

Annual Report 2001-2002

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EASTERN SILK INDUSTRIES LIMITED



EASTERN SILK INDUSTRIES LTD.

CHAIRMAN & MANAGING DIRECTOR

S. S. Shah

DIRECTORS

Ajit Khandelwal

B. R. Dhavale

G. D. Harnathka

H. S. Gopalka

O. P. Agarwal

R. S. Rungta

SECRETARY

K. T. Sheth

REGISTERED OFFICE

19 R. N. Mukherjee Road
Kolkata - 700 001

WORKS

A-9, Sector - 3
Noida - 201 301
Dist. Ghaziabad
U.P.

Falta Export Processing Zone
Sector - I
24 Parganas
West Bengal

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
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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NOTICE

The Fifty-sixth Annual General Meeting of Eastern Silk Industries Ltd., will be held on Wednesday, the 25th September, 2002 at 11.00 A.M. at Kala Kunj, 48, Shakespeare Sarani, Kolkata - 700 017, to transact the following business:

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March, 2002 and the Balance Sheet as at that date together with the report of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri H.S.Gopalka who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Shri R.S.Rungta who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

6. 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 and 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 five years effective from 1st August 2002 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
Kolkata - 700 001
Dated : The 27th August, 2002.

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 16th September 2002 to 25th September 2002 both days inclusive.
3. Dividend, when declared will be made payable to those shareholders whose names appear in the Register of Members of the Company on 25th September 2002. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by the National Depository Ltd., (NSDL) and Central Depository Services (India) Ltd., (CDSL) for this purpose.
4. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business is annexed hereto.
5. Pursuant to the amended provisions of Section 205A of the Companies act, 1956, dividends for the financial year ended 31st March, 1995 and thereafter, which remains unpaid or unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund of the Central Government. Members who have not encashed their dividend warrants pertaining to these years may approach the Company or its Registrars for obtaining duplicate dividend warrants.

EXPLANATORY STATEMENT:

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

Item No.6

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 1997 at the Annual General Meeting held on 25th September 1997.

The Board of Directors of the Company at its meeting held on 24th July 2002 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 2002 on the following terms and conditions:

1. Salary: Rs.1,00,000/- 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 percent 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 Shri 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 45 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 recommended 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 Shri Shah is interested in this Resolution.

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DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting their Fifty-Sixth Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2002.

FINANCIAL RESULTS :

	(Rs. in Lacs)	
	2002	2001
Profit before depreciation and taxation	1390.81	1370.82
Less : Depreciation	182.06	114.89
Profit	1208.75	1255.93
Less : Provision for Current Taxation	25.00	7.00
	1183.75	1248.93
Less : Deferred Tax Liability	52.51	-
	1131.24	1248.93
Add : Investment Allowance Reserve utilised written back	-	2.85
	1131.24	1251.78
Add : Balance brought forward from previous year	1724.17	1208.11
	2855.41	2459.89
Which the Directors have appropriated as follows :		
General Reserve	169.13	124.35
Preference Share Redemption Reserve	280.00	280.00
Interim Dividend on Preference Shares	-	182.00
Proposed Dividend On Equity Shares	71.51	107.27
Proposed Dividend On Preference Shares	175.50	-
Corporate Dividend Tax	-	42.10
Balance carried forward to next year	2159.27	1724.17
	2855.41	2459.89

OPERATIONS AND FUTURE OUTLOOK

The Sales and processing income during the year increased from Rs.20181.40 lacs to Rs.20830.96 lacs. The net profit, however, declined marginally to Rs.1208.75 lacs as against Rs.1255.93 lacs of the previous year due to higher depreciation charges on account of addition to fixed assets and subdued margins resulting from economic slowdown in global markets.

The work on your Company's proposed project of a modern weaving-cum-embroidery unit at Anekal in Bangalore district is progressing as per the schedule. The total capital outlay is about Rs.55 crores. The civil constructions of the buildings have almost been completed. The proposed project is expected to be operational by mid 2003. The final products from the modern unit is targeted towards the top end of the market.

CHANGE OF NAME

The name of the Company was changed to Eastern Silk Industries Ltd., pursuant to the fresh Certificate of Incorporation issued to this effect by the Office of the Registrar of Companies, West Bengal on 3rd June, 2002.



DIVIDEND

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

- | | | | |
|-----|--|------------------|------------------|
| i) | On 12,00,000 - 13% Cumulative Redeemable Preference Shares | Rs.1,56,00,000/- | |
| | On 2,00,000 - 13% Cumulative Redeemable Preference Shares on prorata basis | Rs. 19,50,000/- | Rs.1,75,50,000/- |
| ii) | On 71,51,235 Equity Shares @ 10% subject to deduction of Tax at Source | | Rs. 71,51,235/- |

SHARE CAPITAL

During the year under review the Company redeemed thirteen percent Cumulative Redeemable Preference shares aggregating to Rupees Two Crores which had been allotted on private placement basis to Industrial Development Bank of India.

PUBLIC DEPOSIT SCHEME

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

CORPORATE GOVERNANCE

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

DIRECTORS

Shri Mansoor Husain Jafri resigned as a Director of the Company with effect from 15th September 2001.

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) That in preparation of the annual accounts, the applicable accounting standards have been duly followed.
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review.
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) That the Directors have prepared the accounts for the financial year ended 31st March 2002 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.

COST AUDITORS

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

PERSONNEL

The 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 under Sec.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, 2002.

By Order of the Board

S. S. SHAH

Chairman & Managing Director