

TRANSCRIP OF THE PROCEEDINGS OF 39TH ANNUAL GENERAL MEETING OF M/S. DEEPAK SPINNERS LIMITED HELD ON THURSDAY, 23RD SEPTEMBER 2021 FROM 12.00 P.M. (IST) TILL 12.30 PM (IST)

Company Secretary	<p>Dear Shareholders, Good afternoon and welcome to the 39th Annual General Meeting of Deepak Spinners Limited.</p> <p>I am Puneeta Arora, Company Secretary and Compliance Officer of the Company, joining from Chandigarh.</p> <p>In view of Covid 19 pandemic, this meeting is being held virtually through CDSL in accordance with the provisions of Companies Act, 2013 and the circulars issued by the Ministry of Corporate Affairs and SEBI. The Company has taken all steps to ensure that the shareholders can participate virtually in the AGM and vote electronically.</p>
Company Secretary	<p>I am pleased to welcome members of our Board of Directors to this 39th AGM and introduce them to our shareholders.</p> <p>Shri Pradip Kumar Daga, is Chairman and Managing Director of the Company and as per Article 71 of the Articles of Association of the Company will Chair this Annual General Meeting.</p>
Chairman	I am Pradip Kumar Daga joining from Chandigarh
Company Secretary	Shri Yashwant Kumar Daga, Non-independent Director.. He is Chairman of CSR Committee. He is also a member of Audit Committee, Stakeholders Relationship Committee and Nomination & Remuneration Committee.
Yashwant Kumar Daga	I am Yashwant Kumar Daga joining from Kolkata
Company Secretary	Shri Shantanu Daga, Joint Managing Director of the Company
Shantanu Daga	I am Shantanu Daga, joining from Chandigarh.
Company Secretary	Shri Pradeep Kumar Drolia, Independent Director. He is Chairman of Audit Committee and Nomination & Remuneration Committee. He is also a member of Stakeholders Relationship Committee and CSR Committee.
Pradeep Kumar Drolia	I am Pradeep Kumar Drolia, joining from Kolkata
Company Secretary	Smt. Nilu Agrawal, Independent Director. She is also a member of Audit Committee, Nomination and Remuneration Committee and CSR Committee.

Nilu Agrawal	I am Nilu Agrawal joining from Kolkata
Company Secretary	Shri Anand Prasad Agarwalla, Independent Director. He is also Chairman of Stakeholders Relationship Committee.
Anand Prasad Agarwalla	I am Anand Prasad Agarwalla, joining from Kolkata.
Company Secretary	<p>Apart from Directors, we have Shri P. C. Sharma, Chief Financial Officer joining from Chandigarh. We also have representatives of Statutory Auditors, JKVS & Co and the Secretarial Auditors of the Company, M/s. A. Arora & Company joining from their respective locations. M/s. A. Arora & Co, are also scrutinisers for remote e-voting and e-voting for this meeting.</p> <p>I now request Shri Pradip Kumar Daga, our honorable Chairman and Managing Director to take the Chair and preside over the meeting.</p>
Chairman	<p>Thank you Puneeta. Good afternoon, dear shareholders, thank you for joining us today. I on behalf of the Board of Directors extend a very warm welcome to each one of you present at this 39th Annual General Meeting of Deepak Spinners Limited.</p> <p>As the time is already past 12.00 noon and the requisite quorum is present at this AGM. I hereby declare that the meeting is in order and commence the proceedings of the meeting.</p>
	Before we proceed further, I would like Company Secretary to highlight certain points regarding participation and voting at this meeting.
Company Secretary	<p>Dear Shareholders, facility to join this 39th AGM through Audio Video Means is available to members on first come first serve basis only, pursuant to the applicable MCA circulars.</p> <p>All members who have joined this meeting today are by default kept on mute and their videos have been turned off by the host to avoid any disturbances arising from background noise, in order to ensure smooth conduct of this meeting.</p> <p>Members are requested to refer the instructions provided in the notice of AGM. In case, any member faces any difficulty, he may reach out for helpline numbers given in the Notice.</p> <p>Once the question answer session begins, the names of the shareholders, who have pre-registered themselves as speakers will be announced. If for any reason, he or she is unable to join through video, the speaker may continue to speak through audio mode only.</p> <p>We would also request the speaker shareholders to keep their questions brief and specific to the business of this meeting.</p>

	<p>The Register of Directors or Key Managerial Personnel and their shareholding and Register of Contracts and Arrangements in which Directors are interested are available for inspection.</p> <p>Pursuant to provisions of Section 108 of the Companies Act 2013, and related rules, all members have been given an opportunity to cast their votes by way of remote e-voting. The voting window was kept open from 19th September 2021 (9.00 a.m. IST) to 22nd September 2021 (5.00 p.m. IST).</p> <p>The persons who are members only as on the cut off date, that is 17th September 2021 can cast their votes for this meeting. The members who have not cast their votes through remote voting facility, can cast their votes today, during the AGM and fifteen minutes after the meeting has closed. Those members who have cast their votes through remote e-voting can participate in the meeting but cannot vote at the meeting again.</p> <p>Thank you very much. I hand it back to you Sir.</p>
Chairman	<p>Thank you Puneeta.</p> <p>The Notice of the 39th AGM together with the Annual Report has already been sent electronically to all the shareholders and is also made available on the Company's website. With the permission of the members present, I take the AGM Notice as read.</p> <p>The Statutory Auditors and Secretarial Auditors, have expressed unqualified opinion in their respective reports for the financial year 2020-21. There are no qualifications, reservations or adverse remarks in their respective reports. These reports are available in the Annual Reports. With your permission, I take them as read.</p> <p><u>Chairman Statement-</u></p> <p>Dear Shareholders,</p> <p>With the Covid 19 pandemic largely behind us, we have emerged stronger than before. I hope, all of you and your families are safe. On behalf of the Board of Directors I thank all of you for joining us today. It is always a pleasure to connect back to our shareholders.</p> <p>Modernisation and up-gradations of our assets has always been on our priority list. During the year, the Company has spent about Rs. 100 Lacs on this front. The upgraded 66 KV electricity supply has been installed at the Baddi Unit of the Company. It is expected to ensure better productivity, and savings in cost to the Company.</p> <p>The fiscal year 2020-21 started with grim market conditions. However, gradually the market conditions improved resulting in good profit. Keeping in view the uncertain business and economic environment, the key priorities of</p>

	<p>the Company would be to closely monitor costs, optimize the use of its financial resources while continuing to invest in some of the growth areas.</p> <p>I would like to express my gratitude to all our stakeholders, including shareholders, customers, suppliers, lenders, business associates and government bodies for their co-operation, support and faith in the Company. I acknowledge the dedication and commitment of our loyal, hardworking employees towards the growth of the Company. I am also grateful to all our Directors for their support and guidance.</p>
Chairman	<p>Since the notice of the AGM has already been circulated to the members, I take it as read. I would request Company Secretary to brief resolutions set forth in the Notice.</p>
Company Secretary	<p>(That Company Secretary to read out headlines of the resolutions.)</p> <p>In the ORDINARY BUSINESS –</p> <p>Item No. 1 -Ordinary Resolution for Adoption of Audited Financial Statements, Reports of Board of Directors and Auditors for the year ended 31.03.2021.</p> <p>Item No. 2 - Ordinary Resolution to declare dividend of Rs. 2.00 per equity share for the year ended 31.03.2021.</p> <p>Item No. 3 – Ordinary Resolution for appointment of Director in place of Shri Pradip Kumar Daga, who retires by rotation and being eligible offers himself for re-appointment.</p> <p>SPECIAL BUSINESS –</p> <p>Item No. 4 – Ordinary Resolution for Ratification of remuneration of Cost Auditors.</p> <p>Item No. 5 - Ordinary Resolution for Appointment of Shri Shantanu Daga as Director.</p> <p>Item No. 6 – Special Resolution for appointment of Shri Shantanu Daga as Whole Time Director.</p> <p>Item No. 7 - Ordinary Resolution for Appointment of Shri Anand Prasad Agarwalla as Director.</p> <p>Item No. 8 - Special Resolution for keeping registers under Section 88 of the Companies Act at the Registrar and Transfer Agents of the Company.</p> <p>The resolutions shall be deemed passed subject to receipt of requisite number of votes. As mentioned earlier, the e-voting facility will be available till after 15 minutes after this meeting. After compiling the results of both remote e-voting and e-voting during this meeting, results will be announced within 48 hours</p>

	from the conclusion of this meeting. Voting results will be uploaded on the website of BSE Limited and website of the Company. I hand it back to you, Sir.
Chairman	Thank you, very much dear members. I now open the floor for members, who have registered themselves as speakers. I request the Company Secretary to facilitate the questions from members.
Company Secretary	<p>Thank you, Sir.</p> <p>Dear members, in order to avoid repetition, all questions will be answered in the end. After all the pre-registered speakers have spoken and all questions have been put before the meeting, we will answer them.</p> <p>Can I request the moderator of the meeting to unmute speakers one by one? We will first request Mr. Shlok Dave to please turn on the video facility and speak?</p>
Shlok Dave	Thank you, Puneeta ji, and thank you Mr. chairman for giving me an opportunity today. Mr. Chairman, I had sent a list of about 10-12 questions. Do you want me to repeat everything?
Company Secretary	Yes.
Shlok Dave	<ol style="list-style-type: none"> 1. Tell me the details of all the product lines we are selling in the market as of now. What is our capacity across these segments? What was our capacity utilization? 2. I am not very sure about the raw material procurement procedures and sources. Can you please take us to that? Tell us how you manage commodity price risk in the market. 3. From the existing capacity and assuming best possible product mix, what is the maximum revenue potential of the Company? 4. Also give us your thoughts on the sustainability of current cycle that we have seen and current spread and EBITDA margins that we are observing. How do you see that how long do you think this cycle will last? 5. Next question is Sir, in your opening remarks that the investment that you have done to improve the power supply to your plant. What are you doing to lower the power cost because this is a major cost? 6. Are there any new product lines under development? Any new value added products that you are thinking about. Will you be doing any capex? What are you doing to improve value addition? Will value addition continue in the business? 7. Can you please present your views on the long term demand supply scenario for our products and trends which are arising because of growing move against cotton in favour of man made fibres. 8. Are you doing anything to backward integrate or increase the level of forward integration? 9. What are our capex plans for the next 2-3 years?

	<p>10. I would really appreciate if you can send me over em-mail, volume data for various products over the last 5 year. If you can send this data, it will be very useful for me.</p> <p>11. Final question is Sir, there is a lot of clamour in the Industry that GST rationalization is going to happen along with the duty drawbacks, the benefits that we have seen and PLI scheme which is coming. So, based on all this, how do you see your margins going forward and because of PLI scheme, are you thinking of accelerating any expansion plans that you have had for some time. This seems to be a fairly good opportunity to expand. So, these are my questions. Thank you very much for giving me the time and opportunity. Thank you, Sir. I wish you all the best and have a great year and a safe year ahead.</p>
Company Secretary	Thank you, Mr. Dave. I would request Moderator to connect us to Mr. Anuj Sharma.
Anuj Sharma	Thank you. Puneeta Madam, I have also sent in my questions. Do you want me to repeat?
Company Secretary	Yes. Please repeat them.
Anuj Sharma	<p>Alright.</p> <ol style="list-style-type: none"> 1. Our gross margins has steadily increased from 32% in Fy13 to 43% in Fy21. What has been the reason for the same? Can we expect the gross margin to keep improving from here on? What is a sustainable gross margin level? 2. Despite 1000 bps increase in gross margins, the same is not reflected in our operating margins which has been constant at 10% since past 7-8 years. Why could we not take advantage of improved gross margin? 3. Industry trends have been strong. According to you are these strong trends sustainable or temporary? 4. What is the industry growth outlook for the next 3 / 5 years? 5. We have said the due to pandemic related demands, a new market of 7000 crs has been created. What if the requirements of ppe kits come down, can this create a glut of excess supply in the market? 6. What is the industry capex outlook and your capex plan? 7. Who are our key competitors? 8. What is the outlook on Exports? Which countries are our major markets? <p>I will appreciate your replies. Thank you so much.</p>
Company Secretary	Thank you, Mr. Sharma. I don't think there ae any more speakers.
Yashwant Kumar Daga	Puneeta, if there are no more speakers, can I respond to the questions?
Company Secretary	Sir, there are no more speakers. You can start responding.

<p>Yashwant Kumar Daga</p>	<p>I am Yashwant Kumar Daga. I will be glad to respond to the queries of Mr. Dave and Mr. Sharma.</p> <p>First we come to Mr. Dave's queries.</p> <p>About details of all the product lines and our capacity across these segments. We are manufacturers of dyed, mélange and grey synthetic yarn with the predominant fiber used being recycled polyester. We manufacture various blends of viscose and acrylic depending on market requirements, market conditions and the economics of demand and supply. This keeps changing. It is very dynamic and it cannot be standardized for any period of time, past or future.</p> <p>Capacity utilization – apart from the closure that we had for about 20 days in April last year, we have been running at full capacity which means at an excess of 95%.</p> <p>The raw materials procured are from several suppliers, so, virgin fiber is from Indorama, Reliance or Bombay Dyeing. For viscose, Grasim is the sole supplier. And Indian Acrylic and Pashupati Acrylon are suppliers of Acrylic fiber.</p> <p>Regarding peak revenue potential of existing gross block. As I indicated shortly before, our production is at optimum capacity utilisation and value depends on market conditions which is difficult to predict. We are doing our best to produce as much as the capacity permits us given general constraints which are applicable to every manufacturing unit.</p> <p>Thoughts on sustainability of gross margin and EBITDA. Once again, sustainability is direct outcome of the market conditions, domestic as well as exports and on the prices of the raw material. All of these are largely outside the control of our company's working. It all depends on how these factors play within each other and on their own.</p> <p>What is unit power cost for the next year is expected and what we do to reduce the power cost. Historically, power cost is approximately increasing 10% every year from the Electricity Board. We can expect another 10% increase. We are regularly undertaking various power saving projects and this is clearly reflected in our Annual Report as well.</p> <p>New products under development and value addition. Our company develops new products and variations of existing ones on a continuous basis. This is market driven and demand driven. We are in close touch with the market and we get the feedback from the market. And we accordingly produce what is required. Also, this is seasonal driven which is always the case. We have successfully launched a few variations of our products in the past few months. Successfully means well received by the market and it has also been remunerative for the company.</p> <p>Long term demand supply scenario and trends in cotton versus MMF. MMF is more versatile and affordable as compared to cotton. We expect increase in</p>
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demand for MMF in future years. Keeping in mind the uncertain conditions of the economy both here and overseas, we can only hope for the best. It is very difficult to pin point any figures.

Are we doing anything to backward integrate or increase the level of forward integration? We are exploring opportunities and evaluating proposals across the value chain.

Capex plans for the next 2-3 years. We are evaluating various ideas and seeking areas of high and sustained growth.

Volume data of various products over the last 5 years. This is confidential information and will be difficult to provide.

About GST rationalization and PLI scheme. GST rationalization has been asked for by the industry for quite some time as you have rightly mentioned. Very recently, there have been announcements and clarifications are awaited. PLI Scheme, once again, It is too early to comment It is being evaluated with reference to our Company.

Coming to Mr. Sharma's queries – I am clubbing query no. 1 and 2 together. They seem to be very similar. The increase in the gross margins as well as operating margins both is about 10%. They are not very far apart.

Industry trends being strong, sustainable or temporary. Industry trends are always prone to upheavals. Some trends will be sustainable which will keep the company going. Company management is on the look out for feed back, which product missed to offer, which product is wanted for and what is accepted by our consumers. This is how we sustain our business, we make profits from it. And it can not be said to be temporary. There will of course be ups and downs.

Industry growth outlook for next 3-5 years. Well, the growth outlook appears positive but it is difficult to predict figures.

Pandemic related demands of PPE which may create glut in the market. Well, when we say that a new market for PPE kits is created, it is from the point of view of the entire MMF industry. Our company sales do not depend on sale of PPE units.

Industry capex outlook and our capex plan. Industry capex outlook appears positive from our reports we get. It is difficult to predict clearly at this point of time. These are early days. Our Company is evaluating various ideas and seeking areas of high and sustained growth.

Competitors – To name a few, RSWM, Satlej Textiles and APM Industries.

Exports and markets – Our exports are less than 10% of our sales. Our major sales thrust is in the domestic front.

I hope, we have satisfactorily answered the queries of Mr. Dave and Mr. Sharma. Thank you.

Company Secretary	Thank you, Sir. All the speakers have spoken and replies have been given to them. Now it is over to you to thank the members present.
Chairman	I thank all the members present in the meeting and I hereby declare this meeting as closed.