



Contents of the Annual Report (2008-09) of Eastern Silk Industries Limited

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NOTICE

The Sixty-third Annual General Meeting of Eastern Silk Industries Ltd. will be held on Wednesday, the 9th September, 2009 at 11:00 A.M. at Kala Kunj, 48, Shakespeare Sarani, Kolkata – 700 017, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March, 2009 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 G.D. Harnathka who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri H.S. Gopalka who retires by rotation and being eligible offers himself 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(s), the following resolution as an Ordinary Resolution:

RESOLVED THAT in supersession of all earlier resolutions the consent of the Company be and is hereby accorded under Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), to the Board of Directors of the Company (which herein after referred to as "the Board") to mortgage, hypothecate and/or charge in addition to the existing mortgages. hypothecation, charges created by the Company on such terms and conditions as the Board may deem fit, on all or any part of movable and/or immovable properties of the Company, wherever situate, both present and future, and/or the whole or substantially the whole of the undertaking of the Company in favour of any person including but not limited to banks, financial institutions, corporate bodies and/or any other lending agencies or other persons to secure the loans and other credit facilities together with interest, cost, charges, expenses and any other money payable by the Company upto a sum not exceeding Rs.1000 Crores (Rupees One thousand Crores).

RESOLVED FURTHER THAT the Board be and is hereby authorized to finalise with such banks, financial institutions, lending agencies and/or any other person the documents for creating the aforesaid mortgage, hypothecation and/or charge and to do all such acts, matters, deeds and things as may be necessary or expedient, for giving effect to this resolution and also to agree to any amendments, changes, variations thereto from time to time as it may think fit.

Registered Office:

19, R.N. Mukherjee Road

By order of the Board

K.T.SHETH

Dated : The 30th July, 2009.

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. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of special business set out in the notice is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 27th August 2009 to 9th September 2009, both days inclusive on account of Annual General Meeting and Dividend payment.
4. Dividend, when declared will be made payable to those shareholders whose names appear in the Register of Members of the Company on 9th September 2009. 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.
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, 2002 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's Registrars and Share Transfer Agents for obtaining duplicate dividend warrants.
7. Pursuant to sub-division of each Equity share of Rs.10/- into five Equity shares of Rs.2/- each, members holding shares in physical form, were requested to surrender old share certificates to obtain new share certificates in lieu thereof. Those members, who have not surrendered their old share certificates to the Company's Registrars and Share Transfer Agents, are requested to do so at the earliest.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 6

In view of the expansion in business, your Company may be required to borrow funds from various lenders.

The borrowing facilities may also be required to be secured by creation of mortgage and/or charge in favour of the lenders on such immovable and moveable properties of the Company, present and future, as may be decided in consultation with the lenders. Therefore, your Directors propose to pass a resolution under Section 293(1)(a) of the Act for creation of mortgage, hypothecation, charge for an amount not exceeding the borrowing limit of Rs.1000 Crores (Rupees One thousand crores).

The Board recommends passing of this resolution at item No.6 of the accompanying Notice.

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

Annexure to Notice dated 30th July, 2009

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 G.D. Harnathka	Shri H.S. Gopalka
Age	61 years	78 years
Date of Appointment on the Board	20-07-2000	27-11-1991
Qualification	B.Com.	M.Com., LL.B.
Experience	Vast experience in textiles and oil business.	Wide experience in finance and taxation.
Directorship held in other Public Companies	-	1. Manjari Selections Pvt. Ltd.
Memberships / Chairmanships of Committees of Public Companies	-	-
Shareholding of Non-Executive Directors	Nil	Nil

TO THE MEMBERS

Your Directors have pleasure in presenting their sixty-third Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2009.

FINANCIAL RESULTS

	(Rs. in Lacs)	
	2009	2008
Profit before depreciation and taxation	3559.38	7594.62
Less: Depreciation	1647.56	1578.00
Profit before taxation	1911.82	6016.62
Less: Provision for current taxation	125.00	475.00
	1786.82	5541.62
Less: Provision for Earlier Year Taxation	-	(220.41)
	1786.82	5762.03
Less: Provision for Fringe Benefit Tax	15.00	15.79
	1771.82	5746.24
Less/Add: Deferred Tax Liability	(149.23)	(67.59)
Profit after tax	1921.05	5813.83
Add: Balance b/f from previous year	15637.47	11766.01
	17558.52	17579.84
Which the Director's have apportioned as follows:		
General Reserve	300.00	700.00
Preference Share Redemption Reserve	240.00	280.00
Proposed Dividend on Equity Shares	157.91	710.57
Proposed Dividend on Preference Shares	112.00	112.00
Corporate Dividend Tax	45.87	139.80
Balance carried forward to next year	16702.74	15637.47
	17558.52	17579.84

PERFORMANCE REVIEW

During the financial year 2008-09, the sales of your Company increased to Rs.51003.75 lacs as compared to Rs.48165.28 lacs in the previous year. Profit after tax declined to Rs.1921.05 lacs as against Rs.5813.83 lacs mainly due to global recession leading to lower margins.

POST - BALANCE SHEET DEVELOPMENTS

The top line in the quarter ended 30th June, 2009 increased to Rs.151.78 Crores as against Rs.129.93 Crores in the corresponding quarter last year. The net profit, however, declined to Rs.4.39 Crores as against Rs.19.46 Crores in the corresponding quarter of the previous year due to pressure on pricing.

DIVIDEND

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

On 14,00,000 - 8% Cumulative Redeemable Preference Shares of Rs. 100/- each

Rs. 1,12,00,000/-

On 7,89,52,620 Equity Shares of Rs.2/- each @ Rs 0.20 per share

Rs 1,57,90,524/-

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 G.D. Harnathka and Shri H.S. Gopalka, 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, 2009 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, offered themselves for re-appointment.

As regards the remarks of the Auditors regarding delay in payment of corporate dividend tax, we have to state that due to delay by the banks in disbursement of the term loan for the new project, the bank's share also had to be financed through internal accruals which resulted in delay of the payment.

The Auditors have also qualified about the delay of three months in the repayment of a term loan installment amounting to Rs.18.85 lacs due to UCO Bank and interest of Rs.1.95 lacs. In this regard your Directors would like to explain that the repayment of term loan installments are normally debited by the concerned bank in the current account of the Company. The debit for this particular installment was inadvertently not made by the bank. Immediately on notice the Company made the payment.

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.

(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:

Name	Age (Years)	Qualification	Designation	Nature of Employment	Remuneration (Rs)	Experience (Years)	Date commencement of employment	Last employment held	Relationship to any Director
S.S. Shah	73	B.Com LL.B	Chairman & Managing Director	Contractual	51,24,000/-	55	01.9.1952	Nil	Father of Sri Sundeep Shah, Executive Director
Sundeep Shah	46	B.Com	Executive Director	Contractual	33,26,400/-	29	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.

Registered Office:

19, R.N. Mukherjee Road

By order of the Board

S.S. SHAH

Dated: The 30th July, 2009.

REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Your Company believes in practicing the principles of good corporate governance which will enable the management to conduct the affairs of the efficiently and make optimum use of its resources to achieve its corporate goal. The Company upholds moral values, ethics and transparency in its operations. Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a Report on Corporate Governance for the year 2008-09 is given below.

BOARD OF DIRECTORS

The Board comprises eight members – two Executive Directors and six Non-Executive Independent Directors. The composition of the Board of Directors as of 31st March, 2006 and also the number of the Board Committees of which person is a member/Chairperson are as under.

Name of Director	Category	No. of other Directorship	No. of Membership of other Board Committee	No. of Board Committee for which Chairperson
Shri. S.S. Shah	Promoter, Executive	4	-	Nil
Shri. Sundeep Shah	Promoter, Executive	1	-	Nil
Shri. G.D. Harnathka	Non-Executive, Independent	-	-	Nil
Shri. H.S. Gopalka	Non-Executive, Independent	1	-	Nil
Shri. O.P. Agarwal	Non-Executive, Independent	5	-	Nil
Shri. R.S. Rungta	Non-Executive, Independent	1	-	Nil
Shri. R.L. Gaggarr	Non-Executive, Independent	13	13	Nil
Shri Sunil V. Diwakar (Nominee-IL&FS Investment Managers Ltd.)	Non-Executive, Independent	10	-	Nil

During the year under review, Board Meetings were held on 23rd April 2008, 31st July 2008, 24th October 2008 and 16th January 2009. The attendance of the Directors for the Board Meetings and the last Annual General Meeting was as follows:

Name of Director	Meetings Attended	Whether Attended the last AGM
Shri. S.S. Shah	4	No
Shri. Sundeep Shah	3	Yes
Shri. G.D. Harnathka	2	No
Shri. H.S. Gopalka	4	Yes
Shri. O.P. Agarwal	4	No
Shri. R.S. Rungta	4	Yes
Shri. R.L. Gaggarr	4	Yes
Shri. Sunil V. Diwakar	2	No

BOARD COMMITTEES

Audit Committee

I. Constitution

The Audit Committee of the Company was constituted to exercise powers and discharge functions as stipulated in Section 292A of the Companies

Act, 1956, Clause 49 of the Listing Agreement with Stock Exchange and other relevant statutory / regulatory provisions.

II. Composition

The Audit Committee of the Company comprises three Directors who are all independent and non executive namely Sri H.S. Gopalka, Sri R.S. Rungta & Sri O.P. Agarwal. All these directors have knowledge of corporate finance, accounts and company law. The Chairman of the Committee is Sri O.P. Agarwal, who is a Chartered Accountant. The Company Secretary acts as the Secretary of the Committee. Besides the Committee members President, Chief Financial Officer and partners / representatives of the firm of Statutory Auditors and Internal Auditors are permanent invitees at the meetings of the Committee.

III. Meetings and Attendance

During the financial year ended 31st March 2009 four Audit Committee meetings were held on 19th April 2008, 30th July 2008, 23rd October 2008 and 15th January 2009 which were attended by all the members of the Committee.

Remuneration Committee

I. Constitution

The Remuneration Committee of the Company was formed to recommend remuneration packages for whole-time Directors. Such recommendations are based on the overall financial performance and profitability of the Company and on evaluation of the personal contribution of the individual directors.

II. Composition

The Members of the Remuneration Committee are Sri H.S. Gopalka, Sri R.S. Rungta and Sri O.P. Agarwal. Sri R.S. Rungta acts as the Chairman of the Committee.

III. Meetings and Attendance

During the financial year ended 31st March 2009 Remuneration Committee Meeting was not held.

The details of the remuneration to the directors for the year ended 31st March 2009 are as under:

Name of the Director	Salary	Perquisites	Sitting Fees for Board & Committee Meetings	Total Rs.	Service Period
Shri S.S. Shah	42,00,000	9,24,000	-	51,24,000	Five years w.e.f. 1st September 2006
Shri Sundeep Shah	25,20,000	8,06,000	-	33,26,400	Five years w.e.f. 1st September 2006
Shri H.S. Gopalka	-	-	28,000	28,000	Retire by rotation
Shri R.S. Rungta	-	-	28,000	28,000	Retire by rotation
Shri G.D. Harnathka	-	-	10,000	10,000	Retire by rotation
Shri O.P. Agarwal	-	-	28,000	28,000	Retire by rotation
Shri R.L. Gaggar	-	-	20,000	20,000	Retire by rotation
Shri Sunil V. Diwakar	-	-	10,000	10,000	Retire by rotation

SHAREHOLDERS COMMITTEE:

Share Transfer Committee

I. Constitution

Share Transfer Committee was constituted to deal with various matters relating to transfer and transmission of shares, issue of duplicate share certificates and approving the split and consolidation requests and other matters relating to transfer and registration of shares.

II. Composition

The members of the Committee are Shri S.S. Shah, Shri G. Venkatesh and Shri K.T. Sheth. Shri S.S. Shah acts as the Chairman of the Committee.

III. Meeting & Attendance

During the financial year ended 31st March, 2009, eleven Share Transfer Committee meetings were held. No sitting fee was paid to any member of the Share Transfer Committee.

Investor's Grievance Committee

I. Constitution

Investors' Grievance Committee was formed to oversee the redressal of shareholders' and investors' grievances in relation to transfer of shares, non-receipt of annual report, non-receipt of dividend etc.

II. Composition

The Committee comprises of three non-executive independent directors Shri H. S. Gopalka, Shri R. S. Rungta and Shri O. P. Agarwal. Shri H.S. Gopalka is the Chairman of the Committee.

III. Meeting & Attendance

During the financial year ended 31st March, 2009, four Investors' Grievance Committee meetings were held.

GENERAL BODY MEETING

i) General Meetings:

The last three Annual General Meeting of the Company were held as under:

Date	Time	Venue
27th September 2006	11:00 A.M.	Kala Kunj, 48 Shakespeare Sarani, Kolkata - 700017
26th September 2007	11:00 A.M.	-- DO --
24th September 2008	11:00 A.M.	-- DO --

ii) Special Resolution:

No special resolutions were passed during the year.

iii) Postal Ballot

No Postal Ballot was conducted during the year.

DISCLOSURES

- The Company has not entered into any transaction of a material nature with the promoters, directors or management, or their relatives that may have potential conflict with the interest of the Company at large.
- A qualified practicing Company Secretary carries out a secretarial audit to reconcile the total admitted capital with National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd. (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.
- Chairman and Managing Director and Chief Financial Officer have furnished the requisite certificates to the Board of Directors pursuant to Clause 49 of the Listing Agreement.

MEANS OF COMMUNICATION

The financial results of the Company are published in all leading newspapers in India which include Economic Times, The Financial Express, Business Standard, Times of India, Business Line and Aajkal. The results are also displayed on the SEBI's edifar website and also on the Company's website. Press conference, analysts meet and press releases are also made by the Company from time to time to facilitate better communication with the shareholders and investors.

GENERAL SHAREHOLDERS INFORMATION

i) Sixty Third Annual General Meeting

Venue: Kala Kunj, 48 Shakespeare Sarani, Kolkata-700 017
Date: 9th September 2009
Time: 11:00 A.M.

ii) Financial Calendar

First quarter results - By end July

Second quarter results - By end October

Third quarter results - By end January

Fourth quarter results - By end April

iii) Book Closure

The date of book closure is from 27th August 2009 to 9th September 2009 (both days inclusive).

iv) Dividend Payment

Dividend if any, declared in the 63rd Annual General Meeting shall be paid / credited on or after 9th September, 2009.

v) Listing on Stock Exchanges

NAME OF STOCK EXCHANGE

National Stock Exchange of India

STOCK CODE

EASTSILK

Listing fee for the year 2009-2010 has been paid to National Stock Exchange of India Ltd.

vi) Stock Market Data

The Company's high and low prices recorded on National Stock Exchange of India Ltd. during the financial year 2008-2009 are given below:

MONTH	HIGH (Rs)	LOW (Rs)
APRIL 2008	214.65	152.00
MAY 2008	155.00	113.30
JUNE 2008	129.25	91.10
JULY 2008	19.75	12.90
AUGUST 2008	25.00	16.60
SEPTEMBER 2008	22.90	16.00
OCTOBER 2008	17.70	8.65
NOVEMBER 2008	10.30	7.60
DECEMBER 2008	11.90	7.80
JANUARY 2009	12.35	7.75
FEBRUARY 2009	8.75	7.15
MARCH 2009	7.80	6.75

vii) Share Holding (as on 31st March, 2009)

The shareholding distribution as on 31st March, 2009 is as follows:

Number of Shares	Number of Shareholders	% of total holders	Number of Shares held	% to total Holding
Upto 500	15,217	70.95	33,86,172	4.29
501-1000	3,035	14.15	26,29,916	3.33
1001-2000	1,369	6.38	21,36,792	2.71
2001-3000	648	3.02	16,54,038	2.09
3001-4000	244	1.14	8,78,658	1.11
4001-5000	265	1.24	12,54,665	1.59
5001-10000	339	1.58	25,09,847	3.18
10001 & above	329	1.54	6,45,02,532	81.70
TOTAL	21,446	100.00	7,89,52,620	100.00

The shareholding pattern as on 31st March, 2009 is as follows:

Category	Number of Shares	% of Holding
Promoters including NRI Promoters	3,74,20,950	47.40
Financial Institutions, Banks, Mutual Fund etc.	43,91,960	5.56
Non Indian Residents / OCBs / FIIs	37,57,850	4.76
Private Corporate Bodies	1,27,19,264	16.11
Indian Public	2,06,62,596	26.17
TOTAL	7,89,52,620	100.00

viii) Dematerializations of Shares

As directed by Securities Exchange Board of India (SEBI) equity shares of the Company are being traded in compulsory dematerialized form by all the investors.

The Company has entered into an agreement with both depositories viz., National Security Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) enabling the investors to hold shares of the Company in electronic form.

The ISIN of Eastern Silk for transactions of shares in depository mode is INE 962CO1027.

As on 31.03.2009 the dematerialized shares were 7,17,68,118 which represents 90.90% of the total subscribed capital. The equity shares of the Company

are regularly traded on the National Stock Exchange.

ix) Share Transfer System

Share transfers in physical and demat form are registered by the Registrar and Share Transfer Agents and are returned to the respective transferees within a period ranging from fifteen days to one month provided the documents lodged with the Registrar/Company are clear in all respects.

x) Registrar and Share Transfer Agents

The Company's Share Transfer Agents are ABS Consultant Pvt. Ltd., 99, Stephen House, 6th Floor, 4 BBD Bag (East), Kolkata – 700 001 for effecting transfer/transmission etc. in physical and demat form.

xi) Plant Location

- Unit 1 :** 411, Telugarahalli Road, Anekal, Bangalore - 562 106
- Unit 2 :** Kammansandra Agarhara Kasaba Hobli, Anekal, Bangalore - 560 106
- Unit 3 :** 11A, 2nd Cross Industrial Area, Nanjangud, Karnataka - 571 301
- Unit 4 :** Falta Special Economic Zone, 24 Parganas (South), West Bengal

xii) Address for Correspondence

Eastern Silk Industries Ltd.
19, R. N. Mukherjee Road
Kolkata - 700 001.
Phone: 2243-0817 - 19 (3 Lines)
Fax: 2248-2486
Email : esilk@giasclo1.vsnl.co.in
Website : www.easternsilk.com

CODE OF PROFESSIONAL CONDUCT

The company formulated a Code of Conduct for all Board Members and Senior Managerial Personnel and the same was adopted by the Board in its meeting held on 27th January 2005. The Code is also available on the website of the Company.

MANAGEMENT DISCUSSION & ANALYSIS

Overall Review, Industry Structure and Developments

The global consumption of silk fabrics grew at a great pace during the last couple of years and the Indian exporters / manufacturers also undertook modernization, expansion of capacities and adopted State-of-Art technologies for taking advantage of the global scenario, and in the process, the quality of Indian Textile products were comparable to the West. Most developed economies got overheated during the last few years, and this led to rising commodity prices. There was a huge expansion of money supplies without corresponding economic growth in those economies leading to ultimately financial crisis and bankruptcies. These events had a major impact on the consumption level of the people in the developed nations which triggered a retail business failure and also loss of jobs. The global economy faced one of the worst crisis after the World war and this had an impact on the Indian economy as well. For the textile industry the volumes shrunk and there was pressure on the prices leading to loss of textile jobs in India as well.

In these difficult times a decision had to be taken to compromise on the prices to retain the market share. Managements, who were quick and versatile to judge this measure, were somehow successful in maintaining top line but had big hit in the bottom line. Lifestyle product will attract demand only when there is economic revival and the future is seen to be bright. The signs of revival are visible but not discernible. But the Indian textile industry is confident that the demand for the products will grow from the bottom already seen since Indian silk products have now been benchmarked for quality and design.

Opportunities and Threats:

The demand for value added products are likely to be increased across the globe. However, the fluctuation in raw material cost and volatility in the value of Indian rupee against dollar are a few set-backs to the growth of the industry.

Segment wise Performance:

The Company's business activities falls within a single primary segment viz. Textiles.

Outlook

The production from the Company's expansion programme is expected to commence by the year end and the products of Silk Velvets including Jacquard Velvets are likely to fetch good response from the customers.

Internal Control System

The Company has adequate system of internal controls to ensure that all assets are safeguarded and protected against loss and that all transactions are authorised, recorded and reported correctly. The systems are designed to support the reliability of the financial and other records for preparing financial statements and other data.

Human Resources

Industrial relations remained normal at all units. The Company gives priority to recruitment and training of manpower. Various actions are being initiated to keep the motivation level high in the organization.

Cautionary Statement

Certain statements in this report on Management Discussion and Analysis describing the Company's view about the industry, objectives, projections, estimates, expectations or predictions may be forward looking within the meaning of applicable laws and regulations. Actual results may differ from those implied therein. Important factors that could make a difference include economic developments within India and countries with which the Company conducts business, government regulations and tax regime, availability of raw materials and prices and other incidental factors.

AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT.

We have examined the compliance of conditions of corporate governance by EASTERN SILK INDUSTRIES LTD. for the year ended on 31st March' 2009 as stipulated in clause 49 of the listing agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

We state that based on the report given by the Registrars & Share Transfer Agent of the Company to the Investors Grievance Committee, as on 31st March'2009 there were no investors grievance matters against the Company remaining unattended / pending for more than 30 days.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

23A, Netaji Subhas Road
Kolkata 30TH July, 2009

For B. K. SHROFF & CO.
Chartered Accountants
(L.K. SHROFF)
Partner
Membership No. 60742

AUDITOR'S REPORT TO THE MEMBERS OF EASTERN SILK INDUSTRIES LTD.

1. We have audited the attached Balance Sheet of EASTERN SILK INDUSTRIES LTD. as at 31st March, 2009 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditor's Report Amendment) Order 2004 issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks as were considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matter specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, We report that -
 - I. 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;

In our opinion, proper books of accounts as required by the Companies Act, 1956 have been kept by the Company so far as appear from our