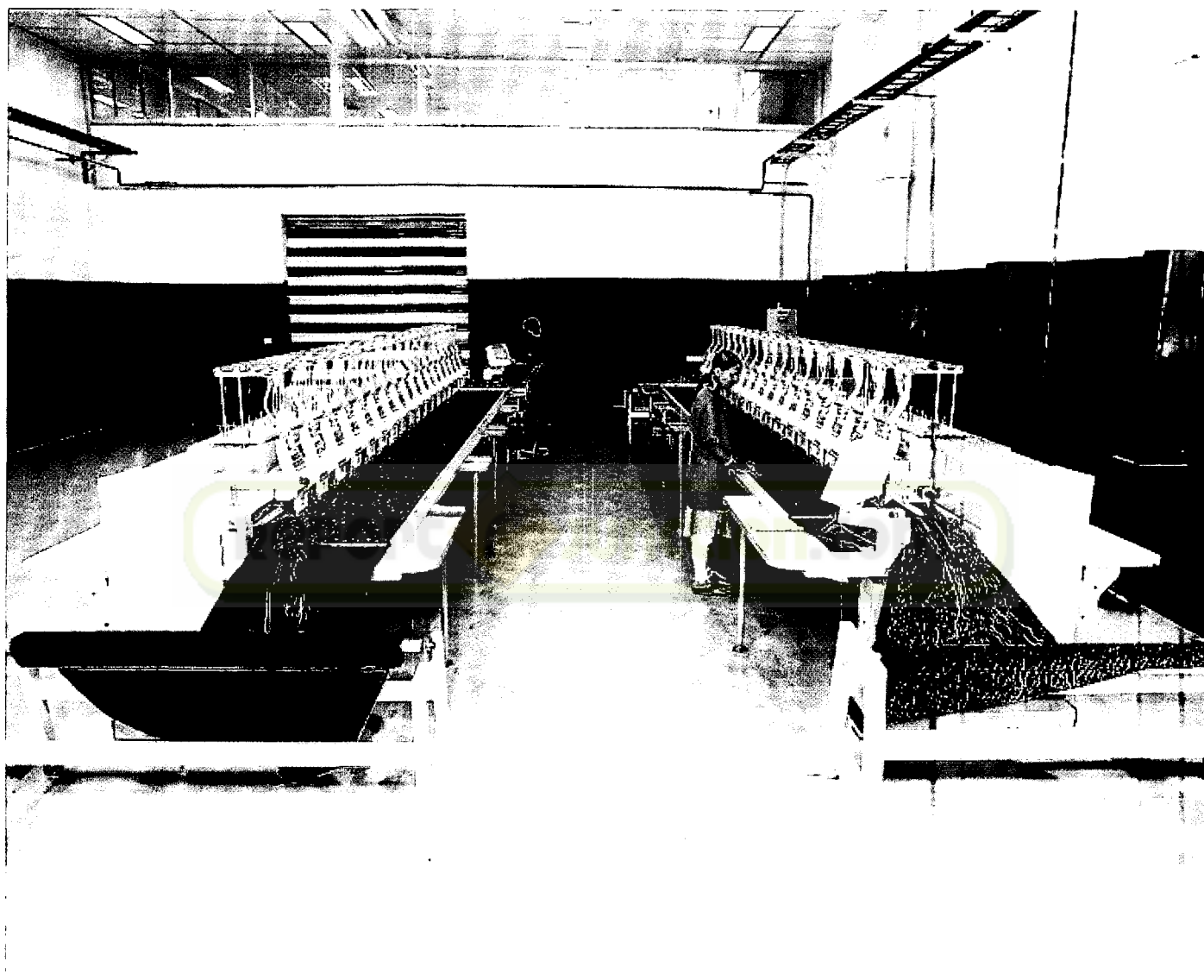


# ANNUAL REPORT 2007-2008

report  junction.com



## EASTERN SILK INDUSTRIES LTD.



**EASTERN SILK INDUSTRIES LTD.****NOTICE**

The Sixty-second Annual General Meeting of Eastern Silk Industries Ltd. will be held on Wednesday, the 24th September, 2008 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, 2008 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.S. Rungta who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Sri O.P. Agarwal who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and fix their remuneration.

**Registered Office:**

19, R. N. Mukherjee Road  
Kolkata – 700 001

Dated : The 31st July, 2008

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 15th September 2008 to 24th September 2008, 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 2008. 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. 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.
5. Pursuant to the amended provisions of Section 205A of the Companies Act, 1956, dividends for the financial year ended 31st March, 2001 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.



# EASTERN SILK INDUSTRIES LTD.

## Annexure to Notice dated 31st July, 2008

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.S. Rungta	Shri O.P. Agarwal
Age	74 years	57 years
Date of Appointment on the Board	19.07.1986	23.04.1999
Qualification	B.Com.	C.A.
Experience	Vast experience in managing large and diverse business.	About 34 years of experience in export business.
Directorship held in other Public Companies	D.R. Steel Construction (P) Ltd.	<ol style="list-style-type: none"> <li>1. Ambo Exports Ltd.</li> <li>2. Capricon Oil Ltd.</li> <li>3. Ambo Agro Products Ltd.</li> <li>4. Swastik Refinery Pvt. Ltd.</li> <li>5. Swaraj Biscuit Bakery &amp; Confectionery Pvt. Ltd.</li> </ol>
Memberships / Chairmanships of Committees of Public Companies	--	--
Shareholding of Non-Executive Directors	Nil	Nil

**EASTERN SILK INDUSTRIES LTD.****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.  
*Chartered Accountants*  
 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.  
 The Hongkong & Shanghai Banking Corporation 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



# EASTERN SILK INDUSTRIES LTD.

## DIRECTORS' REPORT

### TO THE MEMBERS

Your Directors have pleasure in presenting their sixty-second Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2008.

### FINANCIAL RESULTS

	(Rs. in Lacs)	
	2008	2007
Profit before depreciation and taxation	7594.62	7999.02
Less: Depreciation	1578.00	1037.31
Profit before taxation	6016.62	6961.71
Less: Provision for Current Taxation	475.00	850.00
	5541.62	6111.71
Less: Provision for Earlier Year Taxation	(220.41)	--
	5762.03	6111.71
Less: Provision for Fringe Benefit Tax	15.79	23.17
	5746.24	6088.54
Less/Add: Deferred Tax Liability	(67.59)	321.92
Profit after tax	5813.83	5766.61
Add: Balance brought forward from previous year	11766.01	7941.77
	17579.84	13708.38
Which the Directors have appropriated as follows:		
General Reserve	700.00	700.00
Preference Share Redemption Reserve	280.00	280.00
Proposed Dividend On Equity Shares	710.57	710.57
Proposed Dividend On Preference Shares	112.00	112.00
Corporate Dividend Tax	139.80	139.80
Balance carried forward to next year	15637.47	11766.01
	17579.84	13708.38

### PERFORMANCE REVIEW

During the financial year 2007-08, the Sales of your Company increased to Rs. 48165.28 Lacs as compared to Rs. 45119.14 Lacs in the previous year. Profit after tax increased to Rs. 5813.83 Lacs as against Rs. 5766.61 lacs of the last year.

### SUB-DIVISION OF SHARES

1,57,90,524 Equity Shares of Rs.10/- each were sub-divided into 7,89,52,620 Equity Shares of Rs.2/- each with effect from the record date of 7th July 2008. The effect of subdivision have been given in the demat accounts of the members holding shares in electronic form. Members holding shares in physical form, have been requested to surrender old share certificates to obtain new share certificates in lieu thereof.



**EASTERN SILK INDUSTRIES LTD.****POST BALANCE SHEET DEVELOPMENT**

Your Company posted 2.31% increase in the net profit in the quarter ended 30th June 2008 amounting to Rs.19.46 crores against Rs.19.02 crores in the corresponding quarter last year. The top line also recorded 4.24% rise from Rs.124.64 crores in the corresponding quarter last year to Rs.129.93 crores in the current year.

**DIVIDEND**

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

- |     |   |                  |
|-----|---|------------------|
| i)  | On 14,00,000 – 8% Cumulative Redeemable<br>Preference Shares of Rs.100/- each | Rs.1,12,00,000/- |
| ii) | On 7,89,52,620 Equity Shares of Rs.2/- each @ 45%                             | Rs.7,10,57,358/- |

**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 Exchange form part of the Annual Report.

**SUBSIDIARY COMPANIES**

During the year under review P.K. Textiles Ltd., Ethics Commercials Ltd. and Lucky Goldstar Co. Ltd. ceased to be subsidiaries of the Company.

**DIRECTORS**

Shri R.S. Rungta and Shri O.P. Agarwal, 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, 2008 on a going concern basis.



## EASTERN SILK INDUSTRIES LTD.

### 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. The particulars of employees required to be furnished under Sec. 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended is as under.

---

**Name, Age, Qualification, Designation, Nature of Employment, Remuneration (Rs), Experience (Years), Date of Commencement of Employment, Last Employment held, Relationship to any Director.**

---

- a) Employees employed throughout the financial year under review who are in receipt of remuneration in the aggregate of not less than Rs.24,00,000/- during the year:
- i) S.S. Shah, 73, B.Com, LL.B., Chairman & Managing Director, Contractual, 4392000, 54, 01.9.1952, Nil, Father of Sri Sundeeb Shah, Executive Director.
  - ii) Sundeeb Shah, 46, B.Com., Executive Director, Contractual, 2851200, 28, 01.12.1980, Nil, Son of Sri S.S. Shah, Chairman & Managing Director.
- b) Employed for part of the year and were in receipt of remuneration at the rate of not less than Rs.2,00,000/- per month. – NIL

### ACKNOWLEDGEMENT

Your Directors wish to convey their appreciation for the co-operation and assistance received from the government, the financial institutions, bankers and stakeholders of your Company. Your Directors also express their appreciation of the dedication of employees in working cohesively to achieve Company goals. We look forward to receiving the continued patronage of all your Company's business partners to attain greater heights over the foreseeable future.

By Order of the Board

#### Registered Office:

19 R N Mukherjee Road  
Kolkata 700 001  
Dated: The 31st July, 2008

**S. S. SHAH**  
Chairman & Managing Director



**EASTERN SILK INDUSTRIES LTD.****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:

**CONSERVATION OF ENERGY:**

The Company has evolved a system for continuous review of energy costs, reduction in energy generation cost and maximization of energy use.

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

			<b>Current Year</b>	<b>Previous Year</b>
1.	Electricity			
(a)	Purchased	Units	<b>66,54,142</b>	67,12,649
	Total Amount	Rs.	<b>3,23,93,392</b>	3,26,50,324
	Rate/Unit	Rs.	<b>4.87</b>	4.86
(b)	Own Generation through			
	Diesel Generator	Units	<b>6,74,806</b>	5,18,618
	Total Amount	Rs.	<b>62,55,452</b>	43,25,263
	Cost/Unit	Rs.	<b>9.27</b>	8.34
2.	Furnace Oil			
	Quantity	Kilo Ltr.	<b>6,52,331</b>	5,66,016
	Total Amount	Rs.	<b>1,63,43,680</b>	1,18,52,887
3.	Others Internal Generation	Ltrs.	<b>1,69,525</b>	1,55,232
	Total Cost	Rs.	<b>46,60,578</b>	42,78,206

**(B) Consumption per unit of products:****Products**

Silk Fabrics	Mtrs	<b>15,63,855.80</b>	13,28,976.35
Electricity	Rs.	<b>11.21</b>	15.37
Furnace Oil	Rs.	<b>3.48</b>	5.16
Diesel	Rs.	<b>6.18</b>	5.39
Silk Yarn	Kgs.	<b>3,06,840.55</b>	2,43,192.74
Electricity	Rs.	<b>48.40</b>	50.23
Furnace Oil	Rs.	<b>35.53</b>	20.53
Diesel	Rs.	<b>4.06</b>	5.90



# EASTERN SILK INDUSTRIES LTD.

## 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

The Company continues to give thrust to R&D activities for adding value to its product range.

Value added products attract new customers and new orders fetch higher margins.

To develop value added products with innovative designs and patterns.

Capital	--
Recurring	Rs. 45 lakhs
R&D Expenditure as a percentage of turnover	0.09%

#### Technology Absorption, Adaptation & Innovation

1. Efforts in brief, made towards technology Absorption, adaptation and innovation
2. Benefits derived as a result of the above
3. Details of imported technology

Machineries are upgraded periodically to add value to the existing products and develop new products.

Improved products result in retaining old customers and new products bring in new customers and better returns.

Not Applicable

#### Foreign Exchange Earnings & Outgo

- (a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for product and services and export plans.
- (b)
  - i) Overseas Travelling
  - ii) Commission to Agents
  - iii) Consultation Fees
  - iv) Others

It is an ongoing process for the marketing executives to understand the requirements of the existing customers and also to tap the new markets. This is done by participation in International Trade Fairs and undertaking export promotion tours.

The information on foreign exchange earnings and outgo is contained in Schedule 14 item 22 (i) & (j)

By Order of the Board

Kolkata 700 001  
Dated: The 31st July, 2008

**S. S. SHAH**  
Chairman & Managing Director