

MANAGEMENT'S DISCUSSION AND 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.

Segmentwise 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.
The 30th July, 2009

For B.K. SHROFF & CO
CHARTERED ACCOUNTANTS

(L.K.Shroff)
PARTNER
Membership No. : 60742