



A Tayal Enterprise

# ESKAY K'n'IT (INDIA) LIMITED



25th  
Annual Report  
2011 - 2012



# Annual Report 2011-2012

## **BOARD OF DIRECTORS**

### **CHAIRMAN**

Shri Navin Kumar Tayal

### **MANAGING DIRECTOR**

Shri Sanjeev Sharma

### **DIRECTORS**

Shri Mahesh Prasad Mehrotra

Shri Naresh Chandra Sharma

Shri Ajay Ramesh Gupta

Shri Manmohan Ahluwalia

### **COMPANY SECRETARY**

Shri Mukesh Saraswat

### **BANKERS**

Indian Overseas Bank • Dena Bank

Federal Bank • Bank of India

Andhra Bank • Punjab & Sind Bank • Karnataka Bank

### **AUDITORS**

M/s. A. F. Khasgiwala & Co.

(Chartered Accountants)

### **REGISTERED OFFICE**

Plot No.58-B, Dhanudyog Industrial Area,  
Piperia, Silvassa (Union Territory)

### **ADMINISTRATIVE OFFICE**

Raghuvanshi Mills Compound,  
11/12 Senapati Bapat Marg, Lower Parel (W)  
Mumbai- 400 013

### **REGISTRAR & SHARE TRANSFER AGENT**

Universal Capital Securities Private Limited  
21, Shakil Nivas, Opp Satya Sai Baba Temple,  
Mahakali Caves Road, Andheri (East),  
Mumbai - 400 093.  
Email: info@unisec.in

### **PLANTS**

Bhilad (Gujarat) • Dombivali (Maharashtra)  
Silvassa (U.T. of Dadra & Nagar Haveli)  
Baddi (Himachal Pradesh)

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**25th Annual General Meeting** to be held on **Saturday 14th July, 2012**, at 10:30 a.m.,  
at 65, Krishna Nagar, Samarvani, Silvassa, (Union Territory) - 396230.

**NOTICE**

Notice is hereby given that 25th Annual General Meeting of the Shareholders of ESKAY K'N'IT (INDIA) LIMITED will be held on Saturday, 14th July, 2012 at 10:30 a.m at 65, Krishna Nagar, Samarvani, Silvassa, (U.T.), to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012 and Profit and Loss Account for the year ended as on that date and the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Shri Mahesh Prasad Mehrotra, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Naresh Chandra Sharma, who retires by rotation and being eligible, offers himself for re-appointment.
4. To re-appoint M/s. A. F. Khasgiwala & Co., Chartered Accountants, as Statutory Auditor of the Company and to authorize the Board of Directors to fix the Auditor's remuneration and in this regard to consider and if thought fit to pass, with or without modification(s), the following resolution as an Ordinary Resolution:-

"RESOLVED THAT M/s A. F. Khasgiwala & Co, Chartered Accountants (Membership No. 6491, Firm Registration No. 105114W), be and is hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company, on such remuneration as shall be fixed by the Board of Directors of the Company."

**NOTES:**

1. A SHAREHOLDER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON (WHETHER A SHAREHOLDER OR NOT) AS HIS/HER PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER. A PROXY SO APPOINTED SHALL NOT HAVE ANY RIGHT TO SPEAK AT THE MEETING AND SHALL BE ENTITLED TO VOTE ONLY UPON A POLL.
2. The instrument(s) appointing the Proxy, if any, shall be delivered at the Registered Office of the Company not less than forty eight (48) hours before the commencement of the Meeting and the instrument of proxy shall be treated as invalid in case of default.
3. Corporate Members intending to send their Authorized Representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
4. The Register of Members and Share Transfer Register of the Company will remain closed from Thursday, 12th July, 2012 to Saturday, 14th July, 2012 (both days inclusive) to comply with Annual Book Closure requirements.
5. All documents and agreements referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days, except public holidays, between 10.00 A.M. and 1.00 P.M., up to the date of Annual General Meeting.
6. Members desiring any information on the Annual Accounts of the Company for the year ended 31st March, 2012 or other operations are requested to write to the Company at its Administrative Office Address at least 7 days in advance of the Annual General Meeting, so as to enable the Management to keep the information ready at the meeting.
7. Members holding shares under multiple folios in the identical order of names are requested to consolidate their holdings into one folio. Members are requested to immediately notify any change in their registered address specifying full address with Pin Code Number and quoting their registered Folio No. to the Company.

**For and on Behalf of the Board of Directors**

Place: Mumbai  
Date: 27th April, 2012

Sd/-  
**Navin Kumar Tayal**  
Chairman

**DIRECTOR'S REPORT**

To,  
**THE SHAREHOLDERS,**

The Board of Directors hereby presents the 25th Annual Report on the business and operations of your Company along with the Audited Statements of Accounts for the Financial Year ended 31st March, 2012.

**FINANCIAL HIGHLIGHTS:**

Particulars	2011-12 (₹ in Lacs)	2010-11 (₹ in Lacs)
Revenue from operations	1,05,153.42	93,015.07
Finance Cost	4,960.97	3,943.67
Depreciation and amortization Expense	8,179.22	7,855.16
Profit/ (Loss) before exceptional and extraordinary items and tax	(6,329.59)	31.65
Exceptional items	----	----
Extraordinary items	----	----
Profit/ (Loss) before tax	(6,329.59)	31.65
Deferred Tax Assets	703.45	619.87
Provision for Taxation	0.00	6.31
Net Profit/(Loss)	(5,626.14)	645.21

**DIVIDEND :**

In view of Loss of the Current year, your Directors are unable to recommend any dividend on the equity shares for the year under review.

**REVIEW OF OPERATIONS :**

During the year, the Revenue from operations of the Company has substantially increased to ₹ 1,05,153.42 Lacs as against ₹ 93,015.07 Lacs in respect of the previous Financial Year ended 31st March, 2011, registering a growth of around 13% over the previous Financial Year. The Company has suffered Loss before Tax ₹ 6,329.59 Lacs in the financial year ended 31st March, 2012 as against profit of ₹ 31.65 Lacs in the previous financial year ended 31st March, 2011. The Company has Net Loss of ₹ 5,626.14 Lacs after considering deferred tax of ₹ 703.45 Lacs as against Net Profit of ₹ 645.21 Lacs in the previous financial year ended 31st March, 2011. However, there is no cash loss during the year.

**CORPORATE DEBT RESTRUCTURING :**

The Company has entered into the scheme of Debt Restructuring with the present Consortium Lenders, as the Company has suffered huge losses during the current year on account of volatility in the cotton prices, increase in power cost and heavy burden of Rate of Interest (Interest Rate increased from 11-12% to 15-17%) and the proposal for the same has been duly filed with Corporate Debt Restructuring Cell.

**DIRECTORS :**

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri Mahesh Prasad Mehrotra and Shri Naresh Chandra Sharma, Directors of the Company, retire by rotation and being eligible, have offered themselves for re-appointment.

During the year, Ms. Mrinal Tayal, has resigned from the Directorship of the Company w.e.f. 1st November, 2011. The Board of Directors place on record the valuable services rendered by her and Contribution made by her during her tenure as a Director, in the growth of the Company.

**DIRECTORS' RESPONSIBILITY STATEMENT :**

Pursuant to requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Director's Responsibilities Statement, it is hereby confirmed:

- That in the preparation of the annual accounts for the financial year ended 31st March 2012, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were 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 statement of Profit or Loss of the Company for the year under review;
- That the Directors had 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 frauds and other irregularities;
- That the Directors had prepared the accounts for the financial year ended 31st March 2012 on a 'going concern basis'.
- That the accounts have been prepared on the basis of Revised Schedule VI to the Companies Act. Accordingly the previous years figures have adjusted/regrouped/rearranged to confirm with the current year figures.

**AUDIT COMMITTEE :**

The composition of Audit Committee is in accordance with the clause 49 of the Listing Agreement and the detailed information is given in the Report on Corporate Governance.

**SHARE TRANSFER AND INVESTOR GRIEVANCES COMMITTEE :**

The composition of Shareholders/Investor Grievance Committee is as given in the Report on Corporate Governance.

**REPORT ON CORPORATE GOVERNANCE :**

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a Management Discussion and Analysis Report and a Corporate Governance Report are made as a part of this Annual Report.

A Certificate from M/s. A. F. Khasgiwala, Practicing Chartered Accountants regarding compliance of the conditions of Corporate Governance as stipulated by Clause 49 of the Listing Agreement is attached to this report.

**SAFETY, HEALTH AND ENVIRONMENT :**

Sustained and meticulous efforts continue to be exercised by the Company at all plants of the Company, towards greener production and environment conservation. The Company perseveres in its efforts to indoctrinate safe and environmentally accountable behaviour in every employee, as well as vendors, by rigid compulsory annual training and refresher courses, as well as frequent awareness programme. Mock drills of emergency preparedness are regularly conducted at all the plants showing Company's commitment towards safety, not only of its own men and plants, but also of the society at large.

Safety records, at all plants showed considerable improvement and accident statistics showed downward trend. This was made possible by strict adherence to laid down procedures and following of international guidelines. Involvement of workers in all safety matters has been encouraged by their participation in shop floor safety meetings. To achieve the goals, environment protection systems and processes are well in place. To meet the challenge of environment protection in a proactive manner, unavoidable wastes are dealt with in the most efficient and scientific way.

The health of employees and the environment in and around the Plant area have been given due care and attention. The Company continued to comply with the prescribed industrial safety environment protection and pollution control regulation at its production plant, through periodic checks of the system involved and constant monitoring to meet the standards set by the pollution control authorities, etc.

All the mills of the Company are eco-friendly and do not generate any harmful effluents. They have facilities for captive power generation as a stand-by arrangement, to meet any contingency. Safety devices have been installed wherever necessary, although both the spinning and knitting activities are known to be quite safe and free from usual hazards of water and air pollution.

**INDUSTRIAL REALATIONS & HUMAN RESOURCES MANAGEMENT :**

The Company is of firm belief that good Human Resource Management would ensure success through high performance. HR strategy and plans of the Company are deeply embedded with the organizational goals. In order to enhance the manpower productivity the goal is set to increase the production capacity of the various plants and rationalize the manpower through scientific study. All the operational goals of the top management emanate from the business plan. The goals of MD are shared with his subordinates who in turn share their goal with their respective subordinates and so on. Regular visits by HR team are being made to all the plants to meet the employees and also interaction meetings are conducted to get their feed back, based on which HR policies are improved continuously. The process has resulted in better employee relationship.

The Company lays due emphasis on all round development of its human resource. Hence training of the employees is aimed at systematic development of knowledge, skills, aptitude and team work. Training is designed for the development of personal skills necessary for the performance of the present job and to prepare them for future growth. Individual development is given top priority to groom high caliber manpower.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :**

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are given in the Annexure forming part of this Report.

**CORPORATE SOCIAL RESPONSIBILITY:**

The Company, in keeping with its Corporate Social Responsibility policy, focuses on healthcare, education, and other social initiatives. We continue to strive for sustainability in our operations by promoting the integration of CSR into our business strategy as well as our everyday functioning. During the year under review, we focused on providing residence to our labourers along with school & educational facilities to their children and also maintaining consistent duty towards fellow employees of our organisation.

**EMPLOYEES :**

The Directors are happy to state that the relations between the Company and its Employee remained cordial throughout the year. The Directors acknowledge and express their appreciation for the contributions made by the employees at all levels. Focused attention was given for knowledge updating and application of new technologies available to reduce costs and to meet the business challenges.

None of the employees drew remuneration of ₹ 60,00,000/- or more per annum/ ₹ 5,00,000/- or more per month during the year. This information is furnished as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

**FIXED DEPOSITS:**

The Company has not invited/received any Fixed Deposits from the Public during the year under report.

**INSURANCE :**

The properties / assets of your Company are adequately insured.

**COST AUDIT :**

The Central Government's Cost Audit Committee Order specifies audit of Cost Accounting Records for certain products of the company every year. The Board of Directors, subject to the approval of the Central Government, have appointed M/s J. K. Kabra & Co., Cost Accountants, as Cost Auditors to carry out this audit in respect of manufacture of textile products for the year ending 31st March 2012.

**AUDITORS :**

M/s. A. F. Khasgiwala & Co., Chartered Accountants, the Statutory Auditor of the Company, hold office till the conclusion of the ensuing Annual General Meeting and are being eligible for reappointment. The Company has received a letter from M/s. A. F. Khasgiwala & Co. to the effect that their reappointment as Statutory Auditors, if made, would be within the limits under Section 224(1B) of the Companies Act, 1956.

**ACKNOWLEDGEMENT :**

The Directors have pleasure in recording their appreciation of the assistance, co-operation and support extended to your Company by the shareholders, all Government Authorities, Financial Institutions, Banks, Consultants, Solicitors, Customers.

By the order of the Board of Directors

Sd/-

**Navin Kumar Tayal**  
Chairman

Place: Mumbai  
Date: 27th April, 2012

**ANNEXURE TO THE DIRECTORS' REPORT:**

Information as per Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year 2011 - 2012:

**I. CONSERVATION OF ENERGY****a) Energy conservation measures taken :**

The Company has been making concerted efforts for enhancement in capacity utilization, cost competitiveness and quality through systematic process monitoring and adherence to technological norms. Sophisticated instruments are used for regulation and adjustment as per parameters. Efforts are also made for up gradation of the quality of the Plant Operation. Utilities are being combined for effective energy conservation.

**b) Additional Investments and Proposals being implemented for reduction of consumption of energy :**

Studies are being made to reduce energy consumption and make suitable investments in this area, if necessary.

**c) Impact of the measures (a) & (b) above for reduction of energy consumption and consequential impact on the cost of production of goods :**

The Company has economized considerably the cost of power despite steep hike in the tariffs and is constantly exploring avenues for cost saving as an on-going process.

Total energy consumption and energy consumption per unit of production in accordance with Form 'A' of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, in respect of Industries specified in the Schedule thereof:

	<b>Year ended 31.03.2012</b>	<b>Year ended 31.03.2011</b>
<b>A. Power and Fuel Consumption :</b>		
1. Electricity		
(a) Purchased		
1. Units (KWH in Lacs)	<b>369.24</b>	178.08
2. Total Amount (₹ in Lacs)	<b>2259.78</b>	731.32
3. Rate/Unit (₹)	<b>6.12</b>	4.25
(b) Own Generation (through Diesel Generator/ Furnace Oil / Gas)		
1. Units ( KWH in Lacs)	<b>471.68</b>	885.95
2. Units per Liter of fuel	<b>3.80</b>	3.77
3. Cost per unit (₹)	<b>11.01</b>	6.57
2. Coal	--.--	--.--
3. Furnace Oil	--.--	--.--
4. Others/Internal Generation/Steam	--.--	--.--
<b>B. Consumption per unit of production (Product : Yarn &amp; Fabric)</b>		
1. Electricity (KWH per tonne)	<b>4238.00</b>	2035.52
2. Coal (Kgs.)	--.--	--.--
3. Furnace Oil (Ltrs.)	--.--	--.--
4. Steam (Tonnes)	--.--	--.--

**Note :** Since the Company manufactures different qualities of fabrics/yarns with product-mix changing significantly, there are no specific norms for per unit of production.

**II. TECHNOLOGY ABSORPTION:**

Efforts made in technology absorption in prescribed Form 'B':

1. Research and Development (R & D)

- a) Specified areas in which R & D activities are carried out by the Company
- b) Benefits derived as a result of the above
- c) Future Plan of Action
- d) Expenditure on R & D

R & D activities are being carried out by the Company continuously to produce better quality of yarn and fabrics.

As a result of R & D activities, the Company has been able to produce quality yarn and fabrics conforming to international standards.

Efforts aimed at cost reduction, improvement in quality of products and development of new process will continue.

Expenditure on R & D is being booked under the respective heads in the Profit & Loss Account as no separate account is maintained.

The Company has not utilized any imported technology.

2. Technology Absorption, Adaption and Innovation

**III. FOREIGN EXCHANGE EARNINGS AND OUTGO :**

- a) Activities relating to export Markets for products and services and export plan
- b) Foreign Exchange Outgo (₹ in Lacs)
- c) Foreign Exchange earned (₹ in Lacs)

The Company is exploring avenues to export its premium quality yarns.

<b>(2011-12)</b>	<b>(2010-11)</b>
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**For and on Behalf of the Board of Directors**

Place: Mumbai  
Date: 27th April, 2012

Sd/-  
**Navin Kumar Tayal**  
Chairman

**CORPORATE GOVERNANCE REPORT**

This brief report on matters required to be stated on Corporate Governance pursuant to Clause 49 of the Listing Agreements is as under:

**1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE**

The concept of our Company, of Corporate Governance hinges on total transparency, integrity and accountability of the management team. The main goal of Corporate Governance is maximization of shareholder's value and protection of the interests of all the stakeholders. It includes the policies and procedures adopted by the Company in achieving its objective in relation to its shareholders, employees, customers, suppliers, regulatory authorities and society at large.

The Company has ensured that the Directors of the Company are subject to their duties, obligations and responsibilities to the best interest of the Company, to give direction and remain accountable to their shareholders and other beneficiaries for their actions. The responsibilities of the Board includes setting out the Company's strategic aims, providing the leadership to put them into effect, supervision of the management of the business and reporting to the shareholders on their stewardship.

It is a recognized philosophy of the Company that effective and good Corporate Governance is a must, not only in order to gain credibility and trust, but also as a part of strategic management for the survival, consolidation and growth.

**2. BOARD OF DIRECTORS**

2.1) The Board of Directors consists of Six Directors.

During the year 2011-12, the Board met 4 times on the following dates namely 29th April 2011, 22nd July 2011, 14th October 2011 and 13th January, 2012. There was no time gap of three months or more between any two meetings.

The name and categories of the Directors on the Board, their attendance at Board Meetings during the year and at the 24rd Annual General Meeting held on 9th July, 2011, as also the number of Directorships and Committee Memberships held by them in other Public Companies are given below :

Name	Category	Attendance Particulars		Number of other Directorships and Total Committee member/Chairmanships as on 31.03.2012		
		Board Meetings	24th AGM	Directorship	Committee Membership	Committee Chairmanship
Shri Navin Kumar Tayal	NEC	4	NO	2	2	2
Shri Sanjeev Sharma	MD	4	YES	1	Nil	Nil
Shri Ajay Ramesh Gupta	NED	2	YES	7	5	1
Shri Mahesh Prasad Mehrotra	ID	4	NO	15	9	2
Shri Naresh Chandra Sharma	ID	3	NO	3	7	2
Shri Manmohan Ahluwalia	ID	4	NO	Nil	1	Nil
Ms. Mrinal Tayal (Resigned on 1st November, 2011)	ID	2	YES	--	--	--

"NEC" = Non Executive Chairman, "MD" = Managing Director, "ID" = Independent Director, "NED" = Non-Executive Director.

**2.2) Appointment / Re-Appointment of Directors:**

As required under Clause 49 (VI) of the Listing Agreement the brief details of the Directors seeking re- appointment at the ensuing Annual General Meeting are furnished hereunder:

Sr. No.	Name of Director	Area of Expertise	Directorships	Committee Membership	Committee Chairmanship
1.	Shri Mahesh Prasad Mehrotra	B.Com, LL.B., F.C.A, Member of PHD Chamber of Commerce and ASSOCHAM.	15	9	2
2.	Shri Naresh Chandra Sharma	Post graduate in English Literature. He has a rich experience of 37 yrs., Insurance sector. He has been an MD of LIC.	3	7	2



**2.3) Non-Executive Directors Compensation Disclosures:**

Details of Sitting Fees paid to Non-Executive and Independent Directors of the Company during the Financial Year 2011-2012, for attending the Board Meetings, Audit Committee Meetings and Share Transfer and Investors' Grievances Committee Meetings, is as follows:

Sl. No.	Name of Directors	Category	Sitting Fees (in ₹)
1.	Shri Navin Kumar Tayal	NEC	8,000
2.	Shri Ajay Ramesh Gupta	NED	28,000
3.	Shri Mahesh Prasad Mehrotra	ID	80,000
4.	Shri Naresh Chandra Sharma	ID	50,000
5.	Shri Manmohan Ahluwalia	ID	88,000
6.	Ms. Mrinal Tayal	ID	20,000
	Total		2,74,000

**3. BOARD COMMITTEES:**

The requirement that a Director shall not be a member of more than 10 committees and Chairman of more than 5 committees has been complied with while constituting the Committees of Directors.

**3.1) Audit Committee**

During the year, the Audit Committee of the Company has been re-constituted twice on 29th April, 2011 and on 13th January, 2012. The Audit Committee comprises of Shri Naresh Chandra Sharma as the Chairman, Shri Mahesh Prasad Mehrotra and Shri Manmohan Ahluwalia as the members of the Audit Committee.

The constitution of Audit Committee meets with the requirements of Section 292A of the Companies Act, 1956 and Clause 49(II)(A) as introduced by the Companies (Amendment) Act, 2000.

The scope of the activities of the Audit Committee is as set out in Clause 49 of the Listing Agreement read with the Section 292A of the Companies Act, 1956. The terms of reference of the Audit committee are as follows:

- Overview of the company's financial reporting process and the disclosure of its financial information.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.
- Reviewing with management the annual financial statements before submission to the board, focusing primarily on (i) any changes in accounting policies and practices (ii) major accounting entries based on exercise of judgment by management (iii) qualifications in draft audit report (iv) significant adjustments arising out of audit (v) the going concern assumption (vi) compliance with accounting standards (vii) compliance with stock exchange and legal requirements concerning financial statements and (viii) any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.
- Reviewing with the Management, the quarterly financial statements before submission to the Board for approval.
- Reviewing, with the Management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/ notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit functions.
- Discussion with internal auditors any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- Discussion with external auditors before the audits commences nature and scope of audit as well as has post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

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During the year 2011-12, the Audit Committee met 4 times on the following dates namely 29th April 2011, 22nd July 2011, 14th October 2011 and 13th January, 2012. The composition of the Audit Committee and the details of Audit Committee Meetings attended by the Members are given hereunder:

Name of Member	Designation	Attendance
Shri Naresh Chandra Sharma	Chairman	2
Shri Manmohan Ahluwalia	Member	4
Shri Mahesh Prasad Mehrotra	Member	4

### 3.2) Remuneration Committee

The Company does not have a Remuneration Committee. The remuneration payable to the Managing Director and the Non-Executive Directors is approved by the Board of Directors with the overall limits fixed by the members of the Company at the general meetings.

Remuneration to Managing Director and Non-Executive Directors for the year 2011-2012.

Name	Salary	Commission	Sitting Fees	Total
Shri Sanjeev Sharma (M.D)	6,00,000	---	---	6,00,000
Non-Executive Directors	---	---	2,74,000	
TOTAL	6,00,000	---	---	6,00,000

### 3.3) Share Transfer and Investors' Grievances Committee

The Committee comprises of Shri Navin Kumar Tayal, Chairman, Shri Ajay Ramesh Gupta, Director and Shri Yashpal Agarwal, Director as the Members of the Committee. The Committee, inter alia, looks into redressing of shareholders'/investors' complaints like transfer of shares, non-receipt of balance sheet, non-receipt of dividends etc. The Committee oversees the performance of the Company and recommends measures for overall improvement of the quality of investor services.

During the year 2011-12, the Audit Committee met 4 times on the following dates namely 29th April 2011, 22nd July 2011, 14th October 2011 and 13th January, 2012. The composition of the Share Transfer and Investors' Grievance Committee and the details of the Meetings attended by the Members are given hereunder:

Name of Member	Designation	Attendance
Shri Navin Kumar Tayal	Chairman	4
Shri Ajay Ramesh Gupta	Member	4
Shri Yashpal Agarwal	Member	4

Name & Designation of Compliance Officer : Shri Mukesh Saraswat, Company Secretary

No. of Shareholder's Complaint received so far : 36

Number solved to the satisfaction of shareholders : 36

Number of pending complaints : Nil

### 3.4) Management and Finance Committee

The Board of Directors of the Company has constituted Management and Finance Committee in their meeting held on 29th April, 2011. The Committee comprises of Shri Sanjay Sharma as the Chairman, Shri Navin Kumar Tayal and Ms. Mrinal Tayal as the members of the Committee. The Committee is formed to take the decisions and to pass the necessary Resolutions on the day-to-day matters of the Company, on behalf of the Board of Directors.

The Committee re-constituted on 4th November, 2011 due to resignation of Ms. Mrinal Tayal from the Directorship of the Company and Shri Manmohan Ahluwalia, Director of the Company has been appointed as the member of the Committee in place of Ms. Mrinal Tayal.

During the year 2011-12 the Management and Finance Committee met 8 times on the following dates namely 10th May 2011, 13th May 2011, 11th August 2011, 2nd September 2011, 29th September 2011, 29th October 2011, 4th November 2011 and 12th March 2012. The composition of the Management and Finance Committee and the details of the Meetings attended by the Members are given hereunder:

Name of Member	Designation	Attendance
Shri Sanjay Sharma	Chairman	8
Shri Navin Kumar Tayal	Member	8
Shri Manmohan Ahluwalia	Member	2
Ms. Mrinal Tayal	Member	6

**4. GENERAL BODY MEETINGS**

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

Year	Location	Date	Time
2010-2011	65, Krishna Nagar, Samarvani, Silvassa (U.T.)	9th July, 2011	10.30 A.M
2009-2010	65, Krishna Nagar, Samarvani, Silvassa (U.T.)	10th July, 2010	10.30 A.M
2008-2009	65, Krishna Nagar, Samarvani, Silvassa (U.T.)	22nd August, 2009	11.30 A.M.

Note: The Company had passed special resolution in the Annual General Meeting held on 10th July, 2010 for re-appointment of Shri Sanjeev Sharma, as a Managing Director w.e.f 14th October, 2010 in accordance with section 198, 269, 309, 310 and 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956.

**5. DISCLOSURES**

- (a) **Disclosures on materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, the directors of the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.**

None of the transactions with any of the related parties were in conflict with the interests of the Company.

- (b) **Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.**

There were no instances of non-compliance of any matter related to the capital markets during the last three years.

- (c) **Disclosure of accounting treatment:**

The Company has followed Accounting Standards as applicable and proper explanation has been given in the Financial Statement relating to any treatment different from that prescribed in Accounting Standards.

- (d) **Proceeds from Public issues, Right issues, Preferential Issues, etc.**

The Company has not raised any money through Public Issues, Right Issues and Preferential Issues etc. during the year under report.

- (e) **Remuneration to Directors:**

**The Company has not paid any remuneration except sitting fees to the Non Executive Directors.**

None of the Non Executive Directors of the Company hold any Shares of the Company. The Company has paid a sum of ₹ 6.00 Lacs as managerial remuneration to Shri Sanjeev Sharma, Managing Director of the Company from April 1, 2011 to March 31, 2012.

**6. MEANS OF COMMUNICATION**

- (a) The Company has published its Notice of the Board Meetings, Notice of the Annual General Meeting and Book Closure, Quarterly Financial Results, Half yearly Statement of Assets and Liabilities in the following newspapers:

Free Press Journal - English; Loksatta-Jansatta-Gujarati.

- (b) Management Discussion and Analysis forms integral part of this Annual Report. All matters pertaining to industry structure and developments, opportunities and threats, outlook, risks and concerns, etc., are discussed in the said report.

**7. GENERAL SHAREHOLDER INFORMATION**
**7.1) Annual General Meeting:**

Date and time	:	Saturday 14th July, 2012 at 10.30 a.m.
Venue	:	65, Krishna Nagar, Samarvani, Silvassa (Union Territory of Dadra & Nagar Haveli)

**7.2) Financial Year**

<b>Financial Calendar 2012-2013</b>	:	1st April to 31st March
	:	Annual General Meeting (Tentative Year-Next July, 2013)

**Board Meetings:-**

Results for the Quarter ending June 30, 2012	:	Second week of August, 2012
Results for the Quarter ending September 30, 2012	:	Second week of November, 2012

## Annual Report 2011-2012

Results for the Quarter ending December 31, 2012 : Second week of February, 2013

Results for the year ending March 31, 2013 : Last week of May, 2013

**7.3) Book Closure Date** : 12th July, 2012 to 14th July, 2012

(Both days inclusive)

**7.4) Dividend Payment Date** : N. A.

**7.5) (a) Listing of Equity Shares** : Bombay Stock Exchange Ltd.

**(b) ISIN Numbers** : Equity shares: INE220A01032

**7.6) Stock Code** : 514118 (Bombay Stock Exchange Ltd.)

(Note: Annual listing fees for the year 2012-2013 have been duly paid to Bombay Stock Exchange Ltd., Mumbai)

### 7.7) Stock Market Data :

The shares of the Company are listed with the Bombay Stock Exchange Limited. The details of the Market Price data i.e., high, low (based on the closing prices) and volume during the financial year 2011-12, is given hereunder:

Month	High (₹)	Low (₹)	No. of Shares
April 2011	2.25	1.61	6,16,729
May 2011	1.84	1.43	4,51,075
June 2011	1.80	1.39	3,43,688
July 2011	1.92	1.41	5,78,241
August 2011	2.00	1.30	6,01,783
September 2011	1.75	1.35	2,82,250
October 2011	1.68	1.30	2,02,223
November 2011	1.55	1.10	4,38,567
December 2011	1.49	0.94	2,25,478
January 2012	1.50	1.02	7,24,369
February 2012	1.45	1.01	4,36,657
March 2012	1.58	0.93	7,34,236

### 7.8) Performance in comparison to broad-based indices such as BSE Sensex, CRISIL index, etc.

The shares of the Company are listed at Bombay Stock Exchange Ltd, the Stock Market Details of which has been given as above.

**7.9) Registrar & Transfer Agent** : Universal Capital Securities Private Limited  
21, Shakil Nivas, Opp. Satya Sai Baba Temple,  
Mahakali Caves Road, Andheri (East), Mumbai - 400 093.  
Email: info@unisec.in

**7.10) Share Transfer System** : The shares of the Company, being in the compulsory demat list, are transferable through the depository system. All transfers received are processed and approved by the Share Transfer Committee, which normally meets twice a month. Shares under objection are returned within two weeks.

### 7.11)a) Distribution of Shareholding as on 31st March 2012

Category	Number of Shareholders	Number of Shares held
From To		
Upto - 5000	35759	41709927
5001 - 10000	796	6111195
10001 - 20000	315	4554741
20001 - 30000	134	3408936
30001 - 40000	50	1759515
40001 - 50000	37	1747809
50001 - 100000	56	4040996
100001 - Above	53	217498730
<b>TOTAL</b>	<b>37200</b>	<b>280831852</b>



**7.11)b) Shareholding pattern as on 31st March 2012**

	Category	No. of shares held	Percentage of shareholding
1.	Promoter's Holding	160972278	57.32
2.	Mutual Funds, Banks, Financial Institutions, FIIs, NRIs & OCBs	11313890	4.03
3.	Domestic Companies	37208285	13.25
4.	Resident Individuals	71337399	25.40
	Total	280831852	100.00

- 7.12)a) Dematerialization of Shares** : Approximately 90.62% of the shares issued by the Company has been dematerialized up to 31st March 2012.
- b) Liquidity** : The Company's shares are listed on The Stock Exchange Mumbai (BSE)
- 7.13) Outstanding GDRs/ADRs/Warrants or any other Convertible instruments, conversion date and likely impact on Equity** : No such Instrument outstanding
- 7.14) Plant Location** : Bhilad, Silvassa  
Dombivali (Maharashtra), Baddi (H.P.)
- 7.15)(i) Address for Investor Correspondence For transfer / dematerialization of shares payment of dividend on shares, interest and redemption of debentures and any other query relating to the shares and debentures of the Company.** : Universal Capital Securities Private Limited  
21, Shakil Nivas, Opp. Satya Sai Baba Temple, Mahakali Caves Road, Andheri (East), Mumbai - 400 093.  
Email: info@unisec.in
- Note** : Shareholders holding shares in electronic mode should address their correspondence relating to Demat Account to their respective Depository Participants.
- (ii) Any query on Annual Report** : Plot No.58B, Dhanudyog Industrial Area, Piperia, Silvassa (U.T.)

**CERTIFICATE ON CORPORATE GOVERNANCE**

To the Members of **ESKAY K'n'IT (INDIA) LIMITED**

We have examined the compliance of the conditions of Corporate Governance by **ESKAY K'n'IT (INDIA) LIMITED** for the year ended 31st March 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an 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 and the representations made by the Board of Directors of the Company and Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above Listing Agreement.

We state that in respect of investors grievances received during the year ended 31st March 2012, no investor grievances are pending against the Company as on 27th April, 2012, as per the records maintained by the Company and presented to the Share Transfer/Investors' Grievances Committee.

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.

**For A. F. Khasgiwala & Co.  
Chartered Accountants**

**Place: Mumbai  
Date: 27th April, 2012**

**Sd/-  
A.F. Khasgiwala  
Partner  
Membership No. 6491  
Firm Registration no. 105114W**

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**CERTIFICATION PURSUANT TO CLAUSE 49(V) OF  
THE LISTING AGREEMENT BY THE MANAGING DIRECTOR OF THE COMPANY**

I, Sanjeev Sharma, Managing Director of the Eskay K'n'IT (India) Limited, to the best of my knowledge and belief, certify that:

- (a) I have reviewed financial statements and the cash flow statement for the year and that to the best of my knowledge and belief:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- (b) To the best of my knowledge and belief, there are no transactions entered into by the company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) I accept the responsibility for establishing and maintaining Internal Controls and that I have evaluated the effectiveness of the Internal Control System of the Company and have not found any deficiencies in the design or operation of the Internal Control System.
- (d) I further certify that: -
  - a. there have been no significant changes in Internal Control (except increase in scope of work of Internal auditor) during this year.
  - b. there have been no significant changes in accounting policies during this year.
  - c. there have been no instances of significant fraud of which we have become aware and the involvement therein, of Management or an Employee having a significant role in the Company's Internal Control System.
- (e) I further declare that all Board Members and Senior Managerial Personnel have affirmed compliance with the Code of Conduct for the Financial Year 2011-2012.

**For and on behalf of the Board of Directors**

**Place: Mumbai  
Date: 27th April, 2012**

**Sd/-  
Sanjeev Sharma  
Managing Director**

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**DECLARATION PURSUANT TO CLAUSE 49(I)(D) REGARDING COMPLIANCE WITH THE CODE  
OF CONDUCT BY THE BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL**

I, Sanjeev Sharma, Managing Director of the Eskay K'n'IT (India) Limited, hereby confirm that the Company has adopted the Code of Conduct for its Board Members and Senior Management Personnel.

I confirm that the Company has, in respect of the Financial Year ended 31st March, 2012, received from the Senior Management Team of the Company and the Members of the Board, a Declaration of Compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Team means the Members of the Management one level below the Executive Directors as on 31st March, 2012.

**For and on behalf of the Board of Directors**

**Place: Mumbai  
Date: 27th April, 2012**

**Sd/-  
Sanjeev Sharma  
Managing Director**

**REPORT ON MANAGEMENT DISCUSSION AND ANALYSIS**

The Management of **ESKAY K'n'IT (INDIA) LIMITED** presents its Analysis report covering performance and outlook of the Company. The Report has been prepared in compliance with the requirement of Corporate Governance as laid down in the Listing Agreement. The Management accepts responsibility for the integrity and objectivity of the financial statements. However, investors and readers are cautioned that this discussion contains certain forward looking Statements that involve risk and uncertainties.

**INDUSTRY STRUCTURE AND DEVELOPMENTS****TEXTILE INDUSTRY:**

The Textile Industry occupies a unique place in our Country by contributing around 4% of India's GDP, 14% of the Country's Industrial Production, 18% of Industrial employment and 17% of the export earnings. It is the second largest provider of employment after agriculture. It provides direct employment to over 35 million people and indirect employment to around another 60 million people in the Country.

The Industry contributes around 25% share in the world trade of cotton yarn. India is the largest exporter of yarn in the international market and has a share of 25% in world cotton yarn export market. India contributes for 12% of the world's production of textile fibers and yarn. Indian textile industry is second largest after China in terms of spindlage, and has share of 23% of the world's spindle capacity. India has around 6% of global rotor capacity.

The industry is expected to grow from the present US\$ 70 billion to US\$ 220 billion by 2020; India's textile export is expected to reach US\$ 25 billion by 2013.

The availability of concessional loans under the Technology Upgradation Fund Scheme (TUFs) and growing demand for Value Added lifestyle-driven retail products are other contributing factors which encourage new investment in up gradation of machineries.

India has the potential to increase its textile and apparel share in the world trade from the current level of 4.5 per cent to 8 per cent and reach US\$ 80 billion by 2020.

**- Cotton**

India is the second largest producer of cotton in the world. The International Cotton Advisory Committee (ICAC) noted that India has produced 4.74 metric tonnes (MT) of cotton during the year. India's production next season is likely to touch 5.61 MT. Cotton is the predominant fabric used in the Indian industry, accounting for nearly 60 per cent of production. The average yield of cotton per hectare in Indian is about 400 kilograms which is considered low. During the year India produced total 32 million bales, out of which 10.5 million has been produced in Gujarat.

**- Spinning**

The Spinning Industry in India is on set to hit the global market with its enthusiasm and consistency in work. The spinning sector in India is globally competitive in terms of variety, process and production quantity. It has already reached a phenomenal status in India by beating the obstacles that caused a downfall since past few years and is now on its way to cover a wider area in the spinning sector. India has about 40 million spindles (23 per cent of the world).

**- Knitting**

Weaving and knitting converts cotton, manmade, or blended yarns into woven or knitted fabrics. India's weaving and knitting sector remains highly fragmented, small-scale, and labour intensive.

This sector consists of about 3.9 million handlooms, 380,000 power loom enterprises that operate about 1.7 million looms, and just 137,000 looms in the various composite mills. Power looms are small firms, with an average loom capacity of four to five owned by independent entrepreneurs or weavers. Modern shuttleless looms account for less than 1 percent of loom capacity.

Knitting units are successful in export channels. Some of the prominent weaving / knitting clusters include Tirupur in Tamil Nadu and Ludhiana in Punjab.

**i) OPPORTUNITY AND THREATS**

The textile industry is undergoing a major reorientation towards non-clothing applications of textiles, known as technical textiles, which are growing roughly at twice rate of textiles for clothing applications and now account for more than half of total textile production. Technical textiles segment is expected to employ over 3,00,000 additional workers increasing the total employment to 1.2 million by 2012. The Government of India has set up 4 Centres of Excellence for Meditech, Agrotech, Geotech and Protech group of technical textile providing one-stop facility for testing, human resource development and research and development.

The present global economic scenario provides ample opportunities for strong integrated textile companies such as like your company. Over the years the Company has built up capacities of scale by installing state-of-art production facilities. By reinforcing its position across the value change and presenting customers with diversified range of products, the company has developed sustainable business model with strength and resilience to combat any down turn in demand.

**Strengths:**

- Self reliant industry producing the entire supply-chain i.e., cotton and fibres.
- Highly competitive spinning sector.
- Large and growing domestic market.
- Second-largest textile producer in the world.
- Abundant Raw Material availability that helps industry to control costs and reduces the lead-time across the operation;

- Low labour cost and availability of skilled and technical labour force.
- Excellence in fabric and garment designing.
- Vast textile production capacity and efficient multi-fiber raw material manufacturing capacity.
- Availability of large varieties of cotton fiber and has a fast growing synthetic fiber industry;
- Promising export potential

### Weaknesses:

- Small size and technologically outdated plants result in lack of economies scale, low productivity and weak quality control.
- Cotton availability is vulnerable to erratic monsoon and low per hectare yield.
- With the exception of spinning, other sectors are fragmented. Sectors such as knitted garments still remaining as a SSI domain
- Labour laws and policies lack reforms.
- Infrastructure bottlenecks for handling large volumes.
- India lacks in trade pact memberships, which leads to restricted access to the other major markets.
- Huge unorganized and decentralized sector.

### Opportunities:

- End of quota system and full integration of the textile industry.
- Low per-capita consumption of textile indicating significant potential growth.
- Increased use of CAD to develop designing capabilities and for developing greater options.
- Shift in domestic market towards readymade garments, and domestic textile consumption increasing with growing disposable income.
- Cheaper production and marketing costs and enormous opportunities have tempted Taiwanese Companies to work on Joint Ventures with the Indian Companies specially for the manufacture of manmade fabrics.

### Threats:

- Survival of the fittest-in term of quality, size delivery and cost. There is an increased global competition in the post 2005 trade regime under WTO.
- Pricing pressures.
- Stiff competition from other Asian countries.
- Increase in regional trade could reduce share of market opened for India, China and other countries.
- High production cost with respect to other Asian competitors.

## ii) GOVERNMENT INITIATIVES

The Government of India has promoted a number of export promotion policies for the textile sector in Union Budget 2011-12 and Foreign Trade Policy 2009-14. This also includes the various incentives under Focus Market Scheme and Focus Product Scheme; broad basing the coverage of Market Linked Focus Product Scheme for textile products and extension of Market Linked Focus Product Scheme etc. to increase the Indian Shares in the global trade of textiles and clothing. The various Schemes and promotions by the Government of India are as follows:

1. It has allowed 100 per cent Foreign Direct Investment (FDI) in textiles under the automatic route.
2. Welfare Scheme: The Government has offered health insurance coverage and life insurance coverage to 161.10 million weavers and ancillary workers under the Handloom Weavers' Comprehensive Welfare Scheme, while 7,33,000 artisans were provided health coverage under the Rajiv Gandhi Shilpi Swasthya Bima Yojna.
3. E-Marketing: The Central Cottage Industries Corporation of India (CCIC), and the Handicrafts and Handlooms Export Corporation of India (HHEC) have developed number of e-marketing platforms to simplify marketing issues. Also, a number of marketing initiatives have been taken up to promote niche handloom and handicraft products with the help of 600 events all over the country.
4. Skill Development: As per the 12th Five Year Plan, the Integrated Skill Development Scheme aims to train over 26,75,000 people within next 5 years (this would cover over 2,70,000 people during the first two years and remaining in next three years). This scheme would cover all sub sectors of the textile sector such as Textiles and Apparel; Handicrafts; Handlooms; jute; and Sericulture.
5. Credit Linkages: As per the Credit Guarantee program, over 25,000 Artisan Credit Cards have been supplied to artisans, and 16.50 million additional applications for issuing credit cards have been forwarded to banks for further consideration with regards to the Credit Linkage scheme.
6. Financial package for waiver of over dues: The Government of India has announced a package of US\$ 604.56 million to waive overdue loans in the handloom sector. This also includes the waiver of overdue loans and interest till 31st March, 2010, for loans disbursed to handloom sector. This is expected to benefit at least 3,00,000 handloom weavers of the industry and 15,000 cooperative societies.
7. Textile Parks: The Indian Government has given approval to 40 new Textile Parks to be set up and this would be executed over a period of 36 months. The new Textile Parks would leverage employment to 4,00,000 textile workers. The product mix in this parks would include apparels and garment parks, hosiery parks, silk parks, processing parks, technical textiles including medical textiles, carpet and power loom parks.



**iii) AREA OF CONCERNS**

The major areas of concerns are however as follows:

1. Certain Regional trade blocks and trade agreements can change competitive parameters.
2. Enhancement of Preferential Access Programme for select countries. For instance, under the new GSP scheme, formulated by the EU, India's textile sector has been graduated while those from Pakistan and other countries (excluding China) have been included.
3. Evolution of Non Tariff Barriers in the form of packaging/labelling requirements, customs and other formalities; environmental safeguards, sanitary and phyto-sanitary measures.
4. The developed countries continue to seek quantitative restrictions on textiles and clothing. Their imports show that quotas are still being used as an instrument of restraining growth. The recent settlement arrived at by the European Commission under intense domestic pressure undermines the free play of market forces.

**iv) OUTLOOK**

The Company has suffered huge losses during the current year on account of volatility in the cotton prices, increase in power cost and heavy burden of Rate of Interest (Interest Rate increased from 11-12% to 15-17%) and therefore, the Company has entered into the scheme of Corporate Debt Restructuring with the present Consortium Lenders and the proposal for the same has been duly filed with Corporate Debt Restructuring Cell.

**v) RISK AND CONCERN**

There are no major risk and concern to the Company's operation except from the competitive pricing pressure from cheaper imports, unethical competitions from sick units, free market policies and removal of quantitative restrictions.

**vi) INTERNAL CONTROL SYSTEM**

The Company has been maintaining a well-established procedure for internal control system. For the purpose financial control, Company is adequately staffed with experienced and qualified personnel at all levels and play an important role in implementing and monitoring the statutory and Internal policy control environment. There has been a review conducted by M/s. B. James & Co., the Internal Auditor, about the financial and operating controls. The Audit Committee of the Company reviews the adequacy of internal audit functions.

**vii) FINANCIAL PERFORMANCE VS. OPERATIONAL PERFORMANCE**

During the year, the Turnover of Company has substantially increased to ₹ 105,153.42 Lacs as against ₹ 93,015.07 Lacs in respect of the previous Financial Year ended 31st March, 2011, registering a growth of around 13% over the previous Financial Year. The Loss before Tax is ₹ 6,329.59 Lacs in the financial year ended 31st March, 2012 as against profit of ₹ 31.65 Lacs in the previous financial year ended 31st March, 2011. The Company has Net Loss of ₹ 5,624.14 Lacs after considering deferred tax of ₹ 703.45 Lacs as against Net Profit of ₹ 645.21 Lacs in the previous financial year ended 31st March, 2011.

**viii) DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATION FRONT**

As part of HR-initiatives, thrust is given for Leadership Development to meet the aspirations and long-term goals of the Company. The Company has also laid qualitative objectives to maximize overall growth. Emphasis was placed on building a cohesive workforce to maximize returns to all stakeholders. Focused attention was given for knowledge updating and application of new technologies available to reduce costs and to meet the business challenges.

The focus of Human resource is on building and developing intellectual capital through innovative ideas. The industrial relation climate of the Company continues to remain harmonious with focus on quality and safety.

**ix) RESEARCH AND DEVELOPMENT**

Increased globalization has made the marketing of products and retention of customers highly competitive. The need of the hour is total customer satisfaction and value for money from the products marketed. Keeping this objective as paramount, the research and development activities were focused into prompt attention to major customer complaints/ suggestions in order to retain/enhance customer satisfaction. The Company has started launching products of better quality and new look as per customer requirements.

**x) CAUTIONARY STATEMENT**

Statements Made in this Report may be "forward looking statements" within the meaning of applicable securities laws and regulations. These statements are based on certain assumptions and expectations of the future events that are subject to risks and uncertainties. Actual future results and trend may differ materially from historical results, depending on variety of factors like changes in economic conditions affecting demand/supply, price conditions in which the Company operates, Government regulations, tax laws and other statutes and incidental factors.

**AUDITORS' REPORT**

To,  
The Members of  
ESKAY K'n'IT (INDIA) LIMITED.

1. We have audited the attached Balance Sheet of ESKAY K'n'IT (INDIA) LIMITED as at 31st March, 2012 and also the Profit and Loss Account of the Company for the year ended on that date 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 (Auditor's Report) Order, 2003(CARO)and the Companies (Auditor's Report)(Amendment) order 2004 issued by the Central Government in terms of section 227(4A) of the Companies Act, 1956, and on the basis of such checks of the books of records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters 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
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
  - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account of the company.
  - d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Companies (Accounting Standard) Rules, 2006.
  - e) On the basis of the written representations received from the directors as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2012 from being appointed as a director of the Company in terms of Section 274(1)(g) of the Act.
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India :
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012,
    - ii) in the case of the Profit & Loss Account, of the Loss of the Company for the year ended on that date and ;
    - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**For A. F. Khasgiwala & Co.**  
**Chartered Accountants**

**Sd/-**  
**A.F. Khasgiwala**  
**Partner**  
**Membership No. 6491**  
**Firm Registration no. 105114W**

**Place: Mumbai**  
**Date: 27th April, 2012**

**ANNEXURE REFERRED TO IN PARAGRAPH 2 OF AUDITORS' REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012 OF ESKAY K'n'IT (INDIA) LIMITED.**

On the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of audit, we state that:

1. In respect of its Fixed Assets
  - a) The Company has maintained proper records to show full particulars, including quantitative details and situation of the Fixed Assets.
  - b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies between the books records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
  - c) In our opinion, and according to the information and explanation given to us, the Company has not disposed of substantial part of fixed assets during the year and on going Concern status of the Company is not affected.
2. In respect of its inventories:
  - a) The stocks of finished goods, stores, spare parts and raw materials of the company, at all its locations, have been physically verified by the management at reasonable intervals during the year.
  - b) In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
  - c) The discrepancies noticed on physical verification of the above referred stocks as compared to the book records were not material and have been properly dealt with in the books of account.
  - d) In our opinion, valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
3.
  - a) The Company has not granted any loans, Secured or Unsecured to Companies, Firms And other parties covered in the register maintained under Section 301 of the Companies Act,1956
  - b) The Company has not taken any loans secured or unsecured from Companies, firms or parties covered in the register maintained under 301 of the Companies acts, 1956.
4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of stores, raw materials including components, plant & machinery, equipment and similar assets & purchase of goods and for the sale of goods. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. In respect of transaction covered under Section 301 of the Companies Act,1956 :

According to the information and explanations given to us, purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and aggregating ₹ 5,00,000 or more during the year in respect of each party have been made at prices which are reasonable having regards to the prevailing market price for such goods, materials or services or the prices at which the transactions for similar goods are services have been made with other parties, where applicable.
6. In our opinion and According to the information and explanations given to us, the Company has not taken any public deposit.
7. In our opinion, the internal audit system of the Company is commensurate with the size of the company and nature of its business .
8. We are of the opinion that, prima facie, the cost records and accounts prescribed by the Central Government of India under Section 209 (1) (d) of the Act have been maintained. We have, however, not made a detailed examination of such accounts and records.
9. In respect of statutory dues:
  - a) According to the information and explanations given to us, and the records of the company examined by us, in our opinion, the company is regular in deposited the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income Tax, sales tax, wealth tax, service tax, excise duty, customs duty, cess and other material statutory dues as applicable with the appropriate authorities.
10. According to the records of the company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the Balance Sheet date.
11. Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.
12. The provisions of any special statute applicable to Chit fund & Nidhi / Mutual benefit / societies are not applicable to the company.
13. During the year, the Company does not have any transactions in respect of dealing and trading in shares, securities, debentures and other

## Annual Report 2011-2012

investments. All shares, debentures and other securities held as investments by the company have been held by the Company in its own name.

14. According to the information and explanations given to us, the Company has given guarantees of ₹ 40 Cr. infavour of Allahabad Bank for Loans taken by K-Lifestyle & Industries Ltd an associate group Company covered under section 301of the Companies Act,1956.
15. According to the information and explanations given to us, the working capital term loans raised during the year were used for the purpose for which they were raised.
16. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the Company has used no funds raised on Short-term basis for long-term investment.
17. The Company has not made any preferential allotment of shares during the year.
18. During the year covered by our audit report the Company has not issued any secured debentures.
19. The Company has not raised any money by public issues during the year covered by our report.
20. The Company has no accumulated losses as at 31st March,2012 as the debit balance of Statement of Profit or Loss ₹ 5626.14 Lacs has been adjusted against Surplus and Reserves ( Refer Note No.2.2) and has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year
21. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of frauds on or by the company, noticed or reported during the year, nor have been informed of such case by the management.

**For A. F. Khasgiwala & Co.  
Chartered Accountants**

**Place: Mumbai  
Date: 27th April, 2012**

**Sd/-  
A.F. Khasgiwala  
Partner  
Membership No. 6491  
Firm Registration no. 105114W**



# ESKAY K 'n' IT (INDIA) LIMITED

## BALANCE SHEET AS AT 31ST MARCH, 2012

( ₹ in Lacs)

Particulars	Notes No.	As at 31.03.2012	As at 31.03.2011
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholder's Funds</b>			
(a) Share Capital	2.1	2,808.32	2,808.32
(b) Reserves and Surplus	2.2	24,252.33	29,878.46
(c) Money received against share warrants		-	-
<b>(2) Non-Current Liabilities</b>			
(a) Long-Term Borrowings	2.3	20,192.01	27,134.71
(b) Deferred Tax Liabilities (Net)		-	-
(c) Other Long Term Liabilities		-	-
(d) Long Term Provisions		-	-
<b>(3) Current Liabilities</b>			
(a) Short-Term Borrowings	2.4	25,199.94	22,594.11
(b) Trade Payables	2.5	303.89	616.27
(c) Other Current Liabilities	2.6	164.79	162.06
(d) Short-Term Provisions	2.7	663.74	1,409.17
<b>Total Equity &amp; Liabilities</b>		<b>73,585.01</b>	<b>84,603.10</b>
<b>II. ASSETS</b>			
<b>(1) Non-Current Assets</b>			
<b>(a) Fixed Assets</b>	2.8		
Tangible Assets			
(i) Gross Block		79,340.67	79,340.67
(ii) Depreciation		54,151.34	45,972.12
(iii) Net Block		25,189.33	33,368.55
Capital work in Progress		-	-
(b) Non-current investments	2.9	2,448.91	2,448.91
(c) Deferred tax assets (net)	2.10	5,541.11	4,837.66
(d) Long term loans and advances		-	-
(e) Other non-current assets		-	-
<b>(2) Current Assets</b>			
(a) Current investments			
(b) Inventories	2.11	21,287.56	20,367.17
(c) Trade receivables	2.12	17,134.48	21,480.95
(d) Cash and cash equivalents	2.13	105.26	104.72
(e) Short-term loans and advances	2.14	1,878.36	1,995.14
(f) Other current assets		-	-
<b>Total Assets</b>		<b>73,585.01</b>	<b>84,603.10</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS:</b>			
The accompanying notes are intergal part of the financial statements			

This is the Balance Sheet referred to in our Report of even date.

**FOR A.F.KHASGIWALA & CO.**  
**CHARTERED ACCOUNTANTS**

Sd/-  
**A. F. KHASGIWALA**  
Partner  
Membership No. : 006491  
Firm Reg. No.: 105114W

PLACE : MUMBAI

**FOR AND BEHALF OF THE BOARD OF DIRECTORS**

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Company Secretary

# Annual Report 2011-2012

## STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

( ₹ in Lacs)

Particulars	Notes No.	Year ending 31.03.2012	Year ending 31.03.2011
I. Revenue from operations	2.15	1,05,153.42	93,015.07
- -			
<b>Total Revenue (I)</b>		<b>1,05,153.42</b>	<b>93,015.07</b>
II Expenses:			
Cost of Sales	2.16	96,327.65	78,724.25
Finance Cost	2.17	4,960.97	3,943.67
Depreciation and Amortization Expense	2.18	8,179.22	7,855.16
Other Administrative Expenses	2.19	2,015.16	2,460.34
<b>Total Expenses (II)</b>		<b>1,11,483.00</b>	<b>92,983.42</b>
III Profit before exceptional and extraordinary items and tax	(I - II)	<b>-6,329.59</b>	<b>31.65</b>
IV Exceptional Items		-	-
V Profit before extraordinary items and tax		<b>-6,329.59</b>	<b>31.65</b>
VI Extraordinary Items		-	-
VII Profit before tax		<b>-6,329.59</b>	<b>31.65</b>
<b>VIII Tax expense:</b>			
(1) Current tax		-	6.31
(2) Deferred tax		703.45	619.87
IX Profit(Loss) from continuing operations		<b>-5,626.14</b>	<b>645.21</b>
X Profit(Loss) from discontinuing operations		-	-
XI Tax expense of discounting operations		-	-
XII Profit(Loss) from Discontinuing operations		-	-
XIII Profit(Loss) for the period		<b>-5,626.14</b>	<b>645.21</b>
XIV Earning per equity share:			
Equity shares of per value Rs.1/-each			
(1) Basic		<b>-2.00</b>	0.23
(1) Diluted		<b>0.00</b>	0.23
No. of share used in computing earning per share		<b>28,08,31,852</b>	28,08,31,852
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS:			
The accompanying notes are intergal part of the financial statements			

This is the Balance Sheet referred to in our Report of even date.

**FOR A.F.KHASGIWALA & CO.**  
**CHARTERED ACCOUNTANTS**

**Sd/-**  
**A. F. KHASGIWALA**  
**Partner**  
**Membership No. : 006491**  
**Firm Reg. No.: 105114W**

**PLACE : MUMBAI**

**FOR AND BEHALF OF THE BOARD OF DIRECTORS**

**Sd/-**  
**Managing Director**

**Sd/-**  
**Director**

**Sd/-**  
**Company Secretary**

# ESKAY K 'n' IT (INDIA) LIMITED

## NOTES FORMING INTEGRAL PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2012

	AS AT 31.03.2012 (₹ in Lacs)	AS AT 31.03.2011 (₹ in Lacs)
<b>2.1 SHARE CAPITAL</b>		
<b>1 AUTHORIZED CAPITAL</b>		
1,50,00,00,000 Equity Shares of ₹ 1/- each.	15,000.00	15,000.00
(Previous Year 1,50,00,00,000 Equity Shares of ₹ 1/-each)		
150,00,000 Redeemable Preference Shares of ₹ 10/- each	1,500.00	1,500.00
(Previous year 150,00,000 Red. Preference Shares of ₹ 10/- each)		
<b>2 ISSUED &amp; SUBSCRIBED</b>		
280831852 Equity Shares of ₹ 1/- each	2,808.32	2,808.32
(Previous Year 280831852 Equity Shares of ₹ 1/- each)		
<b>3 PAID UP CAPITAL</b>		
280831852 Equity Shares of ₹ 1/- each	2,808.32	2,808.32
(Previous Year 280831852 Equity Shares of ₹ 1/- each)		
<b>Total</b>	<b>2,808.32</b>	<b>2,808.32</b>

2.1 a) Details of share holders holding morethan 5 % shares		As at 31st March, 2012	As at 31st March, 2011	
Name of Shareholders	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Akash Fabrics Pvt. Ltd.	32199122	11.47	32199122	11.47
Delux Polymers Pvt. Ltd.	33188840	11.82	33188840	11.82
Jayshree Petrochemicals Pvt. Ltd.	41035232	14.61	41035232	14.61
Shanti Synthetics & Processors Pvt. Ltd.	31304820	11.15	31304820	11.15

### 2.1 b) Reconciliation of Number of Shares Outstanding as at 1st April 2011 and 31st March,2012 :

#### EQUITY SHARES :

Particulars	Number	₹ in Lacs
Shares outstanding as at the 1st April,2011	280831852	2808.32
Add : Shares issued during the period	NIL	NIL
Shares outstanding as at 31 st March,2012	280831852	2808.32

<b>2.2 Reserve &amp; Surplus</b>	<b>AS AT 31.03.2012 (₹ in Lacs)</b>	<b>AS AT 31.03.2011 (₹ in Lacs)</b>
<b>a) Reserves</b>		
General Reserve	11,001.26	11,001.26
Capital Redemption Reserve Account	300.00	300.00
Securities Premium Account	10,298.17	10,298.17
Capital Reserve	107.61	107.61
Total (a)	<b>21,707.04</b>	<b>21,707.04</b>
<b>b) Surplus</b>		
Profit & Loss Account		
Balance brought forward from previous year	8,171.43	7,526.22
Add: Net Profit/(Net Loss) for the year	-5,626.14	645.21
Total (b)	<b>2,545.29</b>	<b>8,171.43</b>
<b>Total (a+b)</b>	<b>24,252.33</b>	<b>29,878.46</b>

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	AS AT 31.03.2012 (₹ in Lacs)	AS AT 31.03.2011 (₹ in Lacs)
<b>2.3 Long Term Borrowings</b>		
<b>1 Secured</b>		
Term Loan		
From Bank*	5,692.01	8,691.12
From Others	-	3,943.59
<b>2 Unsecured</b>		
From Corporates	14,500.00	14,500.00
<b>Total</b>	<b>20,192.01</b>	<b>27,134.71</b>

\*Secured by 1st Charge on all Fixed Assets & Second charge on current Assets on pari passu basis and Personal guarantee of Promoters/ Directors.  
[Terms of Repayment 5 Years]

<b>2.4 Short Term Borrowings</b>		
<b>Secured</b>		
<b>Working Capital Loan*</b>		
From Banks	25,199.94	22,594.11
<b>Total</b>	<b>25,199.94</b>	<b>22,594.11</b>

\*Secured by first charge on all Current Assets & Second charge on fixed assets on pari passu basis and personal guarantees of Promoters / Directors.  
[Terms of Repayment 1 Year (Every year renewal)]

<b>2.5 Trades Payable</b>		
Sundry Creditors for Material / Supplies	303.89	616.27
<b>Total</b>	<b>303.89</b>	<b>616.27</b>

<b>2.6 Other Current Liabilities</b>		
1 Interest Accured & due	164.79	162.06
2 Others Liabilities	-	-
<b>Total</b>	<b>164.79</b>	<b>162.06</b>

<b>2.7 Short Term Provisions</b>		
1 Provision for Taxation	-	58.11
2 outstanding Expenses payable	663.74	1,351.06
<b>Total</b>	<b>663.74</b>	<b>1,409.17</b>

## NOTE 2.8

### FIXED ASSETS (AS ON 31.03.2012)

(₹ in Lacs)

Particulars	Gross Block				Depreciation				Net Block	
Description	As on 01.04.2011	Additon During	Deduction	As at 31.03.2012	Upto 01.04.2011	Written Back	During The year	Upto 31.03.2012	As on 31.03.2012	As on 31.03.2011
LAND	402.78	0.00	0.00	402.78	0.00	0.00	0.00	0.00	402.78	402.78
RESIDENTIAL FLAT	5.42	0.00	0.00	5.42	5.01	0.00	0.02	5.03	0.39	0.41
FACTORY BUILDINGS	9596.24	0.00	0.00	9596.24	4199.35	0.00	472.10	4671.45	4924.79	5396.89
PLANT & MACHINERY	68600.02	0.00	0.00	68600.02	41369.78	0.00	7575.45	48945.23	19654.78	27230.23
FURNITURE & FIXTURES	60.27	0.00	0.00	60.27	49.60	0.00	1.93	51.54	8.74	10.67
COMPUTER	16.37	0.00	0.00	16.37	15.77	0.00	0.24	16.01	0.36	0.60
DELIVERY VAN	4.65	0.00	0.00	4.65	4.64	0.00	0.00	4.64	0.01	0.01
VECHICLES	654.93	0.00	0.00	654.93	327.97	0.00	129.47	457.44	197.49	326.96
<b>TOTAL</b>	<b>79340.67</b>	<b>0.00</b>	<b>0.00</b>	<b>79340.67</b>	<b>45972.12</b>	<b>0.00</b>	<b>8179.22</b>	<b>54151.34</b>	<b>25189.33</b>	<b>33368.55</b>
<b>CAPITAL WORK IN PROGRESS</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL</b>	<b>79340.67</b>	<b>0.00</b>	<b>0.00</b>	<b>79340.67</b>	<b>45972.12</b>	<b>0.00</b>	<b>8179.22</b>	<b>54151.34</b>	<b>25189.33</b>	<b>33368.55</b>
<b>PREVIOUS YEAR</b>	<b>69040.58</b>	<b>22077.86</b>	<b>11777.77</b>	<b>79340.67</b>	<b>38116.96</b>	<b>0.00</b>	<b>7855.16</b>	<b>45972.12</b>	<b>33368.55</b>	<b>30923.62</b>



# ESKAY K 'n' IT (INDIA) LIMITED

		AS AT 31.03.2012 (₹ in Lacs)	AS AT 31.03.2011 (₹ in Lacs)
<b>2.9 Non Current Investment</b>			
a) Investment in Equity Instruments ;			
(i) Quoted Shares			
K-Lifestyle And Industries Limited Rs.1/- each fully paid up	32711500	1,398.91	1,398.91
(ii) Unquoted Shares			
Krishna Knitwear Technology Limited Rs.10/-each fully paid up	10000000	1,000.00	1,000.00
(b) Bonds			
13.50 % I.D.B.I. Bonds - Sixty Sixth Series (2003)	1	50.00	50.00
<b>Total</b>	<b>4,27,11,501</b>	<b>2,448.91</b>	<b>2,448.91</b>
Aggregate Book Value of quoted Investments		1398.91	1398.91
Aggregate Market Value of quoted Investments		196.27	206.08
Aggregate Book Value of unquoted Investment		1000.00	1000.00
Depreciation on Fixed Assets		5,541.11	4,837.66
<b>Total</b>		<b>5,541.11</b>	<b>4,837.66</b>
<b>2.10 Deferred Tax Assets/Liabilities</b>			
Deferred Tax Assets			
Depreciation on Fixed Assets		5,541.11	4,837.66
<b>Total</b>		<b>5,541.11</b>	<b>4,837.66</b>
<b>2.11 Inventories</b>			
1 Raw Material		16,903.14	13,686.43
2 Work-in-Progress		3,644.56	3,639.09
3 Finished Goods		728.09	2,977.92
4 Stores, Spares Parts etc.		11.76	63.73
<b>Total (a+b)</b>		<b>21,287.56</b>	<b>20,367.17</b>
<b>2.12 Trade Receivables</b>			
1 Outstanding for more than six months			
a) Secured, Considered Good :		-	-
b) Unsecured, Considered Good :		93.47	93.71
c) Doubtful		-	-
2 Others			
a) Secured, Considered Good :		-	-
b) Unsecured, Considered Good :		17,041.01	21,387.24
c) Doubtful		-	-
<b>Total</b>		<b>17,134.48</b>	<b>21,480.95</b>
<b>2.13 Cash &amp; Cash Equivalent</b>			
(a) <u>Cash-in-Hand</u>			
Cash Balance		30.68	24.36
Sub Total (a)		<b>30.68</b>	<b>24.36</b>
(b) <u>Bank Balance</u>			
In Current Account		36.25	55.24
Sub Total (b)		<b>36.25</b>	<b>55.24</b>
(c) Fixed Deposit		38.33	25.12
Sub Total (c)		<b>74.58</b>	<b>80.36</b>
<b>Total [ a + b + c ]</b>		<b>105.26</b>	<b>104.72</b>
<b>2.14 Short Terms Loans and Advances</b>			
1. Others		973.02	1,080.54
Advance Recoverable in cash or in kind or for value to be considered good			
2. Subsidiary receivable		905.34	914.60
<b>Total</b>		<b>1,878.36</b>	<b>1,995.14</b>

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## Notes Forming Integral Part of the Statement of Profit & Loss Accounts for the year ended 31 st March, 2012

	YEAR ENDING 31.03.2012 (₹ in Lacs)	YEAR ENDING 31.03.2011 (₹ in Lacs)
<b>2.15 Revenue from Operations</b>		
(a) sale of Product :	1,07,039.93	93,000.95
Less : Rebate/Discount on sales	-1,887.55	-
	<u>1,05,152.38</u>	<u>93,000.95</u>
(b) Sale of Services :	1.04	1.30
(c) other Income :	-	12.82
Total	<u>1,05,153.42</u>	<u>93,015.07</u>
<b>2.16 Cost of Sales</b>		
a) MATERIALS AND GOODS CONSUMED		
Opening Stock	13,686.43	9,972.64
Add : Purchases	81,204.84	70,297.55
	<u>94,891.27</u>	<u>80,270.19</u>
Less : Closing Stock	16,903.14	13,686.43
Raw Material Consumed                      Sub total (a)	<u>77,988.13</u>	<u>66,583.76</u>
<b>b) Change in inventories</b>		
Opening Stock :		
Finished goods :	2,977.92	3,479.61
Work in progress	3,639.09	2,855.91
Total (i)	<u>6,617.01</u>	<u>6,335.52</u>
Closing Stock :		
Finished goods	728.09	2,977.92
Work in progress	3,644.56	3,639.09
Total (ii)	<u>4,372.66</u>	<u>6,617.01</u>
Sub total (b) (i-ii)	<u>2,244.35</u>	<u>-281.49</u>
<b>c) DIRECT/PRODUCTIONS EXPENSES</b>		
Power & Fuel	7,418.86	6,153.27
Stores, chemical & Packing Materials	1,498.64	1,192.31
Labour Charges & Processing Charges	6,694.01	4,698.16
Repair & Maintenance Machinery & Electricals	483.66	378.24
Sub total (c)	<u>16,095.17</u>	<u>12,421.98</u>
<b>Total (a+b+c)</b>	<u>96,327.65</u>	<u>78,724.25</u>
<b>2.17 Finance Cost</b>		
Interest Cost		
On Loan	4,907.49	3,857.81
Other borrowing cost	53.48	85.86
<b>Total</b>	<u>4,960.97</u>	<u>3,943.67</u>
<b>2.18 Depreciation &amp; Amortization Expenses</b>		
Depreciation	8,179.22	7,855.16
Miscellaneous Expenses W/off	-	-
<b>Total</b>	<u>8,179.22</u>	<u>7,855.16</u>

YEAR ENDING  
31.03.2012  
(₹ in Lacs)

YEAR ENDING  
31.03.2011  
(₹ in Lacs)

**2.19 Other Administrative Expenses**

Commission & Brokerage	14.77	852.55
Transportation Charges	335.22	271.26
Insurance Charges	23.86	7.88
Rent,Rates and Taxes	18.44	20.35
Directors Remuneration	6.00	6.00
Directors Sitting Fees	2.74	2.62
Legal,Professional & Consultancy Charges	32.45	97.62
Travelling & Conveyance	152.16	110.66
Auditors Remuneration	1.05	1.05
Telephone Charges	98.98	86.57
Salary & Staff Welfare Expenses	777.84	639.87
Printing & Stationery & Postage	168.86	85.45
General & Misc.Expenses	51.76	127.26
Sales Promotion	42.16	-
Repairs and Maintenance	135.07	64.76
Advertisement & Publicity Expenses	78.27	43.87
Service & Maintenance Charges	63.16	42.16
Security Charges	10.11	-
filling fees	1.60	-
Listing Fees	0.67	0.41
Total	<u>2,015.16</u>	<u>2,460.34</u>

**(1) SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS :**

1.1 The Company maintains its accounts on accrual basis following the historical cost Convention in accordance with generally accepted accounting principles ("GAAP"), and in compliance with the Accounting Standards referred to in section 211 (3C) and other requirements of the Companies Act, 1956

The preparation of financial statements in conformity with Indian GAAP requires that the Management of the Company makes estimates and assumptions that affect the Reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful live of fixed assets etc. Actual results could differ from these estimates.

**1.2 FIXED ASSETS**

Fixed Assets are stated at cost of acquisition less depreciation. The cost comprises of the purchase price and other attributable costs.

**1.3 DEPRECIATION**

The Company follows the written down value method of providing depreciation at the rates prescribed in Schedule XIV to the Companies (Amendment) Act 1988 read with Section 205(2) (b) of the said Act on pro-rata basis uniformly in respect of all Assets.

**1.4 INVESTMENTS**

Long Term Investments are carried at cost less provision for diminution other than Temporary,if any, in value of such investments. .

**1.5 INVENTORIES**

Inventories are valued at cost or Net realizable value, whichever is lower.

**1.6 EMPLOYEE BENEFITS:**

Provident fund has been paid regularly in time by the company. Gratuity & Leave Encashment is accounted for in cash basis as and when paid.

1.7 Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes as a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue.

**1.8 AS-22 Accounting for taxes on Income :**

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provision of the Income Tax Act, 1961, and based on expected outcome of assessment / appeals.

Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year, and quantified

## Annual Report 2011-2012

using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

### 2.20 NOTES ON ACCOUNTS :

- There is no payment overdue to small-scale industries.
- The balance of advances, debtors and creditors are confirmed by majority of parties and efforts are being made for obtaining confirmations from remaining parties
- CENVAT:** Capital expenditure and raw materials have been taken at net value after adjusting cenvat, wherever applicable as per guidelines issued by The Institute of Chartered Accountants of India.
- Contingent Liabilities and Commitments (to the extent not provided for) :

Particular	As at 31st March 2012 (₹ in Lacs)	As at 31st March 2011 (₹ in Lacs)
<b>(i) Contingent Liabilities :</b>		
(a) Claims against the company not acknowledge as debt		
(b) Guarantees given by the Company	153.00	153.00
(c) Corporate Guarantee Given :	4000.00	4000.00

- The company has only one business segment that is "Textile" and hence Segment reporting as required under AS-17 issued by ICAI is not applicable.

#### f) AS-18 Related Party Disclosure:

Related party disclosures as required by AS-18 "Related Party Disclosures" are given below. [Related parties are as identified by the Company and relied upon by the Auditors]:

##### A. List of Related Parties.

- Parties where control exists: Nil
- Other parties with whom the company has entered into transaction during the year.
  - Associates where key management personnel and their relatives have significant influence; - Nil
  - Key Management Personnel: -
    - Sanjeev Sharma - Managing Director
  - Relative of Key Management Personnel: Nil

- In the opinion of the Board, Current Assets, Loans and Advances are approximately of the value stated, if realised in the ordinary course of business, the provisions for all known liabilities are adequate and not in excess than reasonably necessary.

	31.03.2012 (₹ in Lacs)	31.03.2011 (₹ in Lacs)
h) Payment of Audit Fees		
Remuneration to Auditors:		
Audit Fee	0.90	0.90
Tax Audit Fee	0.15	0.15

#### i) Expenditure in Foreign Currency :

a) Value of Imported capital goods on CIF	NIL	NIL
b) Travelling Expenses	NIL	NIL
c) Remittance of dividend to NRIs AND FIIs	NIL	NIL

j) Earnings in Foreign Currency	0.00	0.00
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- During the year, the following transactions were carried out with the related parties in the normal course of business.

Transaction	Associates	Key Management Personnel (₹ in Lacs)	Relative of Key Management Personnel	Total (₹ in Lacs)
Remuneration	Nil	6.00	Nil	6.00
	(Nil)	(6.00)	(Nil)	(6.00)

**Notes :** ii) Figures in brackets represent corresponding amount of previous year.

I) Quantitative information in respect of Opening Stock, Purchases Sales and consumption of Raw Materials.

Description	Quantity (Tonnes)	2011-2012 Value (₹ in Lacs)	Quantity (Tonnes)	2010-2011 Value (₹ in Lacs)
<b>Opening Stock</b>				
Finished Goods	1366.96	2977.92	2323.89	3479.61
Work in Progress	1953.93	3639.09	2705.19	2855.91
Raw Material	8822.33	13686.43	12686.03	9972.64
<b>Closing Stock</b>				
Finished Goods	323.60	728.09	1366.96	2977.92
Work in Progress	2082.29	3644.56	1953.93	3639.09
Raw Material	9827.33	16903.14	8822.33	13686.43
Purchases	52390.32	81204.84	42899.55	70297.55
<b>Sales</b>				
Finished Goods	45548.51	107039.93	44015.78	93000.95
Raw Material Consumed	51385.32	77988.13		65800.58
Production (Fabric/Cloth)	44505.15		43058.84	
Garments (Pcs in Lacs)			9.76	

(m) Break-up Expenditure on employees who were in receipt of remuneration aggregating not less than ₹ 2400000/-, if employed through-out the year or not less than ₹ 200000/- p.m. if employed for part of the year

- |  |     |     |
|--|-----|-----|
| a. Employed throughout the year - Number of Employees    | NIL | NIL |
| b. Employed for the part of the year-Number of Employees | NIL | NIL |

(n) Figures of previous year have been re-grouped/re-arranged wherever necessary.

AS PER OUR REPORT OF EVEN DATE ATTACHED

**FOR A.F.KHASGIWALA & CO.**  
CHARTERED ACCOUNTANTS

**Sd/-**  
**A. F. KHASGIWALA**  
Partner  
Membership No. : 006491  
Firm Reg. No.: 105114W

**PLACE : MUMBAI**

**Sd/-**  
**Managing Director**

**Sd/-**  
**Director**

**Sd/-**  
**Company Secretary**



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012**

PARTICULARS	2011-2012 (₹ in Lacs)	2010-2011 (₹ in Lacs)
<b>I CASH INFLOWS</b>		
<b>1) From Operating activities</b>		
a) Profit from operating activities		
Adjustments :		31.65
Depreciation and amortization	8179.22	7855.16
b) Working capital changes :		
Decrease in inventories		
Decrease in trade receivables	4346.47	
Decrease in short-term loans and advances	116.78	
Decrease in other current assets		
Increase in trade payables		
Increase in other current liabilities	2.73	596.75
Increase in provisions		
<b>Total of ( 1 )</b>	<b>12645.20</b>	<b>8483.56</b>
<b>2) From Investing activities</b>		
a) Proceeds from sale of fixed assets		
b) Proceeds from sale of investments		
c) Realisation of long-term loans and advances from subsidiaries / associates / business ventures		
d) Decrease in other long-term loans and advances		
e) Decrease in other non-current assets		
f) Dividend received		
g) Interest received		
h) Other income		
<b>Total of ( 2 )</b>		
<b>3) From Financing activities</b>		
a) Proceeds from issue of share capital		
b) Share application money pending allotment		
c) Proceeds from long-term borrowings		6864.19
d) Proceeds from short-term borrowings	2605.83	
<b>Total of ( 3 )</b>	<b>2605.83</b>	<b>6864.19</b>
<b>Total cash inflows ( 1+2+3 )</b>	<b>15251.03</b>	<b>15347.75</b>
<b>II CASH OUTFLOWS</b>		
<b>(1) From Operating activities</b>		
a) Loss from operating activities	6329.59	
Adjustments :		
Depreciation and amortization	0.00	
b) Working capital changes :		
Increase in inventories	920.39	4029.20
Increase in trade receivables		974.81
Increase in short-term loans and advances		
Increase in other current assets		
Decrease in trade payables	312.38	
Decrease in other current liabilities		
Decrease in provisions	745.43	
c) Direct taxes paid (Net of refunds)		6.28
<b>Total of ( 1 )</b>	<b>8307.79</b>	<b>5010.29</b>
<b>(2) From Investing activities</b>		
a) Purchase of tangible assets / capital work -in-progress		10300.10
b) Purchase of intangible assets /assets under development		
c) Purchase of investments		
d) Investment in subsidiaries / associates / business ventures		
e) Payment of long-term loans and advances to subsidiaries / associates / business ventures		
f) Increase in other long-term loans and advances		
g) Increase in other non-current assets		
<b>Total of ( 2 )</b>	<b>0.00</b>	<b>10300.10</b>

<b>PARTICULARS</b>	<b>2011-2012 (₹ In Lacs)</b>	<b>2010-2011 (₹ In Lacs)</b>
<b>(3) From Financing activities</b>		
a) Repayment of long-term borrowings	<b>6942.70</b>	
b) Repayment of short-term borrowings		
c) Dividends paid (including distribution tax )		
d) Interest and other finance costs		0.00
e) Share issue expenses		
<b>Total of ( 3 )</b>	<b>6942.70</b>	0.00
<b>Total cash inflows ( 1+2+3 )</b>	<b>15250.49</b>	15310.39
III Net (decrease) / increase in cash and cash equivalents ( I - II )	<b>0.54</b>	37.37
Add : Cash and cash equivalents at the beginning of the period	<b>104.72</b>	67.35
IV Cash and cash equivalents at the end of the period	<b>105.26</b>	104.72

**Sd/-  
Managing Director**

**Sd/-  
Director**

**PLACE : MUMBAI  
Date : 27.04.2012**

**Sd/-  
Company Secretary**

We have examined the attached cash flow statement of Eskay K 'n' IT (India) Ltd. for the year ended 31st March 2012. The Statement has been prepared by the company in accordance with the requirements of Listing Agreement Clause 32 with Bombay Stock Exchanges and is based on and is in Agreement with the corresponding Statement of Profit and Loss account for the year and Balance Sheet as at 31.03.2012 of the company as per report to the members of the company.

**For A.F.KHASGIWALA & CO.  
Chartered Accountants**

**Sd/-  
A.F.Khasgiwala**  
Partner  
Membership no.6491  
Firm Regn No.105114W  
Place : Mumbai  
Date :27.04.2012

## ATTENDANCE SLIP

### ESKAY K'n'IT (INDIA) LIMITED

Registered Office: Plot No.58-B, Dhanudyog Industrial Area, Piperia, Silvassa (Union Territory) - 396230  
(Please complete this slip and hand it over at the entrance of the Meeting Hall)

### 25TH ANNUAL GENERAL MEETING

Dp. ID*	
---------	--

Client ID*	
------------	--

Member's Name (in capital letters) .....

Regd. Folio No. .... No. of Shares held .....

I hereby record my presence at the 25th Annual General Meeting of the Members of the Company being held on Saturday, 14th July, 2012 at 10:30 a.m. 65, Krishna Nagar, Samarvani, Silvassa, (U.T.) - 396230

.....  
Signature of the Shareholder or Proxy

\* Applicable for investors holding shares in electronic form.

----- CUT HERE -----

## PROXY FORM

### ESKAY K'n'IT (INDIA) LIMITED

Registered Office: Plot No.58-B, Dhanudyog Industrial Area, Piperia, Silvassa (Union Territory) - 396230

Dp. ID*	
---------	--

Regd. Folio No.	
-----------------	--

Client ID*	
------------	--

I/We .....

of ..... in the district of .....

being a Member/Members of the Company, hereby appoint .....

of ..... in the district of .....

or failing him..... of ..... in the district of .....

as my/our Proxy to vote for me/us on my/our behalf at the 25th Annual General Meeting of the Members of the Company to be held on Saturday, 14th July, 2012 at 10:30 a.m. or at any adjournment thereof.

Signed this ..... Day of ..... 2012.

Affix  
Re.1/-  
Revenue  
Stamp

\* Applicable for investors holding shares in electronic form.

Note: The Proxy form duly completed and signed must be deposited at the Registered Office of the Company, not less than 48 hours before the meeting.



A Tayal Enterprise

## **ESKAY K'n'IT (INDIA) LIMITED**

58-B, Dhanu Udyog Industrial Area, Piperia, Silvassa (Union Territory) - 396230.