

# REPORT ON CORPORATE GOVERNANCE

## COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :

Adequate internal control systems and procedures, risk management and code of conduct for observance by the Company's directors and employees are conducive in achieving good Corporate Governance practices in the Company.

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a Report on Corporate Governance for the year 2010-11 is given below.

## BOARD OF DIRECTORS

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

Name of the Director	Category	No. of other Directorship	No. of Membership of other Board Committee	No. of Board Committee for which Chairperson
Shri S.S. Shah	Promoter, Executive	–	–	Nil
Shri Sundeep Shah	Promoter, Executive	–	–	Nil
Shri G.D. Harnathka	Non-Executive, Independent	–	–	Nil
Shri H.S. Gopalka	Non-Executive, Independent	1	–	Nil
Shri R.S. Rungta	Non-Executive, Independent	1	–	Nil

During the year under review, Board Meetings were held on 29<sup>th</sup> April 2010, 10 August 2010, 10 November 2010 and 11<sup>th</sup> February 2011. The attendance of the Directors for the Board Meeting and the last Annual General Meeting (AGM) was as follows:

Name of the Director	Meeting Attended	Whether attended the last AGM
Shri S.S. Shah	4	Yes
Shri Sundeep Shah	4	Yes
Shri G.D. Harnathka	2	No
Shri H.S. Gopalka	3	Yes
Shri O.P. Agarwal	2	Yes
Shri R.S. Rungta	3	Yes
Shri R.L. Gaggar	4	Yes
Shri Sunil V. Diwakar	–	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 of which two are non executive independent Directors namely Shri H.S. Gopalka and Shri R.S. Rungta and one Executive Director namely Shri Sundeep Shah. All these directors have knowledge of corporate finance, accounts and company law. The Chairman of the Committee is Shri H.S. Gopalka. The Company Secretary acts as the Secretary of the Committee. Besides the Committee members, 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 31 March 2011 four Audit Committee meetings were held on 28 April 2010, 9 August 2010, 9 November 2010 and 10 February 2011 which were attended by all the members of the Committee.

## REMUNERATION COMMITTEE

### I. Constitution

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

### II. Composition

The Members of the Remuneration Committee are Shri H.S. Gopalka, Shri R.S. Rungta and Shri G.D. Harnathka. Shri R.S. Rungta acts as the Chairman of the Committee.

### III. Meeting and Attendance

During the financial year ended 31 March 2011<sup>st</sup> no Remuneration Committee Meeting was held.

The details of the remuneration to the directors for the year ended 31 March 2011<sup>st</sup> are as under:

Name of the Director	Salary	Perquisites	Sitting Fees for Board & Committee Meetings	Total Rs.
Shri S.S. Shah	20,04,000	3,96,000	—	24,00,000
Shri Sundeep Shah	20,83,000	3,17,000	—	24,00,000
Shri H.S. Gopalka	—	—	31,000	31,000
Shri R.S. Rungta	—	—	21,000	21,000
Shri G.D. Harnathka	—	—	10,000	10,000
Shri O.P. Agarwal	—	—	14,000	14,000
Shri R.L. Gaggar	—	—	20,000	20,000
Shri Sunil V. Diwakar	—	—	—	—

## SHAREHOLDERS COMMITTEE :

### Share Transfer Committee

#### I. Constitution

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

transfer and registration of shares.

## II. Composition

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

## III. Meeting & Attendance

During the financial year ended <sup>st</sup>31 March, 2011, eight Share Transfer Committee meetings were held. No sitting fee was paid to any member of the Share Transfer Committee.

## Investors' Grievance Committee

### I. Constitution

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

### II. Composition

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

### III. Meeting & Attendance

e financial year ended 31 March, 2011, 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
24 <sup>th</sup> September 2008	11:00 A.M.	Kala Kunj 48 Shakespeare Sarani Kolkata – 700 017.
9 <sup>th</sup> September 2009	11:00 A.M.	--DO -
22 <sup>nd</sup> September 2010	3:00 P.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 Finance Manager 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 viz. Business Standard, Business Line and Dainik Statesman. The results are also displayed on the Company's website. Press releases are also made by the Company from

time to time to facilitate better communication with the shareholders and investors.

## GENERAL SHAREHOLDERS INFORMATION

Venue : Kala Kunj, 48 Shakespeare Sarani, Kolkata – 700 017  
Date : 21st September 2011  
Time : 11:00 A.M.

i) Sixty Fifth Annual General Meeting

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 9<sup>th</sup> September 2011 to 21 September 2011 (both days inclusive).

iv) Listing on Stock Exchange

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

Listing fee for the year 2011-2012 has been paid to National Stock Exchange of India Ltd.

V) Stock Market Data

The CoThe Company's high and low prices recorded on National Stock Exchange of India Ltd. during the financial year 2010-2011 are given below:

MONTH	HIGH (Rs.)	LOW (Rs.)
APRIL 2010	16.40	13.55
MAY 2010	15.80	12.10
JUNE 2010	14.50	12.25
JULY 2010	13.95	13.05
AUGUST 2010	14.45	12.60
SEPTEMBER 2010	14.45	13.15
OCTOBER 2010	16.00	13.30
NOVEMBER 2010	16.50	11.40
DECEMBER 2010	13.15	11.15
JANUARY 2011	12.85	10.05
FEBRUARY 2011	11.90	7.10
MARCH 2011	9.90	8.10

### Share Holding (as on 31st March, 2011)

The shareholding distribution as at 31st March, 2011 is as follows:

No. of Shares	Number of Share Holders	% To Total Holders	No. of Shares held	% To total Holding
Upto 500	17,401	69.02	39,14,333	4.96

501 - 1000	3,814	15.13	33,54,503	4.25
1001 – 2000	1,809	7.18	29,07,607	3.68
2001 – 3000	713	2.83	18,61,258	2.36
3001 - 4000	304	1.21	11,03,089	1.40
4001 – 5000	337	1.34	16,20,033	2.05
5001 – 10000	452	1.79	33,61,153	4.26
10001 & above	380	1.50	6,08,30,644	77.04
TOTAL	25,210	100.00	7,89,52,620	100.00

The shareholding pattern as at 31st March, 2011 is as follows:

Category	No. Shares	% age of Holding
Promoters including NRI Promoters	4,04,88,851	51.28
Financial Institutions, Banks, Mutual Fund Etc.	43,91,960	5.56
Non Resident Indians / OCBs / FIIs	10,16,350	1.29
Private Corporate Bodies	90,83,058	11.50
Indian Public	2,39,72,401	30.37
TOTAL	7,89,52,620	100.00

#### vii) 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 31.03.2011 the dematerialised shares were 7,14,24,224 which represents 90.46% of the total subscribed capital. The equity shares of the Company are regularly traded on the National Stock Exchange.

#### viii) Share Transfer System

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

#### ix) Registrar and Share Transfer Agents

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

#### x) Plant Location

Unit 1 : 411, Telugarahalli Road Anekal, Bangalore – 562 106

Unit 2 : Kammansandra Agrahara Kasaba Hobli Anekal, Bangalore – 560 106

Unit 3 : 11A, 2nd Cross Industrial Area Nanjangud, Karnataka – 571 301

Unit 4 : Falta Special Economic Zone 24 Parganas (South), West Bengal

xi) Address for Correspondence  
Eastern Silk Industries Ltd.  
19, R. N. Mukherjee  
Road Kolkata – 700 001.  
Phone : 2243 – 0817 – 19 (3 Lines)  
Fax : 2248 – 2486  
Email : [esilk@eiascl01.vsnl.co.in](mailto:esilk@eiascl01.vsnl.co.in)  
Website : [www.easternsilk.com](http://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 27<sup>th</sup> January 2005. The Code is also available on the website of the Company.

## Management Discussion And Analysis :

### Overall Review, Industry Structure and Developments

The demand for silk fabrics, its made-ups and garments in US, Europe and other western countries had declined considerably during the last three years due to recession in these countries. To add to the misery the price of raw silk imported from China rose from US\$24.00 per Kilo to almost US\$58.00 per Kilo rendering the entire economics in the industry unviable. The last death nail was given in the Union Budget for F.Y. 2012 by reducing the custom duty on raw silk from 30% to 5%. As a result, the benefit of Duty Free Import Licences availed by the exporters which were partially passed on to the overseas buyers, had to be discontinued and the pricing of export commodities were required to be increased by 15% -20% which is a Herculean task considering the prevailing adverse market conditions in the overseas markets.

### Opportunities and Threats

Once the economic recovery begins in the global market, the demand for silk products is expected to pick up. However, rising cost of raw materials and high logistic costs are deterrent to the growth of export of silk products.

### Segmentwise Performance

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

### Outlook

The full benefit of the expansion programme of the Company at Unit-2 near Anekal at Bangalore is likely to be reaped in the current year. The Company's strategy of changing product folio by giving more thrust on low cost products like blended fabrics and polyfab has received good response from overseas 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

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

### Cautionary Statement

Certain statements in this report on Management Discussion and Analysis describing the Company's view about the industry, objectives, projections, estimates, expectations or predictions may be forward looking within the meaning of applicable laws and

regulations. Actual results may differ from those implied therein. Important factors that could make a difference include economic developments within India and countries with which the Company conducts business, government regulations and tax regime, availability of raw materials and prices and other incidental factors.

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

We have examined the compliance of conditions of corporate governance by EASTERN SILK INDUSTRIES LTD. for the year ended on 31 March, 2011 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 31 March, 2011 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 2nd August, 2011

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