

PACT INDUSTRIES LIMITED

Financial Highlights – 7 Years at a Glance

(Rs. in Lacs)

| | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 |
|---|---------|---------|---------|---------|---------|---------|---------|
| Turnover | 2042.75 | 1989.81 | 1963.68 | 859.96 | 2304.20 | 2084.61 | 1803.02 |
| Total Income | 2042.93 | 1990.09 | 1964.73 | 862.01 | 2316.61 | 2103.75 | 1805.90 |
| Earning Before Depreciation, Interest and Tax | 15.66 | 10.04 | 44.74 | 61.54 | 180.22 | 219.47 | 200.63 |
| Depreciation | 5.77 | 6.64 | 8.00 | 10.84 | 93.16 | 104.02 | 95.76 |
| Profit after Tax | 2.77 | 2.18 | 2.10 | 1.93 | 26.43 | 66.97 | 63.22 |
| Equity Share Capital | 494.08 | 494.08 | 494.08 | 494.08 | 494.08 | 494.08 | 494.08 |
| Reserve and Surplus | 520.69 | 512.83 | 503.60 | 522.56 | 1318.97 | 1199.38 | 1028.39 |
| Net worth | 1014.77 | 1006.24 | 997.68 | 1016.64 | 1813.05 | 1693.46 | 1522.47 |
| Gross Fixed Assets | 1159.10 | 726.44 | 602.56 | 612.26 | 1314.92 | 1299.44 | 1227.31 |
| Net fixed Assets | 677.86 | 250.97 | 133.72 | 151.42 | 549.70 | 626.76 | 658.66 |
| Total Assets | 1878.08 | 1255.77 | 1204.82 | 1570.81 | 2652.90 | 2439.42 | 2386.75 |

PACT INDUSTRIES LIMITED

NOTICE

Notice is hereby given that the 18th Annual General Meeting of the Members of the Company will be held on Friday the 30th day of September, 2011 at 02.45 P.M. at 303, Hotel The Taksonz, Opp. Railway Station, Ludhiana to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 and the Profit & Loss Account for the year ended on that date together with the Reports of Directors and Auditors and Compliance Certificate thereon.
2. To appoint a director in place of Sh. Narinderjit Singh Sethi who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a director in place of Sh. Amarjit Singh Walia who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors for the Financial Year 2011-2012 to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of Company and to fix their remuneration . M/s Rajesh Mehru & Co., Chartered Accountants the retiring auditors are eligible for re-appointment.
5. **To consider and, if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution:**

"Resolved that Mr. Amandeep Singh be and is hereby appointed a director of the company liable to retire by rotation."

SPECIAL BUSINESS

6. **To consider and, if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution:**
"RESOLVED THAT M/s. Brij K. Tiwari & Associates, Practising Company Secretaries, be and are hereby re-appointed for issuance of Compliance Certificate in terms of the provisions of Section 383A(1)(a) of the Companies Act, 1956 and to hold the office till the conclusion of the next Annual General Meeting on such remuneration as may be determined by the Board and agreeable to them.
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 Sections 269, 198, 309 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 approval is hereby accorded for re-appointment of Mr. Harpreet Singh, as Managing Director of the Company for a period of 3 (Three) years with effect from 1st October, 2011 on a remuneration of Rs.1,80,000/- p.a.

Further Resolved that the Board of Directors is hereby authorized to grant future increments in remuneration payable to Mr. Harpreet Singh, from time to time as may be deemed appropriate by them but subject to the limits imposed by Schedule XIII."
8. **To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:**

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"Resolved that pursuant to the provisions of Sections 269, 198, 309 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 approval is hereby accorded for re-appointment of Mr. Gurdeep Singh, as Managing Director of the Company for a period of 3 (Three) years with effect from 1st October, 2011 on a remuneration of Rs.1,80,000/- p.a.

Further Resolved that the Board of Directors is hereby authorized to grant future increments in remuneration payable to Mr. Gurdeep Singh, from time to time as may be deemed appropriate by them but subject to the limits imposed by Schedule XIII."

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

"Resolved that pursuant to the provisions of Sections 269, 198, 309 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 approval is hereby accorded for re-appointment of Mr. Charanpreet Singh, as Whole-time Director of the Company for a period of 3 (Three) years with effect from 1st October, 2011 on a remuneration of Rs.1,56,000/- p.a.

Further Resolved that the Board of Directors is hereby authorized to grant future increments in remuneration payable to Mr. Charanpreet Singh, from time to time as may be deemed appropriate by them but subject to the limits imposed by Schedule XIII."

Notes:

1. **A member entitled to attend and vote at his Annual General Meeting is entitle to appoint one/more proxy (ies) to attend instead of himself/herself and such proxy need not be a member of the company. A blank and vote proxy form is enclosed. Proxies in order to be effective must be with the company duly executed not less then 48 hours before the commencement of Annual General Meeting at the registered office of the company.**
2. Member/proxies should bring the attendance slip duly filled in Annual General Meeting.
3. Members are requested to notify any changes in their residential address immediately to the company.
4. The share transfer books & register of the share transfer shall remain closed from Tuesday the 27th Sep, 2011 to Friday 30th Sep, 2011 (both days inclusive).
5. Members are requested to bring their copy of Annual Report along with them to the meeting.
6. Members are requested to quote their Folio No. in all their correspondence with the company.
7. Members desiring any information on the accounts or other items of the agenda are requested to write to company at least 7 days before the Annual General Meeting so that management may keep the information ready.
8. Member may kindly note that no gift will be distributed at the Annual General Meeting.

**BY THE ORDER OF THE BOARD
FOR PACT INDUSTRIES LTD.**

PLACE: LUDHIANA

CHAIRMAN

DATE: 5th September, 2011

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

Item no. 4

The company is required to have a remuneration committee consisting of three independent directors and to fulfill this requirement the board had appointed Mr. Amandeep Singh as additional director of the company on 01.09.2011 and he is retiring at the forthcoming AGM.

The company has received a notice pursuant to section 257 proposing the appointment of Mr. Amandeep Singh as director alongwith the required deposit.

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None of the directors is interested.

Item no. 6

M/s. Brij K. Tiwari & Associates, Practising Company Secretaries are retiring at the ensuing general meeting and are eligible for re-appointment.

Your board recommends the resolution mentioned under item no. 6 for your approval.

None of the directors is interested.

Item No. 7

Mr. Harpreet Singh was appointed as Managing Director and his term expires on 30.09.2011.

Mr. Harpreet is Graduate in Commerce and has more than 22 years of Managerial and Administrative experience in textile industries.

The Remuneration Committee of the Board of Directors has considered that it is in the interest of the company to reappoint him as the Managing Director on the terms and conditions set out in the Notice.

The Managing Director will carry out such duties and exercise such powers as may be entrusted to him by the Board of Directors subject to the supervision and control of the Board.

The proposed resolution and this explanatory statement may be treated as an abstract of the terms and conditions of the appointment of Mr. Harpreet Singh in terms of Section 302 of the Companies Act, 1956.

Your Directors recommends the resolution for your approval as Special Resolution.

All the Directors except Mr. Narinderjit Singh Sethi, Mr. Amarjeet Singh Walia and Mr. Amandeep Singh may be considered as interested or concerned in the said resolution being relatives of the managing director.

Item No. 8

Mr. Gurdeep Singh was appointed as Managing Director and his term expires on 30.09.2011.

Mr. Gurdeep is a Post Graduate and has more than 25 years of Managerial and Administrative experience in textile industries.

The Remuneration Committee of the Board of Directors has considered that it is in the interest of the company to reappoint him as the Managing Director on the terms and conditions set out in the Notice.

The Managing Director will carry out such duties and exercise such powers as may be entrusted to him by the Board of Directors subject to the supervision and control of the Board.

The proposed resolution and this explanatory statement may be treated as an abstract of the terms and conditions of the appointment of Mr. Gurdeep Singh in terms of Section 302 of the Companies Act, 1956.

Your Directors recommends the resolutions for your approval as Special Resolution.

All the Directors except Mr. Narinderjit Singh Sethi, Mr. Amarjeet Singh Walia and Mr. Amandeep Singh may be considered as interested or concerned in the said resolution being relatives of the managing director.

Item No. 9

Mr. Charanpreet Singh was appointed as Whole time Director and his term expire on 30.09.2011.

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Mr. Charanpreet is a Graduate and has more than 18 years of Managerial and Administrative experience in textile industries.

The Remuneration Committee of the Board of Directors has considered that it is in the interest of the company to reappoint him as the Whole time Director on the terms and conditions set out in the Notice.

The Whole time Director will carry out such duties and exercise such powers as may be entrusted to him by the Board of Directors subject to the supervision and control of the Board.

The proposed resolution and this explanatory statement may be treated as an abstract of the terms and conditions of the appointment of Mr. Charanpreet Singh in terms of Section 302 of the Companies Act, 1956.

Your Directors recommends the resolutions for your approval as Special Resolution.

All the Directors except Mr. Narinderjit Singh Sethi, Mr. Amarjeet Singh Walia and Mr. Amandeep Singh may be considered as interested or concerned in the said resolution being relatives of the whole time director.

The statement as per Schedule XIII of the Companies Act, 1956 is given below:

| I. General Information: | |
|---|--|
| (1) Nature of Industry | Unit-1 of Manufacturing and trading of cloth and hosiery goods. Unit-2 Casting of iron and steel Ingots |
| (2) Date or expected date of commencement of commercial production | The Company has been engaged in the manufacturing activities since 1993. |
| (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus | Not Applicable |
| (4) Financial performance based on given indicators | Not Applicable |
| (5) Export performance and net foreign exchange collaborations | Not Applicable |
| (6) Foreign investments or collaborations, if any | Nil |

| II. Information about Appointee-I | |
|--|--|
| (1) Background details | Mr. Harpreet Singh is a Commerce Graduate and is associated with the textile industries of the family since 1989. He has about 22 years of Industrial and Administrative experience to his credit. He holds Directorship in various reputed companies. |
| (2) Past remuneration | 1,80,000/- p.a. |
| (3) Recognition or awards | Nil |
| (4) Job Profile and his suitability | Mr. Harpreet Singh shall be entrusted with the duty to look after the whole or substantially the whole affairs including the General Administration of the Company subject to the supervision and control of |

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| | |
|---|---|
| | <p>the Board of Directors and shall also perform such other duties and services as shall from time to time be entrusted to him by the Board of Directors.</p> <p>As Mr. Singh has extensive experience in the general administration of industries and also well versed with all aspects of production, cost, technical and general administration, the Board of Directors felt it beneficial to the company avail the services of Mr. Singh as Managing Director of the company.</p> |
| (5) Remuneration proposed | Rs. 1,80,000/- per annum (Gross including perquisites) |
| (6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person | Even the employees at managerial level are getting remuneration which is more than that proposed for the managing director. |
| (7) Pecuniary relationship directly or indirectly with the company, or relationship with the Managerial personnel, if any | The appointee is related to all the directors except Mr. Narinderjit Singh Sethi, Mr. Amarjeet Singh Walia and Mr. Amandeep Singh. |

| | |
|---|---|
| II. Information about Appointee-II | |
| (1) Background details | Mr. Gurdeep Singh is a Post Graduate and is associated with the textile industries of the family since 1986. He has about 25 years of Industrial and Administrative experience to his credit. He holds Directorship in various reputed companies. |
| (2) Past remuneration | 1,80,000/- p.a. |
| (3) Recognition or awards | Nil |
| (4) Job Profile and his suitability | <p>Mr. Gurdeep Singh shall be entrusted with the duty to look after the whole or substantially the whole affairs including the General Administration of the Company subject to the supervision and control of the Board of Directors and shall also perform such other duties and services as shall from time to time be entrusted to him by the Board of Directors.</p> <p>As Mr. Singh has extensive experience in the general administration of industries and also well versed with all aspects of production, cost, technical and general administration, the Board of Directors felt it beneficial to the company avail the services of Mr. Singh as Managing Director of the company.</p> |
| (5) Remuneration proposed | Rs. 1,80,000/- per annum (Gross including perquisites) |
| (6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person | Even the employees at managerial level are getting remuneration which is more than that proposed for the managing director. |
| (7) Pecuniary relationship directly or indirectly with the company, or relationship with the Managerial personnel, if any | The appointee is related to all the directors except Mr. Narinderjit Singh Sethi, Mr. Amarjeet Singh Walia and Mr. Amandeep Singh. |

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| II. Information about Appointee-III | |
|---|--|
| (1) Background details | Mr. Charanpreet Singh is a Graduate and is associated with the textile industries of the family since 1993. He has about 18 years of Industrial and Administrative experience to his credit. He holds Directorship in various reputed companies. |
| (2) Past remuneration | 1,56,000/- p.a. |
| (3) Recognition or awards | Nil |
| (4) Job Profile and his suitability | Mr. Charanpreet Singh shall be entrusted with the duty to look after the whole or substantially the whole affairs including the General Administration of the Company subject to the supervision and control of the Board of Directors and shall also perform such other duties and services as shall from time to time be entrusted to him by the Board of Directors. As Mr. Singh has extensive experience in the general administration of industries and also well versed with all aspects of production, cost, technical and general administration, the Board of Directors felt it beneficial to the company avail the services of Mr. Singh as Whole time Director of the company. |
| (5) Remuneration proposed | Rs. 1,56,000/- per annum (Gross including perquisites) |
| (6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person | Even the employees at managerial level are getting remuneration which is more than that proposed for the whole time director. |
| (7) Pecuniary relationship directly or indirectly with the company, or relationship with the Managerial personnel, if any | The appointee is related to all the directors except Mr. Narinderjit Singh Sethi, Mr. Amarjeet Singh Walia and Mr. Amandeep Singh. |

| II. Other Information | |
|---|---|
| (1) Reason for loss or inadequacy of profits | The Company is engaged in manufacturing of hosiery goods and a new casting unit has been set up by the company at Ludhiana. The company is primarily engaged in manufacturing and trading of hosiery goods and the general slow down in textile industry may adversely affect the company's profits. Besides this the casting unit has been started few months back and due to cut throat competition the margins are less in that business also. On the other hand due to higher depreciation and financial costs the profits may be less or inadequate. |
| (2) Steps taken or proposed to be taken for improvement | Steps has been taken for (a) Broad-base the customer base (b) Cost cutting and to improve the productivity |
| (3) Expected increase in productivity and profits in | The expected turnover would be around Rs. 70 Crores for the financial year 2011-12 and the |

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| | |
|--|---|
| measurable terms | Company hopes to earn good profits. |
| IV. Disclosures | |
| Remuneration package to the Managerial personnel | <p>The total remuneration package to the managerial personnel</p> <p>(1) Mr. Harpreet Singh – Managing Director – as proposed in the special resolution at item No 7 of the Notice Rs.1.80 Lac per annum.</p> <p>(2) Mr. Gurdeep Singh – Managing Director – Rs.1.80 lac per annum as proposed in the Notice at item No. 8.</p> <p>(3) Mr. Charanpreet Singh – Whole-time Director – Rs.1.56 lac per annum as proposed in the Notice at item No. 9.</p> |

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DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 18th Annual Report on the business and operations of the Company along with audited statements of accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS

| PARTICULARS | (FIGURES IN LACS) | |
|--|--------------------------|--------------------------|
| | Year ended 31.03.2011 | Year ended 31.03.2010 |
| Turnover & Other Incomes | 2042.93 | 1989.81 |
| Profit before interest & Dep. | 15.67 | 10.04 |
| Interest | 7.13 | 1.22 |
| Depreciation | 5.77 | 6.64 |
| Profit before Tax | 2.77 | 2.18 |
| Provision for tax (including deferred tax liab.) | 0.00 | 0.00 |
| Profit after tax | 2.77 | 2.18 |
| Less: Income tax of previous years | 0.67 | 0.00 |
| Adjustments/ Losses | 0.00 | 0.00 |
| Transfer to General Reserve | 0.00 | 0.00 |
| Balance carried forward from earlier year (Net of Deferred tax liabilities) | 11.59 | 8.99 |
| Carried to Balance Sheet | 13.68 | 11.59 |

MANAGEMENT DISCUSSIONS AND ANALYSIS OVERVIEW:

a) Textile Business:

The company is doing the business of manufacturing and trading of knitted fabrics. The company's turnover and net profit has increased. Facing the stiff competition the company has managed to come out of the blow suffered by it due the fire that took place four years ago.

b) Future strategy:

Keeping in view the future of knitted fabric market the board is exploring other opportunities available. After analyzing various factors the board has decided to establish a new casting and forging unit at Ludhiana. The production has started in the casting unit.

The future of Steel Furnace (casting) in Ludhiana is bright since all the products manufactured by the company will be consumed by the cycle and auto parts manufacturing units situated at Ludhiana. The board does not foresee any problem from sales and marketing point of view. As far as manufacturing is concerned there will not be any problem since the raw materials and specialized labour is easily available in the city.

c) Financial Analysis and Review of Operations:

• PRODUCTION AND SALES REVIEW :

During the year under review, Company has registered a turnover of Rs. 2042.93 lacs as compared to Rs.1989.81 lacs showing growth over the previous year's turnover. The business- wise performance is as under:

- i) **Fabric & cloth:** During the year, the Sales of processed fabric increased from 1989.81 lacs to 2024.41 lacs showing good growth over the previous year. The Production of processed fabric also increased during the year. Besides this during the year the Company has undertaken fabrication of outside parties although fabrication of knitted cloth has decreased.

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- ii) **Garments:** The Company has not done any business in garment segment due to huge competition.
- iii) **Steel :-** During the year the production of casting unit has started and the turnover of this unit is Rs.18.34 Lacs. This sale figure is only for five days.

- **PROFITABILITY:**

During 2010-11, the company generated EBIDT of Rs. 15.67 Lacs compared to Rs. 10.04 Lacs in the previous year registering an annualized increase of 56.08 per cent on a year to year basis.

RESOURCES UTILISATION:

- i) **Fixed Assets:** the Company's gross block stood at Rs. 1159.10 Lacs on March 31, 2011 as compared with Rs. 726.44 Lacs as at March 31, 2010.
The company has invested Rs.552.27 lacs for factory building , Plant & Machinery for its casting unit. Our unit will have latest technology and develop a new line of products at reduced costs. It will strengthen the company's cost competitiveness in the international domain.
The company believes that its operations comply in all material respects with applicable environmental laws and regulations.
- ii) **Working Capital:** The Company makes aggressive purchases of raw material with a seasonal availability to capitalize on cyclical opportunity. This translates into a large raw material inventory reflected in the numbers drawn on the Balance Sheet date. As a matter of fiscal prudence, the company deploys JIT for all other raw materials. The delivery period of the finished goods may extend over the period of time, depending upon the manufacturing limitations and economics of batch manufacture. As on the balance sheet date, inventories included the stocks dispatched to customers against which the documentary completion was pending.
Total working capital limit availed from bank as on date of drawing the balance sheet was at Rs.315.75 Lacs compared to Rs. 123.86 Lacs as on March 31, 2010.

- **FINANCIAL CONDITIONS & LIQUIDITY:**

Management believes that the Company's liquidity and capital resources should be sufficient to meet its expected working capital needs and other anticipated cash requirements. The position of liquidity and capital resources of the Company is given below:

| | 2010-11 | (Rs. in Lacs) 2009-10 |
|-------------------------------------|----------------|----------------------------------|
| Cash & Cash equivalents: | | |
| Beginning of the year | 14.66 | 34.24 |
| End of the Year | 9.49 | 14.66 |
| Net Cash provided (used) by: | | |
| Operating Activities | 72.17 | 70.72 |
| Investing Activities | 489.45 | -128.13 |
| Financial Activities | 556.45 | 37.84 |

- d) **Internal control System:**
The Company has well defined internal control system. The Company takes abundant care to design, review and monitor the working of internal control system. Internal Audit in the organization is an independent appraisal activity and it measures the efficiency, adequacy and effectiveness of other controls in the organization. All significant issues are brought to the attention of the Audit Committee of the Board.
- e) **MANAGEMENT perception of Risk & Concern:**
The probable material effects of an uncertain environment (both internal as well as external) on business goals are identified. The factors, which could affect the performance vis-à-vis, the stated objectives are determined. Each and every activity is analyzed and the internal and external forces acting on them along with the negative resultant which could possibly surface is identified where internal factors are perceived to be the drivers, adequate policy- procedure checks are

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installed within the business processes for earlier recognition and corrective measure to overcome the same. In case of external drivers, a continuous cost benefit analysis is done to take a proactive approach and safe guard the business outcome on a substantial basis.

Risk is necessary part and parcel of each business and risk taking is must for business growth. However, negative impact of business risk has to be managed through effective risk management both at policy formulation and implementation levels. Operations of the company are subject to general business risks, which include competition in the market both national and international, fluctuation in currency parity and political and social instability in the country. Though adequate care is taken to minimize impact of such imponderables but it should be understood that these inherent and inescapable in any business situation.

f) Human Resources / Industrial Relations:

The Company continues to lay emphasis on building and sustaining excellent organization climate based on human performance. Performance management is the key word for the Company.

Pursuit of proactive policies for industrial relations has a peaceful and harmonious situation.

EXPANSIONS:

During the current Year the Company has started iron, steel casting unit. The future of iron & steel products is bright keeping in view the future demand for infrastructure projects and housing sector.

SUBSIDIARIES

The company does not have any subsidiary.

NO DEFAULT

The company has not defaulted in payment of interest and/ or repayment of loans to any of the financial institution and/or banks during the period under review.

DIVIDENDS

Directors are of the view that as the Expansion Programme has already announced and to implement the capital-intensive plans together with loan repayment; these shall be made from operating surplus. The reserves & surplus of the Company have been kept intact to facilitate this purpose, so dividends have not been recommended for the year ending 31.03.2011 in the long term interest of the company.

DIRECTORS

S. Narinderjit Singh Sethi & S. Amarjit Singh Walia are retiring by rotation and being eligible offers themselves for re-appointment. Keeping in view their contribution to the company the board recommends their re-appointment.

Mr. Harpreet Singh, Mr. Gurdeep Singh is Managing Directors of the company drawing a remuneration of Rs.1.80 Lac p.a. Mr. Charanpreet Singh is a Whole time Director of the company drawing a remuneration of Rs.1.56 Lac p.a. The board proposes to reappoint them at the same remuneration for a period of 3 years.

The company is required to have a remuneration committee consisting of three independent directors and to fulfill this requirement the board had appointed Mr. Amandeep Singh as additional director of the company on 01.09.2011 and he is retiring at the forthcoming AGM.

The company has received a notice pursuant to section 257 proposing the appointment of Mr. Amandeep Singh as director alongwith the required deposit.

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AUDITORS

M/s. RAJESH MEHRU & Co. Chartered Accountants the statutory Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for re-appointment.

AUDITOR'S REPORT

The Auditors Report and Notes to the accounts are self-explanatory and do not call for further comments.

APPOINTMENT OF CSP

M/s. Brij K. Tiwari & Associates, Company Secretaries, retire at the forthcoming Annual General Meeting and are eligible for reappointment. The Compliance Certificate received in accordance with the provisions of Section 383A(1)(a) read with the Companies (Compliance Certificate) Rules, 2001 is annexed to the Directors report. The board hereby confirms that:

- the company has entered into transactions falling u/s. 297 of the Act on cash basis at market price and hence no prior approval of Central Government has been sought.
- the company has given advances, loans to persons falling u/s. 295 but the same has been given for purchase of land.
- the company has not accepted any deposit falling within the provisions of Section 58A.
- the company has not provided any loan or guarantee as mentioned u/s. 372A.
- the company has complied with the provisions of section 217 of the Act.

COMPLIANCE CERTIFICATE

A compliance certificate obtained from M/s. Brij K. Tiwari & Associates, Company Secretaries pursuant to provisions of Section 383A is attached herewith. The same being self explanatory no comments are required.

INDUSTRIAL RELATIONS

Industrial relations in all the units of the Company remained cordial through out the year under review.

HUMAN RESOURCE DEVELOPMENT

Your company recognizes human resources as its most valuable resources and lays considerable emphasis on their training and development with a view to create a culture of learning trust safety and fairness. During the period under review, your company continues to attract & retains their talent from all parts of country. Your company is also heading towards developments of internal trainers for imparting the training and attitude building of the employees.

PARTICULARS OF EMPLOYEES

The information required in terms of section of 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended is NIL.

DEPOSITS

The company has not accepted any deposits during the year under review.

DIRECTORS RESPONSIBILITY STATEMENT

A statement of responsibility of directors pursuant to the provisions of section 217 (2AA) of the Company Act 1956 is annexed and forms part of this report.

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CORPORATE GOVERNANCE:

The Company has in place a system of Corporate Governance. A separate report on Corporate Governance forming part of the Annual Report of the Company is annexed hereto. A Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Corporate Clause of the Listing Agreement is annexed to the report on Corporate Governance.

ACKNOWLEDGEMENTS

Yours Directors wish to place on record their thanks and appreciation for the valuable support and co-operation of various agencies and departments of the central and state governments, financial institutions, banks, customers, suppliers, other business associates and investors.

Yours Directors also acknowledge the dedicated efforts of the employees at all levels and wish to records their sincere thanks to the investors for reposing their continued confidence in the Company, which has always been source of strength for the Company.

BY THE ORDER OF THE BOARD

PLACE: LUDHIANA
DATED: 5th September, 2011

(AVTAR SINGH TAKKAR)
CHAIRMAN

PACT INDUSTRIES LIMITED

ANNEXURE TO THE DIRECTORS 'REPORT

Information as per section 217(1)(e) of Companies Act, 1956 read with the companies (Disclosure of particulars in the report of board of directors) Rules, 1988 and forming part of the directors' report for the period ended March 31, 2011.

1. CONSERVATION OF ENERGY.

Energy conservation measures taken.

- a) Installation of electric motors of optimum capacity.
- b) Light and air ventilators are used at various places in building for maximum utilization of natural light.
- c) Use of energy saving devises for lighting circuits etc.

Additional investments and proposal, if any, being implemented for reduction of consumption of energy

- a) Conservation of energy is an on going process in our organization and shall be strictly followed.
- b) Total energy Consumption as per Form-A of the Annexure to the rules in respect of the Industries Specified in the Schedule thereto.

- 1.3 Impact of measure taken at 1.1 and 1.2 above for reduction of energy consumptions and consequent impact on the cost of production of goods.
Consequent to the aforesaid measures adopted by the company during the year under review, the energy consumption has decreased as compared to previous year.

2. Total Energy consumption and consumption per units of production as per Form-A of the annexure in respect of industries specified in the schedule thereto.

| Sr. No | Particulars | Units | Previous Year | Current Year |
|--------|----------------------------|-------|---------------|--------------|
| 2.1 | Power and Fuel Consumption | | | |
| 2.1.1 | Electricity | | | |
| | a) Purchased | | | |
| | Units | KWH | 53004 | 255553 |
| | Total amount | Rs. | 2,86,222 | 1584430 |
| | Rate Per Units | Rs. | 5.40 | 6.20 |
| | b) Own Generation | | | |
| | Units | KWH | 0 | 0 |
| | Cost of Diesel | Rs. | 0 | 0 |
| | Cost Per Units | Rs. | 0 | 0 |
| 2.1.2 | Other/ internal Generation | - | - | - |

3. Particulars as per FORM B

1.1 Research and Development (R&D)

The company has adopted latest technologies and has adopted proper measures to have an effective control over raw material, WIP process flow and finished goods and to monitor all technical parameters of manufacturing to achieve consistent quality of its products.

- 1.1.1 Specific areas in which R&D carried out by the company
 - a) Alignment of working practices to enhance quality consistencies.
 - b) Consistent improvement in the quality of end products.
- 1.1.2 Benefits derived as a result of above R&D.
Improvement in the turnover due to value added products and quality.
Improvement in quality level.
- 1.1.3 Future plan of action

PACT INDUSTRIES LIMITED

- a) More focus on development of new/ value added products
- b) Reduction in cost of manufacturing by internal process improvement.

1.1.4 Expenditure incurred on the R&D

Expenditure incurred on R&D is booked under respective general accounting head and as such no amount can be qualified under the head R& D expenses.

2. Technology Absorption, Adaptation & Innovation

2.1 Efforts, in Brief, made towards technology absorption adaptation and innovation.

A) The company has purchased machinery with latest technology for its casting unit.

4.2 Benefits derived as a result of the above efforts e.g. products improvements; cost reduction, product development etc.

The company is able to cater to large number of customers with multiple products portfolio.

The manufacturing costs were rationalized towards optimization.

4.3 In case of imported technology (imported during the last five years reckoned from the beginning of the financial year), following information may be furnished.

a) Technology imported during last five years: The Company has incurred the following costs for installment of Dyeing , Circular Knitting, Stitching Machinery during the last five years as under

| | Year | Rs. |
|------|-----------|------------|
| i) | 2010-2011 | Nil |
| ii) | 2009-2010 | Nil |
| iii) | 2008-2009 | Nil |
| iv) | 2007-2008 | Nil |
| v) | 2006-2007 | 9,51,355/- |

3. Foreign exchange earnings & outgo:

3.1 Activities relating to exports; initiative taken to increase exports; development of the new exports market for products and services and exports plans:

The company is exploring new overseas markets with potential of accepting value added, quality garments as a lucrative alternative to the existing markets. Considering the tremendous exports potential, consistent efforts are being made to sustain new avenues for exports.

3.2 Total foreign exchange earnings and uses are shown in the table below:

| Particulars | Current Year | Previous Year |
|--|--------------|---------------|
| Earnings | 0.00 | 0.00 |
| Outgo- Raw Material - Capital Goods | 0.00 | 0.00 |
| Traveling Expenses | 0.00 | 0.00 |
| Other Expenses | 0.00 | 0.00 |

PACT INDUSTRIES LIMITED

ANNEXURE TO DIRECTORS' REPORT

Directors' Responsibility Statement pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956 and forming part of the Directors' report for the year ended 31st March, 2011.

The Statement of the Directors' responsibility on the annual accounts of the Company for the year ended 31st March, 2011 is given below:

1. That in preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
2. That the Directors had 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 as at 31st March, 2011 and of the profit or loss of the Company for the year ended 31st March, 2011.
3. That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 in and detecting fraud and other irregularities.
4. That the directors had prepared the annual accounts on a going concern basis.

BY THE ORDER OF THE BOARD

PLACE: LUDHIANA
DATED: 5th September, 2011

(AVTAR SINGH TAKKAR)
CHAIRMAN

PACT INDUSTRIES LIMITED

REPORT ON CORPORATE GOVERNANCE

This Report on Corporate Governance forms part of the Annual Report. Corporate Governance refers to a combination of laws, regulations, procedures, implicit rules and good corporate practices which ensures that a Company meets its obligations to optimize shareholders, value and fulfill its responsibilities to the community, customers, employees, Government and other Segments of society. Your Company is committed on adopting the best practices of Corporate Governance as manifested in the Company's functioning to achieve the business excellence by enhancing long-term shareholder's value. Efficient conduct of the business of the Company through commitment to transparency and business ethics in discharging its Corporate Governance, besides being in compliance of the mandatory Listing Agreement, gives an insight into the functioning of the Company.

COMPANY'S PHILOSOPHY:

- ❖ Faith in bright future of Indian textiles & steel industry and hence continued expansion in areas "which we know best".
- ❖ Total customer focus in all operational areas.
- ❖ Products to be of best possible quality for premium markets segments through TQM and zero defects implementation.
- ❖ Integrated diversification/product range expansion.
- ❖ World class manufacturing facilities with most modern R& D and process technology.
- ❖ Faith in individual potential and respect for human values.
- ❖ Accepting change as a way of life.
- ❖ Appreciating our role as a responsible corporate citizen.

2. BOARD OF DIRECTORS:

a) Board Meetings:

The board of Directors of the Company comprises of a Chairman, Two Managing Director, a Whole time director and three other Directors.

During the period under review Ten Board Meetings were held on 30.04.2010, 08.05.2010, 01.06.2010, 31.07.2010, 03.09.2010, 30.10.2010, 08.11.2010, 24.12.2010, 31.01.2011 and 21.03.2011.

b) Composition:

| Name of Directors | Designation | Category | No. of Other Director ship held in | Membership of the Committee | No. of Board Meetings attended | Attendance of Last AGM |
|----------------------|----------------------|---------------------------------------|---|-----------------------------|--------------------------------|------------------------|
| | | | Public Ltd. Company | | | |
| S. Avtar Singh | Chairman | Chairman & Promoter | i) Taksonz Developers & Infrastructure Ltd. | 0 | 10 | Yes |
| S. Gurdeep Singh | Mg. Director | Executive Mg. Director & Promoter | i) Taksonz Developers & Infrastructure Ltd. | 0 | 10 | Yes |
| S. Harpreet Singh | Mg. Director | Executive Jt. Mg. Director & Promoter | i) Taksonz Developers & Infrastructure Ltd. | 1 | 10 | Yes |
| S. Charanpreet Singh | Director | Director & Promoter | -- | 1 | 9 | Yes |
| S. Amarjit Singh | Independent Director | Director | -- | 2 | 9 | Yes |

PACT INDUSTRIES LIMITED

| | | | | | | |
|----------------------------|---------------------------|----------|----|---|----|-----|
| S. Narinderjit Singh Sethi | Independent † Director | Director | -- | 2 | 8 | Yes |
| S. Amandeep Singh* | Independent † Director | Director | -- | 2 | -- | No |

*Mr. Amandeep Singh was appointed as an additional director of the company on 01.09.2011.

All information laid down in corporate governance code is being placed before the Board in regular manner.

Particulars of Directors being appointed at the Annual General Meeting and Directors retiring by rotation and seeking reappointment have been given in the notice convening the AGM and explanatory Statement attached thereto.

l) Committees of the Board
The Board of Directors has constituted the following committees with adequate delegation of powers to discharge affairs of the Company.

i) Audit Committee
The terms of reference of Audit Committee are as per SEBI guidelines and the Companies Act, 1956. As present the Audit committee comprises of the following Directors

| | |
|----------------------------|------------|
| S. Amarjit Singh Walia | : Chairman |
| S. Amandeep Singh | : Member |
| S. Narinderjit Singh Sethi | : Member |

ii) Share transfer-cum-Investor Grievance Committee
The Board has constituted a share Transfer-cum-Investor Grievance Committee to look into the redressal of shareholders grievances. The committee inter alia approves issue of duplicate share certificates and oversees and reviews all matters connected with the securities transfer.

The Committee also oversees the performance of the Registrar and transfer agent and recommends measures for overall improvement in quality of investor services.

The Share transfer cum investor grievance Committee is headed by Mg. Director and consists of consists of following Directors:

| | |
|----------------------|----------------|
| S. Harpreet Singh | : Mg. Director |
| S. Charanpreet Singh | : Director |

Mg. Director S. Harpreet Singh is the compliance officer.

The Company has an investor base of over 3802 shareholders. During the year under review the total No. of complaints received from them on various subjects was NIL. There is no valid request pending for Share Transfer as at the year end.

REMUNERATION COMMITTEE:

1. S. Amarjit Singh Walia
2. S. Narinderjit Singh Sethi
3. S. Amandeep Singh

DETAIL OF REMUNERATION PAID TO DIRECTORS

| Name | Designation | Remuneration | | | | Total |
|-------------------|--------------|--------------|----------------|----------------|-----------------------|--------|
| | | Basic Salary | Provident fund | Other Benefits | Performance Incentive | |
| S. Gurdeep Singh | Mg. Director | 180000 | Nil | Nil | Nil | 180000 |
| S. Harpreet Singh | Mg. Director | 180000 | Nil | Nil | Nil | 180000 |

PACT INDUSTRIES LIMITED

| | | | | | | |
|----------------------|---------------------|--------|-----|-----|-----|--------|
| S. Charanpreet Singh | Whole time Director | 156000 | Nil | Nil | Nil | 156000 |
| Total | | 516000 | | | | 516000 |

(III) DETAIL OF SITTING FEES PAID TO DIRECTORS DURING 2010-2011

| Name | Category | Sitting Fees Paid for (Rs.) | | |
|-----------------|----------|-----------------------------|-------------------|-------|
| | | Board Meeting | Committee Meeting | Total |
| ----- NIL ----- | | | | |

General Body Meetings

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

| Financial Year | Date of A.G.M. | Time | Venue |
|----------------|----------------|------------|---|
| 2009-2010 | 30.09.2010 | 11.30 A.M. | Kartar Complex, G.T. Road, Jalandhar Bye Pass, Ludhiana |
| 2008-2009 | 30.09.2009 | 11.30 A.M. | Kartar Complex, G.T. Road, Jalandhar Bye Pass, Ludhiana |
| 2007-2008 | 30.09.2008 | 11.30 A.M. | Kartar Complex, G.T. Road, Jalandhar Bye Pass, Ludhiana |

No resolution has been passed by the members through postal ballot since the date of last annual general meeting.

Further no such proposal is proposed to be placed for the Shareholders approval in the forthcoming Annual General Meeting.

(IV) Disclosures

There are no materially significant related party transactions i.e. transactions, material in nature, with its promoters, Director or the Management, their subsidiaries or relatives etc, having potential conflict with the interests of the Company at large.

There have not been any non-compliance by the Company and no penalties imposed on the Company by the Stock Exchange or SEBI or any other statutory authority, on any matter related to capital markets.

(V) Means of Communication

- (a) The Quarterly/Half-Yearly/Annual Audited Results of the company are sent to the Stock Exchanges immediately after they are approved by the Board of Directors and communicated to the investors through publication in News Papers in English and Vernacular languages.
- (b) Annual Report.
- (c) Management discussion and analysis part of this report is presented in Directors Report.

(VI) General Share Holder Information

(a) Annual General Meeting

As Indicated in the Notice of Annual General Meeting of the Company will be held on 30th September, 2011 at Regd. Office of the Company at 303, Hotel the Taksonz, Opp. Railway Station, Ludhiana.

(b) Financial Calendar

Next Financial year: April 1, 2011 to March 31, 2012

(c) Book Closure

From 27.09.2011 to 30.09.2011 (both days inclusive)

PACT INDUSTRIES LIMITED

(d) Listing Details

The Share of the Company is listed on:

- (i) Ahmedabad, New Delhi and Ludhiana Stock Exchanges.

The board is planning to get the shares of company listed on Indonext. It will provide better trading facility to the members and public. The board has taken effective steps in this regard.

(e) Dematerialisation of shares

The company has entered into contracts with NSDL & CDSL for demat of its equity shares and the members are requested to get there shares demat. Till the date of this report 33,44,750 shares constituting 67.69 % of the paid up capital are held in dematerialized form.

The ISIN no of the company is INE494K01016.

The Distribution of Company's Shareholding is as follows

| Category | | Physical Form | | | Dematerialized | | |
|----------|--------------|---------------------|------------------|--------------------|---------------------|------------------|--------------------|
| FROM | TO | No. OF SHAREHOL DER | No. OF SHARE | % OF TOTAL CAPITAL | No. OF SHAREHOLDE R | No. OF SHARE | % OF TOTAL CAPITAL |
| Up to | 5000 | 3740* | 6,31,700 | 12.79 | 13* | 6,100 | 0.12 |
| 5001 | 10000 | 8 | 55,000 | 1.11 | - | - | - |
| 10001 | 20000 | 1 | 18,600 | 0.38 | - | - | - |
| 20001 | 30000 | 26 | 5,82,450 | 11.79 | - | - | - |
| 30001 | 40000 | 1* | 39,000 | 0.79 | - | - | - |
| 40001 | 50000 | - | - | - | - | - | - |
| 50001 | 100000 | - | - | - | 2 | 1,34,500 | 2.72 |
| 100001 | And Above | 1 | 2,69,300 | 5.45 | 12* | 32,04,150 | 64.85 |
| | Total | 3777 | 15,96,050 | 32.31 | 27 | 33,44,750 | 67.69 |

*Two shareholders are holding shares both in physical and demat form and the folio no. is same in both cases. The no. of members has been calculated on the basis of folio no's and hence there is difference of two shareholders.

(f) Transfer of Share

Shares received for physical transfer are generally registered within a period of thirty days from the date of receipt, if the documents are clear in all respects.

The contact details of Registrar & Share Transfer Agents is as under:

M/s. Skyline Financial Services (P) Limited
123, Vinobapuri, Lajpat Nagar-II, New Delhi- 24

(g) Market Price Data

The share of the Company has not been traded during the year.

(h) The Company has not issued any GDR's/ADR's and there are no warrants or any convertible warrants.

(i) Location of Plant

- i) Kartar Complex G.T.Road, Jalandhar Bye Pass, Ludhiana.
ii) Village Bilga, Post Office Sahnawal, District Ludhiana.

(j) Address for Correspondence

Pact Industries Limited
303,Hotel The Taksonz
Opp. Railway Station
Ludhiana

PACT INDUSTRIES LIMITED

AUDITOR'S REPORT ON CORPORATE GOVERNANCE

To

The Board of Directors
PACT INDUSTRIES LIMITED

We have examined the compliance of conditions of corporate governance by Pact Industries Limited for the year ended on 31st March 2011 as stipulated in clause 49 of the listing agreement of the said Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited of procedures and implementations thereof adopted by the Company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the directors and managements. We certify that the Company has complied with the conditions of the corporate governance as stipulated in clause 49 of the above mentioned listing agreement.

Further, we state that no investor' grievance are pending for a period of one month against the Company as per the records maintained by the Investor's Grievance Committee.

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

PLACE: LUDHIANA
DATED: 5th September 2011

FOR RAJESH MEHRU & CO.
Chartered Accountants

PARTNER

PACT INDUSTRIES LIMITED

AUDITOR'S REPORTS

To

The Shareholders,
M/s PACT INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of **M/s Pact Industries Limited** as at 31st March, 2011 and the Profit & Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation we believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003 issued by the Central Government in India in terms of sub section (4A) of section 227 of the Companies Act, 1956. We enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above we reports that:
 - a) We have obtained all the information and explanation. 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 sheets, profit and loss account dealt with by this report are in agreement with the books of account.
 - d) In our opinion the balance sheet profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - e) On the basis of copies of Form-DD-A received from directors confirming that they have not incurred disqualification under section 274(1)(g) in respect of companies mentioned therein, in the financial year ending 31st March, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - f) The provisions of section 441A of the Companies Act, 1956 regarding the levy and collection of cess on turnover or gross receipts of the Companies have not yet been notified by the Central Government. Accordingly, we are unable to express our opinion on the compliance of the said section in terms of clause (g) of sub-section (3) of section 227 of the Act.
 - g) Subject to above in our opinion and to the best of our information and according to the explanations given to us, the said account read together with significant accounting policies and other notes thereon the give the information required by the Companies Act, 1956 in the manner so required and give true and fair view in conformity with the accounting principles generally accepted in India
 - I) In the case of Balance Sheet of the State of affairs of the Company as at 31st March, 2011.
 - II) In the case of profit and loss account of the profit for the year ended on that date:

PLACE : LUDHIANA

DATED : 05.09.2011

**FOR RAJESH MEHRU & CO.
CHARTERED ACCOUNTANTS**

SD/-

PARTNER

PACT INDUSTRIES LIMITED

ANNEXURE TO THE AUDITOR'S REPORT (Referred to in Paragraph 3)

-
- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) According to the information and explanations given to us, the fixed assets have been physically verified by the management during the year. No material discrepancies were noticed on such physical verification. In our opinion the frequency of physical verification of fixed assets is reasonable having regard to the size of the Company and nature of its business.
 - (c) In our opinion and according to information and explanation given to us, the company has not disposed off substantial part of its fixed assets during the year and going concern status of the company is accordingly not affected.
 - (ii) (a) The inventory has been physically verified during the year by the management . In our opinion, the frequency of verification of inventories by the management is reasonable.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management as evidenced by the written procedures and instruction are reasonable and adequate in relation to the size of the company and nature of its business.
 - (c) The company have proper records of inventories.
 - (iii) (a) According to the information and explanations given to us, the company has not granted unsecured loan to Companies or other parties covered in the register maintained under section 301 of the companies act, 1956.
 - (b) The company has taken unsecured loan from party's covered in the register maintained under section 301 of the Companies Act, 1956. The amount involved in the transactions for loans is Rs.3450349.67/-
 - (c) In our opinion and according to the information and explanations given to us rate of interest and other terms and conditions on which loan have been taken from parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima-facie prejudicial to the interest of the company.
 - (d) In our opinion and according to the information and explanations give to us. The payment of principal amount and interest in respect to the aforesaid loans is regular. There is no overdue amount of loans taken from Companies, Firms, or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
 - (iv) In our opinion and according to the information and explanations given to us, these are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of inventories, 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 system.
 - (v) (a) In our opinion and 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, 1961 has been so entered.
 - (b) In our opinion and according to the information and explanations given to us, there is no transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and which exceed Rs. 5.00 Lacs or more in respect of each party during the year have been made at prices which are reasonable having regard to the prevalent market prices at the relevant time.
 - (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public in pursuance of section 58A and 58AA of the Companies Act, 1956.
 - (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
 - (viii) The Central Govt. has not prescribed maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 for any of the products of the Company.

PACT INDUSTRIES LIMITED

- (ix) (a) According to the information and explanations given to us and on an examination of the records of the Company we are of the opinion that the Company has been regular in depositing undisputed statutory dues.
- (b) According to the information and explanation given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31.03.2010 for a period of more than six months from the date of they becoming payable.
- (c) According to the information and explanations given to us, there are no dues of Sale-Tax, Income Tax, Wealth Tax, Excise duty and cess which have not deposited on account of any dispute.
- (x) The company does not have accumulated losses at the end of financial year which are more than fifty percent of its net worth. The company has not incurred cash losses during the financial year covered under audit.
- (xi) According to the information and explanations given to us, the company has not defaulted in repayment of dues to bank and financial institution.
- (xii) In our opinion and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debenture and other securities.
- (xiii) The Company is not a chit fund, or a nidhi/mutual benefit fund/society. Therefore the provisions of clause 4 (xiii) of the Companies (Auditors Report) order 2003 are not applicable to the Company.
- (xiv) In our opinion, the company is not dealing in or traded in shares, securities, debentures and other investments. Therefore the provisions of clause 4(xiv) of the Companies (Auditors Report) order 2003 are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, the Company has applied the term loans for the purpose for which the loans were raised.
- (xvii) In our opinion and according to 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. Further, no long-term funds have been used to finance for short-term assets except permanent working capital.
- (xviii) According to the information and explanations given to us the Company has not made any preferential allotment of shares during the year to parties and Companies covered in the register maintained under section 301 of Companies Act, 1956.
- (xix) According to the information and explanations given to us, the Company has not issued any secured debentures during the year.
- (xx) The Company has not raised any money by way of a public issue during the year ended 31st March, 2011. Therefore the provisions of clause 4(xx) of the Companies (Auditors Report) order, 2003 are not applicable to the Company.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the period covered by our audit.

PLACE: LUDHIANA

DATED: 05.09.2011

**FOR RAJESH MEHRU & CO.
CHARTERED ACCOUNTANTS**

Sd/-

PARTNER

PACT INDUSTRIES LIMITED

Balance Sheet as on 31.03.2011

| Liabilities | Current year | Previous yr. | Assets | Current yr. | Pre.yr. |
|--|---------------------|---------------------|--|---------------------|---------------------|
| Authorised capital; 5000000 Equity Shares @ 10/- | <u>500000000.00</u> | <u>500000000.00</u> | Fixed Assets: As per Ann.- H | 115909862.28 | 72644474.90 |
| Subscribed & Paid up Capital : 4940800 Equity Shares @ 10/- | 49408000.00 | 49408000.00 | Investment & Securities: As Per Ann.- I | 6914340.50 | 1168379.50 |
| Resserve & Surplus: As per Ann.-B | 52069351.93 | 51283042.35 | Current Assets Loans & Advances: As per Annex.- J | 64983948.30 | 51697295.00 |
| Secured Loan As Per Ann.-C | 75032985.01 | 21027177.15 | Misc.Expenditure: (to the extent not written off or adjusted) Pre-Operative Exp. | 0.00 | 66500.00 |
| Unsecured Loan: Rec.From Directors & Relatives | 3450349.67 | 1098604.67 | | | |
| Current Liabilities: As per Ann.-E | 7847464.47 | 2759825.23 | | | |
| Total: | 187808151.08 | 125576649.40 | | 187808151.08 | 125576649.40 |

Certified in terms of our seprate report of Even Date.

For Rajesh Mehru & Co.

Chartered Accountant

For Pact Industries Limited

(Naresh Singla)

Partner

Place: Ludhiana

Dated; 05.09.2011

Mg.Director

(Gurdeep singh)

Mg.Director

(Harpreet Singh)

PACT INDUSTRIES LIMITED

Manufacturing, Trading & Profit & Loss Account for the year ended 31.03.2011

| Particulars | Curr.Yr. | Pre.Yr. | Particulars | Curr.Yr. | Pre.Yr. |
|--|---------------------|---------------------|----------------------------------|---------------------|---------------------|
| To Opening Stock | 15154900.00 | 12207823.62 | By Sales (As per List " N' | 204275169.00 | 198980573.00 |
| To Purchases (As per List O | 208125727.66 | 195779748.00 | | | |
| To Mfg.& Direct Exp. (As per List " P" | 3270120.00 | 2084476.00 | By Closing Stock | 26469290.00 | 15154900.00 |
| To Gross Profit | 4193711.34 | 4063425.38 | | | |
| Total | 230744459.00 | 214135473.00 | | 230744459.00 | 214135473.00 |
| To Office & Admin.Exp. (As per List " K" | 2190978.00 | 2561315.00 | By Gross Profit | 4193711.34 | 4063425.38 |
| To Selling & Distribution Exp. (As per List " L" | 298424.13 | 380543.65 | By Bank Interest on FDR | 18433.00 | 17803.00 |
| To Financial Exp. (As per List " M" | 712659.63 | 121907.36 | BY Rebate & Discount | 0.00 | 0.00 |
| To Repair & Main. Exp. (As per List " N" | 156495.00 | 146309.00 | By Interest on Income tax Refund | 0.00 | 10208.00 |
| To Depreciation | 576862.88 | 663640.00 | | | |
| To Net Profit | 276724.70 | 217721.37 | | | |
| Total | 4212144.34 | 4091436.38 | | 4212144.34 | 4091436.38 |

Profit & Loss Appropriation account for the period ended 31.03.2011

| Particulars | Curr.Yr. | Pre.Yr. | Particulars | Curr.Yr. | Pre.Yr. |
|------------------------------|-------------------|-------------------|----------------------|-------------------|-------------------|
| To Income Tax Adjustment | 67278.00 | 0.00 | By Balance B/F | 1158582.04 | 899528.67 |
| To Duty Draw Back Adjustment | 0.00 | 0.00 | By Income Tax Refund | 0.00 | 41332.00 |
| To Margin Money Adjustment | 0.00 | 0.00 | By Net Profit | 276724.70 | 217721.37 |
| To Balance C/D | 1368028.74 | 1158582.04 | | | |
| Total | 1435306.74 | 1158582.04 | | 1435306.74 | 1158582.04 |

Certified in terms of our separate report of Even date.

For Rajesh Mehru & Co.
Chartered Accountant
(Naresh Singla)
Partner
Place: Ludhiana
Dated; 05.09.2011

For Pact Industries Limited

(Gurdeep singh) (Harpreet Singh)
Mg.Director Mg.Director

PACT INDUSTRIES LIMITED

SCHEDULE FORMING PART OF BALANCE SHEET AS ON 31ST MARCH 2011.

Annexure- B of Reserve & Surplus

| Particulars | Current Year | Previous year |
|-----------------------|--------------------|--------------------|
| Profit & Loss Account | 1368028.74 | 1158582.04 |
| Capital Reserve | 490000.00 | 490000.00 |
| General Reserve | 2200000.00 | 2200000.00 |
| Depreciation Reserve | 48011323.19 | 47434460.31 |
| Total | 52069351.93 | 51283042.35 |

Annexure- C of Secured Loans

| Particulars | Current Year | Previous year |
|--------------------------|--------------------|--------------------|
| Kotak Mohindera Bank | 0.00 | 327256.00 |
| HDFC | 0.00 | 8150848.92 |
| ICICI Bank Car Loan | 0.00 | 69824.92 |
| ICICI Bank Car Loan | 0.00 | 92835.31 |
| State Bank of India C/C | 17570490.01 | 12386412.00 |
| State Bank of India FCNR | 14004750.00 | 0.00 |
| State Bank of India T/L | 43457745.00 | 0.00 |
| Total | 75032985.01 | 21027177.15 |

Annexure- E of Current Liabilities

| Particulars | Current Year | Previous year |
|----------------------|-------------------|-------------------|
| Sundry Creditors | 6115434.47 | 2588974.23 |
| Provisions & Payable | 1732030.00 | 170851.00 |
| Total | 7847464.47 | 2759825.23 |

Annexure- I of Investment & Security

| Particulars | Current Year | Previous year |
|----------------------|-------------------|-------------------|
| ECGC Security | 34577.50 | 34577.50 |
| Electricity Security | 6211278.00 | 783750.00 |
| S.B.I.Mutual Fund | 100000.00 | 100000.00 |
| UBI FDR | 137119.00 | 128669.00 |
| UBI FDR | 131366.00 | 121383.00 |
| Security Showroom | 300000.00 | 0.00 |
| Total | 6914340.50 | 1168379.50 |

Annexure- J of Current Assets, Loans & Advances

| Particulars | Current Year | Previous year |
|---|--------------------|--------------------|
| Sundry Debtors: (unsecured considered good) | 33137684.50 | 12347899.01 |
| Advances to Suppliers | 0.00 | 237895.00 |
| Closing Stock (certified by the mg.director) | 26469290.00 | 15154900.00 |
| Advances recoverable in cash or in kind for value to be received | 4427861.00 | 22490382.00 |
| Cash & Bank Balance: | | |
| Cash In Hand | 242427.85 | 393451.28 |
| Balance with Schedule Bank | 706684.94 | 1072767.71 |
| Total | 64983948.30 | 51697295.00 |

PACT INDUSTRIES LIMITED

Annexure- E of Fixed Assets as on 31.03.2011

| Particulars | Book Value as on 01.04.2010 | Addition before 30.09.2010 | Addition After 30.09.2010 | Sale / Trf. | Book Value as on 31.03.11 | WDV as on 01.04.2010 | Dep. during the year | Dep. Reserve as on 01.04.2010 | Dep. Reserve as on 31.03.2011 | WDV as on 31.03.11 |
|-------------------------|-----------------------------|----------------------------|---------------------------|-------------|---------------------------|----------------------|----------------------|-------------------------------|-------------------------------|--------------------|
| Air Conditioner | 0.00 | 0.00 | 133320.00 | 0.00 | 133320.00 | 0.00 | 0.00 | 0.00 | 0.00 | 133320.00 |
| Air Pollution Equipment | 0.00 | 0.00 | 1416734.32 | 0.00 | 1416734.32 | 0.00 | 0.00 | 0.00 | 0.00 | 1416734.32 |
| Building | 6762728.80 | 0.00 | 0.00 | 0.00 | 6762728.80 | 2401010.82 | 166870.25 | 4361717.98 | 4528588.23 | 2234140.57 |
| Building unit - II | 12537818.30 | 0.00 | 13781674.67 | 0.00 | 26319492.97 | 12537818.30 | 0.00 | 0.00 | 0.00 | 26319492.97 |
| Car | 6268003.29 | 0.00 | 0.00 | 0.00 | 6268003.29 | 3074725.57 | 301015.63 | 3193277.72 | 3494293.35 | 2773709.94 |
| Cooling Tower | 0.00 | 0.00 | 216500.00 | 0.00 | 216500.00 | 0.00 | 0.00 | 0.00 | 0.00 | 216500.00 |
| Electric Installation | 0.00 | 0.00 | 1284997.54 | 0.00 | 1284997.54 | 0.00 | 0.00 | 0.00 | 0.00 | 1284997.54 |
| Fax | 54389.98 | 0.00 | 0.00 | 0.00 | 54389.98 | 11914.19 | 1657.26 | 42475.79 | 44133.05 | 10256.53 |
| Furnace | 0.00 | 0.00 | 14084069.85 | 0.00 | 14084069.85 | 0.00 | 0.00 | 0.00 | 0.00 | 14084069.85 |
| Generator | 0.00 | 0.00 | 50221.00 | 0.00 | 50221.00 | 0.00 | 0.00 | 0.00 | 0.00 | 50221.00 |
| Lab. Equipment | 0.00 | 0.00 | 97673.00 | 0.00 | 97673.00 | 0.00 | 0.00 | 0.00 | 0.00 | 97673.00 |
| Leotronic Scale | 0.00 | 0.00 | 606000.00 | 0.00 | 606000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 606000.00 |
| Lift | 0.00 | 0.00 | 2504015.00 | 0.00 | 2504015.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2504015.00 |
| Lorry | 0.00 | 0.00 | 1437522.00 | 0.00 | 1437522.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1437522.00 |
| Machinery | 10983955.28 | 0.00 | 0.00 | 0.00 | 10983955.28 | 2675504.53 | 63271.62 | 8308450.75 | 8371722.37 | 2612232.93 |
| Machinery (Knitting) | 34288450.21 | 0.00 | 0.00 | 0.00 | 34288450.21 | 3305881.18 | 32067.05 | 30869824.03 | 30901891.08 | 3273814.94 |
| Motor Cycle | 19276.20 | 0.00 | 0.00 | 0.00 | 19276.20 | 1428.68 | 142.87 | 17847.52 | 17990.39 | 1285.35 |
| Scooter | 47849.51 | 0.00 | 0.00 | 0.00 | 47849.51 | 2925.55 | 292.56 | 44923.96 | 45216.52 | 2633.44 |
| Spectrometer | 0.00 | 0.00 | 1056950.00 | 0.00 | 1056950.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1056950.00 |
| Three Wheeler | 14343.85 | 0.00 | 0.00 | 0.00 | 14343.85 | 736.83 | 102.49 | 13607.03 | 13709.52 | 634.61 |
| Transformer | 0.00 | 0.00 | 2613915.00 | 0.00 | 2613915.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2613915.00 |
| Trompt & Mould | 0.00 | 0.00 | 3981795.00 | 0.00 | 3981795.00 | 0.00 | 0.00 | 0.00 | 0.00 | 3981795.00 |
| Tata 407 | 539679.93 | 0.00 | 0.00 | 0.00 | 539679.93 | 74916.08 | 7491.61 | 464763.85 | 472255.46 | 67424.47 |
| Weighing Scale | 145979.55 | 0.00 | 0.00 | 0.00 | 145979.55 | 28407.88 | 3951.54 | 117571.68 | 121523.22 | 24456.05 |
| Show Room | 982000.00 | 0.00 | 0.00 | 0.00 | 982000.00 | 982000.00 | 0.00 | 0.00 | 0.00 | 982000.00 |
| Total: | 72644474.90 | 0.00 | 43265387.38 | 0.00 | 115909862.28 | 25097269.61 | 576862.88 | 47434460.31 | 48011323.19 | 67785794.49 |

PACT INDUSTRIES LIMITED

NOTES OF ACCOUNTS

NAME OF THE FIRM : **M/S PACT INDUSTRIES LIMITED, LUDHIANA**

ASST YEAR : **2011-2012**

SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF BALANCE SHEET FOLLOWED FOR THE PREPARATION OF ACCOUNTING FOR THE YEAR

1. Balance Sheet, Profit & Loss Accounts have been drawn on 31.03.2011 Comprising of 12 Months. (from 01.04.2010 to 31.03.2011) and previous year figures have been drawn on 31.03.2010 comprising of 12 months (from 01.04.2009 to 31.03.2010).

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statement have been prepared in accordance with accepted accounting Standards and relevant Presentations requirement of the convention and on the accounting policies followed which are stated below:

a) ACCOUNTING METHOD

The company has adopted the mercantile system of accounting in preparation of the financial statements.

b) FIXED ASSETS

The Company has stated Fixed Assets at cost of acquisition/construction. The cost includes all pre-operative expenses relating to construction/pre-installation period including direct and allocable indirect expenses.

c) DEPRECIATION

- 1) Fixed Assets figures have been shown at book value , depreciation upto date have been credited to the separe reserve a/c.
- 2) The company has provided depreciation on W.D.V. method as per the Inocme Tax Act,1961.

d) INVENTORIES

Inventories has been valued at cost or market price whichever is lower.

e) RETIREMENT BENEFITS

Since none of employees completed the continues period of 5 years as stipulated under the Payment of Gratuity act. No provisions for gratuity has been made.

e) WRITE OF MISCELLANEOUS EXP.

Revenue Expenditure is written off over as period of 10 years in accordance with provision of section 35-d of Income-Tax Act, 1961.

3. INVESTMENTS & SECURITIES :

All the investments made by the company have been shown on the book value.

4. Previous Year figures ended on 31.03.2010 have been given and same have been regrouped/rearranged for comparison.
5. Contingent Liabilities not provided for in respect of business during the year is NIL.

PACT INDUSTRIES LIMITED

6. Balance of debtor & Creditors, Loans and advances are subject to confirmation and are taken/included in financial statement on the basis of entries in the books of accounts of the concern.

7. AUDITORS REMUNERATION :

| | <u>Current Year</u> | <u>Previous Year</u> |
|------------------|---------------------|----------------------|
| - Audit Fees | 19,000.00 | 19000.00 |
| - Tax Audit | 0.00 | 0.00 |
| - Other Services | 6000.00 | 6000.00 |

8. REMUNERATION TO DIRECTOR :

| | <u>Current Year</u> | <u>Previous Year</u> |
|----------|---------------------|----------------------|
| - Salary | 516000.00 | 516000.00 |

9. EARNING PER SHARE (EPS) :

The numerators and denominators used to calculate Basic and dilute Earning per Share

| | <u>Year Ended</u> 31.03.2010 | <u>Year Ended</u> 31.03.2011 |
|--|---------------------------------|---------------------------------|
| Profit attributable to the Equity Shares holder Rs.(A) | 217721.37 | 276724.70 |
| Basic/Weighted Average No. of Equity Share outstanding during the year | 4940800 | 4940800 |
| (B) | | |
| Nominal Value of Equity Shares | 10.00 | 10.00 |
| Basic/Diluted EPS Rs. (A)/(B) | 0.04 | 0.06 |

10. Most of the expenses have been made on actual basis & provisions of expenses have been estimated on prorata basis.

11. No personal expenditure has been debited in the books of accounts.

12. Preliminary expenses written off NIL

13. C.I.F. value of imports. NIL

14. Expenditure in foreign exchange NIL

15. Earning in Foreign Exchange NIL

For Rajesh Mehru & Co.

Chartered Accountant

(Naresh Singla)

Partner

Place: Ludhiana

Dated; 05.09.2011

For Pact Industries Limited

(Gurdeep singh)

Mg.Director

(Harpreet Singh)

Mg.Director

PACT INDUSTRIES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2011

(In Lacs)

| | | As on 31.03.2011 |
|--|---------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net profit | 2.77 | |
| Deprication | 5.77 | |
| Income Tax refund | 0.00 | |
| Increase in Current Assets | -132.87 | |
| Increase in Current Liabilities | 50.87 | |
| Increase in Misc.Exp. | 0.00 | |
| Net Cash Provided by Operating Activity | | -73.46 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Sales of fixed Assets | 0.00 | |
| Purcahse of Fixed Assets | 432.66 | |
| Increased in Investment & Security | 57.46 | |
| Net Cash Provided by Investing Activity | | 490.12 |
| CASH FLOWS FROM FINANCIAL ACTIVITIES: | | |
| Increase in Unsecured Loan | 23.51 | |
| Increase in Secured Loan | 540.06 | |
| Net Cash Provided by Financial Activity | | 563.57 |

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

REGISTRATION DETAILS

| | | | |
|--------------------|------------|------------|----|
| Registration No. | 13193 | State Code | 16 |
| Balance Sheet Date | 31-03-2011 | | |

CAPITAL RAISED DURING THE YEAR (Rs.in Lacs.)

| | | | |
|--------------|-----|---------------|-----|
| Public Issue | NIL | Right Issue | NIL |
| Bonus Issue | NIL | Private Issue | NIL |

Position of Mobilization And Deployment of Funds (Rs.In Lacs)

| | | | |
|-------------------|---------|--------------|---------|
| Total Liabilities | 1799.60 | Total Assets | 1799.60 |
|-------------------|---------|--------------|---------|

Sources of Funds

| | | | |
|-----------------|--------|-------------------|--------|
| Paid up Capital | 494.08 | Reserve & surplus | 520.69 |
| Secured Loan | 750.33 | Unsecured Loan | 34.50 |

Application of Funds

| | | | |
|------------------|---------|--------------------|--------|
| Net Fixed Assets | 1159.10 | Net Current Assets | 571.36 |
| Investment | 69.14 | Misc.exp. | 0.00 |

PERFORMANCE OF COMPANY (Rs.In Lacs)

| | | | |
|-----------------------------|---------|-------------------------|---------|
| Total Turnover | 2042.75 | Total Expenditure | 2039.98 |
| Profit / loss (Before Tax) | 2.77 | Profit / Loss after Tax | 2.77 |
| Earning Per Share | 0.05 | Dividend Rate | NIL |

GENERIC NAME OF THREE PRINCIPAL PRODUCTS OF COMPANY

Item code NO.(ITC Code)

Item Code No.

Product Description Manufacturing of Knitted Fabrics & Readymade Garments

For Rajesh Mehru & Co.

For Pact Industries Limited

Chartered Accountant

(Naresh Singla)

(Gurdeep singh)

(Harpreet Singh)

Partner

Mg.Director

Mg.Director

Place: Ludhiana

Dated; 05.09.2011

PACT INDUSTRIES LIMITED