

*Twentieth*  
*Annual Report*  
2008-2009

SKY INDUSTRIES LTD.



**BOARD OF DIRECTORS**

Mr. Nitin Motani (*Chairman*)  
 Mr. Shailesh Shah (*Managing Director*)  
 Mr. Sharad Shah  
 Mr. Saurabh Motani  
 Mr. Maikal Raorani  
 Mr. Hemant Thakur (*Resigned w.e.f. 6th Oct. 2008*)  
 Mr. Mahesh Shirodkar  
 Mr. Vijay Choraria

**REGISTERED OFFICE**

C-58, TTC Industrial Area, Thane Belapur Road,  
 Pawane, Navi Mumbai - 400 705.

**AUDITORS**

M/s. KALYANIWALLA & MISTRY  
 (Chartered Accountants)

**BANKERS**

The Oriental Bank of Commerce  
 The Karur Vysya Bank Ltd.  
 The South Indian Bank Ltd.  
 Kotak Mahindra Bank Ltd.  
 The Dombivali Nagari Sahakari Bank Ltd.

**RTA**

Link Intime India Pvt. Ltd.  
 C-13, Pannalal Silk Mills Compound  
 L.B.S. Marg, Bhandup (W),  
 Mumbai - 400 078.

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**NOTICE**

NOTICE is hereby given that the Twentieth Annual General Meeting of the members of SKY INDUSTRIES LIMITED will be held on the Saturday, 31<sup>st</sup> day of October, 2009 at 11.00 a.m. at the Registered Office of the Company at C-58, TTC Industrial Area, Thane Belapur Road, Navi Mumbai – 400 705 to transact the following business:

**Ordinary Business**

1. To receive, consider and adopt the Balance Sheet as at 31<sup>st</sup> March 2009 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Saurabh Motani, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Vijay Choraria, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

**Special Business**

5. To consider and if thought fit to pass with or without modification, the following resolution as an **Ordinary Resolution**:

**“RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, the consent of the Company be and is hereby accorded to re-appoint Mr. Maikal Raorani as a Whole time Director of the Company for a period of 1 (one) year commencing from 1<sup>st</sup> October, 2009 to 30<sup>th</sup> September, 2010 (both days inclusive), on the terms and conditions and remuneration (including remuneration to be paid in the event of any loss, absence or inadequacy of profit during his term) as placed before the meeting with sanction to the Board of Directors of the Company or the Committee to revise the terms of re-appointment and/or vary or increase the remuneration and perquisites payable within the limits as provided for in the Act rules made there under.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorized or cause to do all the acts, deeds and things and execute all such documents, instruments and writing as may be required to give effect to the aforesaid resolution.”

6. To consider and if thought fit to pass with or without modification, the following resolution as an **Special Resolution**:

**“RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act and such other consents as may be required from various bodies, the consent of the Company be and is hereby accorded to appoint Mr. Nitin Motani as a Chairman/Executive Director of the Company for a period of 3 (Three) year commencing from 1<sup>st</sup> October, 2009 to 30<sup>th</sup> September, 2012 (both days inclusive), on the terms and conditions and remuneration (including remuneration to be paid in the event of any loss, absence or inadequacy of profit during his term) as placed before the meeting with sanction to the Board of Directors of the Company or the Remuneration Committee to revise the terms of re-appointment and/or vary or increase the remuneration and perquisites payable within the limits as provided for in the Act /rules made there under and/or as may be approved by the Central Government.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorized or cause to do all the acts, deeds and things and execute all such documents, instruments and writing as may be required to give effect to the aforesaid resolution.”

7. To consider and if thought fit to pass with or without modification, the following resolution as an **Special Resolution**:

**“RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act such other consents as may be required from various bodies, the consent of the Company be and is hereby accorded to appoint Mr. Shailesh Shah as a Managing Director of the Company for a period of 3 (Three) year commencing from 1<sup>st</sup> October, 2009 to 30<sup>th</sup> September, 2012 (both days inclusive), on the terms and conditions and remuneration (including remuneration to be paid in the event of any loss, absence or inadequacy of profit during his term) as placed before the meeting with sanction to the Board of Directors of the Company or the Remuneration Committee to revise the terms of re-appointment and/or vary or increase the remuneration and perquisites payable within the limits as provided for in the Act /rules made there under and/or as may be approved by the Central Government.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorized or cause to do all the acts, deeds and things and execute all such documents, instruments and writing as may be required to give effect to the aforesaid resolution.”

8. To consider and if thought fit to pass with or without modification, the following resolution as an **Special Resolution**:

**“RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act and such other consents as may be required from various bodies, the consent of the Company be and is hereby accorded to appoint Mr. Sharad Shah as a Executive Director of the Company for a period of 3 (Three) year commencing from 1<sup>st</sup> October, 2009 to 30<sup>th</sup> September, 2012 (both days inclusive), on the terms and conditions and remuneration (including remuneration to be paid in the event of any loss, absence or inadequacy of profit during his term) as placed before the meeting with sanction to the Board of Directors of the Company or the Remuneration Committee to revise the terms of re-appointment and/or vary or increase the remuneration and perquisites payable within the limits as provided for in the Act /rules made there under and/or as may be approved by the Central Government.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorized or cause to do all the acts, deeds and things and execute all such documents, instruments and writing as may be required to give effect to the aforesaid resolution.”

9. To consider and if thought fit to pass with or without modification, the following resolution as an **Special Resolution**:

**“RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act and such other consents as may be required from various bodies, the consent of the Company be and is hereby accorded to appoint Mr. Saurabh Motani as a Executive Director of the Company for a period of 3 (Three) year commencing from 1<sup>st</sup> October, 2009 to 30<sup>th</sup> September, 2012 (both days inclusive), on the terms and conditions and remuneration (including remuneration to be paid in the event of any loss, absence or inadequacy of profit during his term) as placed before the meeting with sanction to the Board of Directors of the Company or the Remuneration Committee to revise the terms of re-appointment and/or vary or increase the remuneration and perquisites payable within the limits as provided for in the Act /rules made there under and/or as may be approved by the Central Government.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorized or cause to do all the acts, deeds and things and execute all such documents, instruments and writing as may be required to give effect to the aforesaid resolution.”

By Order of the Board of Directors

Sd/-  
Maikal Raorani

**Registered Office:**  
C-58, TTC Industrial Area,  
Thane Belapur Road,  
Pawne, Navi Mumbai – 400 705

**Place: Mumbai,**  
**Date : 31<sup>st</sup> July 2009**

**NOTES:**

- a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN HIS PLACE AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- b) Proxies in order to be effective must be lodged with the Company not less than 48 hours before the time of the meeting.
- c) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, with respect to Item No. 5-9 is annexed herewith and forms part of the Notice.
- d) Members are requested to :
  - immediately intimate change of address, if any, to the Company or the Registrar and Share Transfer Agent, Link Intime Pvt. Limited C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai – 400 078 quoting reference of their folio number;
  - produce the Attendance Slip duly filled in for attending the Meeting;
  - bring copy of the Annual Report to the venue of the Meeting; and
  - write to the Company at least 7 days in advance of the Annual General Meeting for any information about accounts.
- e) The Register of Members and Share Transfer Books of the Company will remain closed from 26<sup>th</sup> September, 2009, to 29<sup>th</sup> September, 2009 (both days inclusive).
- f) All the dividends, declared for the financial year 2001-2002, remaining unclaimed on 28<sup>th</sup> September 2009 will be transferred to the Investor Education and Protection Fund in accordance with the Provisions of the Section 205(C) of the Companies Act, 1956 and no claims shall lie thereafter, against the fund or the Company.
- g) Pursuant to Section 205A of the Companies Act, 1956 any dividend remaining unpaid or unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund. No claims shall lie against the Fund or the Company thereafter. All the shareholders who have not encashed the dividend warrants for any year for which the dividend was declared are requested to encash the same.
- h) All the documents referred to in the Notice and Explanatory Statement are available for inspection at the Registered Office of the Company during office hours on all working days, between 11.00 a.m. and 1.00 p.m., upto the date of Annual General Meeting.

**Profile of the Directors liable to retire by rotation:****Mr. Saurabh Motani**

Mr. Saurabh Motani, aged about 43 years, has tremendous experience and knowledge in technical field and has been associated with the Company since last 15 years or so. His insight, knowledge and experience about the sources and availability of technical matters around the world have made the Company fundamentally sound. His contribution to the Company throughout has been immense.

**Mr. Vijay Choraria**

Mr. Vijay Choraria, aged about 38 years, is a well known personality in the field of finance and has been highly regarded in the finance field. His experience and insight in the financing decisions have been of a great help to the Company.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item No.5**

Mr. Raorani, aged 36, B.E. (Electronics & Communications), MBA (Finance) has rich and vast experience of around 10 years in finance, accounts, legal and commercial functions.

The main terms of re-appointment of Mr. Maikal Raorani as Wholetime Director of the Company are given below:

1. The appointment of Mr. Maikal Raorani as a Wholetime Director of the Company shall be for a period commencing from 1<sup>st</sup> October, 2009 to 30<sup>th</sup> September, 2010, (both days inclusive).

2. Mr. Raorani shall exercise all such powers and perform all such functions and duties as may be entrusted to him by the Chairman/Managing Director and/or the Board of Directors of the Company and be subject to such restrictions as the Chairman /Managing Director and/or the Board of Directors of the Company may from time to time specify.
3. Mr. Raorani shall report to the Chairman/Managing Director and be responsible for all his actions to the Chairman/Managing Director as well as to the Board. Management of the whole or substantially the whole of the affairs of the Company will not vest in Mr. Raorani.
4. Mr. Raorani shall devote his whole time, attention and abilities during business hours to the business of the Company and undertake traveling in India and abroad for the same.
5. Remuneration: Mr. Raorani shall be entitled to the following emoluments, salary and perquisites and allowances, subject to the limits laid down under Sections 198, 309 read with Schedule XIII to the Companies Act, 1956 :

Salary, Perquisites and Allowance: Rs. 100,000/- per month. Increments will be decided upon from time to time by the Board / remuneration committee each year and will be merit based and take into account the Company's performance.

**Perquisites and Allowances:**

The perquisites and allowances include medical reimbursement; leave travel concession for self and family; medical/ accident insurance and such other perquisites in accordance with the rules of the Company or as may be agreed to by the Board of Directors.

For the purpose of calculating the above ceiling, the perquisites and allowances shall be evaluated as per Income - tax rules, wherever applicable. In the absence of any such rules, perquisites and allowances shall be evaluated at actual cost.

Benefits under the Provident Fund, the Superannuation Fund to the extent these either singly or put together, gratuity payable as per the rules of the Company, encashment of leave at the end of the tenure in accordance with the rules and regulations in force from time to time shall not be included in the computation of the ceiling on perquisites.

**Minimum Remuneration:**

In the event of loss or inadequacy of profits during any financial year, in the aforesaid period, the Company will pay remuneration by way of salary, perquisites and allowances not exceeding the limits specified in Section II of Part II of Schedule XIII to the Companies Act, 1956, subject to the requisite approvals being obtained.

6. Mr. Raorani shall not be paid any sitting fees for attending the meetings of the Board of Directors or committees thereof.
7. Mr. Raorani shall be entitled to reimbursement of all actual expenses, including on entertainment and travelling, incurred in the course of the Company's business.
7. In case of death of Mr. Raorani during the course of his employment, the Company will pay to his legal personal representatives the salary and other emoluments payable hereunder for the then current month.
9. Mr. Raorani shall not directly or indirectly engage himself in any business or activity substantially similar to or competing with the business or activity of the Company during the term of the appointment.
10. Mr. Raorani shall not become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company without the prior approval of the Central Government.
11. Mr. Raorani shall not divulge or disclose any information or knowledge obtained by him during his employment as to the business or affairs of the Company or any trade secrets or secret processes of the Company.
12. Mr. Raorani's employment shall be determined forthwith if he commits a breach of any of the aforesaid terms, disqualifies himself to act as a Director for any reason except inadvertent breach of Section 283 of the Companies Act, 1956, or becomes insolvent, makes any composition or arrangement with his creditors or ceases to be a Director of the Company.
13. All Notices shall be in writing and shall be sent to the Company's Registered Office and to the last known residential address of Mr. Raorani.

Your Directors consider the aforesaid remuneration to be commensurate with the duties and responsibilities of Mr. Raorani as a Wholetime Director.

The Board recommends the Resolution for the approval of the members.

None of the Directors of the Company except Mr. Raorani is concerned or interested in the said Resolution.

# SKY INDUSTRIES LIMITED

Explanatory Statement together with the accompanying notice can be considered as an abstract of the terms under section 302 of the Companies Act.

## Item No. 6 to 9.

The Company is in growth phase in this extremely competitive environment and it will take some time before the Company starts making substantial profits. The duties and engagement of the Directors have been increased and are more accountable now. However, the zest to scale the top has enabled them to face new challenges with even more determination.

Hence it was recommended by the Board of Directors upon receiving the recommendations from the Remuneration Committee, having at their meeting passed resolutions for the appointment of the following Directors on the terms and conditions as mentioned herein:

### Terms of Appointment

#### Salary

Name of Director	Salary per month
Mr. Nitin Motani	Rs. 250,000/-
Mr. Shailesh Shah	Rs. 250,000/-
Mr. Sharad Shah	Rs. 250,000/-
Mr. Saurabh Motani	Rs. 250,000/-

#### Additional Terms

The remuneration is inclusive of Salary and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance, together with reimbursement, leave travel concession for self and family, club fees, medical/accident insurance, and such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors.

For the purpose of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost.

Benefits under the Provident Fund Scheme, the Company's Pension/Superannuation Fund Scheme in accordance with the Company's rule and regulations in force from time to time shall not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable, under the Income Tax Act, 1961. Gratuity payable as per the rules of the Company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration as aforesaid.

Provision for use of the Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

#### Minimum Remuneration

Notwithstanding anything contained herein, where in any financial year during the currency of the tenure, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites and allowances as specified above.

Your Directors recommends the Resolutions for the approval of the members.

None of the Directors except the abovementioned are deemed to be concerned or interested in the said Resolutions.

**By Order of the Board of Directors**

Sd/-  
**Maikal Raorani**

#### Registered Office:

C-58, TTC Industrial Area,  
Thane Belapur Road,  
Pawne, Navi Mumbai – 400 705

Place: Mumbai,

Date : 31<sup>st</sup> July, 2009

**DIRECTORS' REPORT**

**The Shareowners,  
Sky Industries Limited,  
Mumbai.**

The Directors take pleasure in submitting the 20<sup>th</sup> Annual Report and Accounts for the year ended 31<sup>st</sup> March, 2009.

**FINANCIAL RESULTS AND OPERATIONS:**

**(Rs in Lacs)**

Particulars	Current Year ended 31.03.2009	Previous Year ended 31.03.2008
Sales and other income	6139	6190
Profit before Depreciation, Interest		
Tax and Appropriation	602	671
<b>Less:</b> Interest	358	326
Depreciation	223	262
Profit / (Loss) before tax	21	83
Provision for Taxation	(3)	(12)
Deferred Taxation		(6)
Profit / (Loss) after taxation	24	65
<b>Add:</b> Prior Period Adjustments	9	0
Excess provision for tax adjusted	0	0
Balance brought forward	1147	1081
Balance available for Appropriation	1171	1147

**RESULTS OF OPERATIONS**

The turnover during the year was Rs.6011 Lacs as compared to previous years Rs.6189 Lacs. The reason for flat growth can be attributed to the pressure on the sales realizations, as well as downturn in the domestic and global markets in the second half of the fiscal.

**DIVIDEND**

Owing to the development and expansion plans already undertaken by the company and the need of ploughing back in the company of the generated profits during the year, your Directors do not recommend any dividend for the year under review.

**EXPORTS**

During the year under review the Exports were at Rs.2017 lacs an increase of about 9% over the previous year. This was despite the global slowdown witnessed in the second half of the year.

**INTERNATIONAL BUSINESS / SUBSIDIARY**

Your Directors are pleased to inform that the performance of the subsidiary company, SKAY INC for the year ended 31<sup>st</sup> March, 2009 was satisfactory.

As required under Section 212 of the Companies Act, 1956, the audited statements of accounts, along with the report of the Board of the Directors and the respective Auditors' Report thereon of the subsidiary company, SKAY INC for the year ended 31<sup>st</sup> March, 2009, is annexed herewith.

**HUMAN RESOURCES**

At present we have 321 (Three Hundred and twenty one members) in our family globally and we expect stable growth in same in this financial year. Your company encourages teamwork, along with individual excellence; develop a sense of belonging amongst employees by caring attitude.

**CORPORATE GOVERNANCE**

A separate section on Corporate Governance forming part of the Director's report and the certificate from the Company's auditors confirming compliance of Corporate Governance norms as stipulated in Clause 49 of the Listing agreement with the Stock Exchanges is included in this report.



**COMPLIANCE CERTIFICATE**

In terms of the provisions of Section 383A of the Companies Act, 1956, Compliance Certificate from M/s. A. K. Jain & Co., Company Secretaries, Mumbai, which forms part of this report, is annexed.

**AUDIT COMMITTEE**

The details of the committee are given in the Corporate Governance report.

**MANAGEMENT DISCUSSION AND ANALYSIS**

Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing agreement with the Stock Exchanges is presented as a separate section forming part of this Annual Report.

**DIRECTORS**

Mr. Mahadeo Puranik and Mr. Hemendra Thakur have resigned from the Board of Directors during the ensuing year.

Mr. Saurabh Motani, and Mr. Vijay Choraria, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

Mr. Nitin K. Motani, Chairman, Mr. Shailesh S. Shah, Managing Director, Mr. Saurabh K. Motani, Mr. Sharad S. Shah and Mr. Maikal Raorani's term of appointments as a Wholetime Directors expires and are eligible and offered themselves for re-appointment on the terms and conditions as stated in the Board Resolution of the Company.

Your Directors recommend the appointments and re-appointments of the aforesaid Directors.

**AUDITORS**

M/s Kalyaniwalla & Mistry, Chartered Accountants, Mumbai, hold office till the conclusion of the ensuing Annual General Meeting and have expressed their willingness and eligibility to continue, if re-appointed. The Company has received a certificate under Section 224 (1B) of the Companies Act, 1956 stating that the appointment, if made, will be within the limits as specified in that section.

You are requested to consider their re-appointment.

**AUDITOR'S REPORT**

Qualification made by Auditor in Auditor's Report under para 4, 5 and 6 and further in annexure to the Auditor's Report under para 2(b) and 7, our management in view of that the:

- a) Certain transactions with related parties have exceeded the approved limit and certain transactions need Central Government approval. The Company is in process of applying for the said transactions which will be carried out in due course of time.
- b) The Company's accounting system does not allow for the working of separate cash flows of the discontinued operations, hence not furnished.
- c) The Company has to pass a special resolution for the Managerial Remuneration paid to the Directors, which has been proposed in the forthcoming Annual General Meeting.
- d) The Company looks to tighten its procedures for physical recording and accounting of Fixed Assets. Management has already initiated steps to implement procedures of physical verification of inventory.
- e) The internal audit system is being revamped in conjunction with the Statutory Auditors of the Company.

The Notes on Accounts referred to in the auditors report are self-explanatory and therefore do not call for any further comments.

**DEPOSITS**

The Company has not accepted any deposits from the public within the meaning of Section 58A of the Companies Act, 1956 during the year under review. However, the Company has filed the return under Section 58 of the Companies Act, 1956, as certain loans from shareholders fall under the purview of the aforesaid act.

**EMPLOYEES**

The Company has no employee drawing remuneration in excess of limits specified under Section 217(2A) of the Companies Act, 1956.

**CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION**

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

**DIRECTORS RESPONSIBILITY STATEMENT**

The Directors confirm:

- (a) that In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- (b) that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year;
- (c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
- (d) that they have prepared the annual accounts on a going concern basis.

**TRANSFER OF UNPAID/UNCLAIMED AMOUNTS TO IEPF:**

During the year Company has duly transferred unpaid / unclaimed dividend for a financial year 2000-01 to the Investor Education and Protection Fund established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

**DE-LISTING OF SHARES**

The Company had applied for Voluntary Delisting of Shares from the Non-Regional Stock Exchanges viz. The Stock Exchange Ahmedabad, The Calcutta Stock Association Limited, The Jaipur Stock Exchange Limited.

The Stock Exchange, Ahmedabad vide their letter dated 31<sup>st</sup> March, 2004 have De-listed the Company's securities from their Stock Exchange. The approval from other Stock Exchanges are awaited.

**ACKNOWLEDGEMENTS**

Your Directors wish to thank all our customers, vendors, investors and bankers for their unstinted support. Above all, we wish to place on record our appreciation for the contribution made by all the employees of the Company, whose hard work and dedication has made possible the progress and growth of our Company.

For and on behalf of the Board of Directors

Sd/-

**Nitin K. Motani**  
Chairman

Date: 30<sup>th</sup> June, 2009

Place: Mumbai

**ANNEXURE 'A' TO DIRECTORS' REPORT**

INFORMATION REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULE, 1988.

**A. Conservation of Energy:**

- (a) Energy conservation measures taken:  
The production activity of the company is not energy intensive. However, all measures are being taken for optimizing energy usage.
- (b) Additional investment and proposals, if any being implemented for reduction of consumption of energy:  
The Company does not have immediate investment plan for conservation of energy.
- (c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:  
The Company has maintained energy cost at minimum level.
- (d) Total energy consumption and energy consumption per unit of production:

	Current Year	Previous Year
<b>1. ELECTRICITY</b>		
<b>Purchased Units</b>		
Units	2235854	2579731
Total Amount	Rs. 112 Lacs	Rs. 119.34 Lacs
Rate/Unit	Rs. 5.01 per unit	Rs. 4.63 per unit
<b>2. COAL</b>	Nil	Nil
<b>3. FURNACE OIL</b>		
Units	315145	526471
Total Amount	Rs. 99.71 Lacs	Rs. 137 Lacs
Rate/Unit	Rs. 31.64 per Unit	Rs. 25.97 per unit
<b>4. OTHERS</b>	Nil	Nil
Consumption per unit of production		
Standard (if any)		
Hook and Loop Tape Fasteners (Meter)		
Electricity (unit)/Meter	0.02	0.02
Elastics and Other Tapes (meter)		
Electricity (unit)/meter	0.01	0.01

**B. Technology Absorption**

**Research and Development**

- 1. Specific areas in which R & D carried out by the company:
  - The Company introduced various measures for upgrading its core machinery.
- 2. Benefits derived as a result of the above R & D:
  - Reduction in wastage and increase in production.
- 3. Further plan of action:
  - The Company plans to introduce various measures to help improve the production and reduce wastage further.
- 4. Expenditure on R & D:
  - The above measures didn't entail substantial expenditure on R & D.

**Technology absorption, adaptation and innovation:**

- 1. Effort, in brief, made towards technology absorption and innovation:
  - Developing various product lines with the present technology.
  - Overall efforts for reducing the manufacturing cost.
- 2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development import substitution etc.:
  - Upgrading products constantly with additional features.
  - Reduction in manufacturing cost through improvement in productivity and thereby offset general cost escalation in inputs.
- 3. Information about imported technology:
  - Not applicable.

**C. Foreign Exchange Earning and Outgo:**

The Exchange Earning: Rs. 2017 lacs  
The Exchange outgo: Rs. 1890 lacs

CORPORATE GOVERNANCE REPORT

The Company is a listed company on Bombay Stock Exchange Limited and is a part of Group 'S' on the Exchange. Report on Corporate Governance as per Clause 49 of the Listing Agreement is given hereunder:

1. Company's Philosophy on Code of Governance

Company's philosophy on Code of Governance as adopted by its board of directors is as under:

- To maintain the highest standards of transparency in all aspects of our interactions and dealings.
- To ensure the core values of the Company are protected.
- To ensure timely dissemination of all price sensitive information and matters of interest to our stakeholders.
- To ensure that the Board exercises its fiduciary responsibilities towards Shareholders and Creditors.
- To Comply with all the laws and regulations as applicable to the Company
- To promote the interest of all stakeholders including Customers, Shareholders, employees, lenders, Vendors and the Community.

2. Board of Directors

The Board of Directors along with its committees provides leadership and vision to the management and supervises the functioning of the company. The composition of the Board is governed by the Listing agreement executed with the Bombay Stock Exchange Limited, the Companies Act, 1956 and the provisions of the Articles of Association of the Company. The Board presently comprises of Seven Directors out of which two are Non-Executive Directors. The Managing Director is responsible for conduct of the business and day to day affairs of the Company.

None of the Directors on the Company's Board is a member of more than ten committees and Chairman of more than five committees across all the companies in which he is a Director. All the Directors have made necessary disclosures regarding Committee positions held by them in other companies. Also none of the Directors on board hold the office of Director in more than 15 companies.

The requisite information as enumerated in Annexure IA to Clause 49 of the listing agreement is being made available to the Board for discussion and their consideration. The maximum time gap between two Board meetings did not exceed 4 months.

The composition of the Board, attendance at Board meetings held during the year under review, number of Directorships, memberships and their shareholding in the company is given below:

Composition of Board of Directors

Sr. No.	Name of Director	PD/ED/ NED/ ID*	Attendance in Board Meetings		Attendance in Last AGM	Other Board		
			Held	Attended		Directorship **	Committee Chairmanship ***	Committee Membership
1.	Mr. Nitin K. Motani Chairman	PD-ED	4	4	Present	No	No	No
2.	Mr. Shailesh S. Shah Managing Director	PD-ED	4	4	Present	No	No	No
3.	Mr. Saurabh K. Motani	PD-ED	4	4	Present	No	No	No
4.	Mr. Sharad S. Shah	PD-ED	4	4	Present	No	No	No
5.	Mr. Maikal Raorani	ED	4	4	Present	No	No	No
6.	§Mr. Mahadeo Puranik	NED-ID	2	1@	Present	No	No	No
7.	§Mr. Hemant Thakur	NED-ID	2	-@	Present	No	No	No
8.	Mr. Mahesh Shirodkar	NED-ID	4	1@	Present	No	No	No
9.	Mr. Vijay Choraria	NED-ID	4	1@	-	9	No	No

\* PD – Promoter Director, ED-Executive Director, NED- Non Executive Director, ID-Independent Director

\*\* In Indian Public Limited Companies as on 31<sup>st</sup> March, 2009

\*\*\* In Audit and Shareholders Grievances Committee of Indian Public Limited Companies as on 31<sup>st</sup> March, 2009.

@ Leave of absence has been granted to the directors for the Board Meetings not attended by them.

§ Mr. Mahadeo Puranik and Mr. Hemendra Thakur have resigned from the Board of Directors during the ensuing year.

# SKY INDUSTRIES LIMITED

## Details of Board Meetings Held during the Year

Date of Board Meeting	18.06.2008	09.08.2008	24.10.2008	30.01.2009
Board Strength	9	9	8	8
No. of Directors Present	6	7	5	5

### Availability of information to the members of the Board:

The Board has unfettered and complete access to any information within the Company, and to any employee of the Company.

The information regularly supplied to the Board includes:

- Annual operating plans, budgets and updates.
- Capital budgets and updates.
- Quarterly results for the company and its operating divisions. Minutes of meetings of audit committee and other committees of the board. The information on recruitment and remuneration of senior officers just below the board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
- Show cause, demand and prosecution notices which are materially important. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems. Any material default in financial obligations to and by the company, or substantial non-payment for goods sold by the company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.
- Details of any joint venture or collaboration agreement. Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
- Sale of material nature, of investments, subsidiaries, assets, which is not in the normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

### MATERIALLY SIGNIFICANT RELATED PARTY DISCLOSURES:

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors, management, subsidiary or relatives except for those disclosed in the financial statements for the year ended March 31, 2009.

### BOARD COMMITTEES

Currently, the Board functions through three Sub-committees namely, Audit Committee, Remuneration Committee, and the Shareholders' Committee.

The Board functions either as a full Board or through Committees. The names of members of the Sub-committees along with the details of the meeting conducted are given below:

### AUDIT COMMITTEE:

Sr. No.	Name of Members	Attendance in Audit Committee Meetings	
		Held	Attended
1.	Mr. Mahadeo Puranik *	2	2
2.	Mr. Hemant Thakur *	2	2
3.	Mr. Maikal Raorani	4	4
4.	Mr. Mahesh Shirodkar **	2	2
5.	Mr. Vijay Choraria **	2	2

Mr. Mahadeo Puranik and Mr. Hemant Thakur resigned from the Audit Committee in the ensuing year and Mr. Vijay Choraria and Mr. Mahesh Shirodkar joined the committee w.e.f. 9<sup>th</sup> Aug 2008.

**Remuneration Policy**

The remuneration policy approved by the Board of Directors, *inter alia*, provides for the following:

**Executive Directors**

- Salary & Commission
- No Sitting Fee

**Non-executive Directors**

- Sitting Fee

**During the financial year 2008-09 remuneration paid to the Executive Directors are as under**

Name of Director	Amount (INR)
Mr. Nitin K. Motani	2820000/-
Mr. Shailesh S. Shah	2340000/-
Mr. Saurabh K. Motani	1860000/-
Mr. Sharad S. Shah	2340000/-
Mr. Maikal Raorani	1200000/-

**Notes:**

- 1) The Company has not entered into any pecuniary relationship or transaction with the Non-executive directors.
- 2) The Company has not so far issued any stock options to any of the directors.

**5. Shareholders' Committees**

The Committee, *inter alia* approves issue of duplicate certificates, oversees and reviews all matters connected with transfer of shares of the Company. The Committee also looks into redressal of investor complaints related to transfer of shares, non receipt of dividend and annual accounts etc. The Committee oversees the performance of the Registrar and Transfer agents of the Company. The Committee also monitors the implementation and compliance of the Company's code of Conduct for Prohibition of Insider trading in pursuance of the SEBI (Prohibition of Insider Trading) Regulations 1992.

The Committee consists of

- Mr. Hemant Thakur – Chairman (Till 9<sup>th</sup> Aug 2008)
- Mr. Mahadeo Puranik – Member (Till 9<sup>th</sup> Aug 2008)
- Mr. Maikal Raorani – Member
- Mr. Mahesh Shirodkar – Chairman (w.e.f. 9<sup>th</sup> Aug 2008)
- Mr. Vijay Choraria – Member (w.e.f. 9<sup>th</sup> Aug 2008)

Name and Designation of Compliance Officer:

- Mr. Maikal Raorani – Whole-time Director

Number of Shareholders' Complaints Received during the year: 6

Number of Complaints not solved to the satisfaction of Shareholders: Nil

Number of Complaints pending: Nil

**6. General Body Meetings**

**Location and time of Company's three most recent AGM's**

	2005-06	2006-07	2007-08
Date	23.09.2006	27.10.2007	13.09.2008
Time	10.30 A.M	11.00 A.M.	11.00 A.M.
Venue	Registered Office	Registered Office	Registered Office

## 7. Disclosures

### Related Party Transactions

During the financial year 2008-09 the Company has not entered into any transactions of material nature with its promoters, directors or the management, subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large. The Company has Declarations that have been received from the senior management personnel to this effect. The disclosure in respect of related party transactions is provided in Notes to Accounts.

### Statutory Compliance, Penalties and Strictures

The Company has complied with the requirements of the Stock Exchanges/SEBI/ and Statutory Authority on all matters related to capital markets. No penalties or strictures have been imposed on the Company by these authorities.

### The status of compliance with Non-mandatory requirements is as under:

1. During the financial year 2008-09 there are certain audit qualifications in the Company's financial statements, however, which are more of procedural in nature.
  - a) The Company has to pass a special resolution for the Managerial Remuneration paid to the Directors, which has been proposed in the forthcoming Annual General Meeting.
  - b) Certain transactions with related parties have exceeded the approved limit and certain transactions need Central Government approval.
  - c) The Company's accounting system does not allow for the working of separate cash flows of the discontinued operations, hence not furnished.
  - d) The Company looks to tighten its procedures for physical recording and accounting of Fixed Assets.
  - e) The internal audit system is being revamped in conjunction with the Statutory Auditors of the Company.
2. The Company is making all the efforts to recruit the Independent / Non Executive Directors on the Board of the Company, to comply with the requirements of the Clause 49 of the listing agreement.
3. The Company's website is under upgradation, and hence the Code of Conduct has not been pasted on the Company's website.

## 8. Means of Communication:

The quarterly, half-yearly and yearly financial results, of the Company, are sent to the Stock Exchanges, immediately after they are approved by the Board. These are widely published in Free Press Journal and Navshakti (Marathi edition). The results of the Company are displayed on the Website also.

Management Discussion & Analysis is separately given and forms part of the report.

## 9. General Shareholder information:

### a. Annual General Meeting

**Date** : 31<sup>st</sup> October, 2009

**Time** : 11.00 A. M.

**Venue** : C-58 TTC Industrial Area, Thane Belapur Road, Pawane, Navi Mumbai - 400 705

### b. Financial Calendar 2009 – 2010

First quarter results :: By end of July, 2009

Second quarter results :: By end of October, 2009

Third quarter results :: By end of January, 2010

Annual results for the year ending on 31<sup>st</sup> March, 2010 :: By end of June, 2010

### c. Book Closure

The Register of Members and Transfer Registers of the Company will remain closed from 26<sup>TH</sup> September, 2009 to 29<sup>TH</sup> September, 2009 (both days inclusive).

### d. Listing on Stock Exchanges

The Shares of the Company are listed with the Stock Exchange, Mumbai, (BSE), The Calcutta Stock Exchange Association Limited, The Jaipur Stock Exchange Limited.

The Company had applied and is awaiting approval for de-listing of its shares from The Calcutta Stock Exchange Association Limited and The Jaipur Stock Exchange Limited. The Company has paid the listing fees to the Stock Exchange, Mumbai.

Stock Code - 526479

Demat - ISIN Number for NSDL & CDSL : INE 765B01018

**e. Stock Market Data :** High, Low during each month in last financial year (BSE)

Details of High/Low during each month in the financial year 2008 – 2009:

**The Stock Exchange, Mumbai**

Year	Month	Stock Price (Rupees)		Volumes
		Highest	Lowest	
2008	April	70.00	49.20	52536
2008	May	66.80	50.05	51708
2008	June	62.80	48.50	64643
2008	July	63.50	47.20	43163
2008	August	61.00	49.20	71693
2008	September	76.00	51.55	91198
2008	October	90.00	62.55	159389
2008	November	77.80	55.25	20196
2008	December	73.50	55.70	36948
2009	January	73.35	60.25	4624
2009	February	101.00	75.00	352334
2009	March	92.90	71.55	196186

**Registrar and Transfer Agents** Link Intime India Pvt. Ltd. C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W) Mumbai – 400 078., Phone : 2596 3838 e-mail : isrl@intimespectrum.com  
203, Davar House, 2<sup>nd</sup> Floor, Next to Central Camera Building, 197, D N Road, Fort, Mumbai 400 001. Ph : 91-22-2265 6929

**Dematerialization of Shares and Liquidity**

**Share Transfer System** Link Intime India Pvt. Ltd. handles the investor services for Sky Industries Limited. The Company's equity shares are compulsorily traded in dematerialized form as per the SEBI guidelines. In all 3512090 equity shares of Rs.10/- each were dematerialised as on 31<sup>st</sup> March, 2009 constituting 88.32 % of the paid-up capital of the Company.

Physical share transfers are registered and returned within a period of, typically, 10-15 days from the date of receipt, if the documents are correct and valid in all respects. A letter is sent to the shareholder giving him an option to receive shares in the physical mode or in the dematerialized mode. A period of 30 days is given to the shareholder for sending his intimation. The shareholder then receives the shares in the form he exercises his option for.

**Distribution of Shareholding as on 31<sup>st</sup> March, 2009**

**A. Category wise:**

Sr. No.	Category	No. of Shares held	%
1	OTHER BODIES CORPORATE	766120	19.27%
2	CORPORATE BODIES (PROMOTER CO)	1310147	32.95%
3	CLEARING MEMBER	4622	0.12%
4	DIRECTORS	387839	9.75%
5	NON RESIDENT INDIANS	109566	2.76%
6	PUBLIC	1358956	34.18%
7	PROMOTORS	39150	0.98%
	<b>TOTAL</b>	<b>3976400</b>	<b>100.00%</b>



**SKY INDUSTRIES LIMITED****B. Shareholding wise:**

Shareholding of Shares	Nos. of Shareholders	% Age Total	Share Amount	% Age of Total
1 - 500	1450	83.96%	289592	7.28%
501 - 1000	129	7.47%	107533	2.70%
1001 - 2000	53	3.07%	82407	2.07%
2001 - 3000	17	0.98%	44377	1.12%
3001 - 4000	9	0.52%	32857	0.82%
4001 - 5000	19	1.10%	91732	2.31%
5001 - 10000	16	0.93%	122194	3.07%
10001 And above	34	1.97%	3205708	80.62%
Total	1727	100%	3976400	100.00%

**C. Top Ten Shareholders as on 31<sup>st</sup> March, 2009**

Sr. No	Name(s) of Shareholders	Shares	%
1.	SKAY FINVEST PRIVATE LIMITED	1310147	32.95%
2.	M R SHARE BROKING PVT LTD	579256	14.57%
3.	MANOJ RAMESHCHANDRA SHAH	133256	3.35%
4.	SURYAKANT HARGOVINDAS SHAH	117850	2.96%
5.	NITIN K MOTANI	82529	2.08%
6.	SHAILESH S SHAH	73620	1.85%
7.	BIMAL KUMAR CHORARIA	69866	1.76%
8.	SHARAD S SHAH	60570	1.52%
9.	SAPNA SINGHANIA	55000	1.38%
10.	SAURABH K MOTANI	53270	1.34%

Shareholding pattern as on 31<sup>st</sup> March, 2009

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total No. of Shares held in Dematerialized Form	Total Shareholding as a % of total No. of Shares		Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	Number of shares	As a % of Total No. of Shares
<b>(A) Shareholding of Promoter and Promoter Group</b>							
<b>(1) Indian</b>							
Individuals / Hindu Undivided Family	6	426,989	426,989	10.74	10.74	-	-
Bodies Corporate	1	1,310,147	1,310,147	32.95	32.95	663,500	50.64
<b>Sub Total</b>	<b>7</b>	<b>1,737,136</b>	<b>1,737,136</b>	<b>43.69</b>	<b>43.69</b>	<b>663,500</b>	<b>38.20</b>
<b>(2) Foreign</b>							
<b>Total shareholding of Promoter and Promoter Group (A)</b>	<b>7</b>	<b>1,737,136</b>	<b>1,737,136</b>	<b>43.69</b>	<b>43.69</b>	<b>663,500</b>	<b>38.20</b>
<b>(B) Public Shareholding</b>							
<b>(1) Institutions</b>							
<b>(2) Non-Institutions</b>							
Bodies Corporate	59	766,120	720,820	19.27	19.27	-	-
<b>Individuals</b>							
Individual shareholders holding nominal share capital up to Rs. 1 lakh	1,620	715,366	438,266	17.99	17.99	-	-
Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	17	643,590	596,090	16.19	16.19	-	-
<b>Any Others (Specify)</b>	<b>24</b>	<b>114,188</b>	<b>19,778</b>	<b>2.87</b>	<b>2.87</b>	-	-
Clearing Members	13	4,622	4,622	0.12	0.12	-	-
Non Resident Indians	11	109,566	15,156	2.76	2.76	-	-
<b>Sub Total</b>	<b>1,720</b>	<b>2,239,264</b>	<b>1,774,954</b>	<b>56.31</b>	<b>56.31</b>	-	-
<b>Total Public shareholding (B)</b>	<b>1,720</b>	<b>2,239,264</b>	<b>1,774,954</b>	<b>56.31</b>	<b>56.31</b>	-	-
<b>Total (A)+(B)</b>	<b>1,727</b>	<b>3,976,400</b>	<b>3,512,090</b>	<b>100.00</b>	<b>100.00</b>	<b>663,500</b>	<b>16.69</b>
<b>(C) Shares held by Custodians and against which Depository Receipts have been issued</b>							
	-	-	-	-	-	-	-
<b>Total (A)+(B)+(C)</b>	<b>1,727</b>	<b>3,976,400</b>	<b>3,512,090</b>	<b>-</b>	<b>100.00</b>	<b>663,500</b>	<b>16.69</b>

Address for correspondence C-58, TTC Industrial Area, Thane Belapur Road, Pawane Navi Mumbai – 400 705  
 e-mail : sales@skgroup.com

**Plant Locations :**

- C-58, C - 57/1,2 & 3 TTC Industrial Area, Thane Belapur Road, Pawane Navi Mumbai - 705
- 242, Surat Special Economic Zone, Diamond Industrial Park, Road No. 3, GIDC, Sachin, Surat, Dist 394238

**MANAGEMENT DISCUSSION AND ANALYSIS****Industry Structure & Development:**

**SKY INDUSTRIES LIMITED** is a dominant player in the Narrow Woven fabric industry in India having its presence felt in various product categories viz Hook & Loop Tape Fasteners, Elastic Tapes, Velvet Tapes and Premium Satin (Printable variety) tapes. Traditionally, this industry is an accessory supplier to major industries like Textiles, Leather, Footwear etc.

The Company is a leader in the premium category of the Hook and Loop Tape Fasteners and caters to over 70% of the domestic demand. The Company is also the market leader in Velvet Tapes and Printable satin variety in the domestic market. The Company is aiming to improve its share in elastic product lines globally.

**Opportunity and Threats:**

The Company's strength is built around the robust domestic and international marketing network. The Company has a network of 5 marketing offices in India as well as over 800 Corporate customers and over 50 channel partners as a part of its domestic network, which are comprised from various industry segments, allowing the Company to derisk its business.

The Company does face threats from imports and other new emerging players in these product lines. However, they are mitigated partly by the Anti Dumping Duty levied against the imports of sub standard quality goods in the Hook & Loop Tape category.

Also, in the year under review, the Company has made inroads into a lot of buying houses and was successful in obtaining nominations etc from a few of the houses for supply of Sky's products to their vendors as well as expand its offerings.

The Company has also moved up the value chain in the segments like Hook and Loop Tape Fasteners as well as Printable ribbons and is looking at further moving up the value chain to protect its margins.

As in any economy, there is a first mover advantage and the Company has already strengthened its position in the various product lines it is currently in. The Company realizes the possibility of the entry of competition in the product lines that the company is currently present in.

Also there is a possibility of newer fastening applications being developed, which is a threat to the major product of the Company.

**Segment Reporting:**

The Company has one segment of activity namely "Narrow Woven Fabrics". Hence, Accounting Standard on Segment Reporting (AS - 17) issued by the Institute of Chartered Accountant of India does not apply.

**Outlook**

With the dismantling of the quota regime, there are new opportunities and avenues available to the Company which is expected to take the Company on the growth trajectory. Overall, the outlook looks positive for the industry as a whole and the Company in particular.

**Exports**

During the year under review the Exports were at Rs. 2017 lacs an increase of 9% over the previous year. The Company has explored few more countries and increased the thrust in the international markets. The past efforts of the Company in penetrating the different markets are paying off now and the growth in the export turnover is visible now.

**Risks and Concerns**

The Company faces various risks which are incidental to the Company's operations in the various product lines viz. Hook and Loop Tape Fasteners and Velvet tapes like new competitor setting up business or expanding of the existing players owing to the market available. Also, the product lines are usually interlinked to a fashion trends in case of Velvet and hence till the time new industry applications are invented, the Company faces a risk on that front.

The concerns amongst others are Company facing rising input costs on account of Raw Materials pricing being steadily rising as well as inability of the Company to pass on the increase in costs to its customers being the main concern.

The Company is looking however to address the above risks and concerns by setting up a robust risk management system.

**Internal Control systems and their adequacy**

The Company has commensurate internal audit systems in relation to the size of the Company. The Company also has appointed

an Internal Auditor Ms/ Engineer and Mehta, who have been conducting internal audit of the systems that have been strengthened.

### **Operations**

The turnover during the year was Rs. 6139 Lacs as compared to previous years Rs. 6189 Lacs. The reason for flat growth can be attributed to the pressure on the sales realizations, inspite of increase in volumes.

As in earlier years, the Company focused on increasing the share of the Value Added products. Though the Velvet segment suffered from consistent sales volume, the company has worked out the ways to utilize the surplus capacity prevalent in Velvet division by making the machines suitable to produce hook and loop tape fasteners with help of minor modifications in the technology. The Velvet operations were discontinued thus allowing the Company to regroup its focus on Hook and Loop Tape fasteners.

### **Human Resources & Industrial Relations:**

Your Company continued to have cordial relations with its employees. The Company has a team of able and experienced industry professionals in its ranks. As of 31<sup>st</sup> March, 2009, the total number of employees on the rolls of the Company was 321.

## **DECLARATION**

To  
The Members of  
Sky Industries Ltd

As provided under the Clause 49 of the Listing Agreement with the Stock Exchanges, all the Board members and the Senior Management Personnel have affirmed compliance with the Code of Conduct.

For **SKY INDUSTRIES LIMITED**

Sd/-  
**Shailesh Shah**  
(Managing Director)

### **THE MANAGING DIRECTOR AND EXECUTIVE DIRECTOR HAVE GIVEN THEIR CERTIFICATION FOR THE YEAR 2008-09**

#### **Mr. Shailesh Shah Managing Director's and Mr. Maikal Raorani Executive Director's Certification for the year 2008-09**

We hereby certify that to the Board that:

They have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief:

- These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- These statements together present a true and Fairview of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- There are, to the best of their knowledge and belief, no transactions entered into by the company during the year are fraudulent, illegal or violative of the company's code of conduct.
- They accept responsibility for establishing and maintaining internal controls and that they have evaluated the effectiveness of the internal control systems of the company and they have disclosed to the auditors and the Audit Committee, efficiencies in the designer operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- They have indicated to the auditors and the Audit committee
  - (i) significant changes in internal control during the year;

- (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
- (iii) instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system

**Shailesh Shah**  
Managing Director

Sd/-  
**Maikal Raorani**  
Executive Director

#### COMPLIANCE CERTIFICATE FROM COMPANY SECRETARY

We have examined the registers, records, books and papers of **SKY INDUSTRIES LIMITED** as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31<sup>st</sup> March, 2009. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in **Annexure – 'A'** to this certificate as per the provisions of the Act and the rules made there under and all entries therein have been recorded.
2. The Company has filed the forms and returns as stated in **Annexure – 'B'** to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities.
3. The Company being a Public Limited Company has the minimum prescribed Paid-up Capital.
4. The Board of Directors duly met 4 (Four) times during the financial year ended 31<sup>st</sup> March, 2009, viz. 18<sup>th</sup> June, 2008, 9<sup>th</sup> August, 2008, 24<sup>th</sup> October, 2008 and 30<sup>th</sup> January, 2009 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
5. The Company closed its Register of Members from 10<sup>th</sup> September, 2008 to 13<sup>th</sup> September, 2008 (Both days inclusive) and necessary compliance of section 154 of the Act has been made.
6. The Annual General Meeting for the financial year ended on 31<sup>st</sup> March, 2008 was held on 13<sup>th</sup> day of September, 2008, after giving due notice to the members of the Company, and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra-ordinary General Meeting was held during the financial year.
8. The Company has advanced a loan of Rs.16651/- to a company referred in the section 295 of the Act Without obtaining prior approval of Central Government as specified in the said Section.
9. The Company has not complied with the provisions of Section 297 of the Act in respect of certain contracts specified in that Section.
10. The Company has made entries in the register maintained under Section 301 of the Act.
11. As there was no instance falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, members or Central Government, as the case may be.
12. The Company has not issued any duplicate share certificate during the year.
13. During the financial year, the Company has:
  - (i) Delivered all the Share certificates on lodgement for transfer / transmission or any other purpose in accordance with the provisions of the Act. There was no allotment of Shares and allotment during the year under review;
  - (ii) Not deposited the amount of dividend, as there was no dividend declared during the financial year;
  - (iii) Not required to post warrants to any Member of the Company as no dividend was declared during the financial year;
  - (iv) has transferred the amounts in unpaid dividend account and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund as the same was not due.
  - (v) duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the Company is not duly constituted. There was no appointment of additional directors, alternate directors and directors to fill casual vacancy during the financial year.
15. The Company has appointed Whole time Director as per the provisions of Section 269 of the act during the financial year.
16. The appointment of sole-selling agents was made in compliance of the provisions of the Act.
17. The company has obtained approval of the Regional Director under section 297 of the Companies Act, 1956 vide order No RD/297/188 to191 & 201/7/08/13365 dated 28th November, 2008.
18. The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has not issued equity shares during the financial year.
20. The Company has not bought back any share during the financial year.
21. The Company has not issued preference shares / debentures hence redemption of Preference Shares / Debenture is not applicable.
22. There were no transactions necessitating the Company to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares in compliance with the provisions of the Act.
23. The Company has not invited/accepted any deposits including any unsecured loan falling within the purview of Section 58A during the financial year.

24. The amount borrowed by the company from directors, members, public, financial institutions, banks and others during the financial year ending 31st March, 2009 are within the borrowing limits of the company and that necessary resolution as per section 293(1)(d) of the Act have been passed in duly convened annual/extraordinary general meeting.
25. The Company has made loans and investments, or given guarantees or provided securities to other bodies corporate in compliance with the provisions of the Act and has made necessary entries in the register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one state to another.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company.
28. The Company has not altered the provisions of the Memorandum with respect to name of the Company.
29. The Company has not altered the provisions of the Memorandum with respect to share capital of the Company.
30. The Company has not altered its articles of association.
31. There were no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment imposed on the Company during the financial year, for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has deposited both employees and employer's contribution to provident Fund with prescribed authorities pursuant to section 418 of the Act.

**For A. K. Jain & Co.  
Company Secretaries  
Ashish Kumar Jain**

**Place: Mumbai**

**Date: 30<sup>th</sup> June, 2009**

**Annexure "A"**

Registers maintained by the Company

Sr. No.	Registers Maintained	Section
1	Register of Members	150
2	Register of Minutes for Board /Members Meeting	193
3	Register of Contracts	301
4	Register of Contracts, Companies and Firms in which Directors etc. are interested	301(3)
5	Register of Directors	303
6	Register of Directors Share & Debenture holdings	307

**Annexure "B"**

**Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ending on 31<sup>st</sup> March, 2009.**

S. No.	Form/Document & Section	Particulars	Filing with ROC	Challan no.	Remarks
1.	Form 23AC and 23ACA	Annual Report	18-09-2008	P21395744	
2.	Form 20B	Annual Filing made upto Annual General Meeting held on 13 <sup>th</sup> September, 2008	10-02-2009	P30428320	
3.	Form 25C	Appointment of WTD	A46520821	09-10-2008	
4.	Form 1	Investor Protection Fund	24-10-2008	A48178404	
5.	Form 32	Resignation of Director	24.02.2009	A56814031	
6.	Form 32	Resignation of Director	14.08.2008	A43144104	
7.	Form 61	Return on Fixed Deposit	07-08-2008	A42754630	
8.	Form 24A	Approval of Central Government under Section 297 of the Act	07.07.2008	A40888281	
9.	Form 24A	Approval of Central Government under Section 297 of the Act	22.07.2008	A41757808	
10.	Form 24A	Approval of Central Government under Section 297 of the Act	07.07.2008	A40886715	
11.	Form 24A	Approval of Central Government under Section 297 of the Act	07.07.2008	A40887416	
12.	Form 24A	Approval of Central Government under Section 297 of the Act	07.07.2008	A40888943	
13.	Form 61	Application for Compounding of offences	11.11.2008	A49764350	
14.	Form 8	Modification of Charge	18.07.2008	A41615386	
15.	Form 8	Modification of Charge	04.06.2008	-	Not traceable on Company's record
16.	Form 17	Satisfaction of Charges	09-04-2008	A35339928	

## SKY INDUSTRIES LIMITED

### AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To,  
The Members,  
Sky Industries Limited.

We have examined the compliance of the conditions of Corporate Governance by **Sky Industries Limited** for the year ended March 31, 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The Compliance of Conditions of Corporate Governance is the responsibility of the Company's management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement except that the board of Directors does not comprise of the required number of Independent Directors/ Non-executive Directors and the code of conduct is not posted on website of the Company as per the terms of clause 49 of the listing Agreement, has complied with the conditions of Corporate Governance as stipulated in clause 49 of above mentioned listing agreement.

On the basis of representation received from the Registrar of Share Transfer Agent and as per the records maintained by the Company which are presented to the Shareholders / Investors Grievance Committee, we state that during the year ended March 31, 2009 no Investor Grievance were pending for a period exceeding one month.

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 and on behalf of

**KALYANIWALLA & MISTRY**  
**CHARTERED ACCOUNTANTS**

Sd/-

**E. K. IRANI**  
**PARTNER**

Membership No.35646

Mumbai, 9<sup>th</sup> August 2009

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SKY INDUSTRIES LIMITED**

1. We have audited the attached Balance Sheet of **Sky Industries Limited**, as at 31<sup>st</sup> March, 2009 and also the Profit and Loss Account and the Cash Flow Statement of the Company 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, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. *The Company has entered into transactions with parties covered in the register maintained under section 301 of the companies Act, 1956. The company has made a further application to the Central Government for transactions amounting to Rs. 16,511,421/-, which is in excess of the sanction received for which approval is pending and no sanction has been applied from Central Government for transaction amounting to Rs 5,110,293/-*
5. *During the year, the Company has discontinued operations of the Ribbon Division. The amounts of net cash flows attributing to the operating, investing and financing activities as required under Accounting Standard(AS) 24- "Discontinuing Operations" issued by the Institute of Chartered Accountants of India(ICAI is not available with the company.*
6. *The Company has not passed a special resolution for payment of managerial remuneration of Rs.1,05,60,000/- approved by a Remuneration Committee in a general meeting as per the requirements of Schedule XIII of the Companies Act, 1956.*
7. 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 these books.
  - c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
  - e) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements *subject to Para 4, 5 and 6 above* read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2009; and
    - ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.
    - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31<sup>st</sup> March, 2009, and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31<sup>st</sup> March, 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For and on behalf of  
**KALYANIWALLA & MISTRY**  
**CHARTERED ACCOUNTANTS**

Sd/-  
**ERMINK IRANI**  
**PARTNER**

Membership No. 35646

**Mumbai; Dated: June 30<sup>th</sup>, 2009.**



**Annexure to the Auditors' Report**

Referred to in paragraph (3) of our report of even date.

- 1) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As explained to us, the Company has a program for physical verification of fixed assets at periodic intervals. In our opinion, the period of verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies have been reported on such verification.
- (c) In our opinion, the disposal of fixed assets during the year does not affect the going concern assumption.
- 2) (a) The Management has conducted physical verification of inventory at reasonable intervals.
- (b) *In our opinion, the procedures of physical verification of inventory followed by the management are not reasonable and are inadequate in relation to the size of the Company and the nature of its business.*
- (c) The Company is maintaining proper records of inventory and the discrepancies noticed on physical verification have been properly dealt with in the books of account.
- 3) (a) The Company has granted an interest free unsecured security deposit of Rs.4,350,000/- and interest free loan of Rs.16,651/- to parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum balance during the year and the year end outstanding is Rs. 4,366,651/-
- (b) *Consequently, the question of commenting on the rates of interest does not arise. In the absence of any stipulated terms and conditions of the deposits/loans granted, we are unable to comment whether the same are prejudicial to the interests of the Company, whether receipt of principal is regular and whether reasonable steps have been taken for recovery of principal.*
- (c) The Company has taken and repaid an interest free unsecured loan of Rs.1,745,000/-from a company and a director listed in the register maintained under Section 301 of the Companies Act, 1956.
- (d) *Consequently, the question of commenting on the rates of interest does not arise. In our opinion, the other terms and conditions of the loans taken are prima facie not prejudicial to the interests of the Company.*
- (e) The company is regular in payment of the principal amounts wherever stipulated and applicable.
- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchases of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed a continuing failure to correct major weaknesses in internal controls.
- 5) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts and arrangements referred to in section 301 of the Companies Act, 1956 are entered in the register required to be maintained under that section.
- (b) *In the absence of a comparative price of transactions made in pursuance of such contracts or arrangements, we are unable to comment whether these were made at prices which are reasonable having regard to prevailing market prices at the relevant time.*
- 6) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public and hence the provisions of section 58A, 58AA or any other provision of the Companies Act, 1956, and the rules framed there under are not applicable.
- 7) *In our opinion and according to the information and explanations given to us, the internal audit system is not commensurate with the size of the Company and nature of its business.*
- 8) The maintenance of cost records has not been prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956, in respect of any of its products.
- 9) (a) According to the information and explanations given to us and on the basis of our examination of the books of account, during the year, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess and other statutory dues *except Income tax and Fringe Benefit Tax* applicable to it with the appropriate authorities. According to the information and explanations given

to us, there are no undisputed dues payable in respect of the above *except tax deducted at source of Rs.1,250,282/- and fringe benefit tax of Rs.4,50,000/-* as at 31<sup>st</sup> March, 2009 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues outstanding of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty or cess on account of any dispute, other than the following:

Name of Statute	Nature of Dues	Period to which the amount relates	Forum where dispute is pending	Amount
The Bombay Provincial Municipal Corporation Act, 1959	Cess	1998-1999	Deputy Commissioner	20,74,603
The Bombay Provincial Municipal Corporation Act, 1959	Cess	1999-2000	Deputy Commissioner	16,08,000
The Income Tax act, 1956	Penalty u/s 274 (1)(c)	2001-02	Assistant commissioner of Income Tax	90,000

- 10) The Company does not have accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- 11) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not defaulted in repayment of dues to banks and financial institutions.
- 12) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/ mutual benefit fund/ societies.
- 14) The Company does not deal in shares, securities, debentures and other investments.
- 15) According to the information and explanations given to us, the Company has not given guarantee for loans taken by others from banks or financial institutions.
- 16) According to the information and explanations given to us, term loans were applied for the purpose for which the loans were obtained.
- 17) According to the information and explanations given to us and on an overall examination of the Balance Sheet and Cash Flows of the Company, we report that the Company has not utilized funds raised on short-term basis for long-term investment.
- 18) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- 19) The Company did not issue any debentures during the year.
- 20) The Company has not raised any money through a public issue during the year.
- 21) Based on the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For and on behalf of  
**KALYANIWALLA & MISTRY**  
**CHARTERED ACCOUNTANTS**

Sd/-  
**ERMINK. IRANI**  
**PARTNER**  
 Membership No. 35646

**Mumbai: Dated: June 30<sup>th</sup>, 2009**

**BALANCE SHEET AS AT 31st MARCH, 2009.**

	Schedule	Rupees	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
<b>SOURCES OF FUNDS</b>				
<b>SHAREHOLDERS FUND</b>				
SHARE CAPITAL	1	39,764,000		39,764,000
RESERVES AND SURPLUS	2	123,694,000		122,176,704
			163,458,000	161,940,704
<b>LOAN FUNDS</b>				
SECURED LOANS	3	167,844,049		222,494,624
UNSECURED LOANS	4	-		3,709,705
			167,844,049	226,204,329
<b>DEFERRED TAX LIABILITY</b>				
			18,481,647	19,641,647
<b>TOTAL</b>			<b>349,783,696</b>	<b>407,786,680</b>
<b>APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS</b>				
GROSS BLOCK	5	391,122,923		399,650,210
LESS: DEPRECIATION		192,267,285		175,430,340
NET BLOCK		198,855,638		224,219,870
CAPITAL WORK IN PROGRESS		581,313		2,916,645
			199,436,951	227,136,515
<b>INVESTMENTS</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>	7		6,063,145	6,063,145
INVENTORIES		117,890,425		151,115,706
SUNDRY DEBTORS		129,687,934		104,249,864
CASH AND BANK BALANCE		11,938,792		26,821,655
LOANS AND ADVANCES		24,357,404		27,618,071
		283,874,555		309,805,296
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>				
LIABILITIES	8	131,387,892		127,325,450
PROVISIONS		8,203,063		7,892,826
		139,590,955		135,218,276
<b>NET CURRENT ASSETS</b>			<b>144,283,600</b>	<b>174,587,020</b>
<b>TOTAL</b>			<b>349,783,696</b>	<b>407,786,680</b>
NOTES TO ACCOUNTS	14			

The Schedules referred to above form an integral part of the Balance Sheet

Signatures to Balance Sheet and Schedule 1 to 8 and 14

As per our Report attached

For and on behalf of  
**KALYANIWALLA & MISTRY**  
Chartered Accountants

For and on behalf of the Board

Sd/-  
**ERMIN. K. IRANI**  
Partner

Sd/-  
**SHAILESH SHAH**  
Managing Director

Sd/-  
**NITIN MOTANI**  
Chairman

Place : Mumbai  
Date : 30<sup>th</sup> Jun 2009

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009.**

	Schedule	Rupees	For the year ended 31.03.2009 Rupees	For the year ended 31.03.2008 Rupees
<b>INCOME</b>				
SALES		601,082,124		619,011,377
LESS: EXCISE DUTY		—		(153,172)
OTHER INCOME	9		<u>601,082,124</u> <u>12,807,900</u>	<u>618,858,205</u> <u>19,727,787</u>
<b>TOTAL</b>			<u><b>613,890,024</b></u>	<u><b>638,585,992</b></u>
<b>EXPENDITURE</b>				
MATERIALS CONSUMED	10		310,629,873	337,792,508
FINISHED GOODS PURCHASED			5,352,672	—
DECREASE IN INVENTORY	11		40,276,827	30,032,619
MANUFACTURING, ADMINISTRATIVE & SELLING EXPENSES	12		197,403,722	203,678,890
INTEREST AND FINANCE CHARGES	13		35,782,204	32,588,600
DEPRECIATION			<u>22,334,986</u>	<u>26,188,724</u>
<b>TOTAL</b>			<u><b>611,780,284</b></u>	<u><b>630,281,341</b></u>
<b>PROFIT BEFORE TAXATION</b>			<u><b>2,109,741</b></u>	<u><b>8,304,651</b></u>
PROFIT/(LOSS) BEFORE TAX ON CONTINUING OPERATIONS		22,540,447		19,341,898
PROVISION FOR TAXATION				
CURRENT TAX		(190,000)		(170,000)
MAT CREDIT ENTITLEMENT		190,000		—
FRINGE BENEFIT TAX		(847,377)		(929,165)
DEFERRED TAX (Note 7)		<u>1,360,000</u>		<u>(5,030,000)</u>
		<u>512,623</u>		<u>(6,129,165)</u>
PROFIT AFTER TAX ON CONTINUING OPERATION			<u><b>23,053,070</b></u>	<u><b>(13,212,733)</b></u>
LOSS ON DISCONTINUING OPERATIONS - RIBBON DIVISION		(20,430,707)		(11,037,248)
PROVISION FOR TAXATION				
CURRENT TAX		—		—
FRINGE BENEFIT TAX		(52,623)		(44,835)
DEFERRED TAX (Note 7)		<u>(200,000)</u>		<u>4,400,000</u>
		<u>(252,623)</u>		<u>4,355,165</u>
<b>PROFIT AFTER TAXATION</b>			<u><b>(20,683,329)</b></u>	<u><b>(6,682,083)</b></u>
<b>PRIOR PERIOD ADJUSTMENTS</b>			<u><b>852,444</b></u>	<u><b>—</b></u>
<b>PROFIT AFTER TAXATION AND PRIOR PERIOD ADJUSTMENTS</b>			<u><b>1,517,297</b></u>	<u><b>6,530,650</b></u>
<b>SURPLUS BROUGHT FORWARD</b>			<u><b>114,676,704</b></u>	<u><b>108,146,053</b></u>
<b>SURPLUS CARRIED TO BALANCE SHEET</b>			<u><b>116,194,000</b></u>	<u><b>114,676,704</b></u>
Earnings per share (basic / diluted) in Rs. (Refer Note 9)			<u><b>0.38</b></u>	<u><b>1.64</b></u>
NOTES TO ACCOUNTS	14			

The Schedules referred to above form an integral part of the Profit and Loss Account

Signatures to Profit and Loss Account and Schedule 9 to 14

As per our Report attached

For and on behalf of  
**KALYANIWALLA & MISTRY**  
Chartered Accountants

For and on behalf of the Board

Sd/-  
**ERMIN. K. IRANI**  
Partner

Sd/-  
**SHAILESH SHAH**  
Managing Director

Sd/-  
**NITIN MOTANI**  
Chairman

Place : Mumbai  
Date : 30<sup>th</sup> Jun 2009

**SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET**

	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
<b>1 SHARE CAPITAL</b>		
Authorised Capital		
15,000,000 Equity Shares of Rs.10/- each	150,000,000	150,000,000
500,000 Redeemable Preference Shares of Rs. 100/- each	50,000,000	50,000,000
	<u>200,000,000</u>	<u>200,000,000</u>
Issued, subscribed and paid up :		
3,976,400 Equity Shares of Rs. 10/- each, fully paid up. (Of which 400,000 equity shares of Rs.10/- each have been allotted for consideration other than cash)	39,764,000	39,764,000
	<u>39,764,000</u>	<u>39,764,000</u>
<b>2 RESERVES AND SURPLUS</b>		
General Reserve as per last Balance Sheet	7,500,000	7,500,000
Profit and Loss Account	116,194,000	114,676,704
	<u>123,694,000</u>	<u>122,176,704</u>
<b>3 SECURED LOANS</b>		
<b>LONG TERM:</b>		
<b>(a) From Banks:</b>		
<b>i) Term loans</b>	72,761,064	132,903,908
(The above facility is secured by way of first charge on land & building including whole of the movable assets, plant and machinery, stores and spares, furniture, fixture both present and future excluding vehicles and second charge on all the current assets of the borrower both present and future (Amount repayable within one year Rs 34,646,801/-, Previous year Rs 43,668,557/-)		
<b>ii) Vehicle Loans</b>	2,220,940	5,355,627
(The above facility is secured by the hypothecation of assets-vehicles purchased under the scheme) (Amount repayable within one year Rs 1,468,825/-, Previous year Rs 2,964,342/-)		
<b>(b) From others:</b>		
Vehicle loan	-	85,477
(The above facility is secured by the hypothecation of assets-vehicles purchased under the scheme) (Amount repayable within one year Rs. NIL/-, Previous year Rs. 85,477/-)		
<b>SHORT TERM:</b>		
<b>From Banks:</b>		
Cash Credit and Packing credit	92,862,045	84,149,612
(The above facility is secured by way of first charge on all the current assets of the borrower both present and future and second charge on land and building including whole of the movable assets, plant and machinery, stores and spares, furniture, fixtures both present and future excluding vehicles)		
	<u>167,844,049</u>	<u>222,494,624</u>

**SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET**

	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
<b>4 UNSECURED LOANS</b>		
From share holder	-	2,602,427
From Directors	-	1,047,980
Interest accrued and due	-	59,298
	-	3,709,705

**5. FIXED ASSETS**

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2008	Additions	Sales/ Adjustments	As at 31.03.2009	Up to 01.04.2008	For the year ended 31.03.2009	Sales/ Adjustments	Up to 31.03.2009	As at 31.03.2009	As at 31.03.2008
<b>Tangible Fixed Assets</b>										
Leasehold Land	12,448,860	-	-	12,448,860	977,683	158,678	-	1,136,362	11,312,498	11,471,177
Buildings	66,612,054	-	-	66,612,054	12,978,391	2,224,843	-	15,203,234	51,408,820	53,633,663
Plant & Machinery	281,461,849	6,182,556	14,919,101	272,725,304	144,280,130	16,686,583	5,367,488	155,599,225	117,126,079	137,181,719
Electrical Installations	7,928,692	-	-	7,928,692	4,339,482	617,121	-	4,956,603	2,972,089	3,589,210
Furniture & Fixtures	4,615,752	32,810	50,500	4,598,062	2,744,850	241,056	34,577	2,951,329	1,646,733	1,870,902
Office Equipment	5,439,110	119,955	-	5,559,065	2,950,278	182,828	-	3,133,106	2,425,959	2,488,832
Computer	5,106,870	200,507	-	5,307,377	3,502,812	585,158	-	4,087,970	1,219,407	1,604,058
Vehicles	15,521,833	-	125,000	15,396,833	3,336,869	1,464,905	95,976	4,705,798	10,691,035	12,184,964
<b>Total</b>	<b>399,135,020</b>	<b>6,535,828</b>	<b>15,094,601</b>	<b>390,576,247</b>	<b>175,110,495</b>	<b>22,161,173</b>	<b>5,498,041</b>	<b>191,773,627</b>	<b>198,802,620</b>	<b>224,024,525</b>
<b>Intangible Fixed Assets</b>										
Computer Software	515,190	31,486	-	546,676	319,845	173,813	-	493,688	53,018	195,345
<b>Grand Total</b>	<b>399,650,210</b>	<b>6,567,314</b>	<b>15,094,601</b>	<b>391,122,923</b>	<b>175,430,340</b>	<b>22,334,986</b>	<b>5,498,041</b>	<b>192,267,285</b>	<b>198,855,638</b>	<b>224,219,870</b>
<i>Previous year</i>	<i>385,045,047</i>	<i>14,605,163</i>	<i>-</i>	<i>399,650,210</i>	<i>149,241,616</i>	<i>26,188,724</i>	<i>-</i>	<i>175,430,340</i>	<i>-</i>	<i>224,024,525</i>
Capital Work In Progress and Advances									581,313	2,916,645
									<b>199,436,951</b>	<b>227,136,515</b>

**ANNUAL REPORT 2008-09**

# SKY INDUSTRIES LIMITED

## SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

	As at 31.03.2009	As at 31.03.2008
	Rupees	Rupees
<b>6 INVESTMENTS</b>		
<b>LONG TERM</b>		
<b>UNQUOTED (AT COST)</b>		
<b>IN GOVERNMENT SECURITIES</b>		
National Savings Certificate (Lodged with Government Departments as Security Deposit)	5,000	5,000
<b>IN SUBSIDIARY COMPANY</b>		
80,000 Equity shares of US\$ 1 each, fully paid up, in Skay Inc., U.S.A	3,560,515	3,560,515
1,99,762 Equity shares of Rs. 10/- each, fully paid up, in Skay Hemmay Pvt. Ltd.,	1,997,620	1,997,620
<b>IN OTHERS</b>		
Shares of Dombivli Nagri Sahakari Bank Ltd.		
	<u>6,063,145</u>	<u>6,063,145</u>
<b>7 CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>CURRENT ASSETS</b>		
(a) Inventories: (At lower of cost and net realisable value)		
- Raw Materials	42,088,926	34,529,409
- Packing Materials	3,130,614	3,638,585
- Work in Progress	26,714,730	44,627,671
- Finished Goods	45,956,155	68,320,041
	<u>117,890,425</u>	<u>151,115,706</u>
(b) Sundry Debtors (unsecured)		
- Considered good	41,825,850	18,339,914
- Considered doubtful	748,820	1,695,241
- Debts outstanding for a period exceeding six months	42,574,670	20,035,155
- Other Debts	87,862,084	85,909,950
	<u>130,436,754</u>	<u>105,945,105</u>
Less: Provision for doubtful debts	748,820	1,695,241
	<u>129,687,934</u>	<u>104,249,864</u>
(c) Cash and Bank balances		
- Cash on hand	1,084,813	585,343
- Balances with Scheduled Banks		
- In Current Accounts	4,034,251	4,551,302
- In Deposit Account	6,819,728	21,685,011
	<u>11,938,792</u>	<u>26,821,655</u>

**SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET**

	As at 31.03.2009		As at 31.03.2008	
	Rupees	Rupees	Rupees	Rupees
<b>LOANS AND ADVANCES</b>				
(Unsecured, considered good)				
Advance tax & TDS (Net of Provision for tax Rs. 15,249,000/- Previous year Rs. 14,159,000/-)	279,846			587,384
Advances recoverable in cash or kind or for value to be received	3,124,034			16,426,096
Balances with Government Authorities	11,822,522			5,418,982
Advances to Suppliers	1,472,998			1,279,446
Deposits	7,658,004			3,906,163
		<u>24,357,404</u>		<u>27,618,071</u>
Current Assets, Loan & Advances (Total)		<u>283,874,555</u>		<u>309,805,296</u>
<b>8 CURRENT LIABILITIES &amp; PROVISIONS</b>				
<b>CURRENT LIABILITIES</b>				
Acceptances	42,469,977			46,305,554
Sundry Creditors	70,985,908			58,944,568
Advance received from Customers	3,272,478			5,526,167
Unpaid dividend	474,609			799,419
Other Liabilities	14,184,920			15,749,742
		<u>131,387,892</u>		<u>127,325,450</u>
<b>PROVISIONS</b>				
Leave encashment	2,129,855			2,562,332
Gratuity	6,073,208			5,330,494
		<u>8,203,063</u>		<u>7,892,826</u>
Current Liabilities & Provisions (Total)		<u>139,590,955</u>		<u>135,218,276</u>



# SKY INDUSTRIES LIMITED

## SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT & LOSS ACCOUNT

		For the year ended 31.03.2009	For the year ended 31.03.2008
	Rupees	Rupees	Rupees
<b>9 OTHER INCOME</b>			
Interest Received (TDS Rs.259,757/-, Previous year 299,501/-)		1,253,299	1,419,923
Octroi refund receipts		-	12,295
Discount received		1,118	332
DEPB & Drawback Income		601,475	25,387
Share of Profits from Shamots International		401,711	-
Excess Provision written back		539,236	-
Dividend received		62,500	-
Service Contract Charges (TDS Rs. 189,775/-, Previous year Rs. 148,412/-)		8,221,832	6,412,184
Commission Receipts (TDS Rs. 473/-, Previous year Rs. 977/-)		4,170	13,287
Machine Hire Receipts (TDS Rs. 142,458/-, Previous year Rs. 106,754/-)		1,230,915	1,036,441
Miscellaneous Income		491,644	10,807,937
		<u>12,807,900</u>	<u>19,727,786</u>
<b>10 MATERIALS CONSUMED</b>			
Raw Materials consumed			
Opening Stock	34,529,409		30,702,387
Add: Purchases	277,604,200		295,404,946
Less: Closing Stock	<u>42,088,926</u>		<u>34,529,409</u>
		270,044,683	291,577,923
Stores & Spares		8,180,506	7,446,566
Packing Material		<u>32,404,684</u>	<u>38,768,018</u>
		<u>310,629,873</u>	<u>337,792,508</u>
<b>11 (INCREASE) / DECREASE IN INVENTORY</b>			
<b>CLOSING STOCK</b>			
Finished Goods	45,956,155		68,320,041
Work In Process	<u>26,714,730</u>		<u>44,627,671</u>
		72,670,885	112,947,712
<b>OPENING STOCK</b>			
Finished Goods	68,320,041		74,309,770
Work In Process	<u>44,627,671</u>		<u>68,670,561</u>
		112,947,712	142,980,331
		<u>40,276,827</u>	<u>30,032,619</u>

**SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT & LOSS ACCOUNT**

	For the year ended 31.03.2009	For the year ended 31.03.2008
	Rupees	Rupees
<b>12 MANUFACTURING, ADMINISTRATIVE &amp; SELLING EXPENSES</b>		
Employee Cost:		
- Salaries, Wages & Bonus	59,028,801	58,117,665
- Contribution to P.F & Other Funds	3,710,819	4,067,652
- Welfare Expenses	4,122,896	5,032,793
	66,862,516	67,221,109
Directors Remuneration & Sitting fees	10,575,000	10,134,002
Power & Fuel	27,678,277	33,437,098
Labour Charges	18,198,765	20,023,607
Rent Rates & Taxes	5,154,059	7,687,097
Repairs & Maintenance:		
- Building	325,403	100,198
- Plant & Machinery	1,240,783	1,822,773
- Others	2,353,543	2,965,739
	3,919,729	4,888,710
Auditors Remuneration	597,714	420,000
Advertisement & Business Promotion	860,862	1,389,907
Difference in Exchange Rate	7,846,122	1,116,288
Insurance	1,152,321	1,578,947
Freight, Cartage and Forwarding Expenses	18,435,490	19,629,263
Travelling & Other Conveyance	7,367,427	6,573,217
Commission	7,767,645	9,261,895
Postage, Telegram & Telephone	4,087,552	5,742,495
Professional & Other Fees	3,007,043	3,173,920
Printing & Stationery	1,295,414	1,296,259
Bad debts	3,172,059	-
Provision for Doubtful Debts made / Provisions no longer required (Net)	(2,697,338)	885,895
Loss on Sale / Disposal of Fixed Assets	4,710,579	-
Donations	17,152	16,927
Other Sundry Expenses	7,395,433	9,202,253
	197,403,722	203,678,893
<b>13 INTEREST AND FINANCE CHARGES</b>		
Interest on Fixed Loans		
- Banks	12,044,205	9,889,117
Interest on Other Loans		
- Banks	15,317,109	11,478,820
- Others	3,037,483	5,136,985
Bank Charges	5,383,407	6,083,678
	35,782,204	32,588,600

## Schedule 14

### NOTES FORMING PART OF THE ACCOUNTS

#### 1. Statement of Significant Accounting Policies

##### A. Basis of Accounting:

The financial statements have been prepared to comply in all material respects with the relevant provision of the Companies Act, 1956 and the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India ("ICAI"). The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

##### B. Fixed Assets:

Fixed Assets are stated at cost less accumulated depreciation. Cost includes original cost of acquisition, taxes, duties, interest on borrowings up to the period of time the asset is put to use, and other incidental expenses related to acquisition and installation of the concerned asset.

Carrying amount of cash generating units/assets are reviewed at balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount is estimated as the net selling price or value in use, whichever is higher. Impairment loss, if any, is recognized whenever carrying amount exceeds the recoverable amount.

Profit or Loss on sale, transfer or disposal of Fixed Asset is recognized in the year of such sale, transfer or disposal.

##### C. Depreciation / Amortization:

Depreciation is provided following the straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956. The cost of leasehold land is amortized over the period of lease. Computer software is amortised over a period of 3 years.

##### D. Investments:

Long Term Investments are stated at cost unless otherwise stated. Provision is made for diminution in the value of investments, where diminution is other than temporary.

##### E. Inventory:

Inventories are valued at lower of cost and net realisable value.

Cost of Raw materials, Packing materials is ascertained on FIFO basis net of Cenvat.

Finished goods and work in progress include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Expenditure on Stores and Spares is written off as incurred.

##### F. Foreign Currency Transactions:

Foreign currency transactions are booked at the exchange rates prevailing on the date of transaction. Gains and losses arising out of the subsequent fluctuations in exchange rates are accounted for on realization. Monetary assets and liabilities have been translated at the exchange rates prevailing as on the date of Balance Sheet. Exchange gains / losses are recognized in the Profit and Loss Account. However, exchange differences relating to fixed assets up to the year ended 31<sup>st</sup> March, 2007 have been included in the carrying amount of fixed assets.

The discount or premium in forward exchange contracts, arising from the difference between the forward rate and the spot rate at the inception of such a contract is amortized as income or expense over the period of the contract.

##### G. Revenue Recognition:

Sales are booked at the time of dispatch from the Company's premises. Sales are reflected inclusive of excise duty and net of trade discount.

Export incentives receivable under Duty Entitlement Pass Book Scheme are accounted on accrual basis.

##### H. Retirement / Other Benefits:

###### i. Defined Contribution Plan:

The Company makes defined contribution to Provident Fund, which are recognized in the Profit and Loss Account on accrual basis.

###### ii. Defined Benefit Plan:

The Company's liabilities under payment of Gratuity Act, long term compensated absences and pension are determined on the basis of actuarial valuation made at the end of each financial year using the projected unit credit method. Actuarial gain and losses are recognized immediately in the statement of the Profit And Loss Account as income or expenses. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

I. Grants / Subsidies:

Grants / Subsidies related to revenue are presented as a credit to the profit and loss statement or are deducted in reporting the related expenses.

J. Borrowing Costs:

Interest and commitment charges incurred in connection with borrowing of the funds, which are directly attributable to the acquisition, construction or production of an asset that necessarily takes substantial period of time to get ready for its intended use, upto the time the said asset is put to use are capitalized as a part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

K. Accounting for Taxes on income:

Current tax is determined as the amount of tax payable in respect of the taxable income for the year, as per the provisions of the Income-tax Act, 1961.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets, subject to consideration of prudence, are recognised and carried forward only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. The tax effect is calculated on the accumulated timing difference at the year end based on the tax rates and laws enacted or substantially enacted on the balance sheet date.

L. Earning Per Share:

The basic earning per share is computed using the weighted average number of common shares outstanding during the period. Diluted earning per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period, except where the results would be anti-dilutive.

M. Provisions

Provisions are recognized in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

2. Contingent Liabilities

i) Guarantees issued by the bank on behalf of the Company, counter guaranteed by the Company Rs. 365,400/- (Previous year Rs. 552,400/-)

ii) Income tax demands disputed by the Company: Rs.90,000/- (Previous Year Rs. 90,000/-)

S.No.	Assessment Year	Demand Notice from	Amount
1	2002-2003	Asst CIT –Cir 4(3)	90,000/-

iii) Cess Demand from Deputy Commissioner of Navi Mumbai Municipal Corporation amounting to Rs. 3,683,521/- (Previous Year Rs.3,683,521/-).

3. Segment Reporting:

As the Company has only one primary business activity, Segment Reporting is not applicable.

4. Investments

The Company has withdrawn its entire capital in Shamots International, a partnership firm in the financial year 2007-08, however the Company continued to be a partner till September 2008 with profit sharing of 5%. The share of profit from such partnership for the year ended 31<sup>st</sup> March, 2008, amounting to Rs.401,711/- (Previous year Rs. Nil) has been accrued & credited to Profit & Loss A/c during the year.

5. Current Liabilities

(a) In spite of the absence of a database identifying parties as Small Scale Industrial Undertakings; it is the opinion of the management that there are no dues payable to SSIs. The auditors have accepted the representation of the management in this regard.

(b) Micro, Small and Medium Enterprises Development Act, 2006: Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from 2<sup>nd</sup> October, 2006, certain disclosures are required to be made relating to Micro, Small & Medium Enterprises. The Company is in the process of compiling relevant information from its suppliers about their coverage under the said Act. Since the relevant information is not readily available, no disclosures have been made in the accounts. However, in the opinion of the management, the impact of interest, if any, that may be payable in accordance with the provision of this Act is not expected to be material.

(c) There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.

## SKY INDUSTRIES LIMITED

### 6. Deferred Tax

The tax effects of significant timing differences that resulted in Deferred Tax (Liability)/ Assets at the year end are:

Particulars	As at 31-Mar-09	As at 31-Mar-08
Depreciation on Fixed Assets	(22,299,514)	(23,841,832)
Others	3,817,867	4,200,185
<b>Deferred Tax Liability</b>	<b>(18,481,647)</b>	<b>(19,641,647)</b>

### 7. Related Party Disclosures:

Related party disclosures as required by AS- 18, "Related Party Disclosures", are given below:

#### A) Relationships

- i. Shareholder with a substantial interest in voting power:  
SKAY Finvest Private Limited
- ii. Subsidiaries:  
SKAY Inc., USA (wholly owned subsidiary)  
Sky Hemmay Private Limited
- iii. Key management personnel/persons exercising significant influence & their relatives:  
Mr. Nitin K. Motani, Chairman.  
Mr. Shailesh S. Shah, Managing Director.  
Mr. Saurabh K. Motani, Executive Director.  
Mr. Sharad S Shah, Executive Director.  
Mr. Maikal Raorani, Executive Director.  
Mr. Suryakant Shah, Relative of a Director.
- iv. Enterprises over which Key management personnel exercise significant influence.  
S.K. Exports  
S.K. Silks  
Shamots International  
S.K.Overseas  
Sk Stabel Industries Pvt Ltd.  
SK Ultratech Private Limited  
Jask Invogue Private Ltd.

B) The following transactions were carried out with the above related parties in the ordinary course of business.  
(Rupees)

Nature of Transaction	Shareholder with a substantial interest in voting power A (i)	Subsidiaries A (ii)	Key managerial personnel/ persons exercising significant influence & their relatives A (iii)	Enterprises over which Key management personnel exercising significant influence A (iv)
Sales	-	32,712 (9,300,472)	-	10,196,147 (1,498,155)
Share of Profit from Shamots International	-		-	401,711 (Nil)
Service Charges Recd.	-	900,127 (327,814)	-	7,321,705 (6,084,370)
Hire charges Recd.	-	1,230,915 (922,428)	-	-
Purchase	-	157,243 (13,680)	-	4,833,100 (1,612,776)
Labour charges	-	-	-	2,104,525 (8,517,300)
Remuneration	-	-	10,560,000 (10,084,022)	-
Reimbursement of Expenses	-	Nil (97,775)	-	-
Rent	-	-	-	285,000 (90,000)
Repairs and Maintenance	-		-	53,995 (66,384)
Commission		6,505,125 (8,736,660)	-	-
Interest on Loan/ Delayed Payments	223,235 (438,387)		Nil (21,595)	-
Miscellaneous Income Expenses	9,894 (Nil)			
Other sundry Expenses	-	-	-	93,928 (Nil)
Sale of Fixed Assets		60,045 (Nil)	-	-
Purchase of Fixed Assets	-	318,498 (Nil)	-	2,748,845 (5,915,381)
Deposit given	4,350,000 (Nil)	-	-	-
Loan given	16,651 (Nil)	-	-	-
Loan taken	1,245,000 (13,650,000)		500,000 (2,200,000)	-
Balances Outstanding	16,651 (2,602,427)	135,984 (2,165,492)	(Cr. 2,320,061) (Cr. 3,684,033)	7,282,447 (Cr. 3,272,362)

# SKY INDUSTRIES LIMITED

## C) SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES AS MENTIONED IN A(iii) AND A(iv) ABOVE

(Rupees)

Transactions during the year	Item A(ii)	Amount	Item A(iii)	Amount	Item A(iv)	Amount
Sales	Sky Hemmay Pvt. Ltd	32,712 (9,300,472)			S.K. Overseas	Nil (1,477,155)
					SK Stable Industries Pvt.	10,196,147 (Nil)
Service Charges Recd	Sky Hemmay Pvt. Ltd	900,127 (327,814)			S.K. Silks	2,120,904 (2,703,918)
					S.K. Overseas	2,243,791 (1,444,080)
					S.K. Exports	988,858 (429,870)
					Shamots International	1,470,708 (759,257)
Hire Charges Recd.	Sky Hemmay Pvt. Ltd	1,230,915 (922,428)				
Purchases					S.K. Overseas International	4,423,862 (1,519,432)
Labour Charges					Shamots International	2,104,525 (83,77,918)
Remuneration			Nitin K. Motani	2,820,000 (2,820,000)		
			Shailesh S. Shah	2,340,000 (23,400,000)		
			Saurabh K. Motani	1,860,000 (1,860,000)		
			Sharad S. Shah	2,340,000 (2,340,000)		
			Maikal Raorani	1,200,000 (724,002)		
Reimbursement of Expenses	Sky Hemmay Pvt. Ltd	Nil (97,775)				
Rent					S.K.Exports	285,000 (90,000)
Repairs & Maintenance					S.K.Stabel Ind Pvt Ltd	12,396 (44,880)
					S.K. Overseas	41,599 (17,004)
Commission	Skay Inc., USA	6,505,125 (8,736,660)				
Interest on Loan/ Delayed Payments			Suryakant Shah	Nil (21,595)		
Other Sundry Expenses					Shamots International	93,928 (Nil)
Sale of Fixed Assets	Sky Hemmay Pvt. Ltd.	60,045 (Nil)				
Purchase of Fixed Assets	Sky Hemmay Pvt. Ltd.	318,498 (Nil)			Shamots International	1,488,876 (5,587,207)
					S.K. Overseas	450,279 (Nil)
					S.K. Stabel Ind Pvt Ltd	789,690 (Nil)
Loans taken			Shailesh S Shah	500,000 (22,00,000)		
Balances Outstanding	Skay Inc., USA	Cr. 3,918,842 (Cr. 4,077,822)	Shailesh S Shah	Cr. 240,644 (Cr. 1,881,170)	Shamots International	Cr. 511,665 (Cr. 2,833,851)
	Sky Hemmay Pvt. Ltd	Cr. 4,054,826 (6,243,314)	Nitin K Motani	Cr. 399,655 (Cr. 419,798)	S.K. Overseas	Cr. 2,031,977 (Cr.932,323)
			Saurabh K Motani	Cr. 772,537 (Cr. 681,070)	S.K.Stabel Ind Pvt Ltd	9,756,507 (Cr. 197,102)
			Sharad S Shah	Cr. 828,875 (Cr. 653, 522)	S.K. Exports	Cr. 50,199 (520,064)
			Maikal Raorani	Cr. 78,350 (Cr. 48,473)	S.K. Silks	Nil (169,850)
					Jask Invogue Pvt. Limited	19,383 (Nil)

8. Earning per Share

Particulars	For the year 31-Mar-09	For the year 31-Mar-08
Profit/(Loss) after tax and prior period expenses	1,517,296	6,530,651
Weighted average no. of equity shares outstanding	3,976,400	3,976,400
Basic earnings per share (Amount in Rs.)	0.38	1.64
Nominal value of shares (Amount in Rs.)	10/-	10/-

9. Interest reimbursement as per Technology Upgradation Fund Scheme amounting to Rs. 2,766,627/- (Previous year Rs. 2,731,986/-) has been credited to Interest Expense account.

10. Auditors Remuneration:

Particulars	For the year 31-Mar-09	For the year 31-Mar-08
Statutory Audit	350,000	350,000
Audit under Other Statues	30,000	30,000
Representation before Tax Authorities	118,000	120,500
Certification work	77,000	40,000
Out of pocket Expenses	22,714	15,702
<b>Total</b>	<b>597,714</b>	<b>556,202</b>

11. During the year, the Company has accounted revenue & expenditure relating to Prior period in its Profit & Loss A/c represented by "Prior Period Adjustments", bifurcation of such revenue & expenses into main account head of Profit & Loss Account is as under :

Particulars	As at 31-Mar-09	As at 31-Mar-08
Interest received	Cr. 220,000	-
Miscellaneous Income	Cr. 35,116	-
Purchase of Raw Material	138,933	-
Packing Material	35,162	-
Salaries, Wages & Bonus	31,424	-
Welfare Expenses	25,000	-
Power & Fuel	107,696	-
Labour Charges	680	-
Rent, Rates & Taxes	10,000	-
Commission	26,730	-
Postage, Telegram & Telephone	18,050	-
Professional & other fees	22,500	-
Printing & stationery	10,780	-
Other sundry Expenses	163,807	-
Interest on Fixed Loans from Banks	439,090	-
Interest on other loan from others	76,708	-
<b>Total</b>	<b>852,444</b>	<b>Nil</b>

12 EMPLOYEE BENEFITS:

I. Defined Benefit Plans:

Contribution to Gratuity Fund

The Company has Gratuity as unfunded defined benefit plan for eligible employees. Gratuity is payable to all eligible employees on superannuation, death or on separation/termination in terms of the provisions of the Payment of Gratuity Act or as per the Company's policy whichever is beneficial to the employees.



# SKY INDUSTRIES LIMITED

The following table sets out the funded status of the gratuity plan and the amounts recognised in the Company's financial statements as at 31 March 2009:

	PERIOD ENDED 31.03.2009 Rs.	PERIOD ENDED 31.03.2008 Rs.
<b>Change in Defined Benefit Obligation</b>		
Opening Defined Benefit Obligation as at 31st March 2008	5,330,494	-
Current Cost	626,536	-
Interest Cost	489,625	-
Service Cost	-	-
Benefits Paid	(744,238)	-
Actuarial (gain)/loss on obligation	370,791	-
Present value of obligation, as at 31st March 2009	<b>6,073,208</b>	<b>5,330,494</b>
<b>Change in Fair Value of assets</b>		
Opening Fair value of plan assets as at 1st April 2008	-	-
Expected return on plan assets	-	-
Contributions by Employer	744,328	-
Benefits paid	(744,328)	-
Actuarial gain/(loss) on plan assets	-	-
Closing Fair value of plan assets as at 31st March 2009	-	-
<b>Amount recognised in the Balance Sheet</b>		
Present value of Unfunded Obligations	6,073,208	5,330,494
Unrecognized Past Service Cost	-	-
Amount Not Recognized as an Asset	-	-
Net Liability	<b>6,073,208</b>	<b>5,330,494</b>
<b>Net gratuity cost for the year ended 31st March 2009</b>		
Current Service Cost	626,536	-
Interest Cost	489,625	-
Expected return on plan assets	-	-
Net Actuarial (gain)/loss to be recognised	370,791	-
Net gratuity cost	<b>1,486,952</b>	-

## Assumptions used in accounting for the gratuity plan

	PERIOD ENDED 31.03.2009 %	PERIOD ENDED 31.03.2008 %
Discount Rate (p.a.)	7.6	8.5
Salary escalation rate (p.a.)	5.0	5.0

The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

## II. Defined Contribution Plans:

The Company has recognised the following amount as an expenses and included in the schedule-16 "Contribution to Provident and Other Funds :

	PERIOD ENDED 31.03.2009	PERIOD ENDED 31.03.2008
Contribution to Employee Provident Fund	2,451,102	2,702,612
Contribution to ESI	1,242,293	1,348,415
Contribution to Maharashtra Labour Welfare Fund	17,424	16,625
Contribution to Provident & other funds	<b>3,710,819</b>	<b>4,067,652</b>

13. A. RAW MATERIAL CONSUMED (INCLUDING STORES & SPARES, PACKING MATERIAL)

DESCRIPTION	UNIT	2008-2009		2007-2008	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Yarn	Kgs.	1,176,209	186,752,665	1,247,471	205,494,699
Resins and Chemicals	Kgs.	184,685	35,539,812	232,310	32,956,520
Dyes and Colours	Kgs.	7,701	4,370,389	21,353	4,628,497
Rubber Thread	Kgs.	162,749	25,085,377	231,883	29,553,119
Hot Melt Glue	Kgs.	27,280	8,099,512	34,549	8,096,357
Polyester Film	Kgs.	5,074	994,561	2,161	563,459
Release Paper	Kgs.	17,817	1,057,293	7,070	462,773
Others(inc woven ELASTIC)	Kgs.		8,353,618		9,822,500
Stores & spares	Kgs.		8,180,506		7,446,566
Paking materials	Kgs.		32,196,141		38,768,018
<b>Total</b>			<b>310,629,874</b>		<b>337,792,508</b>

B. VALUE OF IMPORTED & INDIGENOUS RAW MATERIAL CONSUMER (INCLUDING STORES & SPARES, PACKING MATERIAL) & PERCENTAGE THERE OF THE TOTAL

	2008-2009		2007-2008	
	Percentage of Total Consumption	Value (Rs.)	Percentage of Total Consumption	Value (Rs.)
Indigenous	40.19%	124,842,146	47.14%	159,232,838
Imported	59.81%	185,787,728	52.86%	178,559,670
	100.00%	310,629,874	100.00%	337,792,508

14 VALUE OF IMPORTS CALCULATED ON CIF BASIS

	2008-2009 Rs.	2007-2008 Rs.
Raw Materials	188,164,602	177,989,575
Stores and spares	1,829,425	2,783,922
	<b>189,994,027</b>	<b>180,773,497</b>

15 EXPENDITURE IN FOREIGN CURRENCY

	2008-2009 Rs.	2007-2008 Rs.
Commission on exports	6,552,014	9,024,659
Travel expenses	293,349	720,269
Testing Expenses	282,800	732,971
	<b>7,128,163</b>	<b>10,477,899</b>

16 EARNINGS IN FOREIGN CURRENCY

	2008-2009 Rs.	2007-2008 Rs.
FOB Value of Exports	201,697,196	184,604,529
Insurance on Exports	125,171	127,846
Freight on Exports	5,215,140	5,665,348
Other Charges	170,718	-
	<b>207,208,225</b>	<b>190,397,723</b>

**17 Managerial Remuneration**

(i) Remuneration paid to Directors under section 198 of the Companies Act, 1956

	For the year 31-Mar-09 Rupees	For the year 31-Mar-08 Rupees
Salary, Allowances	10,560,000	10,084,002
Computation of Net Profit in accordance with Section 198 of the Companies Act, 1956:		
Profit/(Loss) before Taxes as per Profit and Loss Account	2,109,740	6,530,652
Add: Managerial Remuneration	10,560,000	10,084,002
Provision for Doubtful Debts	-	885,895
Loss on sale / disposal of fixed assets/CWIP	4,710,579	-
	<b>17,380,319</b>	17,500,549
Less: Provision for Doubtful Debts written back	<b>(2,697,338)</b>	-
<b>Net Profit</b>	<b>14,682,981</b>	<b>17,500,549</b>
Maximum remuneration permissible under the Act. (computed on the basis of inadequacy of profits)	15,000,000	18,000,000

- (ii) Director's sitting fees 15,000 50,000
- (iii) The Directors were paid remuneration for the period starting from 1st April 2005 to 30th March 2008, as per Central Government approval dated, 2nd August 2006. In the current year, all Executive directors were paid remuneration as per the provision of Schedule XII of the Companies Act, 1956. The Company has not passed a special resolution in a General Meeting.

**18 Licensed and Installed Capacity and Actual Production**

Class of Goods	Unit	Licensed Capacity	Installed Capacity *	Actual Production
Hook and Loop Tape Fasteners	Meters	Not Applicable	92,400,000 (81,600,000)	87,125,203 (86,996,842)
Elastics & Other Tapes	Meters	Not Applicable	94,900,000 (202,900,000)	102,190,149 (141,573,253)

\* As certified by the management.

**19. Quantitative Information**

Class of Goods	Unit	Opening Stock		Closing Stock		Sales	
		Qty	Value Rs.	Qty	Value Rs.	Qty	Value Rs.
<b>A. Manufactured Goods</b>							
Hook and Loop Tape Fasteners	Meters	10,574,500 (14,073,662)	32,747,216 (49,966,564)	13,186,750 (10,574,500)	40,064,494 (32,747,216)	84,512,953 (90,496,004)	387,124,496 (346,123,385)
Elastics & Other Tapes	Meters	9,795,985 (13,058,310)	24,158,391 (21,161,036)	13,665,195 (9,795,985)	4,183,007 (24,158,391)	98,320,939 (144,833,578)	210,080,660 (272,887,992)
<b>Total (Total)</b>		<b>20,370,485 (27,131,972)</b>	<b>56,905,607 (71,127,600)</b>	<b>26,851,945 (20,370,485)</b>	<b>44,247,501 (56,905,607)</b>	<b>182,833,892 (235,329,582)</b>	<b>597,205,156 (619,011,377)</b>

B. Traded Goods	Unit	Opening Stock		Closing Stock		Sales			
		Qty	Value Rs.	Qty	Value Rs.	Qty	Value Rs.		
Narrow Fabrics	Kgs	Nil (Nil)	Nil (Nil)	14,166 (Nil)	2,139,028 (Nil)	13,426 (Nil)	2,489 (Nil)	740 (Nil)	103,600 (Nil)
Narrow Woven pile fabrics	Meters	Nil (Nil)	Nil (Nil)	18,000 (Nil)	271,310 (Nil)	225 (Nil)	- (Nil)	17,775 (Nil)	267,919 (Nil)
Sky Net	Meters	Nil (Nil)	Nil (Nil)	68,280 (Nil)	2,942,333 (Nil)	28,140 (Nil)	1,387,444 (Nil)	40,140 (Nil)	1,337,135 (Nil)
<b>Total</b>		<b>Nil (Nil)</b>	<b>Nil (Nil)</b>	<b>100,446 (Nil)</b>	<b>5,352,671 (Nil)</b>	<b>41,791 (Nil)</b>	<b>3,876,968 (Nil)</b>	<b>58,655 (Nil)</b>	<b>1,708,654 (Nil)</b>

20. Company operates three divisions namely Hook & Loop, Ribbon and Elastic. It has discontinued the production of ribbon products from 8<sup>th</sup> December 2008, as the ribbon division is no longer considered viable. During the current year, the division had a Pre-tax loss of Rs.20.43 million (Net of Revenue of Rs. 17.28 million and Expenditure of Rs. 37.71 million). The Company has assets of Rs.99.99 million to be disposed off & liabilities of Rs. 31.27 to be settled in regard to the ribbon division as on 31<sup>st</sup> March, 2009. The amounts of net cash flows attributing to the operating, investing and financing activities is not available.
21. The Company was not in compliance with the provisions of section 383A of the Companies Act, 1956, in respect of appointment of full time company secretary as the previous company secretary Ms. Sujal Master had resigned from the said post with effect from 1st January 2008. But with the amendment in section 383A effective from 15th March 2009 the Company is exempt from such compliance.
22. Previous year's figures have been recast and rearranged wherever necessary

**23. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**1) Registration Details**

Registration No.	11-52645	State Code	II
Balance Sheet Date	31/03/2009		

**2) Capital raised during the year (Amount in Rs. thousand)**

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

**3) Position of Mobilisation and Deployment of Funds (Amount Rs. Thousand)**

Total Liability	349,784	Total Assets	349,784
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**Sources of Funds**

Paid – Up Capital	39,764	Reserve & Surplus	123,694
Secured Loans	167,844	Unsecured Loans	Nil
Deferred Tax Liability	18,482		

**Application of Funds**

Net Fixed Assets	199,437	Investments	6,063
Net Current Assets	144,284	Misc. Expenditure	-
Accumulated Loss	-		

**4) Performance of the Company (Amount in Rs. Thousand)**

Turnover	613,890	Total Expenditure	611,780
(Loss) / Profit Before Tax	2,110	(Loss) / Profit After Tax	1,517
Tax		Tax	
Earning Per Share in Rs.	0.38		

**5) Generic Names of Three Principal Products / Services of Company:**

Item Code No.	58061000
Product Description	Hook and Loop Tape Fasteners
Item Code No.	60021000
Product Description	Elastic and Other Tapes

For and on behalf of  
**KALYANIWALLA & MISTRY**  
Chartered Accountants

For and on behalf of the Board

Sd/-  
**ERMIN. K. IRANI**  
Partner

Sd/-  
**SHAILESH SHAH**  
Managing Director

Sd/-  
**NITIN MOTANI**  
Chairman

Place : Mumbai  
Date : 30<sup>th</sup> June, 2009

# SKY INDUSTRIES LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

Particulars	Rupees	Year ended March, 31 2009 (Rupees)	Year ended March, 31 2008 (Rupees)
<b>A. Cash Flow from Operating Activities:</b>			
Profit before tax and extra ordinary item		2,109,741	8,304,651
Adjustment for:			
Depreciation	22,334,986		26,188,724
Interest and Finance Charges	35,782,204		32,588,600
Interest income	(1,253,299)		(1,419,923)
Loss on Sale /Disposal of Fixed Assets/Capital W.I.P.	4,710,579		-
<b>Prior period Adjustments</b>	<b>(852,444)</b>		-
Share of Profits in Shamots International	<b>(401,711)</b>		-
		<b>60,320,315</b>	57,357,401
Operating Profit before Working Capital Changes		<b>62,430,055</b>	65,662,052
Adjustment for:			
Debtors		<b>(25,438,070)</b>	(4,583,070)
Other Receivable		<b>2,953,129</b>	(7,743,150)
Inventory		<b>33,225,281</b>	26,769,128
Trade and Other Payable		<b>4,697,489</b>	79,560,612
		<b>15,437,829</b>	65,117,704
Cash generated from Operations		<b>77,867,884</b>	544,348
Tax paid/net of Refund received		<b>(592,462)</b>	(2,812,044)
Net Cash Flow from Operating Activities		<b>77,275,422</b>	(2,267,656)
<b>B. Cash Flow from Investing Activities:</b>			
Withdrawal form Shamots International		<b>401,711</b>	8,596,389
Acquisition of Fixed Assets		<b>(4,231,982)</b>	(12,688,072)
Sale of Fixed Assets		<b>4,885,982</b>	-
Increase in Investments		-	(2,497,630)
Interest income		<b>1,253,299</b>	1,419,923
Net Cash Flow from Investing Activities		<b>2,309,010</b>	(5,169,390)
<b>C. Cash Flow from Financing Activities:</b>			
(Decrease)/Increase in Working Capital facility	8,712,432		(14,151,070)
(Decrease)/Increase in Term Loans	<b>(63,363,008)</b>		83,944,554
Increase/(Decrease) in Unsecured Loans	<b>(3,709,705)</b>		(22,040,823)
Interest and Finance Charges	<b>(35,782,204)</b>		(32,588,600)
Dividend Paid	<b>(324,810)</b>		-
Net Cash Flow from Financing Activities		<b>(94,467,294)</b>	15,164,061
Net Increase/(Decrease) in Cash or Cash Equivalents		<b>(14,882,863)</b>	7,726,975
Cash and Cash Equivalents as at the beginning of the year			
Cash and Bank Balances		<b>26,821,655</b>	19,094,680
Cash and Cash Equivalents as at the end of the year			
Cash and Bank Balances		<b>11,938,792</b>	26,821,655
Net Increase/(Decrease) in Cash and Cash Equivalents		<b>(14,882,863)</b>	7,726,975

Note: Cash flow statement has been presented under indirect method as prescribed in AS-3.

Figures for the previous year have been regrouped and rearranged wherever considered necessary.

As per our Report attached

For and on behalf of

**KALYANIWALLA & MISTRY**

Chartered Accountants

Sd/-

**ERMIN. K. IRANI**

Partner

Sd/-

**SHAILESH SHAH**

Managing Director

Sd/-

**NITIN MOTANI**

Chairman

Place : Mumbai

Date : 30<sup>th</sup> June, 2009

**STATEMENT REGARDING SUBSIDIARY COMPANIES  
PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956.**

1. Name of the Subsidiary Company	Skay Inc.,
2. Financial Year of the Subsidiary	1 <sup>st</sup> April, 2008 to 31 <sup>st</sup> March, 2009
3. Holding Company	Sky Industries Ltd.
4. Extent of Holding Comany's Interest	100%
5. Face value of Equity Shares (Per Share)	USD 1
6. Number of Equity Shares held by the Company and/or its subsidiary	80,000
7. Net Aggregate amounts of profits/(losses) of the subsidiary so far as it concerns the members of the Holding Company and is not dealt within accounts of holding company	For the Financial Year of the subsidiary USD 19786 (Loss)  For the previous financial years of subsidiary since it became a subsidiary (USD 60,040)
8. Net Aggregate amounts of profits/(losses) of the subsidiary so far as it concerns the members of the holding company and is dealt within accounts of holding Company.	For the Financial year of subsidiary N.A.  For the previous year of subsidiary since it became a subsidiary N.A.

1. Name of the Subsidiary Company	Sky Hemmay Pvt. Ltd.
2. Financial Year of the Subsidiary	1 <sup>st</sup> April, 2008 to 31 <sup>st</sup> March, 2009
3. Holding Company	Sky Industries Ltd.
4. Extent of Holding Comany's Interest	51%
5. Face value of Equity Shares (Per Share)	Rs. 10/-
6. Number of Equity Shares held by the Company and/or its subsidiary	199,762
7. Net Aggregate amounts of profits/(losses) of the subsidiary so far as it concerns the members of the Holding Company and is not dealt within accounts of holding company	For the Financial Year of the subsidiary Rs. 29,96,574/-  For the previous financial years of subsidiary since it became a subsidiary (Rs. 1,270,294/-)
8. Net Aggregate amounts of profits/(losses) of the subsidiary so far as it concerns the members of the holding company and is dealt within accounts of holding Company.	For the Financial year of subsidiary N.A.  For the previous year of subsidiary since it became a subsidiary N.A.

**REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF  
SKY INDUSTRIES LIMITED**

1. We have examined the attached Consolidated Balance Sheet of Sky Industries Limited, its subsidiary as at 31<sup>st</sup> March 2009 and also the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated 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. We did not audit the financial statements of the subsidiaries, whose financial statements reflect total assets of Rs.33,812,612/- as at March 31, 2009 and the total revenues of Rs.36,849,609/- and net cash inflows amounting to Rs.477,289/- for the year ended on that date as considered in the consolidated financial statement. These financial statements have been audited by other auditor whose report have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of the subsidiary is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of the Accounting Standard (AS) 21 – “Consolidated Financial Statements” issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Sky Industries Limited and its subsidiaries included in the consolidated financial statements.
5. In our opinion and to the best of our information and according to the explanations given to us and on consideration of separate audit report on the individual audited financial statements of Sky Industries Limited and its subsidiaries, the consolidated financial statements read with the notes thereon give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of Sky Industries Limited and its subsidiaries as at 31<sup>st</sup> March, 2009; and
  - ii) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations Sky Industries Limited and its subsidiaries for the year ended on that date.
  - iii) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of Sky Industries Limited and its subsidiaries for the year ended on that date.

For and on behalf of  
**KALYANIWALLA & MISTRY**  
**CHARTERED ACCOUNTANTS**

Sd/-  
**ERMIN K. IRANI**  
**PARTNER**  
Membership No. 35646

Place: Mumbai  
Date: 31<sup>st</sup> July, 2009

**SKY INDUSTRIES LIMITED - CONSOLIDATED**

**BALANCE SHEET AS AT 31st MARCH, 2009.**

	Schedule	Rupees	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
<b>SOURCES OF FUNDS</b>				
<b>SHAREHOLDERS FUND</b>				
SHARE CAPITAL	1	39,764,000		39,764,000
RESERVES AND SURPLUS	2	125,777,704		122,857,309
			165,541,704	162,621,309
MINORITY INTEREST			13,229,200	2,541,734
<b>LOAN FUNDS</b>				
SECURED LOANS	3	167,844,049		222,494,624
UNSECURED LOANS	4	2,652,981		5,681,882
			170,497,030	228,176,506
<b>DEFERRED TAX LIABILITY</b>			19,092,647	20,227,647
<b>TOTAL</b>			<b>368,360,581</b>	<b>413,567,196</b>
<b>APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS</b>				
GROSS BLOCK	5	404,302,383		400,953,709
LESS: DEPRECIATION		193,685,582		176,393,768
NET BLOCK		210,616,802		224,559,941
CAPITAL WORK IN PROGRESS		581,313		2,916,645
			211,198,114	227,476,586
<b>INVESTMENTS</b>	6		505,010	505,010
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
INVENTORIES	7	127,561,659		159,836,160
SUNDRY DEBTORS		131,815,610		108,713,147
CASH AND BANK BALANCE		13,626,774		28,506,957
LOANS AND ADVANCES		24,947,842		21,742,334
		297,951,886		318,798,598
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>	8			
LIABILITIES		131,095,448		125,462,732
PROVISIONS		10,425,028		7,892,826
		141,520,476		133,355,558
<b>NET CURRENT ASSETS</b>			156,431,410	185,443,040
<b>MISCELLANEOUS EXPENDITURE</b>			226,048	142,560
<b>TOTAL</b>			<b>368,360,581</b>	<b>413,567,196</b>
NOTES TO ACCOUNTS	14			

The Schedules referred to above form an integral part of the Balance Sheet.

Signatures to Balance Sheet and Schedule 1 to 8 and 14

As per our Report attached

For and on behalf of

**KALYANIWALLA & MISTRY**

Chartered Accountants

Sd/-

**ERMIN. K. IRANI**

Partner

Place : Mumbai

Date :

For and on behalf of the Board

Sd/-

**SHAILESH SHAH**

Managing Director

Sd/-

**NITIN MOTANI**

Chairman



# SKY INDUSTRIES LIMITED - CONSOLIDATED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009.

	Schedule	Rupees	For the year ended 31.03.2009 Rupees	For the year ended 31.03.2008 Rupees
<b>INCOME</b>				
SALES		630,805,694		621,895,650
LESS: EXCISE DUTY		-		(153,172)
OTHER INCOME	9		630,805,694	621,742,478
<b>TOTAL</b>			<b>641,957,370</b>	<b>640,632,533</b>
<b>EXPENDITURE</b>				
MATERIALS CONSUMED	10		322,505,076	341,167,988
FINISHED GOODS PURCHASED			5,548,293	-
DECREASE IN INVENTORY	11		40,132,742	21,963,032
MANUFACTURING, ADMINISTRATIVE & SELLING EXPENSES	12		209,174,936	205,701,290
INTEREST AND FINANCE CHARGES	13		36,061,640	32,743,564
DEPRECIATION			22,789,854	26,214,172
<b>TOTAL</b>			<b>636,212,540</b>	<b>627,790,046</b>
<b>PROFIT BEFORE TAXATION</b>			<b>5,744,830</b>	<b>12,842,487</b>
<b>PROFIT/(LOSS) BEFORE TAX ON CONTINUING OPERATIONS</b>			<b>26,175,536</b>	<b>23,879,735</b>
PROVISION FOR TAXATION				
CURRENT		(1,127,142)		(628,396)
MAT CREDIT ENTITLEMENT		190,000		-
FRINGE BENEFIT		(862,377)		(984,000)
DEFERRED		755,000	(1,044,519)	(1,216,000)
<b>PROFIT AFTER TAX ON CONTINUING OPERATION</b>			<b>25,131,017</b>	<b>21,051,338</b>
LOSS ON DISCONTINUING OPERATIONS - RIBBON DIVISION		(20,430,707)		
PROVISION FOR TAXATION				
CURRENT		-		
FRINGE BENEFIT		(52,623)		(44,835)
DEFERRED		(200,000)		4,400,000
			(252,623)	4,355,165
<b>PRIOR PERIOD ADJUSTMENTS</b>			<b>(20,683,330)</b>	<b>16,682,083</b>
			889,834	-
<b>NET PROFIT BEFORE MINORITY INTEREST</b>			<b>3,557,853</b>	<b>14,369,255</b>
Less: Minority Interest			(1,450,000)	(622,444)
<b>NET PROFIT</b>			<b>2,107,853</b>	<b>9,391,646</b>
SURPLUS BROUGHT FORWARD			115,381,809	105,965,663
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>			<b>117,489,662</b>	<b>115,357,309</b>
<b>APPROPRIATION</b>				
TRANSFER TO GENERAL RESERVE			400,000	25,500
PROPOSED DIVIDEND			998,812	-
DIVIDEND TAX			263,510	-
<b>BALANCE CARRIED TO BALANCE SHEET</b>			<b>116,915,641</b>	<b>115,331,809</b>
			<b>118,577,963</b>	<b>115,357,309</b>
Earnings per share (basic / diluted) in Rs. (Refer Note 9)			<b>0.53</b>	<b>2.36</b>

NOTES TO ACCOUNTS

14

The Schedules referred to above form an integral part of the Profit and Loss Account

Signatures to Profit and Loss Account and Schedule 9 to 14

As per our Report attached

For and on behalf of  
**KALYANIWALLA & MISTRY**  
Chartered Accountants

For and on behalf of the Board

Sd/-  
**ERMIN. K. IRANI**  
Partner

Sd/-  
**SHAILESH SHAH**  
Managing Director

Sd/-  
**NITIN MOTANI**  
Chairman

Place : Mumbai  
Date : 31<sup>st</sup> July 2009

**SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET**

	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
<b>1 SHARE CAPITAL</b>		
Authorised Capital		
15,000,000 Equity Shares of Rs.10/- each	150,000,000	150,000,000
5,00,000 Redeemable Preference Shares of Rs. 100/- each	50,000,000	50,000,000
	<b>200,000,000</b>	<b>200,000,000</b>
Issued, subscribed and paid up :		
3,976,400 Equity Shares of Rs. 10/- each, fully paid up. (of which 400,000 equity shares of Rs.10/- each have been allotted for consideration other than cash)	39,764,000	39,764,000
	<b>39,764,000</b>	<b>39,764,000</b>
<b>2 RESERVES AND SURPLUS</b>		
General Reserve		
As per last Balance Sheet	7,525,500	7,500,000
Add: Transferred from Profit and Loss Account-	4,00,000	25,500
	<b>7,925,500</b>	<b>7,525,500</b>
Foreign Currency Translation Reserve	936,563	-
Profit and Loss Account	116,905,641	115,331,809
	<b>125,777,704</b>	<b>122,857,309</b>
<b>3. SECURED LOANS</b>		
<b>LONG TERM:</b>		
<b>(a) From Banks:</b>		
<b>i) Term loans</b>	72,761,064	132,903,908
(The above facility is secured by way of first charge on land & building including whole of the movable assets, plant and machinery, stores and spares, furniture, fixture both present and future excluding vehicles and second charge on all the current assets of the borrower (both present and future) (Amount repayable within one year Rs 4,36,68,557/-, Previous year Rs 4,36,68,557/-)		
<b>ii) Vehicle Loans</b>	2,220,940	5,355,627
(The above facility is secured by the hypothecation of assets-vehicles purchased under the scheme) (Amount repayable within one year Rs 14,68,825/-, Previous year Rs 2,964,342/-)		
<b>(b) From others:</b>		
Vehicle loan	-	85,477
(The above facility is secured by the hypothecation of assets-vehicles purchased under the scheme) (Amount repayable within one year Rs Nil, Previous year Rs 85,477/-)		

# SKY INDUSTRIES LIMITED - CONSOLIDATED

## SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
<b>SHORT TERM:</b>		
<b>From Banks:</b>		
Cash Credit and Packing credit (The above facility is secured by way of first charge on all the current assets of the borrower both present and future and second charge on land and building including whole of the movable assets, plant and machinery, stores and spares, furniture, fixtures both present and future excluding vehicles)	92,862,045	84,149,612
	<u>167,844,049</u>	<u>222,494,625</u>
<b>4 UNSECURED LOANS</b>		
From share holders	-	2,602,427
From Directors	2,652,981	3,079,455
	<u>2,652,981</u>	<u>3,079,455</u>

### 5. FIXED ASSETS

PARTICULARS	GROSSBLOCK				DEPRECIATION				NETBLOCK	
	As at 01.04.2008	Additions	Sales/ Adjustments	As at 31.03.2009	Upto 01.04.2008	For the year ended 31.03.2009	Sales/ Adjustments	Upto 31.03.2009	As at 31.03.2009	As at 31.03.2008
<b>Tangible Fixed Assets</b>										
Leasehold Land	12,448,860	-	-	12,448,860	977,683	158,679	-	1,136,362	11,312,498	11,471,177
Buildings	66,612,054	-	-	66,612,054	12,978,391	2,224,843	-	15,203,234	51,408,820	53,633,662
Plant & Machinery	281,612,359	17,856,156	14,919,101	284,622,414	144,282,663	17,117,944	5,367,488	156,033,119	128,589,295	137,402,696
Electrical Installations	8,051,733	202,361	-	8,254,094	4,343,429	640,628	-	4,984,057	3,270,037	3,708,304
Furniture & Fixtures	4,615,752	32,810	50,500	4,598,062	2,744,850	241,057	34,577	2,951,329	1,646,733	1,870,902
Office Equipment	6,394,058	119,955	-	6,516,013	3,907,226	182,828	-	4,090,054	2,425,959	2,488,832
Computer	5,106,870	200,507	-	5,307,377	3,502,812	585,158	-	4,087,970	1,219,407	1,604,058
Vehicles	15,521,833	-	125,000	15,396,833	3,336,869	1,464,905	95,976	4,705,798	10,691,035	12,184,964
<b>Total</b>	<b>400,438,519</b>	<b>18,411,789</b>	<b>15,094,601</b>	<b>403,755,707</b>	<b>176,073,923</b>	<b>22,616,041</b>	<b>5,498,041</b>	<b>193,191,924</b>	<b>210,563,783</b>	<b>224,364,595</b>
<b>Intangible Fixed Assets</b>										
Computer Software	515,190	31,486	-	546,676	319,845	173,813	-	493,658	53,018	195,345
<b>Grand Total</b>	<b>400,953,709</b>	<b>18,443,275</b>	<b>-</b>	<b>404,302,383</b>	<b>176,393,768</b>	<b>22,789,854</b>	<b>5,498,041</b>	<b>193,685,582</b>	<b>210,616,801</b>	<b>224,559,940</b>
<i>Previous year</i>	<i>368,001,995</i>	<i>14,951,714</i>	<i>15,094,601</i>	<i>400,953,709</i>	<i>277,720,890</i>	<i>26,214,172</i>	<i>-</i>	<i>176,393,768</i>	<i>224,559,940</i>	<i>235,822,398</i>
Capital Work In Progress and Advances									581,313	2,916,645
									<u>211,198,114</u>	<u>238,739,043</u>

**SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET**

	<b>Rupees</b>	<b>As at 31.03.2009 Rupees</b>	<b>As at 31.03.2008 Rupees</b>
<b>6 INVESTMENTS</b>			
<b>LONG TERM</b>			
<b>UNQUOTED (AT COST)</b>			
<b>IN GOVERNMENT SECURITIES</b>			
National Savings Certificate (Lodged with Government Departments as Security Deposit)		5,000	5,000
<b>IN OTHERS</b>			
Shares of Dombivli Nagri Sahakari Bank Ltd.		500,010	500,010
		505,010	505,010
<b>7 CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
<b>CURRENT ASSETS</b>			
(a) Inventories: (At lower of cost and net realisable value)			
- Raw Materials	43,546,488		35,180,276
- Packing Materials	3,130,614		3,638,585
- Work in Progress	30,811,528		50,573,838
- Finished Goods	50,073,029		70,443,461
		127,561,659	159,836,160
(b) Sundry Debtors (unsecured)			
- Considered good	41,825,850		18,339,914
- Considered doubtful	748,820		1,695,241
- Debts outstanding for a period exceeding six months	42,574,670		20,035,155
- Other Debts	89,989,759		90,373,233
	132,564,429		110,408,388
Less: Provision for doubtful debts	748,820		1,695,241
		131,851,609	108,713,147
(c) Cash and Bank balances			
- Cash on hand	1,312,733		836,110
- Balances with Scheduled Banks			-
- In Current Accounts	5,086,178		5,985,856
- In Deposit Account	7,227,863		21,685,011
		13,626,774	28,506,957

**SKY INDUSTRIES LIMITED - CONSOLIDATED**
**SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET**

	Rupees	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
<b>LOANS AND ADVANCES</b>			
(Unsecured, considered good)			
Advances & TDS (Net of Provisions for tax Rs. 1,52,39,000/-, Previous year Rs. 1,41,59,000/-)	364,846		283,516
Advances recoverable in cash or kind or for value to be received	3,266,039		10,508,553
Balances with Government Authorities	11,822,522		5,504,592
Advances to Suppliers	1,528,750		1,427,779
Deposits	7,965,685		4,017,894
		<u>24,947,842</u>	<u>21,742,334</u>
Current Assets, Loan & Advances (Total)		<u>297,951,886</u>	<u>318,798,598</u>
<b>8 CURRENT LIABILITIES &amp; PROVISIONS</b>			
<b>CURRENT LIABILITIES</b>			
Acceptances	42,469,977		46,305,554
Sundry Creditors	69,906,394		56,023,244
Advance received from Customers	3,299,963		5,331,028
Unpaid Dividend	474,609		799,419
Other Liabilities	14,944,505		17,003,487
		<u>131,095,448</u>	<u>125,462,732</u>
<b>PROVISIONS</b>			
Dividend	1,958,455		
Tax on Dividend	263,510		
Leave encashment	2,129,855		2,562,332
Gratuity	6,073,208		5,330,494
		<u>10,425,028</u>	<u>7,892,826</u>
Current Assets, Loan & Advances (Total)		<u>141,520,476</u>	<u>133,355,558</u>

**SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT & LOSS A/C**

	For the year ended 31.03.2009 Rupees	For the year ended 31.03.2008 Rupees
<b>9 OTHER INCOME</b>		
Interest Received (TDS Rs. 2,59,757/-, Previous year 2,99,501/-)	1,253,299	1,419,923
Octroi refund receipts	-	12,295
Discount received	18,820	332
DEPB & Drawback Income	624,265	25,387
Share of Profits from Shamots International	401,711	-
Excess Provision written back	599,618	-
Dividend received	62,500	-
Service Contract Charges (TDS Rs. 1,89,775/-, Previous year Rs. 1,48,412/-)	7,208,320	6,043,852
Commission Receipts (TDS Rs. 473/- Previous year Rs. 977/-)	475,421	13,287
Miscellaneous Income	507,722	11,374,980
	<u>11,151,616</u>	<u>18,890,055</u>
<b>10 MATERIALS</b>		
Raw Materials consumed		
Opening Stock	35,180,276	30,702,387
Add: Purchases	289,544,785	299,232,782
Less : Closing Stock	<u>43,546,488</u>	<u>35,180,276</u>
	281,178,573	294,754,892
Stores & Spares	8,517,502	7,491,782
Packing Material	32,809,001	38,921,314
	<u>322,505,076</u>	<u>341,167,988</u>
<b>11 DECREASE / (INCREASE) IN INVENTORY</b>		
<b>CLOSING STOCK</b>		
Finished Goods	50,073,029	70,443,461
Work In Process	<u>30,811,528</u>	<u>50,573,838</u>
	80,884,557	121,017,299
<b>OPENING STOCK</b>		
Finished Goods	70,443,461	74,309,770
Work In Process	<u>50,573,838</u>	<u>68,670,561</u>
	121,017,299	142,980,331
	<u>40,132,742</u>	<u>21,963,032</u>

# SKY INDUSTRIES LIMITED - CONSOLIDATED

## SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT & LOSS A/C

	For the year ended 31.03.2009 Rupees	For the year ended 31.03.2008 Rupees
<b>12 MANUFACTURING, ADMINISTRATIVE &amp; SELLING EXPENSES</b>		
Employee Cost:		
- Salaries, Wages & Bonus	66,799,822	62,520,926
- Contribution to P.F & Other Funds	3,833,290	4,179,366
- Welfare Expenses	4,217,916	5,092,750
	<u>74,851,028</u>	<u>71,793,042</u>
Directors Remuneration & Sitting fees	10,575,000	10,134,002
Power & Fuel	29,378,705	33,898,364
Labour Charges	18,249,128	20,083,170
Rent Rates & Taxes	7,750,268	9,734,965
Repairs & Maintenance:		
- Building	325,403	100,198
- Plant & Machinery	1,240,783	1,841,211
- Others	2,605,175	3,128,663
	<u>4,171,361</u>	<u>5,070,073</u>
Auditors Remuneration	617,017	439,663
Advertisement & Business Promotion	877,332	1,389,907
Difference in Exchange Rate	7,973,619	1,346,635
Insurance	1,525,534	1,759,299
Freight, Cartage and Forwarding Expenses	19,939,285	20,292,358
Travelling & Other Conveyance	9,185,598	7,439,771
Commission	1,388,235	539,895
Postage, Telegram & Telephone	4,933,750	6,576,383
Professional & Other Fees	3,233,852	3,381,686
Printing & Stationery	1,348,486	1,329,833
Bad Debts	3,172,059	-
Provision for Doubtful Debts made / Provisions no longer required (Net)	(2,697,338)	885,895
Loss on Sale / Disposal of Fixed Assets	4,710,579	-
Donations	17,152	16,927
Other Sundry Expenses	7,974,287	95,89,423
	<u>130,152,548</u>	<u>205,701,290</u>
<b>13 INTEREST AND FINANCE CHARGES</b>		
Interest on Fixed Loans		
- Banks (Refer Note 10)	12,044,205	9,889,117
Interest on Other Loans		
- Banks	15,317,109	11,479,040
- Others	3,206,333	5,246,832
Bank Charges	5,493,502	6,128,575
	<u>36,061,640</u>	<u>32,743,564</u>

**Schedule 14**

**NOTES TO ACCOUNTS - CONSOLIDATED**

1. Statement of Significant Accounting Policies

A. Basis of Accounting:

The consolidated financial statements of Sky Industries Ltd., the holding company and its subsidiaries have been prepared under the historical cost convention on an accrual basis except as stated. The financial statements have been prepared to comply in all material respects with the relevant provision of the Companies Act, 1956 and the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India ("ICAI"). The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

B. Principles of Consolidation:

The consolidation of accounts of the company with its subsidiaries has been prepared in accordance with Accounting Standard (AS) 21 "Consolidated Financial Statement". The financial statements of the parent and its subsidiary are combined on a line by line basis and intra group balances, intra group transactions and unrealized profits or losses are fully eliminated.

In the consolidated financial statement, "Goodwill" represents the excess of the cost to the Company of its investment in the subsidiary over its share of equity, at the respective dates on which the investments are made. Alternatively, where the share of equity as on the date of investment is in excess of cost investment, it is recognized as "Capital Reserve" in the consolidated financial statements.

The financial statements of the subsidiary used in the consolidation are drawn up to the same reporting date as of the Company i.e. year ended March 31, 2009.

C. Information on subsidiary:

The subsidiary company considered in the consolidated financial statements is:

Name of the Company	Country of Incorporation	Percentage of Holding	
		This Year	Previous year
Sky Inc.	U.S.A.	100%	100%
Sky Hemmay Pvt Ltd	India	51%	51%

D. Fixed Assets:

Fixed Assets are stated at cost less accumulated depreciation. Cost includes original cost of acquisition, taxes, duties, interest on borrowings up to the period of time the asset is put to use, and other incidental expenses related to acquisition and installation of the concerned asset.

Carrying amount of cash generating units/assets are reviewed at balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount is estimated as the net selling price or value in use, whichever is higher. Impairment loss, if any, is recognized whenever carrying amount exceeds the recoverable amount.

Repairs, renewals & maintenance are charged to the Profit & Loss Account as incurred.

Profit or Loss on sale, transfer or disposal of Fixed Asset is recognized in the year of such sale, transfer or disposal.

E. Depreciation / Amortization:

Depreciation is provided following the straight-line method/ written down value method at the rates specified in Schedule XIV to the Companies Act, 1956. The cost of leasehold land is amortized over the period of lease. Computer software is amortized over a period of 3 years.

In respect of the foreign subsidiary, depreciation is provided using the straight line method and accelerated method using lives ranging from five to seven years.

F. Investments:

Long Term Investments are stated at cost unless otherwise stated. Provision is made for diminution in the value of investments, where diminution is other than temporary.

G. Inventory:

Inventories are valued at lower of cost and net realizable value.

Cost of Raw materials, packing materials is ascertained on FIFO basis net of Cenvat.

Finished goods and work in progress include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Expenditure on Stores and Spares is written off as incurred.

H. Foreign Currency Transactions:

Foreign currency transactions are booked at the exchange rates prevailing on the date of transaction. Gains and losses arising out of the subsequent fluctuations in exchange rates are accounted for on realization. Monetary assets and liabilities have been



translated at the exchange rates prevailing as on the date of Balance Sheet. Exchange gains / losses are recognized in the Profit and Loss Account. However, exchange differences relating to fixed assets upto the year ended 31<sup>st</sup> March, 2007 have been included in the carrying amount of fixed assets. The discount or premium in forward exchange contracts, arising from the difference between the forward rate and the spot rate at the inception of such a contract is amortized as income or expense over the period of the contract.

In the consolidated accounts, income and expenses are translated at average rates and the assets and liabilities are stated at closing rate. The net impact of such change is accumulated under Foreign currency translation reserve.

**I. Revenue Recognition:**

Sales are booked at the time of dispatch from the Company's premises. Sales are reflected inclusive of excise duty and net of trade discount.

Export incentives receivable under Duty Entitlement Pass Book Scheme are accounted on accrual basis.

**J. Retirement / Other Benefits:**

**i. Defined Contribution Plan:**

Defined contribution to Provident Fund is recognized in the Profit and Loss Account on accrual basis.

**ii. Defined Benefit Plan:**

Liabilities under payment of Gratuity Act, long term compensated absences and pension are determined on the basis of actuarial valuation made at the end of each financial year using the projected unit credit method. Actuarial gain and losses are recognized immediately in the statement of the Profit And Loss Account as income or expenses. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

Leave Encashment and Gratuity are accounted on cash basis by a subsidiary.

**K. Grants / Subsidies:**

Grants / Subsidies related to revenue are presented as a credit to the profit and loss statement or are deducted in reporting the related expenses.

**L. Borrowing Costs:**

Interest and commitment charges incurred in connection with borrowing of the funds, which are directly attributable to the acquisition, construction or production of an asset that necessarily takes substantial period of time to get ready for its intended use, upto the time the said asset is put to use are capitalized as a part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

**N. Earning Per Share:**

The basic earning per share is computed using the weighted average number of common shares outstanding during the period. Diluted earning per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period, except where the results would be anti-dilutive.

**O. Provisions**

Provisions are recognized in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

**2. Contingent Liabilities**

i) Guarantees issued by the bank on behalf of the Company, counter guaranteed by the Company Rs. 365,400/- (Previous year Rs. 552,400/-)

ii) Income tax demands disputed by the Company: Rs.90,000/- (Previous Year Rs. 90,000/-)

S.No.	Assessment Year	Demand Notice from	Amount
1	2002-2003	Asst CIT –Cir 4(3)	90,000/-

iii) Cess Demand from Deputy Commissioner of Navi Mumbai Municipal Corporation amounting to Rs. 3,683,521/- (Previous Year Rs.3,683,521/-).

**3. Segment Reporting:**

The holding company and its subsidiaries operate in business environment which have similar risks and returns and hence there is only one primary business segment. Therefore, disclosures under AS-17, Segment Reporting are not applicable.

4. Investments

The Holding Company has withdrawn its entire capital in Shamots International, a partnership firm in the financial year 2007-08, however the Company continued to be a partner till September 2008 with profit sharing of 5%. The share of profit from such partnership for the year ended 31<sup>st</sup> March, 2008, amounting to Rs.401,711/- (Previous year Rs. Nil) has been accrued & credited to Profit & Loss A/c during the year. Hence, the partnership firm has not been consolidated.

5. Current Liabilities

- (a) In spite of the absence of a database identifying parties as Small Scale Industrial Undertakings; it is the opinion of the management that there are no dues payable to SSIs. The auditors have accepted the representation of the management in this regard.
- (b) Micro, Small and Medium Enterprises Development Act, 2006: Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from 2<sup>nd</sup> October, 2006, certain disclosures are required to be made relating to Micro, Small & Medium Enterprises. The Company is in the process of compiling relevant information from its suppliers about their coverage under the said Act. Since the relevant information is not readily available, no disclosures have been made in the accounts. However, in the opinion of the management, the impact of interest, if any, that may be payable in accordance with the provision of this Act is not expected to be material.
- (c) There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.

6. Related Party Disclosures:

Related party disclosures as required by AS- 18, "Related Party Disclosures", are given below:

A) Relationships

- i. Shareholder with a substantial interest in voting power:  
SKAY Finvest Private Limited
- ii. Key management personnel/persons exercising significant influence & their relatives:  
Mr. Nitin K. Motani, Chairman.  
Mr. Shailesh S. Shah, Managing Director.  
Mr. Saurabh K. Motani, Executive Director.  
Mr. Sharad S Shah, Executive Director.  
Mr. Maikal Raorani, Executive Director.  
Mr. Suryakant Shah, Relative of a Director.
- iii. Enterprises over which Key management personnel exercise significant influence.  
S.K. Exports  
S.K. Silks  
Shamots International  
S.K.Overseas  
Sk Stabel Industries Pvt Ltd.  
SK Ultratech Private Limited  
Jask Invogue Private Ltd.

# SKY INDUSTRIES LIMITED - CONSOLIDATED

B) The following transactions were carried out with the above related parties in the ordinary course of business.

(Rupees)

Nature of Transaction	Shareholder with a substantial interest in voting power A (i)	Key managerial personnel / persons exercising significant influence & their relatives A (ii)	Enterprises over which Key management personnel exercising significant influence A (iii)
Sales	-	-	10,196,147 (1,498,155)
Share of Profit from Shamots International	-	-	401,711 (Nil)
Service Charges Recd.	-	-	7,321,705 (6,084,370)
Hire charges Recd.	-	-	-
Purchase	-	-	4,833,100 (1,612,776)
Labour charges	-	-	2,104,525 (8,517,300)
Remuneration	-	10,560,000 (10,084,022)	-
Reimbursement of Expenses	-	-	-
Rent	-	-	285,000 (90,000)
Repairs and Maintenance	-	-	53,995 (66,384)
Commission	-	-	-
Interest on Loan/ Delayed Payments	223,235 (438,387)	Nil (21,595)	-
Miscellaneous Income Expenses	9,894 (Nil)	-	-
Other sundry Expenses	-	-	93,928 (Nil)
Sale of Fixed Assets	-	-	-
Purchase of Fixed Assets	-	-	2,748,845 (5,915,381)
Deposit given	4,350,000 (Nil)	-	-
Loan given	16,651 (Nil)	-	-
Loan taken	1,245,000 (13,650,000)	500,000 (2,200,000)	-
Balances Outstanding	16,651 (2,602,427)	(Cr. 2,320,061) (Cr. 3,684,033)	7,282,447 (Cr. 3,272,362)

## SKY INDUSTRIES LIMITED - CONSOLIDATED

### C) SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES AS MENTIONED IN A(ii) AND A(iii)

ABOVE

(Rupees)

Transactions during the year	Item A(ii)	Amount	Item A(iii)	Amount
Sales			S.K. Overseas	Nil (1,477,155)
			SK Stable Industries Pvt.	10,196,147 (Nil)
Service Charges Recd			S.K. Silks	2,120,904 (2,703,918)
			S.K. Overseas	2,243,791 (1,444,080)
			S.K. Exports	988,858 (429,870)
			Shamots International	1,470,708 (759,257)
Hire Charges Recd.				
Purchases			S.K. Overseas International	4,423,862 (1,519,432)
Labour Charges			Shamots International	2,104,525 (83,77,918)
Remuneration	Nitin K. Motani	2,820,000 (2,820,000)		
	Shailesh S. Shah	2,340,000 (23,400,000)		
	Saurabh K. Motani	1,860,000 (1,860,000)		
	Sharad S. Shah	2,340,000 (2,340,000)		
	Maikal Raorani	1,200,000 (724,002)		
Reimbursement of Expenses				
Rent			S.K.Exports	285,000 (90,000)
Repairs & Maintenance			S.K.Stabel Ind Pvt Ltd	12,396 (44,880)
			S.K. Overseas	41,599 (17,004)
Commission				
Interest on Loan/ Delayed Payments	Suryakant Shah	Nil (21,595)		
Other Sundry Expenses			Shamots International	93,928 (Nil)
Sale of Fixed Assets				
Purchase of Fixed Assets			Shamots International	1,488,876 (5,587,207)
			S.K. Overseas	450,279 (Nil)
			S.K. Stabel Ind Pvt Ltd	789,690 (Nil)
Loans taken	Shailesh S Shah	500,000 (22,00,000)		
Balances Outstanding	Shailesh S Shah	Cr. 240,644 (Cr. 1,881,170)	Shamots International	Cr. 511,665 (Cr. 2,833,851)
	Nitin K Motani	Cr. 399,655 (Cr. 419,798)	S.K. Overseas	Cr. 2,031,977 (Cr.932,323)
	Saurabh K Motani	Cr. 772,537 (Cr. 681,070)	S.K.Stabel Ind Pvt Ltd	9,756,507 (Cr. 197,102)
	Sharad S Shah	Cr. 828,875 (Cr. 653, 522)	S.K. Exports	Cr. 50,199 (520,064)
	Maikal Raorani	Cr. 78,350 (Cr. 48,473)	S.K. Silks	Nil (169,850)
			Jask Invogue Pvt. Limited	19,383 (Nil)

# SKY INDUSTRIES LIMITED - CONSOLIDATED

## 7. Earning per Share

Particulars	For the year 31-Mar-09	For the year 31-Mar-08
Profit/(Loss) after tax and prior period expenses	1,107,853	9,391,645
Weighted average no. of equity shares outstanding	3,976,400	3,976,400
Basic earnings per share	0.53	2.36
Diluted earnings per share	0.53	2.36
Nominal value of shares	10/-	10/-

Interest reimbursement as per Technology Upgradation Fund Scheme amounting to Rs.2,766,627/- (Previous year Rs. 2,731,986/-) has been credited to Interest Expense account.

## 8. During the year, the holding company has accounted revenue & expenditure relating to Prior period in its Profit & Loss A/c represented by "Prior Period Adjustments", bifurcation of such revenue & expenses into main account head of Profit & Loss Account is as under :

Particulars	As at 31-Mar-09	Asat31-Mar-08
Interest received	Cr. 220,000	-
Miscellaneous Income	Cr. 35,116	-
Purchase of Raw Material	138,933	-
Packing Material	35,162	-
Salaries, Wages & Bonus	31,424	-
Welfare Expenses	25,000	-
Power & Fuel	107,696	-
Labour Charges	680	-
Rent, Rates & Taxes	10,000	-
Commission	26,730	-
Postage, Telegram & Telephone	18,050	-
Professional & other fees	22,500	-
Printing & stationery	10,780	-
Other sundry Expenses	163,807	-
Interest on Fixed Loans from Banks	439,090	-
Interest on other loan from others	76,708	-
<b>Total</b>	<b>852,444</b>	<b>Nil</b>

## 9. Previous year's figures have been recast/restated, wherever necessary.

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009**

Particulars	Rupees	Year ended March, 31 2009 (Rupees)	Year ended March, 31 2008 (Rupees)
<b>A. Cash Flow from Operating Activities:</b>			
Profit before tax and extra ordinary item		5,744,830	12,842,487
Adjustment for:			
Depreciation	22,789,854		26,214,172
Interest and Finance Charges	36,061,640		32,743,564
Interest income	(1,253,299)		(1,419,923)
Preliminary Exp. w/off	-		35,640
Loss on Sale /Disposal of Fixed Assets/Capital W.I.P.	4,710,579		-
Prior period Adjustments	(889,834)		-
Share of Profits in Shamots International	(401,711)		-
		<b>61,017,228</b>	<b>57,573,453</b>
Operating Profit before Working Capital Changes		<b>66,762,058</b>	<b>70,415,939</b>
Adjustment for:			
Debtors		(23,102,462)	(9,370,372)
Other Receivables		(3,124,178)	
Inventory		32,274,501	18,048,674
Trade and Other Payable		5,618,143	(76,295,718)
		<b>11,666,004</b>	<b>(67,617,416)</b>
Cash generated from Operations		<b>78,428,062</b>	<b>2,798,523</b>
Tax paid/net of Refund received		(960,778)	(4,636,625)
Net Cash Flow from Operating Activities		<b>77,467,284</b>	<b>(1,838,102)</b>
<b>B. Cash Flow from Investing Activities:</b>			
Withdrawal/Profit form Shamots International		401,711	8,596,389
Acquisition of Fixed Assets		(16,107,943)	(13,034,624)
Sale of Fixed Assets		4,885,982	-
Preliminary Exp.		-	178,200
Increase in Investments		-	(500,010)
Interest income		1,253,299	1,419,923
Net Cash Flow from Investing Activities		<b>(9,566,951)</b>	<b>(3,696,522)</b>
<b>C. Cash Flow from Financing Activities:</b>			
(Decrease)/Increase in Working Capital facility	8,712,433		(14,151,070)
(Decrease)/Increase in Term Loans	(63,363,008)		83,944,556
Increase/(Decrease) in Unsecured Loans	(3,028,901)		(22,123,916)
Interest and Finance Charges	(36,061,640)		(32,743,564)
Share application money received	11,285,410		-
Dividend Paid	(324,810)		-
Net Cash Flow from Financing Activities		<b>(82,780,515)</b>	<b>14,926,006</b>
Net Increase/(Decrease) in Cash or Cash Equivalents		<b>(14,880,183)</b>	<b>9,391,382</b>
Cash and Cash Equivalents as at the beginning of the year			
Cash and Bank Balances		28,506,957	19,115,575
Cash and Cash Equivalents as at the end of the year			
Cash and Bank Balances		13,626,774	28,506,957
Net Increase/(Decrease) in Cash and Cash Equivalents		<b>(14,880,183)</b>	<b>9,391,382</b>

As per our Report attached

For and on behalf of  
**KALYANIWALLA & MISTRY**  
Chartered Accountants

Sd/-

**ERMIN. K. IRANI**  
Partner

For and on behalf of the Board

Sd/-

**SHAILESH SHAH**  
Managing Director

Sd/-

**NITIN MOTANI**  
Chairman

Place : Mumbai  
Date : 31<sup>st</sup> July, 2009

**DIRECTORS REPORT**

To

The Members,

The Directors have pleasure in submitting the Ninth Annual Report for the year ended March 31, 2009.

The year under review was challenging. The world trade and the economic activities remained under threat of global slowdown.

The performance of the Company during the year was not satisfactory as compared to previous year. The Company is constantly striving to improve its performance.

M/s. Focus CPA Group. Inc. being eligible offers themselves for re-appointment.

**On behalf of the Board of Directors**

Sd/-  
**Nitin K Motani**  
**President**

**ANNUAL REPORT 2007-08**

**INDEPENDENT ACCOUNTANTS REPORT**

The Board of Directors and Stockholders  
SKAY, Inc.  
12631 E Imperial Highway, Suite B-103  
Santa Fe Springs, California 90670

We have audited the accompanying balance sheet of SKAY, Inc. as of March 31, 2009, and the related statement of income, retained earnings, and cash flows for the year then ended. 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.

We conducted our audit in accordance with generally accepted auditing standards. 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SKAY, Inc. as of March 31, 2009, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

**FOCUS CPA GROUP, INC.**  
July 28, 2009

BALANCE SHEET AS AT 31ST MARCH, 2009

	AMOUNT IN USD	
	AS AT March 31, 2009	AS AT March 31, 2008
<b>ASSETS:</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 3,669	\$ 5,533
Accounts Receivable	118,649	141,890
Advances	2,792	2,962
<b>Total Current Assets</b>	<b>\$ 125,110</b>	<b>\$ 150,385</b>
<b>PROPERTY &amp; EQUIPMENT (Note: 2):</b>		
Property & Equipment	21,452	21,452
Less: Accumulated Depreciation	(21,452)	(21,452)
Total Property & Equipment		-
<b>OTHER ASSETS</b>		
Deposits	1,429	1,429
<b>Total Other Assets</b>	<b>\$ 1,429</b>	<b>1,429</b>
<b>TOTAL ASSETS</b>	<b>\$ 126,539</b>	<b>\$ 151,814</b>
<b>LIABILITIES:</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 2,394	3,160
Taxes Payable - Income	-	5,639
Taxes Payable - Payroll	-	1,568
<b>Total Current Liabilities</b>	<b>\$ 2,394</b>	<b>\$ 10,367</b>
<b>LONG TERM LIABILITIES:</b>		
Due to Officer (Note 5)	52,161	49,677
Total Long Term Liabilities	52,161	49,677
<b>TOTAL LIABILITIES</b>	<b>\$ 54,555</b>	<b>\$ 60,044</b>
<b>STOCKHOLDERS' EQUITY:</b>		
Capital Stock no par value; 1,000,000 shares authorized; 80,000 shares issued and outstanding	\$ 80,000	\$ 80,000
Retained earnings (deficit)	(8,016)	11,770
Total Stockholders' Equity	\$ 71,984	\$ 91,770
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 126,539</b>	<b>\$ 151,814</b>



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

	AMOUNT IN USD	
	YEAR ENDED March 31, 2009	YEAR ENDED March 31, 2008
<b>REVENUE:</b>		
Commission Revenue	\$ 150,262	\$ 223,279
Total Revenue	<u>\$ 150,262</u>	<u>\$ 223,279</u>
<b>OPERATING EXPENSES:</b>		
Auto Expenses	\$ 6,756	\$ 6,452
Bank Charges	445	663
Dues & Subscriptions	209	209
Employee benefit	0	2,828
Insurance	7,816	4,118
Interest	2,792	2,366
Legal & Professional Expenses	3,695	3,575
Licence & Permit	180	331
Meals & Entertainment	812	4,240
Postage & Delivery	455	399
Promotion & Advertising	200	32,325
Rent (Note: 5)	35,330	1,869
Salaries & Wages	72,480	60,503
Supplies	568	1,582
Taxes-Payroll	4,555	5,119
Telephone & Utilities	12,991	16,026
Travel	19,964	10,893
Total Operating Expenses	<u>\$ 169,248</u>	<u>\$ 153,498</u>
<b>INCOME (LOSS) FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES) &amp; INCOME TAX</b>	<u>\$ 18,986</u>	<u>\$ 69,781</u>
<b>OTHER INCOME (EXPENSES)</b>		
Depreciation and Amortization	\$ 0	\$ (398)
Total Other Income (Expenses)	<u>\$ 0</u>	<u>\$ (398)</u>
<b>NET INCOME (LOSS) BEFORE INCOME TAX PROVISION</b>	<u>\$ 18,986</u>	<u>\$ 69,383</u>
Provision for Income Tax	(800)	(9,343)
<b>NET INCOME (LOSS)</b>	<u>\$ (19,786)</u>	<u>\$ 60,040</u>
<b>BEGINNING RETAINED EARNINGS (DEFICIT)</b>	<u>\$ 11,770</u>	<u>\$ (48,270)</u>
<b>ENDING RETAINED EARNINGS (DEFICIT)</b>	<u>\$ (8,016)</u>	<u>\$ 11,770</u>

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

	AMOUNT IN USD	
	YEAR ENDED March 31, 2009	YEAR ENDED March 31, 2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (Loss)	\$ (19,786)	\$ 60,040
Adjustments to reconcile net income to net cash provided by operating activities		
<b>Depreciation and Amortization</b>	<b>0</b>	<b>398</b>
<b>(Increase) decrease in :</b>		
Accounts receivables	23,241	(51,259)
Advances	170	-
Rounding	0	(1)
<b>Increase (decrease) in :</b>		
Accounts payable	(766)	(6,808)
Payroll taxes payable	(1,568)	-
Income taxes payable	(5,639)	7,207
Bank overdraft		(6,891)
<b>NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES</b>	<b>(4,348)</b>	<b>2,686</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase/Disposition of Assets	0	0
<b>NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES</b>	<b>0</b>	<b>0</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings from officer	2,484	2,366
<b>NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES</b>	<b>2,484</b>	<b>2,366</b>
<b>NET INCREASE IN CASH</b>	<b>(1,864)</b>	<b>5,052</b>
<b>CASH AT THE BEGINNING OF YEAR</b>	<b>5,533</b>	<b>481</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 3,669</b>	<b>\$ 5,533</b>

## NOTES TO FINANCIAL STATEMENTS

Year Ended March 31, 2009

**1. Description of the Company:**

The "Corporation" was incorporated in May 28, 1999 under the laws of the State of California to engage in the business of imports of merchandise. The Corporation is a wholly owned subsidiary of Sky Industries Limited. The "Corporation" operates from its main location in Santa Fe Springs, California.

**2. Summary of Significant Accounting Policies:**

This summary of significant accounting policies of the "Corporation" is presented to assist in understanding the company's financial statements. These accounting policies conform to generally accepted accounting principles and have been applied in the preparation of the financial statements. The books and records of the "Corporation" are maintained on an accrual basis for financial and tax reporting purposes.

*Property & Equipment:*

Fixed assets are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line and accelerated methods using lives ranging from five to seven years. Leasehold improvements are amortized over the lesser of the term of the lease or the estimated useful life of the improvements. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the income for the period. Repairs and maintenance are charged to expense as incurred whereas significant improvements, which materially increase values or extend useful lives, are capitalized and depreciated over the remaining estimated useful lives of the related assets.

*Amortization of Organization Costs:*

The organization costs are amortized using the straight line method over 5 years from the date the Corporation started its operation.

*Management's Estimates:*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates.

*Revenue*

The "Corporation" recognizes revenue on accrual basis of accounting.

**3. Income Taxes:**

The provision for taxes is comprised of minimum tax liability for State of California.

**4. Commitments and Contingencies:**

Commencing on January 5th, 2006, the Company leased office facilities under an operating noncancelable lease for twelve months ending on February 14, 2008 and renewed it for another twelve months ending February 14, 2010 under the same terms.

Commencing August 9, 2005 the Company leased a vehicle and the lease requires a monthly payment of \$360.

**5. Related Party Transaction:**

The company has earned commission from its sole stock holder of \$ 150,262 during the financial year ended March 31, 2009.

The company has signed two promissory notes in the favor of its officer in the amount of \$16,450 at the interest rate of 5% commencing on March 31, 2006 and another for \$28,058 at the interest rate of 5% commencing April 2005 and the notes have not been collateralized.

**DIRECTORS' REPORT**

The Shareowners,  
Sky Hemmay Pvt. Ltd.,  
Mumbai.

The Directors take pleasure in submitting the 2nd Annual Report and Accounts for the year ended 31<sup>st</sup> March 2009.

**FINANCIAL RESULTS AND OPERATIONS**

(Rs in Lacs)

<b>Particulars</b>	<b>Current year ended 31.03.2009</b>	<b>Previous year ended 31.03.2008</b>
Sales and other income	298.73	122.07
Profit before Depreciation, Interest, Tax and Appropriation	51.01	19.22
Less : Interest	1.29	0.29
Depreciation	4.55	0.07
Profit before Tax	45.17	18.86
Provision for Tax	9.15	6.10
Profit after Tax	36.02	12.76
Deferred Tax	6.05	0.06
Add : Balance brought forward	12.20	0
Balance available for Appropriation	42.17	12.70
Prior period adjustments	0.37	0
Proposed Dividend	19.58	0
Dividend distribution Tax	2.64	0
General Reserve	4.00	0.5
Balance retained in Profit & Loss account	15.58	12.20

The turnover during the year was Rs. 298 Lacs as compared to the previous year Rs. 122 Lacs. The increase in turnover is 144 % and the PBT increased to 139.50 %.

**DIVIDEND**

Your Directors recommended a dividend of 50 % for the year under review.

**AUDITORS**

M/s Thanawala & Co, Chartered Accounts, Mumbai, the Statutory Auditors of Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

Your Directors have therefore proposed to reappoint Thanawala & Co. Chartered Accounts, and Statutory Auditor's of the Company, subject to the approval of members at the ensuing Annual General Meeting.

The Company has received letters from Thanawala & Co. Chartered Accounts to the effect that their appointment, if made, would be within the prescribed limits under section 224(1-B) of the Companies Act, 1956, and that they are not disqualified for such appointment within the meaning of Section 226 of the Companies Act 1956.

The notes to the accounts referred to in the Auditor's Report are self-explanatory and therefore do not call for any further comments.

**DEPOSITS**

The Company has not accepted any deposits from the public within the meaning of section 58 A of the Companies Act, 1956 during the year under review.

**ACKNOWLEDGEMENTS**

The Board wishes to place on the record its sincere appreciation of the effort put in by your company's senior management team, executives and consultants at all levels, with your wishes and trust we endeavor to deliver long term shareholder value.

Your Directors would like to thank all investors, customers, financial institutions, vendors, banks, government authorities, and business/alliance and technology partners for the support.

**By Order of the Board of Director**  
Sd/-  
**Saurabh Motani**  
**Chairman and Managing Director**

**Place: Mumbai**  
**Date : 02.06.2009**

**ANNUAL REPORT 2007-08**

## AUDITORS REPORT

To,  
SKY HEMMAY PRIVATE LIMITED

1. We have audited the attached Balance Sheet of M/s SKY HEMMAY PRIVATE LIMITED, as at 31<sup>st</sup> March, 2009 and also the Profit & Loss Account 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.

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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure 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.

The Companies (Auditors' Report) Order, 2003 as amended by Companies (Auditor's Report)(Amendment) Order 2004, (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 of India ('the Act') and on the basis of such checks of the books and 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.

2. We further report that :-

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- 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 those books.
- c. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- d. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- e. On the basis of written representations received from the directors as on 31<sup>st</sup> March, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- 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 Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
  - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2009; and
  - ii. in the case of the Profit & Loss Account, of the PROFIT for the year ended on that date.

For and on behalf of –  
**Thanawala & Company**  
Chartered Accountants

Sd/-  
**[V.K. Thanawala]**  
Proprietor  
M.N. 15632

Place : Mumbai,  
Dated : 2/06/2009

**M/s SKY HEMMAY PRIVATE LIMITED**

As required by the Companies [Auditor's Report] Order, 2004 and according to the information and explanations given to us during the course of the audit and on the basis of such checks as were considered appropriate, we report that –

1. a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets;
- b. As explained to us, the assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion, is reasonable, considering the size and the nature of its business. The frequency of verification is reasonable and no material discrepancies have been noticed on such physical verification.
- c. In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
2. a. The inventories have been physically verified by the management during the year, at reasonable intervals;
- b. The procedures of physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c. The Company has maintained proper records of inventories and discrepancies noticed on physical verification of inventories as compared to book records were not material.
3. a. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- b. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. There are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventories, fixed assets and for the sale of goods.
5. a. The transactions made in pursuance of contracts of arrangements, that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been recorded in the register;
- b. In our opinion and according to the information and explanation given to us and having regards to the fact that some of the items purchased are of a special nature and suitable alternative sources do not exist for obtaining comparative quotations, the transactions of purchases 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 company's Act, and aggregating during the year to Rs.5,00,000/- or more in respect of each party, were made at prices which are reasonable having regard to prevailing market prices as available with the Company for such goods, materials or services or the prices at which transactions for similar goods or services were with the parties.—
6. The Company has not accepted any deposit from the public and consequently the provision of Section 58A and 58AA of the Companies Act, 1956 and the Companies [Acceptance of Deposits] Rules, 1975 are not applicable.
7. As the affairs of the Company are looked after by the Directors themselves, the Company does not possess a system of Internal Audit.
8. The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956.
9. According to the records of the Company, the Company is regular in depositing undisputed statutory dues including Provident Fund and Employees' State Insurance, Income-tax, Sales-tax, Excise Duty, Cess and other statutory dues with appropriate authorities. According to the information and explanations given to us, there are no undisputed amounts payable in respect of such statutory dues, which have remained outstanding as at 31<sup>st</sup> March, 2009 for a period more than six months from the date they became payable.
10. The company has no accumulated losses as at 31<sup>st</sup> March, 2009 and it is not incurred any cash loss during the financial year or in the immediately preceding financial year.
11. The Company has not taken in loan from Bank or from any Institute.
12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.

## SKY INDUSTRIES LIMITED

13. The provisions of any Special Statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund / Societies are not applicable to the Company.
14. The Company is not dealing or trading in shares, securities, debentures or other investments and hence the requirements of Para 4(xiv) are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
16. The Company has not taken any term loan during the year.
17. On the basis of our examination of the Cash Flow statement, the funds raised on short-term basis have not been used for long-term investments, as they have been financed out of internal accruals. The Company has not raised long term funds during the year and hence the use of such funds for short term investments does not arise.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
19. The Company has not raised any money by way of public issues during the year.
20. On the basis of our examination and according to the information and explanations given to us, no fraud, on or by the company, has been noticed or reported during the year.

For and on behalf of –  
**Thanawala & Company**  
Chartered Accountants

Sd/-  
**[V.K. Thanawala]**  
Proprietor  
M.N. 15632

Place : Mumbai,  
Dated : 2/06/2009

BALANCE SHEET AS AT 31st MARCH, 2009.

	Schedule	Rupees	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
<b>SHAREHOLDERS FUND</b>				
SHARE CAPITAL	A	15,202,320		
RESERVES AND SURPLUS	B	<u>2,007,513</u>	17,209,833	5,187,204
<b>DEFERRED TAX LIABILITY</b>			611,000	6,000
<b>TOTAL</b>			<u>17,820,833</u>	<u>5,193,204</u>
<b>APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS</b>				
GROSS BLOCK	C	12,222,512		346,551
LESS: DEPRECIATION		<u>461,348</u>	11,761,164	6,480
NET BLOCK			<u>11,761,164</u>	<u>340,071</u>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
INVENTORIES	D		9,671,234	8,720,454
SUNDRY DEBTORS	E		4,066,689	2,908,072
CASH AND BANK BALANCE	F		1,501,372	666,222
LOANS AND ADVANCES	G		<u>1,290,752</u>	<u>497,122</u>
			16,530,047	12,791,870
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>				
LIABILITIES	H		7,559,461	7,471,297
PROVISIONS			<u>3,136,965</u>	<u>610,000</u>
			10,696,426	8,081,297
<b>NET CURRENT ASSETS</b>			5,833,621	4,710,573
<b>MISCELLANEOUS EXPENDITURE</b> (To the extent not written off or adjusted)				
Preliminary Expenses			<u>226,048</u>	<u>142,560</u>
<b>TOTAL</b>			<u>17,820,833</u>	<u>5,193,204</u>

The Schedules referred to above form an integral part of the Balance Sheet.

For and on behalf of  
**THANAWALA & CO**  
Chartered Accountants

For and on behalf of the Board

Sd/-  
**VIJAY K THANAWALA**  
Proprietor

Sd/-  
**SAURABH MOTANI**  
DIRECTOR

Sd/-  
**SHAILESH SHAH**  
DIRECTOR

Place : Mumbai  
Date : 02.06.2009



**PROFIT AND LOSS ACCOUNT FOR THE PERIOD 31ST MARCH, 2009**

	Schedule	Rupees	For the period ended 31.03.2009 Rupees	For the period ended 31.03.2008 Rupees
<b>INCOME</b>				
SALES	I		29,756,282	12,184,747
OTHER INCOME	J		116,952	21,805
INCREASE/(DECREASE) IN INVENTORY	K		144,085	8,069,587
<b>TOTAL</b>			<b>30,017,319</b>	<b>20,276,139</b>
<b>EXPENDITURE</b>				
MATERIALS CONSUMED	L		12,103,536	12,675,955
MANUFACTURING EXPENSES	M		9,829,146	4,077,675
SELLING EXPENSES	N		1,375,544	890,723
ADMINISTRATIVE & SELLING EXPENSES	O		1,608,504	750,297
INTEREST AND FINANCE CHARGES	P		129,148	29,048
DEPRECIATION			454,868	6,480
<b>TOTAL</b>			<b>25,500,745</b>	<b>18,430,177</b>
<b>PROFIT BEFORE TAXATION</b>			4,516,574	1,886,294
PROVISION FOR INCOME TAX		900,000		(600,000)
FRINGE BENEFIT TAX		15,000	915,000	(610,000)
<b>PROFIT AFTER TAXATION</b>			3,601,574	1,276,294
DEFERRED TAX LIABILITY			(605,000)	(6,000)
BALANCE BROUGHT FORWARD			1,220,294	0
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>			4,216,868	2,546,589
<b>SHORT PROVISION FOR TAXATION</b>			(37,390)	
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>			4,179,478	1,270,294
<b>APPROPRIATIONS :</b>				
TRANSFER TO GENERAL RESERVE			(400,000)	50,000
PROPOSED DIVIDEND			(1,958,455)	-
DIVIDEND TAX			(263,510)	-
<b>BALANCE CARRIED TO BALANCE SHEET</b>			<b>1,557,513</b>	<b>1,220,294</b>

The Schedules referred to above form an integral part of the Profit and Loss Account.

As per our Report attached  
For and on behalf of  
**THANAWALA & CO**  
Chartered Accountants

Signatures to Profit & Loss Account and Schedule 8 to 13  
For and on behalf of the Board

Sd/-  
**VIJAY K THANAWALA**  
Proprietor

Sd/-  
**SAURABH MOTANI**  
DIRECTOR

Sd/-  
**SHAILESH SHAH**  
DIRECTOR

Place : Mumbai  
Date : 2.06.2009

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

	Schedule	Rupees	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
<b>1 SHARE CAPITAL</b>	<b>A</b>			
Authorised Capital 10,00,000 Equity Shares of Rs.10/- each			30,000,000	10,000,000
			<b>30,000,000</b>	<b>10,000,000</b>
Issued, subscribed and paid up : 3,91,691 Equity Shares of Rs. 10/- each, fully paid up. (Subsidiary of SKY Industries Limited)			3,916,910	3,916,910
Share Application Money			11,285,410	0
			<b>15,202,320</b>	<b>3,916,910</b>
<b>2 RESERVES AND SURPLUS</b>	<b>B</b>			
A. General Reserve As per last Balance Sheet		50,000 400,000	450,000	0 50,000
B. Profit and Loss Account (As per annexure)			1,557,513	1,220,294
			<b>2,007,513</b>	<b>1,270,294</b>

**3. FIXED ASSETS**

PARTICULARS	GROSSBLOCK				DEPRECIATION			NETBLOCK		
	RATIO	BALANCE ASON 01/04/2008	ADDITION FOR THE YEAR	TRANSFER	BALANCE ASON 31/03/2009	BALANCE ASON 01/04/2008	FOR THE YEAR	BALANCE ASON 31/03/2009	W.D.V. ASON 31/03/2009	W.D.V. ASON 31/03/2008
Plant & Machinery	13.91	223,510	11,673,600	0	11,897,110	2,533	431,361	433,894	11,463,216	220,977
Electrical Installations	13.91	123,041	202,361	0	325,402	3,947	23,507	27,454	297,948	119,094
Total Rs.		346,551	11,875,961	0	12,222,512	6,480	454,868	461,348	11,761,164	340,071

**4 CURRENT ASSETS, LOANS & ADVANCES**

**CURRENT ASSETS**

**(a) INVENTORIES**

(At lower of cost and net realisable value)

Raw Materials								1,457,562	650,867
Work in Progress								4,096,798	5,946,167
Finished Goods								4,116,874	2,123,420
								<b>9,671,234</b>	<b>8,720,454</b>

**(b) SUNDRY DEBTORS (Un secured)**

(Unsecured considered Good)

								4,066,689	2,908,072
								<b>4,066,689</b>	<b>2,908,072</b>

**(c) CASH AND BANK BALANCES**

Cash on hand								41,310	31,107
Balances with Scheduled Banks									
Orient Bank Of Commerce								1,051,927	635,115
Margin Account								408,135	0
								<b>1,501,372</b>	<b>666,222</b>

	Schedule	Rupees	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
<b>5 LOANS AND ADVANCES</b>	<b>F</b>			
(Unsecured, considered good)				
Advances recoverable in cash or kind or for value to be received			-	25,771
Balances with Government Authorities			-	85,610
Deposits			235,000	55,000
Advance Income Tax			1,000,000	300,000
Advance			55,752	30,741
<b>Total Rs.</b>			<b>1,290,752</b>	<b>497,122</b>
<b>6 CURRENT LIABILITIES &amp; PROVISIONS</b>				
<b>CURRENT LIABILITIES</b>	<b>H</b>			
Advance received from Customers			27,485	6,048,175
Outstanding Liabilities			759,585	392,076
Sundry Creditors for Expenses			4,687,972	1,031,046
Sundry Creditors for Goods			2,084,420	-
<b>Total Rs.</b>			<b>7,559,461</b>	<b>7,471,297</b>
<b>7 PROVISIONS</b>				
Taxation		900,000		600,000
Fringe Benefit Tax		15,000		10,000
Dividend Tax		263,510	1,178,510	
Proposed Dividend			1,958,455	
<b>Total Rs.</b>			<b>3,136,965</b>	<b>610,000</b>

	Schedule	Rupees	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
<b>8 SALES</b>	I		29,133,664	12,184,747
Scrap Sale			53,782	-
Freight recovered			568,836	-
<b>Total Rs.</b>			<b>29,756,282</b>	<b>12,184,747</b>
<b>9 OTHER INCOME</b>	J			
Difference in exchange			-	13,805
Discount Received			17,702	-
DEPB Income			22,790	-
Sundry Balance W/off			60,382	-
Development charges			16,078	8,000
<b>Total Rs.</b>			<b>116,952</b>	<b>21,805</b>
<b>10 INCREASE / (DECREASE) IN INVENTORY CLOSING STOCK</b>	K			
Finished Goods			4,116,874	2,123,420
Work In Progress			4,096,798	5,946,167
			8,213,672	8,069,587
<b>OPENING STOCK</b>				
Finished Goods			2,123,420	-
Work In Progress			5,946,167	-
<b>Total Rs.</b>			<b>144,085</b>	<b>8,069,587</b>
<b>11 MATERIALS CONSUMED</b>				
Raw Materials consumed	L			
Opening Stock		650,867		-
Add: Purchases		11,940,585		11,472,693
		12,591,452		11,472,693
Less: Closing Stock		1,457,562		650,867
			11,133,890	10,821,826
Stores & Spares			336,996	45,216
Packing Material			404,317	279,991
Finished Goods Purchased			228,333	1,528,922
<b>Total Rs.</b>			<b>12,103,536</b>	<b>12,675,955</b>
<b>12 MANUFACTURING EXPENSES</b>	M			
Employee Cost:				
Salaries, Wages & Bonus			4,405,914	1,888,100
Contribution to P.F & Other Funds			122,471	10,777
Electricity charges			1,700,428	461,266
Labour Charges			50,363	59,563
Rent Rates & Taxes			736,068	477,530
Machine Hire charges			1,383,060	1,036,441
Repairs & Maintenance:			251,632	103,666
Loading & Unloading Charges			31,022	-
Freight Inward			991,107	-
Testing Charges			101,443	-
Canteen Expenses			55,639	-
<b>Total Rs.</b>			<b>9,829,146</b>	<b>4,037,343</b>

	Schedule	Rupees	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
<b>13 SELLING AND DISTRIBUTION EXPENSES</b>	N			
Miscellaneous Packing Charges			69,113	1,788
Rebates & Discounts			103,871	51,094
Travelling & Other Conveyance			539,913	145,508
Sales Promotion Expenses			7,184	-
Sample Expenses			45,067	14,578
Freight, Cartage and Forwarding Expenses			481,666	663,095
Sales Tax			3,015	-
Commission			125,715	14,660
		<b>Total Rs.</b>	<b>1,375,544</b>	<b>890,723</b>
<b>14 ADMINISTRATIVE EXPENSES</b>	O			
Auditors Remuneration			19,303	19,663
Insurance			10,431	9,163
Postage, Telegram & Telephone			221,926	151,087
Professional & Other Fees			55,257	59,150
Printing & Stationery			53,072	33,574
Service Contract Charges			1,013,512	368,332
Filing fees			1,600	500
Miscellaneous expenses			-	19,179
Diwali gift			3,800	2,800
Security Charges			-	10,877
Legal Expenses			350	-
License Fees			1,700	-
Pooja Expenses			428	-
Staff Welfare			39,381	40,332
Membership & Subscription			3,735	-
Exchange rate difference			127,497	-
Preliminary Expenses			56,512	35,640
			<b>1,608,504</b>	<b>750,297</b>
<b>15 INTEREST AND FINANCE CHARGES</b>	P			
Banks			-	221
Others			39,223	11,491
Bank Charges & Commission			89,925	17,336
		<b>Total Rs.</b>	<b>129,148</b>	<b>29,048</b>

**SKY HEMMAY PRIVATE LIMITED**  
**NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> March, 2009**

1. Significant Accounting Policies-

A. Basis for preparation of financial statements

The Financial Statement have been prepared under the historical cost convention in accordance with the mandatory Accounting Standards and the relevant provisions of the Companies Act, 1956, and followed consistently by the Company, all incomes and expenses are recorded on accrual basis.

B. Expenditure Recognition

Expenses are accounted for on accrual basis. Provision has been made in the Financial Statement for all known losses and liabilities.

C. Sales

Sales are invoiced on dispatch of goods to the customers, inclusive of excise duty.

D. Fixed Assets

Fixed Assets are stated at cost less depreciation. Fixed Assets are capitalised at the cost of acquisition including all expenses directly attributable or bringing the assets to it's working condition for intended use. Financing cost incurred upto the date of commissioning the assets are capitalised towards the relevant Fixed Assets.

E. Depreciation

Depreciation on fixed assets has been provided on "Written Down Value" as per the rates mentioned in Schedule XIV to the Companies Act, 1956.

F. Inventories

Inventories are valued at the lower of cost or net realizable market value. The cost of inventories is ascertained on first-in-first-out basis. The method of determining the value of various components of inventories are as follows:

Raw materials, consumables and other materials are valued at the lower of actual cost or net realizable market value.

Work-in-progress are valued at lower of cost of materials and labour charges and a proportionate amount of factory overheads or net realizable market value

Finished goods are valued at the lower of cost or net realizable market value.

G. Employee Benefits

The Liability for Gratuity is accounted for as and when paid.

H. Contingent Liabilities

Contingent liabilities are disclosed in the notes of accounts or are provided for in the financial statements depending upon the management's perception as to whether a particular liability is likely to materialize or not.

I. Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the year ended.

Deferred tax is recognized on timing differences being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

2. The Company is in the business of manufacturing of Satin Ribbon only, which have similar risk and returns and also similar market conditions of demand and supply. The segment reporting based on geographical risk factor which may be present in different countries is also not applicable, as the company has substantial sales in the domestic market. Thus, there is only one identified reportable segment that is Furnace.

3. In the opinion of the Board of Directors, the current assets, loans & advances are stated in the financial statements at the values realizable in the ordinary course of business and provisions have been made for all known liabilities.

4. **EXPENDITURE IN FOREIGN CURRENCY –**

	2008-2009 Rs.	2007-2008 Rs.
Purchase	76,68,206/-	25,98,352/-
Testing Fees	98,971/-	-
Capital Goods	84,78,002/-	-
	<b>1,62,45,179/-</b>	<b>25,98,352/-</b>

**5. Related party Transaction**

Disclosure of transactions with related parties, as required by Accounting Standard 18 [AS-18] on Related Party Disclosures has been given in para (b) & (C) below, Related parties relationship under the Accounting Standard have been identified by the Company and relied upon by the Auditors.

**Key Management Personnel & their relatives**

- i. Mr Saurabh K. Motani Director  
Mr. Nitin K. Motani Director  
Mr Shailesh S. Shah Director  
Mr Lin Chung-Shun Director  
Mr. Liu Chen-Hsiung Director
- ii. Entities where Key Management Personnel or relatives of Key Management Personnel have significant influence  
Sky Industries Limited  
SK Stable Industries Pvt. Limited  
Hemmay International  
Shamots International

Nature of Transaction	Associate Companies	Key Management personal
Purchase	76,72,708/- (1,19,02,764)	—
Service Charges	10,07,292/- (3,68,332)	—
Advances Received	Nil (60,29,479)	—
Machinery Hire Charges Paid	13,83,060/- (10,36,441)	—
Rent	6,74,014/- (4,77,530)	—
Purchase of Capital Goods	21,03,598/- Nil	—

**6. A. RAW MATERIAL CONSUMED ( Quantity )**

DESCRIPTION	UNIT	2008-2009		2007-2008	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Yarn	Kgs.	80439	1,00,63,000	27,223	3,031,244
Resins and Chemicals	Kgs.	0	3,69,275	0	78,967
Paking materials	Kgs.		4,04,317	0	279,991
Stores & spares	Kgs.		3,36,996		45,216
Narrow Fabrics	Kgs.		9,29,949	13,892	4,145,379
<b>Total</b>			<b>1,21,03,536</b>		<b>7,580,797</b>

**B. RAW MATERIAL CONSUMED ( Percentage )**

	2008-2009		2007-2008	
	Percentage of Total Consumption	Value (Rs.)	Percentage of Total Consumption	Value (Rs.)
Indigenous	31.12%	37,65,464	64.68%	4,902,976
Imported	68.88%	83,37,890	35.32%	2,677,821
	<b>100.00%</b>	<b>1,21,03,536</b>	<b>100.00%</b>	<b>7,580,797</b>

As per Our Report of Even date  
For and on Behalf of

**THANAWALA & COMPANY**  
Chartered Accountants

Sd/-  
**VIJAY K THANAWALA**  
Proprietor

Place : Mumbai  
Date : 02/06/2009

For, **SKY Hemmay Private Limited**

Sd/-  
**SAURABH MOTANI**  
DIRECTOR

Sd/-  
**SHAILESH SHAH**  
DIRECTOR

# SKY INDUSTRIES LIMITED

Regd. Office : C-58, TTC Industrial Area, Thane Belapur Road, Pawane, Navi Mumbai - 400 705.

## ATTENDANCE SLIP

DP ID\* : .....

CLIENT ID\* : .....

REG FOLIO NO. : .....

NAME AND ADDRESS OF THE REGISTERED SHAREHOLDER

I am registered shareholder / proxy for the registered shareholder of the Company.

I hereby record my presence at the Twentieth Annual General Meeting on Saturday 31st Oct., 2009 at C-58, TTC Industrial Area, Thane Belapur Road, Pawane, Navi Mumbai - 400 705.

Please fill this attendance slip and hand it over at the entrance hall.

Member's/Proxy's Signature

# SKY INDUSTRIES LIMITED

Regd. Office : C-58, TTC Industrial Area, Thane Belapur Road, Pawane, Navi Mumbai - 400 705.

## FORM OF PROXY

I /We \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ being a member / members of SKY INDUSTRIES LIMITED 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 Twentieth Annual General Meeting to be held on 31st Oct., 2009 at 11.00 a.m. at C-58, TTC Industrial Area, Thane Belapur Road, Pawane, Navi Mumbai - 400 705.

Signed this .....day.....2009.

DP ID\* : .....

Signature.....

CLIENT ID\* : .....

REG FOLIO NO. : .....

Affix a  
Re. 1  
Revenue

\* Applicable if shares are held in Electronic Form

The form in order to be effective should be duly completed and must be deposited at the Registered Office of the Company, not less than 48 hours before the time of the meeting.

## BANK ACCOUNT PARTICULARS / ECS MANDATE FORM

I /We.....do hereby authorise SKY INDUSTRIES LIMITED to :

\* print the following details on my/our dividend warrant.

\* Credit my/our dividend amount directly to my/our Bank Account by ECS.

(\* Strike out whichever is not applicable)

My/Our Folio No. :

Particulars of Bank Account :

DP ID No. :.....Client A/c. No. :.....

- A. Bank Name : .....
- B. Branch Name : .....
- Address (for Mandate only) : .....
- C. 9 Digit Code number of the Bank & Branch as appearing on the MICR Cheque : .....
- D. Account Type (Saving/Current/Overdraft) : .....
- E. Account No. as appearing on the cheque book : .....
- F. STD Code & Telephone No. : .....

I/We shall not hold Bank responsible if the ECS could not be implemented or the Bank discontinue(s) the ECS, for any reason.

MAIL TO : Link Intime India Pvt. Ltd.

Unit - Sky Industries Ltd. C-13, Pannalal Silk Mills Compound

L.B.S. Marg, Bhandup (W), Mumbai - 400 078.

Signature of the First Shareholder/Joint Shareholder

Please attach the photocopy of a cheque or a blank cancelled cheque issued by your Bank relating to your above account for verifying the accuracy of the 9 digit code number.

**In case you are holding shares in demat form, kindly advise your Depository Participant to take note of your Bank account**





**SKY INDUSTRIES LTD.**

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Orbit Plaza, 2nd Floor, New Prabhadevi Road,  
Prabhadevi, Mumbai - 400 025  
Tel : 022-66272500 Fax : 022-66272550