

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

Name of the Director	Category	No. of other Directorship	No. of Membership of other Board Committee	No. of Board Committee for which Chairperson
Shri S.S. Shah	Promoter, Executive	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. Gaggur	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 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	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. Gaggur	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 recommendation are based on the overall financial performance and profitability of the Company and on evaluation of the personal contribution of the individual directors.

II. Composition

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

III. Meeting and Attendance

During the financial year ended 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
Sri S.S. Shah	42,00,000	9,24,000	--	51,24,000	Five years w.e.f. 1 st September 2006
Sri Sundeep Shah	25,20,000	8,06,000	--	33,26,400	Five years w.e.f. 1 st September 2006
Sri H.S. Gopalka	--	--	28,000	28,000	Retire by rotation
Sri R.S. Rungta	--	--	28,000	28,000	Retire by rotation
Sri G.D. Harnathka	--	--	10,000	10,000	Retire by rotation
Sri O.P. Agarwal	--	--	28,000	28,000	Retire by rotation
Sri 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.

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 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
27 th September 2006	11:00 A.M.	Kala Kunj 48 Shakespeare Sarani Kolkata – 700 017.
26 th September 2007	11:00 A.M.	-- DO --
24 th September 2008	11:00 A.M.	-- DO --

ii) Special Resolutions:

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	:	9 th 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	STOCK CODE
National Stock Exchange of India Ltd.	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 at 31st March, 2009 is as follows:

No. of Shares	Number of Share Holders	% To Total Holders	No. 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 at 31st March, 2009 is as follows:

Category	No. Shares	% age of Holding
Promoters including NRI Promoters	3,74,20,950	47.40
Financial Institutions, Banks, Mutual Fund Etc.	43,91,960	5.56
Non Resident Indians / 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) Dematerialisation of Shares

As directed by Securities Exchange Board of India (SEBI) equity shares of the Company are being traded in compulsory dematerialised 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 dematerialised 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 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 Agrahara 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 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.