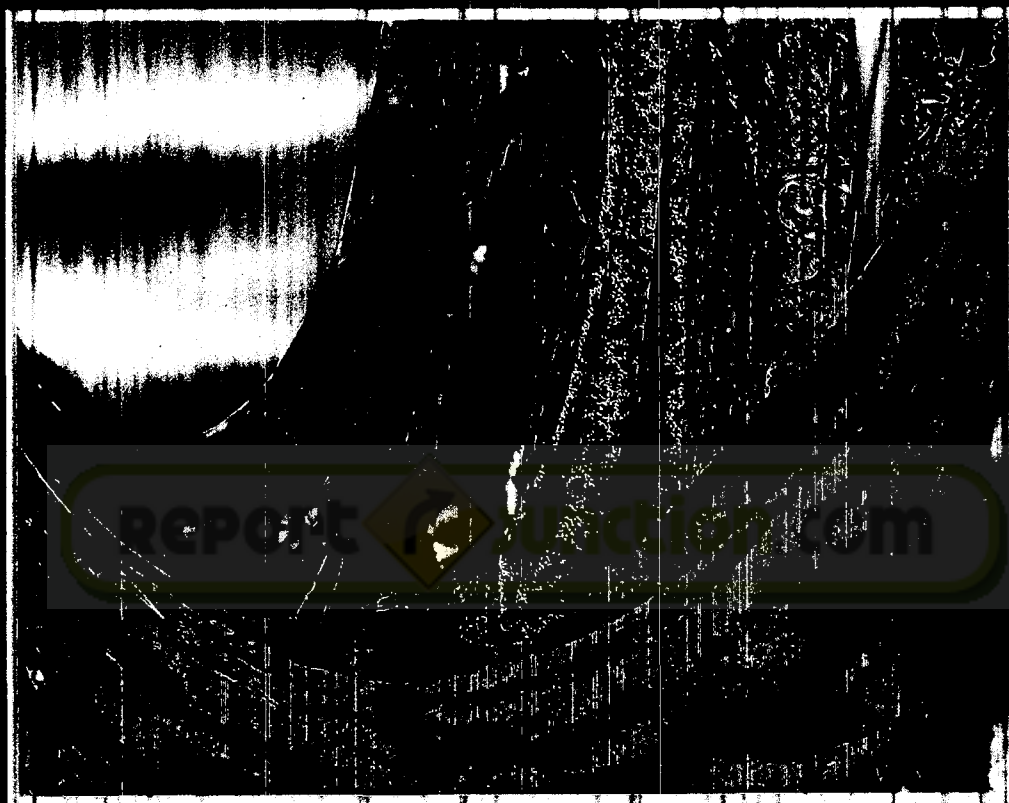


ANNUAL REPORT 1996-97



EASTERN SILK INDUSTRIES LIMITED



India has completed 50 years of her independence so as the Company. These years have witnessed rapid changes in all areas of Trade and Industry. We, at Eastern Silk have kept in pace with these changes by expansion, modernisation, diversification and laying more emphasis on total customer satisfaction.

In the golden year of our and country's independence, let us commit to develop and face the new challenges of the future.

MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SFI	✓
YE	✓	✓		✓

EASTERN SILK INDUSTRIES LIMITED



CHAIRMAN & MANAGING DIRECTOR

S. S. Shah

DIRECTORS

Ajit Khandelwal
B. R. Dhavale
H. S. Gopalka
Prabir Chakravarti
R. L. Gaggar
R. S. Rungta

SECRETARY

K. T. Sheth

AUDITORS

B. K. Shroff & Co.

BANKERS

State Bank of Mysore
Bank of Baroda
State Bank of Hyderabad

REGISTERED OFFICE

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

FACTORY

A-9, Sector-3
Noida-201301
Dist. Ghaziabad
U. P.

REGISTRAR & SHARE TRANSFER AGENTS

STAR INFOTECH PVT. LTD.
107/1 PARK STREET
CALCUTTA-700 016



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NOTICE

The Fifty-first Annual General Meeting of Eastern Silk Industries Limited will be held on Thursday, the 25th September, 1997 at 2 P.M. at Vidya Mandir, 1 Moira Street, Calcutta - 700 017, to transact the following business:

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March, 1997 and the Balance Sheet as at that date together with the reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Shri B.R. Dhavale who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Shri Prabir Chakravarti who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and fix their remuneration.

Special Business :

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

Resolved that pursuant to the provisions of Sections 198, 269, 309 & Schedule-XIII and other applicable provisions, if any of the Companies Act, 1956 and subject to all such approvals as may be required, the approval of Members be and is hereby accorded to the re-appointment of Shri S.S. Shah, as the Managing Director of the Company for a period of 5 years effective from 1st August 1997 on the terms and conditions including remuneration as set out in the explanatory statement annexed hereto with liberty to the Board of Directors ("The Board") to alter, vary, modify the terms and conditions, referred to above, in such manner as may from time to time be stipulated by the Central Government or to be in consonance with the applicable provisions of law and as may be agreed to by and between the Board and Shri Shah.

Resolved further that the Board be and is hereby authorised to do and perform all such acts, deeds, matters and things as may be considered desirable or expedient to give effect to this resolution.

Registered Office :

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

Dated : 27th August, 1997

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 in his stead. A proxy need not be a Member of the Company.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 17th September, 1997 to 25th September, 1997, both days inclusive.
3. Dividend, when declared will be made payable on or after 25th September, 1997 to those shareholders whose names appear in the Register of Members on 25th September, 1997.



4. The Company has already transferred unclaimed dividend declared for the financial year ended 31st March, 1993 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978.

The unpaid dividends for the financial year ended 31st March, 1994 is due for transfer to the Central Government on 7th November 1997. Members who have not encashed their dividend warrants for the aforesaid financial year are requested to approach the Company's Registrar and Share Transfer Agents for obtaining duplicate dividend warrants.

5. Relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business at Item No. 5 is annexed hereto.

EXPLANATORY STATEMENT

Pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 5

Shri S. S. Shah is a member of the Board of Directors of the Company since 1952. He was last re-appointed as the Managing Director of the Company for a period of five years with effect from 1st August, 1992 at the Extra Ordinary General Meeting held on 10th July, 1992. His remuneration was increased with effect from 1st April, 1994 at the Annual General Meeting held on 25th September, 1994.

The Board of Directors of the Company at its meeting held on 24th May, 1997 have decided to re-appoint, subject to the approval of the members of the Company, Shri S.S. Shah as the Managing Director of the Company for a period of 5 years effective from 1st August, 1997 on the following terms and conditions :

1. Salary : Rs. 50,000/- per month.
2. Perquisites : Perquisites shall be allowed in addition to salary. Perquisites shall be restricted to an amount equal to the annual salary.

PART - A

- I. Housing :
 - (a) The expenditure by the Company on hiring furnished accommodation subject to a ceiling of fifty percent of the salary.
 - (b) If the Company does not provide accommodation, the appointee shall be entitled to house rent allowance subject to ceiling laid down in (a) above.
 - (c) If accommodation in the Company owned house is provided a deduction of ten per cent of the salary of the appointee shall be made by the Company.
- II. Payment of gas, electricity, water expenses and furnishing : To be valued as per Income-tax Rules, 1962.
- III. Medical Reimbursement : Reimbursement of actual medical expenses in India and/or abroad and including hospitalisation, nursing home and surgical charges for himself and family.
- IV. Leave Travel Concession : Reimbursement of actual travelling expenses for proceeding on leave once in a year in respect of himself and family to any destination in India or abroad.
- V. Club Fee : Reimbursement of membership fee for clubs in India or abroad including admission and life membership fees.



- VI. Personal Medical/Accident Insurance etc. : Coverage for Personal Medical/Accident insurance/keyman insurance or any other coverage as per rules of the Company and annual premium for the same to be paid by the Company.

PART - B

- I. Contribution to Provident Fund and Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these, either singly or put together, are not taxable under the income Tax Act, 1961. Gratuity payable shall not exceed half a month's salary for each completed year of service.
- II. Earned leave : On full pay and allowances as per the rules of the Company but not exceeding one month's leave for every eleven months of service. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

PART - C

Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company.

3. The appointee shall also be entitled to reimbursement of entertainment expenses actually and properly incurred in the course of legitimate business of the Company.

The aggregate of Salary and perquisites in any one financial year shall not exceed the limits prescribed under Section 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII of the Act.

In the event of absence or inadequacy of profit during the period Sri Shah shall be paid the above remuneration as minimum remuneration subject to the limit prescribed under Schedule XIII of the Act.

Shri S. S. Shah has more than 40 years experience in the Silk Industry. The Company has made substantial progress due to his efforts. Having regard to the knowledge and experience of Shri Shah and the responsibility undertaken by him, the Board considers that his re-appointment as the Managing Director will be beneficial to the Company and the remuneration proposed to be paid to him is commensurate with his ability and experience.

Directors recommend the resolution set out at item No. 5 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.

None of the Directors of your Company other than Sri Shah is interested in this Resolution.



DIRECTORS' REPORT

TO THE SHAREHOLDERS

Your Directors have pleasure in presenting their Fifty-first annual Report together with the Audited Accounts of your Company for the year ended 31st March, 1997.

FINANCIAL RESULTS :

	(Rs. in lacs)	
	1997	1996
Profit before depreciation	887.22	714.61
Less : Depreciation	45.73	27.98
Profit	841.49	686.63
Less : Provision for taxation	110.00	—
	731.49	686.63
Less: Provision for taxation relating to earlier year	—	7.00
	731.49	679.63
Add : Investment Allowance Reserve utilized written back	16.00	2.00
	747.49	681.63
Add : Balance brought from previous year	639.75	378.80
	1387.24	1060.43
Which the Directors have appropriated as follows :		
General Reserve	300.00	300.00
Proposed Dividend	178.78	120.68
Corporate Dividend Tax	17.88	—
Balance carried forward to next year	890.58	639.75
	1387.24	1060.43

OPERATIONS :

The sales and processing income during the year increased from Rs. 7,112.91 lacs to Rs. 8636.57 lacs. The Company's net profit rose from Rs. 686.63 lacs to Rs. 841.49 lacs. The provision of tax under MAT amounted to Rs. 110 lacs.

DIVIDEND

Your Directors recommend payment of dividend of 25% on Equity Shares. The proposed dividend will absorb Rs. 196.66 lacs which also includes an amount of Rs. 17.88 lacs to be paid as dividend tax on the distributed profits in accordance with the Finance Act, 1997.

EXPANSION AND FUTURE OUTLOOK

As reported last year, the Company had planned to set up a modern Weaving Mill and a Process House at Gurgaon in Haryana. But unfortunately due to some old land dispute, construction of the factory building was stalled by an



order passed by the Civil Judge, Jr. Division, Gurgaon. The Company is taking necessary steps for vacating the restraint order.

Rapid pace of liberalisation in India requires our industries to become globally competitive. Your Company has already initiated the process of consolidation and diversification. All efforts are being made to reduce cost and improve quality of our products in order to remain competitive.

SUBSIDIARIES

As required under section 212 of the Companies Act, 1956, the Audited Statement of accounts along with the Report of the Board of Directors and Auditors' Report of Eastern Enterprises Limited for the year ended 31st March 1997 are annexed.

DISCLOSURE OF PARTICULARS

Information as per the Companies (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' REPORT

The observations of Auditors are explained where necessary in the appropriate notes to the Accounts.

DIRECTORS

Shri B.R. Dhavale and Shri Prabir Chakraborty retire from office by rotation and are eligible for reappointment.

PERSONNEL

The Board of Directors wishes to express its appreciation to all the employees of the Company for their valued contributions to the operations of the Company during the year.

The information required under section 217(2A) of the Companies Act 1996, is as under:

- (i) Statement of particulars of the employees throughout the Financial year under review, who are in receipt of remuneration in the aggregate of not less than Rs. 3,00,000/- during the year.

Name	Age (Years)	Designation	Remuneration (Rs)	Qualifi- cation	Total experience (Years)	Date of joining	Last Employment
S.S. SHAH	62	Chairman & Mg. Director	Rs. 5,76,000/-	B.Com., LLB	43	1.9.1952	—

PUBLIC DEPOSIT SCHEME

The Company has not accepted any deposits from the public during the year.

ICRA, a premier Credit Rating Agency has rated Company's Public Deposit Scheme and assigned MA+ rating which signifies adequate degree of safety regarding timely payment of interest and principal. The Company opened its Public Deposit Scheme from April, 1997.

GENERAL

Your Directors have pleasure to inform you that your Chairman was one of the five selected selfmade Industrialists, who was awarded a symbol and a citation by the Institute of Trade & Industrial Development, Delhi, in recognition of his continued remarkable progress in raising production.

ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the assistance and co-operation extended by the Financial institutions, bankers, Agents and Customers of the Company.

Registered Office :

19, R.N. Mukherjee Road
Calcutta - 700 001
Dated : 27th August 1997

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 :

(A) CONSERVATION OF ENERGY;

- (a) Energy conservation measures taken:

The Company has adopted energy conservation measures on continuous basis.

- (b) Additional investments and proposals, if any being implemented for reduction of energy:

Modern energy saving devices are adopted wherever possible.

- (c) Impact of measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods:

Above measures have resulted in saving of energy.

FORM A

(A) Power and Fuel Consumption

1. Electricity

		Current Year	Previous Year
(a) Purchased	Units	3,37,851	3,38,752
Total amount	Rs.	14,52,658	17,81,429
Rate/Unit	Rs.	4.30	4.37

- (b) Own Generation through

Diesel Generator	Units	22,080	34,140
Total Amount	Rs.	71,009	93,664
Cost/Unit	Rs.	3.22	2.74

2. Furnace Oil

Quantity	Kilo Ltr.	333	439
Total amount	Rs.	21,63,733	24,06,212

3. Others/Internal

Generation Diesel	Ltrs.	8,550	12,600
Total Cost	Rs.	71,009	93,664

(B) Consumption per unit of products :

Products	Unit		
Silk Fabrics	Mtrs.	8,80,509	10,20,994
Synthetics	Mtrs	7,79,964	6,53,611
Silk Yarn	Kgs.	—	421
Electricity	Rs.	0.87	0.88
Furnace Oil	Rs.	1.30	1.44
Diesel	Rs.	0.44	0.66