

## NOTICE

The Sixty-fourth Annual General Meeting of Eastern Silk Industries Ltd. will be held on Wednesday, the 22<sup>nd</sup> September, 2010 at 3:00 P.M. at Kala Kunj, 48, Shakespeare Sarani, Kolkata – 700 017, to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31<sup>st</sup> March, 2010 and the Balance Sheet as at that date together with the report of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Sri R.L. Gaggar who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri R.S. Rungta who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

### Registered Office:

19, R. N. Mukherjee Road

Kolkata – 700 001

Dated : The 10<sup>th</sup> August, 2010.

By Order of the Board

**K. T. SHETH**

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 10<sup>th</sup> September 2010 to 22<sup>nd</sup> September 2010, both days inclusive on account of Annual General Meeting and Dividend payment.
3. Dividend, when declared will be made payable to those shareholders whose names appear in the Register of Members of the Company on 22<sup>nd</sup> September 2010. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by the National Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) for this purpose.
4. Additional information pursuant to Clause 49 of the Listing Agreement 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.
5. Pursuant to the amended provisions of Section 205A of the Companies Act, 1956, dividends for the financial year ended 31<sup>st</sup> March, 2003 and thereafter, which remains 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 these years, may approach the Company's Registrars and Share Transfer Agents for obtaining duplicate dividend warrants.
6. 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.

**Annexure to Notice dated 10<sup>th</sup> August, 2010**

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

(Pursuant to Clause 49 of the Listing Agreement)

Name of the Director	Shri R.L. Gaggar	Shri R.S. Rungta
Age	78 years	76 years
Date of Appointment on the Board	27.01.2005	19.07.1986
Qualification	B.A.(Hons.), LL.B.	B.Com.
Experience	Practicing as a Solicitor and Advocate of the Hon'ble High Court at Kolkata since last about 50 years.	Wide experience in managing large and diverse business.
Directorship held in other Public Companies	Somani Ceramics Ltd. Sarda Plywood Industries Ltd. TIL Limited Peria Karmalal Tea & Produce Co. Ltd. Paharpur Cooling Towers Ltd. International Combustion India Ltd. Subhas Projects & Marketing Ltd. Machino Plastics Ltd. Sumedha Fiscal Service Ltd. Shree Cement Ltd. Financial & Management Services Ltd. Machino Bassel India Ltd. Bhaskar Silicon Ltd.	D.R. Steel Construction Pvt. Ltd.

Memberships / Chairmanships of Committees of Public Companies	<u>Audit Committee</u> TIL limited Shree Cement Ltd. Paharpur Cooling Towers Ltd. Sarda Plywood Industries Ltd. International Combustion India Ltd. Somani Ceramics Ltd. Share Transfer / Investors <u>Grievance Committee</u> TIL Limited Somani Ceramics Ltd. Shree Cement Ltd. Sarda Plywood Industries Ltd. <u>Remuneration Committee</u> TIL Limited Somani Ceramics Ltd. Shree Cement Ltd. Sarda Plywood Industries Ltd. International Combustion India Ltd. <u>Selection Committee</u> Shree Cement Ltd.	--
Shareholding of Non-Executive Directors	Nil	Nil

## DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting their sixty-fourth Annual Report together with the Audited Accounts of your Company for the year ended 31<sup>st</sup> March, 2010.

### FINANCIAL RESULTS

	(Rs. in Lacs)	
	<u>2010</u>	<u>2009</u>
Profit before depreciation and taxation	2219.01	3559.38
Less: Depreciation	1533.58	1647.56
Profit before taxation	<u>685.43</u>	<u>1911.82</u>
Less: Provision for Current Taxation	275.00	125.00
	<u>410.43</u>	<u>1786.82</u>
Less: Provision for Earlier Year Taxation	(5.99)	-
	<u>416.42</u>	<u>1786.82</u>
Less: Provision for Fringe Benefit Tax	-	15.00
	<u>416.42</u>	<u>1771.82</u>
Less/Add: Deferred Tax Liability	(157.35)	(149.23)
Profit after tax	<u>573.77</u>	<u>1921.05</u>
Add: Balance brought forward from previous year	16702.74	15637.47
	<u>17276.49</u>	<u>17558.52</u>
Which the Directors have appropriated as follows:		
General Reserve	100.00	300.00
Preference Share Redemption Reserve	-	240.00
Proposed Dividend On Equity Shares	94.74	157.91
Proposed Dividend On Preference Shares	112.00	112.00
Corporate Dividend Tax	34.34	45.87
Balance carried forward to next year	16935.41	16702.74
	<u>17276.49</u>	<u>17558.52</u>

### PERFORMANCE REVIEW

During the financial year 2009-10, the sales of your Company increased to Rs.54393.09 lacs as compared to Rs.51003.75 lacs in the previous year. Profit after tax declined to Rs.573.77 lacs as against Rs.1921.05 lacs largely on account of shift of overseas customers to different varieties of textiles coupled with increase in input cost including Raw Material cost.

Your Directors are pleased to inform that the EOU Status of Unit I has been converted into Domestic Tariff Area Unit pursuant to the Company having fulfilled the export obligation. On such debonding the old and accumulated stocks of 1,07,319.18 mtrs of silk fabrics and other stocks were destroyed under the order of Customs Department. The necessary accounting entries have been passed in the books of accounts.

Due to adverse market conditions and recession in Europe, the Company's major buyers in Italy have declined to purchase spun silk and noil yarn manufactured at the Company's Unit 3 at Nanjangud, Karnataka. Hence the management decided to close down the said unit, for which the permission has been sought for from Labour Department, Government of Karnataka. The Unit shall be revived as and when the overseas market improves.

## **POST BALANCE SHEET DEVELOPMENT**

The sales for the quarter ended 30<sup>th</sup> June, 2010 was Rs.132.26 crores as against Rs.151.78 crores in the corresponding quarter last year. The net profit was Rs.1.09 crores as against Rs.4.39 crores in the corresponding quarter of the previous year.

## **DIVIDEND**

Your Directors recommend payment of the following Dividends for the year:

- |   |                  |
|---|------------------|
| i) On 14,00,000 – 8% Cumulative Redeemable Preference Shares of Rs.100/- each | Rs.1,12,00,000/- |
| ii) On 7,89,52,620 Equity Shares of Rs.2/- each @ Rs.0.12 per share           | Rs. 94,74,315/-  |

## **PUBLIC DEPOSIT SCHEME**

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

## **CORPORATE GOVERNANCE**

A separate section on Corporate Governance and Management Discussion and Analysis together with the Auditors' Certificate confirming the compliance of conditions on Corporate Governance as per Clause 49 of the Listing Agreement with the Stock Exchanges form part of the Annual Report.

## **DIRECTORS**

Shri R.L. Gaggar and Shri R.S. Rungta, Directors of the Company retire from the office by rotation and are eligible for re-appointment.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors confirm:

- i) That in preparation of the annual accounts, the applicable accounting standards have been duly followed.
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgements 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 profit of the Company for the year under review.
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) That the Directors have prepared the accounts for the financial year ended 31<sup>st</sup> March, 2010 on a going concern basis.

## **DISCLOSURE OF PARTICULARS**

The information required under Rule 2 of the Companies Act, 1956 (Disclosure of Particulars in the Report of Board of Directors Rules, 1988) relating to conservation of energy, technology absorption, foreign exchange earnings and outgo is annexed.

## AUDITORS

Messrs B.K. Shroff & Company, Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

The Auditors have mentioned about the delay in the repayment of two term loan installments of Rs.18.85 lacs each due to UCO Bank and interest thereon aggregating to Rs.2.01 lacs. Your Directors would like to explain that the repayment of term loan installments are normally auto debited by the concerned bank in the current account of the Company. The debit of these two installments were not made by the Bank on the due date and when this was noticed, the Company made the payment.

## COST AUDITORS

Pursuant to the directives of the Central Government under the provisions of Section 233 B of the Companies Act, 1956, qualified Cost Auditors have been appointed to conduct Cost Audits relating to products of the Company subject to the approval of the Central Government.

## PERSONNEL

The particulars of employees required to be furnished under Sec. 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended is as under.

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**Name, Age, Qualification, Designation, Nature of Employment, Remuneration (Rs), Experience (Years), Date of Commencement of Employment, Last Employment held, Relationship to any Director.**

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- a) Employees employed throughout the financial year under review who are in receipt of remuneration in the aggregate of not less than Rs.24,00,000/- during the year:
- i) S.S. Shah, 75, B.Com, LL.B., Chairman & Managing Director, Contractual, 4032000/-, 56, 01.9.1952, Nil, Father of Sri Sundeep Shah, Executive Director.
  - ii) Sundeep Shah, 48, B.Com., Executive Director, Contractual, 3513600/-, 30, 01.12.1980, Nil, Son of Sri S.S. Shah, Chairman & Managing Director.
- b) Employed for part of the year and were in receipt of remuneration at the rate of not less than Rs.2,00,000/- per month. – NIL

## ACKNOWLEDGEMENT

Your Directors wish to convey their appreciation for the co-operation and assistance received from the government, the 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 10<sup>th</sup> August, 2010.

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

## ANNEXURE TO DIRECTORS' REPORT

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988, forming part of Directors' Report:

### CONSERVATION OF ENERGY:

The Company has evolved a system for continuous review of energy costs, reduction conservation through improved operational and in energy generation cost and optimization of energy use.

#### FORM A

##### (A) Power and Fuel Consumption

			<b>Current Year</b>	<b>Previous Year</b>
1.	Electricity			
	(a) Purchased	Units	<b>41,86,232</b>	52,05,826
	Total Amount	Rs.	<b>2,21,09,672</b>	2,67,82,985
	Rate/Unit	Rs.	<b>5.28</b>	5.14
	(b) Own Generation through Diesel Generator	Units	<b>7,03,200</b>	8,05,778
	Total Amount	Rs.	<b>86,91,554</b>	92,50,336
	Cost/Unit	Rs.	<b>12.36</b>	11.48
2.	Furnace Oil			
	Quantity	Kilo Ltr.	<b>2,83,634</b>	6,09,574
	Total Amount	Rs.	<b>71,02,194</b>	1,44,42,103

##### (B) Consumption per unit of products:

<u>Silk Fabrics</u>	Mtrs	<b>13,76,458.20</b>	13,29,935.65
Electricity	Rs.	<b>12.10</b>	11.84
Furnace Oil	Rs.	<b>3.54</b>	3.62
Diesel	Rs.	<b>5.83</b>	6.02
<u>Silk Yarn</u>	Kgs.	<b>1,33,659.270</b>	2,43,319.880
Electricity	Rs.	<b>40.82</b>	45.36
Furnace Oil	Rs.	<b>16.64</b>	39.55
Diesel	Rs.	<b>5.02</b>	5.11

## TECHNOLOGY ABSORPTION

### Form B

#### Research & Development

- |   |   |
|---|---|
| 1. Specific areas in which R&D carried out by the Company | R&D activities are focused on development of new fabrics and new designs.   |
| 2. Benefits derived as a result of above R&D              | Some of the benefits are higher product value, lesser fabric maintenance and ultimately higher realization and repeat orders. |
| 3. Future plan of action                                  | The Company is considering to expand the product range with velvet and poly fabric.   |
| 4. Expenditure on R & D                                   | Capital --<br>Recurring Rs. 86 lakhs<br>R&D Expenditure as a percentage of turnover 0.16%                                     |

#### Technology Absorption, Adaptation & Innovation

- |  |   |
|--|---|
| 1. Efforts in brief, made towards technology Absorption, adaptation and innovation | Latest softwares have been added in the design studio for faster and better design development. |
| 2. Benefits derived as a result of the above                                       | Have minimized sampling time and sampling cost.   |
| 3. Details of imported technology  | Not Applicable.   |

#### FOREIGN EXCHANGE EARNINGS & OUTGO

- |   |   |
|---|---|
| (a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for product and services and export plans. | The marketing personnel of the Company regularly undertake export promotion tours to communicate with the existing customers and tap prospective buyers. They also participate in International Trade Fairs to display the vast range of the Company's products to procure bulk orders. |
| (b) i) Overseas Travelling<br>ii) Commission to Agents<br>iii) Consultation Fees<br>iv) Others  | The information on foreign exchange earnings and outgo is contained in Schedule 14 item 23 (i) & (j)  |

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

Kolkata 700 001  
Dated: the 10<sup>th</sup> August, 2010.



## REPORT ON CORPORATE GOVERNANCE

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

The Company's compliance with Corporate Governance is a consequence of its firm belief in managing its business with integrity, transparency and accountability. Over the years this has culminated into an ongoing process leading to effective control quality and competitiveness. The outcome of this is enhanced shareholder and stakeholder value.

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a Report on Corporate Governance for the year 2009-10 is given below.

### BOARD OF DIRECTORS

The Board comprises of eight members – two Executive Directors and six Non-Executive Independent Directors. 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	Promoter, Executive	3	–	Nil
Shri Sundeep Shah	Promoter, Executive	2	–	Nil
Shri G.D. Harnathka	Non-Executive, Independent	--	–	Nil
Shri H.S. Gopalka	Non-Executive, Independent	1	–	Nil
Shri O.P. Agarwal	Non-Executive, Independent	7	–	Nil
Shri R.S. Rungta	Non-Executive, Independent	1	–	Nil
Shri R.L. Gaggur	Non-Executive, Independent	13	16	Nil
Shri Sunil V. Diwakar (Nominee-IL&FS Investment Managers Ltd.	Non-Executive, Independent	7	7	Nil

During the year under review, Board Meetings were held on 24<sup>th</sup> April 2009, 30<sup>th</sup> July 2009, 8<sup>th</sup> October 2009 and 29<sup>th</sup> January 2010. 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	Yes
Shri Sundeep Shah	4	No
Shri G.D. Harnathka	1	No
Shri H.S. Gopalka	4	Yes
Shri O.P. Agarwal	4	No
Shri R.S. Rungta	4	Yes
Shri R.L. Gaggur	2	Yes
Shri Sunil V. Diwakar	1	No

## **BOARD COMMITTEES**

### **Audit Committee**

#### **I. Constitution**

The Audit Committee of the Company was constituted to exercise powers and discharge functions as stipulated in Section 292A of the Companies Act, 1956, Clause 49 of the Listing Agreement with Stock Exchange and other relevant statutory / regulatory provisions.

#### **II. Composition**

The Audit Committee of the Company comprises three Directors who are all independent and non executive namely Sri H.S. Gopalka, Sri R.S. Rungta & Sri O.P. Agarwal. All these directors have knowledge of corporate finance, accounts and company law. The Chairman of the Committee is Sri O.P. Agarwal, who is a Chartered Accountant. The Company Secretary acts as the Secretary of the Committee. Besides the Committee members President, Chief Financial Officer and partners / representatives of the firm of Statutory Auditors and Internal Auditors are permanent invitees at the meetings of the Committee.

#### **III Meetings and Attendance**

During the financial year ended 31<sup>st</sup> March 2010 four Audit Committee meetings were held on 22<sup>nd</sup> April 2009, 28<sup>th</sup> July 2009, 6<sup>th</sup> October 2009 and 27<sup>th</sup> January 2010 which were attended by all the members of the Committee.

### **Remuneration Committee**

#### **I. Constitution**

The Remuneration Committee of the Company was formed to recommend remuneration packages for whole-time Directors. Such recommendation are based on the overall financial performance and profitability of the Company and on evaluation of the personal contribution of the individual directors.

#### **II. Composition**

The Members of the Remuneration Committee are Sri H.S. Gopalka, Sri R.S. Rungta and Sri O.P. Agarwal. Sri R.S. Rungta acts as the Chairman of the Committee.

#### **III. Meeting and Attendance**

During the financial year ended 31<sup>st</sup> March 2010 Remuneration Committee Meeting was not held.

The details of the remuneration to the directors for the year ended 31<sup>st</sup> March 2010 are as under:

Name of the Director	Salary	Perquisites	Sitting Fees for Board & Committee Meetings	Total Rs.	Service Period
Sri S.S. Shah	48,00,000	10,56,000	--	58,56,000	Five years w.e.f. 1 <sup>st</sup> September 2006
Sri Sundeep Shah	28,80,000	9,21,000	--	38,01,600	Five years w.e.f. 1 <sup>st</sup> September 2006
Sri H.S. Gopalka	--	--	27,000	27,000	Retire by rotation
Sri R.S. Rungta	--	--	28,000	28,000	Retire by rotation
Sri G.D. Harnathka	--	--	5,000	5,000	Retire by rotation
Sri O.P. Agarwal	--	--	28,000	28,000	Retire by rotation
Sri R.L. Gagar	--	--	5,000	5,000	Retire by rotation
Shri Sunil V. Diwakar	--	--	5,000	5,000	Nominee Director

#### **SHAREHOLDERS COMMITTEE:**

##### **Share Transfer Committee**

###### **I. Constitution**

Share Transfer Committee was constituted to deal with various matters relating to transfer and transmission of shares, issue of duplicate share certificates and approving the split and consolidation requests and other matters relating to transfer and registration of shares.

###### **II. Composition**

The members of the Committee are Shri S. S. Shah, Shri G. Venkatesh and Shri K. T. Sheth. Shri S. S. Shah acts as the Chairman of the Committee.

###### **III. Meeting & Attendance**

During the financial year ended 31<sup>st</sup> March, 2010, eight Share Transfer Committee meetings were held. No sitting fee was paid to any member of the Share Transfer Committee.

##### **Investors' Grievance Committee**

###### **I. Constitution**

Investors' Grievance Committee was formed to oversee the redressal of shareholders' and investors' grievances in relation to transfer of shares, non-receipt of annual report, non-receipt of dividend etc.

###### **II. Composition**

The Committee comprises of three non-executive independent directors Shri H. S. Gopalka, Shri R. S. Rungta and Shri O. P. Agarwal. Shri H.S. Gopalka is the Chairman of the Committee.

### III. Meeting & Attendance

During the financial year ended 31<sup>st</sup> March, 2010, four Investors' Grievance Committee meetings were held.

#### GENERAL BODY MEETING

##### i) General Meetings:

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

Date	Time	Venue
26 <sup>th</sup> September 2007	11:00 A.M.	Kala Kunj 48 Shakespeare Sarani Kolkata – 700 017.
24 <sup>th</sup> September 2008	11:00 A.M.	-- DO --
9 <sup>th</sup> September 2009	11:00 A.M.	-- DO --

##### ii) Special Resolutions:

No special resolutions were passed during the year.

##### iii) Postal Ballot

No Postal Ballot was conducted during the year.

#### DISCLOSURES

- 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.
- 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.
- Chairman and Managing Director and Chief Financial Officer have furnished the requisite certificates to the Board of Directors pursuant to Clause 49 of the Listing Agreement.

#### MEANS OF COMMUNICATION

The financial results of the Company are published in all leading newspapers in India viz. Business Standard, Business Line and Dainik Statesman. The results are also displayed on the Company's website. Press conference, analysts meet and press releases are also made by the Company from time to time to facilitate better communication with the shareholders and investors.

## GENERAL SHAREHOLDERS INFORMATION

### i) Sixty Fourth Annual General Meeting

Venue	:	Kala Kunj, 48 Shakespeare Sarani, Kolkata – 700 017
Date	:	22nd September 2010
Time	:	11:00 A.M.

### ii) Financial Calendar

First quarter results	-	By end July
Second quarter results	-	By end October
Third quarter results	-	By end January
Fourth quarter results	-	By end April

### iii) Book Closure

The date of book closure is from 10<sup>th</sup> September 2010 to 22<sup>nd</sup> September 2010 (both days inclusive).

### iv) Dividend Payment

Dividend, if any, declared at the 64<sup>th</sup> Annual General Meeting shall be paid / credited on or after 22<sup>nd</sup> September, 2010.

### v) Listing on Stock Exchanges

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

Listing fee for the year 2010-2011 has been paid to National Stock Exchange of India Ltd.

### vi) Stock Market Data

The Company's high and low prices recorded on National Stock Exchange of India Ltd. during the financial year 2009-2010 are given below:

MONTH	HIGH (Rs.)	LOW (Rs.)
APRIL 2009	12.60	7.50
MAY 2009	16.15	8.30
JUNE 2009	19.95	13.05
JULY 2009	16.30	11.05
AUGUST 2009	15.75	12.60
SEPTEMBER 2009	18.50	11.50
OCTOBER 2009	16.15	13.10
NOVEMBER 2009	20.25	12.90
DECEMBER 2009	18.50	15.50
JANUARY 2010	19.00	15.50
FEBRUARY 2010	16.80	14.30
MARCH 2010	16.35	14.05

**vii) Share Holding (as on 31<sup>st</sup> March, 2010)**

The shareholding distribution as at 31<sup>st</sup> March, 2010 is as follows:

No. of Shares	Number of Share Holders	% To Total Holders	No. of Shares held	% To total Holding
Upto 500	17,966	70.43	40,42,271	5.12
501 - 1000	3,788	14.85	33,35,328	4.22
1001 – 2000	1,666	6.53	26,50,983	3.36
2001 – 3000	703	2.76	18,30,784	2.32
3001 - 4000	273	1.07	9,92,294	1.26
4001 – 5000	316	1.24	15,16,453	1.92
5001 – 10000	442	1.73	33,35,803	4.23
10001 & above	355	1.39	6,12,48,704	77.57
<b>TOTAL</b>	<b>25,509</b>	<b>100.00</b>	<b>7,89,52,620</b>	<b>100.00</b>

The shareholding pattern as at 31<sup>st</sup> March, 2010 is as follows:

<b>Category</b>	<b>No. Shares</b>	<b>% age of Holding</b>
Promoters including NRI Promoters	3,74,20,950	47.40
Financial Institutions, Banks, Mutual Fund Etc.	43,91,960	5.56
Non Resident Indians / OCBs / FIIs	10,33,050	1.31
Private Corporate Bodies	1,35,07,014	17.11
Indian Public	2,25,99,646	28.62
<b>TOTAL</b>	<b>7,89,52,620</b>	<b>100.00</b>

**viii) 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 31.03.2010 the dematerialised shares were 7,18,16,176 which represents 90.96% of the total subscribed capital. The equity shares of the Company are regularly traded on the National Stock Exchange.

**ix) 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.

**x) 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.

**xi) 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

**xii) Address for Correspondence**

Eastern Silk Industries Ltd.  
19, R. N. Mukherjee Road  
Kolkata – 700 001.  
Phone : 2243 – 0817 – 19 (3 Lines)  
Fax : 2248 – 2486  
Email : [esilk@giascl01.vsnl.co.in](mailto:esilk@giascl01.vsnl.co.in)  
Website : [www.easternsilk.com](http://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.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS :**

### **Overall Review, Industry Structure and Developments**

The world economy is beginning to recover from one of the worst economic downturn in decades. But again financial crisis in countries like Dubai, Greece, Spain, Italy, Portugal, Ireland indicate that the effects of slowdown still persists. The consumption level of developed nations took a beating and still the markets for high end products have not recovered fully. The increased costs of silk goods have resulted in lesser off take of silk products in overseas markets and shift of customers to cheaper varieties of textiles.

With a view to follow the global trend your Company has also laid more emphasis on manufacturing and exports of poly fabrics and other blended fabrics which are relatively cheaper than silk fabrics and are much in demand.

### **Opportunities and Threats**

After the revival picks up the pace, the demand for value added premium products is expected to rise across the globe. However, the rising cost of raw materials is a matter of concern.

### **Segmentwise Performance**

The Company's business activities falls within a single primary segment viz. Textiles.

### **Outlook**

The production from the expansion programme of the Company at Unit II in Anekal near Bangalore is likely to be commenced by September 2010 and your Company is hopeful to get good response to its products from the overseas customers.

### **Internal Control System**

The Company has adequate system of internal controls to ensure that all assets are safeguarded and protected against loss and that all transactions are authorised, recorded and reported correctly. The systems are designed to support the reliability of the financial and other records for preparing financial statements and other data.

### **Human Resources**

The Company continues to recognize the importance of good human relation in the smooth working of the organization. Upgradation of the skills of the employees is a continuous process pursued by the Company.

### **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.



**AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT.**

We have examined the compliance of conditions of corporate governance by EASTERN SILK INDUSTRIES LTD. for the year ended on 31<sup>st</sup> March' 2010 as stipulated in clause 49 of the listing agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of 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 above mentioned listing agreement.

We state that based on the report given by the Registrars & Share Transfer Agent of the Company to the Investors Grievance Committee, as on 31<sup>st</sup> March'2010 there were no investors grievance matters against the Company remaining unattended / pending for more than 30 days.

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

23A, Netaji Subhas Road  
Kolkata.  
The 10<sup>th</sup> August, 2010

**For B.K. SHROFF & CO**  
Firm Registration No.: 302166E  
CHARTERED ACCOUNTANTS

**(L.K.Shroff)**  
PARTNER  
Membership No. : 60742

**AUDITORS' REPORT**  
**TO THE MEMBERS OF EASTERN SILK INDUSTRIES LTD.**

1. We have audited the attached Balance Sheet of **EASTERN SILK INDUSTRIES LTD.** as at 31<sup>st</sup> March, 2010 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditor's Report Amendment) Order 2004 issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks as were considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matter specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, We report that –
  - I. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - II. 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;
  - III. the Balance Sheet, Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - IV. in our opinion, the Balance Sheet, Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in clause (3C) of Section 211 of the Companies Act, 1956.
  - V. on the basis of written representation received from the Directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2010 from being appointed as a Director in terms of clause (g) of Sub-Section (I) of Section 274 of the Companies Act, 1956;
  - VI. in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with Accounting Policies and the Notes thereon appearing in schedule – 14 give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:-
    - (a) in the case of the Balance Sheet of the state of affairs of the Company as at 31<sup>st</sup> March, 2010.
    - (b) in the case of the Profit & Loss Account of the Profit for the year ended on that date; and
    - (c) in the case of the Cash Flow Statement of the Cash Flows for the year ended on that date.

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

23A, Netaji Subhas Road,  
Kolkata, the 10<sup>th</sup> August, 2010.

**(L.K.Shroff)**  
**PARTNER**  
Membership No. : 60742

## ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

- i)
  - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - b. 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.
  - c. The Company has not disposed off substantial Fixed Assets during the year. Therefore, it has not affected the going concern concept of the Company.
- ii)
  - a. As explained to us, inventories have been physically verified by the management at regular intervals during the year.
  - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c. In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification as compared to the book records.
- iii) As explained to us and according to the information furnished to us, the Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 and as such clause (iii) of the Order is not applicable.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of inventory, fixed assets and also for the sale of goods. During the course of our audit, we have not observed any major weakness in internal controls.
- v) In respect of transactions entered in the register maintained under Sec. 301 of the Companies Act, 1956:
  - a. To the best of our knowledge and belief and according to the information and explanations given to us, transactions that needed to be entered into the register pursuant to Section 301 of the Companies Act, 1956 have been so entered.
  - b. In our opinion and according to the information and explanations given to us, the transactions in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.5 lakhs or more in respect of any party have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) The Company has not accepted any deposits from the public and as such clause (vi) of the Order is not applicable.
- vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business and is being further strengthened.
- viii) We have broadly reviewed the books of account and records maintained by the Company relating to 'Textiles' pursuant to Sec. 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of these records.
- ix) 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, Customs Duty, Excise Duty, Cess and any other 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, 2010 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/ Sales Tax which have not been deposited on account of any dispute are as follows :

<u>Name of the Statute</u>	<u>Name of the Dues</u>	<u>Amount (Rs. in lacs)</u>	<u>Period to which the amount relates</u>	<u>Forum where dispute is pending</u>
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
Custom Duty Act	Custom Duty	109.77	2001-02	Hon'ble High Court of Karnataka
Customs Duty Act	Custom Duty	148.50	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
Income Tax Act	Income Tax	2.31	2004-05	C.I.T. (Appeal)

- x) The Company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit or the immediately preceding financial year.
- xi) In our opinion and according to the information & explanations given to us, the Company has not defaulted in repayment of term loan installment to Banks. *However in the repayment of term loan installment amounting to Rs.18.85 Lacs due in May'09 & Rs.18.85 Lacs due in August'09 to Uco Bank and interest thereon Rs.1.28 Lacs & Rs. 0.73 Lacs were paid in July'09 & September'09 respectively.*
- xii) In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The Company is not a Chit Fund or a Nidhi / Mutual Benefit Fund/Society and as such reporting under clause (xiii) of the Order is not applicable to the Company.
- xiv) Based on our examination of the records and according to the information and explanations given to us, Company is not dealing or trading in shares, securities, debentures and other investments. We also report that the Company has held the shares, securities, debentures and other investments in its own name.
- xv) According to the information and explanations given to us, the Company has given a corporate guarantee to a bank for an Associate Company for Rs. 650.00 Lacs for availing loan from bank by the said Company, the terms of conditions of which are not prima facie prejudicial to the interest of the Company.
- xvi) To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the company were, prima facie, applied by the company during the year for the purposes for which the loans were obtained.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that prima facie funds raised on short-term basis have not been used for long-term investments.
- xviii) The Company has not made preferential allotment of shares during the year to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- xix) The Company has not issued any debentures during the year.
- xx) The Company has not raised any money by public issue during the year.

xxi). To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the course of our audit.

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

23A, Netaji Subhas Road,  
Kolkata, the 10<sup>th</sup> August, 2010.

**(L.K.Shroff)**  
**PARTNER**  
**Membership No. : 60742**

**EASTERN SILK INDUSTRIES LTD.**  
**BALANCE SHEET AS AT 31ST MARCH, 2010**

	<u>Schedule</u>	<u>31-03-2010</u>	<u>31-03-2009</u>
		Rs.in Lacs	Rs.in Lacs
<b>SOURCES OF FUNDS</b>			
i) <b>Shareholders' Funds</b>			
(a) Share Capital	1	2,979.05	2,979.05
(b) Reserves & Surplus	2	37,638.52	37,548.53
ii) <b>Loan Funds</b>	3		
(a) Secured Loans		17,118.07	10,773.09
(b) Unsecured Loans		24.73	281.34
		17,142.80	
iii) <b>Deferred Tax Liability</b>	4	1,099.22	1,256.57
		58,859.59	52,838.58
<b>APPLICATIONS OF FUNDS</b>			
i) <b>Fixed Assets</b>	5		
(a) Gross Block		27,846.14	25,943.18
(b) Less : Depreciation		11,322.41	9,555.19
(a) Net Block		16,523.73	16,387.99
(b) Capital Work-In-Progress		4,949.96	1,357.76
		21,473.69	17,745.75
ii) <b>Investments</b>	6	205.39	581.40
iii) <b>Current Assets, Loans &amp; Advances</b>	7		
(a) Inventories		25,157.31	24,149.67
(b) Sundry Debtors		7,744.31	7,899.94
(c) Cash & Bank Balances		2,817.95	1,943.82
(d) Loans & Advances		12,787.47	12,606.61
		48,507.04	46,600.04
Less :			
iv) <b>Current Liabilities &amp; Provisions</b>	8		
(a) Current Liabilities		10,630.72	9,767.59
(b) Provisions		695.81	2,321.02
		11,326.53	12,088.61
v) <b>Net Current Assets (iii - iv)</b>		37,180.51	34,511.43
		58,859.59	52,838.58
<b>Accounting Policies &amp; Notes On Accounts</b>	14		
As per our report of even date annexed			

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

Kolkata  
The 10th August, 2010

(L.K.Shroff)      Chairman &  
Partner      Managing Director      Executive Director      Directors  
(Mem. No. 60742)

Secretary

**EASTERN SILK INDUSTRIES LTD.**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010**

	Schedule	<b><u>31-03-2010</u></b>	<b><u>31-03-2009</u></b>
		Rs.in Lacs	Rs.in Lacs
<b>INCOME</b>			
Sales		54,393.09	51,003.75
Other Income	9	1,200.06	2,448.43
Increase / ( Decrease ) in Finished Goods	10	102.64	8,992.80
		<u>55,695.79</u>	<u>62,444.98</u>
<b>EXPENDITURE</b>			
Purchases		19,676.78	34,673.16
Raw Materials Consumed	11	19,845.88	10,473.21
Manufacturing, Selling & Other Expenses	12	11,429.10	11,324.24
Interest	13	2,525.02	2,414.99
Depreciation		1,830.91	1,947.97
Less : Transferred from Capital reserve		<u>297.33</u>	<u>300.41</u>
		<u>1,533.58</u>	<u>1,647.56</u>
		<u>55,010.36</u>	<u>60,533.16</u>
<b>PROFIT BEFORE TAXATION</b>		685.43	1,911.82
Less : Provision for			
Current Taxation		275.00	125.00
Earlier years Taxation		(5.99)	-
Fringe Benefit Tax		-	15.00
Deferred Tax		<u>(157.35)</u>	<u>(149.23)</u>
<b>PROFIT AFTER TAXATION</b>		573.77	1,921.05
Add :			
Surplus Brought forward from Previous Year		<u>16,702.72</u>	<u>15,637.45</u>
<b>Available for Appropriation</b>		<u>17,276.49</u>	<u>17,558.50</u>
<b>APPROPRIATION</b>			
General Reserve		100.00	300.00
Preference Share Redemption Reserve		-	240.00
Proposed Dividend			
On Equity Shares		94.74	157.91
On Preference Shares		112.00	112.00
Corporate Dividend Tax		34.34	45.87
Surplus Carried to Balance Sheet		<u>16,935.41</u>	<u>16,702.72</u>
		<u>17,276.49</u>	<u>17,558.50</u>
Earning Per Share : Basic & Diluted		0.56	2.27
<b>Accounting Policies &amp; Notes On Accounts</b>	14		
As per our report of even date annexed			

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

Kolkata  
The 10th August, 2010

(L.K.Shroff)      Chairman &  
Partner      Managing Director      Executive Director      Director  
(Mem. No. 60742)

Secretary

# EASTERN SILK INDUSTRIES LTD.

## Cash Flow Statement for the Year Ended 31st March, 2010

	<u>31-03-2010</u>	<u>31-03-2009</u>
	Rs.in Lacs	Rs.in Lacs
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
<b>Net Profit Before Tax and Extraordinary Items</b>	685.43	1,911.82
Add : Adjustments for :		
Depreciation	1,533.58	1,647.56
Interest paid	2,525.02	2,414.99
Unrealised Foreign Exchange(Net)	491.64	-
Loss on Sale of Investment	10.19	115.09
Loss on Sale of Fixed Assets	0.33	2.63
Preliminary Expenses Written off	-	0.25
	4,560.76	4,180.52
	5,246.19	6,092.34
Less : Adjustments for :		
Interest & Dividend Received	158.75	116.16
Unrealised Foreign Exchange(Net)	-	1,199.64
Profit on Sale of Fixed Assets	-	0.12
Profit on Sale of Investments	11.28	0.20
Provision for Doubtful Debts written back	-	19.25
Sundry Balances Adjusted	4.18	0.93
	174.21	1,336.30
<b>Operating Profit Before Working Capital Changes</b>	5,071.98	4,756.04
Add :		
Decrease in Working Capital :		
Trade & Other Receivables		6,461.88
Trade Payables	1,242.89	1,712.58
	1,242.89	8,174.46
	6,314.87	12,930.50
Less :		
Increase in Working Capital :		
Trade & Other Receivables	2,090.90	-
Inventories	1,007.64	7,259.29
	3,098.54	7,259.29
<b>Cash Generated From Operations</b>	3,216.33	5,671.21
Less :		
Interest paid on Working Capital	2,514.50	2,353.46
Taxes paid	265.25	141.24
	2,779.75	2,494.70
<b>Net Cash Flow From Operating Activities</b>	436.58	3,176.51
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
<b>Inflows</b>		
Sale of Fixed Assets	23.17	5.68
Sale of Investments	377.30	312.29
Interest received	148.70	116.04
Dividend Received	10.05	0.12
	559.22	434.13
Less :		
<b>Outflows</b>		
Purchase of Fixed Assets	5,631.74	1,255.31
Purchase of Investment	0.20	0.16
	5,631.94	1,255.47
<b>Net Cash Used In Investing Activities</b>	(5,072.72)	(821.34)



# **EASTERN SILK INDUSTRIES LTD.**

## **Cash Flow Statement for the Year Ended 31st March, 2010**

	<b><u>31-03-2010</u></b>	<b><u>31-03-2009</u></b>
	Rs.in Lacs	Rs.in Lacs
<b>C. CASH FLOW FROM FINANCIAL ACTIVITIES :</b>		
Proceeds from Long Term Borrowings (Net)	<u>6,083.49</u>	<u>(1,319.98)</u>
	6,083.49	(1,319.98)
Less :		
Interest Paid on Term Loan	5.64	67.09
Dividend & Corporate Tax	<u>567.58</u>	<u>841.60</u>
	573.22	908.69
<b>Net Cash Used In Financing Activities</b>	<b><u>5,510.27</u></b>	<b><u>(2,228.67)</u></b>
<b>Net Changes In Cash &amp; Cash Equivalents (A+B+C)</b>	874.13	126.50
* <b>Cash &amp; Cash Equivalents - Opening Balance</b>	<u>1,943.82</u>	<u>1,817.32</u>
* <b>Cash &amp; Cash Equivalents - Closing Balance</b>	<u>2,817.95</u>	<u>1,943.82</u>
* Represents Cash & Bank Balances as indicated in Schedule 7.		

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

Firm Registration No. : 302166E

Chartered Accountants

Kolkata  
The 10th August, 2010

(L.K.Shroff)  
Partner  
(Mem.No.60742)

Chairman &  
Managing Director Executive Director Directors

Secretary

**EASTERN SILK INDUSTRIES LTD.**  
**SCHEDULES TO THE ACCOUNTS**

<b><u>SCHEDULE : 1</u></b>	<b><u>31-03-2010</u></b>	<b><u>31-03-2009</u></b>
	Rs.in Lacs	Rs.in Lacs
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
15,00,00,000 Equity Shares of Rs.2/- each	3,000.00	3,000.00
20,00,000 Preference Shares of Rs. 100/- each	2,000.00	2,000.00
	5,000.00	5,000.00
<b>Issued</b>		
7,91,10,120 Equity Shares of Rs.2/- each	1,582.20	1,582.20
14,00,000 Redeemable Cumulative Preference Shares of Rs. 100/- each	1,400.00	1,400.00
	2,982.20	2,982.20
<b>Subscribed &amp; Paid-up</b>		
7,89,52,620 Equity Shares of Rs.2/- each fully paid up	1,579.05	1,579.05
14,00,000 8% Redeemable Cumulative Preference Shares of Rs. 100/- each fully paid up	1,400.00	1,400.00
	2,979.05	2,979.05

**Notes :**

\*1. Of the above shares 88,37,450 Equity Shares of Rs. 2/- were allotted as fully paid up Bonus Shares by Capitalisation of General Reserve.

\*2. During 1995-96 the company offered 1,18,13,725 Equity Shares of Rs.2/- each to the existing Shareholders in the ratio of 1 share for every 2 shares held, at a premium of Rs.6/- per share as per letter of offer dated December 21, 1995 . Out of the above shares, allotment of 6000 Equity Shares are kept in abeyance under Court Order .

\*3. 3,16,96,445 Equity Shares of Rs.2/- each fully paid up at a premium of Rs.15.60 per Equity Share were allotted to the Shareholders of erstwhile Eastern Jingying Ltd.and Stella Silks Ltd. ( since amalgamated ) pursuant to the Scheme of Amalgamation without payment being received in cash.

\*4. During 2006-07 the Company allotted 1,15,00,000 Equity Shares of Rs.2/- each fully paid up at a premium of Rs.48.03 per Equity Share on preferential basis .

5. 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 Stella 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.

\* The number of shares,face value and the premium has been reworked on sub division of shares from Rs.10/- each to Rs 2/- each.

**EASTERN SILK INDUSTRIES LTD.**  
**SCHEDULES TO THE ACCOUNTS**

<b><u>SCHEDULE : 2</u></b>	<b><u>31-03-2010</u></b>	<b><u>31-03-2009</u></b>
	Rs.in Lacs	Rs.in Lacs
<b>RESERVES &amp; SURPLUS</b>		
<b>Capital Reserve</b>		
As Per Last Balance Sheet	1,419.18	1,719.59
Less : Depreciation on Revalued Assets	297.33	300.41
Less : Residual Value of Revalued Assets Sold	<u>49.39</u>	<u>-</u>
	1,072.46	1,419.18
<b>Capital Redemption Reserve</b>		
As Per Last Balance Sheet	1,400.00	1,400.00
<b>Securities Premium Account</b>		
As Per Last Balance Sheet	11,428.75	11,428.75
<b>General Reserve</b>		
As Per Last Balance Sheet	5,350.00	5,050.00
Add : Transferred from Profit & Loss Account	<u>100.00</u>	<u>300.00</u>
	5,450.00	5,350.00
<b>Preference Share Redemption Reserve</b>		
As Per Last Balance Sheet	1,400.00	1,160.00
Add : Transferred from Profit & Loss Account	<u>-</u>	<u>240.00</u>
	1,400.00	1,400.00
<b>Hedge Reserve Account</b>		
	(48.10)	(152.12)
<b>Profit &amp; Loss Account Balance</b>		
Transferred from Profit & Loss Account	<u>16,935.41</u>	<u>16,702.72</u>
	<b><u>37,638.52</u></b>	<b><u>37,548.53</u></b>

**EASTERN SILK INDUSTRIES LTD.**  
**SCHEDULES TO THE ACCOUNTS**

**SCHEDULE : 3**

**31-03-2010**    **31-03-2009**  
Rs.in Lacs    Rs.in Lacs

**LOAN FUNDS**

**A) Secured Loans**

**Long Term Loans**

**From Banks and Financial Institution**

Foreign Currency Term Loan

-                      87.28

Rupee Term Loan

3,908.24              109.84

Secured by first pari passu charge on the entire Fixed Assets of the Company both present and future, second pari passu charge on the entire Current assets of the Company both present & future and Personal guarantee of the Managing Director and Executive Director.

Interest accrued but not due

6.78                      1.64  
3,915.02                      198.76

**Packing Credit-cum-Cash Credit Loan and Overdrafts**

**From Banks**

13,182.55              10,555.93

Secured by hypothecation of stocks of Raw Materials, Silk Waste, Silk Yarn, Stores & Spare Parts, Stock in Process including Stock-in-Transit of Raw materials, Semi-Finished Goods lying at different manufacturing units at Anekal, Nanajangud, Falta and/or at the centres of its vendors, Book Debts, Bills Receivable and Guarantees of ECGC Ltd., second pari passu charges on movable Fixed Assets situated at Anekal, Karnatka both present & future, and also mortgage of some immovable property in the Company, alongwith personal guarantee of the Managing Director.

**Vehicle Loans**

**From Banks**

Secured against hypothecation of Vehicles

20.41                      18.31

Interest accrued but not due

0.09                      0.09  
17,118.07                      10,773.09

Amount repayable within one year **Rs. 812.58 Lacs** (Previous Year Rs.183.71 Lacs)

**B) Unsecured Loans**

**Short Term Loan**

From Banks

-                              256.35

From Others

24.73                      24.73

Interest accrued but not due

-                              0.26  
24.73                              281.34  
17,142.80                      11,054.43

**SCHEDULE : 4.**

**DEFERRED TAX LIABILITY**

As Per Last Balance Sheet

1,256.57                      1,405.80

Add : Addition/(Deduction) during the year

(157.35)                      (149.23)  
1,099.22                      1,256.57

**EASTERN SILK INDUSTRIES LTD.**  
**SCHEDULES TO THE ACCOUNTS**

**SCHEDULE - 5**

**FIXED ASSETS**

**Rs.in Lacs**

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as on 01.04.2009	Additions during the Year	Sale / Deductions during the Year	Total	Upto 01.04.2009	For the Year	Adjustment during the Year	Total	W.D.V. as on 31.03.2010	W.D.V. as on 31.03.2009
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land (Including Leasehold Land)	378.78			378.78				-	378.78	378.78
Building	2,460.54	1.13		2,461.67	873.85	107.90		981.75	1,479.92	1,586.69
Plant & Machinery	21,974.65	1,997.33	135.88	23,836.10	8,161.08	1,633.20	63.38	9,730.90	14,105.20	13,813.57
Electric Installation	689.37	8.43		697.80	275.66	40.09		315.75	382.05	413.71
Office Equipments & Furniture	290.53	16.66	0.70	306.49	162.63	33.48	0.31	195.80	110.69	127.90
Vehicles	149.31	15.99		165.30	81.97	16.24		98.21	67.09	67.34
	25,943.18	2,039.54	136.58	27,846.14	9,555.19	1,830.91	63.69	11,322.41	16,523.73	16,387.99
Capital work in progress	1,357.76	5,529.47	1,937.27	4,949.96	-	-	-	-	4,949.96	1,357.76
<b>Total</b>	27,300.94	7,569.01	2,073.85	32,796.10	9,555.19	1,830.91	63.69	11,322.41	21,473.69	17,745.75
Previous Year's Figure	26,089.00	1,321.38	109.44	27,300.94	7,642.40	1,947.97	35.18	9,555.19	17,745.75	

Depreciation includes depreciation on revalued assets Rs. 297.33 Lacs ( Previous year Rs.300.41 Lacs)

**EASTERN SILK INDUSTRIES LTD.**  
**SCHEDULES TO THE ACCOUNTS**

**31-03-2010**    **31-03-2009**  
Rs.in Laacs    Rs.in Laacs

**SCHEDULE : 6**

**INVESTMENTS**

**A . Long Term Investments**

**Other Than Trade**

**Quoted :**

**Fully paid Equity Shares of Rs.10/- each unless otherwise stated**

64	Tata Consultancy Services Ltd (Including 48 Bonus Equity Shares )	0.14	0.14
(32)	(Including 16 Bonus Equity Shares ) (Fully paid Equity Shares of Re.1/- each)		

**Unquoted :**

**Fully paid Equity Shares of Rs.10/- each unless otherwise stated**

2,570	India Exposition Mart	0.25	0.05
(514)			

**B. Current Investments**

**Unquoted :**

**Other Investments - in Mutual Funds ( Face Value of Rs. 10/- each)**

9,77,995.110	J.P.Morgan India Equity Fund	-	100.00
(9,77,995.110)			
9,77,995.110	AIG India Equity Fund	-	100.00
(9,77,995.110)			
2,85,437.004	Fidelity Equity Fund	-	50.00
(2,85,437.004)			
3,09,985.245	Sundram BNP Paribas Select Midcap Fund	-	50.00
(3,09,985.245)			
2,56,579.994	Reliance Equity Opportunities Fund	-	50.00
(2,56,579.994)			
2,72,232.305	J.M.Emerging Leader Fund	30.00	30.00
(2,72,232.305)			
35,184.510	Birla Sunlife Equity Fund	-	24.71
(71,184.510)			
5,00,000.000	HDFC Midcap Opportunities Fund	50.00	50.00
(5,00,000.000)			
4,87,804.870	ABN Amro China-India Fund	50.00	50.00
(4,87,804.870)			
7,50,000.000	Sundram BNP Paribas Energy Opportunities Fund	75.00	75.00
(7,50,000.000)			
14,827.073	JM Arbitrage Advantage Fund	-	1.50
(13,680.983)			

	205.39	581.40
--	--------	--------

**Aggregate value of Investments in Equities**

Quoted	0.14	0.14
Unquoted	0.25	0.05
	0.39	0.19

**Aggregate value of Investments in Mutual Funds**

	205.00	581.21
	205.39	581.40

**Market Value of Quoted Investments**

	0.50	0.17
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**EASTERN SILK INDUSTRIES LTD.**  
**SCHEDULES TO THE ACCOUNTS**

<b><u>SCHEDULE : 7</u></b>	<b><u>31-03-2010</u></b>	<b><u>31-03-2009</u></b>
	Rs.in Lacs	Rs.in Lacs
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b><u>Current Assets</u></b>		
<b>Inventories : (as taken, valued &amp; certified by the Management )</b>		
Raw Materials	7,605.65	6,673.22
Stock in process	1,530.73	1,621.84
Finished Goods	15,904.43	15,710.68
Stores, Spare parts, Dyes, Chemicals, etc	116.50	143.93
	25,157.31	24,149.67
<b>Sundry Debtors : (Considered Good)</b>		
<b>Outstanding for a period exceeding six months</b>		
Considered Good	2,446.49	5,328.78
Considered Doubtful	3.65	3.65
	2,450.14	5,332.43
<b>Other Debts</b>	5,297.82	2,571.16
	7,747.96	7,903.59
Less : Provision for Doubtful Debts	3.65	3.65
	7,744.31	7,899.94
<b>Cash &amp; Bank Balances</b>		
Cash in hand	2.48	1.77
With Scheduled Banks		
In Current Accounts	782.33	350.77
In Fixed Deposit Lying as Margin Money	1,964.90	1,557.19
In Foreign Currency Accounts	68.24	34.09
	2,817.95	1,943.82
<b><u>Loans &amp; Advances</u> (Unsecured - Considered Good)</b>		
Advances	12,291.97	10,766.36
(Recoverable in cash or in kind or for value to be received)		
Other Deposits	83.79	99.78
Advance Payment of Income Tax, Fringe Benefit Tax and Tax Deducted at Source	411.71	1,740.47
	12,787.47	12,606.61
	48,507.04	46,600.04

**EASTERN SILK INDUSTRIES LTD.****SCHEDULE TO THE ACCOUNTS****SCHEDULE : 8****31-03-2010****31-03-2009**

Rs.in Lacs

Rs.in Lacs

**CURRENT LIABILITIES & PROVISIONS****A. Current Liabilities**

Sundry Creditors	7,266.51	6,403.74
Security Deposit	900.00	900.00
Advance against Order	267.03	358.62
Other Liabilities*	2,189.66	2,079.33
Book Overdraft - With Banks	7.52	25.90
	<u>10,630.72</u>	<u>9,767.59</u>

**B. Provisions**

Provision for Taxation	400.00	1,725.00
Provision for Fringe Benefit Tax	28.44	28.44
Provision for Gratuity	26.29	-
Proposed Dividend on Equity Shares	94.74	157.91
Dividend on Preference Shares	112.00	224.00
Provision for Corporate Dividend Tax	34.34	185.67
	<u>695.81</u>	<u>2,321.02</u>
	<u>11,326.53</u>	<u>12,088.61</u>

\* Other Liabilities includes change in the fair value of foreign exchange Forward Contracts Rs.48.10 lacs (Previous year Rs. 152.12 Lacs)

**Note :** No amount was due for credit to Investor Education and Protection Fund as at 31.03.2010.

**SCHEDULE : 9****OTHER INCOME**

Export Incentives/Duty Drawback		1,018.12	838.11
Interest (Gross) (T.D.S Rs. 16.98 Lacs, Previous Year Rs. 23.69 Lacs)			116.04
From Banks	145.83		
from Others	2.87	148.70	
Dividend on Non-Trade Investment			
Long Term Investment	0.01		0.01
Current Investment	10.04	10.05	0.11
Profit on sale of Fixed Assets		-	0.12
Profit on sale of Investments			
Short Term (Current)		11.28	0.20
Insurance Claim		5.68	10.75
Sundry Credit Balances Adjusted		4.18	0.93
Rent Received		1.37	1.37
Provision for Bad Debts Written Back		-	19.25
Miscellaneous Income		0.68	3.22
Exchange Rate Difference (Net)		-	1,458.32
		<u>1,200.06</u>	<u>2,448.43</u>

**SCHEDULE : 10****INCREASE / (DECREASE) IN FINISHED GOODS**

Closing Stock - Work in Progress		1,530.73	1,621.84
Finished Goods		15,904.43	15,710.68
		<u>17,435.16</u>	<u>17,332.52</u>
Less : Opening Stock			
Less : Work in Progress	1,621.84		1,618.73
Finished Goods	15,710.68		6,720.99
		<u>17,332.52</u>	
		<u>102.64</u>	<u>8,992.80</u>

**SCHEDULE : 11****RAW MATERIALS CONSUMED**

Opening Stock		6,673.22	8,464.59
Add: Purchases		20,778.31	8,681.84
		<u>27,451.53</u>	<u>17,146.43</u>
Less :			
Closing Stock		7,605.65	6,673.22



<u>19,845.88</u>	<u>10,473.21</u>
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**EASTERN SILK INDUSTRIES LTD.****SCHEDULE TO THE ACCOUNTS****SCHEDULE : 12****31-03-2010****31-03-2009**

Rs.in Laacs

Rs.in Laacs

**MANUFACTURING, SELLING & OTHER EXPENSES**

Conversion, Machining & Other Direct Expenses	5,185.22	3,353.60
Stores, Spares & Accessories Consumed	206.58	249.33
Dyes, Chemicals, etc. Consumed	183.78	171.75
Power & Fuel	388.54	522.56
Salary, Bonus & Allowances	598.05	543.34
Gratuity	31.18	31.98
Workers & Staff Welfare Expenses	43.12	56.94
Employer's Contribution to Provident Fund & Other Funds	80.64	87.36
Freight, Packing, Forwarding, etc.	427.87	488.97
Brokerage & Commission to Selling Agents	2,303.04	2,877.05
Sales Promotion	51.32	33.97
Import Licence Fees	13.40	12.48
Legal, Professional & Syndication Charges	37.66	42.38
Rent	98.63	102.02
Rates & Taxes	8.68	10.36
Insurance	155.32	93.37
Travelling Expenses	128.76	114.06
Mailing & Communication Expenses	38.94	56.01
Bank Charges & Commission	343.66	320.70
Directors' Meeting Fee	1.03	1.24
<b>Auditors' Remuneration :</b>		
Audit Fees	4.41	4.41
Tax Audit Fees	0.77	0.79
For Other Services	<u>2.08</u>	1.49
	7.26	
Managerial Remuneration	75.46	84.50
Miscellaneous Expenses	218.68	203.56
Donation	39.75	10.05
Loss on sale of Fixed Assets	0.33	2.63
Loss on sale of Investment		
Short Term (Current)	10.19	115.09
Expenses Relating to Previous Year	2.58	27.42
Repairs & Maintenance		
Building	12.64	4.90
Plant & Machinery	6.97	6.12
Others	<u>19.66</u>	14.05
	39.27	
Exchange Rate Difference (Net)	634.36	-
Exchange Rate Difference on Forward Contracts	75.80	1,679.51
Preliminary Expenses Written off	-	<u>0.25</u>
	<u>11,429.10</u>	<u>11,324.24</u>

**SCHEDULE : 13****INTEREST**

To Banks	2,525.02	2,387.15
To Financial Institutions	-	27.01
To Others	-	0.83
	<u>2,525.02</u>	<u>2,414.99</u>

# **EASTERN SILK INDUSTRIES LTD.**

## **Schedule – 14**

### **ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

#### **ACCOUNTING POLICIES:**

##### **1 A. Basis of Accounting**

The Company adopts the mercantile system of accounting and recognizes income and expenditure on accrual basis in accordance with the applicable accounting standards. Export incentives, insurance and other claims, has been accounted for to the extent quantum thereof is ascertainable with reasonable accuracy.

##### **B. Fixed Assets**

Fixed assets are stated at original cost, if revalued at revalued amount, less depreciation. The cost of assets comprise its purchase price, direct expenses incurred including finance costs till it is put to use and the revalued amount, if any. The cost including additions, improvements, renewals, revalued amount and accumulated depreciation of assets which are sold and/or discarded, are removed from the Fixed Assets and any profit or loss resulting there from is included in the Profit & Loss Account.

##### **C. Depreciation**

Depreciation is provided for on written down value method, except for Unit 1 & Unit 3 which is provided on Straight Line Method, at the rates prescribed under Schedule XIV of the Companies Act, 1956. Depreciation on the Assets added/disposed off during the year is being provided on pro-rata basis.

Depreciation on revalued assets is calculated on straight line method over the residual life of the respective assets as estimated by the valuer. The charge for depreciation on account of revaluation is withdrawn from capital reserve.

##### **D. Foreign Currency Transactions, Derivatives instruments and hedge accounting**

Transactions in foreign currency other than those covered by forward contracts are accounted for at the prevailing conversion rates on the date of transaction and difference arising out of the settlement are dealt with in the Profit & Loss account. Outstanding export documents when covered by foreign exchange forward contracts are translated at contracted rates. Foreign currency loans availed for acquisition of fixed assets are restated at the exchange rate prevailing at year end and exchange rate difference arising on such transactions are adjusted in the Profit & Loss Account. Other foreign currency current assets and liabilities outstanding at the close of the year are valued at the year end exchange rates. The fluctuations are reflected under the appropriate revenue head.

The company uses foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The company designates these 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).

Hedging instruments are initially measured at fair value, and are re-measured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognized directly in shareholders' funds and the effective portion is recognized in profit & loss account.

Changes in the fair value of derivatives financial instruments that do not qualify for hedge accounting are recognized in profit & loss account as they arise.

Hedge accounting is discontinued when the hedging instruments expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time for forecasted transactions, any cumulative gain or loss on the hedging instrument recognized in Reserves & Surplus is retained there until the forecasted transaction occurs. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss recognized in shareholder's funds is transferred to profit & loss account for the year.

## **E. Expenditure during Construction Period**

Expenditure during construction period is included under Capital Work-in-Progress and the same is allocated to the respective fixed assets on the completion of construction/erection/installation/production.

## **F. Valuation of Investments**

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

## **G. Valuation of Inventories**

Raw Materials and Finished Goods are valued at lower of cost or net realisable value.

Work-in-progress is valued at estimated cost.

Stores & spares parts, Dyes & chemicals, Packing materials are valued at cost.

Cost of inventories is ascertained at FIFO/Weighted average cost.

## **H. Employee Benefits**

### **i) 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.

### **ii) Post employment Benefits**

#### **a) Defined Contribution Plans**

Contributions towards provident funds are recognized as expense. Provident fund contributions in respect of certain employees are made to Trusts administered by the Company, the interest rate payable to the members of the Trusts 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 employer established provident funds (other than covered employees)/government administered provident fund towards which the Company has no further obligations beyond its monthly contributions.

#### **b) Defined Benefit Plans**

Liability towards gratuity, covering eligible employees, is provided and funded 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 immediately in the Profit and Loss Account as income/expense for the year in which they occur.

## **I. Miscellaneous Expenditure**

Expenses related to issue of fresh capital are being amortized over a period of 10 years.

## **J. 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. Capitalisation of borrowing costs ceases when substantially all activities necessary to prepare the qualifying asset for its intended use or sale are complete.

## **K. 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.

## L. 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 the weighted average number of equity shares outstanding during the year (adjusted for the effects of dilutive options).

## M. Events occurring after Balance Sheet Date

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

## N. Contingent Liabilities

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

## O. Cash Flow Statement

The company adopts the Indirect Method in preparation of Cash Flow Statement. For the purpose of Cash Flow Statement Cash & Cash equivalent consists of Cash in Hand, Cash at Bank & Cheques in Hand.

## NOTES ON ACCOUNT

- 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.
- Accounting Standard - 14 states that the identity of the reserves has to be preserved as they appeared in the financial statement of the erstwhile Transferor Companies in the same form. The treatment as per AS-14 has not been followed fully as the High Court approving the Scheme of Amalgamation provided that after taking over all the assets and liabilities of the Transferor Companies as on 31st March 2004, and after accounting for the share premium of Rs.78/- per share as provided in the scheme, surplus, if any, arising after issuance of the new shares be credited to Capital Reserve of the Transferee Company and as such during 2004-05 a sum of Rs. 2,920.35 Lacs was credited in Capital Reserve.
- Depreciation of Rs.297.35 Lacs on revalued assets has been provided during the year and such depreciation has been reduced from cost of fixed assets and also from capital reserve created on amalgamation.
- In respect of capital goods imported under EPCG Scheme, the Company has executed bonds of Rs 5,544.52 Lacs in favour of President of India for import at a concessional rate of custom duty. The Company is under an obligation to export products for Rs 44,356.12 Lacs within a period of 8 years from the date of issue of licenses between 20<sup>th</sup> December, 2002 to 30<sup>th</sup> June, 2018. The Company has exported goods worth Rs 20,705.48 Lacs till 31<sup>st</sup> March, 2010.
- Contingent Liabilities not provided for in respect of:

		2009-10 Rs. In Lacs	2008-09 Rs. In Lacs
(a)	Letters of Credit	8,237.90	5,903.15
(b)	Guarantees given by the Bankers	132.52	141.27
(c)	Bills receivable discounted with Bankers	18,428.22	17,958.75
(d)	Excise, Sales tax, Custom Duty, ESIC & Other Claims	184.44	184.44

7. Claims against the Company not acknowledged as debts:
- Demand by the Department of Commercial Taxes, Government of Karnataka, levying a sum of Rs.20 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 Rs. 109.77 lakhs have been stayed by the Customs and Service Tax Act Appellate Tribunal, Chennai. The Company has deposited a sum of Rs. 38 lakhs with the Customs Authorities under protest.
8. Lining Fabrics valued at Rs.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 Rs 148.50 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 and remanded for fresh hearing.
9. The Company's request for waiver of interest on loans obtained from two NBFC Companies is under consideration by the lenders. In view of the above, no further interest payable has been provided for.
10. Estimated amount of contracts remaining to be executed on Capital account and not provided for Rs. 2062.62 Lacs (Previous Year Rs. 7,087.23 Lacs).
11. There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31<sup>st</sup> March 2010. 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.
12. Derivative Instruments :
- The company has re-evaluated its risk management program in respect of forecasted transactions. Upon completion of the formal documentation and testing for effectiveness, the company has designated certain foreign currency options in respect of forecasted transactions, which meet the criteria, as Cash Flow Hedges.
  - Pursuant to The Institute of Chartered Accountants of India's (ICAI) announcement on the early adoption of Accounting Standard AS 30 "Financial Instruments recognition and measurements", the company has fully adjusted for mark to market losses aggregating to Rs. 48.10 lakhs (Previous Year Rs.152.12 lakhs) during the year, towards designated Foreign currency transactions. The same has been recognized directly under Reserves & Surplus.
  - The Company uses forward Exchange Contracts and Currency Option to hedge its exposures in foreign currency related to firm commitments and highly probable forecasted transactions. The information on Derivative Instruments is as follows:

Forward Exchange Contracts Currency Pair	(Figures in lakhs) As at 31st March, 2010	
	Buy	Sell
EURO/ USD	12.50	5.00
	(-)	(-)
GBP/ USD	5.00	22.50
	(-)	(-)
USD/ INR	-	-
	(-)	(27.50)

13. 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 (LICI) 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.

I	Reconciliation of opening and closing balances of Defined Benefit Obligation	(Rs. In Lacs)	
		Gratuity (Funded)	Leave Encashment (Unfunded)
	(a) Defined benefit obligation at the beginning of the year	65.20	16.92
		(55.15)	(10.57)
	(b) Current Service Cost	25.09	7.63
		(13.22)	(7.70)
	(c) Interest Cost	6.22	1.47
		(4.81)	(1.10)
	(d) Actuarial (Gain)/Loss	(1.25)	1.81
		(0.35)	(5.94)
	(e) Benefits paid	(4.89)	(7.91)
		8.33	8.39
	(f) Defined benefit obligation at the end of the year	90.37	19.92
		(65.20)	(16.92)
II.	Reconciliation of opening and closing balance of the fair value of Plan Assets		
	(a) Fair Value of Plan Assets at the beginning of the year	65.20	16.92
		(28.22)	(10.57)
	(b) Expected Return on Plan Assets	(1.12)	-
		(2.26)	-
	(c) Actuarial Gain / (Loss)	(1.25)	1.80
		0.35	-
	(d) Contributions by employer	4.89	7.91
		(43.05)	(8.39)
	(e) Benefits Paid	(4.88)	
		8.33	8.39
	(f) Fair Value of Plan Assets at the end of the year	64.08	19.92
		(65.20)	(10.57)
III.	Reconciliation of fair value of Assets and obligation		
	(a) Fair Value of plan assets	65.20	-
		(65.20)	-
	(b) Present Value of obligation	90.37	19.92
		(65.20)	(16.92)
	(c) Amount recognized in Balance Sheet	26.29	19.92
		-	(16.92)
IV.	Expense charged to the Profit and Loss Account		
	(a) Current Service Cost	25.09	7.63
		(13.22)	(7.70)
	(b) Interest Cost	6.22	1.47
		(4.81)	(1.10)
	(c) Expected Return on Plan Assets	1.12	0.00
		2.26	-
	(d) Actuarial (Gain)/Loss	(1.25)	1.81
		(0.35)	(5.94)
	(e) Total expense charged to the Profit and Loss Account	31.18	10.91
		(16.12) †	(14.74)
	* Under the head “Gratuity” on Schedule - 12		
	** Under the head “Salary, Bonus & Allowances” on Schedule – 12		
V.	Percentage of each Category of Plan Assets to total Fair value of Plan assets as at 31st March, 2010 - 100% with Life Insurance Corporation of India.		
VI.	Actual Return on Plan Assets:	7.00%	
		(7.00%)	
VII.	Principal Actuarial Assumption as at 31st March, 2010		
	(a) Discount Rate (per annum)	8.00%	
		(8.00%)	
	(b) Expected Rate of Return on Plan Assets (per annum)	8.00%	
		(8.00%)	
	(c) Salary Escalation	5.00%	
		(5.00%)	
	(d) Inflation Rate	5.00%	
		(5.00%)	

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.

14. 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.
15. 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)
- Shri G.Venkatesh (President)
- Shri Anil Jain (Chief Financial Officer)

(II) Transactions with Related Parties



Particulars	Associates					Key Management Personnel
	Rs. In Lacs					Rs. In Lacs
	Ethics Commercial Ltd.	Lucky Goldstar Co. Ltd.	P.K. Textiles Ltd.	Tarun Fabrics Ltd.	Gemini Overseas Ltd.	Total
Income & Expenditure						
Purchase of Raw Materials & Finished Goods	2,586.81 (3,849.00)	4,415.99 (5,382.55)	5,296.86 (4,721.85)	6,294.90 (5,776.34)	4,654.44 (8,564.49)	23,249.00 (28,294.23)
Sale of Goods	1,181.13 (479.69)	3,392.29 (3,333.74)	466.48 (874.90)	1,648.35 (1,095.62)	8.44 (2,507.00)	6,696.69 (8,290.95)
Services Received	1,484.71 (159.86)	806.82 (894.59)	1,762.91 (610.80)	29.18 (51.20)		4,083.62 (2,733.16)
Purchase of Fixed Assets	543.14 (-)	- (-)	593.76 (-)	- (-)	1,213.14 (-)	2,350.04 (-)
Rent Received	0.08 (0.08)	0.07 (0.07)	0.00 (-)	0.01 (0.01)	0.01 (0.01)	0.17 (0.17)
Rent Paid	- (0.72)	- (-)	- (-)	- (-)	- (-)	- (0.72)
Guarantee given	- (-)	650.00 (650.00)	- (-)	- (-)	- (-)	650.00 (650.00)
Remuneration Paid						96.48 (102.89)
<b>Balances as on 31st March, 2010</b>						
i) Debtors/ Receivables	259.80 (-)	1,339.40 (2,028.15)	- (537.32)	928.28 (734.52)	4.44 (1,171.86)	2,531.92 (4,471.85)
ii) Advances	4,942.51 (3,833.25)	4,729.03 (2,064.29)	1,180.55 (1,589.62)	- (1,266.47)	930.42 (1,625.71)	11,782.50 (10,379.34)

16. As required under Accounting Standard – 22 issued by The Institute of Chartered Accountants of India, the Company is required to account for deferred taxation while preparing its accounts. The details of deferred tax assets / liabilities are as under : -

	As at 31.03.09 Rs.in Lacs	Tax effect for the year Rs.in Lacs	As at 31.03.10 Rs.in Lacs
<b>Deferred Tax (Liability)</b>			
Difference between book and tax Depreciation	(1,276.03)	147.21	(1,128.82)
<b>Deferred Tax Assets</b>	-	-	-
Employees Benefits	19.46	10.14	29.60
<b>Net Deferred Tax (Liability) / Assets</b>	<u>(1,256.57)</u>	<u>157.35</u>	<u>(1,099.22)</u>

**17. Managerial Remuneration:**

(Remuneration to Managing Director & Executive Director)

	Managing Director		Executive Director	
	2009-10 Rs. In Lacs	2008-09 Rs. In Lacs	2009-10 Rs. In Lacs	2008-09 Rs. In Lacs
Salary & Bonus	36.00	42.00	31.68	27.72
House Rent Allowance	--	4.20	--	2.52
Contribution to Provident & Other Funds	4.32	5.04	3.46	3.02
Total	40.32	51.24	35.14	33.26

Computation of Net Profit for the purpose of calculation of Managing Director's and Executive Director's Remuneration under Section 349 of the Companies Act, 1956 has not been given since no commission has been paid.

**18. Project Development Expenditure**

(In respect of Projects up to 31<sup>st</sup> March, 2010, included under Capital Work-in-progress)

Particulars	2009-10	2008-09
Opening Balance	1,357.76	291.80
Add : Original Cost of Assets	5,298.05	1,117.77
Erection Charges	85.37	14.26
Interest Capitalised	189.65	-
Exchange Rate Difference	(43.60)	-
	<u>6,887.23</u>	<u>1,423.83</u>
Less : Assets Capitalised	1,937.27	66.07
Closing Balance	<u><u>4,949.96</u></u>	<u><u>1,357.76</u></u>

19. During the Year 1,07,319.18 mtrs of Silk Fabrics valuing Rs.473.96 lacs were destroyed & burnt in pursuance of order of The Superintendent of Customs, EOU-VI, Bangalore, arising out of an Application & approval of debonding of the EOU status of Unit I at Anekal, Bangalore and the same has been accounted for in the Books. The Custom Department has also destroyed & burnt 11,426.820 Kgs of sample stock of fabrics and 9,000 Kgs of salvage /wastage /scrap which has accumulated over the years and were lying in the factory premises. These materials were accounted for in earlier years and were carried at Nil value.

20. Donation includes payment to a Political Party – Bhartiya Janta Party Rs. Nil Lacs (Previous Year – Rs 5.25 Lacs )

21. Earning Per Shares (EPS)

	2009-10	2008-09
Profit after Tax	573.77	1,921.05
Less : Dividend on Redeemable Cumulative Preference		
Shares (including tax thereon).	<u>130.60</u>	<u>131.03</u>
Profit Considered for calculating EPS	443.17	1,790.02
Weighted average number of Equity Shares of Rs. 2/- each	7,89,52,620	7,89,52,620
Earning Per Share (Basic & Diluted)	Rs. 0.56	Rs. 2.27

22. Previous Year's figures have been re-arranged, and/or re-grouped wherever necessary.

## **EASTERN SILK INDUSTRIES LTD.**

23 Additional information pursuant to the provisions of paragraph 3 & 4 (C&D) of part II of schedule VI of the Companies Act, 1956.

		<u>2009-10</u>	<u>2008-09</u>
(a) Licenced Capacity	Silk Weaving / Embrodiery	Not Applicable	Not Applicable
	Spun Silk Yarn	Not Applicable	Not Applicable
	Noil Silk Yarn	Not Applicable	Not Applicable
(b) Installed Capacity	Silk Weaving / Embrodiery	20.00 Lacs Mtrs.per annum	18.40 Lacs Mtrs.per annum
	Spun Silk Yarn	240 M/T per annum	240 M/T per annum
	Noil Silk Yarn	360 M/T per annum	360 M/T per annum

Note : Installed Capacity is certified by the technical personnel and accepted by the Auditor being technical matter .

(c) **Actual Production :**

<u>Class of goods</u>	<u>Unit</u>	<u>2009-10</u>	<u>2008-09</u>
Fabrics (Semi-Finished)	Mtrs.	9,15,389.35	-
Fabrics	Mtrs.	35,78,626.05	27,76,009.85
Made-ups	Pcs	28,51,372	2,75,027
Silk Yarn (Semi-Finished)	Kgs.	3,340.930	3,231.310
Silk Yarn	Kgs.	130,318.340	2,06,572.665

(d) Opening & Closing Stock of Finished Goods :

<u>Class of goods</u>	<u>Unit</u>	<u>Closing Stock as on 31.03.2010</u>		<u>Closing Stock as on 31.03.2009</u>		<u>Closing Stock as on 31.03.2008</u>	
		<u>Quantity</u>	<u>Value</u> Rs.in Lacs	<u>Quantity</u>	<u>Value</u> Rs.in Lacs	<u>Quantity</u>	<u>Value</u> Rs.in Lacs
Fabrics	Mtrs.	35,37,613.87	13,788.19	35,73,080.61	14,098.41	16,09,610.61	5,758.59
Made-ups	Pcs.	4,00,592	1,347.27	35,979	217.37	16,329	51.23
Yarn	Kgs.	94,401.944	768.97	1,71,688.590	1,394.90	1,05,195.330	911.17
			<u>15,904.43</u>		<u>15,710.68</u>		<u>6,720.99</u>

## EASTERN SILK INDUSTRIES LTD.

(e) Purchases & Sales		PURCHASES				SALES			
		2009-10		2008-09		2009-10		2008-09	
<u>Class of Goods</u>	<u>Unit</u>	<u>Quantity</u>	<u>Value</u>	<u>Quantity</u>	<u>Value</u>	<u>Quantity</u>	<u>Value</u>	<u>Quantity</u>	<u>Value</u>
<u>Finished Goods</u>			Rs.in Lacs		Rs.in Lacs		Rs.in Lacs		Rs.in Lacs
Fabrics	Mtrs.	21,26,925.50	12,865.51	57,18,331.61	26,249.98	57,41,018.29*	36,493.77	65,30,871.46	38,132.70
Made-ups	Pcs.	64,757	136.29	38,130	62.08	25,51,516	9,736.68	2,93,507	2,880.51
Yarn	Kgs.	4,68,460.710	6,466.45	7,11,720.845	8,304.16	6,76,065.696	7,858.26	8,51,800.250	9,746.60
Other Materials			208.53		56.94		304.38		243.94
			<u>19,676.78</u>		<u>34,673.16</u>		<u>54,393.09</u>		<u>51,003.75</u>
			-		-		-		-

\* Includes 1,07,319.18 Mtrs.for which Nil value in sales has been taken - Refer Note No. 19 of Schedule 14)

(f) Raw Materials Consumed :		2009-10		2008-09	
<u>Class of Goods</u>	<u>Unit</u>	<u>Quantity</u>	<u>Value</u>	<u>Quantity</u>	<u>Value</u>
			Rs.in Lacs		Rs.in Lacs
Yarn	Kgs.	9,91,099.638	11,181.06	7,65,138.525	7,515.82
Fabrics	Mtrs.	46,96,632.11	8,478.84	10,70,469.53	2,025.92
Silk Waste	Kgs.	87,388.900	185.98	4,35,677.600	931.47
			<u>19,845.88</u>		<u>10,473.21</u>

**EASTERN SILK INDUSTRIES LTD.**

(g) Value of Imported & Indigenous Materials Consumed and its percentage :	<b>Consumption</b>		<b>Percentage</b>	
	<u>31.03.2010</u>	<u>31.03.2009</u>	<u>31.03.2010</u>	<u>31.03.2009</u>
	Rs.in Lacs	Rs.in Lacs		
Raw Materials :				
Imported	8,020.53	3,663.14	40.41	34.98
Indigenous	<u>11,825.35</u>	<u>6,810.07</u>	<u>59.59</u>	<u>65.02</u>
	<u>19,845.88</u>	<u>10,473.21</u>	<u>100.00</u>	<u>100.00</u>
Stores, Spares & Accessories :				
Imported	16.92	58.80	8.19	23.58
Indigenous	<u>189.66</u>	<u>190.53</u>	<u>91.81</u>	<u>76.42</u>
	<u>206.58</u>	<u>249.33</u>	<u>100.00</u>	<u>100.00</u>
		<b>Rs. In Lacs</b>		
(h) Value of Import Calculated on C.I.F. basis (Actual Payment)				
Yarn	14,055.83	10,487.51		
Fabrics	309.24	410.33		
Plant & Machinery	2,852.63	-		
(i) Expenditure in foreign currency as remitted :				
Overseas Travelling :				
(Amount Spent in Indian Currency on Foreign tours has not been taken into account while calculating the amount incurred in foreign currency on Travelling)				
	61.30	45.91		
Commission to Agents	2,003.95	2,493.53		
Payment of Dividend	234.00	45.00		
Others	71.34	108.83		
(j) Earnings in Foreign Currency :				
Exports of goods calculated on F.O.B. (accrual basis)	41,900.20	41,324.01		

24 Schedules 1 to 14 form an integral part of the Balance Sheet and Profit & Loss Account and have been duly authenticated .

As per our report of even date annexed .

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

Firm Registration No. : 302166E

Chartered Accountants

Kolkata  
The 10th August, 2010

(L.K.Shroff)  
Partner  
(Mem. No.60742)

Chairman &  
Managing Director    Executive Director    Directors    Secretary

