



Quality Assured Company
ISO-9001:2000



*Pasupati
Acrylon Ltd.*

ANNUAL REPORT 2009-2010

PASUPATI ACRYLON LIMITED

BOARD OF DIRECTORS

Managing Director

Shri Vineet Jain

Directors

Shri M.M. Kohli

Shri Ravinder Kapur

Shri S. Sathyamoorthy

Shri Rakesh Gupta PICUP Nominee

Shri K. D. Sharma PICUP Nominee

Shri S.C. Malik Director (Finance)

Auditors

M/s. B.K. Shroff & Co.
New Delhi

Bankers

Allahabad Bank
State Bank of Patiala
UCO Bank
Bank of Maharashtra
State Bank of Travancore
Bank of Baroda
Canara Bank

Regd. Office & Works

Thakurdwara
Kashipur Road
Distt. Moradabad (U.P.)- 244 601
Ph: 0591-2241352-55, 2241263
Fax: 0591-2241262
Email : works@pasupatiacrylon.com

Corporate Office

M-14, Connaught Circus,
(Middle Circle)
New Delhi-110 001
Ph: 011-47627400
Fax: 011-47627497
Email: delhi@pasupatiacrylon.com

Registrar & Share Transfer Agents

MCS Ltd.
F-65 Okhla Industrial Area
Phase-I, New Delhi-110 020
Ph: 011-41709881 Fax: 011-41406148
Email: admin@mcsdel.com

Shri Rakesh Mundra AVP (Finance) &
Company Secretary

NOTICE

Notice is hereby given that the 27th Annual General Meeting of the members of Pasupati Acrylon Ltd., will be held on Saturday the 25th day of September 2010 at the plant premises of Pasupati Acrylon Ltd., Village Thakurdwara, Kashipur Road, Distt. Moradabad (U.P.) at 10.30 A.M. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit & Loss Account of the company for the period ended on March 31, 2010 the Balance Sheet as on date, Auditors' Report thereon and the Director's Report.
2. To appoint a Director in place of Shri M.M. Kohli, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri S.C. Malik, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modification(s), the following resolution:

As Ordinary Resolution

- 5 "RESOLVED THAT the consent of the company be and is hereby accorded to the Board of Directors in terms of section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to create mortgage and/or charge by way of 1st charge on pari-passu basis in favour of prospective lenders on specific plant & machinery acquired/ to be acquired out of the term loan raised for the project i.e. Power Plant and new facility to produce Acrylic Fibre together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment, costs, charges, expenses and other monies, if any, payable by the Company in terms of the loan agreement/other documents to be finalized and executed between the company and the Lenders as above and containing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board of Directors and the Lenders.

RESOLVED FURTHER that the Board of Directors be and is hereby authorized to finalise documents for creation of mortgage and/or charge and to do all such acts, deeds, matters and things and execute all such documents,

instruments and writings as may be required for giving effect to the resolution".

By order of the Board
PASUPATI ACRYLON LIMITED
(Rakesh Mundra)
 Company Secretary

Place : New Delhi
 Dated : July 30, 2010
 Registered Office
 Thakurdwara Kashipur Road
 Distt. Moradabad
 Uttar Pradesh

NOTES:-

- 1 (a) A member entitled to attend and vote, is entitled to appoint a proxy to attend and vote on his behalf and such a proxy need not be a member.
- (b) Proxies in order to be effective must be received at the Registered office of the Company, not less than 48 hours before the Annual General Meeting.
- (c) Members/proxies should bring the Attendance Slip duly filled in for attending the meeting.
2. Information relating to item No. 2 & 3 as required under clause 49 of the Listing Agreement with the Stock Exchanges and explanatory statement relating to item No. 5 pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from 17.09.2010 to 25.09.2010 (both days inclusive).
4. Members who hold shares in de-materialised form are requested to bring their client ID and DP ID numbers for facilitating identification for attendance at the meeting.
5. Members who are holding shares in identical names under more than one Folio are requested to write to the Company to consolidate their shareholdings under one Folio. The members are also requested to notify to the Company any change in their address.
6. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days between 11.00 a.m. and 1.00 p.m.
7. The members can contact/write to the Company at its Corporate Office at M-14, Connaught Circus (Middle Circle), New Delhi-110001 in addition to its Registered Office.
8. Members needing any information are requested to write to the company at its above said Corporate Office at least 7 days in advance of the Annual General Meeting, so as to enable the management to keep the information ready at the meeting.
9. Member(s) are advised to avail of nomination facilities pursuant to Section 109A of the Companies (Amendment) Act, 1999. They may nominate a person in the prescribed manner i.e. by sending Form 2B (enclosed with the Annual Report), under Rule 4CCC and 5D duly filled and signed by the Member(s) to whom his/her shares shall vest in the event of his/her death. They may send the nomination form to the Company at its Corporate Office directly.

ANNEXURE TO THE NOTICE

Brief resume and other information, in respect of the Director(s) seeking re-appointments at the Annual General Meeting, as required under Clause 49(vi) of the Listing Agreement with the Stock Exchanges are given herein under:

ITEM NO. 2 & 3

Name of Director	Mr. M.M. Kohli	Mr. S.C. Malik
Date of Birth	04.06.1930	10.01.1950
Date of Appointment	01.02.1989	01.10.1994
Experience in specific Functional Area	A retired IAS officer of 1952 batch was the Ex-Secretary to Ministry of Energy, Government of India. He has also held various senior positions in the state as well as at the Central Government and has varied experience in specialities function and general management.	A Fellow Member of the Institute of Chartered Accountants of India, has been in the service of your Company since 1990 and had held senior positions in Finance and Accounts Departments of your company, prior to his appointment as whole time Director (Finance)
Qualification	M.A. (Eco.)	B.Com (Hons), F.C.A
Directorship in other public Limited Companies	Nil	Nil
Member / Chairman of committee of the Board of the public limited companies on which he is a director	Except Member in Audit Committee and Member in Remuneration Committee of Pasupati Acrylon Limited, Shri Kohli does not occupy any Committee membership in any other Public Limited Company.	Except Member in Audit Committee and Share Transfer-cum-Shareholders Grievance Committee of Pasupati Acrylon Limited, Shri Malik does not occupy any Committee membership in any other Public Limited Company.

ITEM NO. 5.

Section 293 (1) (a) of the Companies Act, 1956 provides *inter alia* that the Board of Directors of a public Company shall not, without the consent of such company in General Meeting sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company or where the company owns more than one undertaking, the whole or substantially the whole of any such undertaking

Your company is in the process of setting up a Power Plant by installing Boiler & Turbine. The Boiler is multifuel feed and be operated on coal or coal + Gas combination. With the installation of new Power Plant, Company would save on energy cost and also would be able to run inferior quality of coal. Further your company is also in the process of setting up a New Plant for manufacturing 12000 TPA Acrylic fibre.

For the above projects, your company is in the process of tying up term loan from various lenders. The said facilities will be secured on pari passu basis on specific plant & machinery acquired/to be acquired.

Mortgaging/charging by the company of its immovable properties in favour of the lenders as aforesaid may be regarded as disposal of the whole or substantially the whole of the said undertakings of the company and accordingly, consent of the Members of the company is sought for creation of mortgages/charges as set out in the Resolution No.5

Your directors recommend the resolution for your approval.

None of the directors is in any way interested or concerned in this resolution.

By order of the Board
PASUPATI ACRYLON LIMITED

(Rakesh Mundra)
Company Secretary

Place : New Delhi
Dated : July 30, 2010
Registered Office
Thakurdwara, Kashipur Road
Distt. Moradabad
Uttar Pradesh-244601

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting Annual Report of the Company together with the Audited Accounts for the period ended on 31st March, 2010 (6 Months)

FINANCIAL RESULTS

Salient financial results during the period under review as compared to the previous period are mentioned below:-

	01.10.2009 to 31.03.2010 (6 Months)	(Rs. in Crores) 1.4.2008 to 30.09.2009 (18 months)
Sales (Gross) & Other Income	232.01	499.69
Profit before Interest & Depreciation	34.16	0.86
Financial Charges	3.22	12.27
Depreciation	8.62	9.06
Profit/(Loss) before Taxes	22.32	(20.46)
Payment/Provision for Taxes	0.01	0.21
Extra-ordinary Income/(Expense)	(14.03)	17.94
Profit/(Loss) after Taxes	8.28	(2.74)

The Directors do not recommend dividend for the period.

OPERATIONS

With a view to align the financial year with the income tax period the Board of Directors decided to move to April-March period. As such the present financial year of Company is consisting of six months i.e. from 01.10.2009 to 31.03.2010.

The Company has recorded a production of 14957 MT and a Sale of 16821 MT during the period (6 Months) under review as against 44948 MT and 43606 MT respectively during the previous period (18 Months). The gross turnover during the period was Rs.228.38 Crores (6 Months) as against Rs.496.82 Crores (18 Months) in the previous period.

The Company recorded an EBIDTA of Rs. 34.16 Crores for the period as against 0.86 Crore in the previous period. The Company could post good profits on the back of strong recovery in demand coupled with good prices.

As reported in earlier years due to inverted duty structure the Company is facing CENVAT credit accumulation, the situation is yet continuing. Though the Industry has time and again urged Government to provide relief by way of correcting the inverted duty structure but nothing has been done so far. The Company in these accounts charged Rs.13.45 Crores to Profit & Loss A/c on account of CENVAT accumulation as in the opinion of Board of Directors the Company would not be able to adjust the same against sales.

During the period under review the Company settled dues of a financial institution on one time settlement (OTS) basis. Interest waiver arising out of OTS amounting to Rs.6.37 Lacs has been credited to Profit & Loss Account and waiver in principal amounting to Rs.3.54 Lacs has been credited to Capital Reserve Account.

MANAGEMENT DISCUSSION & ANALYSIS

a) Industry Structure and Development

The Demand of Acrylic Fibre picked up during the period globally and domestically, mainly due to global recovery. During the current year the demand of Acrylic Fibre likely to remain good.

b) Opportunities and Threat

Leading international sportswear brands seeking to source their product from India as such the demand of the product is likely to remain strong. There exists scope for development of value added variants.

The Acrylic Fibre is surplus in many countries as such there are fears of dumping the same into India, though Govt of India has imposed anti dumping duty on imports from certain countries but still a lot need to be done to check the abnormal imports.

The Company is dependent on imported raw materials to a large extent and any increase in crude oil price and foreign exchange fluctuation adversely affects the prospects of the Company.

Acrylic Fibre competes with the Cotton and Polyester Fibre. The gap in the prices of Acrylic Fibre vis-à-vis cotton & polyester encourages substitution of acrylic Fibre with these Fbres.

c) Segment-wise/Product-wise performance.

The Company has only one segment i.e. Acrylic Fibre.

d) Risk and Concern

The Company/Industry imports most of its requirement of raw-material i.e. A C N, M A, DMF etc. All these are derived from crude, as such any move upward or down ward affects the pricing of these products. But some times the prices do not move in tandem with crude as happening in recent time. For last couple of months the Crude is hovering around 75 USD Per Barrel while the A C N prices are ruling abnormally high. In such a circumstance the demand of the product affects adversely due to high selling prices, consequently the manufacturers faces inventory accumulation and consequently incurs losses. The global economic growth and trends in the coming year will also influence the Acrylic Fibre industry performance.

FUTURE OUTLOOK

The raw material prices are volatile so as the sale price. It remains to be seen as to where the raw material prices settle down. Your Company is making every effort to contain the cost and also pass on increase in cost due to increase in raw material prices to market. It will make efforts to adopt prudent and proactive measures to mitigate the situation.

DIRECTORS' REPORT (Contd.)

EXPANSION OF CAPACITY

As reported last year your company is in the process to enhance capacity from 30000 MTPA to 42000 MTPA. The Company also plan to put up a Power Plant of 8 MW

The expanded production will add to the capabilities of the company to withstand the competition from domestic as well as international manufacturers

ISO CERTIFICATION

Your Company is an ISO 9001:2000, accredited by Bureau of Indian Standard, Rooid Voor Accreditatie, Netherland. This certification indicates our commitments in meeting global quality and standards.

FIXED DEPOSITS

The outstanding public deposits at the end of the accounting period under review amounted to Rs.Nil.

DIRECTORS

Shri M.M. Kohli and Shri S.C. Malik. Directors retires by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

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 alongwith 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 period and of the profit or loss of the company for that 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.

HUMAN RESOURCES/INDUSTRIAL RELATIONS

The Company valued, human resources as its most valuable assets, among all other assets of the company. It has been the policy of the company to actuate the talent by providing opportunities to develop themselves within the organisation. The company continued to have a very cordial and harmonious relation with its employees.

INTERNAL CONTROL SYSTEM AND ADEQUACY

Your company has been maintaining a well-established procedure for internal control system. For the purpose of financial control, company is adequately staffed with experienced and qualified personnel at all levels and plays an important role in implementing and monitoring the statutory and internal policy control environment. There has been a review conducted on regular interval by the internal auditors about the financial and operating control at various locations of the company and any significant findings are reviewed by the Audit Committee of the Board of Directors.

EMPLOYEES

Information under Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 is appended here with.

CORPORATE GOVERNANCE

The company has complied with the Corporate Governance code as stipulated under the listing agreement executed with the Stock Exchanges. A separate section on Corporate Governance, alongwith a certificate from the auditors of the company confirming the compliance is annexed and forms part of this Report.

COST AUDIT

The reports of Mr.Satnam Singh Saggu, Cost Accountants, in respect of the Cost Accounts of the company for the period ended 31st March, 2010 will be submitted to the Central Government in due course.

AUDITORS AND THEIR REPORT

M/s. B.K.Shroff & Co., Chartered Accountants, New Delhi retires at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment. The Company has received certificates from them under Section 224(1-B) of the Companies Act, 1956.

ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

A statement giving details of conservation of energy, technology absorption and foreign exchange earning and outgo in terms of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto and form part of this Report.

ACKNOWLEDGEMENT

Your Directors wish to place on record their deep appreciation of the continued support and co-operation received from Financial Institutions, Banks and Shareholders, the State and Central Government.

Your Directors also wish to place on record their appreciation of the devoted services of the Company's employees, which have in great way contributed to the Company's progress.

for and on behalf of the Board

S. C Malik
Director (Finance)

Vineet Jain
Managing Director

DIRECTORS' REPORT (Contd.)

ANNEXURE TO DIRECTOR'S REPORT

Statement of particulars Under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rule, 1975 forming part of Director's Report for the period ended 31.03.2010.

S.No. No.	Name of Employee	Age	Qualification	Exp. (yrs)	Date of Employment	Designation	Remuneration	Last Employment
Employed through the Financial year and in receipt of remuneration aggregating not less than Rs.24,00,000/- per annum.								
1.	Vineet Jain	41	BBA London	20	01.01.1990	Managing Director	Rs.22,83,891/-	-

Notes :

- Perquisites have been valued in terms of actual expenditure incurred by the Company in providing the benefits to the employee except in the case of certain expenses where the actual amount of expenditure cannot be ascertained with reasonable accuracy, notional amount as per Income Tax Rules has been added. Actuarial valuation based contribution / provision with respect to gratuity and leave encashment have not been included as these are for the Company as a whole.
- The Employment is Contractual.

For and on behalf of the Board

S.C. Malik
Director (Finance)

Vineet Jain
Managing Director

Place : New Delhi
Dated : July 30, 2010.

(Additional Information in terms of Notification No.1029 of 16.12.1988 issued by the Department of Company Affairs)

[A] CONSERVATION OF ENERGY

(a) Energy conservation measures taken during the period under report are as under:

- Installation of Variable Speed Drives in place of DC Motors of Flapping Machines.
- Flash Steam Scrubber was installed on Chiller condensate tank to reduce steam loss.
- More CFL Fittings were provided on Street Lights in place of Mercury Vapour Lamps..

(b) Additional investments and proposals

Installation of high efficiency Vapour Absorption Chiller to reduce steam consumption.

(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production.

On account of above measures there would be substantial savings.

(d) The total energy consumption per unit of production as per Form - A is annexed herewith.

[B] TECHNOLOGY ABSORPTION

Efforts made towards technology absorption are given as per Form-B is annexed herewith.

[C] FOREIGN EXCHANGE EARNINGS & OUTGO

(a) Activities relating to exports, initiatives taken to increase exports, development of new export market for products and services and export plan.

Your company has exported Fibre amounting to Rs.711.28 Lacs (FOB) as compared to Rs. 667.28 Lacs during the pervious period. Continuous efforts are being made to improve export performance.

(b) Total Foreign Exchange Used & Earned

		(Rs.in lacs)	
		(6 Months Period 2009-10)	(18 Months Period 2008-09)
Foreign Exchange Used			
i)	Travelling	13.94	23.42
ii)	Interest & other charges	120.08	348.57
iii)	Commission on export sales	1.40	5.41
iv)	CIF Value of Imports		
	- Raw Material	10305.42	29391.21
	- Stores and spares	35.40	175.66
Foreign Exchange Earned :			
	- FOB Value of Exports	711.28	667.28

DIRECTORS' REPORT (Contd.)

FORM - A

(See Rule-2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

(A) POWER AND FUEL CONSUMPTION

		6 Months Period Ending March 31, 2010	18 Months Period Ending Sept. 30, 2009
1. Electricity			
a) Own Generation			
(i) Through Diesel Generator Units (in lacs)	KWH	1.88	7.62
Unit Per Ltr. of Diesel Oil	KWH/Litre	3.20	3.14
Cost/Unit	Rs./KWH	9.54	9.67
(ii) Through Turbines			
Units (in lacs)	KWH	179.61	537.92
Total Cost	Rs./Lacs	899.95	2522.80
Cost/Unit	Rs./KW	5.01	4.47
2. Coal			
Quality of Coal & where used	'B', 'C' & 'D' grade Coal used in Boiler for generation of Steam		
Quantity - Units	MT	37361	109519
Total Cost	Rs./Lacs	1818.20	5121.11
Average Rate	Rs./MT	4866.56	4676.00
(B) Consumption Per Unit Of Production			
Products	Acrylic Fibre/Tow/Tops		
Electricity	MW/MT	1.21	1.21
Coal (B, C & D Grade coal used In Boiler for generation of Steam)	MT	2.50	2.44

DIRECTORS' REPORT (Contd.)

FORM - B (See Rule-2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

(A) RESEARCH & DEVELOPMENT (R&D)

1. **SPECIFIC AREAS IN WHICH R&D CARRIED OUT BY THE COMPANY :**
 - Development of Low Pill fibre with modified parameters is under progress.
 - Super High Shrinkage fibre development completed
2. **BENEFITS DERIVED AS A RESULT OF THE ABOVE R&D :**
 - Speciality Acrylic Fibre development work will lead to other fields of acrylic fibre application
3. **FUTURE PLAN OF ACTION :**
 - To improve Acrylic Fibre quality in different categories.
4. **EXPENDITURE ON R&D**

	6 Months period 2009-2010	(Rs.in lacs) 18 Months period 2008-2009
a) Capital –	–	–
b) Recurring	8.34	24.35
c) Total	8.34	24.35
d) Total R&D expenditure as a percentage of total turnover	0.04%	0.05%

(B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, if brief, made towards technology absorption, adaptation and innovation - No
2. Benefits derived as a result of the above efforts, eg. product improvement, cost reduction, product development, import substitution etc. - N.A.
3. Particulars of imported technology in the last five years:
 - (a) Technology imported : NA
 - (b) Year of Import : NA
 - (c) Has technology been fully absorbed : NA
 - (d) If not fully absorbed, reason for & future action plan : NA

AUDITORS, CERTIFICATE ON CORPORATE GOVERNANCE

UNDER CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES

We have examined the compliance of conditions of Corporate Governance by M/S. PASUPATI ACRYLON LIMITED for the year/ 6 months period ended on 31st March 2010, 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 statements of the company.

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

As required by the Guidance Note issued by the Institute of Chartered Accountants of India. We have to state that the Registrar and share Transfer Agent of the Company has certified that there was no investors grievances/ complaints pending against the company as at the year end.

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

For B. K. SHROFF & CO.
Chartered Accountants

O.P. Shroff
Partner
Membership No. 6329

Place : New Delhi
Dated : July 30, 2010

CORPORATE GOVERNANCE REPORT FOR THE PERIOD 1-10-2009 TO 31-03-2010 (6 MONTHS)

Corporate Governance

As required under Clause 49 of the Listing Agreement of the stock exchange(s).

1) Company's Philosophy

Corporate Governance refers to set of policies, principles, laws, regulations and procedures etc. Our company has made the requisite compliance under Corporate Governance. Over the years the company has been disclosing information concerning the performance and future prospects of the company in its Director's Report. As required under Clause 49 of the Listing Agreement with Stock Exchanges, following disclosures are set out towards achievements of good Corporate Governance.

2) Board of Directors

The Board of Directors consists of three promoter directors (one managing director and two nominee directors of PICUP), one whole time director (finance) and three non-executive directors.

The Company did not have any material pecuniary relationships with the non-executive directors during the period under review except payment of sitting fee for attending the Board/Committee Meeting(s).

The remuneration of executive/non-executive directors is decided by the Board of Directors.

During the period, two Board Meetings were held on 19.11.2009 and 30.01.2010.

None of the Directors of the Board is member of more than ten committees and they do not act as Chairman of more than five committees across all companies in which they are directors.

The composition of Directors and the attendance at the Board Meetings during the period and the last Annual General Meeting and also number of other directorships and Committee Memberships are given below:

Sl. No.	Name of Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM	No. of other Director -ships	No. of Member of other Committees	Chairman-ship of other Committee(s)	Note No.
1	Mr. Vineet Jain	Managing Director & Executive Director	2	No	-	-	-	A
2	Mr. M.M. Kohli	Non-Executive Director	2	No	-	-	-	B
3	Mr. Ravinder Kapur	Non-Executive Director	1	Yes	-	-	-	B
4	Mr. S. Sathyamoorthy	Non-Executive Director	1	No	-	-	-	B
5	Mr. Rakesh Gupta (PICUP Nominee)	Non-Executive Director	1	No	1	-	-	BC
6	Mr. K.D. Sharma (PICUP Nominee)	Non-Executive Director	-	No	1	-	-	BC
7	Mr. S.C. Malik	Director (Finance) & Executive Director	2	Yes	-	-	-	

A. Promoter Directors.

B. Non-executive and independent Directors.

C. Promoter Director pursuant to assisted sector agreement between the company and PICUP. However, pursuant to clause 49(1), they are being treated as Independent Director being Nominee of Financial Institutions.

3. Audit Committee

The Audit Committee of the Company met two times during the period on following dates:

19.11.2009 and 30.01.2010.

Terms of reference of the Audit Committee are as per the guidelines set out in the listing agreements with the Stock Exchanges and also as per Section 292A of the Companies Act. It interalia also include the overview of the Company's financial reporting processes, review of the half yearly and annual financial statements, the adequacy of internal control systems, the financial and risk management policies etc.

CORPORATE GOVERNANCE REPORT FOR THE PERIOD 1-10-2009 TO 31-03-2010 (6 MONTHS)

Composition

The Audit Committee of the Board comprises of Two non-executive independent directors and one Director (Finance). The Committee met two times during the year / period and attendance of the members at these meetings were as follows:-

Sl.No	Name of Director	Status	Meetings attended
1	Mr.Ravinder Kapur	Chairman & Independent Director	2
2	Mr.M.M.Kohli	Independent Director	2
3	Mr. S.C. Malik	Director (Finance)	2

Mr.Ravinder Kapur, an independent Director is the Chairman of Audit Committee.

The Statutory Auditor (if need arise), Internal Auditors and Cost Auditors are invitees to the Audit Committee Meetings. The Company Secretary was in attendance at these meetings.

4. Remuneration Committee

The remuneration committee of the Board comprises of four non-executive Directors (including two Nominee Directors i.e. two directors from PICUP). Nominee Director (s) of Financial Institution (s) automatically becomes member of Remuneration Committee.

Sl.No.	Name of the Director	Status
1	Mr.Ravinder Kapur	Non Executive Director
2	Mr.M.M.Kohli	Non Executive Director
3	Mr.Rakesh Gupta, PICUP Nominee	Non Executive Director
4	Mr.K.D. Sharma, PICUP Nominee	Non Executive Director

The remuneration committee meets as and when need arises. Further, the Board in their meeting held on 27th July, 2002 decided that the quorum of the remuneration committee shall be three committee members or 1/3rd of the total strength of the committee, whichever is lower (including presence of a nominee Director, whose presence is must for the purpose of quorum), instead of presence of all the committee members.

The Chairman of the committee is decided at the respective meeting.

No Remuneration Committee Meeting was held during the period.

5. Remuneration Policy

Remuneration of employees largely consists of basic remuneration and perquisites.

The component of the total remuneration varies for different grades and is governed by Industry pattern, qualifications and experience of the employee, responsibilities handled by him and his individual performance etc.

The objectives of the remuneration policy are to motivate employees to excel in their performance, recognize their contribution, retain talent in the organization and record merit.

6. Details of remuneration to Directors for the period of 6 months ended on 31.03.2010

(i) Executive Directors

Name	Salary (Rs.)	Perquisites (Rs.)	Retirement benefits (Rs.)
Mr.Vineet Jain, Managing Director	12,00,000/-	7,83,891/-	3,00,000/-
Mr.S.C.Malik, Director (Finance)	5,10,000/-	76,548/-	1,27,500/-

The above figures do not include contribution to Gratuity Fund, as separate figures are not available.

The above remuneration is within the limits of remuneration approved by the Shareholders of the Company in their meeting held on 16th January, 2010 and by Central Government, approval is awaited.

The arrangements with Managing Director and Director (Finance) are contractual in nature.

(ii) Non Executive Directors

Remuneration by way of sitting fee for attending Board/Audit Committee/Remuneration Committee/Share Transfer-cum-

CORPORATE GOVERNANCE REPORT FOR THE PERIOD 1-10-2009 TO 31-03-2010 (6 MONTHS)

Shareholder Grievance Committee Meetings, paid to the non-executive directors is as under.

Name	Sitting fee paid (Rs.)
Mr.M.M.Kohli	6000
Mr.Ravinder Kapur	24000
Mr. S. Sathyamoorthy	1500
Mr. Rakesh Gupta	1500

7. Share Transfer-cum-shareholder/Investor Grievance Committee

The Board has formed a Share Transfer-cum-Shareholder/Investor Grievance committee consisting of the following directors, the details of meeting attended by the directors/members is given herein under:-

Sl.No.	Name of Director	No of Meetings held	No of Meetings attended
1	Mr. Ravinder Kapur	13	13
2	Mr. Vineet Jain	13	10
3	Mr. S.C.Malik	13	13

The chairman of the committee is Mr. Ravinder Kapur , an independent director.

The Company Secretary was in attendance in all the Share Transfer Meeting.

The Committee deals with matters relating to :

- Transfer/Transmission of shares;
- Issue of Duplicate Share Certificates;
- Consolidation/Split of Share Certificates;
- Review of Shares Dematerialized;
- All other matters relating to shares.

Mr.Rakesh Mundra, Company Secretary and Mr. Anirudha Mitra, Vice President, MCS Ltd., Registrar & Share Transfer Agent are the Compliance Officer of the Company.

Further the Company confirms that there were no share transfers lying pending as on 31.03.2010, and all requests for dematerialization and re-materialization of shares as on that date were confirmed/rejected into the NSDL/CDSL system.

The Shareholder complaints received and resolved during the period from October 1, 2009 to March 31, 2010 are as under.

	Type of Compliant	Pending As on 01.10.2009	Total Complaints Received	Complaints Redressed	Redressal under process	Pending As on 31.03.2010
1	Letter received from SEBI	Nil	Nil	Nil	Nil	Nil
2	Letter received from Stock Exchanges	Nil	1	1	Nil	Nil
3	Letter received from DCA	Nil	Nil	Nil	Nil	Nil
4	Court/Consumer forum cases	Nil	Nil	Nil	Nil	Nil
5	Change of Address etc.	Nil	Nil	Nil	Nil	Nil
6	Nomination	Nil	Nil	Nil	Nil	Nil
7	Non receipt of Dividend	Nil	1	1	Nil	Nil
8	Share Transfers etc.	Nil	23	23	Nil	Nil

- Note: The Company has endeavored to settle all shareholder complaints in the minimum possible time. The average time of settlement may vary from 7 days to 15 days.
- An email ID exclusive for registering complaints / grievance has been formed as palinvest.grievance@gmail.com.

CORPORATE GOVERNANCE REPORT FOR THE PERIOD 1-10-2009 TO 31-03-2010 (6 MONTHS)

8. General Body Meetings

The last three Annual General Meetings were held as under:-

Financial year	Date	Time	Venue
31.03.2007	29.09.2007	10.30 AM	Pasupati Acrylon Ltd., Vill. Thakurdwara,
31.03.2008	20.09.2008	10.30 AM	Kashipur Road,
30.09.2009	16.01.2010	01.30 PM	Moradabad (UP)

Mr. Ravinder Kapur, Chairman of the Audit Committee had also attended the Annual General Meeting held on 16.01.2010. No resolution was passed through postal ballot during the period 1.10.2009 to 31.03.2010 under the provisions of Section 192A of the Companies Act, 1956 and the companies (Passing of Resolutions by Postal Ballot) Rules 2001 and no resolution is proposed to be passed at the ensuing Annual General Body Meeting through postal ballots.

In the last three Annual General Meetings, special resolutions passed are as detailed below:

Annual General Meeting held on 29.09.2007

No special resolution was passed at the Annual General Meeting held on 29.09.2007.

Annual General Meeting held on 20.09.2008

No special resolution was passed at the Annual General Meeting held on 20.09.2008

Annual General Meeting held on 16.01.2010

No special resolution was passed at the Annual General Meeting held on 16.01.2010.

9. Disclosures

- 1) Details of related party transactions during the year have been set out under Note No.23 of Schedule 'Q' of the Annual Accounts. However, these are not having any potential conflict with the interest of the company at large.
- 2) There were no instances of non-compliance or penalty, strictures imposed on the company by Stock Exchanges/SEBI or any other statutory authorities on any matter related to capital markets, during the last three years.
- 3) Presently the company does not have a Whistle Blower Policy but has a policy similar to it, which is called Open Talk. No personnel of the Company have been denied access to the Audit Committee.
- 4) PAL has implemented a Code of conduct based on its business principles along with implementation framework for its Directors and Senior Management of the Company. In compliance with the code, Directors and Senior Management of the Company have affirmed compliance with the Code for the 6 months period ended on 31st March 2010. A declaration to this effect signed by the Managing Director form part of this Annual Report.

10. Means of Communication

- 1) Quarterly/Half yearly results are being published in daily newspapers viz. Pioneer and Veer Arjun Hindi Edition. The Annual Report is posted to every shareholder of the Company.
- 2) Management's Discussions and Analysis Report forms part of Directors' Report on the Annual Accounts more specifically under Operations, Current Year Outlook, Internal Control System and adequacy, Human Resources and Industrial Relations.
- 3) The Company's website at www.pasupatiacrylon.com is regularly updated with financial results.
- 4) Requisite information, statements and reports are being filed under Corpfilings as per SEBI directions and can be seen at www.corpfiling.co.in.

11. General Shareholder Information

1. Notes on Directors seeking re-appointment as required under Clause VI A of the Listing Agreement.
Mr. M.M. Kohli and Mr. S. C. Malik will retire at the ensuing Annual General Meeting by rotation and they have offered themselves for re-appointment. The Board has recommended the re-appointment of the retiring Directors.
The information about the brief resume and other information required to be disclosed under this section are provided in the notice of the Annual General Meeting.
2. Annual General Meeting will be held on Saturday the 25th day of September, 2010 at Registered office of the Company i.e. Thakurdwara, Kashipur Road, Distt. Moradabad (UP) at 10.30 AM.
3. The company has furnished information as required by Clause 49 (vi) of the Listing Agreement of the Stock Exchanges, relating to appointment/re-appointment of Director(s). Shareholders may kindly refer to the Notice convening the 27th

CORPORATE GOVERNANCE REPORT FOR THE PERIOD 1-10-2009 TO 31-03-2010 (6 MONTHS)

Annual General Meeting of the Company. The number of companies in which the person also holds directorship and the membership of Committees of the board are given separately.

4. Financial Calendar for the period 2010-11 (Provisional)

First Quarter Results (30.06.2010)	By 15 th August 2010
Second Quarter Results (30.09.2010)	By 15 th November 2010
Third Quarter Results (31.12.2010)	By 15 th February 2011
Fourth Quarter Results (31.03.2011)	By 15 th May 2011
Mailing of Annual Report	By August, 2011
Annual General Meeting	By September, 2011

12. Dates of Book Closure

The Share Transfer Books and Register of Members of the Company shall remain closed from Friday the 17th day of September 2010 to Saturday the 25th day of September 2010 (both days inclusive).

13. Stock Code

The Company's scrip codes at various Stock Exchanges are as under:-

Stock Exchange Mumbai	500456
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14. Listing of Equity Shares on Stock Exchanges, etc.

The Company's shares are presently listed on the Stock Exchange at Mumbai, the listing fees for the year 2010-2011 have been paid to the Mumbai Stock Exchange.

15. Stock Market Price Data for the 06 months period 1.10. 2009 to 31.03.2010.

Share Price on BSE

Month	B S E		B S E SENSEX	
	High (Rs.)	Low (Rs.)	High	Low
October, 2009	8.74	6.85	17493	15805
November, 2009	8.55	6.30	17290	15331
December, 2009	8.85	6.91	17531	16578
January, 2010	9.89	6.88	17790	15982
February, 2010	8.40	7.30	16669	15652
March, 2010	8.68	6.55	17793	16438

16. Share Transfer Agent

The Company is availing services of M/s. M.C.S Limited F-65, Okhla Industrial Area Phase-I, New Delhi-110020, a SEBI registered Registrar, as Registrar and Share Transfer Agents for processing the transfers, sub-division, consolidation, splitting of securities etc. Since trades in Company's shares can now only be done in the dematerialized form, request for demat and remat should be sent directly to MCS Limited, F-65, Okhla Industrial Area Phase-I, New Delhi-110020. Shareholders have the option to open their accounts with either NSDL or CDSL as the Company has entered into Agreements with both these Depositories.

17. Share Transfer System

As already stated, the Company's shares are traded in the Stock Exchanges compulsorily in demat mode. Therefore, Investors/ Shareholders are requested to kindly note that physical documents, viz Demat Request Forms (DRF) and Share Certificates etc. should be sent by their Depository Participants (DP's) directly to the Share Transfer Agents. Any delay on the part of the DP's to send the DRF and the Share Certificates beyond 21 days from the date of generation of the DRF by the DP will be rejected/cancelled. This is being done to ensure that no demat requests remain pending with the Share Transfer Agent beyond a period of 21 days. Investors/Shareholders should, therefore, ensure that their DP's do not delay in sending the DRF and Share Certificates to Share Transfer Agent after generating the DRF.

CORPORATE GOVERNANCE REPORT FOR THE PERIOD 1-10-2009 TO 31-03-2010 (6 MONTHS)

18. Distribution of Shareholding as on 31st March 2010

No. of Shares	No. of Shareholders	%	No. of Shares	%
1-500	55015	89.42	7868705	11.07
501-1000	3842	6.24	2946862	4.14
1001-2000	1424	2.31	2120814	2.99
2001-3000	419	0.68	1062643	1.49
3001-4000	183	0.30	640984	0.90
4001-5000	194	0.32	898370	1.26
5001-10000	224	0.36	1637203	2.30
10001 -50000	168	0.27	3616261	5.08
50001- 100000	22	0.04	1585927	2.23
100001 and above	33	0.06	48755352	68.54
Total	61524	100	71133121	100

19. Dematerialization of Shares

As on March 31, 2010, 80.99% of the Company's total shares representing 57612001 shares were held in dematerialized form and the balance 19.01% representing 13521120 shares were in paper form.

20. CEO / CFO Certification

CEO and CFO have given a certificate to the Board as contemplated in Clause 49 of the Listing Agreement.

21. Registered Office and Works

Thakurdwara, Kashipur Road, Distt. Moradabad (UP)

22. Address of correspondence and corporate office

Company's corporate office is situated at
M-14, Connaught Circus (Middle Circle), New Delhi-110 001
Shareholders correspondence should be addressed to :

Pasupati Acrylon Ltd. Registered Office Thakurdwara, Kashipur Road Phone: 0591 2241263, 2241351 2241352, 2241353 Fax : 0591 2241262 E-mail: works@pasupatiacrylon.com	Pasupati Acrylon Ltd Corporate Office M-14, Connaught Circus New Delhi-110 001 Phone: 47627400 Fax : 47627497 E-mail : delhi@pasupatiacrylon.com	MCS Limited F-65, Okhla Industrial Area Phase-I, New Delhi-110020 Fax : 41406148 / 41709881 Email: admin@mcscdel.com
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23. Auditors Certificate on Corporate Governance

As required by Clause 49 of the Listing Agreement, the Auditors Certificate is given as an annexure to the Directors' Report.

For and on behalf of the Board

Place : New Delhi
Dated : July 30, 2010

Vineet Jain
Managing Director

DECLARATION ON CODE OF CONDUCT

This is to confirm that the Board has laid down a Code of Conduct for all Board members and senior management of the Company. The Code of Conduct has also been posted on the website of the company. It is further confirmed that all directors and senior management personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the period ended March 31, 2010, as envisaged in Clause 49 of the Listing Agreement with stock exchanges.

Vineet Jain
Managing Director

Place : New Delhi
Date : July 30, 2010

AUDITORS' REPORT

TO THE MEMBERS OF PASUPATI ACRYLON LTD.

1. We have audited the attached Balance Sheet of **PASUPATI ACRYLON LTD.** as at 31st March, 2010, the Profit & Loss Account and the Cash Flow Statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have 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 and the companies (Auditor's Report) (Amendment) order, 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
4. Attention is invited to
 - (a) note no.13 On schedule Q regarding providing depreciation by charging off 100% depreciation on all assets, instead of 95% as per straight line method. Resulting in profit after tax to be lower by Rs. 717.33 and fixed assets to be lower by said amount.
 - (b) As stated in note no. 12(a) in schedule Q, relating to noncompliance of Accounting standard 9 to the extent of credit for extinguishment of loan liability amounting to Rs. 3.54 lacs taken to capital Reserve instead of Profit & Loss account due to which profit for the year is lower by Rs.3.54 lacs and capital reserve higher by said amount.
5. 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 those books;
 - (iii) The Balance Sheet, Profit & 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 sub-section (3C) of section 211 of the Companies Act, 1956.
 - (v) As per information and explanations given to us, we report that as on 31.03.2010 none of the directors of the company are disqualified from being appointed as a director of the company u/s 274(1)(g) of the Companies Act, 1956.

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 give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

 - (a) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2010.
 - (b) In the case of the Profit & Loss Account, of the Profit for the period ended on that date and
 - (c) In the case of cash flow statement, of the cash flows for the period ended on that date.

Place : New Delhi
Date : May 27, 2010

For **B.K. SHROFF & CO.**
Chartered Accountants
O.P. Shroff
Partner
Membership No.: 6329

AUDITOR'S REPORT (Contd.)

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

- (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 period 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)(a) (i) The company has not granted any loans, secured or unsecured from companies, firms or other parties as listed in the register maintained under section 301 of the Companies Act 1956 and as such information regarding rate of interest, overdue amounts and other terms & conditions of loans granted is not required to be furnished.
 - (ii) The Company has not taken any loan during the period from the parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (b) As the company has neither taken nor granted any loan to parties caused U/s 301 of the companies Act, 1956 provision of clause (iii) (b) (c) (d) of the order are not applicable.
- (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. Further on the basis of our examination of the books and records of the company, carried out in accordance with the auditing standards generally accepted in India, we have not observed any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- (v) (a) According to the information and explanations given to us, during the period there were no contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register required to be maintained under that section.
 - (b) In our opinion and according to the information and explanations given to us, no transactions of purchase and sale of goods materials and services, made in pursuance of contracts or arrangements to be entered into the register maintained under section 301 of the Companies Act 1956 aggregating during the period to Rs. 5 lacs in respect of any party.
- (vi) In our opinion and according to the information given to us, company has not accepted deposits from the public within the meaning of section 58A & 58AA of the companies Act, 1956 or other relevant provision of the act according clause (iv) of the order are not applicable.
- (vii) In our opinion, the company has an adequate 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 *generally* regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Service Tax, Trade Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other statutory dues applicable to it, *except in certain instances where delays were noticed*.
 - (b) According to information and explanations given to us no undisputed amounts payable in respect of income tax, wealth tax, sales tax custom duty, excise duty and cess were outstanding as at 31st March, 2010 for a period of more than six months from the date they became payable.
 - (c) According to the records of the company, dues in respect of Sales Tax/Income Tax/Customs Duty/Wealth Tax/Excise Duty /Service Tax/Cess which have not been deposited on account of any dispute are as under:

AUDITOR'S REPORT (Contd.)

Name of the statute	Nature of dues	Period to which amount relates	Amount Rs.	Forum where pending
Central Excise and Salt Act, 1964	Differential duty on waste	Feb.'96 to Jan'04	163.10 lacs	Supreme Court
	Differential duty on waste	May'04 to April'05	36.00 lacs	
	Differential duty on waste	May 05 to March 07	24.29 lacs	High Court
	Differential duty on waste	April to Nov.. 08	16.64 lacs	Supreme Court
UP Tax on Entry of Good Tax 2001	Differential duty on waste	13.02.92 to 30.06.02	6.77 lacs	Supreme Court
	Differential duty on waste	Aug.92 to 20.01.93	13.28 lacs	
	Entry tax	Aug.07 to March 08	15.28 lacs	High Court
	Entry Tax demand for e-form	04-05	19.46 lacs	High Court
	Entry tax demand for e-form	05-06	14.54 lacs	Deputy Commissioner Moradabad
	Entry tax demand for e-form	1/4/08 to 30/9/09	47.94 lacs	High court
	Entry tax demand for e-form	1/10/09 to 31/03/10	15.43 lacs	Deputy Commissioner Moradabad
	Entry tax demand for e-form	06-07	2.22 lacs	High Court
	Entry Tax	Dec. '03 to March. '04	14.40 lacs	High Court
	Entry Tax on coal Freight	April'06 to March'07	10.33 lacs	High Court
Customs Act	Entry Tax on coal Freight	01.10.09 to 31.03.10	29.04 lacs	High Court
	Education cess on DEPB	14.09.04 to 08.02.05	37.28 lacs	Additional Commissioner Central excise & Customs
	Excise duty	Jan'06 to Dec'06	0.18 lacs	Assistant Commissioner
	Excise duty	Jan'07 to Dec'07	0.17 lacs	Commissioner
Central Excise Act	Excise duty	Jan.08 to Nov..08	0.28 lacs	Custom & Excise
	Excise duty	Dec.08 to Oct.09	0.20 lacs	
	Cenvat	April 07 to Feb. 08	11.38 lacs	Additional Commissioner Central excise
Forest Act, 1927	Transit tax on forest produce	Oct.09 to March,10	10.91 lacs	High Court
Central Excise Act	Disallowing service tax credit due to non registration	Feb. 05 to Feb. 09	122.27 lacs	Commissioner Meerut - II

- (x) As at 31.03.2010 the accumulated losses of the company are more than fifty percent of its net worth. The company has not incurred cash losses during the period covered by our audit but had incurred cash loss in the immediately preceding year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of principal/interest dues to financial institutions, banks & debentures holders. However monthly interest (from 01.09.08 to 31.03.10) of Rs.1.27 lacs and quarterly installment (from 01.09.08 to 31.03.10) of Rs.1.37 Lacs to financial Institutions) also, monthly interest (April'09 to Mar.10) to a bank amounting to Rs.0.98 lacs has been defaulted as on 31.03.2010, also monthly interest of Rs. 51.27 lacs & quarterly installment amounting to Rs. 21.62 lacs to banks has been delayed during the period.
Note:- The repayment / payment of overdue quarterly principal installments and monthly interest of Rs. 8.02 lacs & Rs. 1.26 lacs of NIA, have been paid / waived as per one time settlement during the period and as such there is no default as at 31st March'2010.
- (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, debenture 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 clause 4 (xiii) of the 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 clause 4(xiv) of the 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 the term loans 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 short term basis have not been used for long term investments.
- (xviii) During the period 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 period the company had not issued any debentures.
- (xx) During the period 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 neither come across any instance of fraud by the company, noticed or reported during the period nor have we been informed of such case by the management.

For **B.K. SHROFF & CO.**
Chartered Accountants
O.P. Shroff
Partner
Membership No.: 6329

Place : New Delhi
Date : May 27, 2010

BALANCE SHEET AS AT 31ST MARCH, 2010

SCHEDULE		As at 31.03.2010 (Rs./Lacs)	As at 30.09.2009 (Rs./Lacs)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A	7,114.10	7,114.10
Reserves & Surplus	B	<u>7,839.28</u>	<u>8,217.96</u>
		14,953.38	15,332.06
Loan Funds			
Secured Loans	C	2,836.80	3,393.98
Unsecured Loans	D	<u>2,468.66</u>	<u>2,744.13</u>
		5,305.46	6,138.11
		<u>20,258.84</u>	<u>21,470.17</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	E	35,196.70	35,190.70
Less : Depreciation		<u>26,314.73</u>	<u>25,070.59</u>
		8,881.97	10,120.11
Add : Capital Work In Progress		<u>1,360.56</u>	<u>1,313.40</u>
		10,242.53	11,433.51
Current Assets, Loans & Advances			
Inventories	F	8,569.12	7,390.79
Sundry Debtors	G	1,504.56	1,097.09
Cash & Bank Balances	H	635.93	550.66
Loans & Advances	I	917.43	1,974.10
		<u>11,627.04</u>	<u>11,012.64</u>
Less : Current Liabilities & Provisions			
Current Liabilities	J	8,834.75	9,029.64
Provisions	K	<u>2.06</u>	<u>0.97</u>
		8,836.81	9,030.61
Net Current Assets		2,790.23	1,982.03
Profit & Loss Account		7,226.08	8,054.63
		<u>20,258.84</u>	<u>21,470.17</u>
Significant Accounting Policies and Notes on Accounts			
	Q		

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

Vineet Jain
Managing Director

O.P. Shroff
Partner
Membership No. 6329

Place : New Delhi
Dated : May 27, 2010

Rakesh Mundra
A.V.P(Finance) & Company Secretary

S.C. Malik
Director (Finance)

Ravinder Kapur
Director

PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDING 31ST MARCH, 2010

SCHEDULE		Current Period (6 months) (Rs./Lacs)	Previous Period (18 months) (Rs./Lacs)
INCOME			
Sales(Gross)	22,838.02	49,684.16	
Excise Duty	<u>1,751.12</u>	<u>2,955.61</u>	
Sales (Net)		21,086.90	46,728.55
Export Incentives/Benefits.		33.23	34.90
Other Income	L	329.54	249.87
(Decrease)/Increase in stocks	M	<u>(1,490.73)</u>	<u>1,061.72</u>
		<u>19,958.94</u>	<u>48,075.04</u>
EXPENDITURE			
Material Cost	N	11,781.05	35,883.53
Manufacturing and Other Expenses	O	<u>4,761.62</u>	<u>12,105.55</u>
		<u>16,542.67</u>	<u>47,989.08</u>
Profit before Financial Charges, Depreciation & Taxation		3,416.27	85.96
Interest and Finance Charges	P	<u>321.60</u>	<u>1,226.83</u>
Profit before Depreciation and Taxation		3,094.67	(1,140.87)
Depreciation		1,244.33	1,653.74
Less: Transfer from Revaluation Reserve		<u>382.22</u>	<u>747.77</u>
		<u>862.11</u>	<u>905.97</u>
Profit/(Loss) before Taxation & Extraordinary Items.		2,232.56	(2,046.84)
Extraordinary items(See Note No.14 on Schedule Q)		<u>(1,402.92)</u>	<u>1,794.21</u>
Provision/Payment for Taxation (net of adjustment)			
Wealth tax		1.09	2.53
Fringe benefit tax		<u>1.09</u>	<u>18.38</u>
Excess prov.written back			<u>(0.01)</u>
Profit/(Loss) after Tax		828.55	(273.53)
Balance brought forward		(8054.63)	(8,031.10)
Transfer from Debenture Redemption Reserve		-	250.00
Loss Carried to Balance Sheet		(7,226.08)	(8,054.63)
Earnings per Share of Rs.10 each(before extra ordinary items)			
Basic & Diluted (Rs.)		3.14	(2.91)
Earnings per Share of Rs.10 each(after extra ordinary items)			
Basic & Diluted (Rs.)		1.16	(0.38)

Significant Accounting Policies and Notes on Accounts

Q

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

O.P. Shroff
Partner
Membership No. 6329

Place : New Delhi
Dated : May 27, 2010

Rakesh Mundra
A.V.P(Finance) & Company Secretary

S.C. Malik
Director (Finance)

Vineet Jain
Managing Director

Ravinder Kapur
Director

CASH FLOW STATEMENT FOR THE PERIOD ENDING 31ST MARCH, 2010

	As at 31.03.2010 (6 months) (Rs. /Lacs)	As at 30.09.2009 (18 months) (Rs. / Lacs)
A. Cash Flow from Operating Activities		
Net Profit/(Loss) before tax,extraordinary items	2232.51	(2046.80)
Add/(Less) : Adjustments for		
Depreciation	862.12	905.97
Interest expenses	182.69	856.95
Interest income	(17.76)	(50.35)
(Profit)/Loss on sale of fixed assets	0.03	(0.04)
	<u>1027.08</u>	<u>1712.53</u>
Operating Profit before working capital changes	3259.59	(334.27)
Add: Adjustments for change in working capital		
Trade and Other receivables	(697.30)	(502.41)
Inventories	(1178.32)	(95.17)
Trade and Other Payables(see point no.4)	(392.94)	1192.85
	<u>(2268.56)</u>	<u>595.27</u>
Net Cash Generated from operations	991.03	261.00
Direct Taxes paid/adjusted	2.74	(29.94)
Net Cash from Operating Activities	<u>993.77</u>	<u>231.06</u>
B. Cash Flow from Investing Activities		
Purchase of fixed assets	(117.39)	(184.36)
Sale of fixed assets	0.12	0.76
Interest received	16.14	46.96
Net Cash from Investing Activities	<u>(101.13)</u>	<u>(136.64)</u>
C. Cash Flow from Financing Activities		
Interest paid	(269.56)	(774.21)
Short Term Bank Borrowings-Buyer's Credit	(421.15)	767.98
Proceeds from long term borrowings	-	79.82
Repayment of long term borrowings	(133.30)	(1047.35)
Proceeds/(Payment) of unsecured loans	-	1038.12
Increase/(Decrease) in Bank Borrowings	16.64	(33.25)
Net Cash used in Financing Activities	<u>(807.37)</u>	<u>31.11</u>
Net increase in Cash and cash equivalents	85.27	125.53
Opening Balance of cash and cash equivalents	550.66	425.13
Closing Balance of cash and cash equivalents	<u>635.93</u>	<u>550.66</u>

D. Notes on Cash Flow Statement

- Figures in brackets represent cash outflow.
- Cash flow does not include non cash items.
- Cash and cash equivalents includes balance in fixed deposit/ margin money account Rs.629.34 Lacs(previous period Rs.547.48 lacs)
- Includes Deferred Credit of Rs.1383.64 Lacs(Previous Period Rs.1581.56 Lacs) appearing under 'unsecured Loans' represents liability for credit allowed by foreign supplier(s) of raw material.

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

Vineet Jain
Managing Director

O.P. Shroff
Partner
Membership No. 6329

Place : New Delhi
Dated : May 27, 2010

Rakesh Mundra
A.V.P(Finance) & Company Secretary

S.C. Malik
Director (Finance)

Ravinder Kapur
Director

SCHEDULES A-Q (Contd.)

	As at 31.03.2010 (Rs./Lacs)	As at 30.09.2009 (Rs./Lacs)
D. Unsecured Loans		
Inter Corporate Deposit	1,080.00	1,080.00
Deffered Credit	1,383.64	1,581.55
Interest Accrued & Due	5.02	82.58
	<u>2,468.66</u>	<u>2,744.13</u>

E. Fixed Assets				(Rs/Lacs)			
Description	Gross Block			Depreciation		Net Block	
	As at 1.10.2009	Additions	Sales/ Adjustments	As at 31.3.2010	Upto 31.3.2010	As at 31.3.2010	As at 30.9.2009
Land - Leasehold (a)	25.90	-	-	25.90	15.43	10.47	10.90
- Freehold	7.62	-	-	7.62	-	7.62	7.62
Office Premises (b)	81.47	-	-	81.47	22.03	59.44	60.10
Buildings	1,611.94	-	-	1,611.94	697.52	914.42	935.88
Plant & Machinery	30,708.32	-	-	30,708.32	23,342.72	7,365.60	8,470.83
Electric Installations	1,874.87	-	-	1,874.87	1,600.98	273.89	352.11
Furniture & Fixtures	248.29	0.09	-	248.38	238.46	9.92	20.82
Factory & Office Equipment	337.06	5.84	-	342.90	262.96	79.94	87.43
Vehicles	295.23	0.40	0.33	295.30	134.63	160.67	174.42
	<u>35,190.70</u>	<u>6.33</u>	<u>0.33</u>	<u>35,196.70</u>	<u>26,314.73</u>	<u>8,881.97</u>	<u>10,120.11</u>
Previous year	35,074.22	123.40	6.92	35,190.70	25,070.59		

Capital Work in Progress	1,424.47	1,313.40
Less: Impairment of Capital Works in Progress as per AS-28 (See Note. 15)	63.91	-
	<u>10,242.53</u>	<u>11,433.51</u>

Notes :

- Includes Rs. 9.90 lacs (previous period Rs.9.90 lacs) towards land for housing colony held by the company under a 30 year lease agreement commenced from 12.10.1992.
- Since separate breakup of Rs. 62.95 lacs being cost of office premises, furniture & fixtures and air conditioners at Mumbai are not available. Depreciation has been provided on total cost as office premises.
 - Includes cost of 5 shares (previous period 5 shares) Rs.252(previous period Rs.252) in Arcadia Premises Co-operative Society Ltd., Mumbai.

SCHEDULES A-Q (Contd.)

	As at 31.03.2010 (Rs./Lacs)	As at 30.09.2009 (Rs./Lacs)
F. Inventories		
(As Certified & valued by the Management)		
Stores, Spares & Consumables (including in transit Rs.0.89 lacs previous period Rs.4.58 lacs)	677.66	693.74
Raw Material (including in transit Rs.5424.16 lacs previous period Rs.2967.53 lacs)	5,871.37	3,525.16
Fuel	426.78	87.85
Stock in Process	216.00	254.97
Finished Goods:		
- Own Manufactured	1,376.53	2,826.90
- Trading	0.78	2.17
	<u>8,569.12</u>	<u>7,390.79</u>
G. Sundry Debtors		
Exceeding Six Months.		
-Considered Good	13.46	10.02
-Considered Doubtful	178.14	178.14
	<u>191.60</u>	<u>188.16</u>
-Less: Provision for Doubtful Debts.	178.14	13.46
Others-Considered Good	1491.10	1087.07
	<u>1,504.56</u>	<u>1,097.09</u>
H. Cash & Bank Balances		
Cash in Hand	0.29	1.00
Balances with Scheduled Banks		
-In Current Account	6.30	2.18
-In Fixed Deposit / Margin Money Account	629.34	547.48
	<u>635.93</u>	<u>550.66</u>
I. Loans & Advances		
(Unsecured - Considered Good)		
Loans - to Staff	28.26	12.73
Interest Receivable on Loans and Deposits	16.75	15.13
Advances (Recoverable in Cash or in Kind or for Value to be Received)		
-Considered Good	743.77	241.84
-Considered Doubtful	39.36	75.49
	<u>783.13</u>	<u>317.33</u>
-Less: Provision for Doubtful Advances.	39.36	743.77
Security Deposits	8.17	8.17
Tax Deducted at Source	7.28	10.02
Balances with Customs & Excise Authorities etc.	113.20	1,686.21
	<u>917.43</u>	<u>1974.10</u>

SCHEDULES A-Q (Contd.)

	As at 31.03.2010 (Rs./Lacs)		As at 30.09.2009 (Rs./Lacs)	
J. Current Liabilities				
Acceptances Under Letter of Credit/Deferred Credit		8,011.35		7,457.81
Book Overdraft With Banks		-		4.48
Sundry Creditors		251.70		1,068.61
Other Liabilities		453.73		461.48
Advances from Customers		108.62		28.06
Interest Accrued but not Due		9.35		9.20
		<u>8,834.75</u>		<u>9,029.64</u>
K. Provisions				
Wealth Tax		2.06		0.97
		<u>2.06</u>		<u>0.97</u>
L. Other Income				
Scrap Sale		39.15		74.65
Interest (gross)				
- Banks (TDS Rs.0.58 lacs previous period Rs.0.92 lacs)	16.48		46.16	
- Others	<u>1.29</u>	17.77	<u>4.18</u>	50.34
Claims Received		37.63		61.04
Gain on Exchange Fluctuation		228.19		-
Miscellaneous Income		6.80		13.14
Gain on Sale of Fixed Assets		-		0.04
Prior year's Income/ Adjustments	-		53.91	
Less Prior year's Expenses	-	-	3.25	50.66
		<u>329.54</u>		<u>249.87</u>
M. (Decrease)/Increase in Stocks				
Closing Stock				
Finished Goods				
- Own Manufactured	1,376.53		2,826.90	
- Trading	0.78		2.17	
Stock in Process	<u>216.00</u>		<u>254.97</u>	
		1,593.31		3,084.04
Opening Stock				
Finished Goods				
- Own Manufactured	2,826.90		1,754.79	
- Trading	2.17		0.12	
Stock in Process	<u>254.97</u>		<u>267.41</u>	
		3,084.04		2,022.32
(Decrease)/Increase in Stocks		<u>(1,490.73)</u>		<u>1,061.72</u>
N. Material Cost				
Purchase of Finished Goods				3.64
Raw Material Consumed				
Opening Stock	3,525.15		4,247.22	
Add : Purchases	<u>14,127.25</u>		<u>35,157.82</u>	
	17,652.40		39,405.04	
Less - Closing Stock	<u>5,871.35</u>		<u>3,525.15</u>	
		<u>11,781.05</u>		<u>35,879.89</u>
		<u>11,781.05</u>		<u>35,883.53</u>

SCHEDULES A-Q (Contd.)

	Current Period (6 months) (Rs./Lacs)	Current Period (18 months) (Rs./Lacs)
O. Manufacturing & Other Expenses		
Stores , Spares & Packing Material Consumed	433.56	1,084.83
Power, Fuel & Water	1,843.73	5,197.51
Salaries , Wages , Allowances & Bonus	521.72	1,504.22
Gratuity	11.36	49.96
Contribution to ESIC, Provident/		
Superannuation Funds, etc.	43.49	123.30
Staff Welfare Expenses	20.86	48.30
Staff Recruitment & Training Expenses	2.75	4.51
Rent (Including Lease Rent Rs. 0.09 lacs Previous period Rs. 0.30 lacs)	49.08	165.91
Rates and Taxes	6.53	10.05
Insurance	30.05	74.89
Repairs and Maintenance		
- Plant & Machinery	98.05	182.43
- Buildings	52.59	97.14
- Others	33.91	55.43
Travelling & Conveyance	37.08	78.16
Directors' Sitting Fee	0.33	1.14
Rebates & Discounts	1,202.84	2,053.61
Commission & Brokerage	10.53	6.23
Freight Outward	309.74	812.31
Exchange Fluctuation	-	130.09
Claim Paid/Irrecoverable Advances Written Off	13.87	8.76
Excise Duty on Decrease/Increase in Closing Stock	(87.17)	81.47
Miscellaneous Expenses	121.50	323.09
Previous year Expenses	3.18	-
Less Previous years' Income	2.02	-
Loss on Sale of Fixed Assets	0.03	-
Charity & Donation	0.65	1.35
Auditor's Remuneration	3.38	10.86
	<u>4,761.62</u>	<u>12,105.55</u>
P. Interest and Finance Charges		
Interest		
- On Term Loans.	62.88	215.07
- Others	119.81	641.88
Bank & L/C Charges	136.44	358.18
Other Financial Charges	2.47	11.70
	<u>321.60</u>	<u>1,226.83</u>

SCHEDULES A-Q (Contd.)

Q. SCHEDULE

1. Significant Accounting Policies & Notes On Accounts.

Fixed Assets

Fixed assets are stated at cost except in the case of plant and machinery, which have been shown at revalued amount. Cost includes financing cost till the commencement of commercial production, inward freight, duties & taxes, incidental expenses related to acquisition and is net of MODVAT / CENVAT. In respect of major projects involving construction, related pre-operational expenses form part of the value of the assets capitalized.

Fixed assets acquired under hire purchase schemes are capitalized at their principal value and hire charges are expensed. Fixed assets taken on lease are not treated as assets of the company and lease rentals are charged off as revenue expenses.

Spares received along with the plant or equipment and those purchased subsequently for specific machines and having irregular use are being capitalized.

As per practice, expenses incurred on modernization / de-bottlenecking / relocation / relining of plant and equipment are capitalized.

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the greater of the net selling price and value in use.

Inventories

Inventories are valued at lower of cost or net realisable value. Cost is determined using the First in First out (FIFO) formula. Finished goods and stock in process include cost of conversion and other costs incurred in bringing the inventories to their present location and conditions. Cost of machinery spares which can be used only in connection with plant & machinery and whose use is expected to be irregular are amortized proportionately over a period of residual useful life of machinery as technically evaluated. Due allowance is estimated and made for defective and obsolete items, wherever necessary, based on the past experience of the company.

Foreign Currency Fluctuations

Foreign currency loans under Exchange Risk Administration Scheme (ERAS) and of ADB line of credit have been reflected in Indian Rupees at the rates prevailing at the time of disbursement/conversion.

Gains / Losses due to Foreign Exchange fluctuations arising out of the settlement including those related to fixed assets are dealt within the profit and loss account.

Foreign currency current assets and liabilities are converted into Rupee at the exchange rate prevailing on the Balance Sheet date and the resultant gains / losses are reflected in the profit and loss account.

Depreciation

Depreciation has been calculated on fixed assets on straight line method in accordance with schedule XIV of the Companies Act, 1956. Leasehold land is depreciated over the lease period. Up till last accounting period ending on 30.09.2009 the Company used to provide depreciation upto 95% of assets value, keeping 5% as residual value. From 01.10.2009 the Company shall provide depreciation keeping the residual value to Re.1 instead of 5%.

Depreciation on amounts capitalized on account of foreign currency fluctuations, is provided prospectively over the residual life of the assets.

Depreciation on revalued assets is calculated on straight line method over the residual life of the respective assets as estimated by the valuer. The additional charge for depreciation on account of revaluation is withdrawn from the revaluation reserve and credited to the profit & loss account.

Research and Development

While revenue expenditure on research and development is charged against the profit of the year in which it is incurred, capital expenditure is shown as an addition to fixed assets.

Employees

The company has set up separate provident fund and superannuation trusts in respect of certain categories of employees. For other employees, provident fund is accrued on monthly basis in accordance with the terms of contract with the employees and is deposited with the "Statutory Provident Fund". Liability on account of retirement gratuity to the employees is being provided in accordance with the company's Group Gratuity Cash Accumulation Scheme with Life Insurance Corporation of India. The contributions to the Trusts are charged to the Profit & Loss Account.

The company extends benefits of leave to the employees while in service as well as on retirement. Provision for leave encashment benefit is being made on the basis of actuarial valuation.

Keyman insurance policy taken by the company on the life of its Keyman is valued at surrender value.

Tax, Duties, etc.

Excise duty has been accounted for in respect of goods cleared and provision has also been made for goods lying in bonded warehouse. Custom duty on material lying in bond and in transit is accounted for at the time of clearance thereof. This accounting treatment has no impact on the loss for the year. Sales tax paid is charged to Profit & Loss Account.

SCHEDULES A-Q (Contd.)

Claims and Benefits

Claims receivable and export benefits are accounted on accrual basis.

Revenue Recognition

Sale of goods is recognized on dispatch to customers. Sales are net of returns, excise duty and sales tax / VAT.

Borrowing Cost

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

Financial Derivatives Transactions

In respect of derivative contracts, premium paid gains / losses on settlement and provisions for losses for cash flow hedges are recognized in the Profit & Loss account.

Forward Exchange Contracts not intended for Trade or Speculation Purpose.

The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Exchange difference on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change except for difference in respect of liabilities incurred for acquiring fixed assets from a country outside India, in which case such difference is adjusted in the carrying amount of the respective fixed assets. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year.

Income from Investments / Deposits

Income from investments/deposits is credited to revenue in the year in which it accrues. Income is stated in full with the tax thereon being accounted for under Tax deducted at source.

Deferred Taxation

Deferred Taxation is calculated 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 is 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.

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 for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year (adjusted for the effects of dilutive options).

Events occurring after Balance Sheet Date

Events occurring after the balance sheet date have been considered in the preparation of financial statements.

Contingent Liabilities

Un-provided contingent Liabilities are disclosed in the accounts by way of notes giving nature and quantum of such liabilities.

		Current Period (Rs. in lacs)	Previous Period (Rs./lacs)
2.	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	528.60	-
3.	Contingent liabilities not provided for in respect of		
	a. UPSEB demand under appeal	-	101.25
	b. Guarantee(s) given by banks and financial institutions	289.44	280.09
	c. Letters of credit outstanding	7.00	243.63
	d. SalesTax/Excise Duty/Custom Duty/Other Statutory dues /ServiceTax disputed in appeals	611.39	440.78
	e. Labour Cases disputed In appeal	13.88	11.50

4. The Company has not received intimation from vendors regarding the status under the Micro, Small & Medium Enterprises Development Act, 2006 and therefore, disclosures under this Act have not been given. The management does not envisage any material impact on the financials in this regard.
5. (a) Previous year's figures have been regrouped / rearranged wherever considered necessary.
(b) Current period consists of the period 1.10.09 to 31.03.10 and the previous period is for the period 1.4.08 to 30.09.09, accordingly current period figures are not comparable with previous period figures.
6. Presently no options are available on un-issued share capital except convertibility clause(s), which can be exercised by the Financial Institution(s) in terms of loan agreement(s).

SCHEDULES A-Q (Contd.)

7. Loan includes Repayable within One Year (including overdue).

	As at 31.03.10 (Rs. in lacs)	As at 30.09.09 (Rs. in lacs)
Secured Loan		
Rupee Term Loan	41.49	41.42
OTS with Institutions	4.48	5.93
Interest Accrued and Due	3.55	13.01
Vehicle Loan	34.97	35.37
Working Capital Term Loan	143.46	137.50
Buyers Credit	346.83	767.97
Unsecured Loan		
Deferred Credit	1383.64	1581.55
Interest Accrued and Due	5.02	82.58

8. a. As reported in earlier years, an employee of the Company defrauded Rs.126 lacs in connivance with certain customers. Legal proceedings against the employee and customers are being pursued. The defrauded amount has been fully provided in the year of fraud.
- b. As reported in earlier years, DEPB licenses of Rs. 27.01 lacs (Previous Period Rs. 27.01 lacs) Purchased were found forged. The amount was provided for in the year of fraud. Legal proceedings are being pursued for recovery of balance amount.
9. As per corporate Debt Restructuring Scheme, the Lenders have an option to convert 20% of interest bearing loan and entire 0% interest funded loan into equity, that remain outstanding after a period of seven years. The Lenders would also have an option to convert entire / part of defaulted interest of principal, in the event of default continue beyond 90 days and have the right to revoke the package in case of default.
10. Deferred Credit (Raw-Material) of Rs. 1383.64 lacs (Previous Period Rs. 1581.55 lacs) appearing under unsecured loans represents liability for raw material supplied by foreign suppliers under deferred credit facilities.
11. (a) As reported in earlier years that the Government of India reduced Excise Duty on Acrylic Fibre in the Union Budget 2006 while duty on raw materials were not reduced commensurately, resulting in inverted duty structure. Due to such anomaly the company is facing CENVAT accumulation, as at 31.03.2010, the CENVAT accumulation stood to Rs.1345.38 lacs (Previous Period Rs.1559.78 lacs). The Industry's plea to set right the anomaly has not been addressed by the Government. It is thus prudent to write off the accumulated CENVAT in the accounts. As such the Company has written off such CENVAT accumulation of Rs.1345.38 Lacs in these accounts, the same has been shown under extra-ordinary item. As and when Government corrects the anomaly the Company shall account for the same accordingly.
- b. During the period Excise duty payable on closing stock of Rs.128.30 lacs (Previous Period Rs.215.47 lacs) has been adjusted against balance with Custom & Excise.
12. (a) During the period under review the Company has entered into one time settlement (OTS) with Financial Institution, the payment of OTS amount has been made subsequent to the close of the financial year. Based on legal opinion obtained by the Company, it has taken credit of Rs. 3.54 lacs (Previous Period Rs. 637.32 lacs) in respect of extinguishment of liability towards principal amount to the Capital Reserve Account.
- (b) Interest waiver on such OTS amounting to Rs. 6.37 lacs (Previous Period Rs. 1794.21 lacs) has been shown under the extraordinary items in the Profit & Loss Account.
13. Depreciation on all assets which was hitherto being provided on straight line method basis, as per Schedule XIV of Companies Act, 1956 considering residual value at 5% of the value of assets has during the period been provided considering residual value at Rs.1.00. The said change has resulted in increase in depreciation by Rs.717.33 lacs for the period ended on 31.03.2010. Had the earlier method be applied the depreciation for the period would have been Rs.144.78 lacs.
14. Extra Ordinary Items

Rs. in lacs

	Period ended	
	31.03.2010	30.09.09
Write Back of Interest on One Time Settlement with Financial Institutions	6.37	1794.21
Accumulated Cenvat Credit written off	(1345.38)	-
Impairment of certain machinery in compliance with AS-28	(63.91)	-
Total	(1402.92)	1794.21

15. In pursuance of accounting Standard 28, Impairment of assets (AS-28) issued by the Institute of Chartered Accounts of India, the Company has reviewed the future earnings of its cash generating units. Based on such review, the company has accounted for the impairment loss on certain machinery and appearing under capital work in progress at a carrying value of Rs.68.90 Lacs due to change in technology. In the absence of reserves Rs.63.91 lacs impairment loss has been reflected under extra-ordinary items
16. Certain credit and debit balances of sundry debtors and secured loans are subject to confirmation and reconciliation. Difference, if any, shall be accounted for on such reconciliation.

SCHEDULES A-Q (Contd.)

17. (a) Foreign Currency exposure that are not hedged by derivative instrument or forward contracts as at 31.03.2010 amounting to Rs.9599.56 lacs (US\$ 211.96 Lacs) (Previous Period Rs.9574.01 lacs (US\$ 198.78 Lacs)
- (b) Foreign currency exposure hedged by derivate instrument or forward contracts as at 31.03.10 amounting to Rs.142.26 Lacs; US\$ 3 lacs). (Previous Period Rs.48.81 lacs, US\$ 1.00 Lacs)
- (c) Considering the principle of prudence and announcement made by The Institute of Chartered Accountants of India "Accounting for Derivatives" in March 2008, the Company has provided an amount of Rs 6.39 lacs (Previous Period Rs.0.59 lacs) on outstanding contracts to the Profits & Loss Account.
18. Raw material consumed is inclusive of gain due to fluctuation in exchange rate of Rs. 282.35 lacs (Previous Period loss of Rs.1605.97 lacs)
19. Unsecured loans from Bodies Corporate include interest free unsecured loan of Rs.1080 lacs (Previous Period Rs.1080 lacs) received from Promoter (s) in terms of conditions stipulated by term lending Banks.
20. No amount was due for credit to investor education & protection fund as at 31st March 2010.
21. Disclosure in respect of loan/advances and investments in its own shares by the company, its subsidiaries , associates, etc. (as required under clause 32 of listing agreement) is not being made as the company has not granted any loan or advances in the nature of loan.
22. In the opinion of the management, the current assets, loans and advances are expected to realise at least the amount at which they are stated, if realized in the ordinary course of business and provision for all known liabilities have been adequately made in the accounts

23. Related Party Disclosures

Related Party disclosures, as required by AS-18 "Related Party Disclosures" are given below:-

1. Relationship

- (i) Subsidiaries Companies NIL
- (ii) Joint Venture/Joint Control & Associates NIL
- (iii) Key management personnel (Whole Time Directors) Mr.S.C.Malik-Director (Finance)
 Mr.Vineet Jain-Managing Director
Relatives of key management personnel (with whom transactions have taken place)
 Mrs.Anju Jain-Mother
 Mr.Manish Jain-Brother
- (iv) Enterprises over which key management personnel/relative have significant influence
 Prabhat Capital Services Ltd
 Gurukripa Finvest Pvt Ltd
 Sulabh Plantation & Finance Pvt.Ltd.
 Accurex Traders Pvt. Ltd.
- (iv) Other related parties
 Pasupati Officer's Provident Fund Trust
 The Pasupati Acrylon Ltd. Employees Superannuation Scheme
 The Pasupati Acrylon Ltd. Employees Group Gratuity Scheme

2. The following transactions were carried out with related parties in the ordinary course of business:

(Rs./Lacs)

	2009-10 (6 Months Period)				2008-09 (18 Months Period)			
	Key management personnel	Relatives of key management personnel	Companies where significant influence exists	Others	Key management personnel	Relatives of Key Management personnel	Companies where significant influence exists	Others
Salaries & Allowances	25.70 *	2.37	-	-	74.32	6.96	-	-
Interest paid on Fixed Deposit	-	-	-	-	-	1.93	-	-
Fixed Deposit Repaid	-	-	-	-	-	41.88	-	-
Rent/Lease Rent Paid	0.09	0.08	-	1.34	0.27	0.23	-	4.03
Loan Taken	-	-	735.00	-	-	-	1875.00	-
Loan Repaid	-	-	735.00	-	-	-	1875.00	-
Interest Paid	-	-	14.49	-	-	-	53.56	-
Contribution to Gratuity/PF/ Superannuation Fund	4.28	0.56	-	-	12.15	1.67	-	98.88

Note: Related party relationship is as identified by the company and relied upon by the auditors.

* Remuneration is subject to Central Government approvals.

SCHEDULES A-Q (Contd.)

24. Employee Benefit Obligations

- (a) The Company makes contribution towards gratuity and superannuation to a defined contribution retirement benefits plan for qualifying employees. The fund have taken policy with Life Insurance Corporation of India to provide for payment of vested employees at retirement, death while in employment or on termination of employment. During the year contribution paid to the gratuity fund of Rs.11.36 lacs (Previous Period Rs.49.96 Lacs) and to the superannuation fund of Rs.9.39 lacs (Previous Period Rs.26.50 Lacs) by the Company to cover fully the benefits to be paid to the employees has been charged to the Profit and Loss Account.
- (b) The Company has set up a separate Provident Fund in respect of certain categories of employees. For other employees, Provident Fund is accrued on monthly basis in accordance with the terms of contract with the employees and deposited with the "Statutory Provident Fund". During the period Rs.7.68 lacs (Previous Period Rs.22.42 lacs) has been paid as contribution to the fund and Rs.25.68 lacs (Previous Period Rs.72.10 lacs) paid as contribution the Statutory Provident Fund, which has been charged to the Profit & Loss Account.
- (c) In respect of leave encashment, the present value of obligation is determined based on actuarial valuation by an Independent Actuary based on LIC 1994-96 (ultimate) mortality table. The actuarial valuation is based on terminal salary determined by assuming salary rise of 5% per annum and discounted by assuming the imputed rate of interest of 8% per annum. The difference between the obligations at the beginning of the Period Rs.74.46 lacs and at the end of the Period Rs.80.09 lacs together with the amount paid during the period Rs.3.80 lacs has been charged to the Profit & Loss Account.

25. Gratuity Valuation as per AS-15

	Current Period (Rs. in lacs)	Previous Period (Rs. in lacs)
Change in Benefit Obligation		
Projected benefit obligations at beginning of the period	238.16	172.90
Current service cost	8.76	25.52
Interest cost	9.50	20.77
Benefits paid	-3.98	-9.99
Actuarial (gain) loss	2.85	28.96
Projected benefit obligations at end of the period	255.29	238.16
Change in plan assets		
Plan asset at the beginning of the period at fair value	204.46	175.93
Contribution	21.88	13.23
Actual return of plan asset	9.74	25.29
Actuarial (gain) loss-plan assets		
Benefits paid	-3.98	-9.99
Plan asset at the end of the period at fair value	232.11	204.46
Actuarial gain/loss-plan assets		
Actual return on plan assets	9.75	25.29
Expected return on plant asset	9.46	24.41
Actuarial (gain) loss-plan assets	0.29	-0.88
The amount to be recognised in B/S		
Present value of defined benefits obligations	255.29	238.16
Plant assets at end of the period at fair value	232.11	204.46
Liability recognised in the balance sheet	23.18	33.70
Cost for the period		
Current service cost	8.76	25.52
Interest cost	9.50	20.77
Expected return on plan assets	-9.46	-24.41
Actuarial (gain) loss	2.56	28.08
Expenses recognised to Profit & Loss account	11.36	49.96

26. The Net Deferred Tax Asset of Rs. 2017.58 lacs as at 31.03.2010 (Rs.2305.39 lacs for the period upto 30.09.2009) has not been recognised in view of uncertainty of its realisation, as recommended under Accounting Standard (AS)-22 on "Deferred Taxation" issued by The Institute of Chartered Accountants of India. The details of Deferred Tax Assets are as under:-

SCHEDULES A-Q (Contd.)

	(Rs./lacs)		
	As at 30 Sept. 2009	Current Period	As at 31 st March, 2010
Deferred Tax Assets being Tax impact thereon			
(i) Unabsorbed losses and/or depreciation carried forward as per Income tax laws	2762.48	-530.17	2232.31
(i) Expenses charged in the books, but allowance thereof deferred under Income tax laws	119.21	6.41	125.62
	2881.69	-523.75	2357.94
Deferred Tax Liabilities being tax impact thereon			
(i) Difference between written down value of block of assets as per Income tax laws and written down value of the fixed assets as per books of accounts.	576.30	-235.94	340.36
	576.30	-235.94	340.36
Net Deferred Tax Asset	2305.39	-287.81	2017.58

27. Earning per Share (in. Rs.)

Basic / Diluted Earning Per Share		Current Period (Rs. in lacs)	Previous Period (Rs.in lacs)
Net (Loss)/Profit for the year before extraordinary Items after tax (Rs./ lacs)	(A)	2231.47	(2067.74)
Net (Loss)/Profit for the year after extraordinary Items after tax (Rs./ lacs)		828.55	(273.53)
Number of Equity Shares (Rs.10 each) *	(B)	71133121	71133121
Earning per share before extra ordinary items	(A)/ (B)	3.14	(2.91)
Earning per share after extra ordinary items	(A)/ (B)	1.16	(0.38)
Nominal Value per Equity Share		10.00	10.00

28. a) Managerial Remuneration

Profit & Loss Account includes remuneration of Managing Director and Director (Finance) as under:

Basic / Diluted Earning Per Share	Current Period (Rs. in lacs)*	Previous Period (Rs.in lacs)
Salary	17.10	48.68
Perquisites/ Allowances	8.60	25.64
Contribution towards Superannuation/Provident Funds	4.28	12.15

Note : a) The above figure does not include contribution to Gratuity Fund as separate figures are not available.

* Subject to central government approvals.

b) The company holds an insurance policy on the life of the Managing Director for a sum of Rs.100 lacs (Previous Period Rs.100 lacs).

29. Auditors' Remuneration

	Current Period (Rs. in lacs)	Previous Period (Rs.in lacs)
- As audit fees	2.50	6.00
- As tax audit fees	-	2.00
- As limited review audit fees	0.75	2.50
- In other capacity	0.13	0.36
	3.38	10.86

30. Additional information (pursuant to the provisions of part II & Part IV of schedule VI to the Companies Act, 1956)

(A) Capacities & Production

Product	Licenced Capacity/ Registered Capacity @		Installed Capacity *		Production MT (Per Annum)	
	Current Period	Previous Period	Current Period	Previous Period	Current Period(6 months)	Previous Period (18 months)
Acrylic Fibre (MT)	30000	30000	30000	30000	14957	44948

@ Registered with Ministry of Industry

* As certified by management & accepted by auditors as correct, being a technical matter.

SCHEDULES A-Q (Contd.)

(B) Stocks & Sales of goods produced

Product	Current Period		Previous Period	
	Qty (MT)	Value (Rs. in lacs)	Qty (MT)	Value (Rs. in lacs)
Acrylic Fibre				
i) Acrylic Fibre				
Opening stock	3174	2826.90	1832	1754.79
Sales *	16821	22835.82	43606	49681.42
Closing stock	1310	1376.53	3174	2826.90
*including sample Sale				

C) Purchases, Sales and Stocks of goods traded in Product

Product	Current Period Value (Rs. in lacs)	Previous Period Value (Rs. in lacs)
Acrylic Yarn		
Opening stock	2.17	0.12
Purchase	-	3.64
Sales	2.20	2.74
Closing stock	0.78	2.17

D) Consumption of Raw Materials

	Current Period		Previous Period	
	Qty (MT)	Value (Rs. in lacs)	Qty (MT)	Value (Rs. in lacs)
Acrylonitrile	13222	10207.40	39952	31010.79
Methyl Acrylate	1184	830.09	3618	2753.54
Others		743.56	-	2115.56
		11781.05		35879.89

E) Consumption of Imported & Indigenous Raw Material, Stores & Spares

	Current Period		Previous Period	
	Value (Rs. in lacs)	% age	Value (Rs. in lacs)	% age
Raw Material				
Imported	11280.72	95.75	34559.34	96.32
Indigenous	500.33	4.25	1320.54	3.68
	11781.05	100.00	35879.89	100.00
Stores & Spares				
Imported	67.07	15.51	101.18	9.33
Indigenous	366.49	84.49	983.65	90.67
	433.56	100.00	1084.83	100.00

F) Value of Imports on CIF bases

	Current Period Value (Rs. in lacs)	Previous Period Value (Rs. in lacs)
Plant and Machinery (Including Capital Work-in-Progress)	-	
Raw Material	10305.42	29391.21
Stores & Spares	35.40	175.66

G) Expenditure in Foreign Currency*

	Current Period Value (Rs. in lacs)	Previous Period Value (Rs. in lacs)
Travelling #	13.94	23.42
Interest & Other Charges	120.08	348.57
Commission on Export Sales	1.40	5.41

* On payment basis

Includes amount capitalized

H) Earnings in Foreign Currency

	Current Period Value (Rs. in lacs)	Previous Period Value (Rs. in lacs)
FOB value of exports	711.28	667.28

SCHEDULES A – Q (Contd.)

I. Balance Sheet Abstract & Company's General Business Profile

(a) Registration Details:

Registration No. State Code
Balance Sheet Date

(b) Capital raised during the year: (Amount in Rs. Thousands)

Public issue Right issue
Bonus issue Private Placement

(c) Position of mobilisation and deployment of funds: (Amount in Rs. Thousands)

Total Liabilities Total Assets
Source of Funds:
Paid up Capital Reserves & Surplus
Secured Loans Unsecured Loans
Application of Funds:
Net Fixed Assets Investments
Net Current Assets Miscellaneous Expenditure
Accumulated Losses

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

Turnover (Gross)* Total Expenditure
+ -
Profit/(Loss) before tax ☒ Profit/(Loss) after Tax ☒
+ -
Basic Earnings per share (Rs) ☒ Dividend Rate
Diluted Earning per Share (Rs.)
before extra-ordinary items

* Including other Income and Export Incentives.

(e) Generic Names of principal product, services of the Company:

Item Code No. Product Description

31. Schedules A to Q annexed to and forming part of the statement of accounts have been duly authenticated.

As per our report of even date annexed

For B.K.SHROFF & CO.
Chartered Accountants

O.P. Shroff
Partner
Membership No. 6329

Place : New Delhi
Dated : May 27, 2010

Rakesh Mundra
A.V.P(Finance) & Company Secretary

S.C. Malik
Director (Finance)

Vineet Jain
Managing Director
Ravinder Kapur
Director

ATTENDANCE SLIP

Pasupati Acrylon Limited

Registered Office
Thakurdwara, Kashipur Road, Distt. Moradabad, Uttar Pradesh - 244 601

Please complete this attendance slip and hand it over at the entrance of the meeting hall, Joint Shareholders may obtain attendance slip on request.

NAME & ADDRESS OF THE SHAREHOLDER/PROXY*

.....
.....
.....

Folio No./DPID/Client ID	No. of Shares

I hereby record my presence at the 27th Annual General Meeting held onthe2010 at 10.30 A.M. at Thakurdwara, Kashipur Road, Distt. Moradabad, Uttar Pradesh.

SIGNATURE OF THE SHAREHOLDER/PROXY

*Strike out whichever is not applicable

.....(PLEASE TEAR).....

PROXY FORM

Pasupati Acrylon Limited

Registered Office
Thakurdwara, Kashipur Road, Distt. Moradabad, Uttar Pradesh - 244 601

Folio No./DPID*/Client ID*

I/We
of in the district of being a member/members
of Pasupati Acrylon Limited hereby appointof in the district of
or failing him of..... in the district of
as my/our proxy to vote for me/us and on my/our behalf at the 27th Annual General Meeting of the Company to be held on, the
.....day of, 2010 or at any adjournment thereof.

Signed this day of 2010 by the said

Affix a
Fifteen Paise
Revenue
Stamp

*applicable if shares are held in electronic form

NOTE : The proxy must be returned so as to reach the registered office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The proxy need not be a member of the Company.

BOOK POST

IF UNDELIVERED PLEASE RETURN TO



PASUPATI ACRYLON LTD.

Corporate Office
M-14, Connaught Circus, (Middle Circle), New Delhi-110 001 (INDIA)