



**Notes**

Horizontal lines for notes content.

**BOARD OF DIRECTORS**

S. S. Shah *Chairman & Managing Director*  
Sundeep Shah Executive Director  
Megha Shah Executive Director  
G. D. Harnathka  
H. S. Gopalka  
D. K. Rungta Additional Director

**CHIEF FINANCIAL OFFICER**

U.S. Gutgutia

**COMPANY SECRETARY**

Deepak Agarwal

**REGISTERED OFFICE**

19, R. N. Mukherjee Road  
Kolkata - 700 001

**FACTORIES**

**Unit 1**  
411, Telugarahalli Road, Anekal,  
Bangalore – 562 106

**Unit 2**  
Kammansandra Agrahara Kasaba Hobli,  
Anekal, Bangalore – 562 106

**Unit 3**  
11A, 2nd Cross Industrial Area, Nanjangud,  
Karnataka – 571 301

**Unit 4**  
Falta Special Economic Zone,  
24 Parganas (South), West Bengal

**AUDITORS**

B. K. Shroff & Co.  
Chartered Accountants  
23A, Netaji Subhas Road  
Kolkata - 700 001

**BANKERS**

Allahabad Bank  
State Bank of India .  
Union Bank of India

**REGISTRARS & SHARE TRANSFER AGENTS**

ABS Consultant Pvt. Ltd.  
99, Stephen House, 6th Floor  
4, B.B.D. Bag (East)  
Kolkata - 700 001  
Phone : 2243 0153, 2220 1043  
email : absconsultant@vsnl.net

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## NOTICE

The Seventieth Annual General Meeting of Eastern Silk Industries Ltd. (CIN: L17226WB1946PLC013554) will be held on Wednesday, the 28<sup>th</sup> September, 2016 at 11:00 A.M. at Kala Kunj, 48, Shakespeare Sarani, Kolkata – 700 017, to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Statement of Profit & Loss for the year ended 31<sup>st</sup> March, 2016 and the Balance Sheet as at that date together with the report of the Directors and Auditors thereon.

2. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an **ORDINARY RESOLUTION**:

“RESOLVED THAT pursuant to the provisions of Section 139 and all other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time, the Company hereby ratifies the appointment of M/s B. K. Shroff & Co, Chartered Accountants (Firm Registration No. 302166E), as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the 71<sup>st</sup> Annual General Meeting of the Company, who were appointed in the 68<sup>th</sup> Annual General Meeting (held on 25<sup>th</sup> June, 2014) to hold office for a period of 3 (three years) until the conclusion of the 71<sup>st</sup> Annual General Meeting on such remuneration as may be determined by the Board of Directors of the Company.”

### SPECIAL BUSINESS :

3. To consider and if thought fit, to pass with or without modification, the following resolution as an **ORDINARY RESOLUTION** :

“RESOLVED THAT pursuant to Section 149, 152 and other applicable provisions of Companies Act, 2013 ('Act') and the rules made thereunder read with Schedule IV of the Act, Shri Dilip Kumar Rungta (DIN: 00534100) who was appointed as an Additional Director of the Company by the Board of Directors with effect from November 14, 2015 and who holds office up to the date of this Annual General Meeting in terms of Section 161 (1) of the Act and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act proposing his candidature to the office of Director, be and is hereby appointed as an Independent Director of the Company not liable to retire by rotation for the period up to November 13, 2020.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts things and deeds as may be necessary to give effect to the above resolution.”

4. To adopt new regulations of the Articles of Association of the Company, pursuant to the provisions of Section 14 and other applicable provisions, if any, of the Companies Act, 2013, (including any amendment thereto or re-enactment thereof), and if thought fit, to pass with or without modification, the following Resolution as a **SPECIAL RESOLUTION**:

“RESOLVED THAT pursuant to the provisions of Section 14 and other applicable provisions, if any, of the Companies Act, 2013, (including any amendment thereto or re-enactment thereof), the Articles of Association of the Company be and are hereby altered by replacing all the existing regulations 1 to 207 with the new regulations 1 to 246 and the said regulations be and is hereby adopted as new regulations of the Articles of Association of the Company.”

“RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, Board of Directors of the Company be and is hereby authorized, on behalf of the Company, to do all acts, deeds, matters and things as deem necessary, proper or desirable and to sign and execute all necessary documents, applications and returns for the purpose of giving effect to the aforesaid Resolution along with filing of necessary E-forms with the Registrar of Companies, West Bengal.”

### Registered Office:

19, R. N. Mukherjee Road  
Kolkata – 700 001

Dated: The 30<sup>th</sup> May, 2016.

CIN: L17226WB1946PLC013554

Email: [investors@easternsilk.com](mailto:investors@easternsilk.com)

By Order of the Board

**DEEPAK AGARWAL**  
SECRETARY

### NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead and the proxy need not be a member of the Company. The proxy, in order to be effective, must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 22<sup>nd</sup> September 2016 to 28<sup>th</sup> September 2016, both days inclusive on account of Annual General Meeting.
3. The business set out in the Notice will be transacted through electronic voting system and the Company is providing facility for voting by electronic means. Instructions and other information relating to e-voting are given below. The Company will also send communication relating to remote e-voting which inter alia would contain details about User ID and password along with a copy of this Notice to the members, separately.



## Voting through electronic means

In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide members facility to exercise their right to vote on resolutions proposed to be considered at the Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM (“remote e-voting”) will be provided by National Securities Depository Limited (NSDL).

- I. The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.
- II. The members who have cast their vote by remote e-voting prior to the AGM, may also attend the AGM but shall not be entitled to cast their vote again.
- III. The remote e-voting period commences on 25<sup>th</sup> September, 2016 (9:00 am) and ends on 27<sup>th</sup> September, 2016 (5:00 pm). During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 21<sup>st</sup> September, 2016, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.

IV. The process and manner for remote e-voting are as under:

A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/Depository Participants(s)] :

- (i) Open email and open PDF file viz; “remote e-voting.pdf” with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for remote e-voting. Please note that the password is an initial password.
- (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com>
- (iii) Click on Shareholder - Login
- (iv) Enter user ID and password as initial password/PIN noted in step (i) above. Click Login.
- (v) Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (vi) Home page of remote e-voting opens. Click on remote e-voting: Active Voting Cycles.
- (vii) Select “EVEN” of “EASTERN SILK INDUSTRIES LTD”.
- (viii) Now you are ready for remote e-voting as Cast Vote page opens.
- (ix) Cast your vote by selecting appropriate option and click on “Submit” and also “Confirm” when prompted.
- (x) Upon confirmation, the message “Vote cast successfully” will be displayed.
- (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
- (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to “[esil.scrutinizer@gmail.com](mailto:esil.scrutinizer@gmail.com)” with a copy marked to “[evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)”

B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/Depository Participants(s) or requesting physical copy] :

(i) Initial password is provided as below/at the bottom of the Attendance Slip for the AGM:

**EVEN (Remote e-voting Event Number)      USER ID      PASSWORD/PIN**

(ii) Please follow all steps from SI. No. (ii) to SI. No. (xii) above, to cast vote.

V. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and remote e-voting user manual for Members available at the downloads section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on toll free no.: 1800-222-990.



- VI. If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password/PIN for casting your vote.
- VII. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- VIII. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 21<sup>st</sup> September, 2016.
- IX. Any person, who acquires shares of the Company and become member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. 21<sup>st</sup> September, 2016, may obtain the login ID and password by sending a request at "evoting@nsdl.co.in" or RTA at "absconsultant@vsnl.net".  
However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" option available on www.evoting.nsdl.com or contact NSDL at the following toll free no.: 1800-222-990.
- X. A member may participate in the AGM even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the AGM.
- XI. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through ballot paper.
- XII. Mr. Atish Kumar Shaw, Practicing Chartered Accountant (Membership No. 306098) has been appointed as the Scrutinizer for providing facility to the members of the Company to scrutinize the voting and remote e-voting process in a fair and transparent manner.
- XIII. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of "Ballot Paper" for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
- XIV. The Scrutinizer shall after the conclusion of voting at the general meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- XV. The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company "www.easternsilk.com" and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the NSE Limited, Mumbai.
4. Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, in respect of Special Business set out in the Notice is annexed hereto.
5. Additional information pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with Stock Exchange regarding the Directors who are proposed to be reappointed at the Annual General Meeting are provided in the Annexure to this Notice.
6. Pursuant to the provisions of Section 123, 124 of the Companies Act, 2013, dividends which remain unpaid or unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund of the Central Government. Members, who have not encashed their dividend warrants pertaining to the year 2008-09, 2009-10 may approach the Company's Registrars and Share Transfer Agents for obtaining duplicate dividend warrants.
7. Pursuant to sub-division of each Equity share of Rs.10/- into five Equity shares of Rs.2/- each, members holding shares in physical form, were requested to surrender old share certificates to obtain new share certificates in lieu thereof. Those members, who have not surrendered their old share certificates to the Company's Registrars and Share Transfer Agents, are requested to do so at the earliest.
8. The Ministry of Corporate Affairs (vide circular nos. 17/2011 and 18/2011 dated April 21 and April 29, 2011 respectively), has undertaken a 'Green Initiative in Corporate Governance' and allowed companies to share documents with its shareholders through an electronic mode. Members are requested to support this green initiative by registering/updating their e-mail addresses, in respect of shares held in dematerialized form with their respective Depository Participants and in respect of shares held in physical form with the Company's Registrars and Share Transfer Agents.



### Explanatory Statement under Section 102 of the Companies Act, 2013 ("the Act")

#### Item No. 3

In terms of Section 149 of the Act read with the relevant Schedule and, particularly, at least one-third of the Directors of the Company should be Independent Director. Further, after cessation of Shri R.S Rungta as the Director of the Company, the Board proposes to appoint Shri Dilip Kumar Rungta as the Director of the Company in his place and accordingly, Shri Dilip Kumar Rungta was appointed as an Additional Non-Executive Independent Director by the Board with effect from November 13, 2015.

Shri Dilip Kumar Rungta has filed declaration of independence and he is deemed to be independent within the meaning of Section 149 of the Act. In terms of Section 161(1) of the Act, Shri Dilip Kumar Rungta holds office as an Additional Non-Executive Independent Director up to the conclusion of the forthcoming Annual General Meeting. A notice has been received from a Member as required under Section 160 of the Act, signifying his intention to propose the candidature of Shri Dilip Kumar Rungta for the office as an Independent Director of the Company. As per Section 150 of the Act, appointment of Directors an Independent Directors requires approval of the Members at the General Meeting.

Accordingly, approval of the Members is sought for appointment of Shri Dilip Kumar Rungta as an Independent Director of the Company, for period of five years (first term) from November 14, 2015 up to November 13, 2020, not liable to retire by rotation pursuant to Section 149(13) of the Act.

The Board considers it desirable that the Company should avail itself of the services of Shri Dilip Kumar Rungta as Director and accordingly commends the Resolution at Item No. 3 for approval by the Members. Shri Dilip Kumar Rungta has wide knowledge in the field of textile and textile goods business and is an social activist. Shri Dilip Kumar Rungta is interested and concerned in the Resolution mentioned at Item No.3 of the Notice. Other than Shri Dilip Kumar Rungta, none of the Directors or Key Managerial Personnel or their respective relatives are concerned or interested in the Resolution at Item No. 3 of the Notice.

#### Item No. 4

The Existing regulations 1 to 207 of the Articles of Association are replaced by the new set of regulations 1 to 246 and adopted as new set of Articles of Association. The modification in the Articles of Association is carried out to give effect to the provisions of the Companies Act, 2013. Consent of the shareholders by passing a Special resolution is required in this regard. New set of regulations 1 to 246 of Articles of Association shall be made available at the request of the shareholders.

### Annexure to Notice dated 30<sup>th</sup> May, 2016

Details of Directors seeking Re-Appointment at the forthcoming Annual General Meeting

[Pursuant to Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ]

Particulars	Name of the Director
Name of the Director	Shri Dilip Kumar Rungta
DIN	00534100
Age	55 years
Date of Appointment on the Board	14.11.2015
Qualification	B.Com.
Experience	Wide experience in textile & textile goods business.
Directorship held in other Public Companies	2 companies, Director in <b>Rungta Promoters Pvt. Ltd.</b> Whole Time Director in <b>D R Steel Construction Company Pvt Ltd.</b>
Memberships / Chairmanships of Committees of Public Companies	–
Shareholding of Non-Executive Directors	–
Relationship with any Director(s) of the Company	–



## DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting their seventieth Annual Report together with the Audited Statements of Accounts of your Company for the year ended 31<sup>st</sup> March, 2016.

### FINANCIAL RESULTS

	(₹ in Lacs)	
	2016	2015
Profit/(Loss) before depreciation / Exceptional items and taxation	(5,844.04)	(3,411.77)
Less/Add: Depreciation	1,378.64	2,023.08
Profit/(Loss) before taxation	(7,222.68)	(5,434.85)
(Add) / Less: Exceptional Items	5,040.07	1,746.61
	(2,182.61)	(3,688.24)
Less/Add: Provision for Earlier Year Taxation	-	-
	(2,182.61)	(3,688.24)
Less/Add: Deferred Tax Liability	-	-
Profit/(Loss) after tax	(2,182.61)	(3,688.24)
Add: Balance brought forward from previous year	(22,767.46)	(18,337.52)
Add: Transitional from Depreciation Adjustments	-	75.94
Less: Depreciation on Revalued Assets	-	(817.64)
Which the Directors have decided to carry forward to the next year	(24,950.07)	(22,767.46)

### PERFORMANCE REVIEW

Highlights of performance during the financial year 2015-16 are:

- Total Revenue from Operation of the Company is ₹ 7,047.41 lakh as against ₹ 6,101.77 lakh in the previous year.
- Operating Profit / (Loss) is ₹ (5,844.04) lakh as against ₹ (3,411.77) lakh in the previous year.
- Profit / (Loss) before taxation is ₹ (7,222.68) lakh as against ₹ (5,434.85) lakh in the previous year.
- Profit / (Loss) after Tax is ₹ (2,182.61) lakh as against of ₹ (3,688.24) lakh in the previous year.

The performance of the Company during the year under review showed a better picture as compared to the previous year. However improvement in the operational revenue has been offset by the operating loss incurred during the year.

The Company is a BIFR referred company under the Sick Industrial Companies (Special Provision) Act, 1985 (SICA), pending registration of the same as a Sick Unit.

The Company has been trying to make up the volume losses in its main stay i.e. Silk Textiles by resorting to polyester, cotton, viscose and other blended fabric. In spite of the best efforts of the Company these low end products are fetching very meager realization. Your Company has been successfully introducing new designs and new blends taking into account the customers taste and preferences globally. Difficulties faced by the Company can only be resorted by increasing the scale of operation via infusion of machines and technology.

### FUTURE OUTLOOK

'Make in India' campaign launched by the government intends to provide a further boost to the Indian textile industry and enable it to achieve 20% growth in exports and sustain 12% growth rate in domestic market till 2024-25 as suggested by report of expert committee on Vision, Strategy and Action Plan for Indian Textiles and Apparel Sector. Infusion of machineries and technology is essential to bring down the cost of production. However the Company's expansion considering its financial condition is limited to change in the production mix and introduction of new designs and colourways. As conveyed earlier within the limited scope and under restricted market condition, your management is very positively responding to matching situation in the global market.

### DIVIDEND

In view of the accumulated losses the Board of Directors does not recommend any dividend on Equity Shares. The Board of Directors does not also declare dividend on Redeemable Cumulative Preference Shares.

### PUBLIC DEPOSIT SCHEME

During the year, your Company has not accepted any deposits. There are no outstanding deposits as on date.



### DIRECTORS AND KEY MANAGERIAL PERSONNEL

During the year on account of untimely demise of Shri R.S Rungta, he ceases to be a Director of the Company and on the recommendation of Nomination and Remuneration Committee, the Board appointed Shri Dilip Kumar Rungta (DIN: 00534100), as an Additional Non-executive Independent Director of the Company with effect from November 14, 2015. The Company has received a notice under Section 160 of the Companies Act, 2013 from a member signifying his intention to propose the candidature of Shri Dilip Kumar Rungta (DIN: 00534100), for the office of Director, and is eligible for appointment as an Independent Director, as provided under the Articles of Association of the Company and shall hold office for a period of 5 years and not liable to retire by rotation.

Requisite declarations from all the Independent Directors of the Company confirming that they are not disqualified to act as an Independent Director in compliance with the provisions of Section 149 of the Companies Act, 2013 and the Board is also in the opinion that the Independent Directors fulfill all the conditions specified in the Companies Act, 2013 making them eligible to act as an Independent Director.

Necessary policies and the criteria for the performance evaluation of Directors as Individual, Board and Committees are devised by the Company. Evaluation of Board and Committees are being done under best practices prevalent in the Industry. The Company ensures constitution of the Board of Directors with an appropriate composition, size, diversified expertise and experience and commitment to discharge their responsibilities and duties effectively. Nomination & Remuneration Committee formulated by the Company's Board in accordance with the provisions of Section 178 of the Companies Act, 2013 and Regulation 17(10) of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 evaluates the each individual whether they met the specified criteria and provides valuable contribution to the Company. At the time of appointment/re-appointment of Independent Director, Nomination & Remuneration Committee assess the independence of the directors as referred in Section 149(6) of the Companies Act, 2013 and Regulations of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 and re-assess the same when any new interest or relationships are disclosed by them. The Independent Directors shall abide by the "Code of Independent Directors" as specified in Schedule IV to the Companies Act, 2013. Nomination & Remuneration Committee ensures that all the requisite and applicable provisions of the Companies Act, 2013 rules and regulations made thereunder and SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 as amended from time to time are complied with.

### DIRECTORS' RESPONSIBILITY STATEMENT

In terms of provisions of Section 134(3)(c) of the Companies Act, 2013, your Directors state that:

- in the preparation of the annual accounts for the year ended March 31, 2016, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures from the same;
- that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the year under review.
- that the Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- that the Directors have prepared the accounts for the financial year ended 31<sup>st</sup> March, 2016 on a going concern basis.
- the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

### CORPORATE GOVERNANCE

The Company is committed to maintain the highest standards of corporate governance and adhere to the corporate governance requirements set out by SEBI. The report on Corporate Governance as stipulated under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 forms an integral part of this Report. The requisite certificate from the Auditors of the Company confirming compliance with the requirements of Corporate Governance is attached to the report on Corporate Governance.

A separate section on Corporate Governance and Management Discussion and Analysis together with the Auditor's certificate confirming the compliance of conditions on Corporate Governance as Schedule V (Part E) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the Stock Exchange form part of the Annual Report as "Annexure II"

### CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES

All contracts / arrangements / transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis. During the year, the Company had not entered into any contract / arrangement / transaction with related parties which could be considered material in accordance with the policy of the Company on materiality of related party transactions.

Your Directors draw attention of the members to Note 41 to the financial statement which sets out related party disclosures.



#### CORPORATE SOCIAL RESPONSIBILITY

The Company formulated the Corporate Social Responsibility Committee (CSRC) in consultation with the Board during the F.Y 2014-15 pursuant to introduction of Section 135 under the Companies Act, 2013. Shri Sundeep Shah, Shri H. S. Gopalka and Shri G.D Harnathka are the members of the CSRC. Since the Company has been incurring cash losses in the last three preceding financial years, the Board does not recommend any amount to be spent on the CSR activities. However the Board ensures that once the Company will start earning profits, they shall after taking into account the recommendations of the CSRC, approve the Corporate Social Responsibility Policy of the Company and shall disclose contents of such policy in its report and will also place the same on the Company's website [www.easternsilk.com](http://www.easternsilk.com).

#### BANK LOANS

The Company has settled its dues with the State Bank of Mysore under One Time Settlement (OTS) basis and your management has paid the entire amount arrived under OTS to them. Your Company also entered into a settlement arrangement with Edelweiss Asset Reconstruction Company Ltd.(ARC), who acquired the Company's loan from two banks namely Canara Bank & UCO Bank. Negotiation with the other banks on a bilateral basis is going on.

#### RISK MANAGEMENT

The Company has been addressing various risks impacting the Company and the policy of the Company. During the year, your Directors made sure that all the risks that the organization faces such as strategic, financial, credit, market, liquidity, security, property, IT, legal, regulatory, reputational and other risks have been identified and assessed and there is an adequate risk management infrastructure in place capable of addressing those risks.

The Company monitors, manages and reports on the principal risks and uncertainties that can impact its strategic long term objectives. The risk management process is reviewed periodically in order to keep it aligned with the emerging risks across the globe. Various programmes involve risk identification, assessment and risk mitigation planning for strategic, operational, and financial compliance related risks across various levels of the organization.

#### INTERNAL FINANCIAL CONTROLS

The Company has in place adequate internal financial controls with reference to financial statements. During the year, such controls were tested and no reportable material weaknesses in the design or operation were observed.

#### DISCLOSURE OF PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

The particulars required to be furnished under Section 134(3) (m) of the Companies Act, 2013 read with Companies (Disclosure of particulars of Board of Directors) Rules, 1988 are set out in "Annexure I", which forms part of the report.

#### AUDITORS

Messrs B.K. Shroff & Company, Chartered Accountants, Statutory Auditors of the Company were reappointed Auditors to hold office from the conclusion of the Sixty-eighth Annual General Meeting (AGM) till the conclusion of the Seventy-first Annual General Meeting (AGM) subject to ratification by the members at the Seventieth Annual General Meeting (AGM) of the Company. Accordingly, the notice convening the ensuing Seventieth AGM includes a resolution seeking such ratification by the members of the said re-appointment of the Auditors.

The Company has received a letter from the Statutory Auditors to the effect that the ratification of their re-appointment, if made at the forthcoming Annual General Meeting, would be within the limits prescribed under Section 141(3)(g) of the Act.

Therefore, in this effect the Company will comply with the said requirements under the provision of Section 139 and appoint the new auditors of the Company effectively in the next Board Meeting held after March 31, 2017 and place the same for the shareholders approval in the Seventy-first Annual General Meeting of the Company.

The remarks of the Auditors regarding losses of the company, interest on debt outstanding, reference to BIFR, provision for bad and doubtful debts, recognition of Net Deferred Assets have been duly explained in Note No. 33(c), 35, 36(a) and 37 to the accounts respectively.

#### COST AUDITORS

Pursuant to the Companies (Cost Records And Audit) Rules, 2014 notified w.e.f 30<sup>th</sup> June, 2014 Textile Industry has been exempt from maintaining the cost records and for conducting the audit of such records. However Your Company is continuing its association with M/s. N. Radhakrishnan & Co., a firm of Cost Auditors, for assisting and directing the Company with regard to allocation of direct and indirect costs to the various products and suggesting various measures lowering the cost without compromising with the quality.

#### SECRETARIAL AUDITOR

The Board has appointed Ms. Garima Gupta, Practising Company Secretary, to conduct Secretarial Audit for the financial year 2015-16. The Secretarial Audit Report for the financial year ended March 31, 2016 is annexed herewith marked as "Annexure III" to this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.



#### EXTRACT OF ANNUAL RETURN

The particulars required to be furnished under Section 134(3)(a) of the Companies Act, 2013 read with Companies (Management and Administration) Rules, 2014 as prescribed in Form No. MGT-9 is given in "Annexure IV" annexed to this report.

#### PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 134(3)(q) AND SECTION 197 (12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

Your Directors appreciate the significant contribution made by the employees to the operations of your Company during the period. In terms of provisions of Section 197(12) of the Act read with Rules 5(1), 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars and disclosures of the employees drawing remuneration in excess of the limits set out in the said rules are provided in the Annual Report.

Having regard to the provisions of the first proviso to Section 136(1) of the Act and as advised, the Annual Report excluding the aforesaid information is being sent to the members of the Company. The said information is available for inspection at the registered office of the Company during working hours and any member interested in obtaining such information may write to the Company Secretary and the same will be furnished on request.

#### VIGIL MECHANISM/ WHISTLE BLOWER POLICY

The Company in pursuance to the provisions of section 177(9) & (10) of the Companies Act, 2013 has formulated a vigil mechanism (whistle blower policy) for its Directors and Employees of the Company to report their genuine concerns about unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct. The mechanism provides for adequate safeguards against victimization of Directors and employees who avail of the mechanism. In exceptional cases, Directors and employees have direct access to the Chairman of the Audit Committee. The Vigil Mechanism (Whistle Blower Policy) is available on the Company's website ([www.easternsilk.com](http://www.easternsilk.com)).

#### GENERAL

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the period under review:

1. Details relating to deposits covered under Chapter V of the Act.
2. Issue of equity shares with differential rights as to dividend, voting or otherwise.
3. Issue of shares (including sweat equity shares) to employees of the Company under any scheme save and except ESOS referred to in this Report.
4. Neither the Managing Director nor the Whole-time Directors of the Company receive any remuneration or commission from any of its subsidiaries.
5. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.

Your Directors further state that during the year under review, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

#### ACKNOWLEDGEMENT

Your Directors wish to convey their appreciation for the co-operation and assistance received from the government, financial institutions, bankers and stakeholders of your Company. The Board wishes to place on record its deep appreciation for the integrity and hard work of its employees at all levels to meet challenging markets.

#### Registered Office:

19 R N Mukherjee Road  
Kolkata 700 001

Dated: The 30<sup>th</sup> May, 2016.

By Order of the Board  
**S. S. SHAH**  
Chairman & Managing Director



## ANNEXURE TO DIRECTORS' REPORT

## "Annexure I"

Particulars of Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo required under the Companies (Accounts) Rules, 2014 are as follows:

## CONSERVATION OF ENERGY :

## FORM A

The Company is engaged in the continuous review of energy costs, reduction in energy generation cost through improved operational and maintenance practices.

## (A) Power and Fuel Consumption

## 1. Electricity

		Current Year	Previous Year
(a) Purchased	Units	25,90,646.00	23,91,630.00
Total Amount	₹	1,69,32,184.00	1,65,59,509.44
Rate/Unit	₹	6.54	6.92
(b) Own Generation through Diesel Generator	Units	2,34,528.00	1,84,728.00
Total Amount	₹	33,24,327.00	30,95,297.00
Cost/Unit	₹	14.17	16.76
2. (a) Briquettes	Kgs	15,87,255.00	10,48,896.00
Quantity	₹	94,74,061.00	61,29,384.00
Total Amount	₹	5.97	5.84
Cost/Unit			
(b) Fire Wood	Kgs.	1,17,470.00	1,14,580.00
Quantity	₹	5,59,407.50	5,35,449.00
Total Amount	₹	4.76	4.67
Cost/Unit			

## (B) Consumption per unit of products:

		Current Year	Previous Year
Fabrics	Mtrs	5,68,142.39	5,08,411.18
Electricity	₹	29.80	32.57
Briquettes	₹	16.68	12.06
Fire Wood	₹	0.98	1.05
Diesel	₹	5.85	6.09

## TECHNOLOGY ABSORPTION

## FORM B

## Research &amp; Development

1. Specific areas in which R&D carried out by the Company	R&D activities are carried out for development of new products.
2. Benefits derived as a result of above R&D	Improvement in quality and customer satisfaction
3. Future plan of action	Development of new varieties of products.
4. Expenditure on R & D	Capital ₹ Nil Recurring ₹ 58.64 lakhs R&D Expenditure as a percentage of turnover 0.89%



## Technology Absorption, Adaptation &amp; Innovation

- Efforts in brief, made towards technology Absorption, adaptation and innovation
- Benefits derived as a result of the above
- Details of imported technology

Latest softwares are used for better design development  
Improved products  
Not Applicable.

## Foreign Exchange Earnings &amp; Outgo

- Activities relating to exports, initiatives taken to increase exports, development of new export markets for product and services and export plans.

Participating in the international trade fairs to showcase the Company's new developments and also invite the different Company's selling agents as well as customers to provide a platform of interaction in order to procure orders for the Company's products as well as scout for new customers.

Travelling expenses in respect of such activities are also expensive. Travelling by the sales personnel also brings in orders for the Company's products.

The information on foreign exchange earnings and outgo is contained in the Note No. 45 & 46 of Notes on Financial Statements.

- Overseas Travelling
- Commission to Agents
- Consultation Fees
- Others

Kolkata 700 001  
Dated : The 30<sup>th</sup> May 2016

By Order of the Board  
**S. S. SHAH**  
Chairman & Managing Director

## "Annexure II"

## REPORT ON CORPORATE GOVERNANCE

In accordance with Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the Stock Exchange, a Report containing the details of Corporate Governance of Eastern Silk Industries Limited for the year 2015-16 is given below.

## I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The Company lays emphasis on good corporate practices which will enable the management to conduct the affairs of the Company in a transparent manner and culminate in optimum use of its resources for achieving highest standards of corporate governance.

## II. BOARD OF DIRECTORS

The Board comprises of six members – three Executive Directors and three Non-Executive Independent Directors as on 31<sup>st</sup> March, 2016. The composition of the Board of Directors and also the number of the Board of Directors or Board Committees of which he is a member / Chairperson are as under.

Name of the Director	Category	No. of other Directorship	No. of Membership of other Board Committee	No. of Board Committee for which Chairperson
Shri S.S. Shah	Chairman & Executive Director	–	–	Nil
Shri Sundeep Shah	Executive Director	–	–	Nil
Smt. Megha Shah	Executive Director	–	–	Nil
Shri G.D. Harnathka	Non-Executive, Independent	–	–	Nil
Shri H.S. Gopalka	Non-Executive, Independent	–	–	Nil
Shri Dilip Kumar Rungta	Non-Executive, Independent	2	–	Nil



During the year under review, Board Meetings were held on 30<sup>th</sup> May 2015, 13<sup>th</sup> of August, 2015, 14<sup>th</sup> November, 2015 and 12<sup>th</sup> February, 2016. The attendance of the Directors for the Board Meeting and the last Annual General Meeting (AGM) was as follows :

Name of the Director	Meeting Attended	Whether attended the last AGM
Shri S.S. Shah	4 out of 4	Yes
Shri Sundeep Shah	4 out of 4	Yes
Shri G.D. Harnathka	2 out of 4	Yes
Shri H.S. Gopalka	4 out of 4	Yes
Smt. Megha Shah	2 out of 4	No
Shri R.S. Rungta*	2 out of 4	No
Shri Dilip Kumar Rungta	2 out of 4	No

\*Shri R.S.Rungta, Director of the Company expired as on September 18, 2015.

Pursuant to the provisions of the Companies Act, 2013 and as required under Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 agenda papers were circulated to the Directors in advance for each meeting. All information was placed before the Board from time to time; the Board has carried out the annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Board Committees.

### III. Audit Committee

#### (a) Constitution

The Audit Committee of the Company was constituted to exercise powers and discharge functions as stipulated in Section 177 of the Companies Act, 2013, under Part C of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with Stock Exchange and other relevant statutory / regulatory provisions.

#### (b) Composition

The Audit Committee of the Company comprises of two Non-Executive (Independent) Directors and one Executive Director having knowledge of corporate finance, accounts and company law. The Chairman of the Committee is an Independent Director, elected by the members of the Committee. Shri Hari Shankar Gopalka, Chairman of the Audit Committee was present at the last Annual General Meeting.

The Company Secretary acts as the Secretary of the Committee. Besides the Committee members, Financial Officer and partners / representatives of the firm of Statutory Auditors and Internal Auditors are permanent invitees at the meetings of the Committee.

#### (c) Meetings and Attendance

During the financial year ended 31<sup>st</sup> March, 2016 four Audit Committee meetings were held on 29<sup>th</sup> May 2015, 12<sup>th</sup> August 2015, 13<sup>th</sup> November 2015 and 11<sup>th</sup> February 2016 respectively which were attended by all the members of the Committee. The composition of the Audit Committee and details of their attendance at the meetings are as follows :

Name of the Director	Position	Category	No. of Meeting Attended
Shri Hari Shankar Gopalka	Chairman	Non-Executive Independent Director	4
Shri R.S.Rungta	Member	Non-Executive Independent Director	2
Shri Sundeep Shah	Member	Executive Promoter Director	4
Shri Dilip Kumar Rungta	Member	Non-Executive Independent Director	2

### IV. NOMINATION & REMUNERATION COMMITTEE (FORMERLY KNOWN AS "REMUNERATION COMMITTEE")

#### (a) Constitution

The Board has framed the Nomination & Remuneration policy, and the Committee of the Company is formed to recommend remuneration packages for whole-time Directors. Such recommendations are based on the overall financial performance and profitability of the Company and on evaluation of the personal contribution of the individual directors.



#### (b) Composition

The Members of the Nomination & Remuneration Committee are Shri H.S. Gopalka, Shri Dilip Kumar Rungta and Shri G.D. Harnathka. On account of untimely demise of Shri R.S Rungta, Shri Dilip Kumar Rungta has been inducted as the member of the committee.

#### (c) Meeting and Attendance

During the financial year ended 31<sup>st</sup> March, 2016, one Nomination & Remuneration Committee Meeting was held as on 12<sup>th</sup> November, 2015. The details of the remuneration to the directors for the year ended March 31, 2016 are presented in the extract of the Annual return of the Company, which is annexed herewith as Annexure IV to this report.

Name of the Director	Position	Category	No. of Meeting Attended
Shri Hari Shankar Gopalka	Chairman	Non-Executive Independent Director	1
Shri Dilip Kumar Rungta	Member	Non-Executive Independent Director	1
Shri G D Harnathka	Member	Non-Executive Independent Director	1

The Nomination and Remuneration Committee has laid down the criteria for performance evaluation of Independent Directors and those areas as mentioned under Part D of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as well as section 178 of the Companies Act, 2013 as follows:

#### AREAS OF EVALUATION

1. Frequency of meetings attended
2. Timeliness of circulating Agenda for meetings and descriptiveness
3. Quality, quantity and timeliness of flow of information to the Board
4. Promptness with which Minutes of the meetings are drawn and circulated
5. Opportunity to discuss matters of critical importance, before decisions are made
6. Familiarity with the objects, operations and other functions of the company
7. Importance given to Internal Audit Reports, Management responses and steps towards improvement
8. Avoidance of conflict of interest
9. Exercise of fiscal oversight and monitoring financial performance
10. Level of monitoring of Corporate Governance Regulations and compliance
11. Adherence to Code of Conduct and Business ethics by directors individually and collectively
12. Monitoring of Regulatory compliances and risk assessment
13. Review of Internal Control Systems
14. Performance of the Chairperson of the Company including leadership qualities.
15. Performance of the Whole time Director
16. Overall performance of the Board/ Committees

### V. STAKEHOLDER REALTIONSHIP/ GRIEVANCE COMMITTEE OF DIRECTORS (FORMERLY KNOWN AS "INVESTOR'S GRIEVANCE COMMITTEE")

#### (a) Constitution

The Board of Director has constituted a Stakeholder Relationship / Grievance Committee of Directors. The role of the Committee is to consider and resolve the grievances of security holders and perform such roles as may require under the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015. Continuous efforts are made to ensure that grievances are expeditiously redressed to the satisfaction of investors. A status report of shareholders complaints and redressal thereof is prepared and placed before Stakeholders' Relationship/ Grievance Committee of Directors.

The Secretary of the Company Mr. Deepak Agarwal is the Compliance Officer.

#### (b) Composition

The Committee comprises of two non-executive independent directors namely Shri H. S. Gopalka and Shri Dilip Kumar Rungta and one Executive Director namely Shri Sundeep Shah. On account of untimely demise of Shri R.S Rungta, Shri Dilip Kumar Rungta has been inducted as the member of the committee and appointed as the Chairman of the Committee by its members.

#### (c) Meeting and Attendance

During the financial year ended 31<sup>st</sup> March, 2016, four Investors' Grievance Committee meetings were held on 28<sup>th</sup> May, 2015, 11<sup>th</sup> August, 2015, 12<sup>th</sup> November, 2015 and 10<sup>th</sup> February, 2016.



Name of the Director	Position	Category	No. of Meeting Attended
Shri R.S.Rungta	Chairman*	Non-Executive Independent Director	2
Shri Hari Shankar Gopalka	Chairman*	Non-Executive Independent Director	4
Shri Dilip Kumar Rungta	Chairman*	Non-Executive Independent Director	2
Shri Sundeep Shah	Member	Executive Promoter Director	4

# \* Shri R.S Rungta chaired the meeting dated 28<sup>th</sup> May, 2015 and 11<sup>th</sup> August, 2015. Shri Hari Shankar Gopalka chaired the meeting dated 12<sup>th</sup> November, 2015. Shri Dilip Kumar Rungta chaired the meeting dated 10<sup>th</sup> February, 2016.

#### VI. SHARE TRANSFER COMMITTEE OF DIRECTORS

##### (a) Constitution

The role of the Committee is to deal with issuance of duplicate of share certificates, transmission of shares, and transfer of shares and supervision of transfer of shares delegated to officers of the Company. The delegated authorities attend share transfer formalities at least thrice in a month. Transfer of shares are processed and registered within the stipulated time, provided all the documents are valid and complete in all respect. Share transfers approved by the delegated authorities are placed before Share Transfer Committee/ Board for its review. As on 31<sup>st</sup> March, 2016, no shares were pending for transfer for more than 15 days.

##### (b) Composition

The members of the Committee are Shri S.S.Shah, Shri Sundeep Shah and Shri Deepak Agarwal. Shri S.S. Shah acts as the Chairman of the Committee.

##### (c) Meeting and Attendance

During the financial year ended 31<sup>st</sup> March, 2016, seven transfer Committee meetings were held on 7<sup>th</sup> April, 2015, 4<sup>th</sup> May, 2015, 12<sup>th</sup> August, 2015, 20<sup>th</sup> November, 2015, 14<sup>th</sup> December, 2015, 20<sup>th</sup> January, 2016 and 15<sup>th</sup> February, 2016. No sitting fee was paid to any member of the Share Transfer Committee.

Name of the Director	Position	Category	No. of Meeting Attended
Shri S.S.Shah	Chairman	Executive Promoter Director	7
Shri Sundeep Shah	Member	Executive Promoter Director	7
Shri Deepak Agarwal	Member	Compliance Officer	7

#### VII. GENERAL BODY MEETING

##### i) General Meetings:

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

Date	Time	Venue
5 <sup>th</sup> September, 2013	11:00 A.M.	Kala Kunj, 48 Shakespeare Sarani Kolkata – 700 017
25 <sup>th</sup> June, 2014	11:00 A.M.	-- DO --
23 <sup>rd</sup> September, 2015	11:00 A.M.	-- DO --

##### ii) Special Resolutions:

Special resolutions were passed during the year at the AGM held as on 23<sup>rd</sup> September, 2015 for the re-appointment of Shri G.D.Harnathka and alteration of Articles of Association of the Company. However due to discrepancies observed by the ROC, Kolkata West Bengal the special resolution for the alteration of Articles of Association of the Company could not be given effect in the said year.



##### iii) Ballot Voting

Ballot Voting was conducted during the year at the AGM held as on 23<sup>rd</sup> September, 2015 to get in line with the e-voting provisions newly introduced under the Companies Act, 2013.

#### VIII. DISCLOSURES

- (a) The Company has not entered into any transaction of a material nature with the promoters, directors or management, or their relatives that may have potential conflict with the interest of the Company at large.
- (b) A qualified Practicing Company Secretary carries out a secretarial audit to reconcile the total admitted capital with National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd. (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.
- (c) Chairman and Managing Director and Executive (Finance) have furnished the requisite certificates to the Board of Directors pursuant to the Schedule V (Part D) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

#### IX. MEANS OF COMMUNICATION

The financial results of the Company are published in English and Regional newspapers in India. The results are also displayed on the Company's website (www.easternsilk.com). Press releases are also made by the Company from time to time to facilitate better communication with the shareholders and investors.

#### X. GENERAL SHAREHOLDERS INFORMATION

##### i) Seventieth Annual General Meeting

Venue : Kala Kunj, 48 Shakespeare Sarani, Kolkata – 700 017  
Date : 28<sup>th</sup> September, 2016  
Time : 11:00 A.M.

##### ii) Financial Calendar

First quarter results - By mid of August  
Second quarter results - By mid November  
Third quarter results - By mid of February  
Fourth quarter results - By end May

##### iii) Book Closure

The date of book closure is from 22<sup>nd</sup> September, 2016 to 28<sup>th</sup> September, 2016 (both days inclusive).

##### iv) Listing on Stock Exchange

NAME OF STOCK EXCHANGE	STOCK CODE
National Stock Exchange of India Ltd.	EASTSILK

Listing fee for the year 2015-16 has been paid to National Stock Exchange of India Ltd.)

##### v) Stock Market Data

The Company's high and low prices recorded on National Stock Exchange of India Ltd. during the financial year 2015-16 are given below:

MONTH	HIGH (₹)	LOW (₹)
APRIL 2015	2.60	1.55
MAY 2015	2.30	1.60
JUNE 2015	1.95	1.50
JULY 2015	2.50	1.60
AUGUST 2015	4.50	1.90
SEPTEMBER 2015	2.50	1.90
OCTOBER 2015	2.35	1.80
NOVEMBER 2015	3.10	1.85
DECEMBER 2015	3.85	2.25
JANUARY 2016	4.00	2.55
FEBRUARY 2016	2.80	2.05
MARCH 2016	2.90	2.00



**vi) Share Holding (as on 31<sup>st</sup> March, 2016)**

The shareholding distribution as at 31<sup>st</sup> March, 2016 is as follows:

No. of Shares	Number of Share Holders	% To Total Holders	No. of Shares held	% To total Holding
Upto 500	14,485	67.48	31,27,113	3.96
501 - 1000	3,167	14.75	27,87,317	3.53
1001 – 2000	1,583	7.37	25,50,846	3.23
2001 – 3000	688	3.21	17,94,922	2.27
3001 - 4000	283	1.32	10,30,703	1.31
4001 – 5000	359	1.67	17,11,857	2.17
5001 – 10000	461	2.15	34,73,362	4.40
10001 & above	440	2.05	6,24,76,500	79.13
TOTAL	21,466	100.00	7,89,52,620	100.00

The shareholding pattern as at 31<sup>st</sup> March, 2016 is as follows:

Category	No. Shares	% age of Holding
Promoters including NRI Promoters	4,04,88,351	51.28
Financial Institutions, Banks, Mutual Fund Etc.	40,59,460	5.14
Non Resident Indians / OCBs / FIIs	14,21,728	1.80
Private Corporate Bodies	84,36,187	10.69
Indian Public	2,45,46,894	31.09
TOTAL	7,89,52,620	100.00

**vii) Dematerialisation of Shares**

As directed by Securities Exchange Board of India (SEBI) Equity shares of the Company are being traded in compulsory dematerialised form by all the investors.

The Company has entered into an agreement with both depositories viz., National Security Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) enabling the investors to hold shares of the Company in electronic form.

The ISIN of Eastern Silk for transactions of shares in depository mode is INE 962CO1027.

As on 31.03.2016 the dematerialised shares were 7,65,71,002 which represents 96.98% of the total subscribed capital. The equity shares of the Company are regularly traded on the National Stock Exchange.

**viii) Share Transfer System**

Share transfers in physical form are registered by the Registrar and Share Transfer Agents and are returned to the respective transferees within a period ranging from fifteen days to one month provided the documents lodged with the Registrar/ Company are clear in all respects.

**ix) Registrar and Share Transfer Agents**

The Company's Share Transfer Agents are ABS Consultant Pvt. Ltd., 99, Stephen House, 6<sup>th</sup> Floor, 4 BBD Bag (East), Kolkata – 700 001 for effecting transfer/transmission etc. in physical and demat form.

**x) Plant Location**

<b>Unit 1</b>	:	411, Telugarahalli Road Anekal, Bangalore – 562 106
<b>Unit 2</b>	:	Kammansandra Agrahara Kasaba Hobli Anekal, Bangalore – 560 106
<b>Unit 3</b>	:	11A, 2nd Cross Industrial Area Nanjangud, Karnataka – 571 301
<b>Unit 4</b>	:	Falta Special Economic Zone 24 Parganas (South), West Bengal

**xi) Address for Correspondence**

**Eastern Silk Industries Ltd.**  
(CIN: L17226WB1946PLC013554)  
19, R. N. Mukherjee Road, Kolkata – 700 001.  
Phone : 2243 – 0817 – 19 (3 Lines) Fax : 2248 – 2486  
Email : investors@easternsilk.com  
Website : www.easternsilk.com

**CODE OF PROFESSIONAL CONDUCT**

The Company had formulated a Code of Conduct for all Board Members and Senior Managerial Personnel and the same was adopted by the Board in its meeting held on 27<sup>th</sup> January, 2005. The Code is also available on the website of the Company.

**“Annexure III”**

Form No. MR-3

**SECRETARIAL AUDIT REPORT**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

The Members

Eastern Silk Industries Limited

19 R.N Mukherjee Road

Kolkata – 700 001

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Eastern Silk Industries Limited (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2016 ('Audit Period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31<sup>st</sup> March, 2016 according to the provisions of:

- The Companies Act, 2013 (the Act) and the rules made thereunder;
- The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder.
- The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):—
  - The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (upto 14<sup>th</sup> May, 2015) and the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (effective 15<sup>th</sup> May, 2015).
  - The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (**Not applicable to the Company during the Audit Period**);
  - The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 notified on 28 October 2014 (**Not applicable to the Company during the Audit Period**);
  - The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (**Not applicable to the Company during the Audit Period**);
  - The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (**Not applicable to the Company during the Audit Period**); and
  - The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (**Not applicable to the Company during the Audit Period**).
- The management of the Company has informed that there is no industry specific law which is applicable to the Company. However laws as identified by the management and applicable to the Company are mentioned in “Annexure-B”

I have also examined compliance with the applicable clauses of the following:

- Secretarial Standards with respect to Meetings of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India (**Applicable to the Company effective from 1<sup>st</sup> July, 2015**).
- The Listing Agreements entered into by the Company with Stock Exchanges/ the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (effective from 12<sup>th</sup> February, 2016).

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above. I further report that, having regard to the compliance system prevailing in the Company and on

**I further report that**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be. None of the directors in any meeting dissented on any resolution and hence there was no instance of recording any dissenting member's view in the minutes.

**I further report that** there are adequate systems and processes in the Company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**I further report that** during the audit period:

- a. The Company is a BIFR Company pending registration.

**Place :** Kolkata  
**Date:** May 30, 2016

**Garima Gupta**  
ACS No. 23738, C P No: 9308

**“Annexure A”**

To,  
The Members  
Eastern Silk Industries Limited  
19 R.N Mukherjee Road  
Kolkata – 700 001

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the process and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of Management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**“Annexure B”**

List of applicable laws other than the laws listed above:

- I. Employees' Provident Fund and Miscellaneous Provisions Act, 1952
- II. Employees' State Insurance Act, 1948
- III. Income Tax Act, 1961
- IV. Service Tax Act
- V. Factories Act, 1948
- VI. Industrial Dispute Act, 1947
- VII. Industrial Relation Act
- VIII. Foreign Exchange Management Act, 1999
- IX. The Customs Act, 1962
- X. The Central Excise Act, 1944
- XI. Central & Local Sales Tax Act
- XII. Shops & Establishment Act, 1963
- XIII. Minimum Wages Act, 1948
- XIV. Payment of Gratuity Act, 1972
- XV. Payment of Bonus Act, 1965
- XVI. Payment of Wages Act, 1936
- XVII. Compulsory Notification of Vacancies Act, 1959

**“Annexure IV”**

**Form No. MGT-9**

**EXTRACT OF ANNUAL RETURN**

as on the financial year ended 31st March, 2016

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

<b>I. REGISTRATION AND OTHER DETAILS</b>	
i) CIN	<b>L17226WB1946PLC013554</b>
ii) Registration Date	09-04-1946
iii) Name of the Company	Eastern Silk Industries Limited
iv) Category/Sub-Category of the Company	Public Company / Limited by Shares
v) Address of the Registered Office and contact details	19 R. N. Mukherjee Road, Kolkata 700001
vi) Whether listed Company	Yes / No
vii) Name, Address and Contact details of Registrar and Transfer Agency, if any	ABS Consultant Pvt. Ltd. 99, Stephen House, 6 <sup>th</sup> floor 4 B.B.D Bag (East) Kolkata 700001 Ph.033 2230-1043 / 2243-0153 Fax : 033 2243-0153
<b>II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY</b>	
All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-	
	As per Attachment A
<b>III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES</b>	
	As per Attachment B
<b>IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)</b>	
i) Category-wise Share Holding	As per Attachment C
ii) Shareholding of Promoters	As per Attachment D
iii) Change in Promoters' Shareholding	As per Attachment E
iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)	As per Attachment F
v) Shareholding of Directors and Key Managerial Personnel	As per Attachment G
<b>V INDEBTEDNESS</b>	
Indebtedness of the Company including interest outstanding/accrued but not due for payment	
	As per Attachment H
<b>VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL</b>	
A Remuneration to Managing Director, Whole-time Directors and/or Manager	As per Attachment I
B Remuneration to other directors	As per Attachment J
C Remuneration to Key Managerial Personnel other than MD/MANAGER/WTD	As per Attachment K
<b>VII PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES</b>	
	As per Attachment L

**ATTACHMENT A****II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

All the business activities contributing 10% or more of the total turnover of the company are given below :

Sl.No.	Name and Description of main products/services	NIC Code of the product/service *	% to total turnover of the Company #
1.	Textile & Textile Goods	131 – Spinning Weaving and Furnishing of Textiles	97.16%
		139 – Manufacture of Other Textiles	2.84%



\* As per National Industrial Classification – Ministry of Statistics and Programme Implementation  
# On the basis of Gross Turnover

**ATTACHMENT B**  
**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

Sl. No.	Name of Company	Address of Company	CIN / GLN	Holding / Subsidiary Associate	% of Sharehold	Applicable Section
1.	P K TEXTILES LIMITED	19. R.N Mukherjee Road Kolkata 700001	L67120WB1974PLC029267	Associate	NIL	2(6)
2.	LUCKY GOLDSTAR COMPANY LIMITED	19. R.N Mukherjee Road Kolkata-700001	L27205WB1985PLC038901	Associate	NIL	2(6)
3.	ETHICS COMMERCIALS LIMITED	19. R.N Mukherjee Road Kolkata-700001	L51502WB1985PLC039193	Associate	NIL	2(6)
4.	GEMINI OVERSEAS LIMITED	5, Mission Row Kolkata-700001	L51909WB1945PLC012223	Associate	NIL	2(6)
5.	TARUN FABRICS LIMITED	19, R.N. Mukherjee Road Kolkata-700001	U18101WB1983PLC081801	Associate	NIL	2(6)

**ATTACHMENT C**  
**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**  
**i) Category-wise Share Holding**

Category of shareholders	No. of Shares held at the beginning of the year (As on 01.04.2015)				No. of shares held at the end of the year [As on 31.03.2016]				% of change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
<b>A. PROMOTERS</b>									
(1) Indian									
a) Individual/HUF	1,72,75,615	-	1,72,75,615	21.88	1,72,75,615	-	1,72,75,615	21.88	-
b) Central Govt.									
c) State Govt.(s)									
d) Bodies Corporate	2,32,12,736	-	2,32,12,736	29.40	2,32,12,736	-	2,32,12,736	29.40	-
e) Banks/Fi									
f) Any Other..									
(f.i) Petroleum Trust (through Trustees for sole beneficiary									
SUB-TOTAL (a)(1)	4,04,88,351	-	4,04,88,351	51.28	4,04,88,351	-	4,04,88,351	51.28	-
(2) Foreign									
a) NRIs-Individuals									
b) Other-Individuals									
c) Bodies Corporate									
d) Banks/Fi									
e) Any other...									
SUB-TOTAL(A)(2)									
<b>TOTAL SHAREHOLDING OF PROMOTER(A)= (A)(1)+(A)(2)</b>	4,04,88,351	-	4,04,88,351	51.28	4,04,88,351	-	4,04,88,351	51.28	-
<b>B. PUBLIC SHAREHOLDING</b>									
1. Institutions									
A) Mutual funds	-	12,915	12,915	0.02	-	12,915	12,915	0.02	-
B) Banks/F.I's	500	1,250	1,750	0.00	500	1,250	1,750	0.00	-
C) Central Govt.									
D) State Govt(s)									
E) Venture Capital/Funds									
F) Insurance Companies	42,94,795	-	42,94,795	5.44	40,94,795	-	40,44,795	5.12	0.32
G) FIs									
H) Foreign Venture Capital Funds									
I) Others									
SUB-TOTAL (B)(1)	42,95,295	14,165	43,09,460	5.46	40,45,295	14,165	40,59,640	5.14	0.32

2. Non-institutions									
a) Bodies Corporate	85,74,896	42,645	86,17,541	10.91	83,93,542	42,645	84,36,187	10.69	0.22%
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	1,98,48,347	18,26,864	2,16,75,211	27.45	2,13,97,509	18,22,309	2,32,19,818	29.41	0.96%
ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh	23,35,952	-	23,35,952	2.96	13,27,076	-	13,27,076	1.68	0.28%
C) Others									
(c-i) NRI's	10,23,606	69,400	10,93,006	1.38	9,19,229	69,400	9,88,629	1.23	0.13%
(c-ii) Overseas Corporate Bodies	-	1,000	1,000	0.00	-	1,000	1,000	0.00	-
(c-iii) Foreign Bodies	-	4,32,099	4,32,099	0.55	-	4,32,099	4,32,099	0.55	-
SUB TOTAL (B)(2)	3,17,82,801	23,72,008	3,41,54,809	43.26	3,20,37,356	23,67,453	3,44,04,809	43.58	-
TOTAL PUBLIC SHAREHOLDING (B)=(B)(1)+(B)(2)	3,60,78,096	23,86,173	3,84,64,269	48.72	3,60,82,651	23,81,618	3,84,64,269	48.72	-
GRAND TOTAL (A+B)	7,65,59,119	23,93,501	7,89,52,620	100.00	7,65,71,002	23,81,618	7,89,52,620	100.00	-

**ATTACHMENT D**  
**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**

**ii) Shareholding of Promoters**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year (As on 01.04.2015)			Shareholding at the end of the year (As on 31.03.2016)			
		No. of Shares	% of shares of the Company	% of shares pledged/ encumbered to total shares	No. of Shares	% of shares of the Company	% of shares pledged/ encumbered to total shares	% change in shareholding during the year
1	Megha Shah	33,750	0.04	100.00	33,750	0.04	100.00	-
2	Varun Shah	1,20,000	0.15	100.00	1,20,000	0.15	100.00	-
3	Neha Shah	1,68,750	0.21	100.00	1,68,750	0.21	100.00	-
4	Pramod Kumar Shah	2,65,000	0.34	100.00	2,65,000	0.34	100.00	-
5	Preeti Shah	5,01,240	0.63	100.00	5,01,240	0.63	100.00	-
6	Kavita Shah	6,62,750	0.84	100.00	6,62,750	0.84	100.00	-
7	Shyam Sunder Shah	13,96,750	1.77	100.00	13,96,750	1.77	100.00	-
8	Sundeep Shah	16,64,000	2.11	100.00	16,64,000	2.11	100.00	-
9	Ginia Devi Shah	53,24,170	6.74	100.00	53,24,170	6.74	100.00	-
10	Shyam Sunder Shah	71,39,205	9.04	100.00	71,39,205	9.04	100.00	-
11	P K Textiles Limited	15,27,380	1.93	100.00	15,27,380	1.93	100.00	-
12	Lucky Goldstar Company Limited	17,51,580	2.22	100.00	17,51,580	2.22	100.00	-
13	Ethics Commercial Limited	26,88,696	3.41	100.00	26,88,696	3.41	100.00	-
14	Gemini Overseas Limited	76,69,580	9.71	100.00	76,69,580	9.71	100.00	-
15	Tarun Fabrics Limited	95,75,500	12.13	100.00	95,75,500	12.13	100.00	-

**ATTACHMENT E**  
**IV. SHARE HOLDING PATTERN (Equity Share Capital Break up as percentage of Total Equity)**  
**iii) Change in Promoters' Shareholding**

Sl. No.		Shareholding at the beginning of the year (As on 01.04.2015)		Cumulative Shareholding during the year (01.04.2014 to 31.03.2016)	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the company
	At the Beginning of the year	4,04,88,351	51.28	4,04,88,351	51.28
	Date wise Increase/Decrease in Promoters Share holding during the year	#			
	specifying the reasons for increase/decrease (e.g. allotment/ transfer/ bonus/sweat equity etc)#				
	At the End of the year	4,04,88,351	51.28	4,04,88,351	51.28

Note: # There is no change in the total shareholding of promoters between 01.04.2015 and 31.03.2016



**ATTACHMENT F**

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(iv) Shareholding Pattern of top ten Shareholders (Other than Directors, Promoters and Holders of GDRs and ADRs)

iii) Change in Promoters' Shareholding

SL.No.	Name	Shareholding	
		No. of Shares at the end of the year (31.03.16)	% of total shares of the Company (31.03.16)
1.	Universal Overseas Ltd.	35,81,167	4.54%
2.	P K Regency Pvt.Ltd	20,54,753	2.60%
3.	General Insurance Corpn. Of India	14,73,770	1.87%
4.	United India Insurance Co.Ltd	10,71,025	1.36%
5.	Life Insurance Corpn.Of India	7,50,000	0.95%
6.	National Insurance Co. Ltd.	7,50,000	0.95%
7.	Angel holdings Pvt. Ltd.	7,20,300	0.91%
8.	Morgan Wright Pte Ltd.	4,32,099	0.55%
9.	Shirin Vishnani	2,27,005	0.29%
10.	Chitrakoot Projects Ltd.	2,00,330	0.25%

# Note: The information with regard to the date wise increase/decrease in the shareholding during the year shall be made available for inspection at the registered office of the Company during working hours and any member interested in obtaining such information may write to the Company Secretary and the same will be furnished on request.

**ATTACHMENT G**

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

v. Shareholding of Directors and Key Managerial Personnel

Sl. Name No.	Shareholding	% of total shares of the Company	Date	Increase/Decrease in shareholding	Reason	Cumulative Shareholding during the year (01.04.15 to 31.03.16)	
						No. of Shares	% of total shares of the Company
<b>A. DIRECTORS:</b>							
1. Shyam Sunder Shah Chairman & Managing Director	71,39,205	9.04%	01.04.15	0	Nil		
					Movement during the year.	71,39,205	9.04%
2. Sundeep Shah Executive Director	16,64,000	2.11%	01.04.15	0	Nil		
					Movement during the year	16,64,000	2.11%
3. Megha Shah Executive Director	33,750	0.04%	01.04.15	0	Nil		
					Movement during the year	33,750	0.04%
4. R. S. Rungta Non-Executive Director	2,625	0.00%	01.04.15	0	Nil		
					Movement during the year	2,625	0.00%
5. G. D. Harnathaka Non-Executive Director	Nil	Nil	01.04.15	0	Nil		
					Movement during the year	Nil	Nil
6. H.S. Gopalka Non-Executive Director	14,700	0.01%	01.04.15	0	Nil		
					Movement during the year	14,700	0.01%
7. Dilip Kumar Rungta Non-Executive Director	Nil	Nil	01.04.15	0	Nil		
					Movement during the year	Nil	Nil
<b>B. Key Managerial Personnel(KMP's)</b>							
6 U.S Gutgutia Chief Financial Officer	Nil	Nil	01.04.15	0	Nil		
					Movement during the year	Nil	Nil
7 Deepak Agarwal Company Secretary	Nil	Nil	01.04.15	0	Nil		
					Movement during the year	Nil	Nil

**ATTACHMENT H**

V. INDEBTENDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans Excluding deposits	Unsecured Loans	Deposits	Amount (₹ in lakhs) Total Indebtedness
Indebtedness at the beginning of the financial year (01.04.2014)				
i) Principal Amount	44,503.18/-	1474.00/-	-	45,977.18/-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
TOTAL (I+II+III)	44,503.18/-	1474.00/-	-	45,977.18/-
<b>Change in indebtedness during the financial year</b>				
Addition	-	-	-	-
Reduction	8,264.81/-	-	-	8,264.81/-
Net change Indebtedness at the end of the financial Year (31.03.2015)	-	-	-	-
i) Principal Amount	36,238.37/-	1474.00/-	-	37,712.37/-
ii) Interest due but not paid	-	-	-	-
lii) Interest accrued but not due	-	-	-	-
TOTAL (I+II+III)	36,238.37/-	1474.00/-	-	37,712.37/-

**ATTACHMENT I**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(₹)

Sl No	Particulars of Remuneration	Name of MD/WTD/Manager			Total Amount
		S.S Shah	Sundeep Shah	Megha Shah	
1.	Gross Salary				
	a) Salary as per provisions contained in section 17(1) of the income tax Act, 1961	22,80,000/-	15,00,000/-	3,50,000/-	41,30,000/-
	b) Value of perquisites u/s. 17(2) of the income tax Act, 1961	-	-	-	-
	c) Profits in lieu of salary under section 17(3) of the income tax act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission				
	- As % of profit	-	-	-	-
	- Others	-	-	-	-
5.	Others	3,96,000/-	2,58,000/-	49,900/-	7,03,900/-
	TOTAL (A)	26,76,277/-	17,58,000/-	3,99,900/-	48,33,900/-

**ATTACHMENT J**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

B. Remuneration to other directors:

(₹)

Sl.No.	Particulars of Remuneration	Name of Directors				Total Amount
		H.S Gopalka	R.S Rungta	G.D Harnathka	Dilip Kumar Rungta	
1.	Independent Directors					
	- Fee for attending board/ committee meetings	28,000/-	14,000/-	10,000/-	14,000/0	66,000/-
	- Commission					
	- Others					
	TOTAL (1)	28,000/-	14,000/-	10,000/-	14,000/0	66,000/-
2.	Other Non-Executive Directors					
	- Fee for attending board/ committee meetings					
	- Commission					
	- Others					
	TOTAL (2)					
	TOTAL (B)= (1+2)	28,000/-	14,000/-	10,000/-	14,000/0	66,000/-
	TOTAL MANAGERIAL REMUNERATION					48,99,900/- *

\* Total Remuneration to Managing Director, Whole Time Director and all other director

**ATTACHMENT K**

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

## C. REMUNERATION TO KEY MANAGERIAL PERSONEL OTHER THAN MD/MANAGER/WTD

(₹)

SlNo	Particulars of Remuneration	Name of CEO/CFO/CS		Total Amount
		U.S Gutgutia Chief financial Officer	Deepak Agarwal Company Secretary	
1.	Gross Salary			
	a) Salary as per provisions contained in section 17(1) of the income tax Act, 1961	6,27,000/-	6,27,000/-	12,54,000/-
	b) Value of perquisites u/s. 17(2) of the income tax Act, 1961	75,240/-	75,240/-	1,50,480/-
	c) Profits in lieu of salary under section 17(3) of the income tax act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission	-	-	-
	- As % of profit	-	-	-
	- Others	-	-	-
5.	Others	1,19,558/-	82,800/-	2,02,358/-
	TOTAL (C)	8,21,798/-	7,85,040/-	16,06,838/-

**ATTACHMENT L**

## VII. PENALTIES/ PUNISHMENT/ COMPOUNDING OF OFFENCES (Company, Directors &amp; Other Officers in default)

Type	Section of the Companies Act	Brief Description	Details of Penalty/punishment/compounding fees imposed	Authority (RD/NLT/ COURT)	Appeal made, if any (give details)
Penalty					
Punishment					
Compounding					

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

(In terms of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

**1. OVERALL REVIEW, INDUSTRY STRUCTURE AND DEVELOPMENTS**

The overall performance of the Company for the year under review does not improved much but it intends to positively match the global market. The infusion of the new machineries and technology would be required to bring down the cost of production. The company is developing standard designs in common warps for regular products to reduce cost and it is hoped that these measures will bring the positive results for the future. The equilibrium in demand supply will take some time.

**2. OPPORTUNITIES AND THREATS**

The Company is engaged in manufacturing of textile and allied products currently from developing yarn to producing premium fashionable fabrics. Keeping itself updated on fashion and market trends worldwide, the company is today globally recognised for its deep understanding of silk. The threat is from small players who will enter the market and existing players creating competition in these segments due to which the margins will be under pressure in the future.

**Company Status:**

The Company has not been able to increase its customer base. Due to high production cost the margins are under pressure. To strengthen the Company's drive on cost optimization, the Company is aggressively working with various international suppliers and co-operating on technical know-how exchange to strengthen its contacts for a long term and continued supply of raw material.

**Company Outlook:**

Despite threats and concerns pertaining to high production cost, skilled man power requirement, dependency on imported raw materials and others the outlook remains cautiously positive. The 'Make in India' campaign launched by the government intends to provide a further boost to the Indian textile industry and enable it achieve 20% growth in exports and sustain 12% growth rate in domestic market till 2024-25 as suggested by report of expert committee on Vision, Strategy and Action Plan for Indian Textiles and Apparel Sector.

**3. RISK MANAGEMENT (Forms part of Director's Report)****4. SEGMENT WISE AND PRODUCT WISE PERFORMANCE**

The Company's business activities falls within a single primary segment viz. Textiles. The Company does not have any other segment as of now. The products and dealings are closely related with textiles and its allied products.

**5. HEALTHY, SAFETY AND ENVIRONMENT**

The Company accords significant importance to health, safety and Environment and related issues are taken up on priority basis. The Company ensures compliance of all statutory regulations related to Health, Safety and Environment. The Company's business activities falls within a single primary segment viz. Textiles. The Company believes in environmental protection and maintaining ecological balance. All discharges are closely monitored and were well within the statutory norms during the year under review.

**6. HUMAN RESOURCE AND INDUSTRIAL RELATIONS**

The Company strongly believes in the importance of Human Capital and nurturing the same. To match with the fast paced technological changes and also the changes in their business environment, the employees are provided regular training for upgradation of skills. The Company understands the importance of multi-skilling and job rotation and hence scientifically moves its employees in various roles thereby creating a versatile work force.

**7. INTERNALLY CONTROL SYSTEM AND THEIR ADEQUACY (Forms part of Director's Report)****8. FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE (Forms part of Director's Report)****9. CAUTIONARY STATEMENT**

Certain statements in this report on Management Discussion and Analysis describing the Company's view about the industry, objectives, projections, estimates, expectations or predictions may be forward looking within the meaning of applicable laws and regulations. Actual results may differ from those implied therein. Important factors that could make a difference include economic developments within India and countries with which the Company conducts business, government regulations and tax regime, availability of raw materials and prices and other incidental factors.



### ANNUAL COMPLIANCE WITH THE CODE OF CONDUCT FOR THE FINANCIAL YEAR 2015-2016

Pursuant to the Schedule V (Part D) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, I hereby confirm that the Company has received affirmations on compliance with the Code of Conduct for the financial year ended 31<sup>st</sup> March, 2016 from all the Board Members and Senior Management Personnel.

Place: Kolkata  
The 30<sup>th</sup> May, 2016

For and on behalf of the Board of Directors  
**Eastern Silk Industries Limited**  
**Shyam Sunder Shah**  
Chairman & Managing Director

### AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER SCHEDULE V (PART E) OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

To  
**The Members**  
Eastern Silk Industries Limited

We have examined the compliance of conditions of Corporate Governance by Eastern Silk Industries Limited ('the Company'), for the year ended on 31st March, 2016, as stipulated in Chapter IV of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to the Listing Agreement of the said Company with the NSE Limited, Mumbai.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the provisions as specified in Chapter IV of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to the Listing Agreement of the said Company with the NSE Limited, Mumbai.

We state that based on the report given by the Registrars & Share Transfer Agent of the Company to the Investors Grievance Committee, as on March 31, 2016 there were no Investors' grievance matter against the Company remaining unattended/ pending for more than 30 days.

We further state that this certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

23A, Netaji Subhas Road  
Kolkata  
The 30<sup>th</sup> May, 2016.

For **B.K.SHROFF & CO.**  
Firm Registration No.:302166E  
Chartered Accountant  
**(L.K.Shroff)**  
PARTNER  
Membership No. : 060742

### Independent Auditors' Report

To  
The Members  
**Eastern Silk Industries Limited**

#### Report on the Financial Statements

We have audited the accompanying financial statements of **Eastern Silk Industries Limited** which comprise the Balance Sheet as at 31<sup>st</sup> March, 2016, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

#### Management's responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2016, and its loss and its cash flows for the year ended on that date.

#### EMPHASIS OF MATTER

We draw attention to ;

- a) Note No. 33 (c) to the financial statements which states that the company has not provided interest to lenders amounting to ₹ 10,102.52 lacs for the period April, 2014 to March, 2016.



- b) Note No. 35 to the financial statements which states that the company is a BIFR company pending registration as per the provisions of the SICA Act 1985.
- c) Note No. 36(a) to the financial statements which states that a fresh provision of ₹ 6,563.07 Lacs has been made during the year for bad & doubtful debts, thus aggregating to ₹ 16,265.52 Lacs as at 31<sup>st</sup> March, 2016 against a total Overdue Trade Receivables of ₹ 26,731.20 lacs, of which ₹ 10,465.68 Lacs is considered good for recovery by the management. We are unable to express any opinion on correctness and/or adequacy of the provision for bad & doubtful debts.
- d) Note No. 37 to the financial statements regarding non recognition of Net Deferred Tax Assets (DTA) of ₹ 2.56 lacs in the accounts. We are unable to express any opinion regarding non-recognition of DTA and about its adjustment against future profits of the company.

#### Report on Other Legal and Regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by section 143(3) of the Act, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - c) The Balance sheet, Statement of Profit and Loss and Cash Flow Statement, dealt with by this Report are in agreement with the books of account;
  - d) In our opinion, the Balance sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - e) On the basis of written representation received from the directors as at 31<sup>st</sup> March, 2016 and taken on record by the Board of Directors, none of the directors is disqualified as at 31<sup>st</sup> March, 2016, from being appointed as a director in terms of Section 164 (2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
  - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note No.27 to the financial statements
    - The Company has no long-term contracts including derivative contracts hence no provision is required under the applicable law or accounting standards
    - There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **B. K. SHROFF & CO.**  
**Firm Registration No.: 302166E**  
**Chartered Accountants**  
**(L.K.Shroff)**  
**PARTNER**  
**Membership No. : 060742**

Place : Kolkata  
 Date : The 30<sup>th</sup> May, 2016



#### "Annexure A" referred to in Paragraph 1 of Our Report of even date to the members of Eastern Silk Industries Limited on the accounts of the Company for the year ended 31<sup>st</sup> March, 2016.

- i) a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b. The management has physically verified certain fixed assets during the year in accordance with a programme of verification, which, in our opinion, provides for physical verification of the fixed assets at reasonable intervals having regard to the size of the Company and nature of its assets. According to the information and explanations given to us no material discrepancies were noticed on such verification and the same have been properly dealt with in the books of account.
- c. The title deeds of immovable properties are held in the name of the Company
- ii) As explained to us, inventories have been physically verified by the management at regular intervals during the year. In our opinion and according to the information and explanations given to us, no material discrepancies were noticed on such verification and the same have been properly dealt with in the books of account.
- iii) The Company has not granted any loans, secured or unsecured to Companies, Firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 and as such clauses (iii) (a) (b) (c) of the order are not applicable to the Company.
- iv) In our opinion and according to the information and explanations given to us, no loans, investments, guarantees, and security covered under section 185 and 186 of the Companies Act, 2013 has been given or made by the Company.
- v) According to the information and explanation given to us, the Company has not accepted any deposit from the public and as such clause (v) of the order is not applicable to the Company.
- vi) The Central Government has not specified the maintenance of cost records under section 148(1) of the Companies Act, 2013 in respect of the products dealt with by the Company.
- vii) According to the information and explanations given to us in respect of the statutory dues:
  - a. The Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Wealth Tax, Sales Tax, Service Tax, Customs Duty, Cess and other applicable statutory dues with the appropriate authorities during the year. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31<sup>st</sup> March, 2016 for a period of more than six months from the date they became payable.
  - b. According to the information and explanations given to us, details of dues of Customs Duty, Excise Duty, Income Tax, Sales Tax, Wealth Tax, Service Tax and Cess which have not been deposited on account of any dispute are as follows :



Name of the Statute	Name of the Dues	Amount (₹. in lacs)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act	Excise Duty and Penalty	26.72	2002-03	Deputy Commissioner, Central Excise
Employees State Insurance Act	Employees State Insurance	6.03	1995-96 & 2002-03	Asst. Director, ESIC
Customs Duty Act	Custom Duty	109.77	2001-02	Hon'ble High Court of Kamatka
Customs Duty Act	Custom Duty	154.50	2005-06	Commissioner of Custom (Port), Kolkata
Customs Duty Act	Custom Duty	78.92	2003-04	CESTAT, Bangalore
Customs Duty Act	Custom Duty	28.70	2003-04	Commissioner of Custom
Customs Duty Act	Custom Duty	44.07	2002-03	Commissioner of Custom
Customs Duty Act	Custom Duty	205.00	2010-11	CESTAT, KOLKATA
Customs Duty Act	Custom Duty	15.87	2014-15	CESTAT, NEW DELHI
Customs Duty Act	Custom Duty	69.19	2014-15	CESTAT, NEW DELHI
Service Tax	Service Tax	73.68	2015-16	CESTAT, KOLKATA
Income Tax Act	Income Tax	2.31	2004-05	I.T.A.T (Kolkata)
Income Tax Act	Income Tax	71.51	2010-11	I.T.A.T (Kolkata)

- viii) The Company has not taken any loans or borrowing from a financial institution and banks during the financial year under Audit. The company has defaulted in repayment of the following amount to Banks & to Financial Institutions since financial year 2014-15. :
- a) Term Loan ₹ 5,341.59 Lacs  
b) Other Loans ₹ 27,341.78 Lacs  
c) \* Interest ₹ 11,751.17 Lacs
- \* ₹ 1,648.65 Lacs provided in Statement of Accounts and ₹ 10,102.52 Lacs not provided in the Statement of Accounts.
- ix) No moneys has been raised by way of initial public offer or further public offer (including debt instruments) and no any term loans has been obtained during the year and as such clause (ix) of the order is not applicable to the Company.
- x) Based on the audit procedures performed and the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.
- xi) In our opinion and according to the information and explanations given to us, managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- xii) The Company is not a Nidhi Company and as such clause (xii) of the order is not applicable to the Company.
- xiii) In our opinion, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards.
- xiv) During the year under review, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.
- xv) The Company has not entered into any non-cash transactions with directors or persons connected with him.
- xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **B. K. SHROFF & CO.**  
Firm Registration No.: 302166E  
Chartered Accountants  
(L.K.Shroff)  
PARTNER  
Membership No. : 060742

Place : Kolkata  
Date : The 30<sup>th</sup> May, 2016

### “Annexure – B” referred to in paragraph 2 (f) to the Independent Auditor's Report of even date on the Standalone Financial Statements of Eastern Silk Industries Limited.

#### Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of Eastern Silk Industries Limited (“the Company”) as of March 31<sup>st</sup>, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

#### Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on “the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India (ICAI)”. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my /our audit opinion on the Company's internal financial controls system over financial reporting.

#### Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that:

- a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;





- b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and
- c) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31<sup>st</sup> March, 2016, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI".

Place : Kolkata  
Date : The 30<sup>th</sup> May, 2016

For **B. K. SHROFF & CO.**  
**Firm Registration No.: 302166E**  
**Chartered Accountants**  
**(L.K.Shroff)**  
**PARTNER**  
**Membership No. : 060742**

**BALANCE SHEET**

AS AT 31ST MARCH, 2016

	Note No.	31st March, 2016 ₹	(₹ in lacs) 31st March, 2015 ₹
<b>I. EQUITY AND LIABILITIES</b>			
<b>Shareholder's Funds</b>			
Share Capital	2	2,979.05	2,979.05
Reserves and Surplus	3	(10,695.74)	(8,513.13)
<b>Non-Current Liabilities</b>			
Long-term borrowings	4	33,583.03	40,111.46
Long-term provisions	6	31.77	16.06
<b>Current Liabilities</b>			
Short-term borrowings	7	4,129.34	5,865.72
Trade payables	8	541.05	446.44
Other current liabilities	9	3,814.25	2,723.73
Short-term provisions	10	156.62	147.22
		<u>34,539.37</u>	<u>43,776.55</u>
<b>II. ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	11		
(i) Tangible assets		7,686.07	9,104.02
(ii) Capital work-in-progress		129.56	6.28
Non-current investments	12	0.39	0.39
Deferred Tax Asset	5	4,572.98	4,572.98
Long term loans and advances	13	80.14	79.44
<b>Current assets</b>			
Inventories	14	6,317.14	7,650.20
Trade receivables	15	11,378.35	18,347.02
Cash and cash equivalents	16	3,772.31	3,412.53
Short-term loans and advances	17	602.43	603.69
		<u>34,539.37</u>	<u>43,776.55</u>
<b>Significant Accounting Policy</b>	1		
<b>The Notes are an integral part of financial statements</b>			

As per our report attached

For and on behalf of the Board

For **B. K. SHROFF & CO.**  
Firm Registration No. : 302166E  
Chartered Accountants

(L.K.Shroff)  
Partner  
(Mem.No.060742)

Kolkata The 30 <sup>th</sup> May, 2016	<b>S. S. Shah</b> Chairman & Managing Director DIN 00491097	<b>Sundeep Shah</b> Executive Director DIN 00484311	<b>H. S. Gopalka</b> Director DIN 01099359	<b>Deepak Agarwal</b> Secretary	<b>U.S. Gutgutia</b> Chief Financial Officer
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**STATEMENT OF PROFIT & LOSS**

FOR THE YEAR ENDED 31ST MARCH, 2016

	Note No.	31st March, 2016 ₹	(₹ in lacs) 31st March, 2015 ₹
Revenue from operations	18	7,047.41	6,101.77
Other Income	19	1,539.60	1,031.52
<b>Total Revenue</b>		<u>8,587.01</u>	<u>7,133.29</u>
Cost of materials consumed	20	1,212.65	1,133.72
Purchase of Stock-in-Trade	21	1,710.33	1,206.83
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	22	1,320.34	966.61
Employee benefit expenses	23	819.45	732.86
Finance cost	24	12.26	234.53
Depreciation and amortization expense	25	1,378.64	2,023.08
Other expenses	26	9,356.02	6,270.51
<b>Total Expenses</b>		<u>15,809.69</u>	<u>12,568.14</u>
<b>Profit / (Loss) before exceptional items and tax</b>		<u>(7,222.68)</u>	<u>(5,434.85)</u>
<b>Exceptional Items</b>	34	5,040.07	1,746.61
<b>Profit / (Loss) before tax</b>		<u>(2,182.61)</u>	<u>(3,688.24)</u>
Tax expense:			
Deferred tax		-	-
Earlier Year Taxation		-	-
<b>Profit / (Loss) for the year</b>		<u>(2,182.61)</u>	<u>(3,688.24)</u>
Earning per equity share:			
Basic & Diluted		-2.93	-4.84
<b>Significant Accounting Policy</b>	1		
<b>The Notes are an integral part of financial statements.</b>			

As per our report attached

For and on behalf of the Board

For **B. K. SHROFF & CO.**  
Firm Registration No. : 302166E  
Chartered Accountants

(L.K.Shroff)  
Partner  
(Mem.No.060742)

Kolkata The 30 <sup>th</sup> May, 2016	<b>S. S. Shah</b> Chairman & Managing Director DIN 00491097	<b>Sundeep Shah</b> Executive Director DIN 00484311	<b>H. S. Gopalka</b> Director DIN 01099359	<b>Deepak Agarwal</b> Secretary	<b>U.S. Gutgutia</b> Chief Financial Officer
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**CASH FLOW STATEMENT**

for the Year Ended 31st March, 2016

	(₹ in lacs)	
	31st March, 2016	31st March, 2015
	₹	₹
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
<b>Net Profit / ( Loss) Before Tax and Exceptional Items</b>	<b>(7,222.68)</b>	<b>(5,434.85)</b>
<b>Add : Adjustments for :</b>		
Depreciation	1,378.64	2,023.08
Bad Debt	2,964.01	1,764.65
Interest	12.26	234.53
Provision for Doubtful Debts (net)	3,600.42	2,016.25
Irrecoverable Balance Written Off	38.98	2.86
Loss on Sale of Fixed Assets	218.92	14.59
<b>Less : Adjustments for :</b>		
Interest & Dividend Received	63.87	140.27
Unrealised Foreign Exchange(Net)	589.62	565.95
Profit on Sale of Fixed Assets	0.50	6.83
Profit on Sale of Investments	-	19.27
Sundry Balances Adjusted	805.61	299.99
<b>Operating Profit Before Working Capital Changes</b>	<b>(469.05)</b>	<b>(411.20)</b>
(Increase)/Decrease in Inventories	1,333.06	821.48
(Increase)/Decrease in Trade Receivables	993.85	410.19
(Increase)/Decrease in Long Term Loans & Advances	(39.68)	(2.89)
(Increase)/Decrease in Short Term Loans & Advances	9.18	90.96
Increase/(Decrease) in Trade Payables	900.22	472.35
Increase/(Decrease) in Other Liabilities	1,090.52	(366.48)
Increase/(Decrease) in Long Term Provisions	15.71	(1.70)
Increase/(Decrease) in Short Term Provisions	9.40	33.77
<b>Cash Generated From Operations</b>	<b>3,843.21</b>	<b>1,046.48</b>
Interest paid on Working Capital	12.25	234.26
Taxes paid	7.92	20.21
<b>Cash Flow From Operation before Exceptional Item</b>	<b>3,823.04</b>	<b>792.01</b>
Exceptional Item	5,040.07	1,746.61
<b>Net Cash Flow From Operating Activities</b>	<b>8,863.11</b>	<b>2,538.62</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
<b>Add : Inflows</b>		
Sale of Fixed Assets	54.50	48.15
Sale of Investments	-	519.26
Interest Received	63.81	140.20
Dividend Received	0.06	0.08
<b>Less : Outflows</b>		
Purchase of Fixed Assets	356.88	153.24
Purchase of Investment	-	500.00
<b>Net Cash Used In Investing Activities</b>	<b>(238.51)</b>	<b>54.44</b>

**CASH FLOW STATEMENT**

for the Year Ended 31st March, 2016

	(₹ in lacs)	
	31st March, 2016	31st March, 2015
	₹	₹
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Increase / (Decrease) in Short Term Borrowings	(1,736.38)	(358.31)
Increase / (Decrease) in Long Term Borrowings	(6,528.43)	(1,549.78)
Less:		
Interest paid on Term loan,WCTL,FITL & others	0.01	0.27
<b>Net Cash Used In Financing Activities</b>	<b>(8,264.82)</b>	<b>(1,908.36)</b>
<b>Net Changes In Cash &amp; Cash Equivalents (A+B+C)</b>	<b>359.78</b>	<b>684.70</b>
* <b>Cash &amp; Cash Equivalents - Opening Balance</b>	<b>3,412.53</b>	<b>2,727.83</b>
* <b>Cash &amp; Cash Equivalents - Closing Balance</b>	<b>3,772.31</b>	<b>3,412.53</b>

\* Represents Cash &amp; Cash Equivalents as indicated in Note No.16

As per our report attached

For and on behalf of the Board

For **B. K. SHROFF & CO.**

Firm Registration No. : 302166E

Chartered Accountants

**(L.K.Shroff)**Partner  
(Mem.No.060742)Kolkata  
The 30<sup>th</sup> May, 2016**S. S. Shah**  
Chairman &  
Managing Director  
DIN 00491097**Sundeep Shah**  
Executive Director  
DIN 00484311**H. S. Gopalka**  
Director  
DIN 01099359**Deepak Agarwal**  
Secretary**U.S. Gutgutia**  
Chief Financial  
Officer

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

## 1. SIGNIFICANT ACCOUNTING POLICIES

i) **Basis of Accounting :**

The financial statements are prepared under the historical cost convention using accrual method of accounting in accordance with the generally accepted accounting principles in India, unless otherwise stated.

ii) **Use of Estimates :**

The preparation of financial statements requires estimates and assumptions to be made based on the current working that affect the reported amount of assets and liabilities (including contingent liabilities) on the date of financial statements and the reported amount of revenues and expenses for the reporting period. Difference between the actual and the estimates, if any, are accounted for in the period in which such differences are known/materialized.

iii) **Fixed Assets :**

Fixed assets are stated at its purchase price including direct expenses, finance cost till it is put to use net of recoverable taxes. If the fixed assets are revalued then they are stated at revalued amount. Accumulated depreciation, impairment loss, if any, is reduced from the fixed assets and shown under the net asset value on the reporting date. The cost including additions, improvements, renewals, revalued amount and accumulated depreciation of assets which are sold and/or discarded and/or impaired, are removed from the fixed assets and any profit or loss resulting there from is included in the Statement of Profit & Loss and the residual value of the revalued amount is withdrawn from such reserves created for the purpose.

iv) **Leased Assets :**

Leased assets are stated at premium paid on such assets. Rentals, if any, are expensed with reference to the lease terms and other conditions. No amortization of the lease premium in respect of Land is done in cases where conditions are stipulated for conversion from leasehold to freehold.

v) **Depreciation :**

Depreciation is calculated on all the fixed assets based on the method prescribed under Schedule II of the Companies Act, 2013. Depreciation on the assets hitherto calculated on Written Down Value/Straight Line method is charged based on the remaining useful life of the assets as prescribed under the Act. Depreciation on assets added w.e.f. 01<sup>st</sup> April, 2014 is provided as per Straight Line Method on the basis of useful life of the assets as prescribed under the said Schedule and on pro rata basis. Depreciation on the assets disposed off/impaired during the year is provided on pro-rata basis.

Depreciation on the revalued assets is calculated at the rates prescribed under Schedule II of the Act and such depreciation is withdrawn from capital reserve.

vi) **Impairment of Assets :**

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value being higher of value in use and net selling price. Value in use is computed at net present value of cash flow expected over the balance useful life of the assets. An impairment loss is recognized as an expense in the Statement of Profit & Loss in the year in which an asset is identified as impaired. In case of impaired revalued assets, the impaired loss on the residual value is withdrawn from such reserves created for the purpose. The impairment loss recognized in earlier accounting period is reversed if there has been an improvement in recoverable amount.

vii) **Capital Work-in-Progress :**

Capital work-in-progress is stated at cost which includes expenses incurred during the construction period, interest on account of borrowed money for acquisition of assets and other expenses incurred in connection with project implementation so far as such expenses related to the assets prior to the commencement of the commercial production.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016viii) **Foreign Currency Transactions :**

- a) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of transaction.
- b) Year end balance of assets and liabilities in foreign currencies are translated at the year-end rates and difference between year-end balance and such restated balance are dealt in under Exchange rate difference in the profit and loss statement.
- c) The difference arising out of the actual settlement on realization / payment are dealt with in the Statement of Profit & Loss under Exchange Rate Difference arising on such transactions.
- d) The Company uses foreign currency forward contract and currency options to hedge its risks associated with foreign currency fluctuation relating to certain firm commitments and forecasted transactions. The Company designates this hedging instruments as cash flow hedges applying the recognition and measurement principles set out in the Accounting Standard 30 'Financial Instruments: Recognition and Measurement' (AS-30). Profit/loss over and above the hedged/forecasted amounts are accounted for in the Statement of Profit & Loss in the year of maturity.

ix) **Investments :**

Investments wherever readily realizable and intended to be held not more than one year from the date of such investments are made, are qualified as current investments. Current investments are carried at lower of cost and quoted/fair value, computed category-wise.

Long-term investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary.

x) **Inventories:**

Items of inventories such as raw materials and Stock-in-Trade, Finished Goods are measured at lower of cost or net realizable value after providing for obsolescence if any. Work-in-progress is valued at estimated cost and stocks & spare parts, dyes & chemicals, packing materials etc. are valued at cost.

Work-in-progress comprises of cost of purchase, cost of conversion and other costs including manufacturing overheads incurred in bringing them in their present condition.

xi) **Revenue Recognition :**

Revenue is recognized only when it can be definitely measured and it is reasonable to expect final collection. Revenue from operations includes sale of goods after adjustment of discounts (net) and return of goods. Earnest deposits from customers are recognized as Revenue on obligatory failures. Export benefit entitlement to the Company under Drawback, DEPB, DFIA is recognized in the year of export on accrual basis wherever it is ascertainable with reasonable accuracy.

Dividend income is recognized on actual receipt basis.

xii) **Employee Benefits :**

a) **Short-term Employee Benefits**  
Short-term Employee Benefits (i.e. benefits payable within one year) are recognized in the period in which employee services are rendered.

b) **Post employment Benefits**1) **Defined Contribution Plans**

Contributions towards provident funds are recognized as expense. Provident fund contributions in respect of certain employees are made to Trust administered by the Company, the interest rate payable to the members of the Trust is not lower than the rate of interest declared annually by the Central Government under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall if any, is made good by the Company. The remaining provident fund contributions are made to government administered provident fund towards which the Company has no further obligations beyond its monthly contributions.



**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

2) **Defined Benefit Plans**

Liability towards gratuity, covering eligible employees is provided and funded through LIC managed Group Gratuity Policy on the basis of year end actuarial valuation.

Accrued liability towards Leave encashment benefits, covering eligible employees, evaluated on the basis of year-end actuarial valuation is recognized as a charge.

Contribution to Central Government administered Employees' State Insurance Scheme for eligible employees are recognized as charge.

Actuarial gains/losses arising in Defined Benefit Plans are recognized in the Statement of Profit and Loss as income/expense for the year in which they occur.

xiii) **Borrowing Cost :**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred. Capitalization of borrowing costs ceases when the qualifying asset is ready for intended use .

xiv) **Deferred Taxation :**

Deferred Taxation is provided using the liability method in respect of taxation effect arising from material timing difference between the accounting and tax treatment of Income & Expenditure based on tax rates prevailing at the time of Balance Sheet date. Deferred Taxation so provided is reviewed at each Balance Sheet date for necessary adjustments.

xv) **Earning per Share :**

Basic earning per share is calculated by dividing the Net Profit for the year attributable to equity shareholders (after deducting the dividend on redeemable preference share) by the weighted average number of equity shares outstanding during the year.

Diluted earning per share is calculated by dividing the net profit attributable to equity shareholders (after deducting the dividend on redeemable preference share) by weighted average number of equity shares outstanding during the year after adjusting for the effects of dilutive options.

xvi) **Events occurring after Balance Sheet Date :**

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

xvii) **Contingent Liabilities :**

Unprovided liabilities of contingent nature are disclosed in the accounts by way of notes giving nature and quantum of such liabilities.

xviii) **Research & Development Expenditure :**

a) Capital Expenditure is included in Fixed Assets and depreciation is provided as per Schedule II of the Companies Act, 2013.

b) Revenue Expenditure is charged in the Statement of Profit & Loss during the year in which they are incurred.

xix) **Cash Flow Statement :**

The Company adopts the Indirect Method in preparation of Cash Flow Statement. For the purpose of Cash Flow Statement Cash & Cash equivalents consists of Cash on hand, Cash at Bank, Term Deposits & Cheques in hand.



**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

(₹ in lacs)

		<u>31st March, 2016</u>		<u>31st March, 2015</u>
		₹		₹

**Note 2 : Share Capital**

<b>No. of Shares</b> 15,00,00,000 (15,00,00,000)	<b>Authorised</b> Equity Shares of ₹ 2/- each	<b>3,000.00</b>		3,000.00	
	8 % Redeemable Cumulative Preference Shares of ₹ 100/- each	<b>2,000.00</b>	<b>5,000.00</b>	2,000.00	5,000.00
<b>20,00,000</b> (20,00,000)	<b>Issued</b> Equity Shares of ₹ 2/- each	<b>1,582.20</b>		1,582.20	
	8 % Redeemable Cumulative Preference Shares of ₹100/- each	<b>1,400.00</b>	<b>2,982.20</b>	1,400.00	2,982.20
<b>14,00,000</b> (14,00,000)	<b>Subscribed &amp; Paid Up</b> Equity Shares of ₹ 2/- each	<b>1,579.05</b>		1,579.05	
<b>7,89,52,620</b> (7,89,52,620)	8 % Redeemable Cumulative Preference Shares of ₹ 100/- each	<b>1,400.00</b>	<b>2,979.05</b>	1,400.00	2,979.05
			<b>2,979.05</b>		2,979.05

- a) There is no change/movement in number of shares outstanding at the beginning and at the end of the reporting period.
- b) The Company has two class of issued shares i.e. Equity Shares of ₹ 2/- each and Redeemable Cumulative Preference Shares of ₹ 100/- each. Every Equity Share is entitled to one vote and equal right for dividend after payment of preference dividend to preference share holders. The dividend proposed by the Board of Directors is subject to approval of shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the share holders are eligible to receive the remaining assets of the Company after payment of all preferential amounts in proportion to their shareholding.
- c) The Company does not have any Holding Company
- d) Details of shareholders holding more than 5% shares in the Company.

	<u>31st March, 2016</u>		<u>31st March, 2015</u>		
	<u>Equity Shares of ₹ 2/- each fully paid</u>	<u>No. of Shares</u>	<u>% of Holding</u>	<u>No. of Shares</u>	<u>% of Holding</u>
Shri Shyam Sunder Shah		<b>71,39,205</b>	<b>9.04</b>	71,39,205	9.04
Smt. G.D. Shah		<b>53,24,170</b>	<b>6.74</b>	53,24,170	6.74
Gemini Overseas Ltd.		<b>76,69,580</b>	<b>9.71</b>	76,69,580	9.71
Tarun Fabrics Ltd.		<b>95,75,500</b>	<b>12.13</b>	95,75,500	12.13

- e) No Equity Shares have been reserved for issue under options and contracts/commitments for the sale of shares/disinvestment as at the Balance Sheet date.
- f) No shares have been allotted or has been bought back by the Company during the 5 years preceeding the date at which Balance Sheet is prepared.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**Note 2 :- Share Capital (Contd.)**

- g) No securities convertible into Equity/Preference shares issued by the Company during the year.
- h) No calls are unpaid by any Director or Officer of the Company during the year.
- i) During 1995-96 the company offered 1,18,13,725 Equity Shares of ₹ 2/- each to the existing Shareholders in the ratio of 1 share for every 2 shares held, at a premium of ₹ 6/- per share as per letter of offer dated December 21, 1995. Out of the above shares, allotment of 6,000 Equity Shares are kept in abeyance under Court Order.
- j) 6,00,000 Redeemable Cumulative Preference Shares were allotted by the Company on 21.01.2004, 2,00,000 Redeemable Cumulative Preference Shares were allotted by Erstwhile Eastern Jingying Ltd. on 09.02.2004 & 6,00,000 Redeemable Cumulative Preference Shares were allotted by Erstwhile Sstella Silks Ltd. on 26.03.2005. All the Preference Shares are carrying dividend at the rate of 8%. The date of redemption of all the preference shares which were due for redemption on 25th March, 2010 and 1st April, 2010 have now been extended upto 1st April, 2020 with the consent of all the preference shareholders. Hence, the earliest date of redemption is 1st April, 2020. However the redemption of the preference shares can only be made after the entire dues of Banks & Institutions are repaid.
- k) The Promoter's shareholding remains encumbered in favour of Allahabad Bank, Leader Bank of Consortium of Banks.

	31st March, 2016 ₹	(₹ in lacs) 31st March, 2015 ₹
<b>Note 3 :- Reserves &amp; Surplus</b>		
<b>Capital Reserve</b>		
Opening Balance	25.58	308.64
Less :Depreciation on Revalued Asset	-	283.06
Closing Balance	<u>25.58</u>	<u>25.58</u>
<b>Capital Redemption Reserve</b>		
Opening Balance	1,400.00	1,400.00
Closing Balance	<u>1,400.00</u>	<u>1,400.00</u>
<b>Securities Premium Account</b>		
Opening Balance	11,428.75	11,428.75
Closing Balance	<u>11,428.75</u>	<u>11,428.75</u>
<b>Preference Share Redemption Reserve</b>		
Opening Balance	1,400.00	1,400.00
Closing Balance	<u>1,400.00</u>	<u>1,400.00</u>
<b>Surplus/(Deficit)</b>		
Opening Balance	(22,767.46)	(18,337.52)
Add: Transitional Depreciation Adjustments	-	75.94
Less :Depreciation on Revalued Asset	-	(817.64)
Net Loss For the Year	<u>(2,182.61)</u>	<u>(3,688.24)</u>
Closing Balance	<u>(24,950.07)</u>	<u>(22,767.46)</u>
	<u>(10,695.74)</u>	<u>(8,513.13)</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**Note 4 :- Long Term Borrowings Secured**

	31st March, 2016 ₹	(₹ in lacs) 31st March, 2015 ₹
<b>Secured</b>		
Loan from Banks		
Term Loan	5,341.59	5,341.59
Working Capital Term Loan	19,513.24	27,662.97
Funded Interest Term Loan	3,699.20	4,943.90
Loan From Others	3,555.00	689.00
<b>Unsecured</b>		
Loan From Promoters		
Smt Ginia Devi Shah	367.00	367.00
Shri Shyam Sunder Shah-Chairman & M.D.	367.00	367.00
Loan From Related Parties		
Ethics Commercials Ltd	350.00	350.00
P.K.Textiles Ltd.	390.00	390.00
	<u>33,583.03</u>	<u>40,111.46</u>

**Nature of Security****Term Loan**

- i) Pari passu first charge over entire movable fixed assets excluding assets charged to other lenders.
- ii) Pari passu second charge over the company's entire current assets excluding assets charged to other lenders.
- iii) Equitable Mortgage of the Company's Property No. 84 in Sl. No. 39 measuring to an extent of 4 Acres 34 guntas situated at Kammasandra, Agrahara, Village- Kasaba Hobli, Anekal Taluk, Bangalore Dist together with all buildings & structures thereon and all plant & machinery attached to the earth; both present & future.
- iv) Equitable mortgage of the Company's property on Plot No: 209 in Bommasundra Industrial Area, Anekal Taluk, Hosur Road, Bangalore, admeasuring 10896 sq.mtrs together with all buildings & structures thereon.
- v) Personal guarantee of Shri S.S.Shah and Shri Sundeep Shah.

**Working Capital Term Loan (WCTL)**

- i) Secured against first pari-passu charge on all Assets, excluding assets exclusively charged to respective lenders.
- ii) Equitable Mortgage of the Company's Property at Plot No.11A of Nanjangud Industrial area situated in Sl. No.184,185 and 169 of Kallahally Village, Chikkaiahna, Chatra, Hobli, Nanjangud Taluk, Mysore District containing by admeasurement 58686.00 sq. mtrs.
- iii) Second charge on the Company's property at 411, Telugarahalli Road, Anekal, Bangalore-562106
- iv) Second charge on the Company's property at Kammasandra Agrahara Kasaba Hobli, Anekal, Bangalore-562106.
- v) Second Charge on the company's Plot No: 209 in Bommasundra Industrial Area, Anekal Taluk, Hosur Road, Bangalore, admeasuring 10896 sq.mtrs together with all buildings & structures thereon.
- vi) Personal guarantee of Shri S.S.Shah and Shri Sundeep Shah.

**Loan from others**

Secured on the Company's assets as mentioned under the security of WCTL and by residual charge to the extent of satisfaction under OTS with Banks & Others.

**Loan from Related Parties**

Promoters Contribution (free of interest) to remain subordinate to the Bank Loans.

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

Bank	Term Loan		WCTL		FITL	
	31.3.2016 ₹	31.3.2015 ₹	31.3.2016 ₹	31.3.2015 ₹	31.3.2016 ₹	31.3.2015 ₹
Allahabad Bank	-	-	7,398.00	7,398.00	962.35	962.35
Edelweiss Asset Reconstruction Co.ltd (Canara Bank)	-	-	-	2,243.12	-	333.06
Exim Bank	2,984.60	2,984.60	-	-	493.81	493.81
SIDBI	-	-	770.00	770.00	119.00	119.00
State Bank of India	2,356.99	2,356.99	6,399.00	6,399.00	1,362.97	1,362.97
State Bank of Mysore	-	-	-	3,137.61	-	484.64
Edelweiss Asset Reconstruction Co.ltd (The Federal Bank Ltd.)	-	-	2,973.00	2,973.00	459.00	459.00
Edelweiss Asset Reconstruction Co.ltd (Uco Bank)	-	-	-	2,769.00	-	427.00
Union Bank of India	-	-	1,973.24	1,973.24	302.07	302.07
<b>Total</b>	<b>5,341.59</b>	<b>5,341.59</b>	<b>19,513.24</b>	<b>27,662.97</b>	<b>3,699.20</b>	<b>4,943.90</b>

**Note 5:-Deferred Tax (Liability) /Asset :- \***

## Deferred Tax ( Liability) / Asset :

Opening Balance	4,572.98	4,572.98
<b>Net Deferred Tax ( Liability) / Asset</b>	<b>4,572.98</b>	<b>4,572.98</b>

\* Refer to Note : 37

**Note 6:- Long Term Provisions**

## Provisions for Employees Benefit

Leave Encashment	31.77	16.06
	<b>31.77</b>	<b>16.06</b>

**Note 7 :- Short Term Borrowings**

## Secured Loan \*

Loans repayable on demand	4,129.34	5,865.72
(Cash Credit/Packing Credit/Foreign Bills Payable/Letter of Credit)	<b>4,129.34</b>	<b>5,865.72</b>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**Note 7: Short Term Borrowings (Contd.)****\*Nature of Security**

- Hypothecation of entire current assets including book debts of the company on first charge basis ranking pari passu with Bankers without any preference or priority of one over the other.
- Hypothecation of realizable non-current assets of the company on first charge basis ranking pari passu.
- Hypothecation of all tangible,moveable plant & machineries,equipment,etc.located at the Company's unit at Anekal Unit I & II on second charge basis ranking pari passu.
- Exclusive pari passu charge on specific plant and machinery installed at Anekal unit,Karnataka created out of sale proceeds of the Company's Noida unit.
- Second Charge on the company's Plot No: 209 in Bommasundra Industrial Area, Anekal Taluk,Hosur Road,Bangalore,admeasuring 10896 sq.mtrs together with all buildings & structures thereon.
- Personal Guarantee of Shri S.S.Shah and Shri Sundeep Shah.

**Note 8 :- Trade Payables**

	31st March, 2016 ₹	31st March, 2015 ₹
Sundry Creditors for Goods & Services*	541.05	446.44
	<b>541.05</b>	<b>446.44</b>

\* For dues to Micro,Small &amp; Medium enterprises refer note no. 38

**Note 9 :-Other Current Liabilities**

Advance from customers	1,102.26	101.55
Current Maturities of Long Term Debts	775.40	-
Unclaimed Dividend	4.76	14.29
Statutory Dues	13.51	19.70
Others	1,918.32	2,588.19
	<b>3,814.25</b>	<b>2,723.73</b>

**Note 10 :- Short Term Provisions**

## Provision for employee benefits

Salary and Reimbursement	141.06	134.91
Contribution to P.F. & ESIC	6.62	8.54
Provision for Gratuity	3.04	-
Leave Encashment	5.90	3.77
	<b>156.62</b>	<b>147.22</b>

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

## Note 11:- Fixed Assets

Particulars	TANGIBLE ASSETS										Capital Work in Progress ₹	Total ₹
	Leasehold (a) ₹	Land Freehold (b) ₹	Building ₹	Plant & Machinery ₹	Electric Installations ₹	Office Equipment & Furniture ₹	Vehicles ₹	Total ₹				
Costor valuation At 1st April 2014	239.51	139.27	3,227.23	30,083.23	803.62	573.64	112.56	35,179.06	408.40	35,587.46		
Additions	-	-	432.94	91.95	18.44	8.82	3.21	555.36	114.89	670.25		
Impairment	-	-	-	-	-	-	-	-	-	-		
Other Adjustment	-	-	-	-	-	-	-	-	-	-		
Sales/Deductions	-	-	-	153.16	-	1.46	4.14	158.76	517.01	675.77		
<b>At 31st March 2015</b>	<b>239.51</b>	<b>139.27</b>	<b>3,660.17</b>	<b>30,022.02</b>	<b>822.06</b>	<b>581.00</b>	<b>111.63</b>	<b>35,575.66</b>	<b>6.28</b>	<b>35,581.93</b>		
Additions	-	-	14.04	212.34	-	6.86	0.36	233.60	129.56	363.16		
Impairment	-	-	-	-	-	-	-	-	-	-		
Other Adjustment	-	-	-	-	-	-	-	-	-	-		
Sales/Deductions	-	-	-	6,592.01	203.49	3.65	10.21	6,809.36	6.28	6,815.63		
<b>At 31st March 2016</b>	<b>239.51</b>	<b>139.27</b>	<b>3,674.21</b>	<b>23,642.35</b>	<b>618.57</b>	<b>584.21</b>	<b>101.78</b>	<b>28,999.90</b>	<b>129.56</b>	<b>29,129.45</b>		
<b>Depreciation</b>												
At 1st April 2014	-	-	1,477.40	21,043.32	561.18	370.88	73.87	23,526.65	-	23,526.65		
Charges for the year	-	-	95.28	2,779.92	151.22	86.50	10.86	3,123.78	-	3,123.78		
Impairment for the year	-	-	-	-	-	-	-	-	-	-		
Transitional Adjustments*	-	-	-	69.74	-	6.20	-	75.94	-	75.94		
Disposals	-	-	-	99.15	-	0.90	2.80	102.85	-	102.85		
<b>At 31st March 2015</b>	<b>-</b>	<b>-</b>	<b>1,572.68</b>	<b>23,654.35</b>	<b>712.40</b>	<b>450.28</b>	<b>81.93</b>	<b>26,471.65</b>	<b>-</b>	<b>26,471.65</b>		
Charges for the year	-	-	95.98	1,205.79	30.73	37.33	8.82	1,378.64	-	1,378.64		
Impairment for the year	-	-	-	-	-	-	-	-	-	-		
Disposals	-	-	-	6,319.84	203.49	3.47	9.64	6,536.44	-	6,536.44		
<b>At 31st March 2016</b>	<b>-</b>	<b>-</b>	<b>1,668.66</b>	<b>18,540.30</b>	<b>539.64</b>	<b>484.14</b>	<b>81.11</b>	<b>21,313.85</b>	<b>-</b>	<b>21,313.85</b>		
<b>NET BLOCK</b>												
At 31st March 2015	239.51	139.27	2,087.49	6,367.68	109.66	130.71	29.70	9,104.02	6.28	9,110.30		
<b>At 31st March 2016</b>	<b>239.51</b>	<b>139.27</b>	<b>2,005.55</b>	<b>5,102.05</b>	<b>78.93</b>	<b>100.07</b>	<b>20.67</b>	<b>7,686.07</b>	<b>129.56</b>	<b>7,815.63</b>		

(a) Depreciation includes depreciation on Revalued Asset amounting ₹ Nil (Previous Year ₹ 1,100.70 lacs).

(b)\* Transitional adjustments are towards bringing the assets in line with schedule II of The Companies Act, 2013.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

## Note 12:- Non-Current Investments

## Other Investments

## Equity Instruments

## Other than Trade-Quoted

Tata Consultancy Services Ltd.

64(Previous year 64)Equity Shares of ₹ 1/- each fully paid up

## Other than Trade-Unquoted

India Exposition Mart Ltd.

2570(Previous Year 2570)Equity Shares of ₹ 10/- each fully paid up

Aggregate amount of quoted investments.

Market value of Tata Consultancy Services Ltd. is ₹ 1.61 lacs (Previous Year ₹ 1.61 lacs)

## Note 13 :- Long Term Loans &amp; Advances

## Secured, Considered Good

Security Deposits

## Unsecured, Considered Good

Other Deposits

## Note 14 :- Inventories

Raw Materials and components

Work-in-progress

Finished goods

Stores and spares &amp; Others

## Note 15:- Trade Receivables

## Unsecured and Considered Good

Over Six Months

Others

## Unsecured and Considered Doubtful (Over Six months)

## Less :Provision for Doubtful Debts

	31st March, 2016	(₹ in Lacs)
	₹	31st March, 2015
	₹	₹

	0.14	0.14
	0.25	0.25
	0.39	0.39
	0.14	0.14

	75.33	74.63
	4.81	4.81
	80.14	79.44

	1,121.67	1,750.90
	817.56	653.51
	4,187.48	5,063.17
	190.43	182.62
	6,317.14	7,650.20

	10,465.68	16,803.15
	912.67	1,543.87
	16,265.52	12,665.10
	27,643.87	31,012.12

	16,265.52	12,665.10
	11,378.35	18,347.02



NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

	31st March, 2016 ₹	(₹ in Lacs) 31st March, 2015 ₹
<b>Note 16:-Cash &amp; Cash Equivalents</b>		
<b>Cash Balance</b>		
Cash on hand	8.73	5.52
<b>Balance with banks</b>		
Earmarked Balance	4.76	14.29
Term Deposit as Margin money*	56.73	49.78
Term Deposit as No-lien Deposit *	254.81	556.09
Term Deposit as No-lien Deposit (utilised for adjustment by Banks)	1,685.99	1,809.40
Current Account	368.43	441.10
Cheques in hand	1,387.40	527.94
Foreign Currency Account	5.46	8.41
	<u>3,772.31</u>	<u>3,412.53</u>
* Term Deposit's Due for Maturity above 12 months	53.67	56.41
<b>Note 17:-Short Term Loans &amp; Advances</b>		
<b>Secured, Considered Good</b>		
Others	-	6.86
<b>Unsecured Considered Good</b>		
Others	511.03	513.35
Advance Income Tax & Other taxes.	91.40	83.48
	<u>602.43</u>	<u>603.69</u>
<b>Note 18:-Revenue From Operations</b>		
Sale of products	6,428.96	5,605.71
Sale of Service	158.28	186.96
<b>Other Operating Revenue</b>		
Drawback & Other incentives	460.17	261.33
Earnest Deposit forfeited	-	47.77
	<u>7,047.41</u>	<u>6,101.77</u>
<b>Note 19:- Other Income</b>		
<b>Interest Income</b>		
On Bank Deposits	59.95	128.29
On Other Deposits	3.86	11.91
<b>Dividend Income</b>		
On Long Term Investment	0.06	0.08
<b>Net gain/loss on sale of investments</b>		
On Current Investment	-	19.27
<b>Other Non-Operating Income</b>		
Exchange Rate Difference	667.68	564.68
Sundry Balances & Liabilities No Longer Required Written Back	805.61	299.99
Profit on Sale of Fixed Assets	0.50	6.83
Rent Received	0.30	0.25
Other Miscellaneous Income	1.64	0.22
	<u>1,539.60</u>	<u>1,031.52</u>

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

	31st March, 2016 ₹	(₹ in Lacs) 31st March, 2015 ₹
<b>Note 20:- Cost of Material Consumed</b>		
Opening Stock	1,750.90	1,804.44
Add : Purchases	1,192.12	1,272.33
Less : Transferred to Finished Goods	608.70	192.15
Less : Closing Stock	1,121.67	1,750.90
	<u>1,212.65</u>	<u>1,133.72</u>
<b>Raw Material Consumption</b>		
Yarn	1,212.65	1,133.72
	<u>1,212.65</u>	<u>1,133.72</u>
<b>Note 21:-Purchase of Stock in Trade</b>		
Purchase of Finished Goods	1,710.33	1,206.83
	<u>1,710.33</u>	<u>1,206.83</u>
<b>Note 22:-Changes in Inventories of Finished Goods, WIP &amp; Stock in Trade</b>		
Opening Stock of Work In Progress	653.51	493.42
Opening Stock of Finished Goods	5,063.17	5,997.72
Add : Transferred From Raw Material	608.70	192.15
	<u>6,325.38</u>	<u>6,683.29</u>
Less: Closing Stock of Work in Progress	817.56	653.51
Closing Stock of Finished Goods	4,187.48	5,063.17
	<u>5,005.04</u>	<u>5,716.68</u>
<b>(Increase) / Decrease in Stock</b>	<u>1,320.34</u>	<u>966.61</u>
<b>Note 23:-Employees Benefit Expenses</b>		
Salaries and Incentives	654.82	521.85
Contributions to Provident & Other Fund	97.37	83.06
Contribution to Gratuity Fund	26.04	87.67
Staff welfare expenses	41.22	40.28
	<u>819.45</u>	<u>732.86</u>
<b>Note 24:-Finance Cost</b>		
<b>Interest Expense</b>		
To Bank On WCTL, FITL, Cash Credit & Packing Credit Limit & Others	12.25	234.26
<b>Other Borrowing Cost</b>		
Other Financial Charges	0.01	0.27
	<u>12.26</u>	<u>234.53</u>

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

	31st March, 2016	(₹ in lacs) 31st March, 2015
	₹	₹
<b>Note 25: Depreciation &amp; Amortization Expense</b>		
On Tangible Assets	1,378.64	3,123.78
Less: Depreciation on Revalued Assets	-	1,100.70
	<u>1,378.64</u>	<u>2,023.08</u>
<b>Note 26:- Other Expenses</b>		
<b>Manufacturing Expenses</b>		
Conversion, Machining & Other Direct Expenses	855.84	857.53
Stores, Spares & Accessories Consumed	46.13	56.53
Dyes & Chemicals Consumed	142.69	130.60
Power & Fuel	303.21	262.51
	<u>1,347.87</u>	<u>1,307.17</u>
<b>Administrative Expenses</b>		
Legal, Professional & Syndication Charges	33.28	37.58
Rent	51.63	54.52
Rates & Taxes	18.48	9.40
Insurance	33.06	36.77
Travelling Expenses	124.33	107.69
Mailing & Communication Expenses	19.81	17.42
Bank Charges & Commission	18.04	23.36
Directors' Meeting Fee	0.87	0.76
Managerial Remuneration	44.34	46.94
Auditor's Remuneration for		
Audit Fee	6.87	6.74
Tax Audit Fee	1.43	1.40
For Other Services	4.75	4.04
Miscellaneous Expenses	320.37	288.48
Loss on sale of Fixed Assets	218.92	14.59
Expenses Relating to Previous Year	-	2.49
<b>Repairs &amp; Maintenance</b>		
Building	8.28	-
Plant & Machinery	36.41	22.49
Others	28.48	19.31
Bad-debt	2,964.01	1,764.65
Irrecoverable Balances written off	38.98	2.86
Software Development Expenses	15.24	5.42
Provision for doubtful debts (net)	3,600.42	2,016.25
	<u>7,588.00</u>	<u>4,483.16</u>
<b>Selling and Distribution Overhead</b>		
Brokerage & Commission to Selling Agents	96.95	101.17
Sales Promotion	66.91	82.86
Freight, Packing, Forwarding, etc.	256.29	296.15
	<u>420.15</u>	<u>480.18</u>
	<u>9,356.02</u>	<u>6,270.51</u>

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

27) Contingent Liabilities not provided for in respect of :

		2015-16 ₹ In Lacs	2014-15 ₹ In Lacs
(a)	Guarantees given by the Bankers	49.50	47.00
(b)	Excise, Sales tax, Custom Duty, ESIC & Other Claims	886.27	389.44
(c)	Dividend on Cumulative Preference Shares (Including tax)	789.46	655.07

- 28) As per the Court order dated 7<sup>th</sup> February, 2005 of Hon'ble Kolkata High Court and 14<sup>th</sup> December, 2005 of Hon'ble Karnataka High Court, all the assets and liabilities of Erstwhile Eastern Jingying Ltd. and Sstella Silks Ltd. automatically stand transferred in the name of the Company. Based on the Order, the Company has taken necessary steps to have the assets recorded with the relevant authorities in its name.
- 29) The Company had executed bonds worth ₹ 5,403.04 Lacs in favour of President of India being the customs duty for import of capital goods under the EPCG License. Under the said license it is obligatory on the part of the Company to export products worth ₹ 43,224.32 Lacs over a period of 8 years from the date of issue of the license i.e. between 20<sup>th</sup> December, 2002 to 19<sup>th</sup> February, 2019 for availing the concessional rate of customs duty on imports. The Company has completed the entire export obligation of ₹ 43,224.32 Lacs up to the year ended 31<sup>st</sup> March, 2012. On completion of the export obligation bonds executed by the Company to the extent of ₹ 5,378.96 Lacs (P.Y. ₹ 5,273.79 lacs) have been released and the balance bonds of ₹ 24.08 Lacs (P.Y. ₹ 129.25 lacs) is under process of being released by the Commissioner of Customs.
- 30) Claims against the Company not acknowledged as debts:
- Demand by the Department of Commercial Taxes, Government of Karnataka, levying a sum of ₹ 20.00 lacs, as Entry Tax on Import of Plant & Machinery. The Company has obtained a Stay Order from the Hon'ble High Court of Karnataka during 1996.
  - Demand by the Commissioner of Customs, Bangalore for ₹ 109.77 lacs have been stayed by the Customs, Excise and Service Tax Act Appellate Tribunal, Chennai. The Company has deposited a sum of ₹ 38.00 lacs with the Customs Authorities under protest.
- 31) Lining Fabrics valued at ₹ 93.78 Lacs were imported in 2002-03 for usage in manufacturing of products for export. Due to the non-acceptance by the Customs Department of the methodology adopted by the Company for the co-relation between the material used and the material imported, an amount of ₹ 154.50 Lacs was paid in protest towards Customs Duty on the said imports and shown under Advances. Since the final liability amount is unascertained and not acceptable by the Company in principle, no provision has been made in the accounts. The Adjudicating authority has passed an Order confirming the demand of the customs department. The Company's appeal before the CESTAT was heard and an Order has been passed setting aside the Order of the Adjudicating Authority. On remand of the Order, the Commissioner of Customs (Port) has once again confirmed the Order in original and the Company's second appeal before the CESTAT is being heard.
- 32) Export of goods made by the company from SEZ unit on specific order from the overseas customers have become subject of dispute in relation to its valuation. A show cause notice issued by DRI Kolkata was heard and adjudicated by the Customs Appellate and the matter was adjudicated imposing a fine and penalty amounting to ₹ 205.00 Lacs. The order of the Adjudicating authority has been challenged by the company before the CESTAT and a pre-deposit of ₹ 5.00 Lacs have been made and shown as an advance and no provision has been made against adjudicated liability of ₹ 205.00 Lacs in the statement of accounts.
- 33) a) During the year, the Company bilaterally settled its dues with one bank on one-time basis against its aggregate outstanding of ₹ 4,294.26 Lacs with a payment of ₹ 1,492.35 Lacs, in addition to the settlement with the two banks in F.Y. 2014-15 after exit from the CDR Scheme on 20<sup>th</sup> August, 2014. The Company also entered into a settlement arrangement of ₹ 4,580.00 Lacs with Edelweiss Asset Reconstruction Company Ltd., who acquired the company's loan from two banks aggregating to ₹ 7,602.20 Lacs. The resultant amount of interest waiver is included as income under "Other Income" and the rebate on principal is included under "Exceptional Items".
- b) During the year, Allahabad Bank (Lead Banker) had taken symbolic possession of the Company Assets on 3<sup>rd</sup> November, 2015. However, assets physically remained with the Company and the Company continued with its operations.
- c) No provision in respect of interest payable, amounting to ₹ 10,102.52 Lacs, to the banks and financial institutions for the period April, 2014 to March, 2016 has been made in the Statement of Accounts in view of the reference made by the company to the BIFR on erosion of 100% net worth as at 31<sup>st</sup> March, 2014.



**NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

- d) 'No Lien Term Deposit' with the consortium bankers for ₹ 2,400.00 Lacs towards 5% deposit of the amount outstanding against the offer of one time settlement were made, of which ₹ 1,685.99 Lacs have been appropriated by few banks towards recovery of their overdue interest. The same has not been recognized by the company and no adjustment has been made and the principal amount of deposit is continued to be shown as 'No Lien Term Deposit' without accounting for interest accruals. In view of the arbitrary and unilateral decision of the Banks, no provision for interest accrued has been made in the Statement of Accounts.
- 34) Exceptional item represents :-
- a) The Rebate of ₹ 5,040.07 Lacs (P.Y. ₹ 1,747.11 lacs) on the principal amount payable to the Bank on one time settlement and settlement arrangement entered with Edelweiss Asset Reconstruction Company Ltd.
- b) Payment made to Nanjangud workers amounting to ₹ Nil (P.Y. ₹ 0.50 Lacs) on account of their final settlement.
- 35) As per provisions of the SICA Act 1985, the Company is a BIFR referred company pending registration.
- 36) (a) An amount of ₹ 6,563.07 Lacs has been provided during the year as bad & doubtful debts in addition to ₹ 12,665.10 Lacs provided in the earlier years. After writing off irrecoverable bad debts during the year amounting to ₹ 2,962.65 Lacs, the aggregate provision as at 31<sup>st</sup> March 2016 stands at ₹ 16,265.52 Lacs which is considered adequate by the management for covering any shortfall in realization.
- (b) The money suites filed before the Hon'ble Kolkata High Court are actively pursued to recover the amount from the overseas buyers towards sale consideration of the goods exported amounting to ₹ 23,498.70 Lacs (P.Y. ₹ 25,203.90 Lacs).
- 37) In terms of Accounting Standard-22, Deferred Tax Assets (DTA) of ₹ 2.56 lacs (P.Y. ₹ 429.77 lacs) is required to be recognized during the year. The Company has so far recognized DTA aggregating ₹ 4,572.98 lacs. Earlier recognitions were made based on future profitability and projections. The Company is of the opinion that net DTA of ₹ 4,572.98 lacs as recognized in the books is sufficient for future income and as such, the current year's DTA has not been recognized.
- 38) The dues to Micro, Small and Medium Enterprises as much to companies knowledge amounts to ₹ 3.25 lacs (since paid) which are outstanding for more than 45 days as at 31<sup>st</sup> March 2016. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information provided by the supplier.
- 39) As per Accounting Standard 15 "Employees Benefits", the disclosures of Employee benefits as defined in the Accounting Standard are given below:
- Defined Benefit Plan**
- The Employees' gratuity fund Scheme managed by The Life Insurance Corporation of India (LIC) is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.
- The obligation for leave encashment is recognized in the same manner as gratuity.

	(₹ in Lacs)	
	Gratuity (Funded)	Leave Encashment (Unfunded)
I. Reconciliation of opening and closing balances of Defined Benefit Obligation		
(a) Defined benefit obligation at the beginning of the year	195.43 (152.21)	19.83 (21.24)
(b) Current Service Cost	19.01 (16.57)	10.00 (2.69)
(c) Interest Cost	15.24 (13.70)	1.55 (1.91)
(d) Acquisitions	-	-
(e) Actuarial (Gain)/Loss	8.90 (73.02)	38.95 (21.63)
(f) Benefits paid	12.24 (60.07)	32.64 (27.64)
(g) Defined benefit obligation at the end of the year	226.34 (195.43)	37.67 (19.83)



**NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

	(₹ in Lacs)	
	Gratuity (Funded)	Leave Encashment (Unfunded)
II. Reconciliation of opening and closing balance of the fair value of Plan		
a) Fair Value of Plan Assets at the beginning of the year	202.30 (174.55)	-
(b) Expected Return on Plan Assets	18.21 (11.78)	-
(c) Actuarial (gains)/loss on plan assets	(1.09) (3.84)	-
(d) Actuarial Gain / (Loss)	-	-
(e) Contributions by employer	16.14 (72.20)	32.66 (27.64)
(f) Benefits Paid	12.25 (60.07)	32.66 (27.64)
(g) Employer Expenses	-	-
(h) Fund transferred from group companies	-	-
(i) Acquisitions	-	-
(j) Fair Value of Plan Assets at the end of the year	223.31 (202.30)	-
III. Reconciliation of fair value of Assets and obligation		
(a) Fair Value of plan assets	226.34 (202.30)	-
(b) Present Value of obligation	223.30 (195.43)	37.67 (19.83)
(c) Net asset/(liability) recognized in Balance Sheet	(3.04) (6.87)	(37.67) (19.83)
IV. Expense charged to the Profit and Loss Account		
(a) Current Service Cost	19.01 (16.57)	10.00 (2.69)
(b) Interest Cost	15.24 (13.70)	1.55 (1.91)
(c) Expected Return on Plan Assets	(18.21) (11.78)	-
(d) Actuarial Gain/(Loss)	10.00 (69.18)	38.95 (21.63)
(e) Total expense charged to the Profit and Loss Account	26.04* (87.67)*	50.50** (26.23)**
V. Division of Defined Benefit Obligation (Current / Non Current)		
(a) Current Defined Benefit Obligation at the end of the period	56.13 (43.84)	5.90 (3.77)
(b) Non Current Defined Benefit Obligation at the end of the Period	170.21 (151.60)	31.77 (16.06)
(c) Total Defined Benefit Obligation at the end of the Period	226.34 (195.43)	37.67 (19.83)
* Under the head "Gratuity" on Note No.23		
** Under the head "Salaries and incentives" on Note No.23		
Percentage of each Category of Plan Assets to total Fair value of Plan assets as at 31 <sup>st</sup> March, 2016 - 100% with Life Insurance Corporation of India.		
Actual Return on Plan Assets:	8.35% (6.75%)	N.A. N.A.
Principal Actuarial Assumption as at 31 <sup>st</sup> March, 2016		
(a) Discount Rate (per annum)	7.86% (7.80%)	7.86% (7.80%)
(b) Expected Rate of Return on Plan Assets (per annum)	8.35% (6.75%)	N.A. N.A.
(c) Salary Escalation	5.00% (5.00%)	5.00% (5.00%)
(d) Withdrawal Rate	2.00% (2.00%)	2.00% (2.00%)



**NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The expected rate of return on plan assets is based on the portfolio of assets held, investment strategy and market scenario. In order to protect the capital and optimize returns within acceptable risk parameters, the plan assets are reasonably diversified.

- 40) As the Company's business activities falls within a single primary business segment viz. Silk, Textile yarn, Fabrics and Made-ups, no further reporting is necessary as per Accounting Standard – 17 issued by The Institute of Chartered Accountants of India.
- 41) Related Party Disclosure in accordance with Accounting Standard - 18 issued by The Institute of Chartered Accountants of India.

- (i) List of Related Parties
- a) Associates: -
- |                                 |                             |
|---------------------------------|-----------------------------|
|                                 | Name of the Person/ Company |
| (1) Ethics Commercials Ltd.     |                             |
| (2) Lucky Goldstar Company Ltd. |                             |
| (3) P.K. Textiles Ltd.          |                             |
| (4) Tarun Fabrics Ltd.          |                             |
| (5) Gemini Overseas Ltd.        |                             |
- b) Key Management Personnel: -
- |                      |                                |
|----------------------|--------------------------------|
| Shri S S Shah        | (Chairman & Managing Director) |
| Shri Sundeep Shah    | (Executive Director)           |
| Smt. Ginia Devi Shah | (Wife of Mr.S.S.Shah)          |

(II) Transactions with Related Parties :

PARTICULARS	ASSOCIATES						Key management Personnel
	Ethics Commercials Ltd	Lucky Goldstar Co. Ltd.	P. K. Textiles Ltd	Tarun Fabrics Ltd	Gemini Overseas Ltd	Total	
						(₹ in lacs)	(₹ in lacs)
<b>Income &amp; Expenditure</b>							
Purchase of Raw Materials & Finished Goods	104.82	-	-	1.42	-	106.24	
	(123.04)	-	-	(0.50)	-	(123.54)	
Sales of Goods	717.55	-	-	41.89	-	759.44	
	(334.05)	-	-	(4.99)	-	(339.04)	
Services Received	-	-	-	-	-	-	
Services Rendered	0.04	-	-	-	-	0.04	
	(1.96)	-	-	-	-	(1.96)	
Purchase of Fixed Assets	-	-	-	-	(2.50)	(2.50)	
Rent Received	0.08	0.07	-	0.01	-	0.16	
	(0.08)	(0.07)	-	(0.01)	-	(0.16)	
Rent Paid	-	-	0.78	-	-	0.78	
	-	-	(0.87)	-	-	(0.87)	
Remuneration Paid							44.34
							(46.94)

Balances as on 31st March, 2016							
Trade receivables	174.13	-	-	-	-	174.13	
	(50.63)	-	-	-	-	(50.63)	
Trade payables/ payables	1.04	-	-	-	-	1.04	
	(34.16)	-	-	-	-	(34.16)	
Unsecured loan (interest-free) received	350.00	-	390.00	-	-	740.00	734.00
	(350.00)	-	(390.00)	-	-	(740.00)	(734.00)



**NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

- 42) Research & Development Expenditure

Particulars	2015-16 Amount (₹ in lacs)	2014-15 Amount (₹ in lacs)
Revenue Expenditure	58.64	88.44

The benefit availed from Department of Science and Technology for recognition of revenue and capital expenditure for availing benefit of Sec 35(2AB) has been discontinued from the current year.

- 43) Earnings Per Share (EPS)

Particulars	2015-16 Amount (₹ in lacs)	2014-15 Amount (₹ in lacs)
Profit/ (Loss) after Tax considered for calculating EPS	(2,182.61)	(3,688.24)
Less:- Preference Dividend & Dividend tax shown under contingent liability	134.39	134.39
Weighted average number of Equity Shares of ₹ 2/- each	78,952,620	78,952,620
Earning Per Share (Basic & Diluted)	(2.93)	(4.84)

- 44) No depreciation has been provided on the assets located at the Falta & Nanjangud units. In the year 2012-2013, assets located at the said units were impaired and both the units are inoperative since then.

- 45) Earning In Foreign Currency

Particulars	2015-16 Amount (₹ in lacs)	2014-15 Amount (₹ in lacs)
Export of goods calculated on F.O.B. (accrual basis)	4,404.31	4,134.11

- 46) Expenditure in foreign currency

SI No	Particulars	2015-16 Amount (₹ in lacs)	2014-15 Amount (₹ in lacs)
1	Overseas Travelling	32.47	39.12
2	Commission to Agents	80.55	96.68
3	Others	95.16	93.93

- 47) Value of imports calculated on CIF basis:-

Particulars	2015-16 Amount (₹ in lacs)	2014-15 Amount (₹ in lacs)
Yarn	84.30	43.95
Fabrics	22.36	2.61
Plant & Machinery	39.17	-

- 48) The previous year figures have been re-arranged and / or regrouped wherever necessary.

As per our report attached

For and on behalf of the Board

For **B. K. SHROFF & CO.**

Firm Registration No. : 302166E

Chartered Accountants

(L.K.Shroff)

Partner  
(Mem.No.060742)

Kolkata  
The 30<sup>th</sup> May, 2016

**S. S. Shah**  
Chairman &  
Managing Director  
DIN 00491097

**Sundeep Shah**  
Executive Director  
DIN 00484311

**H. S. Gopalka**  
Director  
DIN 01099359

**Deepak Agarwal**  
Secretary

**U.S. Gutgutia**  
Chief Financial Officer

**ANNUAL REPORT  
2015-2016**



**EASTERN SILK INDUSTRIES LTD.**

*If undelivered please return to :*

ABS CONSULTANT PVT. LTD.  
99, Stephen House, 6th Floor  
4, B.B.D Bag (East)  
Kolkata - 700 001



Form No. MGT-II  
**EASTERN SILK INDUSTRIES LTD.**  
 CIN: L17226WB1946PLC013554

Registered Office: 19 R N Mukherjee Road, Kolkata 700 001

**PROXY FORM**

(Pursuant to Section 105(6) of the Companies Act, 2013 and rule 19(3) of the companies (Management and Administration) Rules, 2014)

Name of the member(s) : .....

Registered Address : .....

E.Mail Id..... Folio No./Client Id: ..... DPID: .....

I/We, being the member(s) holding ..... Shares of the above named Company, hereby appoint

1. Name .....

Address .....

E.mail ID .....

Signature:.....

, or failing him

2. Name .....

Address .....

E.mail ID .....

Signature:.....

, or failing him

3. Name .....

Address .....

E.mail ID .....

Signature:.....

Proxy to attend and vote for me/us and on my/our behalf at the 70<sup>th</sup> Annual General Meeting of the Company, to be held on the 28<sup>th</sup> September, 2016 at 11.00 A.M. at "Kala Kunj"48, Shakespeare Sarani, Kolkata 700 017 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolutions	For	Against
1. Consider and adopt Audited Financial Statements, along with Report of Directors and Auditors		
2. Ratification of Auditor's Appointment		
3. Appointment of Shri Dilip Kumar Rungta as Independent Director		
4. To adopt new regulations of the Articles of Association		

Signed this.....day of ..... 2016

Signature of shareholder

Affix Re. 1  
Revenue  
Stamp

Signature of Proxy holder(s)

Note: This form duly filled up, stamped and signed by the appointer or his attorney duly authorized in writing or if the appointer is a Body Corporate, under the seal or signed by an attorney duly authorized by it shall be deposited at the Registered Office of the Company along with the power of Attorney, if any under which the Proxy Form is signed, not less than 48 hours before the time for holding the meeting.