

ANNUAL REPORT 2000-2001



EASTERN LIMITED



ESI LIMITED

CHAIRMAN & MANAGING DIRECTOR

S. S. Shah

DIRECTORS

Ajit Khandelwal

B. R. Dhavale

G. D. Harnathka

H. S. Gopalka

Mansoor Husain Jafri

O. P. Agarwal

R. S. Rungta

SECRETARY

K. T. Sheth

REGISTERED OFFICE19 R. N. Mukherjee Road
Kolkata - 700 001**FACTORY**A-9, Sector - 3
Noida - 201 301
Dist. Ghaziabad
U.P.**AUDITORS**B. K. Shroff & Co.
23A, Netaji Subhas Road
Kolkata - 700 001**BANKERS**

State Bank of Mysore

Bank of Baroda

State Bank of Hyderabad

Allahabad Bank

The Federal Bank Ltd.

State Bank of Saurashtra

State Bank of India

**REGISTRARS & SHARE
TRANSFER AGENT**ABS Consultant Pvt. Ltd.
99, Stephen House, 6th Floor
4, B.B.D. Bag (East)
Kolkata - 700 001



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DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting their Fifty-Fifth Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2001.

FINANCIAL RESULTS :

	(Rs. in Lacs)	
	2001	2000
Profit before depreciation and taxation	1370.82	1160.45
Less : Depreciation	114.89	43.04
Profit	1255.93	1117.41
Less : Provision for Taxation	7.00	—
	1248.93	1117.41
Add : Investment Allowance Reserve utilised written back	2.85	10.00
	1251.78	1127.41
Add : Balance brought from previous year	1208.11	1019.77
	2459.89	2147.18
Which the Directors have appropriated as follows :		
General Reserve	124.35	300.00
Preference Share Redemption Reserve	280.00	280.00
Interim Dividend on Preference Shares	182.00	182.00
Proposed Dividend On Equity Shares	107.27	128.72
Corporate Dividend Tax	42.10	48.34
Balance carried forward to next year	1724.17	1208.12
	2459.89	2147.18

OPERATIONS AND FUTURE OUTLOOK

The Sales and Processing Income during the year increased appreciably from Rs.16,319.58 lacs to Rs.20,181.40 lacs as compared to the last year. The net profit also rose to Rs.1,255.93 lacs as against Rs.1,117.41 lacs of the previous year.

The investments in Plant & Machinery made at Falta Unit and also a major modernisation work undertaken at Noida has strengthened the Company's production lines. The Company is in a position to cater to the changing needs of the market quickly. The response time has been reduced, thus satisfying the needs of the global customers. The modernisation of the Plant & Machinery undertaken at Noida has improved the versatility of processing various fabrics. The demand for the Company's products in the current year has been quite encouraging and enquiries from new markets have started coming in which the Company is hopeful of converting into confirmed orders.

Your Company is planning to set up a modern Weaving-cum-Embroidery unit near Anekal in Bangalore District with a total capital outlay of Rs. 40 Crores. The manufacturing facilities would include a modern Dyeing unit, preparatory section, High Speed Weaving looms, Embroidery machines and finishing section. Your Company has already acquired over five acres of land and the civil construction has already commenced. The means of finance and other details are being worked out and the unit is likely to commence production by the beginning of 2003. Besides locational advantage of the unit, there will be better administrative control as the Company already have production facilities in Karnataka State. The products which will roll out of this unit will cater to the top end of the global market and significantly contribute to the bottom line of your Company.

DIVIDEND

The Board had declared Interim Dividend on 14,00,000 – 13% Cumulative Redeemable Preference Shares for the year ended 31st March, 2001 and this will absorb Rs. 1,82,00,000/-.

The Board recommends a dividend on 71,51,235 Equity Shares at 15% amounting to Rs. 1,07,26,853/-.



ESI LIMITED

PUBLIC DEPOSIT SCHEME

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

DELISTING

The equity shares of the Company are listed at Kolkata, Mumbai, Delhi, Ahmedabad and National Stock Exchanges. The Company has paid the Annual Listing Fees for the year 2001-2002 to each of the said Stock Exchange.

The volume of trading being low at Mumbai, Delhi and Ahmedabad Stock Exchanges, your Directors recommend delisting of the Company's shares in these Stock Exchanges.

CORPORATE GOVERNANCE

The Securities and Exchange Board of India introduced a uniform code of Corporate Governance by way of amendments to the Listing Agreements with the Stock Exchanges. This becomes operational for your Company for the year ending 31st March, 2002. While the Company is in process of complying with the requirements prescribed on Corporate Governance, the following criteria have been fulfilled :

- * Seven out of eight Directors on the Board are non-executive and independent Directors drawn from amongst the persons with experience in business and profession.
- * The Company has set up an Audit Committee of Directors comprising of three non-executive Directors namely; Shri H.S. Gopaika, Shri R.S. Rungta and Shri Ajit Khandelwal. The first meeting of the Audit Committee was held on 6th August, 2001 before finalisation of the accounts for the year ended 31st March, 2001.
- * The Company has constituted a Share Transfer Committee to deal with various matters relating to transfer and transmission of shares, issue of duplicate share certificates and approving the split & consolidation requests. The members of the Committee are Shri S.S. Shah, Shri G. Venkatesh and Shri K.T. Sheth.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i. That in preparation of the annual accounts, the applicable accounting standards have been duly followed.
- ii. That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review.
- iii. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

That the Directors have prepared the accounts for the financial year ended 31st March, 2001 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 observations of Auditors are explained where necessary in the appropriate notes to the Accounts.

DIRECTORS

Shri Prabir Chakravarti resigned as a Director of the Company with effect from 16th November, 2000. The Director record their appreciation of the valuable services rendered by Shri Prabir Chakravarti during his tenure as a Director of the Company.

Shri Ajit Khandelwal and Shri O.P. Agarwal retire from office by rotation and are eligible for re-appointment.

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.



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

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

Kolkata - 700 001

Dated : The 27th August, 2001.

By Order of the Board

S. S. SHAH

Chairman & Managing Director



ESI LIMITED

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) The Company keeps strict control on energy utilisation so as to minimise its waste.
- (b) The Company adopts energy saving devices as far as possible.
- (c) The measures adopted are responsible for appreciable saving of energy which has resulted in reduced cost of production.

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

		Current Year	Previous Year
1. Electricity			
(a) Purchased	Units	11,02,104	6,79,816
Total amount	Rs.	55,09,637	36,84,088
Rate/Unit	Rs.	5.00	5.42
(b) Own Generation through Diesel Generator	Units	82,940	85,200
Total Amount	Rs.	4,65,215	4,40,313
Cost/Unit	Rs.	5.61	5.17
2. Furnace Oil			
Quantity	Kilo Ltr.	12,00,523	8,41,249
Total Amount	Rs.	1,55,95,119	91,58,181
3. Others/Internal Diesel	Ltrs.	28,235	32,540
Total Cost	Rs.	4,65,215	4,40,313

(B) Consumption per unit of products :

Products		Unit
Silk Fabrics	Mtrs.	3,62,991
Synthetics	Mtrs.	30,81,671
Silk Yarn	Kgs.	—
Electricity	Rs.	1.20
Furnace Oil	Rs.	2.97
Diesel	Rs.	0.14

**B TECHNOLOGY ABSORPTION****FORM B****Research & Development**

1. Specific areas in which R & D carried out by the Company
2. Benefits derived as a result of above R&D
3. Future plan of action
4. Expenditure on R & D

R & D activities are carried out to improve the quality of the products and processing facilities.

Buyers satisfaction and repeat orders from the Overseas Customers.

To give further boost to R & D activities.

Negligible

Technology Absorption, Adaptation & Innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation
2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution.
3. Details of imported technology

With the help of modernisation programme, all endeavour is made to adopt latest technology to suit the taste of International buyers.

Better quality at a reasonable cost of production and easy marketability of the products.

No technology has been imported during the last five years.

C FOREIGN EXCHANGE EARNINGS & OUTGO

- (a) Frequent Export Promotion tours undertaken by the Marketing personnel and their participation in International Trade Fairs and Exhibitions, tapping of new markets and enlargement of the product line are some of the measures adopted to boost the Company's exports.
- (b) The information on foreign exchange earnings and outgo is contained in Schedule 14, items 11(i) and (j).

Kolkata - 700 001
Dated : The 27th August, 2001.

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



ESI LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of ESI LIMITED as at 31st March 2001 and the annexed Profit & Loss Account of the Company for the year ended as on that date, both annexed hereto.

We report that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
2. In our opinion proper books of account as required by the Companies Act, 1956 have been kept by the Company so far as appears from our examination of those books;
3. The Balance Sheet and Profit & Loss Account referred to in this report are in agreement with the books of account;
4. In our opinion, the Balance Sheet and the Profit & Loss Account have been drawn up in accordance with the Accounting Standards referred to in clause (3C) of Section 211 of the Companies Act, 1956;
5. On the basis of the 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 31st March, 2001 from being appointed as a Director in terms of Clause (g) of Subsection (1) of Section 274 of the Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with other Notes on Accounts and Accounting Policies of the Company appearing in schedule 14 give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
 - a) in the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2001 and
 - b) in the case of the Profit & Loss Account of the Profit for the year ended as on that date.

As required by the Manufacturing and Other Companies (Auditors' Report) Order 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 and according to the information & explanations given to us and on the basis of such checks as were considered appropriate, we further state that:

- A.
 - (i) The Company has maintained proper records of Fixed Assets acquired after 30th June 1970. These Assets were physically verified by the management during the year. Fixed Assets acquired prior to 30th June, 1970 for which details were not available, have been recorded at book value under broad heads of assets. The Company's programme of physical verification of all its fixed assets once within its accounting year is, in our opinion, reasonable having regard to the size of the Company and the nature of its assets. The Management physically verified the assets during the year under review and no material discrepancies were noticed on such verification.
 - (ii) None of the Fixed Assets have been revalued during the year.
 - (iii) The stocks of finished goods, raw materials, stores, spare parts, dyes & chemicals, etc. of the Company have been physically verified at reasonable intervals during the year under audit except for stock lying with Customs Authorities.
 - (iv) In our opinion, the procedure of physical verification followed by the Management is reasonable and adequate in relation to the size of the Company and nature of its business.
 - (v) The discrepancies between the physical stocks and the book stocks were not very material.
 - (vi) In our opinion, the valuation of stocks has been fair and proper in accordance with the normally accepted accounting principles.
 - (vii) The Company has not taken any loan during the year from Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. The Provisions of Section 370 are not applicable to a Company with effect from 31.10.1998.
 - (viii) The Company has not granted any loan to Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. The Provision of Section 370 are not applicable to a Company with effect from 31.10.1998.