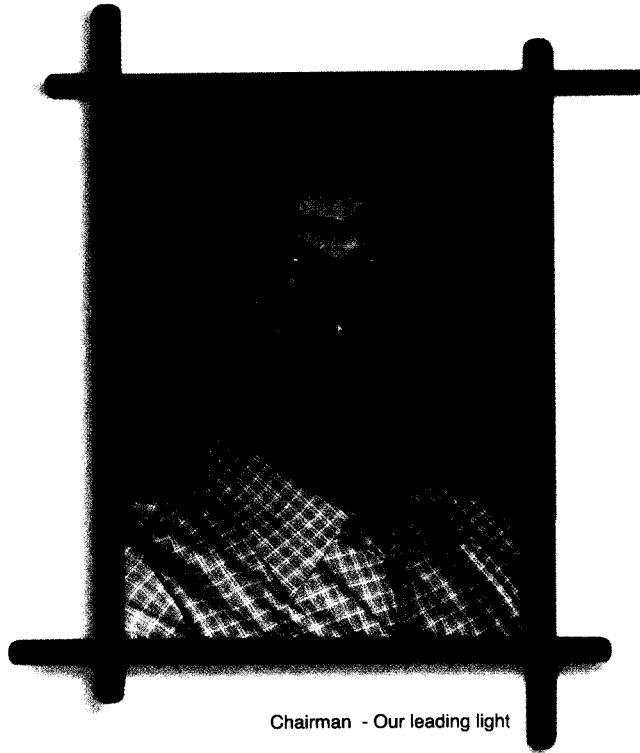


ANNUAL REPORT 2002-03



EASTERN SILK INDUSTRIES LIMITED



Chairman - Our leading light



Factory at Anekal



EASTERN SILK INDUSTRIES LTD.

BOARD OF DIRECTORS

S. S. Shah *Chairman & Managing Director*
Ajit Khandelwal
G. D. Harnathka
H. S. Gopalka
O. P. Agarwal
R. S. Rungta
Sundeep Shah *Executive Director*

SECRETARY

K. T. Sheth

REGISTERED OFFICE

19 R. N. Mukherjee Road
Kolkata - 700 001

FACTORY

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
UTI Bank Ltd.

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-seventh Annual General Meeting of Eastern Silk Industries Ltd. will be held on Wednesday, the 24th September, 2003 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, 2003 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 G.D. Harnathka who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Shri Sundeep Shah 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 appointment of Shri Sundeep Shah as the Executive Director of the Company for a period of five years with effect from 1st June 2003 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 and vary the terms and conditions of the said appointment so as to be in conformity with the applicable provisions of law and as may be agreed to by and between the Board and Shri Sundeep Shah and that the Board be and is hereby authorised to take such steps as may be necessary to give effect to this resolution.

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

RESOLVED THAT pursuant to the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, consent of the Company be and is hereby accorded to delist the Equity Shares of the Company from all or any of the Stock Exchanges viz. The Stock Exchange, Ahmedabad, The Delhi Stock Exchange Association Ltd., The Stock Exchange, Mumbai and The Calcutta Stock Exchange Association Ltd.

FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem expedient and to settle all difficulties or doubts that may arise in regard to the aforesaid voluntary delisting of shares without being required to seek any further approval of the Members.

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

RESOLVED THAT pursuant to Section 293(1)(a) of the Companies Act, 1956, the Board of Directors of the Company be and is hereby authorised to deal, negotiate and dispose off the Company's undertaking including land situated at Noida, District Ghaziabad, U.P. on such terms and conditions and at such price and from such date as the Board may in its discretion think fit.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do and perform all such acts, deeds, matters and things, as it may in its absolute discretion consider necessary desirable or appropriate or beneficial for the Company and to execute all such deeds, agreements, documents and writings as may be required for the purpose of giving effect to the aforesaid resolution.

9. 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 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, and in accordance with the Articles of Association of the Company and subject to the approval of appropriate authorities, if and to the extent necessary, and such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be specified in granting such approvals, permissions



and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as 'the Board') at its sole discretion, the consent of the Company be and is hereby accorded to the Board, to issue Redeemable Preference Shares, Cumulative or Non-Cumulative, at par or at premium and in such numbers as the Board may decide for a sum not exceeding Rs.20,00,00,000/- (Rupees Twenty Crores only) and to offer them on a Private Placement basis to the Promoters, Non-Resident Indians, Overseas Corporate Bodies or any other persons/parties, whether they are holders of Equity Shares of the Company or not, in one or more tranches, in the manner and on the terms and conditions set out below and/or such other terms and conditions as may be prescribed in granting the approvals by the appropriate authorities or which the Board may at its absolute discretion consider proper or expedient :

The Preference Shares will carry such rate of dividend as the Board may decide at its absolute discretion.

The rate of dividend may vary for each series of Preference Shares to be issued.

The dividend will be either Cumulative or Non-Cumulative as the Board may decide.

The Preference Shares will be redeemed at such price, in one or more instalments on expiry of specified periods as may be agreed to by the Board and the Subscriber(s) but not earlier than the full repayment of the term loan for Anekal Project is made.

Registered Office :

19, R. N. Mukherjee Road

Kolkata - 700 001

Dated : The 25th August, 2003.

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 15th September 2003 to 24th September 2003, 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 24th September 2003. 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, 1996 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 Sundeep Shah was the President of the Company since 1991. He was then appointed as a Director of the Company with effect from 25th October 2002. Subject to the approval of the Members, the Board of Directors at their meeting held on 25th April 2003 appointed Shri Sundeep Shah as the Executive Director of the Company for a period of five years with effect from 1st June 2003 on the following terms and conditions :

1. **Salary :** Rs.25,000/- per month.



2. **Perquisites** : Perquisites shall be allowed in addition to salary. Perquisites shall be restricted to an amount equal to the annual salary.
- 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) Payment of gas, electricity, water expenses and furnishing : To be valued as per Income Tax Rules, 1962.
- II. **Medical Reimbursement** : Reimbursement of actual medical expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years and Medical Insurance premium can be paid upto Rs.25,000/- per annum.
- III. **Leave Travel Concession** : Reimbursement of expenditure incurred for expenses for self and family once in a year subject to a maximum of one month's salary.
- IV. **Club Fee** : Reimbursement of membership fee for a maximum of two clubs.
- V. **Personal Accident Insurance** : The premium shall be paid as per the rules of the Company.
- VI. **Company's contribution towards Provident Fund** : As per rules of the Company.
- Contribution to Provident Fund will not be included in the computation of the ceiling on perquisites.
- VII. **Gratuity payable** shall not exceed half a month's salary for each completed year of service.
- VIII. **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.
- IX. **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. **Minimum Remuneration** : 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 Sundeep Shah has more than 15 years of experience in the Silk Industry. He has largely contributed in augmenting the exports of the Company. Having regard to the knowledge and experience of Shri Sundeep Shah and the responsibility undertaken by him, the Board considers that his appointment as the Executive Director will be beneficial to the Company and the remuneration proposed to be paid to him is commensurate with his ability and experience.

The Board recommends the resolution 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.

Shri S.S. Shah being a relative of Shri Sundeep Shah may be deemed to be interested in the resolution.

Item No. 7

Presently the Company's Equity shares are listed on five Stock Exchanges namely The Stock Exchange, Mumbai, The Stock Exchange, Ahmedabad, The Delhi Stock Exchange Association Ltd., The Calcutta Stock Exchange Association Ltd. and the National Stock Exchange of India Ltd. (NSE).

With the extensive networking of NSE the investors have access to online dealings in the Company's equity shares across the country. Moreover, SEBI has also specified the shares of the Company for compulsory trading in demat form by all the investors. Since the substantial volume of trading is to put through the NSE, the trading volume at other Stock Exchanges has been reduced substantially. Besides the annual recurring listing fees paid to the Stock Exchanges except NSE, do not offer any



particular benefit in the changed scenario and the proposed voluntary delisting would contribute to the cost reduction measures initiated by the Company. Since the Company's equity shares shall continue to be listed on NSE which has nationwide terminals, no exit opportunity is required to be given as per the existing SEBI Delisting guidelines. Due to availability of trading terminals of NSE in most of the cities across the country, the proposed delisting of the Company's Equity shares from the four Stock Exchanges as referred to above will not be prejudicial to or affect the interests of investors.

The Company had already passed a Special Resolution at its Fifty-fifth Annual General Meeting held on 26th September 2001 to delist the shares of the Company from any one or more Stock Exchanges where the Company's shares are listed and had applied to Mumbai, Delhi and Ahmedabad Stock Exchanges for delisting of the shares. But the Delhi Stock Exchange has been insisting that a further special resolution already covered by the previous resolution should be passed at a General Meeting subsequent to the notification dated 17th February 2003 notifying the new guidelines of SEBI. With a view to avoid possible delay in delisting, the relevant resolution is being proposed once again for the acceptance of the Members. Delisting from the Calcutta Stock Exchange has been added to the previous resolution as the delisting from the Regional Stock Exchange has also been permitted by SEBI.

The above resolution is recommended for your acceptance.

None of the Directors of the Company is concerned or interested in the said resolution.

Item No. 8

The Company's modern weaving-cum-embroidery unit at Anekal in Bangalore District is expected to commence operations by the end of the year. This will make the Company's existing unit at Noida obsolete. It is, therefore, proposed to sell, lease or otherwise dispose off the Company's undertaking at Noida.

The Board is satisfied that it would be in the best interest of the Company, its shareholders and its concerned employees to sell, lease or otherwise dispose off the undertaking referred to in the resolution.

The Board of Directors commend the resolution for your approval.

None of the Directors is concerned or interested in the resolution except as shareholders in general.

Item No. 9

In addition to the financial assistance provided by banks and financial institutions for implementation of the Company's upcoming weaving-cum-embroidery unit at Anekal in Bangalore district, further capital is required to be brought in by the Promoters as a matching contribution. Keeping this in view, the Board of Directors considered that it would become necessary to raise finance at a proper time by issue of appropriate instruments at such price, to such persons and in such manner as said in the resolution.

Consent of the members is sought to authorise the Board of Directors for issuing securities stated in the resolution which would result in issuance of further shares of the Company in accordance with the terms and nature of the securities.

Section 81 of the Companies Act, 1956 provides, inter-alia, that when it is proposed to increase the issued capital of a Company by allotment of further shares, such further shares shall be offered to the existing members of the Company in the manner laid down in the said section unless the members in General Meeting decide otherwise.

The listing agreement with the Stock Exchanges also provided, inter-alia, that the Company in the first instance should offer all the shares and debentures to be issued for subscription pro rata to the members unless the members decide otherwise in General Meeting.

Accordingly the consent of the members is being sought pursuant to the provisions of Section 81 and all other applicable provisions of the Companies Act, 1956 and in terms of the provisions of the listing agreement executed by the Company with the various Stock Exchanges in India where the Company's shares are listed.

The resolutions set out at Item No. 9 are enabling resolutions conferring authority on the Board to cover all the contingencies and corporate requirements.

The Directors recommend the resolution for approval of the members.

All the Directors of the Company may be deemed to be concerned or interested to the extent they may be entitled to the securities that will be offered to them and applied for and allotted to them.



DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting their Fifty-Seventh Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2003.

FINANCIAL RESULTS :

	(Rs. in Lacs)	
	2003	2002
Profit before depreciation and taxation	1509.81	1390.81
Less : Depreciation	191.09	182.06
Profit	1318.72	1208.75
Less : Provision for Current Taxation	130.00	25.00
	1188.72	1183.75
Less : Deferred Tax Liability	23.39	52.51
	1165.33	1131.24
Add : Balance brought forward from previous year	2159.27	1724.17
	3324.60	2855.41
Which the Directors have appropriated as follows :		
General Reserve	200.00	169.13
Preference Share Redemption Reserve	120.00	280.00
Interim Dividend on Preference Shares	37.61	-
Proposed Dividend On Equity Shares	107.27	71.51
Proposed Dividend On Preference Shares	114.76	175.50
Corporate Dividend Tax	28.58	-
Balance carried forward to next year	2716.38	2159.27
	3324.60	2855.41

OPERATIONS AND FUTURE OUTLOOK

The sales and processing income during the year increased from Rs.20830.96 lacs to Rs.23634.15 lacs. The net profit also rose to Rs.1318.72 lacs as against Rs.1208.75 lacs of the previous year.

The work on the Company's modern weaving-cum-embroidery unit at Anekal in Bangalore has been completed as per the schedule. Most of the machines have arrived and the plant is expected to be operational by the year-end.

DIVIDEND

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

- | | | | |
|-----|--|-----------------|-------------------|
| i) | On 6,00,000 - 13% Cumulative Redeemable Preference Shares | Rs. 78,00,000/- | |
| | On 3,00,000 - 13% Cumulative Remeedable Preference Shares on prorata basis | Rs. 36,75,616/- | Rs. 1,14,75,616/- |
| ii) | On 71,51,235 Equity Shares @ 15% | | Rs. 1,07,26,853/- |



SHARE CAPITAL

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

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 B.R. Dhavale resigned as a Director of the Company with effect from 25th October, 2002 and Shri Sundeep Shah was appointed as a Director in his place. At the Board meeting held on 25th April, 2003 Shri Sundeep Shah was appointed as an Executive Director of the Company with effect from 1st June, 2003 and the proposal of his appointment and remuneration is being placed before the members at the ensuing Annual General Meeting for their consideration and approval.

Shri G.D. Harnathka and Shri Sundeep Shah, 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, 2003 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.