



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

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NOTICE

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

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March, 2009 and the Balance Sheet as at that date together with the report of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Sri G.D. Harnathka who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri H.S. Gopalka who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

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

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

Registered Office:

19, R.N. Mukherjee Road

By order of the Board

K.T.SHETH

Dated : The 30th July, 2009.

NOTES:

1. **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead and the proxy need not be a member of the Company. The proxy, in order to be effective, must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.**
2. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of special business set out in the notice is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 27th August 2009 to 9th September 2009, both days inclusive on account of Annual General Meeting and Dividend payment.
4. Dividend, when declared will be made payable to those shareholders whose names appear in the Register of Members of the Company on 9th September 2009. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by the National Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) for this purpose.
5. Additional information pursuant to Clause 49 of the Listing Agreement with Stock Exchange regarding the Directors who are proposed to be reappointed at the Annual General Meeting are provided in the Report of Corporate Governance forming part of the Annual Report.
6. Pursuant to the amended provisions of Section 205A of the Companies Act, 1956, dividends for the financial year ended 31st March, 2002 and thereafter, which remains unpaid or unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund of the Central Government. Members, who have not encashed their dividend warrants pertaining to these years, may approach the Company's Registrars and Share Transfer Agents for obtaining duplicate dividend warrants.
7. Pursuant to sub-division of each Equity share of Rs.10/- into five Equity shares of Rs.2/- each, members holding shares in physical form, were requested to surrender old share certificates to obtain new share certificates in lieu thereof. Those members, who have not surrendered their old share certificates to the Company's Registrars and Share Transfer Agents, are requested to do so at the earliest.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item No. 6**

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

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

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

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

Annexure to Notice dated 30th July, 2009		
Details of Directors seeking Re-Appointment at the forthcoming Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement)		
Name of the Director	Shri G.D. Harnathka	Shri H.S. Gopalka
Age	61 years	78 years
Date of Appointment on the Board	20-07-2000	27-11-1991
Qualification	B.Com.	M.Com., LL.B.
Experience	Vast experience in textiles and oil business.	Wide experience in finance and taxation.
Directorship held in other Public Companies	-	1. Manjari Selections Pvt. Ltd.
Memberships / Chairmanships of Committees of Public Companies	-	-
Shareholding of Non-Executive Directors	Nil	Nil

TO THE MEMBERS

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

FINANCIAL RESULTS

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

PERFORMANCE REVIEW

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

POST - BALANCE SHEET DEVELOPMENTS

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

DIVIDEND

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

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

Rs. 1,12,00,000/-

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

Rs 1,57,90,524/-

PUBLIC DEPOSIT SCHEME

During the year, your Company has not accepted any deposits. There are no outstanding deposits as on date.

CORPORATE GOVERNANCE

A separate section on Corporate Governance and Management Discussion and Analysis together with the Auditors' Certificate confirming the compliance of conditions on Corporate Governance as per Clause 49 of the Listing Agreement with the Stock Exchanges form part of the Annual Report.

DIRECTORS

Shri G.D. Harnathka and Shri H.S. Gopalka, Directors of the Company retire from the office by rotation and are eligible for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) That in preparation of the annual accounts, the applicable accounting standards have been duly followed.
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review.
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2009 on a going concern basis.

DISCLOSURE OF PARTICULARS

The information required under Rule 2 of the Companies Act, 1956 (Disclosure of Particulars in the Report of Board of Directors Rules, 1988) relating to conservation of energy, technology absorption, foreign exchange earnings and outgo is annexed.

AUDITORS

Messrs B.K. Shroff & Company, Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible, offered themselves for re-appointment.

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

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

COST AUDITORS

Pursuant to the directives of the Central Government under the provisions of Section 233 B of the Companies Act, 1956, qualified Cost Auditors have been appointed to conduct Cost Audits relating to products of the Company subject to the approval of the Central Government.

PERSONNEL

The Board of Directors wishes to express its appreciation to all the employees of the Company for their valued contributions to the operations of the Company during the year. The particulars of employees required to be furnished under Sec. 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended is as under.

(a) Employees employed throughout the financial year under review who are in receipt of remuneration in the aggregate of not less than Rs.24,00,000/- during the year:

Name	Age (Years)	Qualification	Designation	Nature of Employment	Remuneration (Rs)	Experience (Years)	Date of commencement of employment	Last employment held	Relationship to any Director
S.S. Shah	73	B.Com LL.B	Chairman & Managing Director	Contractual	51,24,000/-	55	01.9.1952	Nil	Father of Sri Sundeep Shah, Executive Director
Sundeep Shah	46	B.Com	Executive Director	Contractual	33,26,400/-	29	01.12.1980	Nil	Son of Sri S. S. Shah, Chairman & Managing Director

(b)

Employed for part of the year and were in receipt of remuneration at the rate of not less than Rs.2,00,000/- per month. – NIL

ACKNOWLEDGEMENT

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

Registered Office:

19, R.N. Mukherjee Road

By order of the Board

S.S. SHAH

Dated: The 30th July, 2009.

REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

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

BOARD OF DIRECTORS

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

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

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

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

BOARD COMMITTEES**Audit Committee****I. Constitution**

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

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

II. Composition

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

III. Meetings and Attendance

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

Remuneration Committee

I. Constitution

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

II. Composition

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

III. Meetings and Attendance

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

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

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

SHAREHOLDERS COMMITTEE:

Share Transfer Committee

I. Constitution

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

II. Composition

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

III. Meeting & Attendance

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

Investor's Grievance Committee

I. Constitution

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

II. Composition

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

III. Meeting & Attendance

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

GENERAL BODY MEETING

i) General Meetings:

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

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

ii) Special Resolution:

No special resolutions were passed during the year.

iii) Postal Ballot

No Postal Ballot was conducted during the year.

DISCLOSURES

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

MEANS OF COMMUNICATION

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

GENERAL SHAREHOLDERS INFORMATION

i) Sixty Third Annual General Meeting

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

ii) Financial Calendar

First quarter results - By end July

Second quarter results - By end October

Third quarter results - By end January

Fourth quarter results - By end April

iii) Book Closure

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

iv) Dividend Payment

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

v) Listing on Stock Exchanges

NAME OF STOCK EXCHANGE

National Stock Exchange of India

STOCK CODE

EASTSILK

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

vi) Stock Market Data

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

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

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

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

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

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

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

viii) Dematerializations of Shares

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

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

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

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

are regularly traded on the National Stock Exchange.

ix) Share Transfer System

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

x) Registrar and Share Transfer Agents

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

xi) Plant Location

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

xii) Address for Correspondence

Eastern Silk Industries Ltd.
19, R. N. Mukherjee Road
Kolkata - 700 001.
Phone: 2243-0817 - 19 (3 Lines)
Fax: 2248-2486
Email : esilk@giascl01.vsnl.co.in
Website : www.easternsilk.com

CODE OF PROFESSIONAL CONDUCT

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

MANAGEMENT DISCUSSION & ANALYSIS

Overall Review, Industry Structure and Developments

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

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

Opportunities and Threats:

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

Segment wise Performance:

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

Outlook

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

Internal Control System

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

Human Resources

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

Cautionary Statement

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

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

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

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

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

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

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

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

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

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

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

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

- II. examination of those books;
- III. The Balance sheet, Profit & Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account;
- IV. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting standards referred to in clause (3C) of Section 211 of the Companies Act, 1956
- V. On the basis of written representation received from the Directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2009 from being appointed as a Director in terms of clause (g) of Sub-Section (I) of Section 274 of the Companies Act, 1956;
- VI. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with Accounting Policies and the Notes thereon appearing in schedule – 14 give the information required by the Companies Act, 1956 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, 2009
- (b) in the case of the Profit & Loss A/c of the profit 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 as on date.

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

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

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

- 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. The Company has not disposed off substantial Fixed Assets during the year. Therefore, it 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, 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 Rs.5 lakhs 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 is being 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:
- a. The Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor 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, 2009 for a period of more than six months from the date they became payable except Rs. 139.80 Lacs since paid.

- b. According to the information and explanations given to us, details of dues of Customs Duty/ Excise Duty/ Sales Tax which have not been deposited on account of any dispute are as follows :

Name of the Statute	Name of the Dues	Amount (Rs. in lakhs)	Period to which the amount relates	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 Karnataka
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	Customs Duty	28.70	2003-04	Commissioner of Custom
Customs Duty Act	Customs Duty	44.07	2002-03	Commissioner of Custom
Income Tax Act	Income Tax	2.31	2004-05	C.I.T. (Appeal)

- x) The Company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit or the immediately preceding financial year.
- xi) Based on our procedure and on the information & explanations given to us by the Management, we are of the opinion that the Company has not defaulted in repayment of term loan installments to Banks. However there was a delay of three months in the repayment of term loan installment amounting to Rs. 18.85 Lacs due to Uco Bank and interest thereon Rs. 1.95 Lacs. The referred payment was made in May'09.
- xii) 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.
- xiii) 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.
- xiv) 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.
- xv) According to the information and explanations given to us, the Company has given a corporate guarantee to a bank for an Associate Company for Rs. 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.
- xvi) To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the company were, prima facie, applied by the company during the year for the purposes for which the loans were obtained.
- xvii) 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 not been used for long-term investments.
- xviii) The Company has not made any preferential allotment of shares during the year to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- xix) The Company has not issued any debentures during the year.
- xx) The Company has not raised any money by public issue during the year.
- xxi) 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.

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

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

BALANCE SHEET AS AT 31ST MARCH, 2009

	Schedule	31-03-2009	31-03-2008
		Rs. in Lacs	Rs. in Lacs

SOURCES OF FUNDS				
i) Shareholders' Funds				
(a) Share Capital	1		2,979.05	2,979.05
(b) Reserves & Surplus	2		37,548.55	34,671.80
ii) Loan funds				
(a) Secured Loans		10,773.09		10,198.57
(b) Unsecured Loans		281.34		2,181.40
			11,054.43	
iii) Deferred Tax Liability				
	4		1,256.57	1,405.80
			52,838.60	51,436.62
APPLICATION OF FUNDS				
i) Fixed Assets				
(a) Gross Block	5		25,943.19	25,797.19
(b) Less: Depreciation			9,555.19	7,642.38
(c) Net Block			16,388.00	18,154.81
(d) Capital Work-in-Progress			1,357.77	291.81
			17,745.77	18,446.62
(ii) Investments				
	6		581.40	1,008.42
(iii) Current Assets, Loans & Advances				
(a) Inventories	7		24,149.67	16,890.38
(b) Sundry Debtors			7,899.94	14,270.15
(c) Cash & Bank Balance			1,943.82	1,817.32
(d) Loans & Advances			12,606.61	11,124.43
			46,600.04	44,102.28
Less:				
(iv) Current Liabilities & Provisions				
(a) Current Liabilities	8		9,767.59	9,398.38
(b) Provision			2,321.02	2,722.57
			12,088.61	12,120.95
(v) Net Current Assets (iii-iv)				
			34,511.43	31,981.33
(vi) Miscellaneous Expenditure (To the extent not written off or adjusted)				
Preliminary Expenses			-	0.25
			52,838.60	51,436.62
Accounting Policies & Notes on Accounts				
	14			
As per our report of even date annexed				
Kolkata	L.K. SHROFF	S.S. Shah	Sundeep Shah	K. T. Sheth
The 30th July, 2009	Partner	Chairman & Managing Director	Executive Director	Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

	Schedule	31-03-2009	31-03-2008
INCOME		Rs. in Lacs	Rs. in Lacs
Sales		51,003.75	48,165.28
Other Income	9	2,448.43	1,083.43
Increase/ (Decrease) in Finished Goods	10	8,992.80	739.64
		62,444.98	49,988.35
EXPENDITURE			
Purchases		34,673.16	18,465.04
Raw Materials Consumed	11	10,473.21	11,793.80
Manufacturing, Selling & Other Expenses	12	11,324.24	9,837.27
Interest	13	2,414.99	2,297.62
Depreciation		1,947.97	1,878.41
Less: Transferred from Capital Reserve		300.41	300.41
		1,647.56	1,578.00
		60,533.16	43,971.73
PROFIT BEFORE TAXATION		1,911.82	6,016.62
Less Provision for			
Current Taxation		125.00	475.00
Earlier year taxation		-	(220.41)
Fringe Benefit Tax		15.00	15.79
Deferred Tax		(149.23)	(67.59)
PROFIT AFTER TAXATION		1,921.05	5,813.83
Add:			
Surplus Brought forward from Previous Year		15,637.47	11,766.01
Available for Appropriation		17,558.52	17,759.84
APPROPRIATION			
General Reserve		300.00	700.00
Preference Share Redemption Reserve		240.00	280.00
Proposed Dividend			
On Equity Share		157.91	710.57
On Preference Share		112.00	112.00
Corporate Dividend Tax		45.87	139.80
Surplus Carried to Balance Sheet		16,702.74	15,637.47

			17,558.52		17,579.84
Earning Per Share: Basic & Diluted			2.27		7.20
Accounting Policies & Notes On Accounts	14				
Kolkata	For B. K. SHROFF & CO. Chartered Accounts L.K. SHROFF	S.S. Shah	Sundeep Shah	K. T. Sheth	
The 30th July, 2009	Partner	Chairman & Managing Director	Executive Director	Secretary	

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2009

	31-03-2009	31-03-2008
	Rs. in Lacs	Rs. in Lacs
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit Before Tax and Extraordinary Items	1,911.82	6,016.62
Add : Adjustments for :		
Depreciation	1,647.56	1,578.00
Interest paid	2,414.99	2,297.62
Loss on sale of Investment	115.09	0.07
Loss on sale of Fixed Assets	2.63	0.83
Preliminary Expenses Written off	0.25	0.25
	4,180.52	3,876.77
	6,092.34	9,893.39
Less : Adjustments for :		
Interest & Dividend received	116.16	207.84
Unrealised Foreign Exchange (Net)	1,199.64	(54.56)
Profit on sale of Fixed Assets	0.12	0.57
Profit on sale of Investments	0.20	169.75
Provision for Doubtful Debts Written Back	19.25	40.54
Sundry Balances Adjusted	0.93	3.60
	1,336.30	367.74
Operating Profit Before Working Capital Changes	4,756.04	9,525.65
Add:		
Decrease in working capital :		
Trade & Other Receivables	6,461.88	
Trade Payables	1,712.58	879.69
	8,174.46	879.69
	12,930.50	10,405.34
Less:		
Increase in working capital:		
Trade & other Receivables	-	788.62
Inventories	7,259.29	2,519.22

		7,259.29	3,307.84
Cash generated from operations		5,671.21	7,097.50
Less :			
Interest paid on working capital	2,353.46		2,169.28
Taxes paid	141.24		543.56
		2,494.70	2,712.84
Net Cash Flow From Operating Activities		3,176.51	4,384.66

B. CASH FLOW FROM INVESTING ACTIVITIES :

Inflows

Sale of Fixed Assets	5.68		2.59
Sale of Investments	312.29		1,661.26
Interest received	116.04		94.22
Dividend received	0.12		113.62
		434.13	1,871.69

Less :

Outflows

Purchase of Fixed Assets	1,255.31		5,834.08
Purchase of Investments	0.16		1,143.97
		1,255.47	6,978.05
Net Cash used in Investing Activities		(821.34)	(5,106.36)

C. CASH FLOW FROM FINANCIAL ACTIVITIES :

Proceeds from Long Term Borrowings (Net)	(1,319.98)		1,006.00
		(1,319.98)	1,006.00
Less :			
Interest paid on Term loan	67.09		134.23
Dividend & Corporate Tax	841.60		831.34
		908.69	965.57
Net Cash Used In Financing Activities		(2,228.67)	40.43
Net Changes In Cash & Cash Equivalents (A+B+C)		126.50	(681.27)
* Cash & Cash Equivalents - Opening Balance		1,817.32	2,498.59
* Cash & Cash Equivalents - Closing Balance		1,943.82	1,817.32

* Represents Cash & Bank Balances as indicated in Schedule 7

For **B. K. SHROFF & CO.**
Chartered Accounts

Kolkata	L. K. SHROFF	S. S. Shah	Sundeep Shah	K. T. Sheth
The 30th July, 2009	Partner	Chairman & Managing Director	Executive Director	Secretary

SCHEDULES TO THE ACCOUNTS

SCHEDULE : 1	31-03-2009	31-03-2008
	Rs. in Lacs	Rs. in Lacs
SHARE CAPITAL		

Authorized		
15,00,00,000 Equity Shares of Rs.2/- each (Previous Year 2,00,00,000 of Rs.10/-)	3000.00	3000.00
20,00,000 Preference Shares of Rs. 100/- each	2000.00	2000.00
	5000.00	5000.00
Issued		
7,91,10,120 Equity Shares of As.10/- each (Previous Year 1,58,22,024 of Rs.10/- each)	1582.20	1582.20
14,00,000 Redeemable Cumulative Preference Shares of 100/- each	1400.00	1400.00
	2982.20	2982.20
Subscribed & Paid-up		
7,89,52,620 Equity Shares of Rs.10/- each fully paid up (Previous Year 1,57,90,524)	1579.05	1579.05
14,00,000 8% Redeemable Cumulative Preference Shares of Rs. 100/- each fully paid up	1400.00	1400.00
	2979.05	2979.05

Notes :

- Of the above shares 17,67,490 Equity Shares were allotted as fully paid up Bonus Shares by Capitalization of General Reserve.
- During 1995-96 the company offered 23,62,745 Equity Shares of Rs.10/- each to the existing Shareholders in the ratio of 1 share for every 2 shares held, at a premium of Rs.30/- per share as per letter of offer dated December 21 , 1995. Out of the above shares, allotment of 1200 Equity Shares are kept in abeyance under Court order.
- 63,39,289 Equity Shares of Rs.10/- each fully paid up at a premium of Rs.78/- per Equity Share were allotted to the Shareholders of erstwhile Eastern Jingying Ltd. and Sstella Silks Ltd. (since amalgamated) pursuant to the Scheme of Amalgamation without payment being received in cash.
- During 2006-07 the Company allotted 23,00,000 Equity Shares of Rs.10/- each fully paid up at a premium of Rs.240.16 per Equity Share on preferential basis.
- Equity Shares of the face value of Rs. 10/- each in the Authorised Share Capital of the Company have been sub-divided into 5 Equity Shares of the face value of Rs. 2/- each as per resolution passed by the members in the Annual General Meeting held on 26th September, 2007. The Authorised Equity Share Capital of the Company has been increased from Rs. 20.00 Crores divided into 2,00,00,000 Equity Shares of Rs. 10/- each to Rs. 30.00 Crores divided into 15,00,00,000 Equity Shares of Rs. 2/- each. The issued, subscribed and paid-up Equity Shares of the face value of Rs. 10/- each have not been sub-divided into Rs.2/- each as on the Balance Sheet date since the record date has been fixed as 7th July, 2008.
- 6,00,000 Redeemable Cumulative Preference Shares were issued by Eastern Silks Industries Ltd. on 21.01.2004.
2,00,000 Redeemable Cumulative Preference Shares were issued by Eastern Jingying Ltd. on 09.02.2004.
6,00,000 Redeemable Cumulative Preference Shares were issued by Sstella Silks Ltd. on 26.03.2005.
All the Preference Shares are carrying 8% dividend from the date of issue except 6,00,000 Redeemable Cumulative Preference Shares allotted by erstwhile Sstella Silks Ltd. for which Dividend is payable from 01.04.2005 and redeemable at par after a period of 60 months from the date of allotment of such Preference Shares. During the year 6,00,000 & 2,00,000 Redeemable Cumulative Preference Shares were due for redemption. The date of redemption has been extended by mutual consent of the Board and Preference Shareholders and the revised date of redemption now stands as 01.04.2010. The earliest date of redemption of Preference Share is 25th March 2010.

SCHEDULE : 2		31-03-2009	31-03-2008
		(Rs. in Lacs)	(Rs. in Lacs)
RESERVES & SURPLUS			
Capital Reserve			
As per last Balance Sheet	1,719.59		2,020.00
Less: Depreciation on Revalued Assets	300.41		300.41
		1419.18	1719.59
Capital Redemption Reserve			
As per last Balance Sheet		1400.00	1400.00
Securities Premium Account			
As per last Balance Sheet		11428.75	11428.75

General Reserve			
As per last Balance Sheet	5050.00		4350.00
Add: Transferred from Profit & Loss Account	300.00		700.00
		5350.00	5050.00
Preference Share Redemption Reserve			
As per last Balance Sheet	1160.00		880.00
Add: Transferred from Profit & Loss Account	240.00		280.00
		1400.00	1160.00
Hedge Reserve Account		(152.12)	(1724.01)
Profit & Loss Account Balance			
Transferred from Profit & Loss Account		16702.74	15637.47
		37548.55	34671.80

SCHEDULE : 3	31-03-2009	31-03-2008
	Rs in Lacs	Rs in Lacs
LOAN FUNDS		
A) Secured Loans		
Long Term Loans From Banks and Financial Institution		
Foreign Currency Term Loan	87.28	318.81
Rupee Term Loan	109.84	366.84
Secured by first pari passu hypothecation of movable Fixed Assets pertaining to the Unit II at Anekal, Karnataka, both present & future and mortgage of land & other immovable properties at Anekal .The Loans are additionally secured by personal guarantee of the Managing Director .		
Interest accrued but not due	1.64	3.34
	198.76	688.99
Packing Credit-cum-Cash Credit Loan and Overdrafts From Banks		8213.34
(a) Secured by hypothecation of stocks of Raw Materials, Silk Waste, Silk Yarn, Stores & Spare Parts, Stock in Progress including Stock-in-Transit of Raw Materials, Semi-Finished Goods lying at different manufacturing units at Anekal, Nanajangud, Falta and/or at the centres of its vendors, Book Debts, Bills Receivable and Guarantees of ECGC Ltd. second pari passu charges on movable fixed assets situated at Anekal, Karnataka, both present & future and also mortgage of some immovable property in the Company, along with personal guarantee of the Managing Director.	10555.93	9476.29
Vehicles Loans from Banks		
Secured against hypothecation of vehicles	18.31	30.12
Interest accrued but not due	0.09	0.17
	10773.09	10198.57
* Aggregate amount repayable within one year Rs. 208.48 lacs (Previous Year Rs.594.77 lacs)		
B) Unsecured Loans		
Short Term Loan		
From Banks	256.35	2152.63
From Others	24.73	24.73
Interest accrued but not due	0.26	4.04

	281.34	2181.40
	11054.43	12379.97

SCHEDULE : 4	31-03-2009	31-03-2008
	Rs. in Lacs	Rs. in Lacs
DEFERRED TAX LIABILITY		
As per last Balance Sheet	1405.80	1473.39
Add: Addition/(Deduction) during the year	(149.23)	(67.59)
	1256.57	1405.80

SCHEDULE : 5

Description of Assets	GROSS BLOCK			
	Cost as on 01.04.2008	Additions during the year	Sale/Deductions during the year	Total
	Rs	Rs	Rs	Rs
Land (Including Leasehold Land)	378.78	-	-	378.78
Building	2446.88	13.68	-	2460.56
Plant & Machinery	21856.58	123.53	5.46	21974.65
Electric Installation	679.22	10.15	-	689.37
Office Equipments & Furniture	254.67	35.86	-	290.53
Vehicles	181.08	6.13	37.91	149.30
	25797.21	189.35	43.37	25943.19
Capital work in progress	291.81	1132.03	66.07	1357.77
Total	26089.02	1321.38	109.44	27300.96
Previous Year's Figure	20259.41	6457.49	627.88	26089.02

Cont'd (SCHEDULE 5: FIXED ASSETS)

Description of Assets	DEPRECIATION				NET BLOCK	
	Upto 01.04.2008	For the year	Adjustment during the Year	Total	W.D.V. as on 31.03.2009	W.D.V. as on 31.03.2008
	Rs	Rs	Rs	Rs	Rs	Rs
Land (Including Leasehold Land)				-	378.78	378.78
Building	759.89	113.97	-	873.86	1586.70	1686.99
Plant & Machinery	6422.10	1740.67	1.69	8161.08	13813.57	15343.48
Electric Installation	232.22	43.44	-	275.66	413.71	447.00
Office Equipments & Furniture	130.47	32.17	-	162.64	127.89	124.20
Vehicles	97.72	17.72	33.49	81.95	67.35	83.36
	7642.40	1947.97	35.18	9555.19	16388.00	18154.81
Capital work in progress	-	-	-	-	1357.77	291.81
Total	7642.40	1947.97	35.18	9555.19	17745.77	18446.62
Previous Year's Figure	5765.60	1878.42	1.62	7642.40	18446.62	

Depreciation includes depreciation on revalued assets Rs. 300.41 (Previous year 300.41)

SCHEDULE : 6	31-03-2009	31-03-2008
	Rs. in Lacs	Rs. in Lacs
INVESTMENTS: Long Term (at Cost) other than trade		
Quoted:		

Fully paid Equity Shares of Rs.10/- each unless otherwise stated			
32 (32)	Tata Consultancy Services Ltd. (Including 16 Bonus Equity Shares) Fully paid Equity Shares of Re. 1 each	0.14	0.14
- (25,000)	Shri Securities Ltd.	-	1.89
Unquoted:			
Fully paid Equity Shares of Rs.10/- each unless otherwise stated			
514 (-)	India Exposition Mart	0.05	-
In Mutual Funds (Face Value of Rs. 10/- each)			
977995.110 (977995.110)	J.P. Morgan India Equity Fund	100.00	100.00
977995.110 (977995.110)	AIG India Equity Fund	100.00	100.00
285437.004 (285437.004)	Fidelity Equity Fund	50.00	50.00
309985.245 (309985.245)	Sundaram BNP Paribas Select Midcap Fund	50.00	50.00
256579.994 (256579.994)	Reliance Equity Opportunities Fund	50.00	50.00
272232.305 (272232.305)	J.M. Emerging Leader Fund	30.00	30.00
35184.510 (71184.510)	Birla Sunlife Equity Fund	24.71	50.00
5000000.000 (5000000.000)	HDFC Midcap Opportunities Fund	50.00	50.00
- (635737.908)	Prudential ICICI Infrastructure Fund	-	100.00
- (248979.185)	DSP Merrill Tiger Fund	-	50.00
- (1955990.220)	Reliance Equity Advantage Fund	-	200.00
487807.870 (487807.870)	ABN Amro China-India Fund	50.00	50.00
750000.000 (750000.000)	Sundram BNP Paribas Energy Opportunities Fund	75.00	75.00
14827.073 (13680.983)	JM Arbitrage Advantage Fund	1.50	1.39
- (2,51,366.175)	Tata Infrastructure Fund	-	50.00
		581.40	1008.42
Aggregate value of Investments in Equities			
Quoted		0.14	2.03

Unquoted	0.05	-
	0.19	2.03
Aggregate value of Investments in Mutual Funds	581.21	1006.39
	581.40	1008.42
Market value of Quoted Investments	0.00	49.81

Note: Units of Mutual Funds Purchased & Sold during the year (Face Value of Rs. 10/- each)

No. of Units	Particulars	Cost Price	Cost Price
(-)	HSBC Advantage India Fund (61509.941 Units)	-	6.91
(-)	DSPML Strategic Bond Fund (6983.132 Units)	-	70.00
(-)	DWS Money Plus Fund (491202.562 Units)	-	50.00
(-)	JM Arbitrage Advantage Fund (10247.823 Units)	-	1.04
(-)	Prudential ICICI Growth Plan (44389.994 Units)	-	9.63
		-	137.58

SCHEDULE : 7

	31-03-2009	31-03-2008
	Rs in Lacs	Rs in Lacs
CURRENT ASSETS, LOANS & ADVANCES		
Current Assets		
Inventories: (as taken, valued & certified by the Management)		
Raw Materials (at lower of cost or net realizable value)	6673.22	8464.59
Stock in Progress (at estimated cost)	1621.84	1618.73
Finished Goods (at lower of cost or net realizable value)	15710.68	6720.99
Stores, Spare Parts, Dyes, chemicals etc (at cost)	143.93	86.07
	24149.67	16890.38
Sundry Debtors :		
Outstanding for a period exceeding six months		
Considered Good	5328.78	7587.85
Considered Doubtful	3.65	22.91
	5332.43	7610.76
Other Debts	2571.16	6682.30
	7903.59	14293.06
Less: Provision for Doubtful Debts	3.65	22.91
	7899.94	14270.15
Cash & Bank Balances		
Cash in hand	1.17	2.27
With Scheduled Banks		
In Current Accounts	350.77	529.08
In Fixed Deposit Lying as Margin Money	1557.19	1255.63
In Foreign Currency Accounts	34.09	30.34
	1943.82	1817.32
Loans & Advances (Unsecured - Considered Good)		
Advances for Capital Assets	-	37.02

Advances (Recoverable in cash or kind or value to be received)	10766.36		9389.73
Other Deposits	99.78		98.45
Advance Payment of Income Tax and Tax deducted at source	1740.47		1599.23
		12606.61	11124.43
		46600.04	44102.28

SCHEDULE : 8		31-03-2009	31-03-2008
		Rs in Lacs	Rs in Lacs
CURRENT LIABILITIES & PROVISIONS			
A. Currency Liabilities			
Sundry Creditors	6403.74		3232.66
Security Deposit	900.00		900.00
Advance Against Order	358.62		826.25
Other Liabilities	2079.33		4428.03
Book Overdraft - With Banks	25.90		11.44
		9767.59	9398.38
B. Provisions			
Provision for Taxation	1725.00		1600.00
Provision for Fringe Benefit Tax	28.44		13.44
Provision for Gratuity	-		15.73
Proposed Dividend on Equity Shares	157.91		710.57
Dividend on Preference Shares	224.00		224.00
Provision for Corporate Dividend Tax	185.67		158.83
		2321.02	2722.57
		12088.61	12120.95

* Other Liabilities includes change in the fair value of foreign exchange forward contracts Rs. 152.12 lacs (Previous Year Rs. 1724.01 lacs)

Note : No amount was due for credit to Investor Education and Protection Fund as at 31.03.2009

SCHEDULE : 9			
OTHER INCOME			
Export Incentives/Duty Drawback		838.11	657.73
Interest (Gross) (T.D.S Rs 23.69 Lacs, Previous Year Rs.22.51 Lacs)			
From Banks	112.41		92.12
From Others	3.63	116.04	2.10
Dividend on Non-Trade Investment			
Long Term Investment	0.01		0.05
Current Investment	0.11	0.12	113.57
Profit on sale of Fixed Assets		0.12	0.57
Profit on sale of Investment			
Long Term *	0.20	0.20	136.39
Short Term (Current)	-		33.36
Insurance Claim		10.75	1.14
Sundry Credit Balances Adjusted		0.93	3.60
Rent received		1.37	2.00

Provision for Bad debts written back		19.25	40.54
Miscellaneous Income		3.22	0.26
Exchange Rate Difference (Net)		1458.32	0.00
		2448.43	1083.43
* Includes Rs.20 Lacs, Previous Year Rs. 135.49 Lacs of Current Investment			
SCHEDULE : 10			
INCREASE / (DECREASE) IN FINISHED GOODS			
Closing Stock - Work in Progress		1621.84	1618.73
Finished Goods		15710.68	6720.99
		17332.52	8339.72
Less: Opening Stock			
Less: Work in Progress	1618.73		1445.79
Finished Goods	6720.99		5868.46
Add: Transferred from raw Materials	-		285.83
		8339.72	
		8992.80	739.64
SCHEDULE : 11			
RAW MATERIALS CONSUMED			
Opening Stock	8464.59		6948.30
Less: Transferred to Finished Goods	-	8464.59	285.83
Add : Purchases		8681.84	13595.92
		17146.43	20258.39
Less: Closing Stock		6673.22	8464.59
		10473.21	11793.80
SCHEDULE : 12			
		31-03-2009	31-03-2008
		Rs. in Lacs	Rs. in Lacs
MANUFACTURING, SELLING & OTHER EXPENSES			
Conversion, Machining & Other Direct Expenses		3353.60	2946.06
Stores, Spares & Accessories Consumed		249.33	239.34
Dyes, Chemicals etc consumed		171.75	178.87
Power & Fuel		522.56	600.28
Salary, Bonus & Allowances		543.34	380.39
Gratuity		31.98	31.74
Workers & Staff Welfare Expenses		56.94	55.67
Employer's Contribution to Provident Fund & Other Funds		87.36	74.07
Freight, Packing, Forwarding etc.		488.97	486.01
Brokerage & Commission to Selling Agents		2877.05	2635.07
Sales Promotion		33.97	81.62
Import Licence Fees		12.48	8.70
Technical Consulting Fee		-	42.34
Legal, Professional & Syndication Charges		42.38	32.22
Rent		102.02	67.70

Rates & Taxes		10.36	12.10
Insurance		93.37	108.92
Traveling Expenses		114.06	96.22
Mailing & Communication Expenses		56.01	77.75
Bank Charges & Commission		320.70	296.91
Directors' Meeting Fee		1.24	1.23
Auditor's Remuneration:			
Audit Fees	4.41		4.49
Tax Audit Fees	0.79		0.73
For Other Services	1.49	6.69	5.10
Managerial Remuneration		84.50	72.43
Sales Tax		-	1.35
Miscellaneous Expenses		203.56	210.82
Donation		10.05	8.45
Loss on sale of Fixed Assets		2.63	0.83
Loss on sale of Investments			
Short Term	-		0.07
Long Term	115.09	115.09	0.00
Expenses relating to Previous Year		27.42	12.09
Repairs & Maintenance			
Building	4.90		2.50
Plant & Machinery	6.12		36.50
Others	14.05		19.86
		25.07	
Exchange Rate Difference (Net)		-	517.49
Loss on HEDGE Contracts		1679.51	491.10
Preliminary expenses written off		0.25	0.25
		11324.24	9837.27
<u>SCHEDULE : 13</u>			
INTEREST			
To Banks		2387.15	2248.95
To Financial Institutions		27.01	48.67
To Others		0.83	-
		2414.99	2297.62

SCHEDULE : 14

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

ACCOUNTING POLICIES :

1 A. Basis of Accounting

The Company adopts the mercantile system of accounting and recognises income and expenditure on accrual basis in accordance with the applicable accounting standards. Export incentives, insurance and other claims, has been accounted for to the extent quantum thereof is ascertainable with reasonable accuracy.

B. Fixed Assets

Fixed assets are stated at original cost, if revalued at revalued amount, less depreciation. The cost of assets comprises its purchase price; direct expenses incurred including finance costs till it is put to use and the revalued amount, if any. The cost including additions, improvements, renewals, revalued amount and accumulated depreciation of assets, which are sold and/or discarded, are removed from the Fixed Assets and any profit or loss resulting there from is included in the Profit & Loss Account.

C. Depreciation

Depreciation is provided for on written down value method, except for Unit 1 & Unit 3, which is provided on Straight Line Method, at the rates prescribed under Schedule XIV of the Companies Act, 1956. Depreciation on the Assets added/disposed off during the year is being provided on pro-rata basis. Depreciation on revalued assets is calculated on straight line method over the residual life of the respective assets as estimated by the valuer. The charge for depreciation on account of revaluation is withdrawn from capital reserve.

D. Foreign Currency Transactions, Derivatives instruments and hedge accounting

Transactions in foreign currency other than those covered by forward contracts are accounted for at the prevailing conversion rates on the date of transaction and difference arising out of the settlement are dealt with in the Profit & Loss account. Outstanding export documents when covered by foreign exchange forward contracts are translated at contracted rates. Foreign currency loans availed for acquisition of fixed assets are restated at the exchange rate prevailing at year end and exchange rate difference arising on such transactions are adjusted in the Profit & Loss Account. Other foreign currency current assets and liabilities outstanding at the close of the year are valued at the year-end exchange rates. The fluctuations are reflected under the appropriate revenue head.

The company uses foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The company designates these 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).

Hedging instruments are initially measured at fair value, and are re-measured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognized directly in shareholders' funds and the effective portion is recognized in profit & loss account.

Changes in the fair value of derivatives financial instruments that do not qualify for hedge accounting is recognized in profit & loss account as they arise.

Hedge accounting is discontinued when the hedging instruments expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time for forecasted transactions, any cumulative gain or loss on the hedging instrument recognized in Reserves & Surplus is retained there until the forecasted transaction occurs. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss recognized in shareholder's funds is transferred to profit & loss account for the year.

E. Expenditure during Construction Period

Expenditure during construction period is included under Capital Work-in-Progress and the same is allocated to the respective fixed assets on the completion of construction/erection/installation/production.

F. Valuation of Investments

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

G. Valuation of Inventories

Raw Materials and Finished Goods are valued at lower of cost or net realisable value.

Work-in-progress is valued at estimated cost.

Stores & spares parts, Dyes & chemicals, Packing materials are valued at cost.

Cost of inventories is ascertained at FIFO/Weighted average cost.

H. Employees Benefits

i) 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.

ii) Post employment Benefits

a) Defined Contribution Plans - Contributions towards provident funds are recognized as expense. Provident fund contributions in respect of certain employees are made to Trusts administered by the Company, the interest rate payable to the members of the Trusts 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 employer established provident funds (other than covered employees)/government administered provident fund towards which the Company has no further obligations beyond its monthly contributions.

b) Defined Benefit Plans - Liability towards gratuity, covering eligible employees, is provided and funded 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 Profit and Loss Account as income/expense for the year in which they occur.

I. Miscellaneous Expenditure

Expenses related to issue of fresh capital are being amortized over a period of 10 years.

J. 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 substantially all activities necessary to prepare the qualifying asset for its intended use or sale are complete.

K. 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.

L. 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 the weighted average number of equity shares outstanding during the year (adjusted for the effects of dilutive options).

M. Events occurring after Balance Sheet Date

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

N. Contingent Liabilities

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

NOTES ON ACCOUNT

2. 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 their name.

3. Certain Fixed Assets of the Company were revalued during 2003-04 on the basis of valuation of approved valuer and the increased valuation of Rs. 6,326.22 Lacs is reflected in Fixed Assets.

4. 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 in the same form. The treatment as per AS-14 has not been followed fully as the High Court approving the Scheme of Amalgamation provided that after taking over all the assets and liabilities of the Transferor Companies as on 31st March 2004, and after accounting for the share premium of Rs.78/- per share as provided in the scheme, surplus, if any, arising after issuance of the new shares be credited to Capital Reserve of the Transferee Company and as such during 2004-05 a sum of Rs. 2,920.35 Lacs was credited in Capital Reserve.

5. Depreciation of Rs.300.41 Lacs on revalued assets has been provided during the year and such depreciation has been reduced from cost of fixed assets and also from capital reserve created on amalgamation.

6. In respect of capital goods imported under EPCG Scheme, the Company has executed bonds of Rs 2,843.56 Lacs in favour of President of India for import at a concessional rate of custom duty. The Company is under an obligation to export products for Rs 9,133.13 Lacs within a period of 8 years from the date of issue of licenses between 20th December, 2002 to 14th November, 2016. The Company has exported goods worth Rs 18,292.69 Lacs till 31st March, 2009.

7. Contingent Liabilities net provided for in respect of :

	2008-09 Rs. in Lacs	2007-08 Rs. in Lacs
(a) Letters of Credit	5903.15	4243.04

(b) Guarantees given by the Bankers	141.27	68.55
(c) Bills receivable discounted with Bankers	17958.75	13012.61
(d) Excise, Sales Tax, Custom Duty, ESIC & Other Claims	184.44	184.44

8. Claims against the Company not acknowledged as debts:

- i) Demand by the Department of Commercial Taxes, Government of Karnataka, levying a sum of Rs.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 Rs. 109.77 lakhs have been stayed by the customs and Service Tax Act Appellate Tribunal, Chennai. The Company has deposited a sum of Rs. 38 lakhs with the Customs Authorities under protest.

9. Lining Fabrics valued at Rs.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 co-relation between the material used and the material imported, an amount of Rs 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 and remanded for fresh hearing.

10. 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.

11. Estimated amount of contracts remaining to be executed on Capital account and not provided for Rs. 7087.23 Lacs (Previous Year Rs. 93 Lacs).

12. 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 2009. 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.

13. Derivative Instruments:

(a) The company has re-evaluated its risk management program in respect of forecasted transactions. Upon completion of the formal documentation and testing for effectiveness, the company has designated certain foreign currency options in respect of forecasted transactions, which meet the criteria, as Cash Flow Hedges.

(b) Pursuant to The Institute of Chartered Accountants of India's (ICAI) announcement on the early adoption of Accounting Standard AS 30 "Financial Instruments recognition and measurements", the company has fully adjusted for mark to market losses aggregating to Rs. 152.12 lakhs (Previous Year Rs.1,724.01 lakhs) during the year, towards designated Foreign currency transactions. The same has been recognized directly under Reserves & Surplus.

(c) The Company uses forward Exchange Contracts and Currency Option to hedge its exposures in foreign currency related to firm commitments and highly probable forecasted transactions. The information on Derivative Instruments is as follows:

Forward Exchange Contracts	(Figures in lakhs)	
	As at 31st March, 2009	
Currency Pair	Buy	Sell
EURO/USD	-	-
	(7.55)	(295.00)
GBP/USD	-	-
	(20.00)	(60.00)
USD/CHF	-	-
	(10.00)	-
AUD/USD	-	-
	-	(100.00)
USD/INR	-	27.50
	-	(60.00)
Derivatives		
USD/YEN	-	-
	(40.00)	-
EURO/USD	(30.00)	(10.00)

14. 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.

I. Reconciliation of opening and closing balances of Defined Benefit Obligation	(Rs. in Lacs)	
	Gratuity (Funded)	Leave Encashment (Unfunded)
(a) Defined benefit obligation at the beginning of the year	55.15 (53.83)	10.57 (16.09)
(b) Current Service Cost	13.22 (12.25)	7.70 (6.51)
(c) Interest Cost	4.81 (4.35)	1.10 (1.07)
(d) Actuarial (Gain)/Loss	0.35 (0.73)	5.94 (0.96)
(e) Benefits paid	8.33 16.01	(8.39) 14.05
(f) Defined benefit obligation at the end of the year	65.20 (55.15)	16.92 (10.57)
II. Reconciliation of opening and closing balance of the fair value of Plan Assets		
(a) Fair Value of Plan Assets at the beginning of the year	28.22 (18.21)	10.57 -
(b) Expected Return on Plan Assets	2.26 (1.60)	- -
(c) Actuarial Gain / (Loss)	(0.35) 0.73	- -
(d) Contributions by Employer	43.05 (24.42)	8.39 (14.06)
(e) Benefits paid	(8.33) 16.01	(8.39) 14.06
(f) Fair Value of Plan Assets at the end of the year	65.20 (28.22)	- -
III. Reconciliation of fair value of Assets and obligation		
(a) Fair Value of Plan Assets	65.20 (28.22)	- -
(b) present value of obligation	65.20 (55.15)	16.92 (10.57)
(c) Amount recognized in Balance Sheet	- (26.93)	16.92 (10.57)
IV. Expense charged to the Profit and Loss Account		
(a) Current Service Cost	13.22 (12.25)	7.70 (6.51)
(b) Interest Cost	4.81 (4.35)	1.10 (1.07)
(c) Expected Return on Plan Assets	(2.26) 1.60	0.00 -
(d) Actuarial (Gain)/Loss	0.35 (0.73)	5.94 (0.96)
(e) Total expense charged to the Profit and Loss Account	16.12 (15.73)*	14.74 (8.54)
* Under the head "Gratuity" on Schedule - 12		
** Under the head "Salary, Bonus & Allowances" on Schedule – 12		
V. Percentage of each Category of Plan Assets to total Fair value of Plan assets as at 31st March, 2009	100% with Life Insurance Corporation of India.	
VI. Actual Return on Plan Assets:	7% (7%)	
VII. Principal Actuarial Assumption as at 31st March 2008		

(a) Discount Rate (per annum)	8.00% (8.00%)
(b) Expected Rate of Return on Plan Assets (per annum)	8.00% (8.00%)
(c) Salary Escalation	5.00% (5.00%)
(d) Inflation Rate	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.

15. 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.

14. 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 :-

Ethics Commercials Ltd.
Lucky Goldstar Company Ltd.
P.K.Textiles Ltd.
Tarun Fabrics Ltd.
Gemini Overseas Ltd.

(c) Key Management Personnel

Shri S.S. Shah (Chairman & Managing Director)
Shri Sundeep Shah (Executive Director)
Shri G. Venkatesh (President)
Shri Anil Jain (Chief Financial Officer)

(II) Transactions with Related Parties

	Associates (Rs. in Lacs)	Key Management Personnel (Rs. in Lacs)
Income & Expenditure:		
Purchase of Raw Materials & Finished Goods	28294.23 (14755.79)	
Sale of Goods	8290.95 (4194.78)	
Services Received	2773.16 (2349.92)	
Purchase of fixed assets	- (2700.00)	
Rent Received	0.17 (0.17)	
Rent Paid	0.72 (0.72)	
Guarantee given	650.00 -	
Remuneration Paid		102.89 (85.71)
Balances as on 31-03-09		
i) Debtors / Receivables	4471.85 (3339.23)	

17. As required under Accounting Standard - 22 issued by Institute of Chartered Accountants of India, the Company is required to account for deferred taxation while preparing its accounts. The details of deferred tax assets / liabilities are as under :

	As at 31.3.08	Tax effect for the year	As at 31.3.09
	Rs. in Lacs	Rs. in Lacs	Rs. in Lacs
Deferred Tax (Liability)			
Difference between book and tax depreciation	(1426.03)	150.00	(1276.03)
Deferred Tax Assets	-	-	-
Employees Benefits	20.23	(0.77)	19.46
Net Deferred Tax (Liability)/Assets	(1405.80)	149.23	(1256.57)

16. Managerial Remuneration :

(Remuneration to Managing Director & Executive Director)

	Managing Director		Executive Director	
	2008-09 Rs. in Lacs	2007-08 Rs. in Lacs	2008-09 Rs. in Lacs	2007-08 Rs. in Lacs
Salary & Bonus	42.00	36.00	27.72	23.76
House Rent Allowance	4.20	3.60	2.52	2.16
Contribution to Provident & Other Funds	5.04	4.32	3.02	2.59
Total	51.24	43.92	33.26	28.51

Computation of Net Profit for the purpose of calculation of Managing Director's and Executive Director's Remuneration under Section 349 of the Companies Act, 1956 has not been given since no commission has been paid.

19. Donation includes payment to a Political Party – Bhartiya Janta Party Rs. 5.25 Lacs (Previous Year – Rs Nil)

20. Earning Per Shares (EPS)

	2008-09	2007-08
Profit after tax	1921.05	5813.83
Less: Dividend on Redeemable Cumulative Preference Shares (including tax thereon)	131.03	131.03
Profit considered for calculating EPS	1790.02	5682.80
Weighted average number of Equity Shares of Rs.10/- each	7,89,52,620	7,89,52,620
Earning per share (Basic & Diluted)	Rs. 2.27	Rs. 7.20

21. Previous Year's figures have been re-arranged, and/or re-grouped and/or re-furbished wherever necessary.

Additional information pursuant to the provisions of paragraph 3 & 4 (C&D) of part II of schedule VI of the Companies Act, 1956.

		2008-09	2007-08
Licenced Capacity	Silk Weaving / Embroidery	Not Applicable	Not Applicable
	Spun Silk Yarn	Not Applicable	Not Applicable
	Noil Silk Yarn	Not Applicable	Not Applicable
Installed Capacity	Silk Weaving / Embroidery	18.40 Lacs Mtrs. per annum	18.40 Lacs Mtrs. per annum
	Spun Silk Yarn	240 M/T per annum	240 M/T per annum
	Noil Silk Yarn	360 M/T per annum	360 M/T per annum

Note: Installed Capacity is certified by the technical personnel and accepted by the Auditor being technical matter .

Actual Production:

Class of Goods	Unit	2008-09	2007-08
Fabrics (Semi-finished)	Mtrs.		4,12,239.95
Fabrics	Mtrs.	27,76,009.85	26,05,580.64
Made-Ups	Pcs	2,75,027	7,65,328
Silk Yarn (Semi-Finished)	Kgs.	3231.310	6970.500
Silk Yarn	Kgs.	2,06,572.665	2,99,870.050

Opening & Closing Stock of Finished Goods:

Class of Goods	Unit	Closing Stock as on 31.03.2008					
		Closing Stock as on 31.03.2009		Opening Stock as on 01.04.2008		Closing Stock as on 31.03.2007	
		Quantity	Value (Rs. in Lacs)	Quantity	Value (Rs. in Lacs)	Quantity	Value (Rs. in Lacs)
Fabrics	Mtrs.	35,73,080.61	14,098.41	16,09,610.61	5,758.59	15,85,824.16	5,403.63
Made-ups	Pcs.	35,979	217.37	16,329	51.23	12,754	30.26
Yarn	Kgs.	1,71,688.590	1,394.90	105,195.330	911.17	45,674.130	434.57
			15,710.68		6,720.99		5,868.46
Transferred from Raw Materials							
Silk Yarn	Kgs.					30,041.700	285.83
			15,710.68		6,720.99		6,154.29

Purchases & Sales	Unit	PURCHASES				SALES			
		2008-09		2007-08		2008-09		2007-08	
Class of Goods	Quantity	Value Rs. in Lacs	Quantity	Value Rs. in Lacs	Quantity	Value Rs. in Lacs	Quantity	Value Rs. in Lacs	
Finished Goods									
Fabrics	Mtrs.	57,18,331.61	26,249.98	23,08,042.31	11,557.01	65,30,871.46	38,132.70	48,89,836.50	
Made-Ups	Pcs.	38,130	62.08	37,468	59.01	2,93,507	2,880.51	7,99,221	
Yarn	Kgs.	7,11,720.845	8,304.16	6,75,535.140	6831.60	8,51,800.250	9,746.60	9,45,925.690	
Other Materials			56.94		17.42		243.94	59.11	
			34,673.16		18,465.04		51,003.75	48,165.28	

Raw Materials Consumed :	Unit	2008-09	2007-08
Class of Goods	Quantity	Value Rs. in Lacs	Value Rs. in Lacs
Yarn	Kgs.	7,65,138.525	7,515.82
Fabrics	Mtrs.	10,70,469.53	2,025.92
Silk Waste	Kgs.	4,35,677.600	931.47
			10,473.21
			11,793.80

Value of Imported & Indigenous Materials Consumed and its percentage :	Consumption		Percentage	
	31.03.2009	31.03.2008	31.03.2009	31.03.2008
Raw Materials:				
Imported	3,663.14	2,022.30	34.98	17.15
Indigenous	6,810.07	9,771.50	65.02	82.85
	10,473.21	11,793.80	100.00	100.00
Stores, Spares & Accessories:				
Imported	58.80	35.58	23.58	14.87
Indigenous	190.53	203.76	76.42	85.13
	249.33	239.34	100.00	100.00

Value of Import Calculated on C.I.F. basis (Actual Payment)	Rs. in Lacs	
Yarn	10,487.51	8,891.81
Fabrics	410.33	324.42
Plant & Machinery	-	794.52

Expenditure in foreign currency as remitted:

Overseas Travelling :		
(Amount Spent in Indian Currency on Foreign tours has not been taken into account while calculating the amount incurred in foreign currency on Travelling)	45.91	32.62
Commission to Agents	2,493.53	1,558.97
Payment of Dividend	45.00	45.00

(No. of Non-Resident Share Holder - 1 (Previous Year - 1)
(No. of Shares Held - 50,00,000 of Face value of Rs.10/- each
(Previous Year 2006-07 - 10,00,000 of Face value of Rs.10/- each)

Others	108.83	158.21
Earnings in Foreign Currency:		
Exports of goods calculated on F.O.B. (accrual basis)	41,324.01	38,746.91

23. Schedules 1 to 14 form an integral part of the Balance Sheet and Profit & Loss Account and have been duly authenticated.

As per our report of even date annexed.

Kolkata The 30th July, 2009	For B.K. SHROFF & CO. Chartered Accountants L.K. SHROFF Partner	S. S. Shah Chairman and Managing Director	Sundeep Shah Executive Director	K.T. Sheth Secretary
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ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956
BALANCE SHEET ABSTRACT AND COMPANIES GENERAL BUSINESS PROFILE

1. Registration Details	
A. Registration No.	13554
B. State Code	21
C. Balance Sheet Date	31.03.2009
2. Capital Raised during the Year (Rs. in '000)	
A. Public Issue	-
B. Rights Issue	-
C. Bonus Issue	-
D. Privet Placement	-
3. Position of Mobilization& Developments of Funds (Rs. in '000)	
A. Total Liabilities (including Deferred Tax liability)	64,927.20
B. Total Assets	64,927.20
C. Source of Funds	
1. Paid-up Capital	2,979.05
2. Reserves & Surplus	37548.55
3. Secured Loans	10,773.09
4. Unsecured Loans	281.34
5. Deferred Tax Liability	1256.57
D. Application of Funds	
1. Net Fixed Assets	17,745.77
2. Investments	581.40
3. Net Current Assets	34,511.43
4. Miscellaneous Expenditure	-
5. Accumulated Losses	-
4. Performance Of Company (Rs. in '000)	
A. Turnover (including other income)	62,444.98
B. Total Expenditure	60,533.16
C. Profit/ (Loss) before Tax	1911.82
D. Profit/ (Loss) after Tax	1921.05
E. Earning per Share	2.27

F. Dividend Rate	10%
5. Generic Names of three Principal Products/Services of Company (as per monetary terms)	
Item Code No. (I.T.C. Code)	50.07
Product Description	Silk Fabrics

Kolkata The 30th July, 2009	For B.K. SHROFF & CO. Chartered Accountants L.K. SHROFF Partner	S. S. Shah Chairman and Managing Director	Sundeep Shah Executive Director	K.T. Sheth Secretary
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