

Annexure to the notice for the period ended 30th September,2010

REPORT ON CORPORATE GOVERNANCE

1) Company's Philosophy on Code of Corporate Governance

The Company firmly believes in and has consistently endeavoured 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 |

Tenure

All the non-executive Directors of the company are liable to retire by rotation. One-third of the said directors are liable to retire every year and if eligible, offer themselves for reappointment.

Responsibilities

The Board of Directors represents the interests of the Company's shareholders, in optimising long-term value by providing the management with guidance and strategic direction on shareholders' behalf. The board's mandate is to oversee the Company's strategic direction, review corporate performance, ensure regulatory compliance and safeguard interests of all stakeholders.

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 | 21 | Yes | 1 | None | None |
| Shri C.P. Mehra | 21 | Yes | 1 | None | None |
| Shri S.A. Hussain | - | No | 5 | None | None |
| Shri Mukesh C. Gandhi | 8 | Yes | None | None | None |
| Shri Rajiv Khanna | 6 | 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.

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

| | | | | | | | |
|---|------------|----|------------|----|------------|----|------------|
| 1 | 06.04.2009 | 7 | 04.09.2009 | 13 | 14.04.2010 | 19 | 30.07.2010 |
| 2 | 29.04.2009 | 8 | 05.09.2009 | 14 | 29.04.2010 | 20 | 17.08.2010 |
| 3 | 06.05.2009 | 9 | 08.09.2009 | 15 | 31.05.2010 | 21 | 29.09.2010 |
| 4 | 29.06.2009 | 10 | 30.10.2009 | 16 | 14.06.2010 | | |
| 5 | 30.06.2009 | 11 | 16.01.2010 | 17 | 16.06.2010 | | |
| 6 | 30.07.2009 | 12 | 30.01.2010 | 18 | 29.07.2010 | | |

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 and if required the replacement or removal of statutory auditors and fixation of their fees.
- 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 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 30th September,2010, Six meetings were held on 29.04.2009, 30.07.2009, 30.10.2009, 30.01.2010, 29.04.2010 and 30.07.2010.

The attendance of the Audit Committee Members is as follows :

| Name(s) | Held | Attended |
|-----------------------|-------------|-----------------|
| Shri Mukesh C. Gandhi | 06 | 06 |
| Shri Rajiv Khanna | 06 | 06 |

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.

4) Remuneration Committee

Remuneration Committee consists of Non-executive independent Directors Viz. Shri Mukesh C. Gandhi(Chairman), Shri S.A. Hussin (Member) and Shri Rajiv Khanna (Member). The remuneration committee 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 each to Managing Director and Whole Time Director during the period ended 30th September, 2010, were as follows:-

| Particulars | Shri C. P. Mehra, Managing Director | Shri Ashok Mehra, Whole Time Director |
|-------------------------|--|--|
| Salary (Rs.) | 2362500 | 2362500 |
| Benefits:- | | |
| Allowance & Perquisites | 315000 | 315000 |
| Bonus | 472500 | 472500 |
| Service contract | 3 yrs. With effect from 1.12.2009 | 3 yrs. With effect from 1.12.2009 |
| Notice period | 3 months | 3 months |
| Severance fee | Nil | Nil |
| Stock option | Nil | Nil |
| | Rs. 3150000 | Rs.3150000 |

The committee in their meeting on 2nd March,2011 approved the above remuneration paid each to Managing Director and Whole Time Director.

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

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

5) **Shareholder/Investor Grievance Committee**

Shareholder/Investor Grievance Committee consists of non executive independent Directors namely Shri Rajiv Khanna (Chairman), Shri S.A. Hussain(Member) and Shri Mukesh C. Gandhi(Member). The Committee reviews the redressing 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.

During the period ten complaints were received and attended. There was no outstanding complaint as on 30.09.2010. No request for dematerialisation and transfer of shares was pending on 30.09.2010.

6) **Code of Conduct**

The Company has already adopted a Code of Conduct which was made applicable to all its directors, whether executive or non-executive and all Senior Management Personnel of the Company. All Board members and Senior Management personnel

have affirmed compliance with the Company's code of conduct during the period. A certificate pursuant to Clause 49(v) of the listing agreement and a declaration to the effect that all Board members and senior management personnel have complied with the Company's code of conduct during the period under review by the Managing Director and CFO of the Company duly signed by them, is annexed and forms part of the Report. The aforesaid code of conduct has been posted on the website of the Company.

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 |
|-----------|--|------------|-----------|-----------|
| 2006-2007 | Company's Registered Office at Falta Industrial Growth Centre, Sector-IV, Falta, Dist. 24 Parganas(S), West Bengal | 28.09.2007 | Friday | 10.30 a.m |
| 2007-2008 | -DO- | 06.12.2008 | Saturday | 10.00 a.m |
| 2008-2009 | -DO- | 30.09.2009 | Wednesday | 10.30 a.m |

8.2 Whether any special Resolutions passed in previous 3 AGM:

Yes, Two Special Resolutions were passed in the last AGM

| <u>Date</u> | <u>Matter</u> |
|-------------|--|
| 30.09.2009 | (i) Re appointment of Managing Director and Whole Time Director (ii) Pursuant to CDR Scheme for Issue of equity shares to the promoters Conversion of non Cumulative redeemable preference shares Into equity shares and issue of CCPS to Banks. |

8.3 Whether special resolutions were put through postal ballot, last year? : No

8.4 Are votes proposed to be conducted through postal ballot, this year?: No

8.5 Extra ordinary general meeting : (1) 09.05.2008
held during last 3 financial years (2) 14.05.2010

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 20 of Schedule 14 forming part of the Accounts for the period ended 30th September, 2010.

- 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. 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 Financial Express (English) and Dainik Statesman/ Kalantar (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 : 30th March, 2011 at 09.30 a.m.

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

b) Financial calendar (tentative) for the year 2010-11

Results for quarter ending:

31st December, 2010 : 2nd week of February, 2011
31st March, 2011 : 2nd week of May, 2011

- c) Book closure Date : 22nd March, 2011 to 30th March, 2011 (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 2010-2011 has been paid to Bombay Stock Exchange.

f) (i) Stock Code :

Bombay Stock Exchange : 531118

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

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.) |
| April,2009 | 1.60 | 1.12 |
| May,2009 | 1.95 | 1.23 |
| June, 2009 | 2.58 | 1.95 |
| July, 2009 | 2.11 | 1.60 |
| August, 2009 | 2.19 | 1.72 |
| September,2009 | 2.59 | 1.97 |
| October, 2009 | 2.79 | 2.00 |
| November, 2009 | 2.79 | 1.95 |
| December,2009 | 3.20 | 2.44 |
| January,2010 | 3.20 | 2.38 |
| February,2010 | 2.63 | 2.21 |
| March,2010 | 2.65 | 1.72 |
| April,2010 | 2.87 | 1.81 |
| May,2010 | 3.53 | 2.51 |
| June,2010 | 4.30 | 3.08 |
| July,2010 | 3.90 | 2.77 |
| August,2010 | 4.28 | 2.71 |
| September,2010 | 6.58 | 4.49 |

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 System** : Presently, the shares received in physical form for transfer are returned within a period of 21 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 guide lines by laws issued by SEBI/NSDL/CDSL.

j) **A) Share holding pattern as on 30th September, 2010**

| Sl. No. | Category | No. of shares(issued Equity) | Percentage |
|---------|---|------------------------------|---------------|
| 1. | Promoters | 18658532 | 48.021 |
| 2. | Banks, Indian Financial Institutions, Central/State Govt. Institutions, Mutual Funds etc. | 392692 | 1.011 |
| 3. | NRI/OCB | 271132 | 0.698 |
| 4. | Others | 19532444 | 50.270 |
| | Total | 38854800 | 100.00 |

B) Distribution on shareholding as on 30th September, 2010

| No. of shares held | No. of shareholders | % of share holders | No. of Shares issued Equity | % of Shareholding |
|--------------------|---------------------|--------------------|-----------------------------|-------------------|
| 1-500 | 5097 | 50.6056 | 1582394 | 4.0726 |
| 501-1000 | 2326 | 23.0937 | 2155978 | 5.5488 |
| 1001-5000 | 2059 | 20.4428 | 5166340 | 13.2965 |
| 5001-10000 | 333 | 3.3062 | 2549656 | 6.5620 |
| 10001 - 50000 | 230 | 2.2836 | 5079771 | 13.0737 |
| 50001 - 100000 | 16 | 0.1589 | 1170289 | 3.0120 |
| 100001 and above | 11 | 0.1092 | 21150372 | 54.4344 |
| TOTAL | 10072 | 100.00 | 38854800 | 100.00 |

k) **Dematerialization of shares and liquidity**

The Shares of the Company are compulsory 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 our shares for scripless trading. As on 30th September, 2010 62.09% equity shares of the company were held in dematerialized form.

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

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. P-22, C.I.T. Road, Scheme -55 Kolkata - 700 014.

The above report was adopted by the Board of Directors at their meeting held on 2nd March, 2011.

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

The certificate dated 2nd March,2011 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.

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 30th September 2010 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
Date : 2nd March,2011

(SHIPRA AGARWAL)
Proprietor
CP No. 3173