

## NOTICE

The Sixty-fourth Annual General Meeting of Eastern Silk Industries Ltd. will be held on Wednesday, the 22<sup>nd</sup> September, 2010 at 3:00 P.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 31<sup>st</sup> March, 2010 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 being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri R.S. Rungta who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

### Registered Office:

19, R. N. Mukherjee Road

Kolkata – 700 001

Dated : The 10<sup>th</sup> August, 2010.

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 10<sup>th</sup> September 2010 to 22<sup>nd</sup> September 2010, both days inclusive on account of Annual General Meeting and Dividend payment.
3. Dividend, when declared will be made payable to those shareholders whose names appear in the Register of Members of the Company on 22<sup>nd</sup> September 2010. 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 Annexure to this Notice.
5. Pursuant to the amended provisions of Section 205A of the Companies Act, 1956, dividends for the financial year ended 31<sup>st</sup> March, 2003 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.
6. 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.

**Annexure to Notice dated 10<sup>th</sup> August, 2010**

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 R.S. Rungta
Age	78 years	76 years
Date of Appointment on the Board	27.01.2005	19.07.1986
Qualification	B.A.(Hons.), LL.B.	B.Com.
Experience	Practicing as a Solicitor and Advocate of the Hon'ble High Court at Kolkata since last about 50 years.	Wide experience in managing large and diverse business.
Directorship held in other Public Companies	Somani Ceramics Ltd. Sarda Plywood Industries Ltd. TIL Limited Peria Karmalal Tea & Produce Co. Ltd. Paharpur Cooling Towers Ltd. International Combustion India Ltd. Subhas Projects & Marketing Ltd. Machino Plastics Ltd. Sumedha Fiscal Service Ltd. Shree Cement Ltd. Financial & Management Services Ltd. Machino Bassel India Ltd. Bhaskar Silicon Ltd.	D.R. Steel Construction Pvt. Ltd.

Memberships / Chairmanships of Committees of Public Companies	<u>Audit Committee</u> TIL limited Shree Cement Ltd. Paharpur Cooling Towers Ltd. Sarda Plywood Industries Ltd. International Combustion India Ltd. Somani Ceramics Ltd. Share Transfer / Investors <u>Grievance Committee</u> TIL Limited Somani Ceramics Ltd. Shree Cement Ltd. Sarda Plywood Industries Ltd. <u>Remuneration Committee</u> TIL Limited Somani Ceramics Ltd. Shree Cement Ltd. Sarda Plywood Industries Ltd. International Combustion India Ltd. <u>Selection Committee</u> Shree Cement Ltd.	--
Shareholding of Non-Executive Directors	Nil	Nil

## DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting their sixty-fourth Annual Report together with the Audited Accounts of your Company for the year ended 31<sup>st</sup> March, 2010.

### FINANCIAL RESULTS

	(Rs. in Lacs)	
	<u>2010</u>	<u>2009</u>
Profit before depreciation and taxation	2219.01	3559.38
Less: Depreciation	1533.58	1647.56
Profit before taxation	685.43	1911.82
Less: Provision for Current Taxation	275.00	125.00
	410.43	1786.82
Less: Provision for Earlier Year Taxation	(5.99)	-
	416.42	1786.82
Less: Provision for Fringe Benefit Tax	-	15.00
	416.42	1771.82
Less/Add: Deferred Tax Liability	(157.35)	(149.23)
Profit after tax	573.77	1921.05
Add: Balance brought forward from previous year	16702.74	15637.47
	17276.49	17558.52
Which the Directors have appropriated as follows:		
General Reserve	100.00	300.00
Preference Share Redemption Reserve	-	240.00
Proposed Dividend On Equity Shares	94.74	157.91
Proposed Dividend On Preference Shares	112.00	112.00
Corporate Dividend Tax	34.34	45.87
Balance carried forward to next year	16935.41	16702.74
	17276.49	17558.52

### PERFORMANCE REVIEW

During the financial year 2009-10, the sales of your Company increased to Rs.54393.09 lacs as compared to Rs.51003.75 lacs in the previous year. Profit after tax declined to Rs.573.77 lacs as against Rs.1921.05 lacs largely on account of shift of overseas customers to different varieties of textiles coupled with increase in input cost including Raw Material cost.

Your Directors are pleased to inform that the EOU Status of Unit I has been converted into Domestic Tariff Area Unit pursuant to the Company having fulfilled the export obligation. On such debonding the old and accumulated stocks of 1,07,319.18 mtrs of silk fabrics and other stocks were destroyed under the order of Customs Department. The necessary accounting entries have been passed in the books of accounts.

Due to adverse market conditions and recession in Europe, the Company's major buyers in Italy have declined to purchase spun silk and noil yarn manufactured at the Company's Unit 3 at Nanjangud, Karnataka. Hence the management decided to close down the said unit, for which the permission has been sought for from Labour Department, Government of Karnataka. The Unit shall be revived as and when the overseas market improves.

## **POST BALANCE SHEET DEVELOPMENT**

The sales for the quarter ended 30<sup>th</sup> June, 2010 was Rs.132.26 crores as against Rs.151.78 crores in the corresponding quarter last year. The net profit was Rs.1.09 crores as against Rs.4.39 crores in the corresponding quarter of the previous year.

## **DIVIDEND**

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

- |   |                  |
|---|------------------|
| i) On 14,00,000 – 8% Cumulative Redeemable Preference Shares of Rs.100/- each | Rs.1,12,00,000/- |
| ii) On 7,89,52,620 Equity Shares of Rs.2/- each @ Rs.0.12 per share           | Rs. 94,74,315/-  |

## **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 R.L. Gaggar and Shri R.S. Rungta, Directors of the Company retire from the office by rotation and are eligible for re-appointment.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

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

- i) That in preparation of the annual accounts, the applicable accounting standards have been duly followed.
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review.
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) That the Directors have prepared the accounts for the financial year ended 31<sup>st</sup> March, 2010 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 Auditors have mentioned about the delay in the repayment of two term loan installments of Rs.18.85 lacs each due to UCO Bank and interest thereon aggregating to Rs.2.01 lacs. Your Directors would like to explain that the repayment of term loan installments are normally auto debited by the concerned bank in the current account of the Company. The debit of these two installments were not made by the Bank on the due date and when this was noticed, 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 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.

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

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- 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, 75, B.Com, LL.B., Chairman & Managing Director, Contractual, 4032000/-, 56, 01.9.1952, Nil, Father of Sri Sundeep Shah, Executive Director.
  - ii) Sundeep Shah, 48, B.Com., Executive Director, Contractual, 3513600/-, 30, 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. The Board wishes to place on record its deep appreciation for the integrity and hard work of its employees at all levels to meet challenging markets.

### Registered Office:

19 R N Mukherjee Road  
Kolkata 700 001

Dated: The 10<sup>th</sup> August, 2010.

By Order of the Board

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

## 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 conservation through improved operational and in energy generation cost and optimization of energy use.

#### FORM A

##### (A) Power and Fuel Consumption

1. Electricity			Current Year	Previous Year
(a)	Purchased	Units	41,86,232	52,05,826
	Total Amount	Rs.	2,21,09,672	2,67,82,985
	Rate/Unit	Rs.	5.28	5.14
(b)	Own Generation through Diesel Generator	Units	7,03,200	8,05,778
	Total Amount	Rs.	86,91,554	92,50,336
	Cost/Unit	Rs.	12.36	11.48
2. Furnace Oil				
	Quantity	Kilo Ltr.	2,83,634	6,09,574
	Total Amount	Rs.	71,02,194	1,44,42,103

##### (B) Consumption per unit of products:

<u>Silk Fabrics</u>	Mtrs	13,76,458.20	13,29,935.65
Electricity	Rs.	12.10	11.84
Furnace Oil	Rs.	3.54	3.62
Diesel	Rs.	5.83	6.02
<u>Silk Yarn</u>	Kgs.	1,33,659.270	2,43,319.880
Electricity	Rs.	40.82	45.36
Furnace Oil	Rs.	16.64	39.55
Diesel	Rs.	5.02	5.11

## TECHNOLOGY ABSORPTION

### Form B

#### Research & Development

- |   |   |         |    |           |              |   |       |
|---|---|---------|----|-----------|--------------|---|-------|
| 1. Specific areas in which R&D carried out by the Company | R&D activities are focused on development of new fabrics and new designs.   |         |    |           |              |   |       |
| 2. Benefits derived as a result of above R&D              | Some of the benefits are higher product value, lesser fabric maintenance and ultimately higher realization and repeat orders.   |         |    |           |              |   |       |
| 3. Future plan of action                                  | The Company is considering to expand the product range with velvet and poly fabric.   |         |    |           |              |   |       |
| 4. Expenditure on R & D                                   | <table border="0"><tr><td>Capital</td><td>--</td></tr><tr><td>Recurring</td><td>Rs. 86 lakhs</td></tr><tr><td>R&amp;D Expenditure as a percentage of turnover</td><td>0.16%</td></tr></table> | Capital | -- | Recurring | Rs. 86 lakhs | R&D Expenditure as a percentage of turnover | 0.16% |
| Capital   | --  |         |    |           |              |   |       |
| Recurring   | Rs. 86 lakhs  |         |    |           |              |   |       |
| R&D Expenditure as a percentage of turnover               | 0.16%   |         |    |           |              |   |       |

#### Technology Absorption, Adaptation & Innovation

- |  |   |
|--|---|
| 1. Efforts in brief, made towards technology Absorption, adaptation and innovation | Latest softwares have been added in the design studio for faster and better design development. |
| 2. Benefits derived as a result of the above                                       | Have minimized sampling time and sampling cost.   |
| 3. Details of imported technology  | 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.  | The marketing personnel of the Company regularly undertake export promotion tours to communicate with the existing customers and tap prospective buyers. They also participate in International Trade Fairs to display the vast range of the Company's products to procure bulk orders. |                     |     |                      |      |                   |     |        |  |
| (b) <table border="0"><tr><td>i)</td><td>Overseas Travelling</td></tr><tr><td>ii)</td><td>Commission to Agents</td></tr><tr><td>iii)</td><td>Consultation Fees</td></tr><tr><td>iv)</td><td>Others</td></tr></table> | i)  | Overseas Travelling | ii) | Commission to Agents | iii) | Consultation Fees | iv) | Others | The information on foreign exchange earnings and outgo is contained in Schedule 14 item 23 (i) & (j) |
| i)   | Overseas Travelling   |                     |     |                      |      |                   |     |        |  |
| ii)  | Commission to Agents  |                     |     |                      |      |                   |     |        |  |
| iii)   | Consultation Fees   |                     |     |                      |      |                   |     |        |  |
| iv)  | Others  |                     |     |                      |      |                   |     |        |  |

By Order of the Board  
**S.S. SHAH**  
Chairman & Managing Director

Kolkata 700 001  
Dated: the 10<sup>th</sup> August, 2010.



# REPORT ON CORPORATE GOVERNANCE

## COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The Company's compliance with Corporate Governance is a consequence of its firm belief in managing its business with integrity, transparency and accountability. Over the years this has culminated into an ongoing process leading to effective control quality and competitiveness. The outcome of this is enhanced shareholder and stakeholder value.

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a Report on Corporate Governance for the year 2009-10 is given below.

## BOARD OF DIRECTORS

The Board comprises of eight members – two Executive Directors and six Non-Executive Independent Directors. The composition of the Board of Directors and also the number of the Board of Directors or Board Committees of which he is a member / Chairperson are as under.

Name of the 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	3	–	Nil
Shri Sundeep Shah	Promoter, Executive	2	–	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	7	–	Nil
Shri R.S. Rungta	Non-Executive, Independent	1	–	Nil
Shri R.L. Gaggar	Non-Executive, Independent	13	16	Nil
Shri Sunil V.Diwakar (Nominee-IL&FS Investment Managers Ltd.	Non-Executive, Independent	7	7	Nil

During the year under review, Board Meetings were held on 24<sup>th</sup> April 2009, 30<sup>th</sup> July 2009, 8<sup>th</sup> October 2009 and 29<sup>th</sup> January 2010. The attendance of the Directors for the Board Meeting and the last Annual General Meeting (AGM) was as follows:

Name of the Director	Meeting Attended	Whether attended the last AGM
Shri S.S. Shah	4	Yes
Shri Sundeep Shah	4	No
Shri G.D. Harnathka	1	No
Shri H.S. Gopalka	4	Yes
Shri O.P. Agarwal	4	No
Shri R.S. Rungta	4	Yes
Shri R.L. Gaggar	2	Yes
Shri Sunil V. Diwakar	1	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 31<sup>st</sup> March 2010 four Audit Committee meetings were held on 22<sup>nd</sup> April 2009, 28<sup>th</sup> July 2009, 6<sup>th</sup> October 2009 and 27<sup>th</sup> January 2010 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 recommendation 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. Meeting and Attendance**

During the financial year ended 31<sup>st</sup> March 2010 Remuneration Committee Meeting was not held.