



**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012**

45) Earning Per Shares (EPS)

	(₹ in lacs)	
	2011-12	2010-11
Profit/ (Loss) after Tax considered for calculating EPS	<b>(9,160.43)</b>	(5,793.62)
Weighted average number of Equity Shares of ₹ 2/- each	<b>7,89,52,620</b>	7,89,52,620
Earning Per Share (Basic & Diluted)	<b>(11.60)</b>	(7.34)

46) Earning In Foreign Currency

Export of goods calculated on F.O.B. (accrual basis)	<b>6,198.02</b>	<b>41,627.38</b>
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47) Expenditure in foreign currency

Overseas Travelling :	<b>26.43</b>	56.71
Commission to Agents	<b>157.63</b>	819.00
Payment of Dividend	-	<b>118.00</b>

No. of Non-Resident Share-Holder-1(Previous Year-2)  
 No. of Equity Shares held-18,50,000 of Face Value of ₹ 2/-each  
 (Previous Year 2010-11:-50,00,000 of Face Value of ₹ 2/-each)  
 No. of Redeemable Cumulative Preference Shares held-14,00,000  
 Of Face Value of ₹ 100/-each( Previous Year 2010-11:-14,00,000  
 Of Face Value of ₹ 100/- each)

Others	<b>37.99</b>	82.37
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48) Value of imports calculated on CIF basis:-

Yarn	<b>5,472.85</b>	15,604.53
Fabrics	<b>228.78</b>	207.68
Plant & Machinery	<b>384.18</b>	1,085.7

49) Till the year ended 31<sup>st</sup> March 2011, the Company was using pre-revised Schedule VI to the Companies Act, 1956 for preparation and presentation of its financial statement. During the year ended 31<sup>st</sup> March 2012, the Revised Schedule VI notified under Companies Act, 1956 has become applicable and the same is being followed by the Company. The Company has reclassified previous year figures to conform to this year's classification.

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.60742)

Kolkata The 1st August, 2012	<b>S. S. Shah</b> Chairman & Managing Director	<b>Sundeep Shah</b> Director	<b>R. S. Rungta</b> Director	<b>K. T. Sheth</b> Secretary
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**BOARD OF DIRECTORS**

S. S. Shah *Chairman & Managing Director*  
 G. D. Harnathka  
 H. S. Gopalka  
 R. S. Rungta  
 Sundeep Shah

**COMPANY SECRETARY**

K. T. Sheth

**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  
 Canara Bank  
 State Bank of India  
 State Bank of Mysore  
 State Bank of Hyderabad  
 The Federal Bank Ltd.  
 ICICI Bank Ltd.  
 UCO Bank  
 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



**NOTICE**

The Sixty-sixth Annual General Meeting of Eastern Silk Industries Ltd. will be held on Wednesday, the 26<sup>th</sup> September, 2012 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 Profit & Loss Account for the year ended 31<sup>st</sup> March, 2012 and the Balance Sheet as at that date together with the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Sri R.S. Rungta who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration.

**SPECIAL BUSINESS :**

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

RESOLVED that in accordance with the provisions of sections 198, 269, 309 & 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the appointment of Sri Sundeep Shah as an Executive Director of the Company with effect from 1<sup>st</sup> September 2012 on the terms and conditions including remuneration as set out in the Explanatory Statement annexed to the Notice convening this meeting.

RESOLVED FURTHER that the Board of Directors be and is hereby authorized to do all such acts, deeds and things as may be necessary and expedient to give effect to this resolution.

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

RESOLVED that in accordance with the provisions of Section 314 and other applicable provisions, if any, of the Companies Act, 1956, as amended from time to time, consent of the Company be and is hereby accorded to Sri Varun Shah, son of Sri Sundeep Shah, Director and grandson of Sri Shyam Sunder Shah, Chairman and Managing Director of the Company to hold an office or place of profit as President of the Company with effect from 1<sup>st</sup> May, 2012 on the terms and conditions including the remuneration as set out in the Explanatory Statement annexed to the Notice convening this meeting:

**Registered Office:**

19, R. N. Mukherjee Road  
Kolkata – 700 001  
Dated : The 1<sup>st</sup> August, 2012.

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 18<sup>th</sup> September 2012 to 26<sup>th</sup> September 2012, both days inclusive on account of Annual General Meeting.
3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business set out in the Notice is annexed hereto.



4. Additional information pursuant to Clause 49 of the Listing Agreement with Stock Exchange regarding the Director who is proposed to be reappointed at the Annual General Meeting is 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, 2005 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 this year, 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 ₹ 10/- into five Equity shares of ₹ 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.
7. 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 173(2) of the Companies Act, 1956:**

**Item No. 4**

Sri Sundeep Shah was reappointed as the Executive Director of the Company for a period of five years with effect from 1<sup>st</sup> September 2006 on the terms and conditions and remuneration as approved by the Members at the Annual General Meeting held on 27<sup>th</sup> September 2006. The term of office of Sri Shah expired on 31<sup>st</sup> August 2011. Sri Shah did not opt for reappointment as the Executive Director but continued to serve the Company as a Promoter Director. Sri Sundeep Shah has been associated with the Company since past three decades and possesses immense experience of overseas business. Keeping in view the contribution made by Sri Shah for the growth of the Company, the Board of Directors of the Company and the Remuneration Committee have recommended the appointment of Sri Sundeep Shah as the Executive Director afresh for a period of three years effective from 1<sup>st</sup> September 2012 on the following terms and conditions:

1. Salary : ₹ 1,25,000/- per month
2. Perquisites : Sri Shah will be entitled to the perquisites / benefits of residential accommodation or house rent allowance in lieu thereof; Gas, Electricity, Water, Furnishings; Medical expenses reimbursement for self and family; leave travel concession, club fees and personal accident insurance in accordance with the rules of the Company subject to limit of an amount equal to the annual salary.

In the event of loss or inadequacy of profits of the Company in any financial year, Sri Shah will be entitled to such remuneration by way of salary, perquisites and allowance as specified above, within the limits as specified in Schedule XIII of the Companies Act, 1956.

Provisions for the use of the Company's car for official and personal use and telephone at residence shall not be included in the computation of the perquisites for the purpose of calculating the said ceiling.

The Company's contribution to provident fund, gratuity payable as per rules of the Company and encashment of the leave at the end of the tenure shall not be included in the computation of the limits for the remuneration and perquisites as aforesaid.



Your Directors recommend the resolution set out at Item No.4 of the Notice for approval of the Members.

The above may be treated as an abstract of the terms of appointment and Memorandum of concern or interest, pursuant to Section 302 of the Companies Act, 1956.

Sri S.S. Shah, Managing Director of the Company, being a relative of Sri Sundeep Shah may be deemed to be interested in the resolution.

**Item No. 5**

Sri Varun Shah, 24, has completed his Business Management graduation from New York and is looking after the affairs of the Company's units at Bangalore since 1<sup>st</sup> May, 2012 as the President of the Company on the following terms of remuneration

1. Salary : ₹ 1,00,000/- per month
2. Perquisites : House Rent Allowance, Bonus, Leave, Company's contribution to Provident Fund and Gratuity as applicable to senior Executives of the Company.

In terms of the amended provisions of Section 314 of the Companies Act, 1956 the payment of above remuneration is subject to the approval of the members.

The Board recommends this resolution as set out in item No. 5 of the Notice for your approval.

Except Sri Sundeep Shah and Sri Shyam Sunder Shah none of the Directors of the Company is in any way concerned or interested in the resolution.



**Annexure to Notice dated 1st August, 2012**

Details of Director seeking Re-Appointment at the forthcoming Annual General Meeting  
(Pursuant to Clause 49 of the Listing Agreement)

Name of the Director	Shri R. S. Rungta
Age	78 years
Date of Appointment on the Board	19.07.1986
Qualification	B.Com.
Experience	Wide experience in managing large and diverse business.
Directorship held in other Public Companies	D. R. Steel Construction Pvt. Ltd.
Memberships / Chairmanships of Committees of Public Companies	—
Shareholding of Non-Executive Directors	Nil



## DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting their sixty-sixth Annual Report together with the Audited Accounts of your Company for the year ended 31<sup>st</sup> March, 2012.

### FINANCIAL RESULTS

	(₹ in Lacs)	
	<u>2012</u>	<u>2011</u>
Profit / (Loss) before depreciation and taxation	932.73	(4410.42)
Less / Add : Depreciation	<u>2123.45</u>	<u>(2467.22)</u>
Profit / (Loss) before taxation	<u>(1190.72)</u>	<u>(6877.64)</u>
Add : Exceptional Items	<u>(10478.33)</u>	-
	<u>(11669.05)</u>	<u>(6877.64)</u>
Less / Add : Provision for Earlier Year Taxation	<u>(113.84)</u>	0.37
	<u>(11555.21)</u>	<u>(6878.01)</u>
Less / Add : Deferred Tax Liability	<u>(2394.78)</u>	<u>(1084.39)</u>
Profit / (Loss) after tax	<u>(9160.43)</u>	<u>(5793.62)</u>
Add : Balance brought forward from previous year	11141.79	16935.41
Which the Directors have decided to carry forward to the next year	<u>1981.36</u>	<u>11141.79</u>

### PERFORMANCE REVIEW

As a consequence of downsizing of the business as decided last year, the sales and processing income during the year was ₹ 8952.29 lacs which is not comparable with that of the last year. The net loss for the year was ₹ 9160.43 lacs.

The proposal for restructuring of debts under CDR mechanism was approved by CDR Empowered Group at their meeting held on 20/12/2011. The conditions as put forth in the Letter of Approval of CDR have been complied with by the Management and a sum of ₹ 734 lacs has been brought in by the Promoters and infused in the Company. Most of the bankers have restructured their loans.

### FUTURE OUTLOOK

As planned last year, your Company has done away with outsourcing business and is concentrating only on the in-house production facilities. Anticipated demand recovery in the overseas markets should act as a conduit to the Company's path of recovery. Supplies in the domestic market have also commenced during the year, and it is expected to grow in the coming years.

### DIVIDEND

In view of the accumulated losses the Board of Directors do 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.

### 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 Exchange form part of the Annual Report.

### DIRECTORS

Shri R.S. Rungta, a Director of the Company retires from the office by rotation and is 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 loss 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, 2012 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 remarks of the Auditors regarding provision for bad and doubtful debts, recognition of Net Deferred Tax Assets have been duly explained in Note No. 36 and 37 of Notes on Financial Statements respectively.

### COST AUDITORS

Pursuant to the directives of the Central Government under the provisions of Section 233 B of the Companies Act, 1956, the Cost account records maintained by your Company are subject to yearly audit by qualified Cost Auditors. Your Company has appointed M/s. N. Radhakrishnan & Co., a firm of Cost Auditors, for conducting the audit of such records for the financial year 2011-12.

**PERSONNEL**

There was no employee employed during the financial year or a part of the financial year who was in receipt of remuneration for that year or any part of that year at a rate prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

**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 : 1<sup>st</sup> August 2012

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 developed a continuous process of energy conservation through improved operational and maintenance practices.

**FORM A****(A) Power and Fuel Consumption**

			Current Year	Previous Year
1.	Electricity			
	(a) Purchased	Units	29,81,557	45,46,141
	Total Amount	₹	1,80,90,354	2,47,66,590
	Rate/Unit	₹	6.07	5.45
	(b) Own Generation through Diesel Generator	Units	1,50,550	3,95,797
	Total Amount	₹	20,29,952	47,03,851
	Cost/Unit	₹	13.48	11.88
2.	(a) Furnace Oil			
	Quantity	Kilo Ltr.	-	2,190
	Total Amount	₹	-	53,225
	Cost/Unit	₹	-	24.30
	(b) Briquettes			
	Quantity	Kgs.	12,69,729	21,17,698
	Total Amount	₹	53,50,189	93,69,533
	Cost/Unit	₹	4.21	4.42

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

<u>Silk Fabrics</u>	Mtrs	5,15,237.80	14,51,741.45
Electricity	₹	35.11	16.67
Briquettes	₹	4.21	6.45
Furnace Oil	₹	-	-
Diesel	₹	3.94	3.18
<u>Silk Yarn</u>	Kgs.	-	17,528.330
Electricity	₹	-	32.27
Furnace Oil	₹	-	3.04
Diesel	₹	-	4.87



**TECHNOLOGY ABSORPTION**

**Research & Development**

**Form B**

- |  |  |         |                |   |                     |
|--|--|---------|----------------|---|---------------------|
| <ol style="list-style-type: none"> <li>Specific areas in which R&amp;D carried out by the Company</li> <li>Benefits derived as a result of above R&amp;D</li> <li>Future plan of action</li> <li>Expenditure on R &amp; D</li> </ol> | <p>R&amp;D activities are concentrated on development of new fabrics and new designs.</p> <p>Higher product value, better realization and repeat orders.</p> <p>Futher improvement in quality parameters of finished products.</p> <table border="0"> <tr> <td>Capital</td> <td>₹ 141.06 lakhs</td> </tr> <tr> <td>Recurring R&amp;D Expenditure as a percentage of turnover</td> <td>₹ 38.84 lakhs<br/>2%</td> </tr> </table> | Capital | ₹ 141.06 lakhs | Recurring R&D Expenditure as a percentage of turnover | ₹ 38.84 lakhs<br>2% |
| Capital  | ₹ 141.06 lakhs   |         |                |   |                     |
| Recurring R&D Expenditure as a percentage of turnover  | ₹ 38.84 lakhs<br>2%  |         |                |   |                     |

**Technology Absorption, Adaptation & Innovation**

- |  |   |
|--|---|
| <ol style="list-style-type: none"> <li>Efforts in brief, made towards technology Absorption, adaptation and innovation</li> <li>Benefits derived as a result of the above</li> <li>Details of imported technology</li> </ol> | <p>Latest technologies are used to develop value added products with innovative designs.</p> <p>Minimum wastage and reduced sampling cost.</p> <p>Not Applicable.</p> |
|--|---|

**FOREIGN EXCHANGE EARNINGS & OUTGO**

- |   |   |
|---|---|
| <p>(a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for product and services and export plans.</p> <p>(b) (i) Overseas Travelling<br/>(ii) Commission to Agents<br/>(iii) Consultation Fees<br/>(iv) Others</p> | <p>The marketing team of the Company make export promotion tours to interact with the existing customers and tap prospective buyers. They also visit International Trade Fairs to display the vast range of the Company's products to procure bulk orders.</p> <p>The information on foreign exchange earnings and outgo is contained in Note No. 46 &amp; 47 of Notes on Financial Statements.</p> |
|---|---|

Kolkata 700 001  
Dated : 1<sup>st</sup> August 2012

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



**REPORT ON CORPORATE GOVERNANCE**

**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.

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a Report on Corporate Governance for the year 2011-12 is given below.

**BOARD OF DIRECTORS**

The Board comprises of five members – one Executive Director and four Non-Executive 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	–	–	–
Shri Sundeep Shah	Promoter, Non-Executive	–	–	–
Shri G.D. Harnathka	Non-Executive, Independent	–	–	–
Shri H.S. Gopalka	Non-Executive, Independent	1	–	1
Shri R.S. Rungta	Non-Executive, Independent	1	–	2

During the year under review, Board Meetings were held on 13<sup>th</sup> May 2011, 2<sup>nd</sup> August 2011, 12<sup>th</sup> August 2011, 14<sup>th</sup> November 2011 and 14<sup>th</sup> February 2012. 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	5	Yes
Shri Sundeep Shah	4	Yes
Shri G.D. Harnathka	3	No
Shri H.S. Gopalka	5	Yes
Shri R.S. Rungta	5	Yes

**BOARD COMMITTEES**

**Audit Committee**

- 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 of which two are non executive independent Directors namely Shri H.S. Gopalka and Shri R.S. Rungta and one Non-Executive Promoter Director namely Shri Sundeep Shah. All these directors have knowledge of corporate finance, accounts and company law. The Chairman of the Committee is Shri H.S. Gopalka. The Company Secretary acts as the Secretary of the Committee. Besides the Committee members, 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 2012 five Audit Committee meetings were held on 12<sup>th</sup> May 2011, 1<sup>st</sup> August 2011, 11<sup>th</sup> August 2011, 12<sup>th</sup> November 2011 and 13<sup>th</sup> February 2012 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 Shri H.S. Gopalka, Shri R.S. Rungta and Shri G.D. Harnathka. Shri R.S. Rungta acts as the Chairman of the Committee.

**III. Meeting and Attendance**

During the financial year ended 31<sup>st</sup> March 2012 one Remuneration Committee Meeting was held which was attended by all the members.

The details of the remuneration to the directors for the year ended 31<sup>st</sup> March 2012 are as under:

Name of the Director	Salary	Perquisites	Sitting Fees for Board & Committee Meetings	Total ₹
Shri S.S. Shah	22,80,000	3,94,000	—	26,74,000
Shri Sundeep Shah	9,50,000	1,64,000	7,000	11,21,000
Shri H.S. Gopalka	—	—	34,000	34,000
Shri R.S. Rungta	—	—	34,000	34,000
Shri G.D. Harnathka	—	—	5,000	5,000

**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 Sundeep Shah 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, 2012, thirteen 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 two non-executive independent directors namely Shri H. S. Gopalka and Shri R. S. Rungta and one Non-Executive Promoter Director namely Shri Sundeep Shah. Shri R.S. Rungta is the Chairman of the Committee.

**III. Meeting & Attendance**

During the financial year ended 31<sup>st</sup> March, 2012, 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
9 <sup>th</sup> September 2009	11:00 A.M.	Kala Kunj 48 Shakespeare Sarani Kolkata – 700 017.
22 <sup>nd</sup> September 2010	3:00 P.M.	-- DO --
21 <sup>st</sup> September 2011	11:00 A.M.	-- DO --

**ii) Special Resolutions:**

One special resolution was passed at the last Annual General Meeting for reappointment of the Managing Director.

**iii) Postal Ballot**

No Postal Ballot was conducted during the year.

**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 Finance Manager 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 English and Regional newspapers in India. The results are also displayed on the Company's website. 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 Sixth Annual General Meeting**

Venue : Kala Kunj, 48 Shakespeare Sarani, Kolkata – 700 017  
 Date : 26<sup>th</sup> September 2012  
 Time : 11:00 A.M.

**ii) Financial Calendar**

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

**iii) Book Closure**

The date of book closure is from 18<sup>th</sup> September 2012 to 26<sup>th</sup> September 2012 (both days inclusive).

**iv) Listing on Stock Exchange**

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

Listing fees for the year 2011-2012 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 2011-2012 are given below :

MONTH	HIGH (₹)	LOW (₹)
APRIL 2011	12.05	8.85
MAY 2011	9.25	7.85
JUNE 2011	8.75	7.25
JULY 2011	8.80	7.40
AUGUST 2011	8.05	5.80
SEPTEMBER 2011	6.90	5.80
OCTOBER 2011	6.30	5.50
NOVEMBER 2011	6.10	4.00
DECEMBER 2011	4.90	3.75
JANUARY 2012	5.90	3.95
FEBRUARY 2012	5.35	4.50
MARCH 2012	4.90	3.75



**i) Share Holding (as on 31<sup>st</sup> March, 2012)**

The shareholding distribution as at 31<sup>st</sup> March, 2012 is as follows:

No. of Shares	Number of Share Holders	% To Total Holders	No. of Shares held	% To total Holding
Upto 500	16,264	68.47	36,36,828	4.61
501 - 1000	3,557	14.97	31,19,091	3.95
1001 – 2000	1,778	7.48	28,52,383	3.61
2001 – 3000	698	2.94	18,09,260	2.29
3001 - 4000	283	1.19	10,75,144	1.30
4001 – 5000	339	1.43	16,21,053	2.05
5001 – 10000	437	1.84	32,54,114	4.12
10001 & above	399	1.68	6,16,34,757	78.07
TOTAL	23,755	100.00	7,89,52,620	100.00

The shareholding pattern as at 31<sup>st</sup> March, 2012 is as follows:

Category	No. Shares	% age of Holding
Promoters including NRI Promoters	3,86,38,351	48.94
Financial Institutions, Banks, Mutual Fund Etc.	43,91,960	5.56
Non Resident Indians / OCBs / FIIs	28,59,350	3.62
Private Corporate Bodies	85,89,077	10.89
Indian Public	2,44,73,882	30.99
TOTAL	7,89,52,620	100.00

**vii) Dematerialization of Shares**

As directed by Securities Exchange Board of India (SEBI) Equity shares of the Company are being traded in compulsory dematerialized 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 31.03.2012 the dematerialised shares were 7,46,01,859 which represents 94.49% 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.

**l) Plant Location**

<b>Unit 1</b>	:	411, Telugarahalli Road Anekal, Bangalore – 562 106
<b>Unit 2</b>	:	Kammansandra Agrahara Kasaba Hobli Anekal, Bangalore – 562 106
<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.  
19, R. N. Mukherjee Road  
Kolkata – 700 001.  
Phone : 2243 – 0817 – 19 (3 Lines)  
Fax : 2248 – 2486  
Email : [esilk@eiascl01.vsnl.co.in](mailto:esilk@eiascl01.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 DISCUSSION AND ANALYSIS :**

**Overall Review, Industry Structure and Developments**

Demand recession in global markets, steep increase in raw material prices and high interest cost continued to plague the industry in the last financial year. The equilibrium in demand supply will take some time. Till then, pressure on profit margins may continue.

The strong signal of revival of economy in USA and UK should help the textile demand.

**Opportunities and Threats**

With the revival of economy in the major overseas markets the demand for silk products is expected to pick up. However, increased cost of raw materials and high interest cost are detrimental to the augment of export of silk goods.

**Segmentwise Performance**

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

**Outlook**

The Company's initiatives to streamline in-house production facilities, reduce overheads and add value added products would help in improving profit margins.

**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, 2012 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, 2012 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 1st August, 2012

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, 2012 and also the Statement of Profit & Loss 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, Statement of Profit & Loss 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, Statement of 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, subject to our comment in Para-VI below.
  - 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, 2012 from being appointed as a Director in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956;
  - VI. without qualifying our opinion, attention is drawn to the following notes -
    - a) Note no. 34 states that the losses of the Company for the year and preceding year as per Books of Accounts stand at Rs 14,954.05 Lacs as on 31<sup>st</sup> March, 2012. As stated, the management has a strategic plan for the revival of the Company and it is hopeful in improving the financial health of the Company in near future. Accordingly the Financial Statement for the year has been drawn up by the management as per going concern assumption.
    - b) Note no. 36 states that Sundry Debtors of Rs.23536.04 lacs (Previous year Rs.24172.76 lacs) receivable from overseas buyers towards sale consideration of goods exported, which has been 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.



VII. attention is drawn to the following Note –

*Note No.37 regarding recognition of Net Deferred Tax Assets (DTA) of Rs.2,379.95 lacs in the accounts as at 31.03.2012 based on future profitability projection made by the management. However we are unable to express any opinion on the projections and their consequential impact, if any, on the recognition of such DTA.*

*Had the impact of above item not been considered, there would have been a loss of Rs.11,555.21 lacs as against the reported loss of Rs.9,160.43 lacs for the year and the Reserves & Surplus account would have been lower by Rs.2,394.78 lacs against the reported figure of Rs.22,253.28 lacs as on the balance sheet date.*

VIII. in our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act 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, 2012.
- (b) in the case of the Statement of Profit & Loss of 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.

23A, Netaji Subhas Road,  
Kolkata, the 1st August, 2012

For **B. K. SHROFF & CO.**  
**Firm Registration No.: 302166E**  
**Chartered Accountants**  
**(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. In our opinion and according to explanations given to us, Fixed Assets disposed off during the year were not substantial and as such the disposal 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, (except a sum of Rs.734 lacs-unsecured, interest free, from the Chairman and Managing Director & his wife) 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 lacs 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 needs to be 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:
- 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, 2012 for a period of more than six months from the date they became payable.
  - 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 :

Name of the Statute	Name of the Dues	Amount (₹ in lacs)	Period to which the amount relate	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
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	I.T.A.T (Kolkata)

- The Company has no accumulated losses at the end of financial year but has incurred *cash losses* during the financial year covered by our audit .The company has also incurred cash losses in the previous financial year.
- In our opinion and according to the information & explanations given to us, the Company has not defaulted in repayment of term loan installment & Interest to Banks and/or to Financial Institutions.
- 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.
- 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.
- 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.
- 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.
- 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.



- 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 been not used for long-term investments.
- 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.
- The Company has not issued any debentures during the year.
- The Company has not raised any money by public issue during the year.
- 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.

23A, Netaji Subhas Road,  
Kolkata, the 1st August, 2012

For **B. K. SHROFF & CO.**  
Firm Registration No.: 302166E  
Chartered Accountants  
(L.K.Shroff)  
**PARTNER**  
Membership No. : 60742

**BALANCE SHEET**  
AS AT 31ST MARCH, 2012

	Note No.	31st March, 2012 ₹	(₹ in lacs) 31st March, 2011 ₹
<b>I. EQUITY AND LIABILITIES</b>			
<b>Shareholder's Funds</b>			
Share Capital	2	2,979.05	2,979.05
Reserves and Surplus	3	22,253.28	31,561.44
<b>Non-Current Liabilities</b>			
Long-term borrowings	4	38,923.76	5,374.95
Deferred tax liabilities (Net)	5(a)	-	14.83
Long-term provisions	6	12.00	17.36
<b>Current Liabilities</b>			
Short-term borrowings	7	5,426.98	20,658.24
Trade payables	8	289.45	5,469.44
Other current liabilities	9	475.34	1,096.08
Short-term provisions	10	85.31	422.75
		<u>70,445.17</u>	<u>67,594.14</u>
<b>II. ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	11		
(i) Tangible assets		18,869.84	20,568.23
(ii) Capital work-in-progress		199.87	556.31
Non-current investments	12	0.39	0.39
Deferred Tax Asset	5(b)	2,379.95	-
Long term loans and advances	13	64.34	59.65
<b>Current assets</b>			
Inventories	14	17,886.16	21,951.73
Trade receivables	15	27,971.13	14,784.57
Cash and cash equivalents	16	2,443.27	2,760.40
Short-term loans and advances	17	630.22	6,912.86
		<u>70,445.17</u>	<u>67,594.14</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.60742)

Kolkata  
The 1st August, 2012S. S. Shah  
Chairman &  
Managing DirectorSundeep Shah  
DirectorR. S. Rungta  
DirectorK. T. Sheth  
Secretary**STATEMENT OF PROFIT & LOSS**  
FOR THE YEAR ENDED 31ST MARCH, 2012

	Note No.	31st March, 2012 ₹	(₹ in lacs) 31st March, 2011 ₹
Revenue from operations	18	9,440.12	63,698.22
Other Income	19	4,004.78	2,001.31
<b>Total Revenue</b>		<u>13,444.90</u>	<u>65,699.53</u>
Cost of materials consumed	20	1,910.99	22,208.54
Purchase of Stock-in-Trade	21	8,462.76	34,327.62
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	22	(4,904.85)	3,172.88
Employee benefit expenses	23	225.29	703.37
Finance cost	24	4,197.12	3,150.25
Depreciation and amortization expense	25	2,123.45	2,467.22
Other expenses	26	2,620.86	6,547.29
<b>Total Expenses</b>		<u>14,635.62</u>	<u>72,577.17</u>
<b>Profit / (Loss) before exceptional items and tax</b>		(1,190.72)	(6,877.64)
Exceptional Items		(10,478.33)	-
<b>Profit / (Loss) before tax</b>		(11,669.05)	(6,877.64)
Tax expense:			
Deferred tax		(2,394.78)	(1,084.39)
Earlier Year Taxation		(113.84)	0.37
<b>Profit/(Loss) for the year</b>		<u>(9,160.43)</u>	<u>(5,793.62)</u>
Earning per equity share:			
Basic		(11.60)	(7.34)
Diluted		(11.60)	(7.34)
<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.60742)

Kolkata  
The 1st August, 2012S. S. Shah  
Chairman &  
Managing DirectorSundeep Shah  
DirectorR. S. Rungta  
DirectorK. T. Sheth  
Secretary

**CASH FLOW STATEMENT**

for the Year Ended 31st March, 2012

	(₹ in lacs)	
	31st March, 2012	31st March, 2011
	₹	₹
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
<b>Net Profit / ( Loss) Before Tax and Exceptional Items</b>	<b>(1,190.72)</b>	<b>(6,877.64)</b>
<b>Add : Adjustments for :</b>		
Depreciation	2,123.45	2,467.22
Interest paid	4,197.12	3,030.89
Unrealised Foreign Exchange(Net)	-	314.22
Loss on Sale of Investment	-	29.69
Loss on Sale of Fixed Assets	2.56	53.80
<b>Less : Adjustments for :</b>		
Interest & Dividend Received	140.25	144.15
Unrealised Foreign Exchange(Net)	3,483.37	-
Profit on Sale of Fixed Assets	4.49	2.32
Profit on Sale of Investments	-	26.62
Provision for Doubtful Debts written back	40.82	-
Sundry Balances Adjusted	16.24	0.16
<b>Operating Profit Before Working Capital Changes</b>	<b>1,447.24</b>	<b>(1,155.07)</b>
<b>Add : Decrease in Working Capital</b>		
Inventories	4,065.57	3,205.58
<b>Less : Increase in Working Capital</b>		
Trade payables & Others	5,728.52	3,916.09
Trade & Other Receivables	3,778.86	1,595.44
<b>Cash Generated From Operations</b>	<b>(3,994.57)</b>	<b>(3,461.02)</b>
<b>Less :</b>		
Interest paid on Working Capital	4,197.12	2,519.27
Taxes paid	(109.54)	71.78
<b>Cash Flow From Operation before Exceptional Item</b>	<b>(8,082.15)</b>	<b>(6,052.07)</b>
<b>Less :</b>		
Exceptional Item	10,478.33	-
<b>Net Cash Flow From Operating Activities</b>	<b>(18,560.48)</b>	<b>(6,052.07)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
<b>Add : Inflows</b>		
Sale of Fixed Assets	46.89	9.42
Sale of Investments	-	201.93
Interest received	140.23	144.14
Dividend Received	0.02	0.02
<b>Less : Outflows</b>		
Purchase of Fixed Assets	261.34	2,510.51
<b>Net Cash Used In Investing Activities</b>	<b>(74.20)</b>	<b>(2,155.01)</b>

**CASH FLOW STATEMENT**

for the Year Ended 31st March, 2012

	(₹ in lacs)	
	31st March, 2012	31st March, 2011
	₹	₹
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>		
<b>Add :</b>		
Proceeds from Short Term Borrowings	-	7,457.24
Proceeds from Long Term Borrowings	18,317.55	1,439.99
<b>Less :</b>		
Interest Paid on Loan	-	506.61
Dividend & Corporate Tax	-	241.08
<b>Net Cash Used In Financing Activities</b>	<b>18,317.55</b>	<b>8,149.54</b>
<b>Net Changes In Cash &amp; Cash Equivalents (A+B+C)</b>	<b>(317.13)</b>	<b>(57.55)</b>
* Cash & Cash Equivalents - Opening Balance	2,760.40	2,817.95
* Cash & Cash Equivalents - Closing Balance	<u>2,443.27</u>	<u>2,760.40</u>
* Represents Cash & Bank Balances 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.60742)

Kolkata  
The 1st August, 2012**S. S. Shah**  
Chairman &  
Managing Director**Sundeep Shah**  
Director**R. S. Rungta**  
Director**K. T. Sheth**  
Secretary

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012

## 1. SIGNIFICANT ACCOUNTING POLICIES

- i) **Basis of Accounting :**  
The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.
- 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 during the reporting period. Difference between the actual results and estimates, if any, are accounted for in the period in which such differences are known/materialized.
- iii) **Fixed Assets :**  
Fixed assets are stated at cost net of recoverable taxes, if any, and if revalued at the 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. Cost of assets comprise its purchase price, direct expenses incurred including finance cost 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 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 .
- 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 and Amortization :**  
Depreciation is provided on Written Down Value method except for Unit 1 & Unit 3 which are provided on Straight Line Method at the rates prescribed in Schedule XIV of the Companies Act, 1956. Depreciation of the assets added / disposed off / impaired during the year is provided on pro-rata basis.  
  
Depreciation on revalued assets is provided on Straight Line Method over the residual life of the respective assets as estimated by valuer. The charge for depreciation on account of revaluation is withdrawn from capital reserve.  
  
Wherever amortization charges are required to be provided, the same is done over the useful life of the underlying assets based on technical evaluation.
- 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. 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, 2012

- viii) **Foreign Currency Transactions :**
- Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of transaction
  - Year end balance of foreign currency transaction is translated at the year end rates.
  - 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.
  - 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.  
  
Cost of inventories comprises of cost of purchase, cost of conversion and other costs including manufacturing overheads incurred in bringing them in their present condition. Cost of raw materials, stock in process, stock in trade and finished goods are determined on average cost basis.
- xi) **Revenue Recognition :**  
Revenue is recognized only when it can be definitely measured and it is reasonable to accept final collection. Revenue from operations includes sale of goods after adjustment of discounts (net) and return of goods. 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. Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable.
- xii) **Employee Benefits :**
- 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.
  - Post employment Benefits
    - 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, 2012**

2) **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 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 substantially all activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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 contingent liabilities 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 & Capital Work-in-Progress and depreciation is provided at the respective applicable rates.
- b) Revenue Expenditure is charged off in 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 in Hand, Cash at Bank & Cheques in Hand.



**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012**

**Note 2 : Share Capital**

		(₹ in lacs)	
		31st March, 2012	31st March, 2011
		₹	₹
<b>2.1</b>	<b>Share Capital</b>		
	<b>Authorised</b>		
15,00,00,000	Equity Shares of ₹ 2/- each	3,000.00	3,000.00
20,00,000	8 % Redeemable Cumulative Preference Shares of ₹ 100/- each	<u>2,000.00</u>	<u>2,000.00</u>
		<b>5,000.00</b>	<b>5,000.00</b>
	<b>Issued</b>		
7,91,10,120	Equity Shares of ₹ 2/- each	1,582.20	1,582.20
14,00,000	8 % Redeemable Cumulative Preference Shares of ₹ 100/- each	<u>1,400.00</u>	<u>1,400.00</u>
		<b>2,982.20</b>	<b>2,982.20</b>
	<b>Subscribed &amp; Paid Up</b>		
7,89,52,620	Equity Shares of ₹ 2/- each	1,579.05	1,579.05
14,00,000	8 % Redeemable Cumulative Preference Shares of ₹ 100/- each	<u>1,400.00</u>	<u>1,400.00</u>
		<b>2,979.05</b>	<b>2,979.05</b>
		<u><u>2,979.05</u></u>	<u><u>2,979.05</u></u>

- 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. Each Equity Share is entitled to one vote per share 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 ordinary share holders are eligible to receive the remaining assets of the Company after payment of all preferential amounts and to preferential shareholders, 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.



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012**Note 2 :- Share Capital (Contd.)**

## Equity Shares of ₹ 2/- each fully paid

	31st March, 2012		31st March, 2011	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Shri Shyam Sundar Shah	52,89,205	6.70	21,39,205	2.71
Smt. G.D. Shah	53,24,170	6.74	53,24,170	6.74
Gemini Overseas Ltd.	76,69,580	9.71	76,69,580	9.71
Tarun Fabrics Ltd.	95,75,500	12.13	95,75,500	12.13
ILFS Trust Co. Ltd A/c-ILFS P.Ed. Trust	39,70,793	5.03	39,70,793	5.03

- 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 as at which Balance Sheet is prepared.
- 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 as per C.D.R. approval the redemption of the preference shares can only be made after the entire dues of Banks & Institutions are repaid.
- k) The number of shares, face value and the premium has been reworked on sub division of shares from ₹ 10/- each to ₹ 2/- each.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012

	31st March, 2012 ₹	(₹ in lacs) 31st March, 2011 ₹
<b>Note 3 :- Reserves &amp; Surplus</b>		
<b>Capital Reserve</b>		
Opening Balance	740.90	1,072.46
Less : Depreciation on Revalued Asset	147.73	295.88
Less : Residual Value of Revalued Assets Sold	-	35.68
Closing Balance	593.17	740.90
<b>Capital Redemption Reserve</b>		
Opening Balance	1,400.00	1,400.00
Closing Balance	1,400.00	1,400.00
<b>Securities Premium Account</b>		
Opening Balance	11,428.75	11,428.75
Closing Balance	11,428.75	11,428.75
<b>Preference Share Redemption Reserve</b>		
Opening Balance	1,400.00	1,400.00
Closing Balance	1,400.00	1,400.00
<b>General Reserve</b>		
Opening Balance	5,450.00	5,450.00
Closing Balance	5,450.00	5,450.00
<b>Surplus</b>		
Opening Balance	11,141.79	16,935.41
Less: Net Loss For Current Year	9,160.43	5,793.62
Closing Balance	1,981.36	11,141.79
	<u>22,253.28</u>	<u>31,561.44</u>
<b>Note 4 :- Long Term Borrowings</b>		
<b>Secured</b>		
Term Loan	5,341.48	5,341.48
Working Capital Term Loan	29,429.38	-
Funded Interest Term Loan	3,393.49	-
Vehicle Loan	0.68	8.74
<b>Unsecured</b>		
Loans From Related Parties	734.00	-
(₹ 367 lacs by Smt Ginia Devi Shah)		
(₹ 367 lacs by Shri Shyam Sundar Shah-Chairman & M.D.)		
Loans From Others	24.73	24.73
	<u>38,923.76</u>	<u>5,374.95</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012**Note 4 :- Long Term Borrowings (Contd.)****Nature of Security****Term Loan**

- Pari passu first charge over entire movable fixed assets excluding assets charged to other lenders.
- Pari passu second charge over the company's entire current assets excluding assets charged to other lenders.
- Equitable Mortgage of the Company's Property No. 84 in 54 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.
- Personal guarantee of Shri S.S.Shah and Sri Sundeep Shah.

**Working Capital Term Loan**

- Secured against first pari-passu charge on all Assets, excluding assets exclusively charged to respective lenders.
- Equitable Mortgage of the Company's Property at Plot No.11A of Nanjangud Industrial area situated in Sy No. 184, 185 and 169 of Kallahally Village, Chikkaiahna, Chatra, Hobli, Nanjangud Taluk, Mysore District containing by admeasurement 58686.00 sq. mtrs.
- Second charge on the Company's property at 411, Telugarahalli Road, Anekal, Bangalore - 562106
- Second charge on the Company's property at Kammasandra Agrahara Kasaba Hobli, Anekal, Bangalore - 562106.
- Personal guarantee of Shri S.S.Shah and Sri Sundeep Shah.

**Vehicle Loan**

Secured against hypothecation of Vehicles.

**Loan from Related Parties**

Promoters Contribution as unsecured loan (free of interest) to remain subordinate to the Banks Loan

Bank	(₹ in lacs)		
	Term Loan	WCTL	FITL
Allahabad Bank	-	7,403.98	567.64
Canara Bank	-	2,155.00	216.58
Exim Bank	2,984.60	-	329.21
ICICI Bank	-	787.68	78.98
SIDBI	-	770.00	77.21
State Bank of Hyderabad	-	1,128.26	105.03
State Bank of India	2,356.88	6,406.61	899.17
State Bank of Mysore	-	3,184.67	307.88
The Federal Bank Ltd	-	2,850.93	327.71
UCO Bank	-	2,769.00	276.90
Union Bank of India	-	1,973.25	207.19
	<b>5341.48</b>	<b>29,429.38</b>	<b>3,393.49</b>

**Terms of Payment**

Year	Term Loan	WCTL	FITL
2015	133.54	735.73	84.84
2016	400.61	2,207.20	254.51
2017	667.69	3,678.67	424.19
2018	667.69	3,678.67	424.19
2019	1068.30	5,885.88	678.70
2020	1068.30	5,885.88	678.70
2021	1335.37	7,357.35	848.37
	<b>5341.48</b>	<b>29,429.38</b>	<b>3,393.49</b>

Vehicle Loan from HDFC Bank of ₹ 0.68 lacs is repayable as under:-

- Monthly installment of ₹ 0.22 lacs is repayable on 15.04.2013.
- Monthly equal installment of ₹ 0.23 lacs is repayable on 15.05.2013 & 15-06-2013 respectively.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012**Note 5:-Deferred Tax Liability/(Asset) :****Deferred Tax Liability / (Asset) :**

	31st March, 2012 ₹	(₹ in Lacs) 31st March, 2011 ₹
As per Last Balance Sheet	14.83	1,099.22
On account of depreciation on fixed assets	53.74	(204.83)
<b>Deferred Tax (Asset):</b>		
On account of timing differences in recognition of expenditure	(1,060.33)	29.60
On Account of unabsorbed losses under I.T. Act 1961	(1,388.19)	(909.16)
<b>Net Deferred Tax Liability/ (Asset)</b>	<b>(2,379.95)</b>	<b>14.83</b>
<b>Deferred Tax Liability(a)</b>	<b>-</b>	<b>14.83</b>
<b>Deferred Tax Asset(b)</b>	<b>2,379.95</b>	<b>-</b>

**Note 6:- Long Term Provisions****Provisions for Employees Benefit**

Leave Encashment	12.00	17.36
	<b>12.00</b>	<b>17.36</b>

**Note 7 :- Short Term Borrowings****Secured Loan****Loans repayable on demand**

Packing Credit-cum-Cash Credit Loan and Overdrafts	-	19,673.74
Working Capital as per approval of CDR package (Cash Credit/Packing Credit/Foreign Bills Payable/Letter of Credit)	<b>5,418.92</b>	-

**Unsecured Loan****Loans repayable on demand**

(Small Industrial Development Bank of India)	-	966.05
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**Vehicles Loan**

	<b>8.06</b>	<b>18.45</b>
	<b>5,426.98</b>	<b>20,658.24</b>

**Nature of Security****Working Capital**

- Hypothecation of entire current assets including book debts of the company on first charge basis ranking pari passu with WC Consortium members 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, movable 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.
- Personal Guarantee of Shri S.S.Shah and Shri Sundeep Shah



**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012**

**Note 8 :- Trade Payables**

Sundry Creditors for Goods & Services

	31st March, 2012 ₹	(₹ in Lacs) 31st March, 2011 ₹
	289.45	5,469.44
	<u>289.45</u>	<u>5,469.44</u>

**Note 9 :-Other Current Liabilities**

Advance from customers  
Unclaimed Dividend  
Statutory Dues  
Others

	31st March, 2012 ₹	(₹ in Lacs) 31st March, 2011 ₹
Advance from customers	39.13	72.22
Unclaimed Dividend	36.93	39.23
Statutory Dues	22.65	63.01
Others	376.63	921.62
	<u>475.34</u>	<u>1,096.08</u>

**Note 10 :- Short Term Provisions**

**Provision for employee benefits**  
Salary and Reimbursement  
Contribution to P.F. & ESIC  
Leave Encashment(Funded)  
**Others**  
Provision For Taxation  
Provision For F.B.T

	31st March, 2012 ₹	(₹ in Lacs) 31st March, 2011 ₹
Salary and Reimbursement	79.14	1.83
Contribution to P.F. & ESIC	5.07	5.04
Leave Encashment(Funded)	1.10	0.88
Others	-	400.00
Provision For Taxation	-	15.00
Provision For F.B.T	-	-
	<u>85.31</u>	<u>422.75</u>



**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012**

**Note 11 :- Fixed Assets**

Particulars	Land Leasehold (a)	Freehold	Building	Plant & Machinery	Electric Installations	Office Equipment & Furniture	Vehicles	Total	Capital Work in Progress	Total	TANGIBLE ASSETS	
											₹	₹
<b>Cost or valuation At 1st April 2010</b>	239.51	139.27	2,461.67	23,836.10	697.80	306.49	165.30	27,846.14	4,949.96	32,796.10		
Additions	-	-	645.40	6,009.90	100.64	124.92	23.32	6,904.18	2,386.15	9,290.33		
Revaluation/ Impairment	-	-	-	-	-	-	-	-	-	-		
Other Adjustment (Borrowing Cost)	-	-	-	-	-	-	-	-	-	-		
Sales/Deductions	-	-	-	236.9	7.34	20.44	15.99	280.74	6,779.80	7,060.54		
<b>At 31st March 2011</b>	<b>239.51</b>	<b>139.27</b>	<b>3,107.07</b>	<b>29,609.03</b>	<b>791.10</b>	<b>410.97</b>	<b>172.63</b>	<b>34,469.58</b>	<b>556.31</b>	<b>35,025.89</b>		
Additions	-	-	120.16	437.43	12.32	33.04	14.82	617.78	235.45	853.23		
Revaluation/ Impairment	-	-	-	-	-	-	-	-	-	-		
Other Adjustment (Borrowing Cost)	-	-	-	-	-	-	-	-	-	-		
Sales/Deductions	-	-	-	36.22	-	2.21	78.76	117.18	591.89	709.07		
<b>At 31st March 2012</b>	<b>239.51</b>	<b>139.27</b>	<b>3,227.23</b>	<b>30,010.24</b>	<b>803.42</b>	<b>441.81</b>	<b>108.69</b>	<b>34,970.18</b>	<b>199.87</b>	<b>35,170.05</b>		
<b>Depreciation</b>												
<b>At 1st April 2010</b>	-	-	981.75	9,730.90	315.75	195.80	98.21	11,322.41	-	11,322.41		
Charges for the year	-	-	131.09	2,526.72	44.92	42.45	17.92	2,763.10	-	2,763.10		
Disposals	-	-	-	153.17	5.13	13.91	11.95	184.16	-	184.16		
<b>At 31st March 2011</b>	<b>-</b>	<b>-</b>	<b>1,112.84</b>	<b>12,104.45</b>	<b>355.54</b>	<b>224.34</b>	<b>104.18</b>	<b>13,901.35</b>	<b>-</b>	<b>13,901.35</b>		
Charges for the year	-	-	133.732,039.82	39.25	42.59	42.59	15.79	2,271.18	-	2,271.18		
Disposals	-	-	-	11.15	-	0.51	60.55	72.21	-	72.21		
<b>At 31st March 2012</b>	<b>-</b>	<b>-</b>	<b>1,246.57</b>	<b>14,133.13</b>	<b>394.79</b>	<b>266.42</b>	<b>59.42</b>	<b>16,100.34</b>	<b>-</b>	<b>16,100.34</b>		
<b>NET BLOCK</b>												
<b>At 31st March 2011</b>	<b>239.51</b>	<b>139.27</b>	<b>1,994.23</b>	<b>17,504.58</b>	<b>435.56</b>	<b>186.63</b>	<b>68.45</b>	<b>20,568.23</b>	<b>556.31</b>	<b>21,124.54</b>		
<b>At 31st March 2012</b>	<b>239.51</b>	<b>139.27</b>	<b>1,980.66</b>	<b>15,877.11</b>	<b>408.63</b>	<b>175.39</b>	<b>49.27</b>	<b>18,869.84</b>	<b>199.87</b>	<b>19,069.71</b>		

- (a) Leased Assets are stated at premium paid on such assets. Rentals, if any, are expensed with reference to the leased terms and other conditions. No amortization of the leased premium in respect of Land is done in cases where conditions are stipulated for conversion from leasehold to freehold.
- (b) Depreciation includes depreciation on Revalued Asset amounting to ₹147.73 lacs (Previous Year ₹ 295.88 lacs).
- (c) As per the Court Order dated 7th February, 2005 of Hon'ble Kolkata High Court and 14th December, 2005 of Hon'ble Karnataka High Court, all assets and liabilities of erstwhile Eastern Jingying Ltd. and Stella Silks Ltd. automatically stand transferred in the name of the Company.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012

	31st March, 2012 ₹	(₹ in Lacs) 31st March, 2011 ₹
<b>Note 12:- Non-Current Investments</b>		
<b>Other Investments</b>		
<b>Equity Instruments</b>		
<b>Other than Trade-Quoted</b>		
Tata Consultancy Services Ltd.	0.14	0.14
64(Previous year 64)Equity Shares of ₹ 1/- each fully paid up		
<b>Other than Trade-Unquoted</b>		
India Exposition Mart Ltd.	0.25	0.25
2570 (Previous Year 2570) Equity Shares of ₹ 10/- each fully paid up	0.39	0.39
Aggregate amount of quoted investments.Market value of Tata Consultancy Services Ltd. is ₹ 0.75 lacs(Previous Year ₹ 0.76 lacs)	0.14	0.14
<b>Note 13 :- Long Term Loans &amp; Advances</b>		
Secured,Considered Good	60.64	55.95
Unsecured,Considered Good	3.70	3.70
	<u>64.34</u>	<u>59.65</u>
<b>Note 14 :- Inventories</b>		
Raw Materials and components*	4,077.41	6,802.18
Work-in-progress*	4,778.30	1,611.94
Finished goods*	8,928.81	13,408.53
Stores and spares*	101.64	129.08
	<u>17,886.16</u>	<u>21,951.73</u>
*For Mode of valuation refer to Accounting Policy No. 1(x)		
<b>Note 15:- Trade Receivables</b>		
<b>Unsecured and Considered Good</b>		
Over Six Months	26,046.87	7,719.51
Others	1,924.26	7,065.06
<b>Unsecured and Considered Doubtful</b>		
Over Six Months	1,684.67	1,725.48
Less: Provision for doubtful debts	1,684.67	1,725.48
	<u>27,971.13</u>	<u>14,784.57</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012

	31st March, 2012 ₹	(₹ in Lacs) 31st March-2011 ₹
<b>Note 16:-Cash &amp; Cash Equivalents</b>		
<b>Cash and cash equivalents</b>		
Balances with banks	36.93	39.23
Earmarked Balances	1,222.65	2,288.44
F.D. as Margin money	908.19	376.97
Current Account	2,167.77	2,704.64
Cash on hand	1.53	3.84
Foreign Currency Account	273.97	51.92
	<u>2,443.27</u>	<u>2,760.40</u>
<b>Note 17:-Short Term Loans &amp; Advances</b>		
Secured,Considered Good	56.34	25.68
Unsecured Considered Good		
Others	514.90	6,417.50
Advance Income Tax & Other taxes.	58.98	469.68
	<u>630.22</u>	<u>6,912.86</u>
<b>Note 18:-Revenue From Operations</b>		
Sale of products	8,944.54	62,892.52
Sale of Service	7.75	0.88
<b>Other Operating Revenue</b>		
Export Duty Drawback	209.57	759.17
Premium on Import Entitlement	278.26	45.65
	<u>9,440.12</u>	<u>63,698.22</u>
<b>Note 19:- Other Income</b>		
<b>Interest Income</b>		
On Bank Deposits	126.60	141.25
On Other Deposits	13.63	2.89
<b>Dividend Income</b>		
On Long Term Investment	0.02	0.02
<b>Net gain/loss on sale of investments</b>		
On Long Term Investment	-	26.62
<b>Other Non-Operating Income</b>		
Exchange Rate Difference	3,796.83	907.98
Sundry Balances & Liabilities No Longer Required Written Back	16.24	914.01
Profit on Sale of Fixed Assets	4.49	2.32
Rent Received	0.16	1.37
Provision For Bad Debt Recovered	40.82	-
Bad Debt Recovered	2.88	-
Insurance Claim	-	4.59
Other non-operating income	3.11	0.26
	<u>4,004.78</u>	<u>2,001.31</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012

(₹ in Lacs)

	31st March, 2012 ₹	31st March, 2011 ₹
<b>Note 20:- Cost of Material Consumed</b>		
Opening Stock	6,802.18	7,605.65
Add: Purchases	3,057.80	22,163.26
Less : Transferred to Finished Goods	587.82	758.19
Less:Closing Stock	7,361.17	6,802.18
	<u>1,910.99</u>	<u>22,208.54</u>
<b>Raw Material Consumption</b>		
Fabrics	0.43	15,094.72
Yarn	1,910.56	7,111.96
Silk Waste	-	1.86
	<u>1,910.99</u>	<u>22,208.54</u>
<b>Note 21: Purchase of Stock in Trade</b>		
Purchase of Finished Goods	2,537.67	34,327.62
Purchase of Semi Finished Goods	5,925.09	-
	<u>8,462.76</u>	<u>34,327.62</u>
<b>Note 22: Changes in Inventories of Finished Goods,WIP &amp; Stock in Trade</b>		
Opening Stock of Work In Progress	1,611.94	1,530.73
Opening Stock of Finished Goods	13,408.53	15,904.43
Sales Return For Earlier Years	388.55	-
Add:Transferred From Raw Marterial	587.82	758.19
	<u>15,996.84</u>	<u>18,193.35</u>
Less: Closing Stock of Work in Progress	6,956.89	1,611.94
Closing Stock of Finished Goods	13,944.80	13,408.53
	<u>20,901.69</u>	<u>15,020.47</u>
<b>(Increase) / Decrease in Stock</b>	<u>(4,904.85)</u>	<u>3,172.88</u>
<b>Note 23: Employees Benefits Expenses</b>		
Salaries and incentives	146.89	612.45
Contributions to Provident & Other Fund	26.63	77.64
Contribution to Gratuity Fund	22.57	(33.36)
Staff welfare expenses	29.20	46.64
	<u>225.29</u>	<u>703.37</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012

(₹ in lacs)

	31st March, 2012 ₹	31st March, 2011 ₹
<b>Note 24: Finance Cost</b>		
<b>Interest Expense</b>		
To Bank on Term Loan	589.12	506.61
To Bank On WCTL,FITL,Cash Credit & Packing Credit Limit etc.	3,590.69	2,452.81
To Financial Institution	-	68.91
<b>Other Borrowing Cost</b>		
Other Financial Charges	17.31	2.56
Applicable net (gain)/loss on foreign currency transactions and translation	-	119.36
	<u>4,197.12</u>	<u>3,150.25</u>
<b>Note 25: Depreciation &amp; Amortization Expense</b>		
On Tangible Asets	2,271.18	2,763.10
Less : Transferred From Capital Reserve due to revaluation	147.73	295.88
	<u>2,123.45</u>	<u>2,467.22</u>
<b>Note 26: Other Expenses</b>		
<b>Manufacturing Expense</b>		
Conversion, Machining & Other Direct Expenses	1,000.80	1,768.99
Stores, Spares & Accessories Consumed	30.79	236.15
Dyes, Chemicals, etc. Consumed	142.83	303.60
Power & Fuel	265.66	411.55
	<u>1,440.08</u>	<u>2,720.29</u>
<b>Administrative Expenses</b>		
Import Licence Fees	1.28	17.30
Legal, Professional & Syndication Charges	68.16	51.28
Rent	31.74	88.38
Rates & Taxes	7.80	10.02
Insurance	128.12	202.73
Travelling Expenses	61.28	163.22
Mailing & Communication Expenses	18.39	39.87
Bank Charges & Commission	90.93	316.13
Directors' Meeting Fee	0.90	0.86
Managerial Remuneration	37.88	48.00
Sales Tax (Vat )	5.51	18.53
Auditor's Remuneration for		
Audit Fee	6.74	6.62
Tax Audit Fee	1.38	1.38
For Other Services	2.75	5.74
Miscellaneous Expenses	127.57	192.90
Donation	0.15	56.39
Loss on sale of Fixed Assets	2.56	53.80
Loss on sale of Non Current Investment	-	29.69
Expenses Relating to Previous Year	0.37	2.44
Repairs & Maintenance of Building	17.09	26.88
Repairs & Maintenance of Plant & Machinery	14.65	28.88
Repairs & Maintenance of Others	23.88	38.25
Provision for Bad & Doubtful debts	-	1,721.83
Bad-debt	10.17	21.88
	<u>659.30</u>	<u>3,143.00</u>
<b>Selling and Distribution Overhead</b>		
Brokerage & Commission to Selling Agents	204.67	63.95
Sales Promotion	28.13	39.20
Freight, Packing, Forwarding, etc.	288.68	580.85
	<u>521.48</u>	<u>684.00</u>
	<u>2,620.86</u>	<u>6,547.29</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012

27) Contingent Liabilities not provided for in respect of :

		2011-2012 ₹ In Lacs	2010-2011 ₹ In Lacs
(a)	Letters of Credit	—	5,579.26
(b)	Guarantees given by the Bankers	132.52	132.52
(c)	Bills receivable discounted with Bankers	—	13,487.71
(d)	Excise, Sales tax, Custom Duty, ESIC & Other Claims	184.44	184.44
(e)	Dividend on Cumulative Preference Shares (Including tax)	260.34	130.17
(f)	Corporate Guarantee to a Bank for an Associate Company	650.00	650.00

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) 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 as on 31<sup>st</sup> March, 2004 and after accounting for the share premium of ₹ 78/- per share as provided in the scheme, surplus, if any, arising after issuance of the new shares be credited to Capital Reserves of the Transferee Company and as such during 2004-05 a sum of ₹ 2,920.35 Lacs was credited to Capital reserves.

30) 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 ₹ 4,065.17 Lacs have been released and the balance bonds of ₹ 1,337.87 Lacs is under process of being released by the Commissioner of Customs.

31) Claims against the Company not acknowledged as debts:

- i) Demand by the Department of Commercial Taxes, Government of Karnataka, levying a sum of ₹ 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.
- ii) 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 lacs with the Customs Authorities under protest.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012

32) 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 correlation between the material used and the material imported, an amount of ₹ 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. 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 pending for hearing.

33) On a reference made by Allahabad Bank, the lead bank in the consortium, the Corporate Debt Restructuring (CDR) has been approved by the Empowered Group on 4<sup>th</sup> February, 2012. The cut-off date of the package is 1<sup>st</sup> April, 2011. The salient features of the approval inter alia includes restructuring of debts. The total debt outstanding at ₹ 46,723 Lacs were bifurcated into WCTL of ₹ 29,600 Lacs, Working Capital of ₹ 6,285 Lacs, Term Loan of ₹ 5,380 Lacs and FITL of ₹ 5,458 Lacs. The package also includes reduction of interest cost. Interest at the reduced rate up to 30<sup>th</sup> September, 2012 have been converted into FITL. The interest shall become payable from October, 2012 and the principal amount for repayment shall start from 2014.

CDR Empowered Group has stipulated other following conditions:

- i) Induction of fresh Promoters' contribution to the extent of ₹ 1,466 Lacs to be brought in two installments of ₹ 734 Lacs in F.Y. 2011-12 and second installment in F.Y. 2012-13 as unsecured loan (interest free) which will remain subordinate to the bank loans.
- ii) The Equity shares to the extent of 51% under Promoters' holding shall be pledged with the lenders as security. It has been further stipulated that the Company shall not declare any dividend without permission of CDR Empowered Group and the bankers hold the right to convert the interest and principal to the extent of 20% in case of default in repayment to Equity shareholders of the Company as per SEBI guidelines.
- iii) The Company has to mortgage the Bommasandra leasehold land before 31<sup>st</sup> March, 2013 or bring in the proceeds of ₹ 3000 Lacs on sale of the land to reduce the Term Loan.
- iv) Further it also stipulates the sale of surplus assets and investments and the proceeds of which shall be used in reducing WCTL.

The banks are still in the process of readjusting the books on the basis of the CDR approval. The Company has passed the necessary entries in the books based on the CDR approval and accounted for the same as on the reporting date. Any difference in the interest/other charges charged by the banks and the actual worked out on the basis of CDR approval accounted for by the Company shall be adjusted on final determination.

34) The Company has incurred losses for the second year in succession and the accumulated loss of the Company stand at ₹ 14,954.05 lacs as on balance sheet date and the shareholders fund amounts to ₹ 25,232.33 lacs.

The business plan and future projections and profitability estimates as per study of Dun & Bradstreet considered for the CDR approval have been noted by the Board of Directors at its meeting held on 13<sup>th</sup> May 2011. The promoters have also infused a sum of ₹ 734.00 Lacs during the year and another infusion of ₹ 732.00 Lacs is slated to be made before 31<sup>st</sup> March 2013 to meet the long term working capital requirement of the Company. Besides this, the Company is also planning to sell some of the surplus assets, the proceeds of which shall be utilized for reducing the long term liability and thereby the interest cost.

Considering the marketing strategy and the future profitability projections this financial statement has been taken as going concern estimation which is appropriate in the opinion of the management. Further, the net worth of the Company is also positive as at 31<sup>st</sup> March 2012.

35) Exceptional item includes a sum of ₹ 9,246 Lacs which was the balance of the rundown value of the inventories as of 31/03/2011 not accounted for by the Company since it was expected by the management that the market could improve thereby the realizable value will also increase. The current year of operations have not shown any sign of improvement, whereas markets have either stagnated and/or in certain areas have gone down further.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012

To take a wholesome view of the inventories as of 31/03/2012 the Company appointed an independent auditor to verify the inventories and also to ascertain the market valuation. The report of the independent auditor, reported a depletion of a sum of ₹ 10,478.33 Lacs as the diminution in the value of the stocks as of 31/03/2012. The residual of the depleted stocks of the previous year have also been accounted for in the aggregate of ₹ 10,478.33 Lacs in the current year.

- 36) As against the total outstanding sundry debtors of ₹ 29,655.80 Lacs as on 31<sup>st</sup> March, 2012 the Company has filed money suits against concerned overseas buyers for recovery of outstanding dues amounting to USD 451.20 Lacs, GBP 4.74 Lacs and Euro 14.08 Lacs aggregating ₹ 23,536.04 Lacs (Net of recovery of ₹ 636.72 Lacs during the year, in respect of old sundry debtors balance outstanding as at 31<sup>st</sup> March 2011). After instituting the money suits the Company is hopeful of fair recovery of the amounts outstanding as negotiations are going on with the parties concerned and therefore, no provision for bad and doubtful debts have been considered necessary and hence no provision is made.

The balance amount of ₹ 6,119.76 Lacs includes ₹ 104.58 Lacs towards local debtors for which no provision is required and for the balance sundry debtors of ₹ 6,015.18 Lacs a provision of ₹ 1,684.67 Lacs have already been made in the previous year. In the opinion of the Company, this amount is estimated to be sufficient for short recovery of the export debtors if any.

- 37) In terms of Accounting Standard – 22, Deferred Tax Assets (DTA) of ₹ 2,394.78 Lacs has been recognized during the year and consequently Net DTA stands at ₹ 2,379.95 Lacs. There is carried forward unabsorbed depreciation and business losses as at the Balance Sheet date. Based on the future profitability, projections, the Company is certain that there would be sufficient taxable income in future to claim the deferred tax credit.

	31st March, 2012 ₹	(₹ in lacs) 31st March, 2011 ₹
<b>Deferred Tax Liability/(Asset) :</b>		
As per Last Balance Sheet	14.83	1,099.22
On account of depreciation on fixed assets	53.74	(204.83)
<b>Deferred Tax (Asset) :</b>		
On Account of unabsorbed losses under I.T. Act 1961	(1,388.19)	(909.16)
<b>Net Deferred Tax Liability / (Asset)</b>	<b>(2,379.95)</b>	<b>14.83</b>

- 38) 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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012

## I Reconciliation of opening and closing balances of Defined Benefit Obligation

	Gratuity (Funded)	(₹ in Lacs) Leave Encashment (Unfunded)
(a) Defined benefit obligation at the beginning of the year	62.63 (90.38)	18.24 (19.92)
(b) Current Service Cost	8.99	0.53
(c) Interest Cost	(10.18)	(6.54)
(d) Actuarial (Gain)/Loss	5.01	1.46
(e) Benefits paid	(7.23)	(1.59)
(f) Defined benefit obligation at the end of the year	16.98	17.04
	45.15	(3.88)
	21.87	(24.16)
	-	13.69
	71.74	13.11
	(62.64)	(18.24)

## 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	88.31	18.24
(b) Expected Return on Plan Assets	(64.08)	(19.92)
(c) Actuarial (gains)/loss on plan assets	7.06	-
(d) Actuarial Gain / (Loss)	(5.61)	-
(e) Contributions by employer	1.35	-
(f) Benefits Paid	-	-
(g) Employer Expenses	16.98	(17.04)
(h) Fair Value of Plan Assets at the end of the year	45.15	(3.88)
	34.47	24.16
	(18.62)	(13.69)
	21.87	-
	-	19.03
	-	12.01
	109.32	13.11
	(88.31)	(18.24)

## III. Reconciliation of fair value of Assets and obligation

(a) Fair Value of plan assets	109.32	-
(b) Present Value of obligation	(88.31)	-
(c) Amount recognized in Balance Sheet	71.74	13.11
	(62.63)	(18.24)
	37.58	13.11
	(25.68)	(18.24)

## IV. Expense charged to the Profit and Loss Account

(a) Current Service Cost	8.99	0.53
(b) Interest Cost	(10.18)	(6.54)
(c) Expected Return on Plan Assets	5.01	1.46
(d) Actuarial (Gain)/Loss	(7.23)	(1.59)
(e) Total expense charged to the Profit and Loss Account	(8.40)	-
	5.61	-
	16.98	17.04
	45.15	(3.88)
	22.57 *	19.03 **
	(33.36) *	(12.01)**



**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012**

V Experience History Details		(₹ In Lacs)
	<b>Gratuity (Funded)</b>	<b>Leave Encashment (Unfunded)</b>
(a) Division of Defined Obligation at the end of Period ( Current / Non Current )	9.68	1.10
	(3.56)	(0.88)
(b) Non Current Defined Benefit Obligation at the end of the Period	62.06	12.00
	(59.07)	(17.36)
(c) Total Defined Benefit Obligation at the end of the Period	71.74	13.10
	(62.63)	(18.24)
* Under the head "Gratuity" on Note No.23		
** Under the head "Salaries and incentives" on Note No.23		
VI Percentage of each Category of Plan Assets to total Fair value of Plan assets as at 31st March, 2012 - 100% with Life Insurance Corporation of India.		
VII Actual Return on Plan Assets:	7.00%	7.00%
	(7.00%)	(7.00%)
VIII Principal Actuarial Assumption as at 31st March, 2012		
(a) Discount Rate (per annum)	8.00%	8.00%
	(8.00%)	(8.00%)
(b) Expected Rate of Return on Plan Assets (per annum)	8.00%	8.00%
	(8.00%)	(8.00%)
(c) Salary Escalation	5.00%	5.00%
	(5.00%)	(5.00%)
(d) Inflation Rate	5.00%	5.00%
	(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.

- 39) 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.
- 40) Related Party Disclosure in-accordance with Accounting Standard - 18 issued by The Institute of Chartered Accountants of India.

(I) List of Related Parties	Name of the Person/ Company
a) Associates: -	(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 (Director)



**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012**

(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	1340.10	4369.31	1149.68	288.59	170.00	9918.14	
	(7231.66)	(15197.62)	(14790.56)	(1012.92)	(60.71)	(38293.47)	
Sales of Goods	185.32	621.05	373.65	25.82	26.46	1232.30	
	(3068.56)	(7327.45)	(3518.55)	(77.26)	(29.86)	(14021.68)	
Services Received	-	14.96	15.66	3.73	-	34.35	
	-	(596.19)	(149.32)	(8.39)	-	(753.90)	
Purchase of Fixed Assets	2.60	20.01	-	-	-	22.61	
	-	-	-	-	(693.04)	(693.04)	
Rent Received	0.08	0.07	-	0.01	-	0.16	
	(0.08)	(0.07)	-	(0.01)	(0.01)	(0.17)	
Guarantees Given	-	650.00	-	-	-	650.00	
	-	(650.00)	-	-	-	(650.00)	
Remuneration Paid							37.88
							(48.00)
<b>Balances as on 31st March, 2012</b>							
Debtors/ Recivables	-	-	-	-	-	-	
	(1519.53)	(1907.47)	-	-	(29.86)	(3456.86)	
Advances	-	-	-	-	-	-	
	-	(15997.35)	(566.05)	(3372.55)	(148.28)	(5684.23)	

- 41) 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.
- 42) Estimated amount of contracts remaining to be executed on Capital account and not provided for ₹ 91.25 Lacs (Previous Year ₹ 2.67 Lacs).
- 43) Research & Development Expenditure
- |                     |                |                |
|---------------------|----------------|----------------|
|                     | (₹ in lacs)    |                |
|                     | <b>2011-12</b> | <b>2010-11</b> |
| Capital Expenditure | <b>141.06</b>  | 16.58          |
| Revenue Expenditure | <b>38.84</b>   | 259.90         |
- 44) Donation includes payment to a Political Party – Nil (Previous Year - Bhartiya Janta Party ₹ 6.00 Lacs )



## SUMMARY OF RESULTS 2008 TO 2012

Figures in ₹ Lacs

Year	Income	Profit before tax	Profit after tax	Reserves & Surplus	Share capital	Dividend %	E.P.S ₹
2011-12	13244.90	(11669.05)	(9160.43)	22253.28	2979.05	—	(11.60)
2010-11	65699.53	(6877.64)	(5793.62)	31561.44	2979.05	—	(7.34)
2009-10	55593.15	685.43	573.77	37638.52	2979.05	6	0.56
2008-09	53452.18	1911.82	1921.05	37548.55	2979.05	10	2.27
2007-08	49248.71	6016.62	5813.83	34671.80	2979.05	45	35.99

## BALANCE SHEET SUMMARY

Figures in ₹ Lacs

Year ended 31st March	2012	2011	2010	2009	2008
A. Gross Fixed Assets	35170.05	35025.89	32796.10	27300.96	26089.00
B. Depreciation	16100.34	13901.35	11322.41	9555.19	7642.38
C. Net Fixed Assets (A-B)	19069.71	21124.54	21473.69	17745.77	18446.62
D. Investments	.39	.39	205.39	581.40	1008.42
E. Current Assets	48300.56	39457.47	35719.57	33993.43	32977.85
F. Loans & Advances	694.56	6972.51	12787.47	12606.61	11124.43
G. Preliminary Expenses	—	—	—	—	0.25
H. Deferred Tax Asset	2379.95	—	—	—	—
I. Total Assets (C to G)	70445.17	67554.91	70186.12	64927.21	63557.57
J. Secured & Unsecured Loans	44350.74	26045.07	17142.80	11054.43	12379.97
K. Current Liabilities & Provisions	862.10	6954.52	11326.53	12088.61	12120.95
L. Deferred Tax Liability	—	14.83	1099.22	1256.57	1405.80
M. Total Liabilities (I+J+K)	45212.84	33014.42	29568.53	24399.61	25906.72
N. Net Assets (H-L)	25232.33	34540.49	40617.57	40527.60	37650.85
O. Preference Share Capital	1400.00	1400.00	1400.00	1400.00	1400.00
P. Net Worth (M-N)	23832.33	33140.49	39217.57	39127.60	36250.8
Represented by : Equity Share Capital	1579.05	1579.05	1579.05	1579.05	1579.05
Reserves & Surplus	22253.28	31561.44	37638.52	37548.55	34671.80
<b>Net worth per Equity Share of Rs. 2/- each</b>	<b>30.18</b>	<b>41.97</b>	<b>49.67</b>	<b>49.56</b>	<b>45.91</b>



## EASTERN SILK INDUSTRIES LTD.

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

## ATTENDANCE SLIP

Please complete this Attendance Slip and hand it over at the entrance of the Meeting Hall.

Name of the attending member (in block letters)	Client ID / Folio No.	DPID
Name of the Proxy (in block letters) (To be filled in if the Proxy attends instead of the Member)		

No. of Shares held \_\_\_\_\_

I hereby record my presence at the 66th ANNUAL GENERAL MEETING of the Company at "Kala Kunj" 48, Shakespeare Sarani, Kolkata - 700 017 on Wednesday, the 26th September, 2012 at 11. A.M.

\_\_\_\_\_  
Signature of the Shareholder or Proxy

## NOTE :

- Shareholders/Proxy are requested to bring the Attendance Slip with them when they come to the meeting. No Attendance Slip will be issued at the time of the meeting.
- Shareholders are requested to advise indicating their Folio/Client ID Nos., the change in their addresses, if any to the Company or its Registrars & Share Transfer Agents.



## EASTERN SILK INDUSTRIES LTD.

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

## PROXY FORM

Client ID / Folio No. \_\_\_\_\_

DPID . \_\_\_\_\_

No. of Shares held \_\_\_\_\_

I / We \_\_\_\_\_

of \_\_\_\_\_

being a member / members of the above named Company, hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or failing him \_\_\_\_\_

of \_\_\_\_\_

as my/our proxy to vote for me/us on my/our behalf at the 66th ANNUAL GENERAL MEETING of the Company at "Kala Kunj",

48, Shakespeare Sarani, Kolkata - 700 017 on Wednesday, the 26th September, 2012 at 11: A.M.

Singed \_\_\_\_\_

Date \_\_\_\_\_

Affix  
Revenue  
Stamp

## Notes :

- The form should be signed across the stamp as per specimen signature recorded with the Company.
- The Companies Act, 1956 lays down that the instrument appointing a proxy shall be deposited at the Registered Office of the Company not less than forty eight hours before the time fixed for holding the meeting.
- A proxy need not be a member.



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**ANNUAL REPORT  
2011-2012**



**EASTERN SILK INDUSTRIES LTD.**