

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013**

		(₹ in lacs)
	<u>31st March, 2013</u>	<u>31st March, 2012</u>
	₹	₹
47) Earning Per Shares (EPS)		
Profit/ (Loss) after Tax considered for calculating EPS	(9,535.91)	(9,160.43)
Less : Preference Dividend & Dividend tax shown under contingent liability	130.17	130.17
Weighted average number of Equity Shares of ₹ 2/- each	7,89,52,620	7,89,52,620
Earning Per Share (Basic & Diluted)	(12.24)	(11.77)
48) Earning In Foreign Currency		
Export of goods calculated on F.O.B. (accrual basis)	4,264.53	6,198.02
49) Expenditure in foreign currency		
Overseas Travelling :	22.79	26.43
Commission to Agents	130.10	157.63
No. of Non-Resident Share-Holder-Nil (Previous Year-1)		
No. of Equity Shares held-18,50,000 of Face Value of ₹ 2/-each (Previous Year 2011-12 :- 18,50,000 of Face Value of ₹ 2/-each)		
No. of Redeemable Cumulative Preference Shares held-14,00,000 Of Face Value of ₹ 100/-each(Previous Year 2011-12 :-14,00,000 Of Face Value of ₹ 100/- each)		
Others	89.18	37.99
50) Value of imports calculated on CIF basis:-		
Yarn	171.29	5,472.85
Fabrics	41.77	228.78
Plant & Machinery	-	384.18
51) The previous year figures have been re-arranged and / or regrouped wherever necessary.		

As per our report attached

For and on behalf of the Board

For **B. K. SHROFF & CO.**
Firm Registration No. : 302166E
Chartered Accountants
(L.K.Shroff)
Partner
(Mem.No.60742)

Kolkata
The 29th May, 2013

S. S. Shah
Chairman &
Managing Director

Sundeep Shah
Executive Director

H.S. Gopalka
Director

Deepak Agarwal
Secretary

BOARD OF DIRECTORS

S. S. Shah *Chairman & Managing Director*
Sundeep Shah
G. D. Harnathka
H. S. Gopalka
R. S. Rungta

COMPANY SECRETARY

Deepak Agarwal

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.
ICICI Bank Ltd.
UCO Bank
Union Bank of India

REGISTRARS & SHARE TRANSFER AGENTS

ABS Consultant Pvt. Ltd.
99, Stephen House, 6th Floor
4, B.B.D. Bag (East)
Kolkata - 700 001
Phone : 2243 0153, 2220 1043
email : absconsultant@vsnl.net



NOTICE

The Sixty-seventh Annual General Meeting of Eastern Silk Industries Ltd. will be held on Thursday, the 5th September, 2013 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 statement of Profit & Loss for the year ended 31st March, 2013 and the Balance Sheet as at that date together with the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri R.S. Rungta who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri G.D. Harnathka who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

Registered Office:
19, R. N. Mukherjee Road
Kolkata – 700 001
Dated : The 29th May, 2013

By Order of the Board
Deepak Agarwal
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 23rd August, 2013 to 5th September 2013, both days inclusive on account of Annual General Meeting.
3. Additional information pursuant to Clause 49 of the Listing Agreement with Stock Exchange regarding the Director who is proposed to be reappointed at the Annual General Meeting are provided in the Annexure to this Notice.
4. Pursuant to the amended provisions of Section 205A of the Companies Act, 1956, dividends for the financial year ended 31st March, 2006 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 this year, may approach the Company's Registrars and Share Transfer Agents for obtaining duplicate dividend warrants.
5. Pursuant to sub-division of each Equity share of ₹10/- into five Equity shares of ₹ 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.
6. The Ministry of Corporate Affairs (vide circular nos. 17/2011 and 18/2011 dated April 21 and April 29, 2011 respectively), has undertaken a 'Green Initiative in Corporate Governance' and allowed companies to share documents with its shareholders through an electronic mode. Members are requested to support this green initiative by registering/updating their e-mail addresses, in respect of shares held in dematerialized form with their respective Depository Participants and in respect of shares held in physical form with the Company's Registrars and Share Transfer Agents.



Annexure to Notice dated 29th May, 2013

Details of Director 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 R. S. Rungta
Age	75 years	79 years
Date of Appointment on the Board	24.07.2000	19.07.1986
Qualification	B.Com.	B.Com.
Experience	Extensive knowledge of silk products	Wide experience in managing large and diverse business.
Directorship held in other Public Companies	Nil	D. R. Steel Construction Pvt. Ltd.
Memberships / Chairmanships of Committees of Public Companies	—	—
Shareholding of Non-Executive Directors	Nil	Nil



DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting their sixty-seventh Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2013.

FINANCIAL RESULTS

	(₹ in Lacs)	
	2013	2012
Profit/(Loss) before depreciation and taxation	(9759.52)	932.73
Less/Add: Depreciation	1782.17	2123.45
Profit/(Loss) before taxation	(11541.69)	(1190.72)
Add: Exceptional Items	186.88	(10478.33)
	(11728.57)	(11669.05)
Less/Add: Provision for Earlier Year Taxation	0.37	(113.84)
	(11728.20)	(11555.21)
Less/Add: Deferred Tax Liability	(2193.03)	(2394.78)
Profit/(Loss) after tax	(9535.91)	(9160.43)
Add: Balance brought forward from previous year	1981.36	11141.79
Add: Transferred from General Reserve	5450.00	—
Less: Impairment of Revalued Assets	2588.23	—
Which the Directors have decided to carry forward to the next year	(4692.78)	1981.36

PERFORMANCE REVIEW

The demand for silk fabrics and made-ups tapered down both in Europe market and US market leading to lower sales during the year. To make up for the volume loss in the silk, the Company had to resort to polyester, cotton, viscose and other blended fabric. Although the volumes remain the same but the realization per unit came down considerably which resulted in lower profit margin. The Company's stand alone operation without considering interest and depreciation left small positive cash surplus. The interest in the carry over debts could not be absorbed because of the lower turnover and stiff competition in the market in spite of the management's best efforts.

The conditions stipulated under the CDR mechanism which is to be complied within 31.03.2013, were duly complied and the promoters infused a sum of ₹ 740.00 lakhs as their contribution.

FUTURE OUTLOOK

Going forward unless there is a recovery in the overseas markets for the demand for silk fabrics and garments, the future outlook for the time being looks bleak. However, the management is trying to change the product mix and lot of emphasis is made on new designs and colourways. It is expected that these changes will bring in additional business and also improve the bottom line. Limited success has come in the supplies made in the domestic market and we are expecting it to grow gradually over the years.

DIVIDEND

In view of the accumulated losses the Board of Directors do not recommend any dividend on Equity Shares. The Board of Directors does not also declare dividend on Redeemable Cumulative Preference Shares.



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.

DIRECTORS

Shri G.D Harnathka and Shri R.S Rungta, Directors of the Company retires 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:

- That in preparation of the annual accounts, the applicable accounting standards have been duly followed.
- 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 loss of the Company for the year under review.
- 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.
- That the Directors have prepared the accounts for the financial year ended 31st March, 2013 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 remarks of the Auditors regarding provision for bad and doubtful debts, recognition of Net Deferred Tax Assets have been duly explained in Note No. 37 and 39 to the Accounts respectively.

COST AUDITORS

Pursuant to the directives of the Central Government under the provisions of Section 233 B of the Companies Act, 1956, the Cost account records maintained by your Company are subject to yearly audit by qualified Cost Auditors. Your Company has appointed M/s. N. Radhakrishnan & Co., a firm of Cost Auditors, for conducting the audit of such records for the financial year 2012-13.



PERSONNEL

There was no employee employed during the financial year or a part of the financial year who was in receipt of remuneration for that year or any part of that year at a rate prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

ACKNOWLEDGEMENT

Your Directors wish to convey their appreciation for the co-operation and assistance received from the government, 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 29th May, 2013

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 developed a continuous process of energy conservation through improved operational and maintenance practices.

FORM A

(A) Power and Fuel Consumption

1. Electricity			Current Year	Previous Year
(a)	Purchased	Units	30,83,301	29,81,557
	Total Amount	₹	1,93,89,568	1,80,90,354
	Rate/Unit	₹	6.29	6.07
(b)	Own Generation through Diesel Generator	Units	1,81,481	1,50,550
	Total Amount	₹	27,38,737	20,29,952
	Cost/Unit	₹	15.09	13.48

2. (a)	Briquettes			
	Quantity	Kgs.	9,58,400	12,69,729
	Total Amount	₹	42,36,298	53,50,189
(b)	Fire Wood			
	Quantity	Kgs.	5,37,470	-
	Total Amount	₹	20,93,262	-
	Cost/Unit	₹	3.89	-

(B) Consumption per unit of products:

<u>Silk Fabrics</u>	Mtrs	5,25,779.30	5,15,237.80
Electricity	₹	36.88	35.11
Briquettes	₹	8.06	10.38
Fire wood	₹	3.98	-
Diesel	₹	5.21	3.94



TECHNOLOGY ABSORPTION

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

FORM B

R&D activities are concentrated on development of new fabrics and new designs.

Higher product value, better realization and repeat orders.

Further improvement in quality parameters of finished products.

Capital	₹	Nil
Recurring	₹	59.09 lakhs
R&D Expenditure as a percentage of turnover		0.80%

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

Latest technologies are used to develop value added products with innovative designs.

Minimum wastage and reduced sampling cost.

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.

Participating in the international trade fairs to showcase the Company's new developments and also invite the different Company's selling agents as well as customers to provides a platform of interaction in order to procure orders for the Company's products as well as scout for new customers.

Travelling expenses in respect of such activities are also expensive. Travelling by the sales personnel also brings in orders for the Company's products.

- (b) (i) Overseas Travelling
(ii) Commission to Agents
(iii) Consultation Fees
(iv) Others

The information on foreign exchange earnings and outgo is contained in Note No. 48 & 49 of Notes on Financial Statements.

Kolkata 700 001
Dated : The 29th May 2013

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



REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :

The Company lays emphasis on good corporate practices which will enable the management to conduct the affairs of the Company in a transparent manner and culminate in optimum use of its resources for achieving highest standards of corporate governance.

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a Report on Corporate Governance for the year 2012-13 is given below.

BOARD OF DIRECTORS

The Board comprises of five members – two Executive Directors and three 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	–	–	–
Shri Sundeep Shah	Promoter, Executive	–	–	–
Shri G.D. Harnathka	Non-Executive, Independent	–	–	–
Shri H.S. Gopalka	Non-Executive, Independent	–	–	–
Shri R.S. Rungta	Non-Executive, Independent	1	–	–

During the year under review, Board Meetings were held on 14th May 2012, 01st August 2012, 12th November 2012 and 08th February 2013. 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	Yes
Shri G.D. Harnathka	2	No
Shri H.S. Gopalka	4	Yes
Shri R.S. Rungta	4	Yes

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 of which two are non executive independent Directors namely Shri H.S. Gopalka and Shri R.S. Rungta and one Executive Promoter Director namely Shri Sundeep Shah. All these directors have knowledge of corporate finance, accounts and company law. The Chairman of the Committee is Shri H.S. Gopalka. The Company Secretary acts as the Secretary of the Committee. Besides the Committee members, 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 2013 four Audit Committee meetings were held on 12th May 2012, 31st July 2012, 10th November 2012 and 7th February 2013 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 Shri H.S. Gopalka, Shri R.S. Rungta and Shri G.D. Harnathka. Shri R.S. Rungta acts as the Chairman of the Committee.

III. Meeting and Attendance

During the financial year ended 31st March 2013 no Remuneration Committee Meeting was held.

The details of the remuneration to the directors for the year ended 31st March 2013 are as under:

Name of the Director	Salary	Perquisites	Sitting Fees for Board & Committee Meetings	Total `
Shri S.S. Shah	22,80,000	3,95,400	—	26,75,400
Shri Sundeep Shah	8,75,000	1,50,500	14,000	10,39,500
Shri H.S. Gopalka	—	—	28,000	28,000
Shri R.S. Rungta	—	—	28,000	28,000
Shri G.D. Harnathka	—	—	10,000	10,000

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 Sundeep Shah and Shri Deepak Agarwal. Shri S. S. Shah acts as the Chairman of the Committee.

III. Meeting & Attendance

During the financial year ended 31st March, 2013, eight Share Transfer Committee meetings were held. No sitting fee was paid to any member of the Share Transfer Committee.

**INVESTORS' 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 two non-executive independent directors namely Shri H. S. Gopalka and Shri R. S. Rungta and one Executive Promoter Director namely Shri Sundeep Shah. Shri R.S. Rungta is the Chairman of the Committee.

III. Meeting & Attendance

During the financial year ended 31st March, 2013, 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
22 nd September 2010	3:00 P.M.	Kala Kunj 48 Shakespeare Sarani Kolkata – 700 017.
21 th September 2011	11:00 A.M.	-- DO --
26 th September 2012	11:00 A.M.	-- DO --

ii) Special Resolutions:

One special resolution was passed at the last Annual General Meeting for appointment of the Executive Director.

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 Executive (Finance) 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 English and Regional newspapers in India. The results are also displayed on the Company's website. 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 Seventh Annual General Meeting

Venue	:	Kala Kunj, 48 Shakespeare Sarani, Kolkata – 700 017
Date	:	5 th September 2013
Time	:	11:00 A.M.

ii) Financial Calendar

First quarter results	-	By start of August
Second quarter results	-	By mid November
Third quarter results	-	By mid February
Fourth quarter results	-	By end May

iii) Book Closure

The date of book closure is from 23rd August 2013 to 5th September 2013 (both days inclusive).

iv) Listing on Stock Exchange

NAME OF STOCK EXCHANGE	STOCK CODE
National Stock Exchange of India Ltd.	EASTSILK

Listing fees for the year 2012-2013 has been paid to National Stock Exchange of India Ltd.

V) Stock Market Data

The Company's high and low prices recorded on National Stock Exchange of India Ltd. during the financial year 2012-2013 are given below :

MONTH	HIGH (₹)	LOW (₹)
APRIL 2012	4.25	3.65
MAY 2012	4.00	3.05
JUNE 2012	3.60	3.10
JULY 2012	4.15	3.10
AUGUST 2012	3.50	3.05
SEPTEMBER 2012	3.25	2.80
OCTOBER 2012	3.60	3.00
NOVEMBER 2012	3.45	2.85
DECEMBER 2012	4.60	3.05
JANUARY 2013	3.80	2.85
FEBRUARY 2013	3.10	2.25
MARCH 2013	2.40	1.80


i) Share Holding (as on 31st March, 2013)

The shareholding distribution as at 31st March, 2013 is as follows:

No. of Shares	Number of Share Holders	% To Total Holders	No. of Shares held	% To total Holding
Upto 500	15,559	68.06	34,51,949	4.37
501 - 1000	3,415	14.94	29,83,179	3.78
1001 – 2000	1,708	7.47	27,42,770	3.47
2001 – 3000	707	3.09	18,42,903	2.33
3001 - 4000	288	1.26	10,47,546	1.33
4001 – 5000	336	1.47	16,00,622	2.03
5001 – 10000	424	1.85	31,51,250	3.99
10001 & above	425	1.86	6,21,32,401	78.70
TOTAL	22,862	100.00	7,89,52,620	100.00

The shareholding pattern as at 31st March, 2013 is as follows:

Category	No. Shares	% age of Holding
Promoters	4,04,88,351	51.28
Financial Institutions, Banks, Mutual Fund Etc.	43,91,960	5.57
Non Resident Indians / OCBs / FIIs	4,42,099	0.56
Private Corporate Bodies	89,87,788	11.38
Indian Public	2,46,42,422	31.21
TOTAL	7,89,52,620	100.00

vii) Dematerialization 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 31.03.2013 the dematerialised shares were 7,64,65,684 which represents 96.85% of the total subscribed capital. The equity shares of the Company are regularly traded on the National Stock Exchange.

viii) Share Transfer System

Share transfers in physical 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.