xiii) of the aforesaid order is not applicable.
- (xiv) In our opinion the company is not dealing in or trading in shares, securities, debentures and other investments and accordingly the provisions of paragraph 4(xiv) of the aforesaid order is not applicable.
- (xv) Based on our examination of the records we are of the opinion that the company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion, term loans received during the year have been applied for the purpose for which they were obtained.
- (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 funds raised on a short terms basis have not been used for long term investments.
- (xviii) During the year the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of Companies Act, 1956.
- (xix) During the year the company had not issued any debentures. The company has created security or charge in respect of debentures issued in earlier years.
- (xx) During the year under review no money was raised by public issue.
- (xxi) During the course of our examination of the books and records of the company, carried out in accordance with auditing standards generally accepted in India, we have not come across any instance of fraud by the company or on the company, noticed or reported during the year. We have also not been informed of any such case by the management.

for B.K. SHROFF & CO.,  
Chartered Accountants

3/7-B, Asaf Ali Road,  
New Delhi-110 002.  
Dated : 4th September, 2009

O.P. SHROFF  
Partner  
Membership No. 06329

**BALANCE SHEET**  
**AS AT 31ST MARCH, 2009**



	Schedules	Current Year Rs.		Previous Year Rs.
<b>SOURCES OF FUNDS</b>				
<b>SHAREHOLDERS' FUNDS</b>				
Share Capital	1	57065060	57065060	
Reserves & Surplus	2	137812337	175388090	232453150
<b>LOAN FUNDS</b>				
Secured Loans	3	699522858	1540758401	
Unsecured Loans	4	56706792	58855873	1599614274
Deferred Tax Liability			16685068	—
			967792115	1832067424
<b>APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS</b>				
	5			
Gross Block		1973505961	2023036294	
Less : Depreciation		1462059938	1385482542	
		511446023	637553752	
Add. : Capital Work in Progress		—	130202	637683954
<b>INVESTMENTS</b>	6		881502	881502
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
Inventories	7	177411086	214036834	
Sundry Debtors	8	214737678	268132546	
Cash & Bank Balances	9	21581231	19814027	
Loans & Advances	10	51597800	82496483	
		465327795	584479890	
<b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>				
Current Liabilities	11	235983090	253148031	
Provisions	12	2015000	2021000	
		237998090	255169031	
<b>NET CURRENT ASSETS</b>			227329705	329310859
<b>PROFIT &amp; LOSS ACCOUNT</b>			228134885	864191109
			967792115	1832067424

**NOTES ON ACCOUNTS** 21  
Schedules 1 to 21 form an integral part of the Accounts

As per our report of even date annexed  
For B.K. SHROFF & CO.,  
Chartered Accountants

RAMESH KUMAR JAIN  
Chairman & Managing Director

Place : New Delhi  
Dated : 4th September, 2009

O.P. SHROFF  
Partner  
Membership No.06329

REKHA SHARMA  
Company Secretary

S.K. CHHAJER  
Whole-time Director

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

	Schedules	Current Year Rs.	Previous Year Rs.
<b>INCOME</b>			
Gross Sales		998545261	1388392307
Less : Excise Duty Recovered		104741	7334930
Net Sales		998440520	1381057377
Other Income	13	34675144	22485388
Accretion / (Decretion) in Stocks	14	(35765871)	(9212740)
		<u>997349793</u>	<u>1394330025</u>
<b>EXPENDITURE</b>			
Purchases		7064794	5575852
Raw Materials Consumed	15	479067492	718881349
Job Work Expenses		23825346	34248611
Stores, Dyes & Packing Material		65653716	86757074
Power & Fuel		117019240	171658086
Excise Duty		152011	954558
Employees	16	90599446	122049009
Interest	17	67320497	55002872
Selling & Distribution Expenses	18	54228729	73638979
Other Expenses	19	109191869	65725444
Depreciation		117353247	38228883
		<u>1131476387</u>	<u>1372720717</u>
<b>PROFIT FOR THE YEAR</b>		(134126594)	21609308
Extra Ordinary Items		751518801	30521
(See Note 5(d), 6(d) & 7 on Schedule 21)			
<b>PROFIT BEFORE TAXATION</b>		617392207	21639829
Provision/Payment for Taxation			
Wealth Tax		15000	21000
Fringe Benefit Tax		2000000	2000000
Taxation adjustment of previous years (net)		211668	(87103)
Deferred Tax Liability		16685068	—
<b>PROFIT AFTER TAXATION</b>		598480471	19705932
Balance brought forward from Previous Year		(864191109)	(883897041)
Transfer from Debenture Redemption Reserve		37500753	—
Transfer from Export Incentive Reserve		75000	—
Balance carried to Balance Sheet		<u>(228134885)</u>	<u>(864191109)</u>
Basic / Diluted Earning per Share	20		
Before extra ordinary items		(26.82)	3.45
After extra ordinary items		104.88	3.45
<b>NOTES ON ACCOUNTS</b>	21		
Schedules 1 to 21 form an integral part of the Accounts.			

As per our report of even date annexed  
For B.K. SHROFF & CO.,  
Chartered Accountants

RAMESH KUMAR JAIN  
Chairman & Managing Director

Place : New Delhi  
Dated : 4th September, 2009

O.P. SHROFF  
Partner  
Membership No.06329

REKHA SHARMA  
Company Secretary

S.K. CHHAJER  
Whole-time Director



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

	Schedules	Current Year Rs.	Previous Year Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Profit / (Loss) before Tax and extraordinary item		(134126594)	21609308
Adjustments for :			
Depreciation		117353247	38228883
Interest Income		(1100755)	(1042150)
Profit/Loss on Fixed Assets sold/discarded		(20391446)	347578
Dividend Income		(150)	(422)
Interest Charged		67320497	55002872
Expenses rmg to Unmaterized Project Written Off		130202	—
<b>Operating Profit before Working Capital Changes</b>		<u>29185001</u>	<u>114146069</u>
Adjustments for :			
Trade & Other Receivables		84234583	93206079
Inventories		36625748	51614296
Trade Payables & Other Liabilities		(38533707)	(964977)
<b>Cash Generated from Operations</b>		<u>111511625</u>	<u>258001467</u>
Interest Paid		(38062875)	(41783726)
Taxes Paid		(2173701)	(907945)
<b>Net Cash from Operating Activities</b>		<u>71275049</u>	<u>215309796</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets		(203038)	(9234069)
Sale of Fixed Assets		29348966	575000
Interest Received		1100755	1042150
Dividend Received		150	422
<b>Net Cash used in Investing Activities</b>		<u>(30246833)</u>	<u>(7616497)</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		(99754678)	(211183249)
<b>Net Cash used in Financing Activities</b>		<u>(99754678)</u>	<u>(211183249)</u>
Net Decrease/Increase in Cash and Cash equivalents		1767204	(3489950)
Cash and Cash equivalents at start of the year		19814027	23303977
Cash and Cash equivalents at close of the year		21581231	19814027

Note : Brackets represent cash outflow

### NOTES ON ACCOUNTS

21

Schedules 1 to 21 form an integral part of the Accounts

As per our report of even date annexed  
For B.K. SHROFF & CO.,  
Chartered Accountants

RAMESH KUMAR JAIN  
Chairman & Managing Director

Place : New Delhi  
Dated : 4th September, 2009

O.P. SHROFF  
Partner  
Membership No.06329

REKHA SHARMA  
Company Secretary

S.K. CHHAJER  
Whole-time Director

## SCHEDULES

	Current Year Rs.	Previous Year Rs.
<b>1. SHARE CAPITAL</b>		
<b>Authorised</b>		
12100000 Equity Shares of Rs. 10 each	<u>121000000</u>	<u>121000000</u>
<b>Issued, Subscribed &amp; Paid Up</b>		
5556506 Equity Shares of Rs. 10 each fully paid up	55565060	55565060
1500000 Equity Shares of Rs. 10 each Re. 1 called and paid up	<u>1500000</u>	<u>1500000</u>
	<u>57065060</u>	<u>57065060</u>
<b>2. RESERVES &amp; SURPLUS</b>		
<b>Capital Reserve</b>		
As per last Balance Sheet	6113000	6113000
<b>Share Premium Account</b>		
As per last Balance Sheet	56610090	56610090
<b>Export Incentive Reserve</b>		
As per last Balance Sheet	75000	75000
Less : Transferred to Profit & Loss Account	<u>75000</u>	<u>—</u>
	—	75000
<b>Debenture Redemption Reserve</b>		
As per last Balance Sheet	112590000	112590000
Less : Transferred to Profit & Loss Account	<u>37500753</u>	<u>—</u>
	<u>75089247</u>	<u>—</u>
	<u>137812337</u>	<u>112590000</u>
	<u>137812337</u>	<u>175388090</u>



	Current Year Rs.		Previous Year Rs.	
<b>3. SECURED LOANS</b>				
From Financial Institutions				
Term Loans (a)	326614130		505248220	
Interest accrued and due (a)	—	326614130	560659659	1065907879
From Banks				
Working Capital Loans (b)	296738083		357789173	
Vehicle Loans (c)	940790		1787549	
Interest accrued and due (b)	—	297678873	90720	359667442
From Companies				
Vehicle Loans (c)		140608		454452
Debentures				
5,00,000 19% Redeemable Non Convertible of Rs. 100 each (a)	15841776		28389638	
Add : Interest accrued and due (a)	38520780	54362556	60931354	89320992
2,34,030 14% Redeemable Partly Convertible of Rs. 125 each (a)	4885173		5158993	
Add : Interest accrued and due (a)	437387	5322560	441781	5600774
23,53,856 15% Redeemable Partly Convertible of Rs. 25 each (a)	14266041		18665115	
Add : Interest accrued and due (a)	1138090	15404131	1141747	19806862
		<u>699522858</u>		<u>1540758401</u>

(a) Secured on pari-passu basis by way of joint equitable mortgage of immovable properties both present and future and hypothecation of all movables subject to prior charge in favour of the company's bankers for working capital requirements alongwith personal guarantee of the Chairman & Managing Director (CMD).

14% and 15% Debentures are also secured by exclusive first charge on the properties at Gujarat.

(b) Secured against hypothecation of raw materials, finished goods, semi-finished goods, stores and spare parts, book debts, etc. together with second charge on all immovable/movable fixed assets of the company both present and future alongwith personal guarantee of CMD and two outsiders.

(c) Secured against hypothecation of vehicle financed out of the loan amount.

**PASUPATI SPINNING & WEAVING MILLS LIMITED**

	Current Year Rs.	Previous Year Rs.
<b>4. UNSECURED LOANS</b>		
Loans & Advances		
From Companies		
— Free of Interest	48020000	48020000
— Bearing Interest	4350000	4350000
Interest accrued and due	—	67477
	52370000	52437477
From Life Insurance Corporation of India*	4336792	6418396
	56706792	58855873

\* Secured by an irrevocable guarantee of CMD.

**5. FIXED ASSETS**

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.4.2008	Additions	Sales/ Adjust- ments	Total 31.3.2009	Upto 31.3.2008	For the Year	Adjust- ments	Total 31.3.2009	As at 31.3.2009	As at 31.3.2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land – Freehold	5144700	—	309487	4835213	—	—	—	—	4835213	5144700
Buildings	254996092	—	—	254996092	129089783	4306394	—	133396177	121599915	125906309
Plant & Machinery	1730656011	—	48900257	1681755754	1234964410	111013357*	40485789	1305491978	376263776	495691601
Furniture & Fixtures	6313956	24888	—	6338844	5401228	104500	—	5505728	833116	912728
Factory & Office Equipments	14215724	178150	—	14393874	10143070	986867	—	11129937	3263937	4072654
Vehicles	11709811	—	523627	11186184	5884051	992129	290062	6536118	4650066	5825760
Total Capital work in Progress	2023036294	203038	49733371	1973505961	1385482542	117353247	40775851	1462059938	511446023	637553752
	130202	—	130202	—	—	—	—	—	—	130202
Total	2023166496	203038	49863573	1973505961	1385482542	117353247	40775851	1462059938	511446023	637683954
Previous Year	2017464460	9234069	3532033	2023166496	1349863114	38228883	2609455	1385482542	637683954	

\* Includes impairment loss of Rs. 80222998 (Previous year Rs. Nil)



	No. of Shares/Debentures		Current Year Rs.	Previous Year Rs.
	Current Year	Previous Year		
<b>6. INVESTMENTS (at Cost)</b>				
<b>Quoted</b>				
In Equity Shares of Rs. 10 each				
<b>Trade - Long Term Investments</b>				
Amit Spinning Industries Limited	100	100	2329	2329
C.T. Cotton Yarn Limited	100	100	2543	2543
East India Syntex Limited	25	25	250	250
Global Syntex (Bhilwara) Limited	9900	9900	108900	108900
G.T.N. Industries Limited	100	100	17597	17597
K.C. Textiles Limited	50	50	512	512
Leena Textiles Limited	200	200	2000	2000
Malwa Cotton Spinning Mills Limited	50	50	16325	16325
Mayur Syntex Limited	50	50	513	513
Sanghi Polysters Limited	200	200	7141	7141
Woolworth India Limited	150	150	22892	22892
<b>Non-Trade - Long Term Investments</b>				
Pasupati Fincap Limited	70000	70000	700000	700000
<b>Non-Trade - Current Investments</b>				
Srishti Video Corp. Limited	240000	240000	2008050	2008050
			2889052	2889052
Less : Provision for diminution in value of investments			2008050	2008050
			881002	881002
<b>UNQUOTED</b>				
In Equity Shares of Rs. 10 each				
<b>Non-Trade - Long Term Investments</b>				
India Comm Directories Limited	50	50	500	500
			881502	881502
Market Value of Quoted Investments			123110	127950



**PASUPATI SPINNING & WEAVING MILLS LIMITED**

	<b>Current Year Rs.</b>	<b>Previous Year Rs.</b>
<b>7. INVENTORIES</b>		
(As taken, valued and certified by the management)		
Stores & Spares	9470074	8213106
Raw Materials	10408328	12525173
(Including in Transit Rs. Nil; Previous Year Rs. 3219796)		
Finished Goods		
Own Manufactured	139258782	160084313
(Including in Transit Rs. 5054228; Previous Year Rs. 9603528)		
Trading	1053660	1053660
Semi-finished Goods	17058643	29279779
Waste	161599	2880803
	177411086	214036834
 <b>8. SUNDRY DEBTORS</b>		
(Unsecured)		
Exceeding Six Months		
— Considered Good	65542899	48152232
— Considered Doubtful	4369263	14267462
	69912152	62419694
Less : Provision for Doubtful Debt	4369263	14267462
	65542889	48152232
Other Debts		
— Considered Good	149194789	219980314
	214737678	268132546
 <b>9. CASH &amp; BANK BALANCES</b>		
Cash in Hand	4121919	1035166
Cheques/Drafts in Hand	2184172	2183805
Balances with Scheduled Banks		
In Current Account	2571722	4470686
In Fixed Deposit/Margin Money Account	12537318	11958270
Balance in Post Office Savings Bank Account	166100	166100
(Pass book pledged with Excise Department)		
	21581231	19814027



	Current Year Rs.	Previous Year Rs.
<b>10. LOANS &amp; ADVANCES</b>		
(Unsecured - Considered good unless stated otherwise)		
Loans		
— Considered Doubtful	15000000	15000000
Less : Provision for doubtful loans	<u>15000000</u>	<u>15000000</u>
Advances		
(recoverable in cash or in kind or for value to be received)		
— Considered Good	36041964	58218673
— Considered Doubtful	<u>52607165</u>	<u>23050000</u>
	88649129	81268673
Less : Provision for doubtful advances	<u>52607165</u>	<u>23050000</u>
	36041694	58218673
Interest Receivable		
— Considered Good	1007141	944360
— Considered Doubtful	<u>6028688</u>	<u>6028688</u>
	7035829	6973048
Less : Provision for doubtful receivable	<u>6028688</u>	<u>6028688</u>
	1007141	944360
Claims Recoverable	646706	1849536
Export Incentive Receivable	2787587	11027517
Balance with Central Excise	1248590	739505
Advance Payment of Taxes (including tax deducted at source)	913117	972084
Security Deposits	8952695	8744808
	<u>51597800</u>	<u>82496483</u>

**PASUPATI SPINNING & WEAVING MILLS LIMITED**

	<b>Current Year Rs.</b>	Previous Year Rs.
<b>11. CURRENT LIABILITIES</b>		
Sundry Creditors	154091091	186933020
Other Liabilities	60523232	66215011
Interest Accrued but not due	21368767	—
	235983090	253148031
<b>12. PROVISIONS</b>		
For Wealth Tax	15000	21000
For Fringe Benefit Tax	2000000	2000000
	2015000	2021000
<b>13. OTHER INCOME</b>		
Rent	66352	164089
Dividend on Trade Investments	150	422
Interest from Banks & Others	1100755	1042150
Job Work Income	191953	460351
Miscellaneous Receipts	945508	3016767
Claims, Rebates & Discounts	823535	1322755
Difference in Exchange (Net)	—	6011422
Commission Received	—	1080431
Liabilities no longer required written back	1132425	5513915
Income/Adjustments relating to earlier years	124821	1152467
Provision for Bad debts Written back	9898199	2575000
Profit on Sale of Raw Material	—	140814
Sundry Balance Adjustments (Net)	—	4805
Profit on Sale of Fixed Assets (Net)	20391446	—
	34675144	22485388
<b>14. ACCRETION / (DECRETION) IN STOCKS</b>		
Closing Stocks		
Finished Goods		
Own Manufactured	139258782	160084313
Trading	1053660	1053660
Semi-finished Goods	17058643	29279779
Waste	161599	2880803
	157532684	193298555
Opening Stocks		
Finished Goods		
Own Manufactured	160084313	161327764
Trading	1053660	13981996
Semi-finished Goods	29279779	25872463
Waste	2880803	1329072
	193298555	202511295
Accretion / (Decretion) in Stocks	(35765871)	(9212740)



	Current Year Rs.	Previous Year Rs.
<b>15. RAW MATERIALS CONSUMED</b>		
Opening Stock	12525173	50739334
Add : Purchases	476950647	680667188
	<u>489475820</u>	<u>731406522</u>
Less : Closing Stock	10408328	12525173
	<u><u>479067492</u></u>	<u><u>718881349</u></u>
<b>16. EMPLOYEES</b>		
Salaries, Wages, Bonus & Other benefits	81750212	105222466
Gratuity	364508	5694092
Contribution to Provident Fund, Employees' State Insurance, etc.	7055441	8947202
Workmen & Staff Welfare expenses	1198425	1882674
Staff Recruitment & Training expenses	230860	302575
	<u><u>90599446</u></u>	<u><u>122049009</u></u>
<b>17. INTEREST</b>		
On Debentures	8055103	13128426
On Term Loans	21368767	—
To Banks & Others	37896627	41874446
	<u><u>67320497</u></u>	<u><u>55002872</u></u>
<b>18. SELLING &amp; DISTRIBUTION EXPENSES</b>		
Commission & Brokerage	10612650	9014234
Freight & Forwarding Charges	26905229	43970641
Claims, Rebates & Discounts	5579540	11111012
Sales/Turnover Tax	2856535	630957
Others	8274775	8912135
	<u><u>54228729</u></u>	<u><u>73638979</u></u>

**PASUPATI SPINNING & WEAVING MILLS LIMITED**

	Current Year Rs.	Previous Year Rs.
<b>19. OTHER EXPENSES</b>		
Rent	5653494	5852564
Rates, Taxes & Fees	1282308	1500405
Insurance	1496781	3168481
Repairs & Maintenance		
Plant & Machinery	1638860	1643148
Building	28452	460474
Others	484102	501440
Generator Hire Charges	7004008	6400620
Travelling & Conveyance	15412372	18172532
Bank & Finance Procurement expenses	9296333	10746981
Miscellaneous expenses	15642027	15367317
Directors' Fees	1000	2500
Bad Debts/Advances written off	978145	402285
Irrecoverable Claims written off	545261	37390
Provision for Doubtful Debts / Advances	29557165	—
Previous Year expenses	384600	472558
Charity & Donation	49506	87171
Auditors' Rémuneration		
As Audit Fees	280000	280000
As Tax Audit Fees	70000	70000
In Other Capacity	212000	562000
Loss on Fixed Assets Sold / Discarded (Net)	—	347578
Loss on Cancellation of Forward Contracts (Net)	12145224	—
Difference in Exchange (Net)	6893296	—
Sundry Balance Adjustment (Net)	6733	—
Expenses relating to Unmaterized Project Written Off	130202	—
	<u>109191869</u>	<u>65725444</u>

**20. BASIC/DILUTED EARNING PER SHARE**

Net Profit/(Loss) after Tax but before extra ordinary items (A)	(153038330)	19675411
Net Profit/(Loss) after Tax and extra ordinary items (B)	598480471	19705932
No. of fully paid Equity Shares	5556506	5556506
No. of partly paid Equity Shares (1500000x1/10)	150000	150000
Total No. of Equity Shares (C)	5706506	5706506
Basic Earning per Share before extra ordinary items (A/C)	(26.82)	3.45
Basic Earning per Share after extra ordinary items (B/C)	104.88	3.45

Note : Diluted earning per share is antidilutive.



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## 21. NOTES ON ACCOUNTS

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### A. Basis of Preparation of Financial Statements

- a) The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956, subject to what is stated herein below, as adopted consistently by the company.
- b) The company generally follows mercantile system of accounting and recognises significant items of income and expenditure on accrual basis.

#### B. Fixed Assets

Fixed assets are stated at cost of acquisition inclusive of inward freight, duties & taxes and incidental expenses relating to acquisition and are net of modvat credit. In respect of major projects, related pre-operational expenses form part of the value of assets capitalised.

#### C. Depreciation

Depreciation is calculated on fixed assets on 'Straight Line Method' in accordance with Schedule XIV of the Companies Act, 1956 as under :

- a) In respect of Plant & Machinery by applying the revised rates in force in terms of the notification dated 16-12-1993. Based upon legal opinion depreciation has been provided at the rate prescribed for continuous process plant.
- b) In respect of other assets at the rates in force prior to the above mentioned notification and at the revised rates on assets acquired thereafter.

#### D. Foreign Currency Transactions, Derivatives Instruments and Hedge Accounting

- a) Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.
- b) Items denominated in foreign currencies at the year end and not covered by forward exchange contracts are translated at year end rates and those covered by forward exchange contracts are translated at the rate ruling at the date of transaction as increased or decreased by the proportionate difference between the forward rate and exchange rate on the date of transaction, such difference having been recognised over the life of the contract.
- c) Any income or expense on account of exchange difference either on settlement or on translation is recognised in the profit or loss account.
- d) The company uses foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. Derivative instruments are initially measured at fair value and are re-measured at subsequent reporting dates. Mark to market losses on such measurement are recognized in the profit & loss account.

#### E. Investments

- a) Long Term Investments are stated at cost. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary in the opinion of the management.

b) Current investments are valued at cost or market value whichever is lower. The decline in the value of current investments is provided in the accounts each year.

**F. Inventories**

Inventories are valued at lower of cost or market price except for waste. Waste is valued at realisable value. The cost comprises of cost of purchase, cost of conversion and other cost including appropriate production overheads incurred in bringing such inventories to their present location. In case of raw materials and stores & spares the cost is determined using FIFO method.

**G. Sales**

Sales are inclusive of recovery of excise duty and packing charges and net of returns and sales tax.

**H. Taxes, Duties etc.**

Excise duty has been accounted on the basis of both payments made in respect of goods cleared as also provision made for goods lying in bonded warehouses. Provision is made for goods meant for sale in domestic tariff area only.

**I. Employee Retirement Benefits**

Company's contribution to state plans are charged to revenue every year. Liability to defined benefit plans is determined on the basis of an actuarial valuation at the end of the year. The actuarial valuation is recognized as an expense. Actuarial gains and losses comprise experience adjustments and the effect of changes in actuarial assumptions and are recognized immediately in the profit and loss account as income or expense.

**J. Borrowing Cost**

Interest and other costs in connection with the borrowing of the funds to the extent related/attribution to the acquisition/consumption of qualifying fixed assets are capitalized upto the date when such assets are ready for its intended use and other borrowing cost are charged to profit & loss account.

**K. Earning per Share**

Basic earning per share is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earning per share is calculated by dividing the net profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year (adjusted for the effects of dilutive options).

**L. Deferred Taxation**

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure which are expected with reasonable probability to crystallize in the foreseeable future.

Deferred tax benefits are recognized in the financial statements only to the extent of any deferred tax liability or when such benefits are reasonably expected to be realisable in the near future.



**M. Impairment of Assets**

impairment loss is provided to the extent the carrying amount of assets exceeds their recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

**N. Contingent Liabilities**

Contingent liabilities not provided for in the accounts are separately shown in the Annual Statement of Accounts.

**O. Events occurring after Balance Sheet date**

Events occurring after the Balance Sheet date have been considered in the preparation of financial statements.

	Current Year Rs.	Previous Year Rs.
2. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	—	11000320
3. Contingent liabilities not provided for in respect of		
a) - Bank Guarantees	4361707	2638913
b) Claims not acknowledged as debts	15439436	5834478
c) Excise Duty demands disputed by the company	30548014	15402860
d) Sales Tax demands disputed by the company	4407602	—
4. The company had on 16.7.1994 allotted to promoters and their associates 15,00,000 equity shares of Rs. 10 each for cash at a premium of Rs. 22 each on which Rs. 3.50 was called and paid up (Rs. 1 towards Equity Shares and Rs. 2.50 towards premium). Balance amount of Rs. 28.50 per share is yet to be called.		
5. a) In respect of loan of Rs. 567482264 the lender Industrial Development Bank of India (IDBI) has an option to convert whole of the outstanding amount of the loan or a part not exceeding 20% of the loan whichever is lower into fully paid up equity shares at par if the conditions specified in the loan agreement are contravened.		
b) In respect of loan of Rs. 115000000 the lender IDBI has an option to convert a part of the loan not exceeding Rs. 23000000 at par into equity shares of the company of Rs. 10 each during the currency of the loan.		
c) Besides the above, IDBI has granted Equipment Finance loan of Rs. 25735648 and has investment of Rs. 1390000 in 14% debentures of face value of Rs. 125 each and Rs. 20000000 in 15% debentures of face value of Rs. 25 each.		
d) IDBI had assigned / transferred to Stressed Assets Stabilisation Fund (SASF) the financial assistance granted by it to the company. SASF vide their letter dated 18.04.2006 has agreed to a negotiated settlement of the assistance extended to the company which has been modified vide their letter dated 26.06.2008 and 30.06.2009 and the modified main terms and conditions are as under:		
i) Payment of balance outstanding of Rs. 3145 lacs in monthly balloning installments commencing from 01.10.2009 till 01.03.2012.		



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- ii) The above installments to carry interest @ 10% p.a. from 26.07.2008 payable in 12 monthly installments commencing from 01.04.2012.
  - iii) SASF will be allotted equity shares equivalent to 10% of the fully paid up equity capital of the company, post derating and post fresh issue of equity capital, subject to a minimum allotment of 6 lacs equity shares of face value of Rs. 10 each, with the promoters having first right of refusal.
  - iv) The company/promoters shall arrange to pay the settlement amount from sources as agreed upon.
  - v) In the event of part/whole of the settlement amount being financed from sale of assets, SASF would have the right to recompense to the extent of appreciation of the assets.
  - vi) In the event of delay in payment of settlement amount as per proposed schedule defaulted amount would carry interest at 14% p.a. from due date to clearance of such default and if the default in payment persists for 30 days, SASF shall have the right to reverse the waiver of dues and restore the original liability as per the terms of the loan agreements entered into by the company and adjust the payment received, if any towards the dues.
  - vii) During the pendency of loans, if any of the lenders is offered superior terms of settlement, SASF would retain the right to seek similar terms of settlement.
  - viii) The charge on company's assets shall be released only on realization of entire settlement amount.
  - ix) In the event, shares are not received in demat form within 3 months of approval of the scheme by SASF, interest at PLR would be charged on the amount proposed to be converted into equity from the date of approval.
  - x) All securities, guarantees and other documents shall continue to be valid till the entire settlement amount is paid and all conditions of earlier loan agreements shall apply mutatis mutandis.

Consequently, a liability of Rs. 1084669476 on account of Term Loan and interest thereon and Rs. 1775752 on account of principal and interest of 14% debentures of face value of Rs. 125 each aggregating to Rs.1390000 and Rs. 24740000 on account of principal and interest of 15% debentures of face value of Rs. 25 each aggregating to Rs. 20000000 which was no more payable was written back as extraordinary items in the financial year ended 31.03.2006 and liability of Rs.20000000 on account of Term Loan has been written back as extraordinary item during the financial year.

- 6. a) Part B of Rs. 125 each out of the 14% secured redeemable partly convertible debentures of Rs. 250 each were to be redeemed at par in three equal instalments on expiry of 7th, 8th and 9th year from the date of allotment of the debentures i.e. 21.12.1991.
- b) Part B of Rs. 25 each out of the 15% secured redeemable partly convertible debentures of Rs. 50 each were to be redeemed at par in three instalments of Rs. 8, Rs. 8 and Rs. 9 on expiry of 7th, 8th and 9th year respectively from the date of allotment of the debentures i.e. 09.12.1993.



- c) 19% secured redeemable non-convertible debentures of Rs. 100 each were to be redeemed at par in three equal instalments on expiry of 6th, 7th and 8th year from the date of allotment of debentures i.e. 03.01.1994.
- d) During the year United India Insurance Co. Ltd. (UIICL) holding 19% debentures of face value of Rs. 100 each aggregating Rs. 5000000 has agreed to one time settlement (OTS) proposal of the company to settle their dues and payment of the settled amount in monthly instalments subject to following main terms and conditions :
- In the event of any delay in payment of OTS instalments on due dates, the company shall pay interest at the agreed rate for the period of delay.
  - If the company offers better proposal to any other creditor, the same shall be offered to these settlers also.
  - The concessions / waivers granted herein stand revoked, if the company fails to pay the proposed OTS amount or any part thereof.

Similar OTS was agreed to by Life Insurance Corporation of India (LIC) holding 19% debentures of face value of Rs. 100 each aggregating to Rs. 25000000 and unsecured loan of Rs. 10000000, Taurus Mutual Fund (TMF) holding 15% debentures of face value of Rs. 25 each aggregating to Rs. 11339675, Sahara India Commercial Corporation Limited (SICCL) holding 15% debentures of face value of Rs. 25 each aggregating to Rs. 12500000, The Oriental Insurance Company Limited (OICL) holding 19% debentures of face value of Rs. 100 each aggregating to Rs. 5000000, Canbank Mutual Fund (CMF) holding 14% debentures of face value of Rs. 125 each aggregating to Rs. 20269625 (outstanding amount Rs. 6757082) and 15% debentures of face value of Rs. 25 each aggregating to Rs. 2793250, General Insurance Corporation of India (GIC) holding 19% debentures of face value of Rs. 100 each aggregating to Rs. 5000000 and National Insurance Company Limited (NIC) holding 19% debentures of face value of Rs. 100 each aggregating to Rs. 5000000 in earlier years.

Further individual public debentureholders holding 14% debentures of face value of Rs. 125 each aggregating to Rs. Nil (outstanding amount Rs. Nil) (Previous year Rs. 80000 (outstanding amount Rs. 59587) and Rs. 183125 (outstanding amount Rs. 160212) for the period upto 31st March, 2007) and 15% debentures of face of Rs. 25 each aggregating to Rs. 37500 (outstanding amount Rs. 37500) (Previous year Rs. 62500) (outstanding amount Rs. 62500) and Rs. 609575 (outstanding amount Rs. 596695) for the period upto 31st March, 2007) have consented to settlement on similar terms and conditions.

Consequently, principal amount of Rs. 1259375 (Previous year Rs. 30521) and interest provided in earlier years of Rs. 30465677 (Previous year Rs. Nil) has been written back in accounts as extraordinary item besides Rs. 201833412 written back for the period upto 31st March, 2007.

- e) The company has not provided and paid interest amounting to Rs. 18338237 (including Rs. 16300655 for earlier years) on 14% and 15% Redeemable partly convertible debentures due to paucity of funds and consequently TDS thereon has also not been accounted for in the books of account.
7. Industrial Finance Corporation of India (IFCI), vide its letters dated 13.6.2008 and 12.9.2008 has conveyed its approval for settlement of its dues and in lieu of said OTS has agreed

for transfer of land admeasuring 9 acres (43560 sq. yards) located at village Kapriwas, Dharuhera, Distt. Rewari (Haryana) in favour of nominee of IFCI. M/S IFCI Infrastruture Development Limited (IIDL) subject to the condition that expenses/ transfer changes shall be borne by the Company. The land has been transferred in the name of IIDL on 29.9.2008. Consequently, the difference of Rs. 699793749 between the outstanding dues and the settlement amount has been written back as extraordinary item and difference of Rs. 15840513 between the sale consideration (net of expense /transfer charges) and the cost of the said land has been shown under profit on sale of fixed assets in these accounts.

8. In pursuance of Accounting Standard on Impairment of Assets (AS28) issued by The Institute of Chartered Accountants of India the company on 31st March, 2009 indentified and impaired EOU plant which was not economically viable. The carrying amount of the said asset / cash generating unit of Rs. 161595548 exceeded the net recoverable amount of Rs. 81372550 which is the net selling price determined on the basis of quote available from prospective buyer. The impairment loss of Rs. 80222998 has been debited to the profit & loss account. Deferred tax asset of Rs. 27267797 has been adjusted against the deferred tax liability for the year.
9. In view of the accumulated losses incurred by the company exceeding its net worth, the company has made a reference Section 15(1) of Sick Industrial Companies (Special provisions) Act, 1985 to the Board of Financial and Industrial under Reconstruction (BIFR). The company was declared a sick industrial company within the meaning of Section 3(1)(o) of the said Act by BIFR on 14.7.2005 and Bank of Baroda was appointed as the operating agency (OA) to examine viability of the company and formulate rehabilitation scheme. However, the account of the company for the year ended 31.03.2009 have been prepared on basis that the company is a going concern.
10. As recomended under the Accounting Standard (As)22,'Accounting for Taxes On Income', issued by The Institute of Chartered Accountants of India the company has during the year provided for net deferred tax liability. The details of deferred tax assets/(liabilities) are as under :

	As at 31.03.2008 Rs.	Tax Effect for the year Rs.	As at 31.03.2009 Rs.
Deferred Tax (liability)			
Fixed Assets	(94,093,061)	22,849,786	(71,243,275)
Stock Adjustment (u/s 145-A)	(18,453)	18,453	—
	<u>(94,111,514)</u>	<u>22,868,239</u>	<u>(71,243,275)</u>
Deferred Tax Assets			
Carry forward losses	99,918,381	(53,520,525)	46,397,856
Section 43B items	187559006	(186,644,438)	914,568
Provision for Gratuity	3517204	(1,181,145)	2,336,059
Others	9,114,445	(4,204,721)	4,909,724
	<u>300,109,036</u>	<u>(245,550,829)</u>	<u>54,558,207</u>
Net deferred tax asset/(liability)	<u>205,997,522</u>	<u>(222,682,590)</u>	<u>(16,685,068)</u>



## 11. Employee Benefit Obligations :

The various benefits provided to employees have been classified as under :

### a) State Plans

Contribution made by the company to various state plans which have been recognized as an expense in the profit & loss account are :

	Current Year Rs.	Previous Year Rs.
Employer's contribution to Employees State Insurance Scheme	2,425,701	2,998,129
Employer's contribution to Employees Provident Fund	4,629,740	5,949,073

### (b) Defined Benefit Plan

The present value of obligation on account of gratuity (unfunded) is determined based on actuarial valuation.

#### I. Assumptions

Discount Rate	7.10%	8.35%
Rate of increase in Compensation	8.00%	8.00%

#### II. Table Showing Changes in Present Value of Obligations during the period Present Value of Obligation as at the beginning of the period

Interest cost	10,347,761	7,530,403
Current Service Cost	864,038	628,789
Benefit paid	1,327,762	1,935,207
Actuarial (gain)/loss on obligations	(3,839,485)	(2,785,825)
Present Value of Obligation as at the end of the period	(1,827,292)	3,039,187

#### III. Table showing Fair Value of Plan Assets Funded Status

	(6,872,784)	(10,347,761)
Actuarial gain / loss recognized for the period		
Actuarial gain/(loss) for the period - Obligation	1,827,292	(3,039,187)
Total (gain)/loss for the period	(1,827,292)	3,039,187
Actuarial (gain)/loss recognized in the period	(1,827,292)	3,039,187

#### V. The amounts to be recognized in Balance Sheet and statements of profit and loss

Present Value of Obligation as at the end of the period	6,872,784	10,347,761
Funded Status	(6,872,784)	(10,347,761)
Net Liability Recognized in Balance Sheet	6,872,784	10,347,761

#### VI. Expense recognized in the statement of profit and loss for the period

Current Service Cost	1,327,762	1,935,207
Interest cost	864,038	628,789
Net actuarial (gain)/loss recognized in the period	(1,827,292)	3,039,187
Expenses Recognized in the statement of Profit & Loss	364,508	5,603,183

#### Notes :

- The above information is certified by the actuary
- As per rules of the company leaves are not encashed.

12. As required under the Accounting Standard (As)18, 'Related party disclosures' issued by The Institute of Chartered Accountants of India, the information regarding transactions that took place between the company and its related parties are as under :

Related Party	Relationship	Description of transaction	Payment Rs.	Outstanding as on 31.03.2009 Rs.	
Shri Ramesh Kumar Jain	Chairman & Managing Director (CMD)	Remuneration and perquisites	65575 (121833)	— (—)	
Shri S.K. Chhajer	Whole time Director	Remuneration and perquisites	300768 (300768)	1000 (37573)	(Cr.) (Cr.)
Shri H.P. Mathur	Whole time Director	Remuneration and perquisites	242788 (264860)	— (—)	
Shri Vidit Jain	Son of CMD	Remuneration and perquisites	545575 (581833)	2000 (20000)	(Cr.) (Dr.)
		Advance given	7800000 (—)	— (—)	
Jagdish Rai Jain Charitable Trust	Associate	Donation	— (5000)	— (—)	
Shivani Textiles Ltd.*	Associate	Sale	96878284 (109005489)	24637169 (22732130)	(Dr.) (Dr.)

\* Upto 01/10/2008

Note : Previous Year figures have been given in the brakcets.

13. Outstanding derivatives instruments as at 31st March, 2009 entered by the company :

Particulars	Currency	Number of Contracts	Amount in Foreign Currency	Amount Rs.	Buy / Sell
Forward Cover	USD (—)	— (3)	— (1200000)	— (48148000)	— (Sold)

Note : Previous Year figures have been given in the brakcets.

14. In the opinion of the management the diminution in the value of long term investments is temporary in nature and hence provision for the same is not required.
15. The company is in the process of identifying suppliers under the Micro, Small and Medium Enterprises Development Act, 2006. Hence, information thereto has not been provided.
16. The Company has not made any provision for Income Tax for the year as there is no taxable income/book profit under the provisions of the Income Tax Act, 1961.
17. Balance of sundry creditors, sundry debtors and loans and advances are subject to confirmation and reconciliation.



18. In the opinion of the Board the current assets, sundry debtors and 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.
19. The company's business activity falls within a single primary reportable segment viz. Textiles and Textile Articles. Accordingly, pursuant to Accounting Standard (As-17) "Segment Reporting" issued by the Institute of Chartered Accountants of India segmental information is not required to be given.
20. Previous year figures have been regrouped and /or re-arranged wherever considered necessary.
21. Paise have been rounded off to the nearest rupee.

	Current Year Rs.	Previous Year Rs.
22. Advances include		
Due from officers	—	187,905
Maximum amount due at any time during the year	210,539	272,533
23. Amount due to directors of the company	1,000	37,573
24. Managerial Remuneration		
Salary	381,900	396,900
Contribution to Provident and Other Funds	34,608	35,388
Other Benefits	192,623	255,173

Notes :

- (i) Shri Ramesh Kumar Jain, Chairman & Managing Director, has forgone his salary w.e.f. 16.04.2003. Other benefits are being availed.
- (ii) The Company has been advised that the computation of net profits for the purpose of Directors' remuneration under Section 349 of the Companies Act, 1956, need not be enumerated since no commission is being paid to the Directors.
25. Sales include Export Incentives.
26. No unclaimed amounts were outstanding to be credited to investor education & protection funds as on 31.03.2009.

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27. Disclosure as required under clause 32 of listing agreement is as under :

	Amount Outstanding as on 31.03.2009  Rs.	Maximum Amount outstanding during the year  Rs.
Loans and advances in the nature of loans where there is no repayment schedule or repayment beyond seven years or no interest or interest below Section 372A of the Companies Act :		
H. Lon Hosiery Ltd.	13,928,688 (13,928,688)	13,928,688 (13,928,688)
Mahadev Leasing Co. Ltd.	7,100,000 (7,100,000)	7,100,000 (7,100,000)

Note :

- i) Already provided in the accounts.
- ii) Previous Year figures are given in brackets.

28. Profit on Sale of raw material represents Nil kgs. (Previous year 22770 Kgs.) of raw material valued at Rs. Nil (Previous year Rs. 1523764) sold for Rs. Nil (Previous year Rs. 1664578).

29. Information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956.

**A. Capacities, Production, Turnover and Stocks**

	<u>Unit</u>	<u>Quantity</u>	
<b>a) Licenced Capacity</b>			
Cotton Yarn, Synthetic and Blended Man-made Fibre Yarn	Spindles	27000	(27000)
Cotton Terry Towels *	Power Looms	8	(8)
Cotton Yarn/Polyester/Viscose/Acrylic/ Polyester-Viscose/Blended Yarn **	Spindles	28500	(28500)
Knitted Fabrics	Circuler Knitted Machines	12	(12)
100% Synthetic & Synthetic Blended Yarn	Spindles	26784	(26784)
<b>b) Installed Capacity ***</b>			
Cotton Yarn, Synthetic and Blended Man-made Fibre Yarn	Spindles	15888	(22928)
Cotton Terry Towels	Power Looms	8	(8)
Cotton Yarn/Polyester/Viscose/Acrylic/ Polyester-Viscose/Blended Yarn	Spindles	25200	(25200)
Knitted Fabrics	Circuler Knitted Machines	6	(4)
100% Synthetic & Synthetic Blended Yarn	Spindles	26784	(26784)

\* As per memorandum filed with the Secretariat for Industrial Approvals, New Delhi. No Industrial licence is required for exempted industries.

\*\* Under 100% Export Oriented Scheme.

\*\*\* As certified by the management and not verified by the auditors, being a technical matter.



### c) Production, Purchases, Turnover and Stocks

Class of Goods	Unit	Opening Stock		Production <sup>(a)</sup>		Purchases		Turnover		Closing Stock	
		Quantity	Value Rs.	Quantity	Quantity	Value Rs.	Quantity	Value Rs.	Quantity	Value Rs.	
Synthetic & Blended Yarn	Kgs.	8209 (34853)	779160 (3475009)	23971 (941724)	— (—)	— (—)	32180 (968368)	2899088 (90242579)	— (8209)	— (779160)	
Cotton Yarn	Kgs.	138442 (310122)	14418593 (31227793)	1216625 (3182553)	67442 (31992)	7064794 (4535620)	1422489 (3386225)	152393678 (327671472)	— (138442)	— (14418593)	
Cotton Fabrics	Kgs.	— (—)	— (—)	614252 <sup>(b)</sup> (795269)	— (—)	— (—)	612518 (795269)	99023778 (109005489)	1734 (—)	280868 (—)	
Sewing Thread	Kgs.	713938 (607526)	144886560 (126624962)	3865695 (4732964)	— (—)	— (—)	3892607 (4625552)	684604202 (755463741)	687026 (713938)	138977914 (144886560)	
Cotton	Kgs.	— (240967)	— (12928336)	— (—)	— (—)	— (—)	— (240967)	— (12797146)	— (—)	— (—)	
Garments	Pcs.	12396 (12396)	1053660 (1053660)	29364 <sup>(b)</sup> (37264)	— (1676)	— (1040232)	29364 (38940)	8390069 (6586225)	12396 (12396)	1053660 (1053660)	
Others			2880803 (1329072)			— (—)		22008616 (49424195)		161599 (2880803)	
			164018776 (176638832)			7064794 (5575852)		969319431 <sup>(c)</sup> (1351190847)		140474041 (164018776)	

(a) Does not include Semi-finished goods and job work for outside parties.

(b) Includes job work by outside parties.

(c) Does not include export incentives Rs. 29225830 (Previous Year Rs. 37201460).

### B. Raw Materials Consumed :

Class of Goods	Unit	Quantity	Value (Rs.)
Polyester Fibre / Yarn	Kgs.	3925918 (5746455)	298963804 (386325138)
Cotton / Cotton Yarn	Kgs.	2139960 (5673845)	180103688 (332556211)
			479067492 (718881349)



**PASUPATI SPINNING & WEAVING MILLS LIMITED**

C. Consumption of imported and indigenous material and percentage thereof :					
Class of Goods	Imported		Indigenous		Total
	%	Value (Rs.)	%	Value (Rs.)	Value (Rs.)
Raw Materials	0.69 (0.17)	3292537 (1231866)	99.31 (99.83)	475774955 (717649483)	479067492 (718881349)
Stores, Dyes & Packing Materials	1.12 (3.29)	800124 (2856927)	98.88 (96.71)	64853592 (83900147)	65653716 (86757074)
				<b>Current Year</b>	Previous Year
				<b>Rs.</b>	<b>Rs.</b>
D. Other Particulars					
a) C.I.F. Value of imports					
Capital Goods				—	(3053065)
Raw Material				6214332	(839229)
Stores & Spares				830292	(2856927)
b) Expenditure in foreign currency					
Travelling (Does not include cost of air tickets)				365562	(430696)
Commission & Brokerage				6237464	(4406094)
Claims				527356	(—)
c) Earnings in foreign exchange					
F.O.B. value of export *				279800369	(449537604)
* Does not include exports through merchant exporters.					
d) Income from services rendered					
Job Work				191953	(460351)
Commission				—	(1080431)
E. Previous year figures have been given in the brackets.					



**PROXY**  
**PASUPATI SPINNING & WEAVING MILLS LTD.**

**Regd. Office & Works : Village Kapriwas, (Dharuhera) Distt. Rewari, (Haryana).**

**Head Office : 1501, Nirmal Tower, 26, Barakhamba Road, New Delhi-110001.**

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member/members of PASUPATI SPINNING & WEAVING MILLS LTD.

hereby appoint Mr./Ms. \_\_\_\_\_

of \_\_\_\_\_ or failing him/her

\_\_\_\_\_ of \_\_\_\_\_

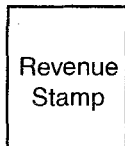
\_\_\_\_\_ or failing him / her \_\_\_\_\_

\_\_\_\_\_ of \_\_\_\_\_

as my/our proxy in my / our absence to attend and vote for me / us on my / our behalf,  
at the 29th Annual General Meeting of the Company, to be held on Tuesday the  
29th September, 2009 at 12.00 Noon and at any adjournment thereof.

As WITNESS I/We lay my/our hand/hands on this \_\_\_\_\_ day of \_\_\_\_\_ 2009

Signed by the said



Note : The proxy must be deposited at the Registered Office/Head Office of the Company not less than 48 hours before the time for holding the Meeting.

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**(Under Postal Certificate)**



*If undelivered please return to :*

**PASUPATI SPINNING & WEAVING MILLS LIMITED**

Head Office : 1501, Nirmal Tower, 26, Barakhamba Road,  
New Delhi - 110 001.