

Pacific Cotspin Limited

**Annual Report
2013**

BOARD OF DIRECTORS

ASHOK MEHRA **C. P MEHRA**
Chairman Cum Whole Time Director *Managing Director*

S.A. HUSSAIN
MUKESH C. GANDHI
RAJIV KHANNA

SENIOR VICE- PRESIDENT
& SECRETARY

B.P.AGRAWAL

BANKERS

CANARA BANK
STATE BANK OF INDIA
CENTRAL BANK OF INDIA

AUDITORS

U.NARAIN & COMPANY
CHARTERED ACCOUNTANTS
35, CHITTARANJAN AVENUE,
5TH FLOOR, ROOM NO. 25/6,
KOLKATA – 700 012

FACTORY AND
REGISTERED OFFICE

FALTA INDUSTRIAL GROWTH
CENTRE
SECTOR – IV, FALTA,
DIST. 24, PARGANAS (SOUTH)
WEST BENGAL

CORPORATE OFFICE

110/1/1A, Dr. LAL MOHAN
BHATTACHARJEE ROAD,
2ND FLOOR,
KOLKATA – 700 014
INDIA

NOTICE

NOTICE is hereby given that the 18th **ANNUAL GENERAL MEETING** of the Members of Pacific Cotspin Limited will be held at Company's Registered Office at Falta Industrial Growth Centre, Sector-IV, Falta, Dist. 24 Parganas (South), West Bengal on Thursday, the 27th March, 2014 at 10.00 a.m. to transact the following business :

ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet of the Company as at 31st December, 2013 and the Profit and Loss Account for the period ended on that date and the Reports of the Directors and Auditors' thereon.
2. To appoint a director in place of Shri Mukesh C. Gandhi, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors of the Company to hold office from the conclusion of the meeting until conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to the provisions of section 257 and any other applicable provisions of the Companies Act, 1956, Mr. Amitabha Mukherjee be and is hereby appointed as Director of the Company with whose term of office shall be liable to be determined by rotation.

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

"RESOLVED THAT consent be and is hereby accorded to the resignation of Mr. Ashok Mehra from the office of the Whole Time Director of the Company with effect from April 1, 2014, who shall now hold office as a non executive director whose term of office shall be liable to be determined by rotation."

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

"RESOLVED THAT consent be and is hereby accorded to the resignation of Mr. Chandra Prakash Mehra from the office of Managing Director of the Company with effect from April 1, 2014, who shall now hold office as a non executive director whose term of office shall be liable to be determined by rotation."

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

“RESOLVED THAT pursuant to the provisions of Section 269, 309 and 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification(s) or re-enactment thereof for the time being in force and subject to such consents, approvals or permissions as may be necessary, Mr. Amitabha Mukherjee be and is hereby appointed as Chairman Cum Managing Director of the Company for a period of one year with effect from April 1, 2014 and subject to such terms and conditions as are set out in the explanatory statement annexed to this Notice.”

“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to alter and vary the terms and conditions of appointment of Mr. Amitabha Mukherjee in such manner as deemed fit by the Board of Directors from time to time subject to the limitations prescribed in Schedule XIII to the Act.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds matters and things and to execute all such documents, instruments and writing as, in its absolute discretion, may be considered necessary, expedient or desirable in order to give effect to the foregoing resolutions or otherwise as considered by the Board to be in the best interests of the Company.”

8. To consider and if thought fit, to pass, with or without modification, the following resolution as a special resolution:

“Resolved that in pursuance of the provisions of section 31 and any other provisions, if any, of the Companies Act, 1956, the existing Article 112 be replaced to read as under:

“112. Subject to the provisions of Sections 316, 372(5) and 386 of the Act, questions arising at any meeting shall be decided by a majority of votes.”

9. To consider and if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:

“RESOLVED THAT pursuant to the provisions of Section 21 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, consent be and is hereby accorded to change the name of the company from Pacific Cotspin Limited to Silverton Spinners Limited or Cotcom Textile Spinners Limited or Cotti Spinners Limited or any other name available with the Registrar of Companies, West Bengal and accordingly Pacific Cotspin Limited, Where ever appearing in Memorandum, Article, documents, contracts, letter heads, common seal etc. be substituted by the new name and that the Board of directors of the company be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary and expedient to give effect to this resolution

Corporate Office:
110/1/1A, Dr. Lal Mohan
Bhattacharjee Road
Kolkata- 700014

Date : 1st March, 2014

By Order of the Board

For Pacific Cotspin Limited

B.P Agrawal

Sr. Vice President & Secretary

NOTES

1. A member entitled to attend and vote at the Annual General Meeting is also entitled to appoint proxy to attend and vote instead of himself/herself and a proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company at its Registered Office not less than Forty Eight hours before the commencement of the Annual General Meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 18.03.2014 to 27.03.2014 (both days inclusive).
3. For the convenience of Members, an Attendance Slip is annexed to the Proxy form. Members are requested to affix their signature as registered with the company at the space provided therein and handover the Attendance Slip at the entrance to the place of the Meeting.
4. Members holding shares in the Dematerialized and Physical mode are requested to intimate / send the following to facilitate better servicing:
 - a) Any change in their address / name
 - b) Share Certificates held in multiple accounts in identical names or joint accounts in the same order of names, for consolidation of such shareholdings into a single account .
 - c) All changes pertaining to their Bank details, ECS, mandates, nominations, power of attorney / etc. to their depository participant and to the Company's Registrars and Share Transfer Agents Niche Technologies Private Limited, D-511, Bagree Market, 71, B.R.B. Basu Road, Kolkata – 700 001. Tel No. (033)2235-7270/7271, 2234-3576, Telefax No.- (033) 2215 6823, E-mail : nichetechpl@nichetechpl.com. Changes intimated to the depository participant will then be automatically reflected in the Company's records, which will help the Company and its Registrar and Transfer Agents to provide efficient and better service to the Members. Shareholders are hereby intimated that under instructions from the Securities and Exchange Board of India, furnishing of bank particulars by the shareholders has become mandatory.
5. Members are requested to note that the Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliance by the companies after considering sections 2,4,5 and 81 of the Information Technology Act,2000 for legal validity of Compliance under Companies Act through electronic mode. The Department of posts has discontinued the postal facility "Under Certificate of Posting" vide letter dated 23.02.2011. Keeping in view of above, the services of documents may be made through electronic mode provided the Company has obtained email address of its members of sending the notice



Pacific Cotspin Limited

/documents including Annual Report through Email. To support this green initiative of the Government in full measure, members who have not registered their E-mail address so far, are requested to register their E-mail address to their respective Depository Participant and to the Company or its Registrar and Share Transfer Agent.

6. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their Annual Reports to the Meeting.
7. Copy of the documents referred to in the notice are available for inspection at the Registered Office of the Company during office hours on all working days except Saturday, between 11.00 a.m. to 1.00 p.m. prior to the date of Annual General Meeting.
8. Shareholders may kindly note that trading in equity shares of the company are under compulsory dematerialisation form. Members are requested to approach their Depository Participant to dematerialise of Equity Shares of the Company.
9. In terms of provisions of Section 109A of the Companies Act, 1956, nomination facility is now available to individual shareholder. The shareholders who are desirous of availing this facility may kindly write to the Company at its Corporate Office at P-22, C.I.T. Road, Scheme-55, Kolkata-700014 or to the Registrar and share Transfer Agent on the above address.
10. The Equity Shares of the Company are listed on Stock Exchange at Mumbai. The Annual Listing Fee for the year 2013 – 14 has been paid to the Stock Exchange.
11. Details pursuant to clause 49 of the listing agreement with regard to a Director seeking reappointment in the ensuing Annual General Meeting on 27th March, 2014 .

Name of Director	SHRI MUKESH C.GANDHI	SHRI AMITABHA MUKHERJEE
Date of Birth	21.10.1954	1.11.1960
Date of Appointment	24.04.2006	1.4.2014
Qualification	B.Com. (Hons)	B.TECH (TEXTILE),LLB
Nature of expertise in specific Functional Area	Has a long profile and experience in handling administration, commercial and Financial functions	He has vast experience in administration , marketing finance and manufacturing Management Having more than 3 decades experience in Textile Industries
List of Companies in which Directorship held	None	None
Chairman/ Members of the Committee of the Board of Companies on which he is a Director.	None	None
Shareholding in the Company	NIL	1000
Relationship inter-se directors	NIL	NIL

12. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business, as set out above, is annexed hereto.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item Nos. 4

Notice has been received from a member of the Company, under the provisions of section 257 of the Companies Act, 1956, intimating intention to propose the name of Mr. Amitabha Mukherjee to be appointed as a director of the Company.

None of the Directors may be considered to be interested in the resolution.

Item No. 5 & 6

Mr. Ashok Mehra and Mr. Chandra Prakash Mehra, promoters and executive directors of the Company, under whose able guidance and management the Company had been functioning, had, due to health issues, expressed desire to hand over the day to day management of the Company. Mr. Ashok Mehra and Mr. Chandra Prakash Mehra would however continue to be associated with the Company as members of the Board of Directors whose term of office shall be liable to be determined by rotation.

None of the directors of the Company excepting Mr. Ashok Mehra and Mr. Chandra Prakash Mehra may be considered to be interested in the resolutions.

Item 7

Mr. Amitabha Mukherjee is a Textile Engineer with experience of about more than 30years in the industry. He has earlier worked for prestigious companies like Bombay Dyeing and Eastern Spinning Mills (Formally an unit of AV Birla Group of Companies

It is felt that the experience and knowledge of Mr. Amitava Mukherjee would help the Company in its present difficult times. It is propose to appoint Mr. Amitava Mukherjee as Chairman cum Managing Director of the Company on the following terms and conditions:

1. Salary : Rs. 273,000/- per annum, i.e, Rs. 22750/- per month
2. Period of Appointment : 1 year with effect from April 1, 2014

The proposed remuneration shall be the minimum remuneration payable to them notwithstanding the fact that the Company has no profits or its profits are inadequate during any year during the currency of his tenure subject to the ceilings on remuneration provided in Part II, Section II of Schedule XIII of the Act.

The Board recommends the resolutions as set out in the Notice for approval of the shareholders.

This may also be treated as compliance under the provisions of Section 302 of the Companies Act, 1956.

Item No. 8

Your Board deems it fit to amend the article in the Articles of Association of the Company to the extent that the Chairman of the Board of Directors shall not be eligible to a casting vote in case of an equality of votes between the directors of the Company regarding any question that may arise at a board meeting.

The revised Articles of Association is available for inspection of the members of the Company at the registered office of the Company during business hours.

None of the directors of the Company may be deemed to be interested in the resolutions.

Item No. 9

In view of achieving further specialization and creating a niche in the market, the board has, subject to your approval, decided to change the name of the company as stated in the resolution. Accordingly, the special resolution, as required under section 21 of the Companies Act, 1956 for change of name is being proposed for your approval.

None of the directors of the Company may be considered to be interested in the resolution..

Corporate Office:
110/1/1A, Dr. Lal Mohan
Bhattacharjee Road
Kolkata – 700 014
Date :1st March,2014

By Order of the Board
For **Pacific Cotspin Limited**

B. P. Agrawal
Sr. Vice President
& Secretary

DIRECTORS' REPORT

DEAR MEMBERS

Your Directors have pleasure in presenting the 18th Annual Report together with the Audited Statement of Accounts for the period ended 31st December, 2013.

FINANCIAL RESULTS

Your Company's performance during the period is summarized below:

	For the period Ended 31 st December 2013 (for 15 th Months) (Rs.in lacs)	For the period ended 30 th September, 2012 (for 12 months) (Rs. in lacs)
Total Revenue	18566.85	10323.29
Gross Profit/(Loss)	(510.02)	(3050.54)
Less: Depreciation	794.10	<u>635.75</u>
Profit/(Loss)before Tax	<u>(1304.12)</u>	(3686.29)
Less/Add Deferred Tax Assets/liability	<u>512.88</u>	<u>(868.33)</u>
Net Profit/(Loss) After Tax	(1817.00)	(4554.62)
Add: Profit /(Loss)brought forward from previous year	<u>(7662.42)</u>	<u>(3107.80)</u>
Balance Profit/(Loss) Carried Forward	<u>(9479.42)</u>	<u>(7662.42)</u>

Pacific Cotspin Limited

DIVIDEND

Your Board of Directors does not recommend any dividend on equity and preference shares due to loss in the Company during the period under review

PERFORMANCE AND OUTLOOK

Your company's Gross Income during the year was Rs 18566.85 lacs as compared to Rs 10323.29 Lacs in previous year .The Company's cash loss was Rs.510.02 lacs during the period against cash loss of Rs. 3050.54 lacs in the previous period. The Company's net loss during the period was Rs. 1817.00 lacs during the period as against net loss of Rs.4554.62 lacs in the previous year.

The Company incurred loss on account of the following factors:

- (i) Volatility in Raw Material Prices.
- (ii) Increase in input cost not commensurate with the increase in the sale price
- (iii) Non availability of Raw Material of uniform quality on account of unfettered and huge export of raw cotton from the beginning of the cotton season from October 2012,
- (iv) Poor market situation, slag in demand forced to sell at a lower price as compared to cost of production

All the above factors made the yarn costly with poor realization resulting in loss to the Company.

REWORKING OF THE EXISTING CDR PACKAGE

Company's performance deteriorated during 2011-12 due to external reasons beyond control of the company like increase in raw material prices, ban of export of yarn, slag in demand in international and domestic in international and domestic market, sudden drop in yarn prices. Considering the gravity of the situation CDR EG approved the reworking of the existing CDR Package on 11th January 2013. Based on the same all the lending banks have sanctioned and implemented the rework package during the year.

Pacific Cotspin Limited

DIRECTORS

Shri Mukesh C. Gandhi, Director of the company, retires by rotation and, being eligible, offers himself for reappointment.

DIRECTORS'S RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- i) That in the preparation of the accounts for the period ended 31st December, 2013 the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial period and of the loss of the Company for the period under review.
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) That the Directors have prepared the accounts for the financial period ended 31st December, 2013 on a going concern basis.

CORPORATE GOVERNANCE

Your Directors affirm their commitments to the corporate governance standards prescribed by the Securities and Exchange Board of India (SEBI). A Report on corporate Governance alongwith certificate from Company Secretaries for its compliance and management discussion and analysis as required under clause 49 of the listing agreement is attached.

DEMATERIALISATION

Your Company's Shares are being traded in dematerialized form and over 98.69% of the Shares of the Company have been dematerialized

AUDITORS:

The Auditors of the company, M/s U.Narain & Company, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting. They have signified their willingness to accept reappointment and have confirmed their eligibility under section 224(1-B) of the Companies Act,1956. Your Directors recommend their reappointment.

The Notes on Accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments.

STATUTORY REQUIREMENTS:

The information under Section 217(2A) of the Companies Act, 1956 has been given in Annexure 'A' forming part of this Report.

The Company has not accepted and/or renewed any deposits from the public and/or shareholders during the period under review.

Pacific Cotspin Limited

Information regarding conservation of energy, etc. as required U/s 217(1)(e) of the Companies Act, 1956 read with companies (Disclosures of Particulars in the Reports of Directors) Rules 1988, is given below:

CONSERVATION OF ENERGY:

(a) Energy conservation measures taken;

There is a conscious and concentrated drive towards conservation of energy in all its forms. Strict vigilance is maintained over usage of energy by constant monitoring and educating the need to conserve energy. Replacement of worn out wires, control of idle running machines, plugging of leakage and putting off power to all major equipment at non- working time are some of the measures taken to conserve energy during the period.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy ; NIL

(c) impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods ; NOT APPLICABLE

Total energy consumption and energy consumption per unit. Power and fuel consumption

Electricity	For the Period ended 31.12.2013 (For 15 months)	For the year ended 30.09.2013 (For 12 months)
Purchased Units	21144450	9782600
Total amount (Rs. in lacs)	1253.19	640.16
Rate/Unit (Rs.)	5.93	6.540

Consumption per unit of production

	For the year Ended 31.12.2013 (For 15 months)	For the year ended 30.09.2012 (For 12 months)
Electricity- Units per Kgs Yarn	4.378	4.512

Pacific Cotspin Limited

TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION:

RESEARCH AND DEVELOPMENT (R & D)

The Company has not obtained any technology from outside parties either from India or abroad nor entered into any technical collaboration agreement with any party from abroad. Experience and qualified staff are engaged to look into Research and Development. The Company keeps abreast with the technology development and introduces, adopts and absorbs those sophisticated technologies, wherever suitable.

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION.

To improve the quality of the product, the Company is keeping a regular track on latest advancement on the spinning technology. Company's senior and experienced textile technologists are keeping continuous watch on the quality of the product at various stages. In house training is being imparted to the employees to improve working in the plant.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

- a) The Company is presently exporting yarns. Steps are being taken to explore new markets and product developments.
- b) Total Foreign Exchange earned and used :

	For the period ended 31.12.2013 (For 15 months)	For the year ended 30.09.2012 (For 12 months)
a) Earnings (Rs. in lacs)	-	872.09
b) Expenditure (Rs. in lacs)	10.43	-

ACKNOWLEDGEMENT:

Your Directors sincerely acknowledge the co-operation and assistance received from the Financial Institutions, Bankers, WBIDC, WBSEB, all State Government Departments/agencies and thanks them for their continued support and valuable assistance.

Your Directors would also like to acknowledge the continued support of the Company's Shareholders.

In conclusion, your Directors would like to record their deep appreciation of the dedicated support, hard work and services rendered throughout the period by Company's personnel at all levels.

ON BEHALF OF THE BOARD
For Pacific Cotspin Limited

Place: Kolkata
Date : 28th February, 2014

MANAGING DIRECTOR

Pacific Cotspin Limited

ANNEXURE 'A'

Particulars of Employees as per Section 217 (2A) of the Companies Act, 1956 and Rules thereunder forming part of the Directors Report for the period ended 31st December, 2013

Sl.	Name	Age	Designation	Nature of duties	Remuneration	Qualification/ Experience	Date of Com- mencement	Last Employment
1	2	3	4	5	6	7	8	9
1.	Shri C. P. Mehra	58	Managing Director	Managing affairs of the Company	Rs. 45.00 lacs	B. Com. Over three decades of experience in Textile Industry	30.11.94	--
2.	Shri Ashok Mehra	62	Whole Time Director	- Do -	Rs. 45.00 lacs	B. Tech (Textile Technologist). Over 3 decades of experience in Textile Industry.	01.04.97	--

Corporate Office:
110/1/1A, Dr. Lal Mohan
Bhattacharjee Road
Kolkata – 700 014
Date :28th February,2014

By Order of the Board
For **Pacific Cotspin Limited**

B. P. Agrawal
Sr. Vice President
& Secretary

Pacific Cotspin Limited

REPORT ON CORPORATE GOVERNANCE

1) **Company's Philosophy on Code of Corporate Governance**

The Company firmly believes in and has consistently endeavored to practice good Corporate Governance. The Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, professionalism and accountability, in all facets of its operations, and in all its interactions with its stake holders, including shareholders, employees, the government and lenders.

2) **Board of Directors**

The Board comprises of the Managing Director, Chairman cum whole Time Director and three Non-Executive and Independent Directors.

Composition and category of directors is as follows:-

<u>Category</u>	<u>Name of Directors</u>
Promoter/Executive Directors	Ashok Mehra - Chairman Cum Whole Time Director Shri C.P. Mehra – Managing Director
Non Executive and Independent Directors	Shri S.A. Hussain Shri Mukesh C. Gandhi Shri Rajiv Khanna

Pacific Cotspin Limited

Attendance of each Director of the Board Meetings, last Annual General Meeting & Number of other Directorship and Chairmanship/Membership of Committee of each Director in various Companies:

Name of the Directors	Attendance Particulars		No. of the Directorships and Committee member /Chairmanship		
	Board Meeting	Last AGM	Other Directorship including Pvt. Ltd. Cos.	Other Committee Membership	Other Committee Chairmanship
Shri Ashok Mehra	13	Yes	1	None	None
Shri C.P. Mehra	13	Yes	1	None	None
Shri S.A. Hussain	--	No	5	None	None
Shri Mukesh C. Gandhi	7	Yes	None	None	None
Shri Rajiv Khanna	4	No	None	None	None

In accordance with clause 49 of the listing agreement, membership/ chairmanship in Audit Committee and Shareholders/Investors grievance committee have been considered only.

Number of Board Meetings held and the date on which held.

Thirteen Board Meetings were held during the period. The date on which the meetings were held are as under:-

1.	14.11.2012	7.	02.05.2013
2.	28.11.2012	8.	14.05.2013
3.	30.11.2012	9.	13.06.2013
4.	13.02.2013	10.	29.07.2013
5.	28.02.2013	11.	13.08.2013
6.	21.03.2013	12.	20.09.2013
		13.	28.11.2013

The maximum time gap between any two meetings was not more than three calendar months.

3) Board Committees :

(a) Audit Committee

i) **Terms of Reference** :The terms of reference of the Audit committee are in conformity with the requirement of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. These broadly cover the following :

- 1) To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- 2) To review and recommend to the Board about the appointment, reappointment an if required the replacement or removal of statutory auditors and fixation of the fees.

Pacific Cotspin Limited

- 3) To review with the management, the financial statements before submission to the Board, focusing primarily on Management discussion and Analysis, Directors' responsibility Statement which forms part of the Director's Report, accounting policies, compliance with accounting standards, compliance with Stock Exchange and legal requirements and any related party transactions etc.
- 4) To review with the management, performance of external and internal auditors, the adequacy of internal control systems & internal audit function.
- 5) To discuss with the Auditors on the scope and nature of Audit and also to have post Audit discussion to ascertain any area of concern.
- 6) To review the Company's financial and risk management policies.
- 7) A statement of material related party transactions, if any.
- 8) To look into the reasons for substantial defaults in the payment to Depositors/Debenture/Shareholders and creditors
- 9) To undertake such other matters as may be delegated by the board from time to time.

ii) **Composition**

The composition of the Audit Committee is as follows :

Shri Mukesh C. Gandhi (Chairman)
Shri S.A. Hussain(Member)
Shri Rajiv Khanna (Member)

All the members of the Committee are Non-executive and Independent Directors.

Sr. Vice President and Secretary acts as the Secretary to the Committee.

iii) **Meetings and Attendance**

During the period ended on 31st December,2013, five meetings were held on 14.11.2012, 13.02.2013,14.05.2013,13.08.2013 and 28.11.2013

The attendance of the Audit Committee Members is as follows :

Name(s)	Held	Attended
Shri Mukesh C. Gandhi	05	05
Shri Rajiv Khanna	05	05

In pursuance of the SEBI (Prohibition of Insider Trading) Regulations, 1992 (duly amended), the Board has approved the code of conduct for prevention of Insider Trading and authorised Committee to implement and monitor the various requirements as set out in the code.

Pacific Cotspin Limited

4) Remuneration Committee

Remuneration Committee consists of Non-executive independent Directors Viz. Shri Mukesh C. Gandhi (Chairman), Shri S.A. Hussain (Member) and Shri Rajiv Khanna (Member). The remuneration committee has been constituted to recommend/review the remuneration package of the Managing Director and Whole Time Director. The remuneration policy is in consonance with the existing industry practice and also with the provisions of Companies Act, 1956.

The Company is committed to make full disclosures regarding payment to all directors

Details of the remuneration paid to Managing Director and Whole Time Director during the year ended 30th September, 2013, were as follows:

Particulars	Shri C. P. Mehra, Managing Director	Shri Ashok Mehra, Whole Time Director
Salary (Rs.)	Rs. 3375000	Rs. 3375000
Benefits:-		
Allowance & Perquisites	Rs. 450000	Rs. 450000
Bonus	Rs. 675000	Rs. 675000
Service contract	3 yrs. With effect from 1.12.2011	3 yrs. With effect from 1.12.2011
Notice period/Severance Fee	3 months	3 months
Stock option	Nil	Nil
	Rs. 45,00,000	Rs. 45,00,000

The committee in their meeting on 1st March, 2014 approved the above remuneration paid each to Managing Director and Whole Time Director.

During the period, no remuneration was paid to non-executive Independent Directors. Director's fee for attending meetings, were also waived by them.

Pecuniary relationship or transactions of the
Non-Executive Directors of the Company : **NIL**

5) Shareholder/Investor Grievance Committee

Shareholder/Investor Grievance Committee was reconstituted with non executive independent Directors namely Shri Mukesh C. Gandhi (Chairman), Shri Rajiv Khanna (Member) and Shri S.A. Hussain (Member). The Committee reviews the redressal of shareholders and investors complaints regarding transfer and dematerialization of shares, non-receipt of Annual Reports, besides complaints from SEBI, Stock Exchanges, Court, ROC and various Investor Forums. The committee also oversees the performance of Registrar and Transfer Agents and recommends measures for overall improvement in the quality of service to the investors.

The Board has designated Sri B. P. Agrawal, Sr. Vice President and Secretary as Compliance Officer of the Company.

Pacific Cotspin Limited

No complaint was outstanding at the beginning of the year. During the period eight complaints were received and attended. There was no outstanding complaint as on 31.12.2013. No request for dematerialisation and transfer of shares was pending on 31.12.2013.

6) Code of Conduct

The Company has laid down a code of conduct for all Board Members as well as for all Senior Management Personnel of the Company. The Code of conduct is available on www.pacificcotspin.com. The Managing Director has confirmed and declared that all Board Members and senior Management Personnel have affirmed compliance with the code of conduct. The declaration to that effect forms part of this report. Pursuant to Clause 49(VIII) of the Listing Agreement a certificate from the Managing Director and Chairman cum Whole Time Director responsible for overall financial functions is annexed and forms part of the Report.

7) Risk Management

The Company has laid down procedures to inform Board of Directors about the risk assessment and minimisation procedures.

8) General Body Meetings

8.1 Location and time for last three Annual General Meeting held :

Year	Location	Date	Day	Time
2009-2010	Company's Registered Office at Falta Industrial Growth Centre, Sector-IV, Falta, Dist. 24 Parganas(S), West Bengal	30.03.2011	Wednesday	09.30 a.m
2010-2011	-DO-	30.12.2011	Friday	09.30 a.m
2011-2012	-DO-	28.12.2012	Friday	10.00 a.m

8.2 Whether any special Resolutions passed in previous 3 AGM:

Yes, Two Special Resolutions were passed in AGM as under.

AGM Date

Matter

30.12.2011

(I) Approval of increase in Remuneration of Managing Director of the Company

(ii) Approval of increase in Remuneration of Chairman cum whole time Director of the Company

Pacific Cotspin Limited

8.3 POSTAL BALLOT

- (I) The Company had not conducted any business through Postal Ballot during the last Financial Year ended 30.09.2012
- (II) Votes are not being proposed to be conducted through Postal Ballot this year in the ensuing Annual General Meeting. But in the Financial Period ended 31.12.2013 (i.e from 1.10.2012 to 31.12.2013), the company had passed a Special Resolution through Postal Ballot to issue and allot Equity Shares on Preferential basis as under:
- (a) 7075800 Equity Shares of Rs.10/- each at par in lieu of 707580 non-cumulative Redeemable Preference Shares of Rs.100/- each which shall be deemed to have been redeemed in cash out of profits of the Company on such issue of Equity Shares to the following allottees:

Allottees	No.of Equity Shares	No.of Redeemable Preference Shares in lieu of which Equity Issued
Shri Ashok Mehra	3537900	353790
Shri C.P Mehra	3537900	353790
	7075800	7075800

- b) 1630000 Equity shares of Rs.10/- each to the following allottees.

	No.of Equity Shares
Shri Ashok Mehra	815000
Shri C.P Mehra	<u>815000</u>
	<u>1630000</u>

The Result of the Postal Ballot for the above was declared on 06.09.2013

8.4 Extra Ordinary General Meeting
Held during last 3 financial Years

14.05.2010

Pacific Cotspin Limited

9) Disclosures

- a. Disclosure on materially significant related party transactions i.e. transactions of the Company of material nature, with any of the related parties that may have potential conflict with the interest of the Company at large, other than in the normal course of business. The transactions undertaken during the year have been disclosed in Note No. 38 forming part of the Accounts for the period ended 31st December, 2013.
- b. The company is regular in complying with the requirements of the regulatory authorities on the matters relating to the Capital market and no penalties/strictures have been imposed on the Company by Stock Exchange or SEBI or any statutory authority, during the last three years.
- c. A Practicing Chartered Accountant Firm has carried out Reconciliation of Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The Report confirms that the total issued/paid up capital is in agreement with the total number of shares in physical forms and the total number of dematerialized shares held with NSDL and CDSL.
- c. The Company duly complies with all the mandatory requirements of Clause 49 of the Listing Agreement with the Stock Exchange. However, the Company has not adopted the non-mandatory requirements defined therein except formation of remuneration committee.

10) Means of communication

- i) Quarterly results are published in leading newspaper such as The Eco of India (English) and Duranto Bharta (Regional Newspaper).
- ii) The quarterly and yearly financial results of the company are immediately sent to the Stock Exchange(s) at which the Company's shares are listed.
- iii) The Management Discussion and Analysis forms a part of this Annual Report.

11) General Shareholder Information

a) Annual General Meeting

Date and Time : 27th March,2014 at 10.00 a.m

Venue : **Company's Registered Office at:**
Falta Industrial Growth Centre,
Sector-IV, Falta, Dist. 24-Parganas(S),
West Bengal, Pin – 743504

Pacific Cotspin Limited

b) Financial calendar (tentative) for the year 2013-14

Results for quarter ending:

31 st March,2014	:	2 nd week of May, 2014
30 th June, 2014	:	2 nd Week of August,2014
30 th September,2014	:	2 nd Week of November,2014
31 st December,2014	:	4 th week of February,2015

c) Book closure Date : 18th March, 2014 to 27th March, 2013(both days inclusive) - Book closing once in a year at the time of Annual General Meeting.

d) Dividend payment date : No Dividend has been proposed

e) Listing of Equity Shares on Stock Exchanges at : Bombay Stock Exchange

Listing fees for the year 2013-2014 has been paid to Bombay Stock Exchange.

f) (i) Stock Code :
Bombay Stock Exchange : 531118

(ii) Demat ISIN No. in NSDL and CDSL for Equity Shares. : INE 034C01017

g) Stock Market Data: Company's Equity Shares were traded in Mumbai Stock Exchange as under :

MONTHS	MUMBAI STOCK EXCHANGE	
	Month's Higher Price Rate (Rs.)	Month's low Price Rate (Rs.)
October, 2012	2.24	1.72
November, 2012	2.05	1.65
December,2012	2.23	1.66
January,2013	2.19	1.62
February,2013	2.15	1.43
March,2013	1.81	1.05.
April,2013	1.51	0.87
May,2013	1.30	0.90
June,2013	1.18	0.69
July,2013	1.07	0.61
August,2013	0.74	0.47
September,2013	0.64	0.50
October, 2013	0.52	0.37
November,2013	0.48	0.36
December,2013	0.59	0.46

Pacific Cotspin Limited

- h) **Registrar and Transfer Agents:** NICHE TECHNOLOGIES PVT LTD.
 D-511, Bagre Market
 71, B.R.B. Basu Road
 KOLKATA – 700 001
 Phones: 2235-7270/ 7271/ 3070,
 2234-3576/2318
 Fax: 033 22156823

i) **Share Transfer Syst** :Presently, the shares received in physical form for transfer are returned within a period of 15 days from the date of receipt, subject to the documents being valid and complete in all respects. As regards shares held in Electronic form, the credit being given as per guidelines issued by SEBI/NSDL/CDSL.

- j) **A) Share holding pattern as on 31st December,2013**

Sl. No.	Category	No. of shares(issued Equity)	Percentage
1.	Promoters	17445290	44.9
2.	Banks, Indian Fin. Institutions, Central/ State Govt. Institutions, Mutual Funds etc.	204150	0.52
3.	NRI/OCB	306216	0.79
4.	Others	20899144	53.79
	Total	38854800	100.00

- B) Distribution on shareholding as on 31st December,2013

No. of shares held	No. of shareholders	% of share holders	No. of Shares issued Equity	% of Shareholding
1-500	4678	49.95	1417572	3.65
501-1000	2127	22.71	1967556	5.06
1001-5000	1906	20.35	4830478	12.43
5001-10000	369	3.94	2888411	7.43
10001 - 50000	247	2.64	5182478	13.34
50001 – 100000	26	0.28	1769445	4.56
100001 and above	13	0.13	20798860	53.53
TOTAL	9366	100.0000	38854800	100.0000

- k) **Dematerialization of shares and liquidity**

The Shares of the Company are compulsorily traded in demat form. The Company has arrangements with both National Depositories Ltd. (NSDL) and Central Depository Services (India) Limited (CDSL) to establish electronic connectivity of shares for scripless trading. As on 31st December, 2013 98.69% equity shares of the Company were held in dematerialized form.

The shares of the company are actively traded in the Bombay Stock Exchange (BSE).

Pacific Cotspin Limited

- | | |
|--|--|
| l) Plant location | Falta Industrial Growth Centre,
Sector –IV, Falta, Dist. 24-Parganas (South),
West Bengal. |
| m) Investor's correspondence for transfer/ :
dematerialization of shares and any other
query relating to the shares, Annual
Report etc. | Pacific Cotspin Ltd.
110/1/1A, Dr. Lal Mohan Bhattacharjee Rd
Kolkata – 700 014. |

The above report was adopted by the Board of Directors at their meeting held on 1ST March,2014

DECLARATION BY Managing Director on Code of Code as required by Clause 49(D)(ii) of the Listing Agreement

"As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, this is to declare that all the Members of the Board and the Senior Management have affirmed with the Code of conduct for the year ended 31st December,2013

- n) Compliance Certificate on the corporate governance:**

The certificate dated 1st March, 2014 obtained from the Company Secretaries M/s S.A.& Associates, confirming compliance with the corporate governance requirements as stipulated under clause 49 of the listing agreement is annexed hereto.

Pacific Cotspin Limited

CERTIFICATE FROM COMPANY SECRETARIES ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S)

To,
The Members of Pacific Cotspin Ltd.

- 1) We have reviewed the implementation of Corporate Governance by Pacific Cotspin Limited during the period ended on 31st December,2013 with the relevant records and documents maintained by the Company, furnished to us for our review and report on Corporate Governance as approved by the Board of Directors.
- 2) The compliance of conditions on Corporate Governance is the responsibility of the management. Our examination was limited to review of procedures and implementation thereof, adopted by the Company for ensuring the Compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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.

- 3) We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the shareholders/Investors Grievance Committee.
- 4) On the basis of our review and according to the information and explanations provided to us, the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement(s) with the Stock Exchanges have been complied with in all material respect by the Company.

For **S.A & ASSOCIATES**
COMPANY SECRETARIES

Place : 'SWASTIK' 334/157
Jessore Road, S.N- 8 (Ground Floor)
Kolkata – 700 089

(SHIPRA AGARWAL)
Proprietor
CP No. 3173

Date : 28th February,2014

Pacific Cotspin Limited

CEO AND CFO CERTIFICATION

We, C.P. Mehra, Managing Director and Ashok Mehra, Chairman cum Whole Time Director, responsible for overall financial functions, certify that :

- a) We have received the financial statements and cash flow statements for the period ended 31st December, 2013, and to the best of our knowledge and belief:
 - i) these statements do not contain any materially untrue statement or omit any material fact or contain statement that might be misleading;
 - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- b) To the best of our knowledge and belief, no transactions entered into by the Company during the period ended 31st December ,2013 or violative of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- d)
 - i) There has not been any significant change in internal control over the financial reporting during the period under reference;
 - ii) There has not been any significant change in accounting policies during the period requiring disclosure in the notes to the financial statements; and
 - iii) We are not aware of any instance during the period of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.
- e) Further, we declare that all Board Members and Senior Management personnel have affirmed compliance with the code of conduct during the period under review.

Kolkata,
28th February, 2014

ASHOK MEHRA

Chairman cum whole
Time Director

C.P. MEHRA

Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE & DEVELOPMENTS

The textile Industry in the country is one of the oldest industry and plays an important role in the India economy in terms of Industrial Production Employment and foreign Exchange earnings. This sector contributed around 11% foreign exchange earning and it employees about 35 millions workers directly and 47 millions workers in allied sectors like agriculture. In addition, industry helps to develop many related ancillary industries which generate further employment.

SPINNING AND WEAVING CAPACITIES

Figures of world's installed spinning and weaving capacities are available from International Textile manufactures Federation (ITMF) as of October, 2012. As at the end of 2011, world's total spindleage was 250 million, with china having 120 million spindles, representing the share of 48 per cent and India was having 48 million spindles, representing share of about 19 percent. As of March , 2013, however, India's installed spindles have increased to 49.17 million, accounting for almost 20 per cent of the global spindleage. It is pertinent to mention that during the last four years, the spindleage in India has expanded by around 8 million. The capacity utilization of spinning in textile mills substantially increased to 83 per cent in 2011-12 as compared to 63 per cent in 2009-10 and 79 per cent in 2010-2011.

Deducting 10 million spindles of closed mills, the number of operative spindles works out to around 39 million. The number of installed open – end rotors has marginally increased to 795 thousand in March, 2013 as compared to 771 thousand in March, 2012. It is pertinent to point out that expansion of spinning capacity yarn from the downstream value chain and also to meet higher targets of exports of cotton yarn, the twelfth five year plan has envisaged investment of Rs. 40000 crores in the spinning sector.

A major chunk of spinning capacity expansion took place under the TUF Scheme, which was operative for a span of eight years from 1st April, 1999 to 31st March, 2007. Further, under the modified TUF Scheme operative from 1st April, 2007, investments during three years 2007-2008 to 2009-2010, increased considerably towards modernization and expansion of spinning capacity

The Restructured TUF Scheme was announced by the Ministry of Textiles on 28th April, 2011. The Scheme was operative from 28th April, 2011 to 31st March, 2012, the terminal year of the Eleventh five year plan. The major change in the Restructured Scheme was a reduction in the repayment period to seven years with two years moratorium as compared to earlier repayment period of ten years with two years moratorium.

It is gratifying that Government has decided to continue TUF Scheme during the Twelfth Plan period, 2012-17.

Pacific Cotspin Limited

The number of looms in the mill sector which remained stagnant at 71000 for the three-year period, 2007-2008 to 2009-2010 declined to 66000 during 2011-2012 and 2012-13. However, the weaving capacity in the power loom sector has increased from 22.46 lakh looms in 2009-2010, to almost 23.33 lakh looms as of December, 2012.

Production of yarn

The total production of spun yarn which was 4193 million kgs in 2009-10 expanded to 4713 million kgs in 2010-11, showing a creditable growth of over 12 percent. However, total production of spun yarn in 2011-2012 was lower at 4373 million kgs exhibiting a decline of 7 per cent. For the year 2012-13 total production of spun yarn is provisionally placed at 4842 million kgs in showing a robust growth of 11%. Similarly production of cotton yarn also escalated from 3079 Million kgs 2009-2010 to 3490 millions kgs in 2010-2011. For the year 2011-2012, production of cotton yarn was 3126 million kgs. Production of cotton yarn in 2012-2013 is provisionally placed at 3562 million kgs and for 2013-14 it is projected at 4000 million kgs.

COTTON SCENARIO

Although the cotton crop during the 2011-12 was quite high in comparison to previous years, the Indian Textile industry did not derive the advantage of home-grown cotton on account of unprecedently higher quantum of exports of raw cotton. While the domestic industry was denied better quality cotton at competitive price, our competitors like China and other South East Asia countries got the advantage of best quality of Indian Cottons at cheaper prices. This calls for a serious review by the Government of India.

For the cotton year 2011-2012, Cotton Advisory Board (CAB) had earlier arrived at the figure of 55 lakh bales of cotton as exportable surplus. However, DGFT subsequently allowed exports of raw cotton upto 95 lakh bales, subject to registration of contracts. The total quantity registered for exports was 120 lakh bales. In March, 2012 DGFT banned exports of cotton once it reached the figure of 95 lakh bales. However, due to persistent pressure from the trading community, the Group of Ministers decided that total quantity of registered contracts at 120 lakh bales be allowed for exports. However, actual exports were 129.59 lakh bales.

For the cotton season 2012-2013, the CAB has estimated the crop at 340 lakh bales and exports at 81 lakh bales. Already, however, cotton export contracts registration has crossed 90 lakh bales

Pacific Cotspin Limited

Cotton prices in the current season were almost steady upto January, 2013. Since February 2013, however, cotton prices have exhibited a rising trend. CCI/NAFED covered cotton from farmers when prices went down below the Minimum support Prices, mainly in Andhra Pradesh, where they covered 2.5 million bales. By not releasing such cotton to the industry, CCI/NAFED has added to the price spiral. Some of the ginners are also holding back their stocks in the hope of earning higher prices. This is affecting the working of textile industry and therefore confederation of Indian Textile Industry (CITI) and other industry Associations have represented at the highest level to advise CCI/NAFED to offer cotton to the industry at reasonable prices.

While on this, it is significant to note that Cotlook 'A' Index, representing international prices was 84.40 cents per lb in August, 2012 which has since risen to 93.20 cents as of 30th April, 2013. Cotlook 'A' Index has also shown a rising trend from February, 2013 onwards.

Global organic cotton production in 2011 dropped by 37 per cent to 151079 tons. India, Syria, China, Turkey and the United States were the top five producers in that year. Production in India declined by 48 per cent from 195412 tons to 102452 tons on account of regulatory controls exercised by Agricultural and Processed Food Products Export Development Authority (APEDA).

While importance of India as a major supplier is declining, that of central Asia Countries of Kyrgyzstan and Tajikistan is emerging as dominant suppliers. The average yield in respect of organic cotton is much lower than the conventional cotton. For instance, the overall average yield of countries producing organic cotton was 783 kg/ha whereas yield of Organic cotton was barely 466 kg/ha.

The factor which is impeding the working of textile industry is frequent and several changes brought about by Government in the policy for exports of raw cotton, ignoring the industry's requirement of minimum of two-and-a-half months stocks for domestic consumption.

Pacific Cotspin Limited

According to ICAC, global production, in the season 2011-2012(August- July) was 27.79 million tons and consumption of 22.10 million tons, resulting in ending stocks of 15.27 million tons. This led to decline in cotton prices during 2012-13 by 5 per cent.

For the cotton season 2012-2013, global production is estimated at 26.34 million tons, lower by 1.45 million tons. Consumption, on the other hand is expected to increase to 23.71 million tons, a rise of 1.61 million tons. The ending stocks are expected to rise to 17.90 million tons, as against 15.27 million tons in 2011-12.

ICAC's forecast for global cotton production for the cotton season 2013-2014 is lower at 24.61 million tons, consumption is forecast at 24.25 million tons.

Thus Cotlook 'A' Index for the cotton season 2011-2012 which was 100 cent per pound has declined to 88 cents per pound in 2012-13. However, for the cotton 2013-2014 the price forecast is 122 cents per pound. These price forecasts are based on the assumption that the Chinese Government will continue its current reserve policy. As it is China has built up a massive national cotton reserve, ensuring raw material security to its textile industry. China, holding 50 per cent of global cotton stocks, is creating significant uncertainty for the global cotton market.

EXPORTS OF COTTON YARN

In pursuance of National Fibre Policy, Government set up in September 2010, Cotton yarn Advisory Board (CYAB) to advise the Government on matters pertaining to production, consumption and exports of cotton yarn.

Upto 2009-10 exports of cotton yarn were operating smoothly and were in the range of 20 to 22 per cent of the production of cotton yarn. The slipshod manner in which Government handled exports of cotton yarn earlier had done immense harm to the textile industry. However, Since March, 2012 Government has permitted free Exports of cotton Yarn, subject of course, to registration of contracts with DGFT.

After protracted deliberations at the cotton Yarn advisory Board meetings, the cotton yarn Balance Sheets for 2012-13 and 2013 – 14 were drawn up in terms of which exportable surplus were arrived at 1000 million Kgs. For 2012 – 13 and 1150 million Kgs for 2013-14. The figure of exports as per Export contract Registration during 2012-2013 is 1067 million kgs.

China has been increasing its sourcing of cotton yarn from all over the world in view of the high value cotton stock held by it and to meet ever increasing demand for yarn for its domestic knitting and weaving industry. Import of cotton yarn in China increased by 69 percent from all sources- 1526 million kgs in 2012 against 903 millions kgs in 2011. As against this, import of cotton yarn from India in the year 2012 increased by 124 percent. India's export of cotton yarn in 2012 were 326 million kgs as against 111 million kgs in 2011. The share of India's exports of cotton yarn to China accounts for almost 33 percent of India's total exports of cotton yarn. Thus, India has emerged as the leading exporter of cotton yarn to China. Increasing imports of cotton yarn by China from India will give a tremendous boost to the India spinning industry.

Pacific Cotspin Limited

OPPORTUNITIES AND THREATS

The future of Indian Textile Industry is highly depending on availability of quality cotton at a competitive price. With the introduction of Hybrids and BT Cotton, the cotton production in India is increasing every year and it is expected that the supply of quality cotton will be comfortable in the coming season 2013-14

Inadequate Duty Drawback rates run counter to the well- accepted Government Policy of not exporting taxes. It may be stated that Duty Drawback is not incentive but only refund of indirect taxes suffered by export products. Further, remission of duties suffered by exported products is totally WTO- compliant. One can only hope that Government will revise upward Duty Drawback rates to reflect the actual incidence of duties and taxes borne by exported textile products.

OUTLOOK

Global exports of textiles and clothing in 2011 were 706 billion USD, as per WTO figures. China's share in the global trade in textiles/ clothing was 35 per cent and that of India a barely 4 percent. With the rising costs in china and its deliberate shift in favor of domestic consumption, India has tremendous scope in boosting its share to a more respectable figure. Further by 2020 world Exports of Textiles/Cloths are Projected to increase to 1000 billion USD. It is expected that India exports would rise from 30 billion USD to 80 billion USD by 2020. This will provide immense potential to India for enhancing its exports.

On the domestic front also India is poised for a healthy growth, in view of rising population, sustained increased in per capita income and disposable surplus, favorable demographic profile and changing lifestyle. Besides, Government of India is becoming increasingly sensitive to the needs of the textile industry and taking ameliorative measures in regard to debt restructuring scheme, extension of TUFS and TMC in the Twelfth Five Year Plan etc.

Above all, India is in a unique position of having an integrated textile set – up endowed with presence across all the textile value chain from fibers to fashion garments.

All these favorable factors indicate extremely bright and positive future for the healthy growth of the Indian textile industry.

RISKS AND CONCERNS

Raw cotton, used for the manufacture of cotton yarn, being an agricultural product is the key Raw Material and is dependent on monsoon. Availability of adequate raw cotton at the right prices is crucial for the company. Any disruption in the supply and / or change in the cost structure would affect the profitability of the company.

Spinning units are highly capital intensive and has to maintain large raw material inventory level due to its seasonality. Your Company makes all efforts to have efficient inventory management and constant efforts are being made to monitor the inventory levels keeping in view of the interest cost.

Volatility in foreign currency exchange rate vis- a vis Indian rupee is another area of concern. Realisation on export is adversely affected. The Company is taking appropriate action to minimize the risk involved due to adverse movement of exchange rate.

Pacific Cotspin Limited

The RBI's monetary policies are largely dictated towards controlling the inflation. Consequently, it has been raising the rates of interest, making the finance cost higher. However for the first time in three years, RBI has announced in April, 2012 a reduction of a half per cent interest rate and a further cut of ¼ percent in May 2013 .This will provide some relief in the finance cost.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY.

The Company has a proper and adequate internal control system to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that transactions are authorized, recorded and reported correctly.

The internal control is supplemented by an extensive programme of internal audits, review by management and documented policies, guidelines and procedures .The internal control is design to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of assets.

FINACIAL AND OPERATIONAL PERFORMANCE

Please refer Board's Report on performance review.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED.

The Company recognizes the importance and contribution of its human resources for its growth and development and is committed to the developments of its people. The Company has been adopting methods and practices for human development. With utmost respect to human values, Company served its human resources with integrity, through a variety of services by using appropriate training; motivation techniques and employee welfare activities. Industrial relation was cordial and satisfactory.

CAUTIONARY STATEMENT

Statements made in this report describing the Companies projections, estimates, expectations or predictions may be "forward looking predictions" within the meaning of applicable securities laws and regulations. Actual results may differ from such estimates, projections etc. whether expressed or implied. Factor which would make a significant difference to the Companies operation includes availability of quality raw cotton, market prices in the domestic and overseas market, changes in Govt. regulation and tax laws, economic conditions affecting demand / supplies and other environmental factors over which the Company does not have any control.

U. NARAIN & CO.

Chartered Accountants

35, Chittaranjan Avenue, Thacker House,
5th Floor, Room No. 25/6, Kolkata – 700012.

Independent Auditors' Report To the Members of Pacific Cotspin Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Pacific Cotspin Limited (“the Company”) which comprise the Balance Sheet as at 31 December 2013, the Statement of Profit and Loss and the Cash Flow Statement for the period of 15 months ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India including Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 (“the Act”). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December 2013;
- ii. in the case of the Statement of Profit and Loss, of the loss for the period ended on that date; and
- iii. in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

U. NARAIN & CO.

Chartered Accountants

35, Chittaranjan Avenue, Thacker House,
5th Floor, Room No. 25/6, Kolkata – 700012.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act; and
 - e. on the basis of written representations received from the directors as on 31st December 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st December 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

For U. Narain & Co.
Chartered Accountants
FRN: 000935C

(J. P. Agarwal)
Partner
Membership No. 054090

Place: Kolkata
Date: 28th February, 2014

U. NARAIN & CO.

Chartered Accountants

35, Chittaranjan Avenue, Thacker House,
5th Floor, Room No. 25/6, Kolkata – 700012.

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 under the heading “Report on Other Legal and Regulatory requirements” 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) All of the fixed assets have not been physically verified by the management during the period but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its fixed assets. No material discrepancies were noticed on such verification.

c) During the period, there is no substantial disposal of fixed assets which would affect the going concern status of the company.
- (ii) a) The inventory has been physically verified during the period by the management. In our opinion, the frequency of verification is reasonable.

b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stock and the book records were not material.
- (iii) a) The Company has not granted any loan secured/unsecured to companies/firms/other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

b) In view of clause (iii) (a) above, clause (iii) (b) is not applicable.

c) In view of clause (iii) (a) above, clause (iii) (c) is not applicable.

d) In view of clause (iii) (a) above, clause (iii) (d) is not applicable.

e) The Company has not taken any loan secured/unsecured from companies/firms/other parties covered in the register maintained under section 301 of the Companies Act, 1956.

f) In view of clause (iii) (e) above, clause (iii) (f) is not applicable.

g) In view of clause (iii) (e) above, clause (iii) (g) is not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

U. NARAIN & CO.

Chartered Accountants

35, Chittaranjan Avenue, Thacker House,
5th Floor, Room No. 25/6, Kolkata – 700012.

- (v) a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the period have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (ix) a) The Company has been generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty **except textile cess of Rs.205560/-** were in arrears, as at 31st December, 2013 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute.
- (x) In our opinion, **the company's accumulated losses at the end of the period are not less than fifty percent of its net worth.** The company has incurred cash losses during the financial period covered by our audit and also incurred cash losses in the immediately preceding financial period.
- (xi) In our opinion and according to information and explanations given to us, the company has not defaulted in repayment of dues to consortium banks. We have been informed that the Company has no dues to any financial institution nor has it issued any debentures.

U. NARAIN & CO.

Chartered Accountants

35, Chittaranjan Avenue, Thacker House,
5th Floor, Room No. 25/6, Kolkata – 700012.

- (xii) According to information and explanations given to us the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (As Amended) is not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditors Report) Order, 2003 (As Amended) are not applicable to the company.
- (xv) According to the information and explanations given to us, the company has not given any guarantees for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, on an overall basis, 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 no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanations given to us, the company has not made allotment of equity shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the period.
- (xix) The company does not have any outstanding debentures during the period.
- (xx) The company has not raised any money through a public issue during the period.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For **U. NARAIN & CO.**
CHARTERED ACCOUNTANTS
FRN : 000935C

(**J.P. Agarwal**)
Partner
Membership No. 054090

Place: Kolkata
Date : 28th February, 2014

NOTE NO. – 1 : SIGNIFICANT ACCOUNTING POLICIES

(A) GENERAL

- (a) The accounts are prepared on historical cost convention, adjusted by the revaluation of certain fixed assets, using the accrual method of accounting.
- (b) Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.
- (c) The presentation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenue and expenses during the reporting year. Differences between the actual results and estimates are recognized in the year in which the results are known / materialized
- (d) During the year, Revised Schedule VI notified under the Companies Act, 1956 has become applicable to the Company for preparation and presentation of its financial statements. The Company has reclassified the previous year figures in accordance with the requirements applicable in the current year.

(B) FIXED ASSETS

- (i) Fixed assets are stated at historical cost less accumulated depreciation. Expenditure including interest on loan during construction year are allocated to respective fixed assets in proportion to their cost, on their being put to use. The interest on loans and hire charges on fixed assets are capitalized till the date they are put to use.
- (ii) In case of revaluation of fixed assets, the original cost as written up by the approved valuer is considered in the accounts and the differential amount is credited to revaluation reserve.

(C) FOREIGN CURRENCY TRANSACTIONS

- (i) Export sales are recorded at the average exchange rate (which approximates the actual rate on the date of transaction) for all transactions and the exchange differences arising on the date of settlement are recognized as income or as expense.
- (ii) Fixed assets are recorded at the rates prevailing on the date of settlement or at the rates of forward exchange contract.
- (iii) Current assets and current liabilities at the year end are being translated at closing rates prevailing on the Balance Sheet date and the Profit/Loss arising therefrom is taken to Profit & Loss Account.

(D) DEPRECIATION

Depreciation is provided on the basis of Straight Line Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956. Depreciation on the fixed asset added during the year has been calculated on pro-rata basis from the date of such assets being put to use. Leasehold land is amortised over the period of lease.

(E) SUBSIDIES

State Capital Investment Subsidy is credited to Capital Reserve.

(F) INVENTORIES

Inventories are valued as under:-

Raw Material	-	At lower of cost or net realisable value. (The cost of Raw Material is computed on FIFO Method.)
Finished goods	-	At lower of cost or net realisable value.
Stores & Packing Material	-	At lower of cost or net realisable value.
Trading goods	-	At lower of cost or net realisable value.
Work in Process	-	At lower of cost or net realisable value.
Waste	-	At net realisable value.

The cost of Finished Goods and Work-in-process include cost of conversion and other cost incurred in bringing the inventories to their present location and condition.

(G) CONTINGENT LIABILITIES

Contingent Liabilities which are not provided for are disclosed by way of Notes on Accounts.

(H) MISCELLANEOUS EXPENDITURE

Preliminary and public issue expenses are to be written off over a period of 10 years in equal amounts starting from the year the production has commenced. Deferred Revenue Expenses are to be written off in 10 equal yearly installments.

(I) REVENUE RECOGNITION

Sales are recognized on the basis of despatch of the product from the factory and all other incomes & expenditures are accounted for on accrual basis.

(J) TAXES ON INCOME

Provision for Current Tax is made on the basis of estimated taxable income for the current accounting period and in accordance with the provisions as per the Income tax Act, 1961. Deferred Tax has been accounted for pursuant to Accounting Standard (AS-22).

PACIFIC COTSPIN LTD.

Balance Sheet as at 31st December, 2013

(Amount in Rupees)

Particulars	Note No.	As at 31.12.2013	As at 30.09.2012
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	879,226,040	879,226,040
Reserves & Surplus	3	(931,750,449)	(750,051,017)
Non-Current Liabilities			
Long Term Borrowings	4	829,416,283	518,347,070
Other Long Term Liabilities	5	10,229,073	18,293,494
Long Term Provisions	6	11,988,207	10,031,156
Current Liabilities			
Short Term Borrowings	7	695,683,218	533,354,834
Trade Payables	8	174,663,767	25,335,152
Other Current Liabilities	9	179,625,701	146,164,469
TOTAL		1,849,081,840	1,380,701,198
ASSETS			
Non-Current Assets			
Fixed Assets - Tangible	10	467,153,175	546,332,778
Deffered Tax Assets (Net)		-	51,288,000
Long Term Loans and Advances	11	2,633,355	26,252,298
Other Non Current Assets	12	2,273,314	2,460,392
Current Assets			
Inventories	13	665,374,652	557,016,465
Trade Receivables	14	466,871,651	124,834,224
Cash and Cash Equivalents	15	68,165,909	20,721,771
Short Term Loans and Advances	16	174,274,257	51,532,325
Other Current Assets	17	2,335,527	262,945
TOTAL		1,849,081,840	1,380,701,198

Notes to the Accounts & Significant Accounting Policies

1 to 45

-

-

As per our annexed report of even date.

For **U. NARAIN & CO.**

Chartered Accountants

FRN : 000935C

For and on behalf of the Board

[J. P. Agarwal]
Partner
Membership No. 54090

Ashok Mehra
Chairman Cum
Wholetime Director

C.P. Mehra
Mg. Director

B.P. Agrawal
Sr. Vice-President
& Secretary

Place : Kolkata
Date : 28th February, 2014

PACIFIC COTSPIN LTD.**Statement of Profit and Loss for the period ended on 31st December, 2013**

(Amount in Rupees)

Particulars	Note No.	15 Mths ended on 31.12.2013	12 Mths ended on 30.09.2012
Revenue from Operations	18	1,851,048,234	1,031,245,517
Other Incomes	19	5,637,003	1,083,507
Total Revenue		1,856,685,237	1,032,329,024
Expenses :			
Cost of Material Consumed	20	813,207,114	536,622,177
Purchase of Stock-in-Trade	21	522,093,222	658,667,392
Changes in Inventories of Finished Goods, Work-in-Process & Stock-in-Trade	22	124,453,039	(165,297,484)
Employee Benefit Expenses	23	70,238,783	44,030,244
Finance Costs	24	135,145,548	114,444,232
Depreciation	10	79,410,385	63,575,259
Amortisation of Misc. Expenditure		-	2,958,016
Other Expenses	25	242,548,578	145,958,404
Total Expenses		1,987,096,669	1,400,958,240
Profit before Tax		(130,411,432)	(368,629,216)
Tax Expenses :			
Deferred Tax		51,288,000	86,833,000
Profit / (Loss) for the period		(181,699,432)	(455,462,216)
Earning per Equity Share (Basic / Diluted)	26	(4.68)	(11.72)

Notes to the Accounts & Significant Accounting Policies

1 to 45

As per our annexed report of even date.

For **U. NARAIN & CO.**

Chartered Accountants

FRN : 000935C

For and on behalf of the Board

[J. P. Agarwal]
Partner
Membership No. 54090

Ashok Mehra
Chairman Cum
Wholetime Director

C.P. Mehra
Mg. Director

B.P. Agrawal
Sr. Vice-President
& Secretary

Place : Kolkata
Date : 28th February, 2014

PACIFIC COTSPIN LTD.

Notes to Financial Statements

(Amount in Rupees)

NOTE NO. 2 : SHARE CAPITAL

Authorised -

394,24,400 (P.Y. 394,24,400) Equity Shares of Rs. 10/- each

394,244,000

394,244,000

7,17,560 (P.Y. 7,17,560) Non-Cumulative Redeemable Preference Shares of Rs. 100/- each

71,756,000

71,756,000

4,00,000 (P.Y. 4,00,000) 0.01% Cumulative Redeemable Preference Shares of Rs. 10/- each

4,000,000

4,000,000

44,00,000 (P.Y. 44,00,000) Cumulative Convertible Preference Shares of Rs. 100/- each

440,000,000

440,000,000

910,000,000

910,000,000

Issued, Subscribed and Fully Paid up -

388,54,800 (P.Y. 388,54,800) Equity Shares of Rs.10/- each

388,548,000

388,548,000

7,07,580 (P.Y. 7,07,580) Non-Cumulative Redeemable Preference Shares of Rs. 100/- each.

70,758,000

70,758,000

3,60,734 (P.Y. 3,60,734) 0.01% Cumulative Redeemable Preference Shares of Rs. 10/- each.

3,607,340

3,607,340

41,63,127 (P.Y. 41,63,127) 6.5% Cumulative Convertible Preference Shares of Rs. 100/- each.
(allotted to Banks in terms of CDR Package approved on 25.06.2009)

416,312,700

416,312,700

879,226,040

879,226,040

Terms/Rights attached to Equity Shares

The company has only one class of equity shares having a par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Terms/Rights attached to Non-Cumulative Redeemable Preference Shares

The company has only one class of Non-Cumulative Redeemable Preference Shares, having a par value of Rs.100 per share.

Redemption of fully paid Non-Cumulative Redeemable Preference shares shall be made at par on 1st March 2025 or earlier at the option of Company. Such redemption shall be made out of profits of the company which would otherwise be available for dividend i.e. out of general reserve created by ploughing back of distributable profits or may be made out of the proceeds of a fresh issue of shares made for the purpose of redemption.

Terms/Rights attached to 0.01% Cumulative Redeemable Preference Shares

The company has only one class of Cumulative Redeemable Preference Shares, having a par value of Rs.10 per share.

Redemption of fully paid Cumulative Redeemable Preference shares shall be made at par on 1st March 2025 or earlier at the option of Company. Such redemption shall be made out of profits of the company which would otherwise be available for dividend i.e. out of general reserve created by ploughing back of distributable profits or may be made out of the proceeds of a fresh issue of shares made for the purpose of redemption.

Terms/Rights attached to 6.5% Cumulative Convertible Preference Shares

The company has only one class of Cumulative Convertible Preference Shares, having a par value of Rs.100 per share.

These shares will be paid dividend @ 6.5% p.a. from their respective deemed dates of allotment. These shares are subject to the rules framed by SEBI, convertible into Equity Shares in two equal installments in 2017-18 & 2018-2019 at a price to be determined at the time of conversion in accordance with the SEBI (ICDR) Regulations 2009.

The equity shares to be issued on conversion of the CCPS shall rank pari passu in all respects, with the existing equity shares of the Company, except that dividend, if any, declared for the company for the financial year of issuance of the CCPS shall be paid to the CCPS proportionate to the date of issue.

Details of shareholders holding more than 5% in the company -**In Equity Shares**

Name of the Shareholders	2012-2013		2011-2012	
	Nos.	% of Holding Shares	Nos.	% of Holding Shares
Mr. Ashok Mehra	8577913	22.08%	8792654	22.63%
Mr. Chandra Prakash Mehra	8867377	22.82%	9083878	23.38%

In Non-Cumulative Redeemable Preference Shares

Name of the Shareholders	2012-2013		2011-2012	
	Nos.	% of Holding Shares	Nos.	% of Holding Shares
Mr. Ashok Mehra	353790	50.00%	353790	50.00%
Mr. Chandra Prakash Mehra	353790	50.00%	353790	50.00%

In 0.01% Cumulative Redeemable Preference Shares

Name of the Shareholders	2012-2013		2011-2012	
	Nos.	% of Holding Shares	Nos.	% of Holding Shares
Mr. Ashok Mehra	180367	50.00%	180367	50.00%
Mr. Chandra Prakash Mehra	180367	50.00%	180367	50.00%

In 6.5% Cumulative Convertible Preference Shares

Name of the Shareholders	2012-2013		2011-2012	
	Nos.	% of Holding Shares	Nos.	% of Holding Shares
Canara Bank	1841561	44.24%	1841561	44.24%
Central Bank of India	716218	17.20%	716218	17.20%
State Bank of India	1605348	38.56%	1605348	38.56%

PACIFIC COTSPIN LTD.**Notes to Financial Statements**

(Amount in Rupees)

NOTE NO. 3 : RESERVES AND SURPLUSCapital Reserve

As per last Balance Sheet

8,216,665

8,216,665

Securities Premium Reserve

As per last Balance Sheet

7,975,000

7,975,000

Statement of Profit and Loss

Balance as per last Balance Sheet

(766,242,682)

(310,780,466)

Add: Profit/(Loss) for the year

(181,699,432)

(455,462,216)

(947,942,114)

(766,242,682)

(931,750,449)

(750,051,017)

NOTE NO. 4 : LONG TERM BORROWINGS

Secured

Term Loans :

- From Banks *

829,416,283

518,347,070

829,416,283

518,347,070

* Term Loans are secured by paripassu first charge on all fixed assets of the company and paripassu second charge on all current assets of the company alongwith personal guarantee of the two directors, namely Mr. Ashok Mehra and Mr. C.P. Mehra.
Repayable in quarterly instalments upto 31.03.2019 and 31.03.2022.

NOTE NO. 5 : OTHER LONG TERM LIABILITIES

Deferred Sales Tax Liability

10,229,073

18,293,494

10,229,073

18,293,494

NOTE NO. 6 : LONG TERM PROVISIONS

Provision for Gratuity

11,988,207

10,031,156

11,988,207

10,031,156

NOTE NO. 7 : SHORT TERM BORROWINGS

Secured **

Loans Repayable on Demand - From Banks

Export Packing Credit

Cash Credit

-

132,875,156

695,683,218

400,479,678

695,683,218

533,354,834

** Export Packing Credit and Export bills discounted are secured by paripassu first charge created through hypothecation of company's raw materials, work-in-process, finished goods, stores and spares meant for export and book debts and also by extension of charge (by way of second paripassu charge) over all fixed assets of the company alongwith personal guarantees of two directors, namely Mr. Ashok Mehra and Mr. C.P.Mehra.

Cash Credit is secured by paripassu first charge created through hypothecation of company's raw materials. Work-in-progress, finished goods, stores and spares meant for domestic sale and also by extension of charge (by way of second paripassu charge) over all fixed assets of the company alongwith personal guarantees of two directors, namely Mr. Ashok Mehra and Mr. C.P.Mehra.

PACIFIC COTSPIN LTD.**Notes to Financial Statements**

(Amount in Rupees)

NOTE NO. 8 : TRADE PAYABLES

Micro, Small and Medium Enterprise *		
Others		
L.C. Acceptances due within normal operating cycle		

As at 31.12.2013	As at 30.09.2012
-	-
105,705,173	23,018,619
68,958,594	2,316,533
174,663,767	25,335,152

* There is no declaration received from vendor for being registered as Micro, Small & Medium Enterprise.

NOTE NO. 9 : OTHER CURRENT LIABILITIES

Current Maturities of Long Term Loans - From Banks		
Current Maturities of Long Term Loans - From Others***		
Interest Accrued and Due		
Advances from Customers		
Advances from Promoters		
Outstanding Expenses		

12,024,000	27,274,000
35,367,157	35,367,157
33,364,599	38,026,326
29,488,888	10,304,194
40,734,033	12,528,633
28,647,024	22,664,159
179,625,701	146,164,469

*** Soft Loan is secured by creation of the residuary charges on the Fixed Assets of the Company.

PACIFIC COTSPIN LTD.**Notes to Balance Sheet****Note No. 10 : Fixed Assets - Tangible**

(Amount in Rupees)

Particulars	Gross Block			Depreciation			Net Block	
	As at 30.09.2012	Additions	As at 31.12.2013	As at 30.09.2012	For the Year	As at 31.12.2013	As at 31.12.2013	As at 30.09.2012
Leasehold Land	5,409,709	-	5,409,709	851,615	68,305	919,920	4,489,789	4,558,094
Buildings	303,670,536	-	303,670,536	101,420,048	11,052,543	112,472,591	191,197,945	202,250,488
Plant & Machineries	946,343,903	123,596	946,467,499	647,383,452	62,456,088	709,839,540	236,627,959	298,960,451
Electrical Installations	81,648,448	-	81,648,448	43,038,820	5,385,974	48,424,794	33,223,654	38,609,628
Furniture & Fixtures	6,321,136	107,186	6,428,322	4,538,958	421,768	4,960,726	1,467,596	1,782,178
Vehicles	668,565	-	668,565	496,626	25,707	522,333	146,232	171,939
TOTAL	1,344,062,297	230,782	1,344,293,079	797,729,519	79,410,385	877,139,904	467,153,175	546,332,778
Previous Year	1,344,026,365	35,932	1,344,062,297	734,154,260	63,575,259	797,729,519	546,332,778	

NOTE NO. 11 : LONG TERM LOANS AND ADVANCES		
(Unsecured and Considered Good)		
Advances Recoverable in Cash or Kind	2,424,013	26,042,956
Deposits	209,342	209,342
	2,633,355	26,252,298
Amount due by Officer of the Company - Rs.140170/- (P.Y.Rs.85170/-)		
NOTE NO. 12 : OTHER NON-CURRENT ASSETS		
Fixed Deposit with Banks (Maturity above 12 Months)	2,197,585	2,287,289
(Pledged/lien with Banks against L.C. Margin/Borrowings)		
Accrued Interest on Fixed Deposits with Banks	75,729	173,103
	2,273,314	2,460,392
NOTE NO. 13: INVENTORIES		
(as certified and valued by the management at lower of cost or net realisable Value)		
Finished Goods	5,425,340	2,876,458
Work-in-Process	95,534,250	60,225,800
Waste	5,643,785	5,928,362
Raw Materials	423,529,406	198,361,930
Stores and Packing Materials	54,475,750	46,832,000
Stock-in-Trade	80,766,121	242,791,915
	665,374,652	557,016,465
NOTE NO. 14 : TRADE RECEIVABLES		
Unsecured & Considered Good -		
Debts over six months	27,876,897	49,853,097
Other Debts	438,994,754	74,981,127
	466,871,651	124,834,224

PACIFIC COTSPIN LTD.

Notes to Financial Statements

(Amount in Rupees)

NOTE NO. 23 : EMPLOYEE BENEFIT EXPENSES

Salaries, Wages, Bonus etc.
Contribution to PF & ESI
Staff & Workmen Welfare
Directors' Remuneration

15 Mths ended on 31.12.2013	12 Mths ended on 30.09.2012
53,402,840	31,208,670
3,963,594	2,842,218
3,872,349	3,179,356
9,000,000	6,800,000
70,238,783	44,030,244

NOTE NO. 24 : FINANCE COSTS

Interest Expense :
Interest on Fixed Loans
Other Interest

Other Borrowing Costs :
Discounting Charges
ECGC Premium
Bank Charges

35,351,935	21,032,296
91,036,824	79,361,348
126,388,759	100,393,644
236,149	7,234,913
379,535	1,076,203
8,141,105	5,739,472
8,756,789	14,050,588
135,145,548	114,444,232

NOTE NO. 25 : OTHER EXPENSES

Power, Fuel & Water
Stores & Packing Materials
Repairs to
Machineries
Others
Freight & Forwarding
Cotton Cleaning Expenses
Rent, Rates, Taxes & Cess
Sales Tax
Insurance
Brokerage & Commission
Discount on Sales
Auditors' Remuneration
Vehicle Expenses
Printing & Stationery
Telephone & Telefax Charges
Travelling & Conveyance
Exchange Gain/(Loss) due to fluctuation
Miscellaneous Expenses

130,498,127	68,223,623
28,971,370	31,879,374
927,962	550,358
1,569,568	1,181,408
3,146,563	3,350,322
20,133,998	6,034,422
2,275,262	1,553,590
2,226,547	1,211,314
1,964,105	1,114,425
4,489,115	1,579,271
26,740,294	10,889,748
224,720	224,720
1,881,792	1,665,567
490,907	318,135
1,214,761	1,145,424
2,500,974	1,827,688
97,068	3,300,110
13,195,445	9,908,905
242,548,578	145,958,404

NOTE NO. 26 : EARNING PER SHARE

In terms of Accounting Standard – 20, "Earning Per Share" is as follows -

Net Profit after tax as per Statement of Profit and Loss
attributable to Equity Shareholders (Rs.)

(181,699,432) (455,462,216)

Weighted Average number of equity shares used as
Denominator for calculating EPS

38,854,800 38,854,800

Face Value per Equity Share (Rs.)

10 10

Basic and Diluted Earnings per Share (Rs.)

(4.68) (11.72)

27. Sales include Rs.111861992/- (P.Y. Rs.54649755/-) being the sale value of Cotton Waste. Sales of cotton waste is inclusive of Sales Tax thereon.

28. Based on the Company's approach, the Corporate Debt Restructuring Empowered Group approved reworking of existing CDR Package on 31st December, 2012 by allowing deferment of repayment of Term Loans. Accordingly the Consortium Member Banks sanctioned and implemented the reworked CDR Package. In accordance with the reworked CDR Package, repayment of Term Loans will start from March, 2014.

29. Contingent Liability in respect of :

Particulars	(Amount in Rs.)	
	As at 31 st Dec. 2013 (Rs.)	As at 30 th Sept. 2012 (Rs.)
Letter Of Credit	9000000	6999200
Dividend payable on 6.5% CCPS to Banks	119723039	85842027
Dividend payable on 0.01% CRPS to Others	2885	2433

30. Auditors Remuneration is as below :

Particulars	(Amount in Rs.)	
	For the period ended on 31 st Dec. 2013 (Rs.)	For the period ended on 30 th Sept. 2012 (Rs.)
For Audit Fees	112360	110300
For Tax Audit Fee	112360	110300

31. In view of brought forward business losses, unabsorbed depreciation and other applicable provisions of the Income Tax Act, no provision is required for current Income Tax for the year under audit.

32. Due to continuous losses suffered by the Company and in the absence of virtual certainty of availability of taxable income in the immediate future, the Company has not accounted Deferred Tax Asset for the current year and also adjusted carrying amount of Deferred Tax Assets and Liabilities recognized by the Company in the earlier years. The position of Deferred Tax is reviewed by the Company as at each Balance Sheet date for its recognition on a going concern basis.

33. Income Tax deducted at source on the following incomes of the company are detailed as below :

Particulars	(Amount in Rs.)	
	For the period ended on 31 st Dec. 2013 (Rs.)	For the period ended on 30 th Sept. 2012 (Rs.)
On Interest on Fixed Deposit with Banks	105222	99679
On Interest on EMD / Others	19052	2477

34. As certified by technical expert, Plant & Machinery and Electrical installations have been considered to be continuous process plants as per Schedule XIV to the Companies Act 1956.

35. The balances of Sundry Debtors, Sundry Creditors, Loans and Advances are subject to confirmation from respective parties.

36. Segment Reporting :

In terms of Accounting Standard 17 of the Institute of Chartered Accountants of India, Segment Information has not been given as the Company is engaged primarily in manufacture and sale of Textile Products and has no significant reportable Business or Geographical segment.

37. Related party disclosures as per Accounting Standard 18 are given below :-

i) Name and description of relationship with the related parties :

a) Key Management Personnel : Nature of Designation

- | | | |
|-------------------------------|---|----------------------------------|
| 1. Mr. Ashok Mehra | : | Chairman cum Whole Time Director |
| 2. Mr. C. P. Mehra | : | Managing Director |
| 3. Mr. Basudeo Prasad Agarwal | : | Sr. Vice President & Secretary |

b) Enterprises in which relatives of key management personnel exist and name of the relatives :

1. Bala Techno Industries Ltd.
2. Gautam Mehra

Note : Related Party relationship is as identified by the Company and relied upon by the auditor.

ii) Details of transaction with related parties :

(Amount in Rs.)

Nature Of Transaction	Key Mgmt. Personnel	Entp. in which relatives exist & relatives	Total
Remuneration	9075000 (6860000)	600000 (480000)	9675000 (7340000)
Purchases	- (-)	149259152 (460896587)	149259152 (460896587)
Sales	- (-)	68485075 (455175358)	68485075 (455175358)
Trade Receivables	- (-)	- (111388080)	- (111388080)
Loans and Advances	140170 (-)	31041812 (19075360)	31181982 (19160530)
Trade Payables & Current Liabilities	40734033 (12528633)	358650 (4310815)	41092683 (16839448)

38. Particulars in respect of Opening Stock, Sales & Closing Stock :

(Amount in Rs.)

Product	Opening Stock		Production	Sales *		Closing Stock	
	Kgs.	Value Rs.	Kgs.	Kgs.	Value Rs.	Kgs.	Value Rs.
Cotton Yarn	14350 (23980)	2876458 (3896677)	4829693 (2164474)	4817185 (2174104)	1044556619 (431011861)	26858 (14350)	5425340 (2876458)

* Sales including 7.00 Kgs. (P.Y. 4.93 Kgs.) for free trade samples.
Figures in bracket are for the previous year.

39. Particulars in respect of Trading Goods :

(Amount in Rs.)

Product	Opening Stock		Purchase		Sales		Closing Stock	
	Kgs / Nos	Value Rs.	Kgs	Value Rs.	Kgs / Nos.	Value Rs.	Kgs	Value Rs.
Fabric	1032493 (565575)	242791915 (80862387)	2137576 (3524367)	526594013 (658667392)	2834131 (3057449)	693293346 (543548149)	335938 (1032493)	80766121 (242791915)

Figures in bracket are for the previous year.

40. Details of Raw Materials Consumed :

(Amount in Rs.)

Item	Period ended 31 st Dec. 2013		Period ended 30 th Sept. 2012	
	Kgs.	Value Rs.	Kgs.	Value Rs.
Cotton	7247741	813207114	3123181	536622177

41. Consumption of Imported and Indigenous Raw Material, Stores etc. :

(Amount in Rs.)

Item	Period ended 31 st Dec. 2013		Period ended 30 th Sept. 2012	
	Raw Materials	Spares	Raw Materials	Spares
Imported - Rs. %	Nil -	247055 1	Nil -	Nil -
Indigenous - Rs. %	813207114 100	28724315 99	536622177 100	31879374 100
Total - Rs.	813207114	28971370	536622177	31879374

42. Expenditure / Earnings in Foreign Currency :

		(Amount in Rs.)	(Amount in Rs.)
		Period ended on 31 st Dec. 2013	Period ended on 30 th Sept. 2012
a)	CIF Value of Imports -		
	Stores, Spares & Components	247055	-
	Raw Materials	-	-
	Capital Goods	-	-
b)	Expenditure in foreign currency -		
	Commission	430839	-
	Books and Periodicals	365896	-
c)	Earnings in Foreign Currency -		
	FOB Value of Exports	-	87209343

43. Additional depreciation of Rs.19488887/- (P.Y. Rs.15591110/-) arising due to revaluation of certain fixed assets is charged to Statement of Profit & Loss.

44. These accounts are covering a period of 15 months (from 1st October 2012 to 31st December 2013) and as such figures relating to previous year (covering a period of 12 months (from 1st October 2011 to 30th September 2012) are not strictly comparable with those of current period.

45. Previous year figures are regrouped and rearranged wherever necessary.

Signature to Notes 1 to 45
As per our annexed report of even date.

For **U. NARAIN & CO.**
Chartered Accountants
FRN : 000935C

For and on behalf of the Board

(J.P. Agarwal)
Partner
Membership No. 54090

Ashok Mehra
Chairman cum
Whole Time Director

C.P. Mehra
Mg. Director

B.P. Agrawal
Sr. Vice-President
& Secretary

Place : Kolkata
Date : 28th February, 2014

PACIFIC COTSPIN LTD.

Cash Flow Statement for the period ended on 31st December 2013

	15 Months ended 31.12.2013 (Rs.)	12 Months ended 30.09.2012 (Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit /(Loss) before tax and extraordinary items	(130,411,432)	(368,629,216)
Add Back :		
Depreciation	79,410,385	63,575,259
Finance Charges	135,145,548	114,444,232
Amortisation of Miscellenous Expenditure	-	2,958,016
Operating Profit before Working Capital Changes	84,144,501	(187,651,709)
Adjustment for :		
Trade Receivables	(342,037,427)	116,732,906
Inventories	(108,358,187)	(16,496,918)
Long Term & Short Term Loans and Advances	(98,998,715)	131,036,890
Long Term Liabilities & Provisions	(6,107,370)	(741,721)
Trade Payables & Other Current Liabilities	202,701,574	546,222
Cash Generated from Operation	(268,655,624)	43,425,670
Income Tax Paid	(124,274)	(102,156)
Income Tax Refund	-	-
Net Cash from Operating Activities	(268,779,898)	43,323,514
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets (Including Capital Work in Progress)	(230,782)	(35,932)
Sale of Fixed Assets	-	-
Fixed Deposits with Banks	(32,587,475)	(4,143,840)
Net Cash used in Investing Activities	(32,818,257)	(4,179,772)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	295,819,213	(5,786,000)
Proceeds from Short Term Borrowings	157,666,657	63,688,323
Proceeds from issue of Equity Shares	-	-
Finance charges Paid	(135,145,548)	(111,272,390)
Net Cash used in Financing Activities	318,340,322	(53,370,067)
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,742,167	(14,226,325)
OPENING CASH AND CASH EQUIVALENTS	9,683,708	23,910,033
CLOSING CASH AND CASH EQUIVALENTS	26,425,875	9,683,708

Note : a. Figures in Brackets indicates Outflows.

b. Previous Years figures have been regrouped and rearranged whenever necessary.

As per our annexed report of even date.

For **U. NARAIN & CO**

Chartered Accountants

FRN : 000935C

For and on behalf of the Board

[J.P. Agarwal]

Partner

Membership No. 54090

Ashok Mehra

Chairman Cum

Wholetime Director

C.P. Mehra

Mg. Director

B.P. Agrawal

Sr. Vice-President

& Secretary

Place : Kolkata

Date : 28th February, 2014

PACIFIC COTSPIN LIMITED

Registered Office : Falta Industrial Growth Centre, Sector IV,
Falta, 24 Parganas (South), West Bengal

PROXY

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

I/Weof.....

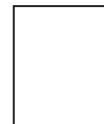
being a member / members of PACIFIC COTSPIN LIMITED hereby appoint

.....of.....

or falling himof.....

or falling himof.....

as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the 18th Annual General Meeting to be held on Thursday , the 27th March,2014 at 10.00 a.m. at Company's Registered Office at Falta Industrial Growth Centre, Sector IV, Falta, Dist. 24 Parganas (South), West Bengal and at any adjournment thereof.



Signed thisday of2014

Signature

- Note :
- i) The Proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting.
 - ii) The form should be signed across the Stamp as per specimen signature registered.
 - iii) A Proxy need not be a member.

PACIFIC COTSPIN LIMITED

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL. ONLY MEMBERS OR THEIR PROXIES/ REPRESENTATIVES ARE ENTITLED TO BE PRESENT AT THE MEETING.

If undelivered please return to:
Pacific Cotspin Limited
Corporate Office:
110/1/1A, Dr. Lal Mohan Bhattacharjee
Road, 2nd Floor, Kolkata-700014



PACIFIC COTSPIN

GOVT. RECOGNISED EXPORT HOUSE
Manufacturers of Cotton Yarn



Pacific Cotspin Limited

Corporate Office : 110/1/1A, Dr. Lal Mohan Bhattacharjee Road, 2nd Floor, Kolkata-700 014 INDIA
Tel : 2265 8157, 2265 1431, 2265 7971. Telefax : 91 (033) 2265 2863
E-Mail : bala@cal2.vsnl.net.in · pacific.bala@gmail.com



FORM A

Format of covering letter of the annual audit report to be filed with the Stock Exchange

1.	Name of the Company	Pacific Cotspin Limited
2.	Annual financial statement for the year ended	31 st December 2013
3.	Type of Audit observation	Un-qualified/No matter of Emphasis
4.	Frequency of observation	Not Applicable
5.	To be signed by- <ul style="list-style-type: none"> • CEO/Managing Director • CFO • Auditor of the Company • Audit Committee Chairman 	