

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

	(₹ in lacs)	
	31st March, 2013	31st March, 2012
	₹	₹
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			Current Year	Previous Year
1.	Electricity			
	(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
	Cost/Unit	₹	4.42	4.21
	(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

FORM B

- | | | | | | | | | | | |
|---|--|-------------|---|-----|-----------|---|-------------|---|--|-------|
| 1. Specific areas in which R&D carried out by the Company | R&D activities are concentrated on development of new fabrics and new designs. | | | | | | | | | |
| 2. Benefits derived as a result of above R&D | Higher product value, better realization and repeat orders. | | | | | | | | | |
| 3. Future plan of action | Further improvement in quality parameters of finished products. | | | | | | | | | |
| 4. Expenditure on R & D | <table border="0"> <tr> <td>Capital</td> <td>₹</td> <td>Nil</td> </tr> <tr> <td>Recurring</td> <td>₹</td> <td>59.09 lakhs</td> </tr> <tr> <td>R&D Expenditure as a percentage of turnover</td> <td></td> <td>0.80%</td> </tr> </table> | Capital | ₹ | Nil | Recurring | ₹ | 59.09 lakhs | R&D Expenditure as a percentage of turnover | | 0.80% |
| 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 | Latest technologies are used to develop value added products with innovative designs. |
| 2. Benefits derived as a result of the above | Minimum wastage and reduced 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. | <p>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.</p> <p>Travelling expenses in respect of such activities are also expensive. Travelling by the sales personnel also brings in orders for the Company's products.</p> |
| (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

- a) 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.
- b) 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.
- c) 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 : 5th 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.



ix) **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.

x) **Plant Location**

- 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

xi) **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@giascl01.vsnl.co.in
Website : www.easternsilk.com

CODE OF PROFESSIONAL CONDUCT

The Company had 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'S DISCUSSION AND ANALYSIS :

Overall Review, Industry Structure and Developments

The Company's main products comprises of the furnishing line mainly catering to sectors like upholsteries, draperies and curtains and this directly corresponds to the activities in the real estate and the household business, and the growth in these sectors are directly proportionate to the GDP growth in both developed countries and developing countries. At this juncture the developed countries are undergoing a serious downturn and GDP growth in such countries is either negative growth or sub 1% and unless the turnaround happens in these markets, the demand for the products manufactured by the Company's units will face stiff resistance in the market. However, the Company's efforts in exploring new markets drawn demand for such products are yielding limited results, but to establish the products in these markets will take some time. There are other challenges as well, like cost of manufacturing is also increasing in India and the cost of inputs for other materials have also gone up tremendously thereby nullifying the advantages of Indian products of lower cost compared to that of other developed nations.

Opportunities and Threats

Moving out of silk products and shifting to the other manmade fabrics and meeting the market demand, it is expected that the sales will pick up in these areas. The competition from the existing players in these segments will have to be overcome by means of accepting lower quantity orders and also service the customers better than the competitors.

Segmentwise Performance

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

Outlook

The Company's efforts and initiatives in the research and development as well as design house is expected to improve the range of products to be introduced in the market as well as exploring possibilities of new methods of manufacturing with lower cost will improve the working margins of the Company.

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

The Company continues to recognize the importance of good human relation in the smooth working of the organization. Upgradation of the skills of the employees is a continuous process pursued by the Company.

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.



AUDITORS' 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, 2013 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, 2013 there were no investors' grievance matter 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
The 29th May, 2013

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



Independent Auditors' Report

To
The Members
Eastern Silk Industries Ltd.

Report on the Financial Statements

We have audited the accompanying financial statements of **Eastern Silk Industries Limited** which comprise the Balance Sheet as at 31st March, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

- a) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2013;
- b) In the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

EMPHASIS OF MATTER

We draw attention to ;

- a) Note no. 36 to the financial statements which states that the losses of the Company for the year and preceding years as per Books of Accounts stand at ₹ 24,489.96 lacs (Previous year ₹ 14,954.05 lacs) as on 31st March, 2013. After adjustment of the losses, the shareholders funds stands at ₹ 12,897.98 lacs (Previous year ₹ 25,232.33 lacs). As stated, the management has a strategic plan for the revival of the Company and is hopeful in improving the financial health of the Company in near future. Accordingly the Financial Statement for the year has been drawn up by the management as per going concern assumption.



- b) Note No. 37 to the financial statement which states that Sundry Debtors of ₹ 24,804.33 lacs (Previous year ₹ 23,536.05 lacs) receivable from overseas buyers towards sale consideration of goods exported, against which the company has filed money suits in the Hon'ble High Court Kolkata, which has been considered good for recovery by the management. We are unable to express any opinion on correctness and/or adequacy of the provision for bad & doubtful debts.
- c) Note No. 39 to the financial statements regarding recognition of Net Deferred Tax Assets (DTA) of ₹ 2,193.03 lacs (Previous year ₹ 2,379.95 lacs) in the accounts based on future profitability projection made by the management. However, we are unable to express any opinion on the projections and their consequential impact, if any, on the recognition of such DTA

Report on Other Legal and Regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003. Issued by the Central Government of India in terms of sub-section (4A) of section 227 of the act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the act, 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.
 - (ii) In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - (iii) The Balance sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (iv) In our opinion, the Balance sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act;
 - (v) On the basis of written representation received from the directors as at 31st March, 2013 and taken on record by the Board of Directors, none of the directors is disqualified as at 31st March, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

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

Place : Kolkata
Date : The 29th May, 2013

**ANNEXURE REFERRED TO IN PARAGRAPH 1 OF REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

- i)
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b. The management has physically verified certain fixed assets during the year in accordance with a programme of verification, which, in our opinion, provides for physical verification of the fixed assets at reasonable intervals having regard to the size of the Company and nature of its assets. According to the information and explanations given to us no material discrepancies were noticed on such verification.
 - c. In our opinion and according to explanations given to us, Fixed Assets disposed off during the year were not substantial and as such the disposal has not affected the going concern concept of the Company.
- ii)
 - a. As explained to us, inventories have been physically verified by the management at regular intervals during the year.
 - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c. In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification as compared to the book records.
- iii) As explained to us and according to the information furnished to us, the Company has neither granted nor taken any loans, (except a sum of ₹ 1,474 lacs-unsecured, interest free, from the promoters) secured or unsecured, to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 and as such clause (iii) of the Order is not applicable.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of inventory, fixed assets and also for the sale of goods. During the course of our audit, we have not observed any major weakness in internal controls.
- v) In respect of transactions entered in the register maintained under Sec. 301 of the Companies Act, 1956:
 - a. To the best of our knowledge and belief and according to the information and explanations given to us, transactions that needed to be entered into the register pursuant to Section 301 of the Companies Act, 1956 have been so entered.
 - b. In our opinion and according to the information and explanations given to us, the transactions in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to ₹ 5 lacs or more in respect of any party have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) The Company has not accepted any deposits from the public and as such clause (vi) of the Order is not applicable.
- vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business and needs to be further strengthened.
- viii) We have broadly reviewed the books of account and records maintained by the Company relating to 'Textiles' pursuant to Sec. 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of these records.



- ix) According to the information and explanations given to us in respect of the statutory dues:
- The Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor's Education and Protection Fund, Employees' State Insurance, Income Tax, Wealth Tax, Sales Tax, Customs Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities during the year. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2013 for a period of more than six months from the date they became payable.
 - According to the information and explanations given to us, details of dues of Customs Duty/ Excise Duty/Income Tax & Sales Tax which have not been deposited on account of any dispute are as follows :

Name of the Statute	Name of the Dues	Amount (₹ in lacs)	Period to which the amount relate	Forum where dispute is pending
Central Excise Act	Excise Duty and Penalty	26.72	2002-03	Deputy Commissioner, Central Excise
Employees State Insurance Act	Employees State Insurance	6.03	1995-96 & 2002-03	Asst. Director, ESIC
Custom Duty Act	Custom Duty	109.77	2001-02	Hon'ble High Court of Kamatka
Customs Duty Act	Custom Duty	148.50	2005-06	Commissioner of Custom (Port), Kolkata
Customs Duty Act	Custom Duty	78.92	2003-04	CESTAT, Bangalore
Customs Duty Act	Custom Duty	28.70	2003-04	Commissioner of Custom
Customs Duty Act	Custom Duty	44.07	2002-03	Commissioner of Custom
Income Tax Act	Income Tax	2.31	2004-05	I.T.A.T (Kolkata)
Income Tax Act	Income Tax	71.51	2010-11	I.T.A.T (Kolkata)

- The Company has accumulated losses at the end of financial year and has also incurred cash losses during the financial year covered by our audit. The company has also incurred cash losses in the previous financial year.
- In our opinion and according to the information & explanations given to us, the Company has not defaulted in repayment of term loan installment & Interest to Banks and/or to Financial Institutions.
- In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- The Company is not a Chit Fund or a Nidhi / Mutual Benefit Fund/Society and as such reporting under clause (xiii) of the Order is not applicable to the Company.
- Based on our examination of the records and according to the information and explanations given to us, Company is not dealing or trading in shares, securities, debentures and other investments. We also report that the Company has held the shares, securities, debentures and other investments in its own name.
- According to the information and explanations given to us, the Company has given a corporate guarantee to a bank for an Associate Company for ₹ 650.00 Lacs for availing loan from bank by the said Company, the terms of conditions of which are not prima facie prejudicial to the interest of the Company.



- The company has not obtained any fresh term loans during the year under review. Accordingly, the provisions of clause (xvi) of the Order are not applicable to the company.
- According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that prima facie funds raised on short-term basis have been not used for long-term investments.
- The Company has not made preferential allotment of shares during the year to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- The Company has not issued any debentures during the year.
- The Company has not raised any money by public issue during the year.
- To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the course of our audit.

23A, Netaji Subhas Road,
Kolkata
The 29th May, 2013

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

**BALANCE SHEET**
AS AT 31ST MARCH, 2013

	Note No.	31st March, 2013 ₹	(₹ in lacs) 31st March, 2012 ₹
I. EQUITY AND LIABILITIES			
Shareholder's Funds			
Share Capital	2	2,979.05	2,979.05
Reserves and Surplus	3	9,918.93	22,253.28
Non-Current Liabilities			
Long-term borrowings	4	41,685.97	38,923.76
Long-term provisions	6	32.35	12.00
Current Liabilities			
Short-term borrowings	7	5,525.05	5,426.98
Trade payables	8	895.32	289.45
Other current liabilities	9	800.92	475.34
Short-term provisions	10	111.02	85.31
		<u>61,948.61</u>	<u>70,445.17</u>
II. ASSETS			
Non-current assets			
Fixed assets	11		
(i) Tangible assets		13,223.42	18,869.84
(ii) Capital work-in-progress		350.83	199.87
Non-current investments	12	0.39	0.39
Deferred Tax Asset	5	4,572.98	2,379.95
Long term loans and advances	13	83.25	78.72
Current assets			
Current Investments	14	326.01	—
Inventories	15	10,281.93	17,886.16
Trade receivables	16	31,128.23	27,971.13
Cash and cash equivalents	17	1,341.12	2,443.27
Short-term loans and advances	18	640.45	615.84
		<u>61,948.61</u>	<u>70,445.17</u>
Significant Accounting Policy	1		
The Notes are an integral part of financial statements.			

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

**STATEMENT OF PROFIT & LOSS**
FOR THE YEAR ENDED 31ST MARCH, 2013

	Note No.	31st March, 2013 ₹	(₹ in lacs) 31st March, 2012 ₹
Revenue from operations	19	7,586.10	9,440.12
Other Income	20	1,999.06	4,004.78
Total Revenue		<u>9,585.16</u>	<u>13,444.90</u>
Cost of materials consumed	21	928.96	1,910.99
Purchase of Stock-in-Trade	22	1,834.03	8,462.76
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	23	7,761.41	(4,904.85)
Employee benefit expenses	24	447.48	225.29
Finance cost	25	4,598.45	4,197.12
Depreciation and amortization expense	26	1,782.17	2,123.45
Other expenses	27	3,774.35	2,620.86
Total Expenses		<u>21,126.85</u>	<u>14,635.62</u>
Profit / (Loss) before exceptional items and tax		<u>(11,541.69)</u>	<u>(1,190.72)</u>
Exceptional Items	35	(186.88)	(10,478.33)
Profit / (Loss) before tax		<u>(11,728.57)</u>	<u>(11,669.05)</u>
Tax expense:			
Deferred tax		(2,193.03)	(2,394.78)
Earlier Year Taxation		0.37	(113.84)
Profit/(Loss) for the year		<u>(9,535.91)</u>	<u>(9,160.43)</u>
Earning per equity share:			
Basic & Diluted		-12.24	-11.77
Significant Accounting Policy	1		
The Notes are an integral part of financial statements.			

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

**CASH FLOW STATEMENT**

for the Year Ended 31st March, 2013

	(₹ in lacs)	
	31st March, 2013	31st March, 2012
	₹	₹
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit / (Loss) Before Tax and Exceptional Items	(11,541.69)	(1,190.72)
Add : Adjustments for :		
Depreciation	1,782.17	2,123.45
Impairment	1,205.21	-
Interest	4,598.45	4,197.12
Irrecoverable Balance Written Off	9.19	-
Loss on Sale of Fixed Assets	1.42	2.56
Less : Adjustments for :		
Interest & Dividend Received	201.06	140.25
Unrealised Foreign Exchange(Net)	1,637.80	3,483.37
Profit on Sale of Fixed Assets	0.30	4.49
Profit on Sale of Investments	12.87	-
Provision for Doubtful Debts written back	17.21	40.82
Sundry Balances Adjusted	43.08	16.24
Operating Profit Before Working Capital Changes	<u>(5,857.57)</u>	<u>1,447.24</u>
(Increase) / Decrease in Inventories	7,604.23	4,065.57
(Increase) / Decrease in Trade Receivables	(1,502.10)	(9,662.37)
(Increase) / Decrease in Long Term Loans & Advances	(13.72)	(19.07)
(Increase) / Decrease in Short Term Loans & Advances	(34.10)	5,886.33
(Increase) / Decrease in Trade Payables	648.94	(5,163.75)
(Increase) / Decrease in Other Liabilities	325.61	(620.74)
(Increase) / Decrease in Long Term Provisions	20.34	(5.35)
(Increase) / Decrease in Short Term Provisions	25.71	77.56
Cash Generated From Operations	<u>1,217.35</u>	<u>(3,994.57)</u>
Increase paid on Working Capital	584.69	596.70
Taxes paid	(9.12)	(109.54)
Cash Flow From Operation before Exceptional Item	<u>641.77</u>	<u>(4,481.74)</u>
Exceptional Item	186.88	(10,478.33)
Net Cash Flow From Operating Activities	<u>454.89</u>	<u>(14,960.07)</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Add : Inflows		
Sale of Fixed Assets	1.79	46.89
Sale of Investments	442.88	-
Interest Received	201.04	140.23
Dividend Received	0.02	0.02
Less : Outflows		
Purchase of Fixed Assets	293.27	261.34
Purchase of Investment	756.01	-
Net Cash Used In Investing Activities	<u>(403.55)</u>	<u>(74.20)</u>

**CASH FLOW STATEMENT**

for the Year Ended 31st March, 2013

	(₹ in lacs)	
	31st March, 2013	31st March, 2012
	₹	₹
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Increase / (Decrease) in Short Term Borrowings	98.07	(15,231.26)
Increase / (Decrease) in Long Term Borrowings	2,762.20	33,548.81
Less :		
Interest Paid on Term loan, WCTL, FITL & others	4,013.76	3,600.42
Net Cash Used In Financing Activities	<u>(1,153.49)</u>	<u>14,717.13</u>
Net Changes In Cash & Cash Equivalents (A+B+C)	<u>(1,102.15)</u>	<u>(317.13)</u>
* Cash & Cash Equivalents - Opening Balance	2,443.27	2,760.40
* Cash & Cash Equivalents - Closing Balance	<u>1,341.12</u>	<u>2,443.27</u>
* Represents Cash & Bank Balances as indicated in Note No. 17		

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

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

1. SIGNIFICANT ACCOUNTING POLICIES

i) **Basis of Accounting :**

The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

ii) **Use of Estimates :**

The preparation of financial statements requires estimates and assumptions to be made based on the current working that affect the reported amount of assets and liabilities (including contingent liabilities) on the date of financial statements and the reported amount of revenues and expenses for the reporting period. Difference between the actual and the estimates, if any, are accounted for in the period in which such differences are known/materialized.

iii) **Fixed Assets :**

Fixed assets are stated at its purchase price including direct expenses, finance cost till it is put to use net of recoverable taxes. If the fixed assets are revalued then they are stated at revalued amount. Accumulated depreciation, impairment loss, if any, is reduced from the fixed assets and shown under the net asset value on the reporting date. The cost including additions, improvements, renewals, revalued amount and accumulated depreciation of assets which are sold and/or discarded and/or impaired, are removed from the fixed assets and any profit or loss resulting there from is included in the Statement of Profit & Loss and the residual value of the revalued amount is withdrawn from such reserves created for the purpose.

iv) **Leased Assets :**

Leased assets are stated at premium paid on such assets. Rentals, if any, are expensed with reference to the lease terms and other conditions. No amortization of the lease premium in respect of Land is done in cases where conditions are stipulated for conversion from leasehold to freehold.

v) **Depreciation and Amortization :**

Depreciation is provided on Written Down Value method except for Unit 1 & Unit 3 which are provided on Straight Line Method at the rates prescribed in Schedule XIV of the Companies Act, 1956. Depreciation of the assets added / disposed off / impaired during the year is provided on pro-rata basis.

Depreciation on revalued assets is provided on Straight Line Method over the residual life of the respective assets. The charge for depreciation on account of revaluation is withdrawn from capital reserve.

Wherever amortization charges are required to be provided, the same is done over the useful life of the underlying assets based on technical evaluation.

vi) **Impairment of Assets :**

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value being higher of value in use and net selling price. Value in use is computed at net present value of cash flow expected over the balance useful life of the assets. An impairment loss is recognized as an expense in the Statement of Profit & Loss in the year in which an asset is identified as impaired. In case of impaired revalued assets, the impaired loss on the residual value is withdrawn from such reserves created for the purpose. The impairment loss recognized in earlier accounting period is reversed if there has been an improvement in recoverable amount.

vii) **Capital Work-in-Progress :**

Capital work-in-progress is stated at cost which includes expenses incurred during the construction period, interest on account of borrowed money for acquisition of assets and other expenses incurred in connection with project implementation so far as such expenses related to the assets prior to the commencement of the commercial production.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013viii) **Foreign Currency Transactions :**

- a) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of transaction.
- b) Year end balance of assets and liabilities receivables / payables in foreign currency is translated at the year end rates.
- c) The difference arising out of the actual settlement on realization / payment are dealt with in the Statement of Profit & Loss under Exchange Rate Difference arising on such transactions.
- d) The Company uses foreign currency forward contract and currency options to hedge its risks associated with foreign currency fluctuation relating to certain firm commitments and forecasted transactions. The Company designates this hedging instruments as cash flow hedges applying the recognition and measurement principles set out in the Accounting Standard 30 'Financial Instruments: Recognition and Measurement' (AS-30). Profit/loss over and above the hedged/forecasted amounts are accounted for in the Statement of Profit & Loss in the year of maturity.

ix) **Investments :**

Investments wherever readily realizable and intended to be held not more than one year from the date of such investments are made, are qualified as current investments. Current investments are carried at lower of cost and quoted/fair value, computed category-wise.

Long-term investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary.

x) **Inventories:**

Items of inventories such as raw materials and Stock-in-Trade, Finished Goods are measured at lower of cost or net realizable value after providing for obsolescence if any. Work-in-progress is valued at estimated cost and stocks & spare parts, dyes & chemicals, packing materials etc. are valued at cost.

Cost of inventories comprises of cost of purchase, cost of conversion and other costs including manufacturing overheads incurred in bringing them in their present condition. Cost of raw materials, stock in process, stock in trade and finished goods are determined on average cost basis.

xi) **Revenue Recognition :**

Revenue is recognized only when it can be definitely measured and it is reasonable to expect final collection. Revenue from operations includes sale of goods after adjustment of discounts (net) and return of goods. Export benefit entitlement to the Company under Drawback, DEPB, DFIA is recognized in the year of export on accrual basis wherever it is ascertainable with reasonable accuracy.

Dividend income is recognized on actual receipt basis.

Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable.

xii) **Employee Benefits :**a) **Short-term Employee Benefits**

Short-term Employee Benefits (i.e. benefits payable within one year) are recognized in the period in which employee services are rendered.

b) **Post employment Benefits**1) **Defined Contribution Plans**

Contributions towards provident funds are recognized as expense. Provident fund contributions in respect of certain employees are made to Trust administered by the Company, the interest rate payable to the members of the Trust is not lower than the rate of interest declared annually by the Central Government under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall if any, is made good by the Company. The remaining provident fund contributions are made to government administered provident fund towards which the Company has no further obligations beyond its monthly contributions.



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

2) **Defined Benefit Plans**

Liability towards gratuity, covering eligible employees is provided and funded through LIC managed Group Gratuity Policy on the basis of year end actuarial valuation.

Accrued liability towards Leave encashment benefits, covering eligible employees, evaluated on the basis of year-end actuarial valuation is recognized as a charge.

Contribution to Central Government administered Employees' State Insurance Scheme for eligible employees are recognized as charge.

Actuarial gains/losses arising in Defined Benefit Plans are recognized immediately in the Statement of Profit and Loss as income/expense for the year in which they occur.

xiii) Borrowing Cost :

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred. Capitalization of borrowing costs ceases when the qualifying asset is ready for intended use.

xiv) Deferred Taxation :

Deferred Taxation is provided using the liability method in respect of taxation effect arising from material timing difference between the accounting and tax treatment of Income & Expenditure based on tax rates prevailing at the time of Balance Sheet date. Deferred Taxation so provided is reviewed at each Balance Sheet date for necessary adjustments.

xv) Earning per Share :

Basic earning per share is calculated by dividing the Net Profit for the year attributable to equity shareholders (after deducting the dividend on redeemable preference share) by the weighted average number of equity shares outstanding during the year.

Diluted earning per share is calculated by dividing the Net profit attributable to equity shareholders (after deducting the dividend on redeemable preference share) by weighted average number of equity shares outstanding during the year after adjusting for the effects of dilutive options.

xvi) Events occurring after Balance Sheet Date :

Events occurring after the balance sheet date have been considered in the preparation of financial statements.

xvii) Contingent Liabilities :

Unprovided liabilities of contingent nature are disclosed in the accounts by way of notes giving nature and quantum of such liabilities.

xviii) Research & Development Expenditure :

- a) Capital Expenditure is included in Fixed Assets & Capital Work-in-Progress and depreciation is provided at the respective applicable rates.
- b) Revenue Expenditure is charged in the year in which they are incurred.

xix) Cash Flow Statement :

The Company adopts the Indirect Method in preparation of Cash Flow Statement. For the purpose of Cash Flow Statement Cash & Cash equivalents consists of Cash on Hand, Cash at Bank.



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

(₹ in lacs)

31st March, 2013
₹

31st March, 2012
₹

Note 2 : Share Capital

15,00,00,000 (15,00,00,000)	Authorised Equity Shares of ₹ 2/- each	3,000.00		3,000.00	
20,00,000 (20,00,000)	8 % Redeemable Cumulative Preference Shares of ₹ 100/- each	2,000.00	5,000.00	2,000.00	5,000.00
7,91,10,120 (7,91,10,120)	Issued Equity Shares of ₹ 2/- each	1,582.20		1,582.20	
14,00,000 (14,00,000)	8 % Redeemable Cumulative Preference Shares of ₹ 100/- each	1,400.00	2,982.20	1,400.00	2,982.20
7,89,52,620 (7,89,52,620)	Subscribed & Paid Up Equity Shares of ₹ 2/- each	1,579.05		1,579.05	
14,00,000 (14,00,000)	8 % Redeemable Cumulative Preference Shares of ₹ 100/- each	1,400.00	2,979.05	1,400.00	2,979.05
			2,979.05		2,979.05

- a) There is no change/movement in number of shares outstanding at the beginning and at the end of the reporting period.
- b) The Company has two class of issued shares i.e. Equity Shares of ₹ 2/- each and Redeemable Cumulative Preference Shares of ₹ 100/- each. Every Equity Share is entitled to one vote and equal right for dividend after payment of preference dividend to preference share holders. The dividend proposed by the Board of Directors is subject to approval of shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the share holders are eligible to receive the remaining assets of the Company after payment of all preferential amounts in proportion to their shareholding.
- c) The Company does not have any Holding Company.

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

	31st March, 2013		31st March, 2012	
Note 2 :- Share Capital (Contd.)				
d) Details of shareholders holding more than 5% shares in the Company.				
Equity Shares of ₹ 2/- each fully paid	No. of Shares	% of Holding	No. of Shares	% of Holding
Shri Shyam Sundar Shah	71,39,205	9.04	52,89,205	6.70
Smt. G.D. Shah	53,24,170	6.74	53,24,170	6.74
Gemini Overseas Ltd.	76,69,580	9.71	76,69,580	9.71
Tarun Fabrics Ltd.	95,75,500	12.13	95,75,500	12.13
ILFS Trust Co. Ltd A/c-ILFS P.Ed. Trust	-	-	39,70,793	5.03

- e) No Equity Shares have been reserved for issue under options and contracts/commitments for the sale of shares/disinvestment as at the Balance Sheet date.
- f) No shares have been allotted or has been bought back by the Company during the 5 years preceeding the date at which Balance Sheet is prepared.
- g) No securities convertible into Equity/Preference shares issued by the Company during the year.
- h) No calls are unpaid by any Director or Officer of the Company during the year.
- i) During 1995-96 the company offered 1,18,13,725 Equity Shares of ₹ 2/- each to the existing Shareholders in the ratio of 1 share for every 2 shares held, at a premium of ₹ 6/- per share as per letter of offer dated 21st December, 1995. Out of the above shares, allotment of 6,000 Equity Shares are kept in abeyance under Court Order.
- j) 6,00,000 Redeemable Cumulative Preference Shares were allotted by the Company on 21.01.2004, 2,00,000 Redeemable Cumulative Preference Shares were allotted by Erstwhile Eastern Jingying Ltd. on 09.02.2004 & 6,00,000 Redeemable Cumulative Preference Shares were allotted by Erstwhile Stella Silks Ltd. on 26.03.2005. All the Preference Shares are carrying dividend at the rate of 8%. The date of redemption of all the preference shares which were due for redemption on 25th March, 2010 and 1st April, 2010 have now been extended upto 1st April, 2020 with the consent of all the preference shareholders. Hence, the earliest date of redemption is 1st April, 2020. However as per C.D.R. approval the redemption of the preference shares can only be made after the entire dues of Banks & Institutions are repaid.

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

	31st March, 2013	(₹ in lacs) 31st March, 2012
	₹	₹
Note 3 :- Reserves & Surplus		
Capital Reserve		
Opening Balance	593.17	740.90
Less : Depreciation on Revalued Assets	99.05	147.73
Less : Impairment of Revalued Assets	111.16	-
Closing Balance	<u>382.96</u>	<u>593.17</u>
Capital Redemption Reserve		
Opening Balance	1,400.00	1,400.00
Closing Balance	<u>1,400.00</u>	<u>1,400.00</u>
Securities Premium Account		
Opening Balance	11,428.75	11,428.75
Closing Balance	<u>11,428.75</u>	<u>11,428.75</u>
Preference Share Redemption Reserve		
Opening Balance	1,400.00	1,400.00
Closing Balance	<u>1,400.00</u>	<u>1,400.00</u>
General Reserve		
Opening Balance	5,450.00	5,450.00
Less : Transferred to Surplus	5,450.00	-
Closing Balance	<u>-</u>	<u>5,450.00</u>
Surplus		
Opening Balance	1,981.36	11,141.79
Add : Transferred from General Reserve	5,450.00	-
Less : Impairment of Revalued Assets	2,588.23	-
Less : Net Loss For The Year	9,535.91	9,160.43
Closing Balance	<u>(4,692.78)</u>	<u>1,981.36</u>
	<u>9,918.93</u>	<u>22,253.28</u>
Note 4 :- Long Term Borrowings		
Secured		
Term Loan	5,341.59	5,341.48
Working Capital Term Loan	29,600.57	29,429.38
Funded Interest Term Loan	5,245.08	3,393.49
Vehicle Loan	-	0.68
Unsecured		
Loans From Promoters		
Smt Ginia Devi Shah	367.00	367.00
Shri Shyam Sundar Shah-Chairman & M.D.	367.00	367.00
Loans From Related Parties		
Ethics Commercials Ltd.	350.00	-
P.K. Textiles Ltd.	390.00	-
Loan From Others	24.73	24.73
	<u>41,685.97</u>	<u>38,923.76</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013**Note 4 :- Long Term Borrowings (Contd.)****Nature of Security****Term Loan**

- Pari passu first charge over entire movable fixed assets excluding assets charged to other lenders.
- Pari passu second charge over the company's entire current assets excluding assets charged to other lenders.
- Equitable Mortgage of the Company's Property No. 84 in 54 No. 39 measuring to an extent of 4 Acres 34 guntas situated at Kammasandra, Agrahara, Village- Kasaba Hobli, Anekal Taluk, Bangalore Dist together with all buildings & structures thereon and all plant & machinery attached to the earth; both present & future.
- Equitable mortgage of the company's property on Plot No: 209 in Bommasandra Industrial Area, Anekal Taluk, Hosur Road, Bangalore, admeasuring 10896 sq.mtrs together with all buildings & structures thereon.
- Personal guarantee of Shri S.S.Shah and Sri Sundeep Shah.

Working Capital Term Loan

- Secured against first pari-passu charge on all Assets, excluding assets exclusively charged to respective lenders.
- Equitable Mortgage of the Company's Property at Plot No. 11A of Nanjangud Industrial area situated in Sy.No. 184, 185 and 169 of Kallahally Village, Chikkaiahna, Chatra, Hobli, Nanjangud Taluk, Mysore District containing by admeasurement 58686.00 sq. mtrs.
- Second charge on the Company's property at 411, Telugarahalli Road, Anekal, Bangalore-562106
- Second charge on the Company's property at Kammasandra Agrahara Kasaba Hobli, Anekal, Bangalore-562106.
- Second Charge on the company's Plot No: 209 in Bommasandra Industrial Area, Anekal Taluk, Hosur Road, Bangalore, admeasuring 10896 sq.mtrs together with all buildings & structures thereon.
- Personal guarantee of Shri S.S.Shah and Sri Sundeep Shah.

Vehicle Loan

Secured against hypothecation of Vehicles.

Loan from Related Parties

Promoters Contribution as per C.D.R. Scheme (free of interest) to remain subordinate to the Banks Loan.

There has been no default of any repayment of principal amount and interest due to Banks and Financial Institutions during the year.

Bank	Term Loan		WCTL		FITL	
	31.3.2013	31.3.2012	31.3.2013	31.3.2012	31.3.2013	31.3.2012
	₹	₹	₹	₹	₹	₹
Allahabad Bank	-	-	7,398.00	7,403.98	962.35	567.64
Canara Bank	-	-	2,243.12	2,155.00	333.06	216.58
Exim Bank	2,984.60	2,984.60	-	-	493.81	329.21
ICICI Bank	-	-	787.68	787.68	118.48	78.98
SIDBI	-	-	770.00	770.00	119.00	77.21
State Bank of Hyderabad	-	-	1,130.16	1,128.26	179.70	105.03
State Bank of India	2,356.88	2,356.88	6,399.00	6,406.61	1,362.97	899.17
State Bank of Mysore	-	-	3,157.37	3,184.67	487.64	307.88
The Federal Bank Ltd	-	-	2,973.00	2,850.93	459.00	327.71
UCO Bank	-	-	2,769.00	2,769.00	427.00	276.90
Union Bank of India	-	-	1,973.24	1,973.25	302.07	207.19
	5341.59	5341.48	29,600.57	29,429.38	5,245.08	3,393.49
Terms of Payment						
Year						
2015	133.54	133.54	740.01	735.73	131.13	84.84
2016	400.62	400.61	2220.04	2,207.20	393.38	254.51
2017	667.70	667.69	3700.07	3,678.67	655.63	424.19
2018	667.70	667.69	3700.07	3,678.67	655.63	424.19
2019	1068.32	1068.30	5920.11	5,885.88	1049.02	678.70
2020	1068.32	1068.30	5920.11	5,885.88	1049.02	678.70
2021	1335.40	1335.37	7400.14	7,357.35	1311.27	848.37
	5341.59	5341.48	29,600.57	29,429.38	5,245.08	3,393.49

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

	31st March, 2013	(₹ in Lacs) 31st March, 2012
	₹	₹
Note 5:-Deferred Tax (Liability)/Asset :		
Deferred Tax (Liability) / Asset :		
As per Last Balance Sheet	2,379.95	(14.83)
On account of depreciation on Fixed Assets	20.60	(53.74)
Deferred Tax Asset :		
On account of timing differences in recognition of expenditure	591.75	1,060.33
On Account of unabsorbed losses under I.T. Act 1961	1,580.68	1,388.19
Net Deferred Tax (Liability)/ Asset	4,572.98	2,379.95
Note 6:- Long Term Provisions		
Provisions for Employees Benefit		
Leave Encashment	32.35	12.00
	32.35	12.00
Note 7 :- Short Term Borrowings		
Secured Loan*		
Loans repayable on demand	5,522.23	5,418.92
(Cash Credit/Packing Credit/Foreign Bills Payable/Letter of Credit)		
Vehicles Loan	2.82	8.06
(Secured against hypothecation of Vehicles)		
	5,525.05	5,426.98
*Nature of Security		
Working Capital		
i) Hypothecation of entire current assets including book debts of the company on first charge basis ranking pari passu with Bankers without any preference or priority of one over the other.		
ii) Hypothecation of realizable non-current assets of the company on first charge basis ranking pari passu		
iii) Hypothecation of all tangible, moveable plant & machineries, equipment, etc. located at the Company's unit at Anekal Unit I & II on second charge basis ranking pari passu.		
iv) Exclusive pari passu charge on specific plant and machinery installed at Anekal unit, Karnataka created out of sale proceeds of the Company's Noida unit.		
v) Second Charge on the company's Plot No: 209 in Bommasandra Industrial Area, Anekal Taluk, Hosur Road, Bangalore, admeasuring 10896 sq.mtrs together with all buildings & structures thereon.		
vi) Personal Guarantee of Shri S.S.Shah and Sri Sundeep Shah		
There has been no default of any repayment of any principal amount and interest due to Banks and Financial Institutions during the year.		

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013**Note 8 :- Trade Payables**

Sundry Creditors for Goods & Services*

	31st March, 2013 ₹	(₹ in Lacs) 31st March, 2012 ₹
Sundry Creditors for Goods & Services*	895.32	289.45
	<u>895.32</u>	<u>289.45</u>

* For dues to Micro, Small & Medium enterprises refer note no. 40

Note 9 :-Other Current LiabilitiesAdvance from customers
Unclaimed Dividend
Statutory Dues
Others

	30.83	39.13
Advance from customers	30.83	39.13
Unclaimed Dividend	34.73	36.93
Statutory Dues	18.62	22.65
Others	716.74	376.63
	<u>800.92</u>	<u>475.34</u>

Note 10 :- Short Term ProvisionsProvision for employee benefits
Salary and Reimbursement
Contribution to P.F. & ESIC
Leave Encashment

	100.53	79.14
Provision for employee benefits	100.53	79.14
Salary and Reimbursement	6.31	5.07
Contribution to P.F. & ESIC	4.18	1.10
Leave Encashment	111.02	85.31
	<u>111.02</u>	<u>85.31</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013**Note 11:- Fixed Assets**

Particulars	Land Leasehold (a)	Freehold	Building	Plant & Machinery	Electric Installations	Office Equipment & Furniture	Vehicles	Total	Capital Work In Progress	Total	TANGIBLE ASSETS	
											₹	₹
Cost or valuation At 1st April 2011	239.51	139.27	3,107.07	29,609.03	791.10	410.97	172.63	34,469.58	556.31	35,025.89		
Additions	-	-	120.16	437.43	12.32	33.04	14.82	617.77	235.45	835.22		
Other Adjustment (Borrowing Cost)	-	-	-	-	-	-	-	-	-	-		
Sales/Deductions	-	-	-	36.22	-	2.21	78.76	117.19	591.89	709.08		
At 31st March 2012	239.51	139.27	3,227.23	30,010.24	803.42	441.80	108.69	34,970.16	199.87	35,170.03		
Additions	-	-	-	50.09	-	67.70	24.53	142.32	161.70	304.02		
Other Adjustment (Borrowing Cost)	-	-	-	-	-	-	-	-	-	-		
Sales/Deductions	-	-	-	-	-	11.38	4.53	15.91	10.74	26.65		
At 31st March 2013	239.51	139.27	3,227.23	30,060.33	803.42	498.12	128.69	35,096.57	350.83	35,447.40		
Depreciation												
At 1st April 2011	-	-	1,112.84	12,104.45	355.54	224.34	104.18	13,901.35	-	13,901.35		
Charges for the year	-	-	133.73	2,039.82	39.25	42.59	15.79	2,271.18	-	2,271.18		
Disposals	-	-	-	11.15	-	0.51	60.55	72.21	-	72.21		
At 31st March 2012	-	-	1,246.57	14,133.12	394.79	266.42	59.42	16,100.32	-	16,100.32		
Charges for the year	-	-	120.48	1,664.79	32.49	47.35	16.11	1,881.22	-	1,881.22		
Impairment for the year	-	-	-	3,791.66	104.64	8.30	-	3,904.60	-	3,904.60		
Disposals	-	-	-	-	-	9.23	3.76	12.99	-	12.99		
At 31st March 2013	-	-	1,367.05	19,589.57	531.92	312.84	71.77	21,873.15	-	21,873.15		
NET BLOCK												
At 31st March 2012	239.51	139.27	1,980.66	15,877.12	408.63	175.38	49.27	18,869.84	199.87	19,069.71		
At 31st March 2013	239.51	139.27	1,860.18	10,470.76	271.50	185.28	56.92	13,223.42	350.83	13,574.25		

(a) Depreciation includes depreciation on Revalued Asset amounting to ₹ 99.05 lacs (Previous Year ₹ 147.73 lacs).

(b) Impairment includes ₹ 2,699.39. lacs in respect of revalued assets of Nanjangud Unit.

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

	31st March, 2013 ₹	(₹ in Lacs) 31st March, 2012 ₹
Note 12:- Non-Current Investments		
Other Investments		
Equity Instruments		
Other than Trade-Quoted		
Tata Consultancy Services Ltd.	0.14	0.14
64(Previous year 64)Equity Shares of ₹ 1/- each fully paid up		
Other than Trade-Unquoted		
India Exposition Mart Ltd.	0.25	0.25
2570 (Previous Year 2570) Equity Shares of ₹ 10/- each fully paid up		
	<u>0.39</u>	<u>0.39</u>
Aggregate amount of quoted investments.	0.14	0.14
Market value of Tata Consultancy Services Ltd. is ₹ 1.01 lacs(Previous Year ₹ 0.75 lacs)		
Note 13 :- Long Term Loans & Advances		
Secured,Considered Good		
Security deposits	78.49	75.02
Unsecured,Considered Good		
Others	4.76	3.70
	<u>83.25</u>	<u>78.72</u>
Note 14 :- Current Inventories		
Other than Trade-Unquoted		
Mutual funds		
2,04,202.487 HDFC Cash Management Fund-Treasury Advantage Plan-Retail-Growth	50.00	-
1,47,863.984 HDFC Cash Management Fund-Treasury Advantage Plan-Wholesale-Growth	36.01	-
32,951.060 Birla Sun Life Cash Manager - Growth-Regular Plan	90.00	-
59,608.724 ICICI Prudential Floating Rate-Regular Plan- Growth	100.00	-
3,238.416 Reliance Money Manager Fund-Growth Plan Growth Option	50.00	-
	<u>326.01</u>	<u>-</u>
Note 15 :- Inventories*		
Raw Materials and components	2,167.43	4,077.41
Work-in-progress	1,575.73	4,778.30
Finished goods	6,426.46	8,928.81
Stores and spares & Others	112.31	101.64
	<u>10,281.93</u>	<u>17,886.16</u>

* For Mode of valuation refer to Accounting Policy No. 1(x)

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

	31st March, 2013 ₹	(₹ in Lacs) 31st March, 2012 ₹
Note 16:-Trade Receivables		
Unsecured and Considered Good		
Over Six Months	28,763.88	26,046.87
Others	2,364.35	1,924.26
Unsecured and Considered Doubtful		
Over Six Months	1,667.46	1,684.67
Less: Provision for doubtful debts	1,667.46	1,684.67
	<u>31,128.23</u>	<u>27,971.13</u>
Note 17:- Cash & Cash Equivalents		
Cash Balance		
Cash on hand	14.06	1.53
Balance with banks		
Earmarked Balance	34.73	36.93
F.D. as Margin money*	797.38	1,222.65
Current Account	484.49	908.19
	<u>1,316.60</u>	<u>2,167.77</u>
Foreign Currency Account	10.46	273.97
	<u>1,341.12</u>	<u>2,443.27</u>
* F.D.'s Due for Maturity within 12 months	261.68	1,052.21
Note 18:-Short Term Loans & Advances		
Secured,Considered Good		
Others	37.48	56.34
Unsecured Considered Good		
Others	553.48	500.52
Advance Income Tax & Other taxes.	49.49	58.98
	<u>640.45</u>	<u>615.84</u>
Note 19:- Revenue From Operations		
Sale of products	7,260.15	8,944.54
Sale of Service	75.15	7.75
Other Operating Revenue		
Drawback	250.80	209.57
Premium on Import Entitlement	-	278.26
	<u>7,586.10</u>	<u>9,440.12</u>

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

	31st March, 2013	(₹ in Lacs) 31st March, 2012
Note 20:- Other Income		
Interest Income		
On Bank Deposits	193.38	126.60
On Other Deposits	7.67	13.63
Dividend Income		
On Long Term Investment	0.02	0.02
Net gain/loss on sale of investments		
On Current Investment	12.87	-
Other Non-Operating Income		
Exchange Rate Difference	1,719.23	3,796.83
Sundry Balances & Liabilities No Longer Required Written Back	43.07	16.24
Profit on Sale of Fixed Assets	0.30	4.49
Rent Received	0.16	0.16
Provision for Bad & Doubtful Debts Written back	17.21	40.82
Other Miscellaneous Income	5.15	5.99
	<u>1,999.06</u>	<u>4,004.78</u>
Note 21:- Cost of Material Consumed		
Opening Stock	4,077.41	6,802.18
Add: Purchases	1,075.46	3,057.80
Less : Transferred to Finished Goods	2,056.48	587.82
Less:Closing Stock	2,167.43	7,361.17*
	<u>928.96</u>	<u>1,910.99</u>
Raw Material Consumption		
Fabrics	19.19	0.43
Yarn	909.77	1,910.56
	<u>928.96</u>	<u>1,910.99</u>
* Includes ₹ 3,283.76 lacs of Stock Value depleted & shown in Exceptional items.		
Note 22:-Purchase of Stock in Trade		
Purchase of Finished Goods	1,834.03	2,537.67
Purchase of Semi-Finished Goods	-	5,925.09
	<u>1,834.03</u>	<u>8,462.76</u>
Note 23:-Changes in Inventories of Finished Goods,WIP & Stock in Trade		
Opening Stock of Work In Progress	4,778.30	1,611.94
Opening Stock of Finished Goods	8,928.82	13,408.53
Sales Return for Earlier Years	-	388.55
Add :Transferred From Raw Marterial	2,056.48	587.82
	<u>15,763.60</u>	<u>15,996.84</u>
Less : Closing Stock of Work in Progress	1,575.73	6,956.89
Closing Stock of Finished Goods	6,426.46	13,944.80
	<u>8,002.19</u>	<u>20,901.69**</u>
(Increase) / Decrease in Stock	<u>7,761.41</u>	<u>(4,904.85)</u>
** Includes ₹ 7,194.57 lacs of Stock Value depleted & shown in Exceptional items.		
Note 24: Employee Benefit Expenses		
Salaries and incentives	271.61	146.89
Contributions to Provident & Other Fund	46.69	26.63
Contribution to Gratuity Fund	80.96	22.57
Staff welfare expenses	48.22	29.20
	<u>447.48</u>	<u>225.29</u>

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

	31st March, 2013	(₹ in lacs) 31st March, 2012
Note 25: Finance Cost		
Interest Expense		
To Bank on Term Loan	259.62	259.27
To Bank On WCTL,FITL,Cash Credit & Packing Credit Limit & Others	3,856.17	3,472.03
To Financial Institution on Term loan	328.31	329.85
To Financial Institution on WCTL,FITL & Cash credit Limit & Others	153.63	118.66
Other Borrowing Cost		
Other Financial Charges	0.72	17.31
	<u>4,598.45</u>	<u>4,197.12</u>
Note 26:- Depreciation & Amortization Expense		
On Tangible Assets	1,881.22	2271.18
Less:		
Adjusted From Capital Reserve due to revaluation	99.05	147.73
	<u>1,782.17</u>	<u>2,123.45</u>
Note 27:- Other Expenses		
Manufacturing Expense		
Conversion, Machining & Other Direct Expenses	978.69	1,000.80
Stores, Spares & Accessories Consumed	65.36	30.79
Dyes & Chemicals Consumed	134.63	142.83
Power & Fuel	289.39	265.66
	<u>1,468.07</u>	<u>1,440.08</u>
Administrative Expenses		
Import Licence Fees	0.19	1.28
Legal, Professional & Syndication Charges	15.25	68.16
Rent	33.80	31.74
Rates & Taxes	8.32	7.80
Insurance	179.65	128.12
Travelling Expenses	81.68	61.28
Mailing & Communication Expenses	21.17	18.39
Bank Charges & Commission	68.57	90.93
Directors' Meeting Fee	0.80	0.90
Managerial Remuneration	37.01	37.88
VAT	0.99	5.51
Auditor's Remuneration for Audit Fee	6.74	6.74
Tax Audit Fee	1.40	1.38
For Other Services	3.55	2.75
Miscellaneous Expenses	208.53	127.57
Donation	-	0.15
Loss on sale of Fixed Assets	1.42	2.56
Expenses Relating to Previous Year	0.50	0.37
Repairs & Maintenance of Building	0.30	17.09
Repairs & Maintenance of Plant & Machinery	9.83	14.65
Repairs & Maintenance of Others	27.71	23.88
Bad-debt	18.10	10.17
Irrecoverable Balances written off	9.19	-
Impairment of Assets	1,205.21	-
	<u>1,939.91</u>	<u>659.30</u>
Selling and Distribution Overhead		
Brokerage & Commission to Selling Agents	124.81	204.67
Sales Promotion	53.49	28.13
Freight, Packing, Forwarding, etc.	188.07	288.68
	<u>366.37</u>	<u>521.48</u>
	<u>3,774.35</u>	<u>2,620.86</u>



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

28) Contingent Liabilities not provided for in respect of :

		2012-2013 ₹ In Lacs	2011-2012 ₹ In Lacs
(a)	Guarantees given by the Bankers	133.77	132.52
(b)	Excise, Sales tax, Custom Duty, ESIC & Other Claims	184.44	184.44
(c)	Dividend on Cumulative Preference Shares (Including tax)	390.51	260.34
(d)	Corporate Guarantee to a Bank for an Associate Company	650.00	650.00

29) As per the Court order dated 7th February' 2005 of Hon'ble Kolkata High Court and 14th December' 2005 of Hon'ble Karnataka High Court, all the assets and liabilities of erstwhile Eastern Jingying Ltd. and Sstella Silks Ltd. automatically stand transferred in the name of the Company. Based on the Order, the Company has taken necessary steps to have the assets recorded with the relevant authorities in its name.

30) Accounting Standard-14 states that the identity of the reserves has to be preserved as they appeared in the financial statement of the erstwhile Transferor Companies as on 31st March 2004 and after accounting for the share premium of ₹ 78/- per share as provided in the scheme, surplus, if any, arising after issuance of the new shares be credited to Capital Reserves of the Transferee Company and as such during 2004-05 a sum of ₹ 2,920.35 Lacs was credited to Capital Reserves.

31) The Company had executed bonds worth ₹ 5,403.04 Lacs in favour of President of India being the customs duty for import of capital goods under the EPCG License. Under the said license it is obligatory on the part of the Company to export products worth ₹ 43,224.32 Lacs over a period of 8 years from the date of issue of the license i.e. between 20th December, 2002 to 19th February, 2019 for availing the concessional rate of customs duty on imports. The Company has completed the entire export obligation of ₹ 43,224.32 Lacs up to the year ended 31st March, 2012. On completion of the export obligation bonds executed by the Company to the extent of ₹ 4,722.75 Lacs (P.Y. ₹ 4,065.17 lacs) have been released and the balance bonds of ₹ 680.29 Lacs (P.Y. ₹ 1,337.87 lacs) is under process of being released by the Commissioner of Customs.

32) Claims against the Company not acknowledged as debts:

- i) Demand by the Department of Commercial Taxes, Government of Karnataka, levying a sum of ₹ 20 lacs, as Entry Tax on Import of Plant & Machinery. The Company has obtained a Stay Order from the Hon'ble High Court of Karnataka during 1996.
- ii) Demand by the Commissioner of Customs, Bangalore for ₹ 109.77 lacs have been stayed by the Customs, Excise and Service Tax Act Appellate Tribunal, Chennai. The Company has deposited a sum of ₹ 38 lacs with the Customs Authorities under protest.



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

33) Lining Fabrics valued at ₹ 93.78 Lacs were imported in 2002-03 for usage in manufacturing of products for export. Due to the non-acceptance by the Customs Department of the methodology adopted by the Company for the correlation between the material used and the material imported, an amount of ₹ 148.50 Lacs was paid in protest towards Customs Duty on the said imports and shown under Advances. Since the final liability amount is unascertained and not acceptable by the Company in principle, no provision has been made in the accounts. The Adjudicating authority has passed an Order confirming the demand of the customs department. The Company's appeal before the CESTAT was heard and an Order has been passed setting aside the Order of the Adjudicating Authority. On remand of the Order, the Commissioner of Customs (Port) has once again confirmed the Order in original and the Company's second appeal before the CESTAT is pending for hearing.

34) The Company is under CDR package effective from 1st April, 2011

CDR Empowered Group has stipulated the following conditions:

- i) Induction of fresh Promoters' contribution to the extent of ₹ 1,466 Lacs to be brought in two installments of ₹ 734 Lacs in F.Y. 2011-12 and installment of ₹ 740 Lacs in F.Y. 2012-13 as unsecured loan (interest free) which will remain subordinate to the bank loans.
- ii) The Equity shares to the extent of 51% under Promoters' holding shall be pledged with the lenders as security. It has been further stipulated that the Company shall not declare any dividend without permission of CDR Empowered Group and the bankers hold the right to convert the interest and principal to the extent of 20% in case of default in repayment to Equity shares of the Company as per SEBI guidelines.
- iii) The Company has to mortgage the Bommasandra leasehold land before 31st March, 2013 or bring in the proceeds of ₹ 3,000 Lacs on sale of the land to reduce the Term Loan.
- iv) Further it also stipulates the sale of surplus assets and investments and the proceeds of which shall be used in reducing WCTL.
- v) The repayment of principal amount to commence from June, 2014.

All the condition stipulated by the CDR Empowered Group have been complied with except point number iv which is under negotiation.

35) Exceptional item includes a sum of ₹ 186.88 Lacs being the final settlement of labours of the closed unit at Nanjangud. Final settlement of two unions have already been completed and the negotiation of the third union is going on. Once it is finalized, the final settlement of those workers will also be completed.

36) The Company incurred losses for the third year in succession and the accumulated loss of the Company stand at ₹ 24,489.96 lacs (P.Y. ₹ 14,954.05 lacs) as on the balance sheet date and the shareholders fund amounts to ₹ 12,897.98 lacs (P.Y. ₹ 25,232.33 lacs).

The feasibility and viability report as per study conducted by Dun & Bradstreet noted by the Board of Directors at its meeting held on 13th May 2011, could not be fully achieved because of the adverse market condition and the demand recession in both Europe and U.S. In the current manufacturing operation although there is a small cash surplus without considering the interest and depreciation but because of the high interest cost on carry over debts there is a huge deficit. In the current scenario repayment and servicing of the interest to the banks and financial institutions will be under severe stress going forward. The promoters have infused a sum of ₹ 1,466.00 Lacs as per stipulation of CDR. But this infusion has only helped in servicing the interest during the year 2012-13. But to meet the future cash flow requirement the marketing strategy, product mix and profitability will have to be reworked and the management expects that even in the present scenario the viability can be revived only by opting for one time settlement with the banks and financial institutions. The management is working in those lines and appropriate amount in respect of the settlement shall be negotiated with banks. Therefore, the financial statement has been taken as a going concern estimation which is appropriate in the opinion of the management. The current net worth of the Company is also positive as at 31st March 2013.



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

37) As against the total outstanding of Trade Receivables of ₹ 32,795.69 lacs(P.Y. ₹ 29,655.80) as on 31st March 2013, the Company has already filed the money suits against the concerned overseas buyers for recovery of outstanding dues amounting to ₹ 24,804.33 lacs(P.Y. ₹ 23,536.04) The money suits in the Court are actively pursued for taking this to the logical end. Since the matter is in the court and until a final decision is known, no provision for bad & doubtful debts has been considered necessary and hence no provision is made.

The balance amount of ₹ 7,991.36 Lacs includes ₹ 1,452.50 Lacs towards local debtors for which no provision is required and for the balance sundry debtors of ₹ 6,538.86 Lacs a provision of ₹ 1,667.46 Lacs have already been made in the previous year. In the opinion of the Company, this amount is estimated to be sufficient for short recovery of the export debtors if any.

38) Impairment :
During the year, an amount of ₹ 3881.32 lacs have been impaired in respect of Plant & Machinery & Electrical Installation in the Unit located at Nanjangud and an amount of ₹ 23.28 lacs in respect of Plant & Machineries, Electrical Fittings, Furniture and Office Equipments in the Unit located at Falta aggregating ₹ 3904.60 lacs. Both the units have become inoperative. The impairment of the Assets have been worked out on the basis of current market value that could be realized on the said Assets. An amount of ₹ 1205.21 lacs is charged to the profit & loss account during the year being the impaired value of the Assets net of revaluation and an amount of ₹ 2699.39 lacs being the impaired value of the revalued Assets have been withdrawn from the Reserve & Surplus.

39) In terms of Accounting Standard – 22, Deferred Tax Assets (DTA) of ₹ 2,193.03 Lacs has been recognized during the year and consequently Net DTA stands at ₹ 4,572.98 Lacs. There is carried forward unabsorbed depreciation and business losses as at the Balance Sheet date. Based on the future profitability, projections, the Company is certain that there would be sufficient taxable income in future to claim the deferred tax credit.

40) There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March 2013. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information provided by the supplier.

41) As per Accounting Standard 15 "Employees Benefits", the disclosures of Employee benefits as defined in the Accounting Standard are given below :

Defined Benefit Plan

The Employees' gratuity fund Scheme managed by The Life Insurance Corporation of India (LIC) is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation for leave encashment is recognized in the same manner as gratuity.



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

	Gratuity (Funded)	(₹ in Lacs) Leave Encashment (Unfunded)
I. Reconciliation of opening and closing balances of Defined Benefit Obligation		
(a) Defined benefit obligation at the beginning of the year	71.74	13.11
	(62.63)	(18.24)
(b) Current Service Cost	13.65	8.39
	(8.99)	(0.53)
(c) Interest Cost	5.73	1.05
	(5.01)	(1.46)
(d) Acquisitions	11.59	0.95
	-	-
(e) Actuarial (Gain) / Loss	91.92	30.93
	(16.98)	(17.04)
(f) Benefits paid	63.55	17.90
	(21.87)	(24.16)
(g) Defined benefit obligation at the end of the year	131.10	36.53
	(71.74)	(13.11)
II. Assets		
(a) Fair Value of Plan Assets at the beginning of the year	109.32	13.11
	(88.31)	(18.24)
(b) Expected Return on Plan Assets	8.75	-
	(7.06)	-
(c) Actuarial (gains)/Loss on plan assets	0.62	-
	(1.35)	-
(d) Actuarial Gain / (Loss)	-	(30.93)
	(16.98)	(17.04)
(e) Contributions by employer	86.61	-
	(34.47)	-
(f) Benefits Paid	63.56	17.90
	(21.87)	(24.16)
(g) Employer Expenses	-	40.37
	-	(19.03)
(h) Fund transferred from group companies	26.85	-
	-	-
(i) Acquisitions	-	0.96
	-	-
(j) Fair Value of Plan Assets at the end of the year	168.59	35.56
	(109.32)	(13.11)
III. Reconciliation of fair value of Assets and obligation		
(a) Fair Value of plan assets	131.11	-
	(109.32)	-
(b) Present Value of obligation	168.59	36.52
	(71.74)	(13.11)
(c) Amount recognized in Balance Sheet	37.48	36.52
	(37.58)	(13.11)
IV. Expense charged to the Profit and Loss Account		
(a) Current Service Cost	13.66	8.39
	(8.99)	(0.53)
(b) Interest Cost	5.74	1.05
	(5.01)	(1.46)
(c) Expected Return on Plan Assets	(8.75)	-
	(8.40)	-
(d) Actuarial (Gain)/Loss	70.30	30.93
	(16.98)	(17.04)
(e) Total expense charged to the Profit and Loss Account	80.96 *	40.37 **
	(22.57) *	(19.03)**



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

	Gratuity (Funded)	(₹ In Lacs) Leave Encashment (Unfunded)
V. Experience History Details		
(a) Division of Defined Obligation at the end of Period (Current / Non Current)	32.82	4.18
	(9.68)	(1.10)
(b) Non Current Defined Benefit Obligation at the end of the Period	100.29	32.35
	(62.06)	(12.00)
(c) Total Defined Benefit Obligation at the end of the Period	133.11	36.53
	(71.74)	(13.10)
* Under the head "Gratuity" on Note No.24		
** Under the head "Salaries and incentives" on Note No.24		
VI. Percentage of each Category of Plan Assets to total Fair value of Plan assets as at 31st March, 2013 - 100% with Life Insurance Corporation of India.		
VII. Actual Return on Plan Assets:	7.00%	7.00%
	(7.00%)	(7.00%)
VIII. Principal Actuarial Assumption as at 31st March, 2013		
(a) Discount Rate (per annum)	8.00%	8.00%
	(8.00%)	(8.00%)
(b) Expected Rate of Return on Plan Assets (per annum)	8.00%	8.00%
	(8.00%)	(8.00%)
(c) Salary Escalation	5.00%	5.00%
	(5.00%)	(5.00%)
(d) Inflation Rate	5.00%	5.00%
	(5.00%)	(5.00%)

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The expected rate of return on plan assets is based on the portfolio of assets held, investment strategy and market scenario. In order to protect the capital and optimize returns within acceptable risk parameters, the plan assets are reasonably diversified.

- 42) As the Company's business activities falls within a single primary business segment viz. Silk, Textile yarn, Fabrics and Made-ups, no further reporting is necessary as per Accounting Standard – 17 issued by The Institute of Chartered Accountants of India.
- 43) Related Party Disclosure in-accordance with Accounting Standard - 18 issued by The Institute of Chartered Accountants of India.

(I) List of Related Parties	Name of the Person/ Company
a) Associates: -	(1) Ethics Commercials Ltd. (2) Lucky Goldstar Company Ltd. (3) P.K.Textiles Ltd. (4) Tarun Fabrics Ltd. (5) Gemini Overseas Ltd.
b) Key Management Personnel: -	Shri S S Shah (Chairman & Managing Director) Shri Sundeep Shah (Executive Director) Smt. Ginia Devi Shah (Wife of Mr. S. S. Shah)



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

(II) Transactions with Related Parties :

PARTICULARS	ASSOCIATES						Key management Personnel
	Ethics Commercials Ltd	Lucky Goldstar Co. Ltd.	P. K. Textiles Ltd	Tarun Fabrics Ltd	Gemini Overseas Ltd	Total	
	(₹ in lacs)						(₹ in lacs)
Income & Expenditure							
Purchase of Raw Materials & Finished Goods	-	603.05	-	38.79	144.26	786.10	
Sales of Goods	(1,340.10)	(4,369.31)	(1,149.68)	(2,888.59)	(170.46)	(9918.14)	
Services Received	-	-	9.46	2.78	-	12.24	
Purchase of Fixed Assets	-	-	15.66	(3.73)	-	(4.07)	
Rent Received	(185.32)	(621.05)	(373.65)	(25.82)	(26.46)	(1232.30)	
Guarantees Given	-	-	4.21	1.75	-	5.96	
Remuneration Paid	(2.60)	(20.01)	-	-	-	(22.61)	
	0.08	0.07	-	0.01	-	0.16	
	(0.08)	(0.07)	-	(0.01)	-	(0.16)	
	-	650.00	-	-	-	650.00	
	-	(650.00)	-	-	-	(650.00)	
							37.01
							(37.88)

Balances as on 31st March, 2013						
Debtors/Receivables	-	-	-	46.48	-	46.48
Creditors Payables	-	698.66	-	36.24	59.06	793.96
Unsecured loan (interest-free) received	350.00	-	390.00	-	-	740.00
	-	-	-	-	-	(734.00)

- 44) The Company's request for waiver of interest on loans obtained from two NBFC Companies is under consideration by the lenders. In view of the above, no further interest payable has been provided for.
- 45) Estimated amount of contracts remaining to be executed on Capital account and not provided for ₹ NIL (Previous Year ₹ 91.25 Lacs).
- 46) Research & Development Expenditure

	(₹ in lacs)	
	<u>2012-13</u>	<u>2011-12</u>
Capital Expenditure	-	141.06
Revenue Expenditure	59.09	38.84

SUMMARY OF RESULTS 2009 TO 2013 Figures in ₹ Lacs

Year	Income	Profit before tax	Profit after tax	Reserves & Surplus	Share capital	Dividend %	E.P.S
2012-13	9585.16	(11728.57)	(9535.91)	9918.93	2979.05	—	(12.24)
2011-12	13444.90	(11669.05)	(9160.43)	22253.28	2979.05	—	(11.77)
2010-11	65699.53	(6877.64)	(5793.62)	31561.44	2979.05	—	(7.34)
2009-10	55593.15	685.43	573.77	37638.52	2979.05	6	0.56
2008-09	53452.18	1911.82	1921.05	37548.55	2979.05	10	2.27

BALANCE SHEET SUMMARY Figures in ₹ Lacs

Year ended 31st March	2013	2012	2011	2010	2009
A. Gross Fixed Assets	35447.40	35170.05	35025.89	32796.10	27300.96
B. Depreciation	21873.15	16100.34	13901.35	11322.41	9555.19
C. Net Fixed Assets (A-B)	13574.25	19069.71	21124.54	21473.69	17745.77
D. Investments (Current+Non Current)	326.40	0.39	0.39	205.39	581.40
E. Current Assets	42751.29	48300.56	39457.47	35719.57	33993.43
F. Loans & Advances	723.70	694.56	6972.51	12787.47	12606.61
G. Deferred Tax Asset	4572.98	2379.95	—	—	—
H. Total Assets (C to G)	61948.61	70445.17	67554.91	70186.12	64927.21
I. Secured & Unsecured Loans	47211.02	44350.74	26045.07	17142.80	11054.43
J. Current Liabilities & Provisions	1839.61	862.10	6954.52	11326.53	12088.61
K. Deferred Tax Liability	—	—	14.83	1099.22	1256.57
L. Total Liabilities (I+J+K)	49050.63	45212.84	33014.42	29568.53	24399.61
M. Net Assets (H-L)	12897.98	25232.33	34540.49	40617.57	40527.60
N. Preference Share Capital	1400.00	1400.00	1400.00	1400.00	1400.00
O. Net Worth (M-N)	11497.98	23832.33	33140.49	39217.57	39127.60
Represented by : Equity Share Capital	1579.05	1579.05	1579.05	1579.05	1579.05
Reserves & Surplus	9918.93	22253.28	31561.44	37638.52	37548.55
Net worth per Equity Share of ₹ 2/- each	14.56	30.18	41.97	49.67	49.56


EASTERN SILK INDUSTRIES LTD.

Registered Office : 19, R. N. Mukherjee Road, Kolkata - 700 001

ATTENDANCE SLIP

Please complete this Attendance Slip and hand it over at the entrance of the Meeting Hall.

Name of the attending member (in block letters)	Client ID / Folio No.	DPID
Name of the Proxy (in block letters) (To be filled in if the Proxy attends instead of the Member)		

No. of Shares held _____

I hereby record my presence at the 67th ANNUAL GENERAL MEETING of the Company at "Kala Kunj" 48, Shakespeare Sarani, Kolkata - 700 017 on Tuesday, the 5th September, 2013 at 11. A.M.

Signature of the Shareholder or Proxy

NOTE :

- Shareholders/Proxy are requested to bring the Attendance Slip with them when they come to the meeting. No Attendance Slip will be issued at the time of the meeting.
- Shareholders are requested to advise indicating their Folio/Client ID Nos., the change in their addresses, if any to the Company or its Registrars & Share Transfer Agents.


EASTERN SILK INDUSTRIES LTD.

Registered Office : 19, R. N. Mukherjee Road, Kolkata - 700 001

PROXY FORM

Client ID / Folio No. _____

DPID . _____

No. of Shares held _____

I / We _____

of _____

being a member / members of the above named Company, hereby appoint _____

of _____

or failing him _____

of _____

as my/our proxy to vote for me/us on my/our behalf at the 67th ANNUAL GENERAL MEETING of the Company at "Kala Kunj",

48, Shakespeare Sarani, Kolkata - 700 017 on Tuesday, the 5th September, 2013 at 11: A.M.

Signed _____

Date _____

 Affix
Revenue
Stamp

Notes :

- The form should be signed across the stamp as per specimen signature recorded with the Company.
- The Companies Act, 1956 lays down that the instrument appointing a proxy shall be deposited at the Registered Office of the Company not less than forty eight hours before the time fixed for holding the meeting.
- A proxy need not be a member.

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99, Stephen House, 6th Floor
4, B.B.D Bag (East)
Kolkata - 700 001

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ANNUAL REPORT
2012-2013



EASTERN SILK INDUSTRIES LTD.

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FORM A

1.	Name of the Company	EASTERN SILK INDUSTRIES LTD.
2.	Annual financial statements for the year ended	31 st March, 2013
3.	Type of Audit observation	<p>Matter of emphasis: Extracts of Audit Report:- We draw attention to;</p> <p>a) Note no. 36 to the financial statements which states that the losses of the Company for the year and preceding years as per Books of Accounts stand at ₹ 24,489.96 lacs (Previous year ₹ 14,954.05 lacs) as on 31st March, 2013. After adjustment of the losses, the shareholders funds stands at ₹12,897.98 lacs (Previous year ₹ 25,232.33 lacs). As stated, the management has a strategic plan for the revival of the Company and is hopeful in improving the financial health of the Company in near future. Accordingly the Financial Statement for the year has been drawn up by the management as per going concern assumption.</p> <p>b) Note No. 37 to the financial statement which states that Sundry Debtors of ₹24,804.33 lacs (Previous year ₹23,536.05 lacs) receivable from overseas buyers towards sale consideration of goods exported, against which the company has filed money suits in the Hon'ble High Court Kolkata, which has been considered good for recovery by the management. We are unable to express any opinion on correctness and/or adequacy of the provision for bad & doubtful debts.</p> <p>c) Note No. 39 to the financial statements regarding recognition of Net Deferred Tax Assets (DTA) of ₹ 2,193.03 lacs (Previous year ₹ 2,379.95 lacs) in the accounts based on future profitability projection made by the management. However, we are unable to express any opinion on the projections and their consequential impact, if any, on the recognition of such DTA.</p>
4.	Frequency of observation	The above Observations appeared for the Second time.





Regd. Office :
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Phone : + 91 33 2243 0817 (3 Lines)
Fax : + 91 33 2248 2486



Eastern Silk Industries Ltd.

Mailing Address : G. P. O. BOX NO. 2174, Kolkata - 700 001
E-mail : esilk@eiascl01.vsnl.net.in - Web : www.easternsilk.com

- : 2 : -

5.	Signed by – • Managing Director • Finance Manager • Auditor of the Company • Audit Committee Chairman	For EASTERN SILK INDUSTRIES LTD.  M.G. DIRECTOR  For B. K. SHROFF & CO.,  Partner 
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