

Annual Report 2006-2007

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EASTERN SILK INDUSTRIES LTD.

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NOTICE

The Sixty-first Annual General Meeting of Eastern Silk Industries Ltd. will be held on Wednesday, the 26th September, 2007 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, 2007 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 Sri R.L. Gaggar who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Sri H.S. Gopalka 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

- (a) THAT pursuant to the provisions of Section 13, 16 & 94 and other applicable provisions, if any, of the Companies Act, 1956 or any amendment or reenactment thereof and the enabling provisions of Articles of Association of the Company and subject to such approvals, consents, permissions and sanctions, if any, each existing Equity Share of the face value of Rs.10/- (Rupees Ten) each in the Authorized Share Capital of the Company be sub-divided into 5 (Five) Equity Shares of the face value of Rs.2/- (Rupees Two) each with effect from the Record Date to be determined by the Managing Director of the Company for the purpose.
 - (b) THAT pursuant to the sub-division of the Authorized Equity Shares of the Company, the issued, subscribed and paid up Equity Shares of the face value of Rs.10/- (Rupees Ten) each as existing on the Record Date, shall stand sub-divided into Equity Shares of the face value of Rs.2/- (Rupees Two) each fully paid-up with effect from the Record Date.
 - (c) THAT upon such sub-division becoming effective the Board be and is hereby authorized to issue new share certificates representing the sub-divided Equity Shares with new distinctive numbers consequent to the sub-division of the Equity Shares as aforesaid subject to the rules as laid down in the Companies (Issue of Share Certificates) Rules 1960 and where Members hold Equity Shares (or opt to receive the sub-divided Equity Shares) in dematerialized form, the sub-divided Equity Shares in lieu thereof be credited to the respective beneficiary accounts of the Members with their respective Depository Participants.
 - (d) THAT the Board be and is hereby authorized to take all such steps and to do all acts and things necessary, expedient or desirable 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 Clause V of the Memorandum of Association of the Company be amended as follows:

The Capital of the Company is Rs.40,00,00,000/- (Rupees Forty Crores only) divided into 10,00,00,000 (Ten Crores) Equity Shares of Rs.2/- (Rupees Two) each and 20,00,000 (Twenty lacs) Preference Shares of Rs.100/- (Rupees One hundred) each with the power to issue any of the shares in the Capital, original or increased with or subject to any preferential, special or qualified rights or conditions as regards dividends, repayment of capital or otherwise.

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

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and subject to all other applicable rules, regulations and guidelines of the Securities and Exchange Board of India ("SEBI"), the applicable provisions of Foreign Exchange Management Act, 1999 ("FEMA"), Foreign Exchange Management (Transfer or issue of Security by a Person Resident Outside India) Regulations, 2000, Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 and enabling provisions of the Memorandum and Articles of



Association of the Company and the Listing Agreements entered into by the Company with Stock Exchanges where the shares of the Company are listed, and subject to requisite approvals, consents, permissions and/or sanctions of SEBI, the Stock Exchanges, Reserve Bank of India ("RBI"), the Department of Industrial Policy and Promotion, Ministry of Commerce ("DIPP"), the Foreign Investment Promotion Board ("FIPB"), and all other authorities as may be required, whether in India or outside India, (hereinafter collectively referred to as "Appropriate Authorities"), and subject to such conditions as may be prescribed by any of them while granting any such approval, consent, permission, and/or sanction (hereinafter referred to as "Requisite Approvals"), which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include any committee thereof which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution), the Board be and they are authorized at their absolute discretion to create, offer, issue and allot in one or more tranches, in the course of domestic/international offerings to Domestic/Foreign Investors/ Institutional Investors/Foreign Institutional Investors, Members, Employees, Non-Resident Indians, Companies or Bodies Corporate whether incorporated in India or abroad, Trusts, Mutual Funds, Banks, Financial Institutions, Insurance Companies, Pension Funds, Individuals or otherwise, whether shareholders of the Company or not, through a Public Issue, Rights Issue, Preferential Issue and/or Private Placement, with or without an over-allotment option, equity shares and/or equity shares through Global Depository Receipts ("GDRs") and/or American Depository Receipts ("ADRs") and/or Foreign Currency Convertible Bonds ("FCCBs") and/or any securities convertible into equity shares at the option of the Company and/or holder(s) of the securities and/or securities linked to equity shares and/or securities with warrants including any instruments or securities representing either equity shares and/or Foreign Currency Convertible Bonds or Convertible Securities or securities linked to equity shares or securities with equity shares/fully convertible debentures/partly convertible debentures or any securities other than warrants, which are convertible or exchangeable with equity shares at a later date, or a combination of the foregoing (hereinafter collectively referred to as "Securities"), secured or unsecured, listed on any international stock exchange outside India, through an offer document and/or prospectus and/or offer letter and/or offering circular, and/or listing particulars, as the Board in its sole discretion may at any time or times hereafter decide, for an amount not exceeding US\$ 100 million inclusive of such premium from time to time.

RESOLVED FURTHER THAT in case of any equity linked issue/offering, including without limitation, any GDR/ADR/FCCB offering, the Board be and is hereby authorised to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion, redemption or cancellation of any such Securities referred to above or as may be in accordance with the terms of issue/offering in respect of such Securities and such equity shares shall rank *pari passu* with the existing equity shares of the Company in all respects except provided otherwise under the terms of issue/offering and in the offer document and/or prospectus and/or offer letter and/or offering circular and/or listing particulars.

RESOLVED FURTHER THAT the consent of the Company be and is hereby granted in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to all necessary approvals, to the Board to secure, if necessary all or any of the above securities to be issued by the creation of mortgage and/or charge on all or any of the Company's immovable and/or movable assets, both present and future, in such form and manner and on such terms as may be deemed fit and appropriate by the Board.

RESOLVED FURTHER THAT the Company and/or any entity, agency or body authorised and/or appointed by the Company, may issue depository receipts representing the underlying Securities issued by the Company in negotiable registered or bearer form with such features and attributes as are prevalent in international capital markets for instruments of this nature and to provide for the tradability and free transferability thereof as per international practices and regulations (including listing on one or more stock exchange(s) inside or outside India) and under the forms and practices prevalent in the international market.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board, in consultation with the Lead Managers, Underwriters, Advisors and/or other persons as appointed by the Company, be and is hereby authorised to determine the form, terms and timing of the issue(s)/offering(s) including the investors to whom the Securities are to be allotted, issue price, face value, number of equity shares or other securities upon conversion or redemption or cancellation of the Securities, the price, premium or discount on issue/conversion of securities, rate of interest, period of conversion, listing on one or more Stock Exchanges in India and/or abroad and fixing of record date or book closure and related or incidental matters, as the Board in its absolute discretion deem fit and accept any modifications in the proposal as may be required by the authorities in such issues in India and/or abroad.

RESOLVED FURTHER THAT the relevant date for determining the pricing of the Securities is 30 days prior to the date of the th AGM at which the approval of the shareholders in terms of Section 81(1A) of the Companies Act, 1956 is obtained.



RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot such number of securities as may be required, including issue and allotment of equity shares upon conversion of any securities referred to above or as may be necessary in accordance with the terms of the offer, all such equity shares ranking pari passu and inter-se with the then existing equity shares of the Company in all respects.

RESOLVED FURTHER THAT such of these Securities as are not subscribed may be disposed off by the Board in its absolute discretion in such a manner, as the Board may deem fit and as permissible by law.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be authorized on behalf of the Company to take all actions and to do all such deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient to the issue or allotment of the aforesaid Securities and listing thereof with the stock exchange(s) where the Company's shares are listed and to resolve and settle all questions and difficulties that may arise in the proposed issue, offer and allotment of any of the aforesaid Securities, utilization of the issue proceeds and to do all acts, deeds and things in connection therewith and incidental thereto as the Board may in its absolute discretion deem fit, without being required to seek any further consent or approval of the shareholders or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be authorized to delegate all or any of the powers conferred by this resolution on it, to any Committee of Directors or the Managing Director or any other Director(s) or officer(s) of the Company to give effect to the aforesaid resolution."

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

"RESOLVED that in modification of the Special Resolution passed by the Company in terms of Section 293(1)(d) of the Companies Act, 1956 ("the Act") at the 49th Annual General Meeting of the Company held on 20th December 1995, the consent of the company pursuant to the said section of the Act be and the same is hereby accorded to the Board of Directors of the Company ('the Board) for borrowing from time to time any sum or sums of moneys on such terms and conditions as the Board may deem requisite or proper for the purpose of the business of the Company notwithstanding that the moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount borrowed and so to be borrowed by the Board (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) and remaining outstanding at any one time shall not exceed the limit of Rs.1000 Crores and that for the purpose of implementation of this resolution, the Board may act through any member thereof or any other person duly authorised by the Board in that behalf".

10. 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 Section 16, 94 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or are enactment thereof, for the time being in force), the Authorized Share Capital of the Company be and is hereby increased from Rs.40 crores (Rupees Forty crores) divided into 10,00,00,000 (Ten crores) Equity Shares of Rs.2/- (Rupees Two only) each and 20,00,000 (Twenty lacs) Preference Shares of Rs.100/- (Rupees One hundred) each to Rs.50 Crores (Rupees Fifty crores) divided into 15,00,00,000 (Fifteen crores) Equity Shares of Rs.2/- (Rupees Two) and 20,00,000 (Twenty lacs) Preference Shares of Rs.100/- (Rupees One hundred) and consequently the existing Clause V of the Memorandum of Association of the Company be and is hereby altered by deleting the same and substituting the following clause:

- V. The Capital of the Company is Rs.50,00,00,000/- (Rupees Fifty crores only) divided into 15,00,00,000 (Fifteen crores) Equity Shares of Rs.2/- (Rupee Two) each and 20,00,000 (Twenty lacs) Preference Shares of Rs.100/- (Rupees One hundred) each with the power to issue any of the shares in the Capital, original or increased with or subject to any preferential, special or qualified rights or conditions as regards dividends, repayment of capital or otherwise.

Registered Office:

By Order of the Board
19, R. N. Mukherjee Road
Kolkata – 700 001
Dated : The 30th July, 2007.

By Order of the Board
K. T. SHETH
COMPANY 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 17th September 2007 to 26th September 2007, 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 26th September 2007. 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. Additional information pursuant to Clause 49 of the Listing Agreement with Stock Exchange regarding the Directors who are proposed to be reappointed at the Annual General Meeting are provided in the Report of Corporate Governance forming part of the Annual Report.
6. Pursuant to the amended provisions of Section 205A of the Companies Act, 1956, dividends for the financial year ended 31st March, 2000 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 under Section 173(2) of the Companies Act, 1956:**Item No. 6 & 7**

The Board of Directors of the Company at their meeting held on 8th January 2007 had, in order to increase the affordability of the Company's shares to the small investors and to enhance the liquidity of the Company's shares in the Stock Market, considered it desirable to sub-divide each Equity Share of the Company which at present is of nominal value of Rs.10/- each into 5 Equity Shares of the nominal value of Rs.2/- each. Such sub-division is authorized by Article 12 of the Articles of Association of the Company.

The Capital Clause V of the Memorandum of Association of the Company is also proposed to be consequently altered.

Your consent to the sub-division of the Equity Shares as aforesaid in terms of Section 94(1)(d) of the Act is being sought. Your consent is also being sought for the consequent alteration in the Memorandum of Association of the Company.

The Board of Directors have authorized and empowered the Share Transfer Committee to take all necessary steps in the matter including issue of share certificates and/or credit beneficiary accounts of the members with the depositories with the equivalent number of the sub-divided Equity Shares of Re.2/- each, as may be entitled in terms of this resolution.

A copy of the existing Memorandum & Articles of Association of the Company will be available for inspection by the members at the Registered Office of the Company between 11.00 A.M. – 1.00 P.M. on working days upto the date of the Annual General Meeting.



The Directors of your Company are interested in these resolutions to the extent of their respective shareholdings in the Company.

The Board of Directors of your Company recommends these resolutions for your approval.

Item No. 8 & 9

The Company foresees various opportunities for expansion and entering into domestic foray through acquisition and mergers. Implementation of such proposal would require sizeable capital and therefore it is proposed to raise funds by way of issue of securities convertible into Equity Shares through Global Depository Receipts (GDRs) and/or American Depository Receipts (ADRs) and/or Foreign Currency Convertible Bonds (FCCBs) and/or any other form of securities as may be deemed fit aggregating to an amount not exceeding US\$ 100 million at the discretion of the Board in terms of the SEBI Disclosure and Investor Protection Guidelines as amended.

Hence the enabling resolutions are being proposed to give adequate flexibility and discretion to the Board to finalize the terms in consultation with the Lead Managers or such authorities as may be required to be consulted.

The fund raising programme of the Company may necessitate increase in the borrowing limit of the Company which at present is Rs.200 crores. It is therefore proposed that the Board be authorized to borrow upto an increased limit of Rs.1000 crores.

Consent of the members is being sought pursuant to the provisions of Section 81(1A) and 293(1)(d) and other applicable provisions of the Companies Act, 1956.

The Special Resolution as set out at the item 8 of the Notice, if passed, will have the effect of allowing the Board to issue and allot shares to the foreign entities / persons residing outside or in India on the terms and conditions as may be decided by the Board. The Board may be authorized to take all steps necessary for implementing this resolution.

Item No. 10

In order to facilitate issue of further shares it is proposed to increase the Authorized Equity Share Capital of the Company from Rs.40,00,00,000/- to Rs. 50,00,00,000/- by creation of 5,00,00,000 further Equity Shares of Rs.2/- each which will rank pari pasu in all respects with the existing Equity Shares of the Company. The Authorized Preference Capital, however, remains unchanged.

The proposed increase in the Authorized Capital requires approval of members in General Meeting. Consequent to the increase in the Authorized Share Capital, the Company's Memorandum of Association will also require alteration so as to reflect the increase.

The Board recommends the resolution for acceptance by the members.

**Annexure to Notice dated 30th July, 2007**

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

Name of the Director	Shri R.L. Gaggar	Shri H.S. Gopalka
Age	75 years	76 years
Date of Appointment on the Board	27.01.2005	27.11.1991
Qualification	B.A., LL.B.	M.Com., LL.B.
Experience	Over five decades of experience as Solicitor and Advocate	Wide experience in finance and taxation
Directorship held in other Public Companies	<ol style="list-style-type: none"> 1. Somani Ceramics Limited 2. Sarda Plywood Industries Ltd. 3. TIL Limited 4. Peria Karmalal Tea & Produce Co. Ltd. 5. Paharpur Cooling Towers Ltd. 6. International Combustion India Ltd. 7. Subhas Projects & Marketing Ltd. 8. Machino Plastics Ltd. 9. Sumedha Fiscal Services Ltd. 10. Shree Cement Ltd. 11. Financial & Management Services Ltd. 12. Machino Bassel India Ltd. 	—
Memberships/Chairmanships of Committees of Public Companies	<u>Audit Committee</u> <ul style="list-style-type: none"> • TIL Limited • Somani Ceramics Limited • Shree Cement Ltd. • Paharpur Cooling Towers Ltd. • Sarda Plywood Industries Ltd. Shareholders/Investors <u>Grievance Committee</u> <ul style="list-style-type: none"> • Somani Ceramics Limited • Shree Cement Ltd. • Sarda Plywood Industries Ltd. <u>Remuneration Committee</u> <ul style="list-style-type: none"> • Somani Ceramics Limited • Shree Cement Ltd. • Sarda Plywood Industries Ltd. <u>Share Transfer Committee</u> <ul style="list-style-type: none"> • TIL Limited <u>Selection Committee</u> <ul style="list-style-type: none"> • Shree Cement Ltd. 	—
Shareholding of Non-Executive Directors	Nil	Nil

**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 61st ANNUAL GENERAL MEETING of the Company at "Kala Kunj" 48, Shakespeare Sarani, Kolkata – 700 017 on Wednesday, the 26th September, 2007 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 61st ANNUAL GENERAL MEETING of the Company at "Kala Kunj" 48, Shakespeare Sarani, Kolkata – 700 017 on Wednesday, the 26th September, 2007 at 11 A.M.

Signed _____

Date : _____

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

 Affix
 Revenue
 Stamp

**BOARD OF DIRECTORS**

S. S. SHAH *Chairman & Managing Director*
G. D. Harnathka
H. S. Gopalka
O. P. Agarwal
R. L. Gaggar
R. S. Rungta
Sundeep Shah *Executive Director*
Sunil V. Diwakar
(Nominated by IL&FS Investment
Managers Ltd.)

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.
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.
UCO Bank
Union 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