

BOARD OF DIRECTORS

Mr. Nitin Motani (*Chairman*)
 Mr. Shailesh Shah (*Managing Director*)
 Mr. Shard Shah
 Mr. Saurabh Motani
 Mr. Maikal Raorani
 Mr. Mahesh Shirodkar (Till 31-7-2012)
 Mr. Vijay Choraria

REGISTERED OFFICE

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

AUDITORS

Kalyaniwalla & Mistry (Outgoing)
 Thanawala & Co (From this AGM)

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.

REGISTRAR & TRANSFER AGENTS

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 Twenty Third Annual General Meeting of the members of **SKY INDUSTRIES LIMITED** will be held on Thursday, the 20th day of December, 2012 at 11.00 a.m. at the Registered Office 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 31st March 2012 and the Statement of Profit and Loss 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. Vijay Choraria, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

Special Business

4. To consider and if thought fit to pass with or without modification, the following resolution as a **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, the consent of the Company be and is hereby accorded to re-appoint Mr. Maikal Raorani as a Wholetime Director of the Company for a period commencing from 1st October, 2012 to 30th September, 2013 (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.”

5. To consider and if thought fit to pass with or without modification the following resolution as a **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 Chairman / Executive Director of the company for a period of 3 (Three)years commencing from 1st October 2012 to 30th September 2015 (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 profits 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 authorised or cause to do all the acts, deeds and things and execute all such documents, instruments and writings 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 a **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. Shailesh Shah** as Managing Director of the company for a period of 3 (Three)years commencing from 1st October 2012 to 30th September 2015 (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 profits 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 authorised or cause to do all the acts, deeds and things and execute all such documents, instruments and writings 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 a **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 Executive Director of the company for a period of 3 (Three)years commencing from 1st October 2012 to 30th September 2015 (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 profits 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 authorised or cause to do all the acts, deeds and things and execute all such documents, instruments and writings 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 a **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 Executive Director of the company for a period of 3 (Three)years commencing from 1st October 2012 to 30th September 2015 (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 profits 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 authorised or cause to do all the acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to the aforesaid resolution.”

By Order of the Board of Directors

Sd/-
Nitin Motani

**Place: Mumbai,
Date : 16th Nov 2012**

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. 4-8 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 16th December, 2012, to 19th December, 2012 (both days inclusive).
- f) 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.
- g) 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. Vijay Choraria:

Mr. Vijay Choraria, aged about 51 years, is a widely respected personality in the Finance Industry. His Financial insight and global knowledge has been immensely helpful to the Company.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 4

Mr. Raorani, aged 39, B.E. (Electronics & Communications), MBA (Finance) has rich and vast experience of around 14 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 1st October, 2012 to 30th September, 2013, (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. 1,00,000/- 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 Agreement.
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. Either party shall be entitled to terminate the Agreement at any time by giving the other party not less than 90 days' notice in writing in that behalf provided that the Company shall be entitled to terminate the Agreement by giving three months' salary in lieu of such notice.
14. 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.
15. This Agreement with Mr. Raorani shall be the entire Agreement between the parties and shall supersede and cancel all prior arrangements, agreements, understandings, oral or written, on the subject matter.

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.

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

Item Nos. : 5 to 8

The Company is in growth phase and also facing many challenges. Since the business environment is extremely competitive, the company will take some more time to earn substantial profits. The duties and responsibilities of the Directors have since increased manifold. However, they are facing new challenges with more determination.

Hence it was recommended by the Board of Directors upon receiving the recommendations of 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/Month |
|--------------------|--------------|
| Mr. Nitin Motani | Rs.2,50,000 |
| Mr. Shailesh Shah | Rs.2,50,000 |
| Mr. Sharad Shah | Rs.2,50,000 |
| Mr. Saurabh Motani | Rs.2,50,000 |

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 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, where ever 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 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 above mentioned are deemed to be concerned or interested in the said Resolutions.

By Order of the Board of Directors

Sd/-

Nitin Motani

Place: Mumbai,

Date : 16th Nov 2012

DIRECTORS' REPORT

**The Members,
Sky Industries Limited,
Mumbai**

The Directors take pleasure in submitting the 23rd Annual Report and Accounts for the year ended 31st March, 2012.

FINANCIAL RESULTS AND OPERATIONS:

| Particulars | Current Year ended 31.03.2012 | Previous Year ended 31.03.2011 |
|---|----------------------------------|-----------------------------------|
| | | (Rs in Lacs) |
| Sales and other income | 8162 | 7823 |
| Profit before Depreciation, Interest Tax and Appropriation | (32) | 450 |
| Less: Interest | 318 | 213 |
| Depreciation | 194 | 216 |
| Profit / (Loss) before tax | (544) | (54) |
| Provision for Taxation | (72) | 19 |
| Profit / (Loss) after taxation | (472) | (73) |

RESULTS OF OPERATIONS

The turnover during the year was Rs. 8162 Lacs as compared to previous years Rs. 7823 Lacs, an increase of about 4%. The Company faced external pressures as well as managed to overcome a mini crisis in form of labour unrest at its Vashi plant.

DIVIDEND

Owing to inadequate profits, the Directors have not recommended any dividend in the year under review.

EXPORTS

During the year under review the Exports were at Rs. 1406 lacs, a drop from Rs. 1648 lacs in the previous year. The drop was mainly on account of conscious decision to avoid the risky European markets, which were largely instrumental in getting higher export orders in the previous year.

INTERNATIONAL BUSINESS / SUBSIDIARY

Your Directors are pleased to inform that the performance of the subsidiary company, SKAY Inc for the year ended 31st March, 2012 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 31st March, 2012, is annexed herewith.

HUMAN RESOURCES

At present we have 336 (Three Hundred and thirty six 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.

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. Vijay Choraria, Director of the Company, retire by rotation at the ensuing Annual General Meeting and, being eligible, offer himself for re-appointment.

Mr. Maikal Raorani's term of appointment as a Whole time Director expires on 30th Sep 2012. He is eligible and has offered himself for re-appointment on the terms and conditions as stated in the agreement entered into with the Company.

Mr. Nitin K Motani, Chairman, Mr. Shailesh S Shah, Managing Director, Mr. Saurabh K Motani and, Mr. Sharad S Shah's term of appointment as Whole time directors also expires on 30th September 2012. They are eligible and have offered themselves for re appointment on the terms and conditions as stated in the Board resolution of the company.

Your Directors recommend the appointment and re-appointment of the aforesaid directors.

Mr. Mahesh Shirodkar has resigned as Director w.e.f. 31st July 2012 owing to other commitments. The Board puts on record sincere appreciation for his contribution and valuable inputs to the Company during the course of his association with the Company.

AUDITORS

M/s Kalyaniwalla & Mistry, Chartered Accountants, Mumbai, hold office till the conclusion of the ensuing Annual General Meeting and have expressed their inability to continue as Statutory Auditors of the Company. M/s V. K. Thanawala, Chartered Accountants, Mumbai, being eligible have expressed their willingness to serve as Statutory Auditors of company. 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

The Auditors have made certain qualifications in their report. The same are being addressed as below:

Remark: "The Company has not complied with the provisions of Sec 309 of the Companies Act read with Schedule XIII and not applied to the Central Government for seeking approval for the payment of managerial remuneration of Rs. 90,98,400/-."

Response: The Managerial Remuneration is as per Schedule XIII read with Section 198 and Section 309 of the Companies Act, 1956. The Salaries Paid to each individual managing and Whole-time Director is / are well within the Limits as specified by the Companies Act, 1956;

There were no violation or excess payment of any remuneration other than what was approved by the members at their meeting held on 31st October 2009. The Remuneration committee of the company also confirms the same.

Remark: "The Company has not passed a Special Resolution in general meeting for appointment of a relative of a director holding a place of profit u/s 314 of the Companies Act 1956."

Response : Payment made to one of Relative of the Director is in compliance with Section 314 read with Notification GSR 289(E) dt 31/03/2011. There were no violation of the said provision of the Companies Act, 1956. Hence there was no need to pass any special resolution by members.

The Salary paid for the entire year was of Rs. 4,20,000/- and per month was of Rs.60,000/-.

Remark: "The Company has not provided for diminution in the value of investments in its subsidiary of Rs. 35,60,515/- as at the year end as required by paragraph 19 of Accounting Standard (AS) 13- Accounting for Investments issued by the Institute of Chartered Accountants of India. This has resulted in understatement of loss for the current year and overstatement of Reserves by Rs. 35,60,515/-".

"We further report that without considering the items mentioned in the paragraphs 4 and 5 above, had the observations made by us in paragraph 6, been considered, loss for the period would have been Rs. 5,08,10,065/- as against the reported figure of Rs. 4,72,49,550/-. The Reserves would have been Rs. 9,54,86,508/- as against the reported figure of Rs. 9,90,47,023/-".

Response : The aforesaid investment pertain to the subsidiary M/s Skay Inc, based in USA. Owing to difficult global conditions, the subsidiary has made losses, and pursuant to the AS 13, the provision of the same needs to be made. The Company's investment is from a long term horizon. The view of the management is that with improvement in global sentiments, the subsidiary Company is expected to be back in black, and hence impact of diminution in value of subsidiary has not been made.

Remark: "The Company has contravened the provisions of Sec.58A, 58 AA of the Companies Act, 1956 and rules framed there under"

Response: The Company complied with the acceptance of Deposits rule. One of the deposit , which was a part of the trade advance was considered by the management as public Deposit. This was due to the shut down of the Vashi factory and the resultant failure to fulfill its commercial commitments. The Interest rate as per trade rate and the trade deposit was for a limited period of 6 months and returned back before 31st March 2012; However because of closure of factory, we took it as FD by public. Other Deposits have been collected from the shareholders in compliance with section 58A and the rate of interest was not more than 9%. The interest rate is well with in the interest rate payable to any fixed deposit.

Remark : The Company has not maintained cost records as prescribed by the Central Government under Sec 209(1) (d) of the Companies Act 1956, in respect of its products/activities"

Response: Due to part operations at our factory units and one of the unit at Vashi going through labour unrest, the company did not appoint the Cost Accountants as prescribed by the Central Government. The Process has been initiated and the appointment shall be complied with shortly.

Remark: The Company has an undisputed income tax dues of Rs. 93,65,004, VAT dues of Rs. 10,000 and employees profession tax of Rs. 14,400/-."

Response: The provision of income tax is against past years' income tax liability. Till these years, Sky had a practice of netting of the income tax to be paid against the refund of income tax to be received (pertaining to previous years 2002-03 etc.). But Auditors' going by the conservative principle of accounting recommended providing for the same and did not take into account the refund receivables. Further, interest on the amount has been calculated on a notional basis which will reduce eventually.

Remark: The Management has conducted physical verification of inventory at reasonable intervals except in respect of Vashi location.

Response: During the year under preview, owing to labour unrest and security threat at Vashi plant, the physical stock taking of inventory has not been conducted. The difference between the book stock and physical stock however is highly insignificant.

Remark: 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 except for dues of Rs. 6,70,739/- to a bank.

Response: The Auditors have made this note in relation to one of vehicle loans being shown as unpaid in Dombivli Nagari Sahakari Bank Ltd., owing to a system error, which was detected after the end of financial year. The same has then been rectified and is now being serviced regularly. The said loan is one among eight vehicle loans that the Company has availed from the said bank and the monthly repayment is not significant in value.

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)(c) 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 preparation of the Annual Accounts, the applicable accounting standards have been followed and that no material departures have been made from the same ;
- (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/Loss 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 .

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 31st 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

Sd/-
Nitin K. Motani
Chairman

Date : 16th Nov 2012

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:

| ELECTRICITY | CURRENT YEAR | PREVIOUS YEAR |
|---|------------------|-------------------|
| Units | 2815044 | 2766217 |
| Total Amt | Rs 151.07 Lacs | Rs 151.52 Lacs |
| Rate/Unit | Rs 5.37 Per Unit | Rs 5.48 Per Unit |
| COAL | NIL | |
| FURNACE OIL | | |
| Units | 342265 | 388144 |
| Total Amt | 146.75 Lacs | Rs 124.78 Lacs |
| Rate/Unit | 42.87 Per Unit | Rs 32.14 Per Unit |
| OTHERS | NIL | NIL |
| Consumption per unit of production Standard (if any) | Current Year | Previous Year |
| 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. 1436.63 lacs
The Exchange outgo: Rs. 2322.08 lacs

CORPORATE GOVERNANCE REPORT 2011-12

The Company is a listed company on Bombay Stock Exchange Limited. The 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 | 3 |
| 6 | Mr. Mahesh Shirodkar | NED-ID | 4 | @ | Absent | No | 2 | 3 |
| 7 | Mr. Vijay Choraria | NED-ID | 4 | @ | Present | 9 | 3 | 7 |

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

** In Indian Public Limited Companies as on 31st March, 2012

*** In Audit and Shareholders Grievances Committee of Indian Public Limited Companies as on 31st March, 2012.

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

Details of Board Meetings Held during the Year

| Date of Board Meeting | 30 May | 12 Aug | 14 Nov | 13 Feb |
|--------------------------|--------|--------|--------|--------|
| Board Strength | 7 | 7 | 7 | 7 |
| No. of Directors Present | 5 | 5 | 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, 2012.

Board Committees

Currently, the Board functions through 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 the Sub-committees along with the details of the meetings conducted are given below:

3. Audit Committee:

Pursuant to the provision of the companies act, 1956 and the Listing Agreement, the Composition of the Audit Committees is as under:

| Sr. No. | Name of Members | Attendance in Audit Committee Meetings | |
|---------|--|--|----------|
| | | Held | Attended |
| 1. | Mr. Vijay Choraria (Chairman Independent Director) | 4 | 4 |
| 2. | Mr. Mahesh Shirodkar (Member Independent Director) | 4 | 4 |
| 3. | Mr. Maikal Raorani (Member) | 4 | 4 |

Terms of References of Audit Committees

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
 - b. Changes, if any, in accounting policies and practices and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by management

- d. Significant adjustments made in the financial statements arising out of audit findings
- e. Compliance with listing and other legal requirements relating to financial statements
- f. Disclosure of any related party transactions
- g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
6. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors on any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. Review the following information,
 1. Management discussion and analysis of financial condition and results of operations;
 2. Statement of significant related party transactions (as defined by the audit committee), submitted by management;
 3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
 4. Internal audit reports relating to internal control weaknesses
13. In addition to the above, all items listed in Clause 49 (II)(D) of the Listing Agreement.
 The Audit Committee has the following powers:
 - To investigate any activity within its terms of reference.
 - To seek information from any employee.
 - To obtain outside legal or other professional advice.
 - To secure attendance of outsiders with relevant expertise, if it considers necessary.

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 2011-12 remuneration paid to the Executive Directors are as under

| Name of Director | Amount (INR) |
|-----------------------|--------------|
| Mr. Nitin K. Motani | 2400000/- |
| 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. Mahesh Shirodkar | - | Chairman |
| Mr. Vijay Choraria | - | Member |
| Mr. Maikal Raorani | - | Member |

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

a) Location and time of Company's three most recent AGM's

| | 2008-09 | 2009-10 | 2010-11 |
|-------|-------------------|-------------------|-------------------|
| Date | 31.10.2009 | 29.09.2010 | 29.09.2011 |
| Time | 11.00 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 2011-12 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 2011-12, there are certain audit qualifications in the Company's financial statements, however, which are more of procedural in nature.
 - a) Certain transactions with related parties have exceeded the approval limit and the Company has already applied to the Central Government for the approval of the enhancement of the same.
2. The Company is making all the efforts to recruit Independent / Non-executive Directors on the Board of the Company, to comply with requirements of the Clause 49 of the listing agreement.

Risk Management Framework

Sky Industries Limited has a formal Risk Management (RM) framework, which has grown and refined over a period of time as the businesses are becoming more complex and increasingly facing various challenges across the globe.

The Company has put in place a risk management framework in line with its vision, mission and business strategy.

The Company's Risk Management framework is based on a 'risk intelligence' map, taking into account key focus areas of risk identification and mitigation. The areas of risk are further 'drilled down' to its component parts, risks and mitigation measures identified; responsibilities are then allocated to respective department and functional heads, who monitor risk mitigation measures and calculate residual risk. The methodology links mission, objectives and risk management, and implements the following steps:

- Understand Mission, Vision, Corporate Objectives
- Understand organisation structure and key management team
- Work with key business line leaders to understand business line objectives, divisional objectives and business plans
- Understand link between corporate objectives and business unit objectives
- Review currently identify risks and identify gaps and linkages between business risks and process risks

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 : 20th Dec. 2012

Time : 11.00 A. M.

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

b. Financial Calendar 2011 2012

First quarter results :: By mid August, 2012

Second quarter results :: By mid November, 2012

Third quarter results :: By mid February, 2013

Annual results for the year ending on 31st March, 2013 :: By end of May, 2013

c. Book Closure

The Register of Members and Transfer Registers of the Company will remain closed from 16th December, 2012 to 19th December, 2012 (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 2011 2012:

The Stock Exchange, Mumbai

| Year | Month | Stock Price (Rupees) | | Volumes | Nos. of Shares |
|------|-----------|----------------------|--------|---------|----------------|
| | | Highest | Lowest | | |
| 2011 | April | 76.40 | 63.30 | | 564340 |
| 2011 | May | 95.00 | 69.95 | | 793855 |
| 2011 | June | 120.70 | 90.05 | | 1655413 |
| 2011 | July | 128.40 | 95.00 | | 1297675 |
| 2011 | August | 124.50 | 97.00 | | 1341392 |
| 2011 | September | 129.00 | 49.45 | | 1262287 |
| 2011 | October | 47.00 | 25.25 | | 536410 |
| 2011 | November | 47.70 | 29.40 | | 213216 |
| 2011 | December | 35.90 | 25.25 | | 66225 |
| 2012 | January | 29.50 | 25.25 | | 15630 |
| 2012 | February | 29.50 | 25.00 | | 28369 |
| 2012 | March | 30.90 | 20.10 | | 33553 |

Registrar and Transfer Agents Link Intime (India) Pvt. Ltd (formerly known as Intime Spectrum Registry 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, 2nd Floor, Next to Central Camera Building, 197, D N Road, Fort, Mumbai 400 001, Ph : 91-22-2265 6929

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 **3635990** equity shares of Rs.10/- each were dematerialized as on 31st March, 2012 constituting 91 % 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 31st March, 2012

A. Category wise:

| Sr. No. | Category | No. of Shares held | % |
|---------|--|--------------------|----------------|
| 1 | CORPORATE BODIES (PROMOTER CO) | 1310147 | 32.95% |
| 2 | CLEARING MEMBER | 117903 | 2.97% |
| 3 | OTHER BODIES CORPORATE | 171314 | 4.31% |
| 4 | DIRECTORS | 271152 | 6.82% |
| 5 | NON RESIDENT INDIANS | 163447 | 4.11% |
| 6 | NON RESIDENT INDIANS(NON REPARTRIABLE) | 10400 | 0.26% |
| 7 | PUBLIC | 1775037 | 44.64% |
| 8 | PROMOTORS | 157000 | 3.95% |
| | TOTAL | 3976400 | 100.00% |

B. Shareholding wise:

| Shareholding of Shares | | Nos. of Shareholders | % Age Total | Shares | % Age of Total |
|------------------------|-----------|----------------------|-------------|---------|----------------|
| 1 | - 500 | 1796 | 80.10% | 311035 | 7.82% |
| 501 | - 1000 | 184 | 8.21% | 153113 | 3.85% |
| 1001 | - 2000 | 111 | 4.95% | 165814 | 4.17% |
| 2001 | - 3000 | 36 | 1.61% | 96499 | 2.43% |
| 3001 | - 4000 | 21 | 0.94% | 76085 | 1.91% |
| 4001 | - 5000 | 11 | 0.49% | 49899 | 1.25% |
| 5001 | - 10000 | 32 | 1.43% | 251451 | 6.32% |
| 10001 | And above | 51 | 2.27% | 2872504 | 72.23% |
| | Total | 2242 | 100% | 3976400 | 100% |

C. Top Ten Shareholders as on 31st March, 2012

| Sr. No | Name(s) of Shareholders | Shares | % |
|--------|------------------------------------|---------|-------|
| 1. | SKAY FINVEST PRIVATE LIMITED | 1310147 | 32.95 |
| 2. | KAILASHMATI SURYAKANT SHAH | 157000 | 3.95 |
| 3. | BIMAL KUMAR CHORARIA | 98690 | 2.49 |
| 4. | ANIL KUMAR JANARDAN GOKHALE | 85443 | 2.15 |
| 5. | NITIN K MOTANI | 82529 | 2.08 |
| 6. | SHAILESH S SHAH | 73620 | 1.85 |
| 7. | SHARAD S SHAH | 60570 | 1.52 |
| 8. | PANKAJ KHIMJI NARAM | 59500 | 1.50 |
| 9. | INDIANIVESH SECURITIES PRIVATE LTD | 55000 | 1.38 |
| 10. | SAURABH K MOTANI | 53270 | 1.34 |

f. Special Resolutions passed in the last three Annual General Meetings:-

In the twentieth Annual General Meeting regarding the appointment and tenor of the Promoter Directors, namely Shri Nitin Motani, Shri Shailesh Shah, Shri Sharad Shah and Shri Saurabh Motani.

In the twenty first Annual General Meeting regarding the enhancement of Managerial Remuneration for the Directors, namely Shri Nitin Motani, Shri Shailesh Shah, Shri Sharad Shah and Shri Saurabh Motani.

i. Address for correspondence

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

e-mail : sales@skgroup.com

j. Plant Locations:

- C-58, C - 57/1,2 TTC Industrial Area, Thane Belapur Road, Pawane Navi Mumbai 705

- C-19, TTC Industrial Area, Thane Belapur Road, Pawane Navi Mumbai 705

- 242, Surat Special Economic Zone, Diamond Indl Park, Road No. 3, GIDC, Sachin, Surat, 394238

- Plot No 748/1, 40 Shed Area, GIDC, Vapi, Gujarat.

- Plot No 2910, GIDC, IVth Phase, Vapi, Gujarat.

- Plot No. 517, Road No 5, GIDC, Sachin, Surat.

- Plot No. 6310, GIDC, Sachin, Surat.

- Plot No. 5521, GIDC, Sachin, Surat.

SKY INDUSTRIES LIMITED

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| Category code (I) | Category of shareholder (II) | No. of shareholders (III) | Total No. of shares (IV) | No. of shares held in dematerialized form (V) | 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) (VII) | No. of shares (IX) = | As a % (VIII/IV) *100 |
| (A) | Shareholding of Promoter and Promoter Group | | | | | | | |
| -1 | Indian | | | | | | | |
| (a) | Individuals/ Hindu Undivided Family | 6 | 428152 | 428152 | 10.77 | 10.77 | | - |
| (b) | Central Government/ State Government(s) | | | | - | - | | - |
| (c) | Bodies Corporate | 1 | 1310147 | 1310147 | 32.95 | 32.95 | 663500 | 50.64 |
| (d) | Financial Institutions/ Banks | | | | - | - | | |
| (e) | Any Other (specify) | | | | - | - | | - |
| | Sub-Total (A)(1) | 7 | 1,738,299 | 1,738,299 | 43.72 | 43.72 | 663500 | 38.17 |
| -2 | Foreign | | | | | | | |
| (a) | Individuals (Non-Resident Individuals/ Foreign Individuals) | - | - | - | - | - | | - |
| (b) | Bodies Corporate | - | - | - | - | - | | - |
| (c) | Institutions | - | - | - | - | - | | - |
| (d) | Any Other (specify) | - | - | - | - | - | | - |
| | Sub-Total (A)(2) | - | - | - | - | - | | - |
| | Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2) | 7 | 1,738,299 | 1,738,299 | 43.72 | 43.72 | 663500 | 38.17 |
| (B) | Public shareholding | | | | | | | |
| -1 | Institutions | | | | | | | |
| (a) | Mutual Funds/ UTI | | | | | | | |
| (b) | Financial Institutions/ Banks | | | | | | | |
| (c) | Central Government/ State Government(s) | - | - | - | - | - | | - |
| (d) | Insurance Companies | - | - | - | - | - | | - |
| (e) | FII's | | | | | | | |
| (f) | Foreign Venture Capital | | | | | | | |
| (g) | Any Other (specify) | - | - | - | - | - | | - |
| | 1) Foreign Financial Inst. | | | | | | | |
| | Sub-Total (B)(1) | - | - | - | - | - | | - |
| -2 | Non-institutions | | | | | | | |
| (a) | Bodies Corporate | 75 | 171314 | 166514 | 4.31 | 4.31 | 75 | 171314 |
| (b) | Individuals | | | | | | | |
| | i. Individual shareholders holding nominal share capital up to Rs. 1 lakh. | 2083 | 983926 | 757726 | 24.74 | 24.74 | 2083 | 983926 |
| | ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh. | 33 | 791111 | 776111 | 19.90 | 19.90 | 33 | 791111 |
| (c) | Any Other (Specify) | | | | | | | |
| | 1. Clearing Member | 26 | 117903 | 117903 | 2.97 | 2.97 | 26 | 117903 |
| | 2. Trust | | | | | | | - |
| | 3. NRIs | 16 | 163447 | 69037 | 4.11 | 4.11 | 16 | 163447 |
| | 4. NRN | 2 | 10400 | 10400 | 0.26 | 0.26 | 2 | 10400 |
| | 5. Foreign Company | | | | | | | - |
| | Sub-Total (B)(2) | 2235 | 2238101 | 1897691 | 56.28 | 56.28 | 2235 | 2238101 |
| | Total Public Shareholding (B)= (B)(1)+(B)(2) | 2235 | 2238101 | 1897691 | 56.28 | 56.28 | 2235 | 2238101 |
| | TOTAL (A)+(B) | 2242 | 3976400 | 3635990 | 100.00 | 100.00 | 663,500 | 16.69 |
| (C) | Shares held by Custodians and against which Depository Receipts have been issued | | | | | | | |
| | GRAND TOTAL (A)+(B)+(C) | 2242 | 3976400 | 3635990 | 100.00 | 100.00 | 663,500 | 16.69 |

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, etc. 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 had ventured into the manufacture of Carpet yarn in previous year, apart from its presence in elastic tapes.

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, which for the next review period has been changed to fixed rate of duty, which is expected to be a more effective.

The Company has also moved up the value chain in the segments like Hook and Loop Tape Fasteners and is focusing on increasing the share of revenues from the value added products.

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. 1407 lacs, a drop from Rs. 1648 lacs the previous year. The drop was mainly on account of conscious decision to avoid the risky European markets, which were largely instrumental in getting higher export orders in the previous year.

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.

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. 8162 Lacs as compared to previous years Rs. 7823 Lacs, an increase of about 4%. The Company faced external pressures as well as managed to overcome a minicrisis in form of labour unrest at its Vashi plant. However, the Company was able to service its customers and prevent a loss of market share by having alternate arrangements in form of additional capacity at a different location.

As in earlier years, the Company focused on increasing the share of the Value Added products.

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 31st March, 2012, the total number of employees on the rolls of the Company was 336.

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

Mr. Shailesh Shah, Managing Director's and Mr. Maikal Raorani, Executive Director's Certification for the year 2011-12.

We hereby certify to the Board that:

We have reviewed the financial statements and the Cash Flow statements for the year and that to the best of our 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 fair view of the company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.

To the best of our 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.

We 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.

We have indicated to the auditors and the audit committee

- (i) Significant changes in the internal controls 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 significant role in the company's internal control system.

Sd/-
Shailesh S Shah
Managing Director

Sd/-
Maikal Raorani
Executive Director

SECRETARIAL COMPLIANCE CERTIFICATE

[U/S 383A OF THE COMPANIES ACT, 1956 & RULE 3 OF THE COMPANIES (COMPLIANCE CERTIFICATE) RULES, 2001]

To,
The Members of
M/s. Sky Industries Limited
Co. No. 052645

I have examined the registers, records, books and papers of M/s. Sky Industries Limited (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended 31st March, 2012. In my opinion and to best of my information and according to the examinations carried out by me and explanations furnished to me by the company, its officers and agents, I certify that in respect of the aforesaid financial year:

The company has kept and maintained all registers as per the provisions and rules made thereunder and all entries therein have been duly recorded.

1. The company has duly filed the forms and returns with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
2. The companies, being a public limited company, comments are not required.
3. The Board of Directors duly met 4 times on 30/05/2011, 12/08/2011, 14/11/2011 & 13/02/2012 (dates) 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.
4. The company closed its Register of Members from 19/09/2011 to 23/09/2011 and necessary compliance of section 154 of the Act has been made.
5. The Annual General Meeting for the financial year ended on 31.3.2011 was held on 29/09/2011 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.
6. No. extra ordinary general meeting was held during the financial year
7. The company has not advanced any loans to its directors and/or persons or firms or companies referred to under section 295 of the Act.
8. The company has duly complied with the provisions of section 297 of the Act in respect of contracts specified in that section. The company also obtained necessary approvals from the Central Government and also compounded the offences for earlier violations.
9. The company has made necessary entries in the register maintained under section 301 of the Act.
10. As there were no instances falling within the purview of section 314 of the Act, the company has not required to obtain any approvals from the Board of directors, members or central Government.
11. The Board of Directors or duly constituted Committee of Directors has approved the issue of duplicate share certificates.
12. The Company has:
 - I. delivered all the certificates on allotment of securities and on lodgment thereof for transfer/transmission or any other purpose in accordance with the provisions of the Act;
 - II. The Company has not deposited any amount in a separate Bank Accounts as no dividend was declared during the financial year;
 - III. The Company was not required to post warrants to any member of the company as no dividend was declared during the financial year;
 - IV. Not required to transfer the amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund;
 - V. duly complied with the requirements of section 217 of the Act.
13. The Board of Directors of the Company is duly constituted. There was no appointment of additional directors, alternate directors and directors to fill casual vacancy during the financial year.
14. The appointment of Managing Director/Whole-time Director/Manager has been made in compliance with the provisions

of section 269 read with Schedule XIII to the Act .

15. The Company has not appointed any sole selling agents during the financial year.
16. The Company has obtained all necessary approvals of the Central Government, Company Law Board, Regional Director, Registrar or such other authorities as may be prescribed under the various provisions of the Act .
17. 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.
18. The company has not issued any shares, debentures or other securities during the financial year.
19. The company has not bought back any shares during the financial year.
20. There was no redemption of preference shares or debentures during the financial year.
21. There were no transactions necessitating the company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
22. The Company has accepted fixed deposits within the purview of section 58A during the financial year, but without giving the advertisement in a Leading newspaper and in one vernacular newspaper circulating the state in which the registered office of the company is situated.
23. The amount borrowed by the Company from directors, members, public, financial institutions, banks and others during the financial year ending 31.3.2012 is/are within the borrowing limits of the company and that necessary resolutions as per section 293(1)(d) of the Act have been passed in duly convened annual/extraordinary general meeting.
24. The company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
25. The Company has not altered the provisions of the Memorandum with respect to situation of the company's registered office from the state to another during the year under scrutiny.
26. The Company has not altered the provisions of the Memorandum with respect to the objects of the company during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the share capital of the company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to the name of the company during the year under scrutiny.
29. The company has not altered its Article of Association during the Financial Year .
30. There was/were no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the company during the financial year, for offences under the Act.
31. The Company has not received any money as security from its employees during the financial year.
32. The company has deposited both employee's and employer's contribution to provident fund with prescribed authorities pursuant to section 418 of the Act.

For Ramesh Chandra Mishra & Associates

Place: Mumbai

Date: 21/05/2012

Sd/-

Ramesh Mishra

FCS: 5477; C.P. No. 3987

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, 2012, 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.

Further to the above, we report that:

The Company does not have the required number of non executive directors and independent directors on the Board. The number of directors should be four instead of two.

In our opinion, and to the best of our information, and according to the explanations given to us, *subject to above*, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the 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, 2012 no Investor Grievances 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 of effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants
Firm Registration No. 104607W

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

Place : Mumbai
Dated : June 26, 2012.

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 31st March, 2012, the Statement of Profit and Loss 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 not complied with the provisions of Sec 309 of the Companies Act read with Schedule XIII and not applied to the Central Government for seeking approval for the payment of managerial remuneration of Rs. 90,98,400/-.*
5. *The Company has not passed a Special Resolution in general meeting for appointment of a relative of a director holding a place of profit u/s 314 of the Companies Act 1956.*
6. *The Company has not provided for diminution in the value of investments in its subsidiary of Rs. 35,60,515/- as at the year end as required by paragraph 19 of Accounting Standard (AS) 13 Accounting for Investments issued by the Institute of Chartered Accountants of India. This has resulted in understatement of loss for the current year and overstatement of Reserves by Rs. 35,60,515/-*
7. *We further report that without considering the items mentioned in the paragraphs 4 and 5 above, had the observations made by us in paragraph 6, been considered, loss for the period would have been Rs. 5,08,10,065/- as against the reported figure of Rs.4,72,49,550/-. The Reserves would have been Rs. 9,54,86,508/- as against the reported figure of Rs.9,90,47,023/-.*
8. 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, Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) In our opinion, *subject to paragraph 6 above*, the Balance Sheet, Statement of Profit and Loss 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, *subject to paragraphs 4 to 6 above*, the said financial statements 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 31st March, 2012;
 - ii) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
9. On the basis of the written representations received from the Directors as on 31st March, 2012, and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31st March, 2012 from being appointed as a Director 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
 Firm Registration No. 104607W.

Sd/-
ERMIN K. IRANI
PARTNER
 Membership No. 35646
 Mumbai; Dated: June 26, 2012.

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 for plant and machinery*.
- (b) The Company has a program for the 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) The Company has disposed off assets during the year. In our opinion, the disposal of assets during the year does not affect the going concern assumption.
- 2) (a) The Management has conducted physical verification of inventory at reasonable intervals *except in respect of Vasbi location*.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate 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 not granted loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) Consequently, the question of commenting on the rates of interest and the other terms and conditions of the loans granted being prejudicial to the interests of the Company, regular payment of principal and interest and reasonable steps taken for recovery of principal and interest does not arise.
- (c) The Company has taken unsecured interest free loan / deposit from two parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount outstanding at any time during the year and at the year end is 27,00,000/-.
- (d) In the absence of a repayment schedule and defined terms and conditions of loans we are not able to comment whether the terms and conditions of loans taken are prejudicial to the interests of the Company and whether the payment of principal is regular.
- 4) *In our opinion and according to the information and explanations given to us, the 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 need to be strengthened. 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 accepted deposits from shareholders without issue of advertisement and at an interest rate higher than the prescribed limits. The Company has not maintained adequate liquid assets. Hence the Company has contravened the provisions of section 58A, 58AA of the Companies Act, 1956, and the rules framed there under.*
- 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 Company has not maintained cost records as prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956, in respect of its products / activities.*
- 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, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess and other statutory dues applicable to it with the appropriate authorities. According to the information and explanations given to us, *except for income tax dues of Rs.93,65,004, VAT dues of Rs. 10,000 and employees profession tax of Rs. 14,400*, there are no undisputed dues payable in respect of the above as at 31st March, 2012 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:

SKY INDUSTRIES LIMITED

| Name of Statute | Nature of Dues | Period to which the amount relates | Forum where dispute is pending | Amount (Rs.) |
|---|-------------------|------------------------------------|--|--------------|
| The Income Tax Act 1961 | Income Tax | Assesment Year: 2009-10 | CIT (A) | 1,14,896 |
| Gujarat Value Added Tax Act | Value Added Tax | 2006-07 & 2007-08 | Commissioner of Commercial Tax Appeals | 32,08,752 |
| Central Sales Tax Act | Central Sales Tax | 2006-07 | Commissioner of Commercial Tax Appeals | 1,25,149 |
| The Bombay Provincial Municipal Corporation Act, 1959 | Cess | 1998-1999 & 1999-2000 | The Supreme Court of India | 36,83,521 |

- 10) The Company does not have accumulated losses at the end of the financial year but it has incurred cash losses in the current financial year. The Company has not incurred cash loss in 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 *except for dues of Rs.6,70,739/- to a bank.* There are no dues to debenture holders.
- 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 given a guarantee for loan taken by a subsidiary of Rs.2,50,00,000/- from a bank. The terms and conditions thereof are prima facie not prejudicial to the interests of the Company.
- 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
Firm Registration No.104607W.

ERMIN K. IRANI

Sd/-

PARTNER

Membership No. 35646

Mumbai; Dated: June 26, 2012

SKY INDUSTRIES LIMITED
BALANCE SHEET AS AT MARCH 31, 2012

(Amount in Rs.)

| | Note | As At March 31 2012 | As At March 31 2011 |
|------------------------------------|------|------------------------|------------------------|
| A EQUITY AND LIABILITIES | | | |
| 1 Shareholders' funds | | | |
| (a) Share capital | 2 | 3,97,64,000 | 3,97,64,000 |
| (b) Reserves and surplus | 3 | 10,70,47,024 | 15,42,96,573 |
| | | <u>14,68,11,024</u> | <u>19,40,60,573</u> |
| 2 Non-current liabilities | | | |
| (a) Long-term borrowings | 4 | 4,07,32,817 | 5,54,18,500 |
| (b) Deferred tax liabilities (net) | 5 | 1,41,91,647 | 2,67,01,647 |
| (c) Long-term provisions | 6 | 8,06,426 | 4,71,436 |
| | | <u>5,57,30,890</u> | <u>8,25,91,583</u> |
| 3 Current liabilities | | | |
| (a) Short-term borrowings | 7 | 16,30,35,055 | 16,93,55,795 |
| (b) Trade payables | 8 | 10,39,97,752 | 12,92,83,793 |
| (c) Other current liabilities | 9 | 9,53,95,052 | 5,24,34,886 |
| (d) Short-term provisions | 10 | 1,45,80,739 | 63,21,889 |
| | | <u>37,70,08,598</u> | <u>35,73,96,363</u> |
| | | <u>57,95,50,512</u> | <u>63,40,48,519</u> |
| B ASSETS | | | |
| 1 Non-current assets | | | |
| (a) Fixed assets | 11 | | |
| 1) Tangible Assets | | 17,18,53,212 | 18,61,35,964 |
| 2) Intangible Assets | | 16,74,555 | 1,17,317 |
| 3) Capital Work in Progress | | 43,36,435 | 15,90,155 |
| 4) Assets held for disposal | | 78,842 | - |
| | | <u>17,79,43,044</u> | <u>18,78,43,436</u> |
| (b) Non-current investments | 12 | 2,17,09,314 | 2,17,14,314 |
| (c) Long-term loans and advances | 13 | 2,53,16,247 | 2,07,26,350 |
| (d) Other non-current assets | 14 | 26,000 | 1,78,800 |
| | | <u>22,49,94,605</u> | <u>23,04,62,900</u> |
| 2 Current assets | | | |
| (a) Inventories | 15 | 18,43,63,712 | 20,04,22,694 |
| (b) Trade receivables | 16 | 9,19,64,272 | 11,69,85,700 |
| (c) Cash and cash equivalents | 17 | 75,94,680 | 1,18,02,475 |
| (d) Short-term loans and advances | 18 | 2,26,34,145 | 2,44,21,577 |
| (e) Other current assets | 19 | 4,79,99,098 | 4,99,53,173 |
| | | <u>35,45,55,907</u> | <u>40,35,85,619</u> |
| | | <u>57,95,50,512</u> | <u>63,40,48,519</u> |
| Significant accounting policies | 1 | | |

The accompanying notes (1 to 40) form an integral part of the financial statements.

As per our Report of even date

For and on behalf of the Board of Directors

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,
Dated: June 26, 2012

SKY INDUSTRIES LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2012

(Amount in Rs.)

| | Note | For the year ended 31.03.2012 | For the year ended 31.03.2011 |
|--|------|----------------------------------|----------------------------------|
| I. Revenue from operations | 20 | 81,61,95,066 | 79,33,80,111 |
| II. Other income | 21 | 1,72,50,237 | 2,13,03,856 |
| III. Total Revenue | | <u>83,34,45,303</u> | <u>81,46,83,967</u> |
| IV. Expenses: | | | |
| Cost of materials consumed | 22 | 50,87,12,515 | 50,18,03,289 |
| Purchases of Stock-in-Trade | 23 | 4,01,05,211 | 4,83,00,371 |
| Changes in Inventories of Finished Good, Work In Progress and Traded Goods | 24 | (1,71,30,359) | (6,39,32,371) |
| Employee benefits expense | 25 | 13,07,41,469 | 10,54,08,888 |
| Finance costs | 26 | 3,18,44,057 | 2,13,56,324 |
| Depreciation and amortization Expenses | 11 | 1,94,35,843 | 2,16,42,715 |
| Other expenses | 27 | 17,41,52,795 | 18,54,96,451 |
| V. Total Expenses | | <u>88,78,61,531</u> | <u>82,00,75,667</u> |
| VI. Loss before tax | | (5,44,16,228) | (53,91,700) |
| VII Tax expense: | | | |
| (1) Current tax - For the year | | (8,94,307) | - |
| -Short Provision of the Previous years | | (44,49,014) | - |
| (2) Deferred tax | | 1,25,10,000 | (18,30,000) |
| | | <u>71,66,679</u> | <u>(18,30,000)</u> |
| VIII. Loss for the period | | <u>(4,72,49,549)</u> | <u>(72,21,700)</u> |
| IX. Earnings per equity share (Basic/ Diluted) | 28 | (11.88) | (1.82) |
| Significant accounting policies | 1 | | |

The accompanying notes (1 to 40) form an integral part of the financial statements.

As per our Report of even date

For and on behalf of the Board of Directors

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,
Dated: June 26, 2012

Cash Flow Statement for the Year Ended March 31, 2012

(Amount in Rs.)

| | For the year ended 31.03.2012 | For the year ended 31.03.2011 |
|---|----------------------------------|----------------------------------|
| A. Cash Flow from Operating Activities: | | |
| Profit before tax and extra ordinary item | (5,44,16,228) | (53,91,700) |
| Adjustment for: | | |
| Depreciation | 1,94,35,843 | 2,16,42,715 |
| Interest and Finance Charges | 3,18,44,056 | 2,87,89,900 |
| Interest income | (6,19,130) | (4,86,889) |
| Dividend | (8,14,985) | (75,600) |
| Profit/(Loss) on Sale /Disposal of Fixed Assets | 29,46,546 | 34,70,616 |
| | 5,27,92,330 | 5,33,40,742 |
| Operating Profit before Working Capital Changes | (16,23,898) | 4,79,49,042 |
| Adjustment for: | | |
| Trade Receivables | 2,50,21,428 | (6,19,24,434) |
| Other Receivables | (6,95,589) | (24,901) |
| Inventory | 11,60,58,982 | (9,40,53,818) |
| Trade and Other Payable | 1,66,60,582 | 7,33,87,026 |
| | 5,70,45,403 | (8,26,16,127) |
| Cash generated from Operations | 5,54,21,505 | (3,46,67,085) |
| Direct Tax paid/net of Refund received | (6,25,144) | (36,06,956) |
| Net Cash Flow from Operating Activities | 5,47,96,361 | (3,82,74,041) |
| B. Cash Flow from Investing Activities: | | |
| Acquisition of Fixed Assets | (1,36,47,924) | (7,14,63,290) |
| Proceeds from Sale of Fixed Assets | 11,65,927 | 4,47,64,403 |
| Decrease/(Increase) in Investments | 5,000 | (28,61,089) |
| Dividend | 8,14,985 | 75,600 |
| Interest income | 6,19,130 | 4,86,889 |
| Net Cash used in Investing Activities | (1,10,42,882) | (2,89,97,487) |
| C. Cash Flow from Financing Activities: | | |
| (Decrease)/Increase in Working Capital facility (net) | (2,27,20,740) | 5,43,44,451 |
| Increase in Vehicle Loans | 18,94,659 | 4,77,58,845 |
| Repayment of Term Loans | (1,39,46,336) | (89,62,205) |
| Increase in Unsecured Loans | 2,55,00,000 | 50,00,000 |
| Repayment of Unsecured Loans | (91,00,000) | (25,00,000) |
| Interest and Finance Charges Paid | (2,95,88,856) | (2,86,68,319) |
| Payment of Dividend | - | (18,19,386) |
| Tax on Dividend Paid | - | (3,30,240) |
| Net Cash (Used)/Generated from Financing Activities | (4,79,61,273) | 6,48,23,146 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | (42,07,795) | (24,48,383) |
| Cash and Cash Equivalents as at the beginning of the year | 1,18,02,475 | 1,42,50,857 |
| Cash and Cash Equivalents as at the end of the year | 75,94,680 | 1,18,02,475 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | (42,07,795) | (24,48,383) |

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 of even date

For and on behalf of the Board of Directors

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,
Dated: June 26, 2012

NOTES FORMING PART OF THE ACCOUNTS

Note 1

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. Use of Estimates:

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities, revenues and expenses, and disclosure of contingent liabilities. Difference between the actual results and estimates are recognized in the period in which the results materialize/are known.

C. 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.

D. 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 amortized over a period of 3 years.

E. 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.

F. Inventory:

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

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

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.

G. 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 31st 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.

H. 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.

I. 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.

J. 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.

K. 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.

L. 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.

M. Proposed Dividend

Proposed Dividend, if any, subject to shareholders' approval at the Annual General Meeting, is provided in the books.

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.

NOTES FORMING PART OF FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | As At March 31 2012 | As At March 31 2011 |
|---|------------------------|------------------------|
| 2 SHARE CAPITAL | | |
| Authorised Capital | | |
| 15,000,000 Equity Shares of Rs. 10/- each | 15,00,00,000 | 15,00,00,000 |
| 500,000 Redeemable Preference Shares of Rs. 100/-each | 5,00,00,000 | 5,00,00,000 |
| | 20,00,00,000 | 20,00,00,000 |
| Issued, Subscribed and Paid Up | | |
| 3,976,400 Equity Shares of Rs 10/- each | 3,97,64,000 | 3,97,64,000 |
| (Refer Notes 2.1 to 2.3) | 3,97,64,000 | 3,97,64,000 |

2.1 Shareholders holding more than 5% shares in the Company Name of Shareholder

| | As at March 31, 2012 | | As at March 31, 2011 | |
|------------------------------|--------------------------|--------------|--------------------------|--------------|
| | No of Equity shares held | % of Holding | No of Equity shares held | % of Holding |
| SKAY FINVEST PRIVATE LIMITED | 13,10,147 | 32.95% | 13,10,147 | 32.95% |
| MR SHARE BROKING | - | - | 3,56,462 | 8.96% |
| | 13,10,147 | 32.95% | 16,66,609 | 41.91% |

2.2 There is no movement in the number of shares outstanding during the year ended March 31, 2012 and year ended March 31, 2011.

2.3 Rights and restrictions attached to the shares

The Company has only one class of equity shares. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

| | As at March 31, 2012 | As at March 31, 2011 |
|-----------------------------------|-------------------------|-------------------------|
| 3 RESERVES AND SURPLUS | | |
| a. General Reserve | | |
| As per last balance sheet | 80,00,000 | 80,00,000 |
| | 80,00,000 | 80,00,000 |
| b. Profit and loss Account | | |
| As per last balance sheet | 14,62,96,573 | 15,35,18,273 |
| Less : Net Loss for the year | (4,72,49,549) | (72,21,700) |
| | 9,90,47,024 | 14,62,96,573 |
| | 10,70,47,024 | 15,42,96,573 |

NOTES FORMING PART OF FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | As At March 31 2012 | As At March 31 2011 |
|---|------------------------|------------------------|
| 4 LONG-TERM BORROWINGS | | |
| SECURED LOANS | | |
| From Banks | | |
| (a) Term loans [Refer Note 4.1, 4.3(a) and 4.3(b)] | 3,78,13,482 | 5,11,78,669 |
| (b) Vehicle loans [Refer Note 4.2, 4.3(c) and 4.3(d)] | 16,42,563 | 41,86,726 |
| | 3,94,56,045 | 5,53,65,395 |
| From other parties | | |
| Vehicle loan [Refer Note 4.2, 4.3(e)] | 12,76,772 | 53,105 |
| | 12,76,772 | 53,105 |
| | 4,07,32,817 | 5,54,18,500 |

4.1 Term loans from banks are secured by way of pari passu first charge on land & buildings including all movable assets, plant and machinery, stores and spares, furniture and fixture, both present and future, excluding vehicles, and a second charge on all the current assets of the Company, both present and future, and personal guarantee of Directors and Promoter Company.

4.2 The vehicle loans from banks and other parties are secured by the hypothecation of vehicles purchased under the scheme

4.3 Terms of repayment:

(a) Term Loan from Dombivli Nagari Shakari Bank Ltd (Rate of Interest: 14.74%)

| <u>Financial Year</u> | <u>Amount</u> |
|-----------------------|---------------|
| Year : 2013-14 | 80,47,633 |
| Year : 2014-15 | 22,79,884 |

(b) Term Loan from The Karur Vysya Bank Ltd (Rate of Interest: 14%)

| <u>Financial Year</u> | <u>Amount</u> |
|-----------------------|---------------|
| Year : 2013-14 | 71,19,361 |
| Year : 2014-15 | 36,97,221 |
| Year : 2015-16 | 1,66,69,383 |

(c) Vehicle loans from Dombivli Nagrik Shakari Bank Ltd. (Rate of Interest: 13%)

| <u>Financial Year</u> | <u>Amount</u> |
|-----------------------|---------------|
| Year : 2013-14 | 14,48,389 |
| Year : 2014-15 | 96,984 |

(d) Vehicle loans from ICICI Bank Ltd. (Rate of Interest: 9.60%)

| <u>Financial Year</u> | <u>Amount</u> |
|-----------------------|---------------|
| Year : 2013-14 | 97,190 |

(e) Vehicle loans from Kotak Mahindra Prime Ltd (Rate of Interest: 10.88%)

| <u>Financial Year</u> | <u>Amount</u> |
|-----------------------|---------------|
| Year : 2013-14 | 5,52,220 |
| Year : 2014-15 | 6,15,333 |
| Year : 2015-16 | 1,09,219 |

NOTES FORMING PART OF FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | As At March 31 2012 | As At March 31 2011 |
|---|----------------------------|----------------------------|
| 5 DEFERRED TAX LIABILITY (Net) | | |
| Deferred Tax Liability | | |
| Depreciation on Fixed Assets | 2,84,43,881 | 2,85,70,822 |
| | <u>2,84,43,881</u> | <u>2,85,70,822</u> |
| Deferred Tax Asset | | |
| Expenses disallowed under Sec 43B of the Income Tax Act, 1961 | 21,87,062 | 9,58,017 |
| Carry forward unabsorbed depreciation | 1,11,59,938 | - |
| Provision for doubtful debts | 9,05,235 | 9,11,158 |
| | <u>1,42,52,234</u> | <u>18,69,175</u> |
| Deferred Tax Liability (Net) | <u><u>1,41,91,647</u></u> | <u><u>2,67,01,647</u></u> |
| 6 LONG-TERM PROVISIONS | | |
| Provision for Employee Benefits: | | |
| Leave Encashment (Refer Note 10.1) | 8,06,426 | 4,71,436 |
| | <u>8,06,426</u> | <u>4,71,436</u> |
| 7 SHORT-TERM BORROWINGS | | |
| SECURED | | |
| Loans repayable on demand From Banks | | |
| Cash credit, Packing credit and Payables for Letter of Credit | 14,41,35,055 | 16,68,55,795 |
| (Refer Note 7.1) | <u>14,41,35,055</u> | <u>16,68,55,795</u> |
| UN-SECURED | | |
| (a) Loans and advances from related parties | | |
| Loan from Directors | 52,00,000 | - |
| Loan from Shareholders | 50,00,000 | 25,00,000 |
| Advances from group companies | 5,00,000 | - |
| | <u>1,07,00,000</u> | <u>25,00,000</u> |
| (b) Inter Corporate Deposits | | |
| From Related Party | 22,00,000 | - |
| From Others (Refer Note 7.2) | 60,00,000 | - |
| | <u>82,00,000</u> | <u>-</u> |
| | <u><u>16,30,35,055</u></u> | <u><u>16,93,55,795</u></u> |

7.1 The cash credit, packing credit and payables for letter of credit is secured by way of pari passu first charge on land & buildings including all movable assets, plant and machinery, stores and spares, furniture and fixture, both present and future, excluding vehicles, and a second charge on all the current assets of the Company, both present and future, and personal guarantee of Directors and Promoter Company.

7.2 Amount is guaranteed by Director.

NOTES FORMING PART OF FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | As At March 31 2012 | As At March 31 2011 |
|--|------------------------|------------------------|
| 8 TRADE PAYABLES | | |
| Due to Micro and Small Enterprises (Refer note no. 8.1) | - | - |
| Other than Micro and Small Enterprises | 10,39,97,752 | 12,92,83,793 |
| | <u>10,39,97,752</u> | <u>12,92,83,793</u> |
| 8.1 The Company has not compiled the relevant information from its suppliers under the Micro, Small, Medium Enterprises Development Act, 2006. As 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. | | |
| 9 OTHER CURRENT LIABILITIES | | |
| Current maturities of long-term debt (Secured) | | |
| Term loans from Banks (Refer Note 4.1) | 1,41,21,396 | 1,22,44,084 |
| Vehicle loans from Banks (Refer Note 4.2) | 31,50,112 | 26,08,264 |
| Vehicle loans from other parties (Refer Note 4.2) | 5,48,657 | 2,85,827 |
| | <u>1,78,20,166</u> | <u>1,51,38,175</u> |
| Interest accrued but not due on borrowings | 66,355 | 1,03,562 |
| Interest accrued and due on borrowings | - | 47,982 |
| Unpaid dividends | 2,08,149 | 4,66,477 |
| STATUATORY LIABILITIES | | |
| Tax deduction payable | 12,20,102 | 14,32,350 |
| Sales Tax Payable | 44,671 | 3,78,238 |
| Provident Fund/Esic/Professional tax payable | 7,20,356 | 7,18,163 |
| Excise/Service tax payable | 9,485 | 1,58,781 |
| EMPLOYEE LIABILITIES | | |
| Salaries Payable | 1,10,29,916 | 1,05,72,376 |
| Bonus Payable | 21,84,987 | 24,15,715 |
| Gratuity Payable (Refer Note 25.1) | 53,64,282 | - |
| Outstanding Liabilities | 3,48,865 | 1,51,356 |
| Security Deposit received | 82,70,000 | 88,23,210 |
| Advances received from customer | 1,71,62,886 | 53,10,447 |
| Other Payables | 3,09,44,832 | 67,18,054 |
| | <u>9,53,95,052</u> | <u>5,24,34,886</u> |
| 10 SHORT-TERM PROVISIONS | | |
| Provision for employee benefits: | | |
| Gratuity (Refer Note 25.1) | 1,14,321 | - |
| Leave encashment (Refer Note 10.1) | 36,35,095 | 65,591 |
| Others: | | |
| Provision for taxation | 1,08,31,323 | 62,56,298 |
| (Net of advance tax Rs.1,59,16,523 /-, Previous year Rs. 88,47,702/-) | <u>1,45,80,739</u> | <u>63,21,889</u> |
| 10.1 Details of Provision for Leave Encashment | | |
| Opening Balance - Long Term | 4,71,436 | 21,49,462 |
| Opening Balance - Short Term | 65,591 | - |
| Provision made during the year | 41,39,677 | - |
| Utilisation during the year | (2,35,183) | (16,12,435) |
| Closing Balance - Long Term | 8,06,426 | 4,71,436 |
| Closing Balance - Short Term | 36,35,095 | 65,591 |

SKY INDUSTRIES LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS

Note 11 - FIXED ASSETS

(Amount in Rs.)

| | Gross Block | | | Depreciation | | | | Net Block | | |
|--------------------------|---------------------|---------------------------|----------------------|----------------------|---------------------|--------------------|----------------------|---------------------|----------------------|----------------------|
| | As at April 1, 2011 | Additions during the Year | Deduction | As at March 31, 2012 | Upto April 1, 2011 | For the year | On Deduction | Upto March 31, 2012 | As at March 31, 2012 | As at March 31, 2011 |
| Tangible Assets | | | | | | | | | | |
| Leasehold Land | 83,60,860 | - | - | 83,60,860 | 10,02,408 | 1,02,546 | - | 11,04,954 | 72,55,906 | 73,58,452 |
| Buildings | 4,87,61,048 | - | - | 4,87,61,048 | 1,51,84,616 | 16,33,081 | - | 1,68,17,697 | 3,19,43,351 | 3,35,76,432 |
| Plant & Machinery | 29,02,94,765 | 46,20,179 | 31,29,106 | 29,17,85,838 | 16,44,37,804 | 1,46,55,467 | 3,91,825 | 17,87,01,446 | 11,30,84,392 | 12,58,56,961 |
| Furniture & Fixtures | 53,58,628 | 4,47,631 | - | 58,06,259 | 38,42,651 | 2,91,816 | - | 41,34,467 | 16,71,792 | 15,15,977 |
| Vehicles | 1,77,48,885 | 30,04,878 | 29,46,329 | 1,78,07,434 | 34,57,100 | 16,74,911 | 14,92,295 | 36,39,716 | 1,41,67,718 | 1,42,91,785 |
| Office Equipment | 58,51,821 | 1,68,136 | - | 60,19,957 | 34,96,488 | 2,05,771 | - | 37,02,259 | 23,17,698 | 23,55,333 |
| Computers | 62,03,482 | 6,60,478 | - | 68,63,960 | 50,22,458 | 4,29,147 | - | 54,51,605 | 14,12,355 | 11,81,024 |
| Sub-total | 38,25,79,489 | 89,01,302 | 60,75,435 | 38,54,05,356 | 19,64,43,525 | 1,89,92,739 | 18,84,120 | 21,35,52,144 | 17,18,53,212 | 18,61,35,964 |
| <i>Previous Year</i> | <i>36,73,19,887</i> | <i>8,21,83,456</i> | <i>(6,69,23,854)</i> | <i>38,25,79,489</i> | <i>19,35,49,623</i> | <i>2,15,82,737</i> | <i>(1,86,88,835)</i> | <i>19,64,43,525</i> | <i>18,61,35,964</i> | <i>-</i> |
| Intangible Assets | | | | | | | | | | |
| Computer software | 7,04,945 | 20,00,342 | - | 27,05,287 | 5,87,628 | 4,43,104 | - | 10,30,732 | 16,74,555 | 1,17,317 |
| Sub-total | 7,04,945 | 20,00,342 | - | 27,05,287 | 5,87,628 | 4,43,104 | - | 10,30,732 | 16,74,555 | 1,17,317 |
| <i>Previous Year</i> | <i>6,20,554</i> | <i>84,391</i> | <i>-</i> | <i>7,04,945</i> | <i>5,27,650</i> | <i>59,978</i> | <i>-</i> | <i>5,87,628</i> | <i>1,17,317</i> | <i>-</i> |
| Total | 38,32,84,434 | 1,09,01,644 | 60,75,435 | 38,81,10,643 | 19,70,31,153 | 1,94,35,843 | 18,84,120 | 21,45,82,876 | 17,35,27,767 | 18,62,53,281 |
| Capital Work in Progress | | | | | | | | | 43,36,435 | 15,90,155 |
| Assets Held for Disposal | | | | | | | | | 78,842 | - |
| | | | | | | | | | 17,79,43,044 | 18,78,43,436 |

NOTES FORMING PART OF FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | As At March 31 2012 | As At March 31 2011 |
|--|-----------------------------|-----------------------------|
| 12 NON-CURRENT INVESTMENTS | | |
| Unquoted, Trade Investments | | |
| In Government or Trust securities : | | |
| National Savings Certificate | - | 5,000 |
| (Previous year 50 units of Rs.100/- each in National Savings Certificate (Lodged with Government Departments as Security Deposit) | <u> </u> | <u> </u> |
| | - | 5,000 |
| In Equity Shares : | | |
| In Subsidiary Companies : | | |
| - 80,000 (Previous year 80,000) Equity shares of US\$ 1/- each, fully paid up in Skay Inc., U.S.A (Refer Note 12.1) | 35,60,515 | 35,60,515 |
| - 14,78,770 (Previous year 14,78,770) Equity shares of Rs. 10/- each, fully paid up in Sky Hemmay Pvt Ltd | 1,47,87,700 | 1,47,87,700 |
| - 2,59,999 (Previous year 2,59,999) Equity shares of Rs. 10/- each, fully paid up in SK Stabel Industries Pvt Ltd | 28,59,989 | 28,59,989 |
| | <u>2,12,08,204</u> | <u>2,12,08,204</u> |
| In Others : | | |
| - 50,000 (Previous year 50,000) Equity shares of Rs.10/- each, fully paid in Dombivali Nagari Sahakari Bank Ltd. | 5,00,010 | 5,00,010 |
| - 105 (Previous year 105) Equity shares of Rs. 10/ each, fully paid in Janakalyan Sahakari Bank Ltd. | 1,100 | 1,100 |
| | <u>5,01,110</u> | <u>5,01,110</u> |
| | <u>2,17,09,314</u> | <u>2,17,14,314</u> |

12.1 The Company's equity investment in Skay Inc, USA is carried at cost. The diminution in the value of the investment is considered to be temporary in nature, in view of the Company's long term financial involvement in that Company. No Provision is therefore considered necessary in the amounts for diminution in the value of this investment.

13 LONG-TERM LOANS AND ADVANCES

Unsecured, considered good

| | | |
|--|--------------------|--------------------|
| Capital Advances | 9,05,000 | 9,09,500 |
| Security Deposits | 55,84,411 | 70,72,353 |
| Advance Tax and Tax Deducted at Source (Refer Note 13.1) | 34,47,624 | 36,14,376 |
| Balance with Government Authorities | 1,53,79,212 | 91,30,121 |
| | <u>2,53,16,247</u> | <u>2,07,26,350</u> |

13.1 Net of provisions for Tax Rs.1,80,000/-, Previous year Rs. 76,05,000/-

NOTES FORMING PART OF FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | As At March 31 2012 | As At March 31 2011 |
|--|------------------------|------------------------|
| 14 OTHER NON-CURRENT ASSETS | | |
| a. Trade receivables | | |
| Unsecured | | |
| Trade receivables outstanding for a period more than six months from the date they are due for payment | 26,94,940 | 28,02,191 |
| Less: Provision for doubtful debts | (26,94,940) | (28,02,191) |
| | <u>-</u> | <u>-</u> |
| b. Others | | |
| Loan to Staff | 17,000 | 1,78,800 |
| Prepaid Expenses | 9,000 | - |
| | <u>26,000</u> | <u>1,78,800</u> |
| 15 INVENTORIES | | |
| a. Raw Materials | 3,88,15,401 | 6,93,79,719 |
| b. Raw Materials - In transit | 60,22,398 | 1,02,18,964 |
| c. Work-in-progress | 3,67,97,152 | 3,48,51,213 |
| d. Packing Material | 32,03,807 | 16,32,264 |
| e. Finished goods | | |
| - Manufactured | 8,74,16,044 | 7,44,66,267 |
| - Traded Goods | 1,21,08,910 | 98,74,267 |
| | <u>18,43,63,712</u> | <u>20,04,22,694</u> |
| 16 TRADE RECEIVABLES | | |
| Unsecured, considered good | | |
| Trade receivables outstanding for a period more than six months from the date they are due for payment | 1,69,47,971 | 1,97,14,484 |
| Others | 7,50,16,300 | 9,72,71,216 |
| | <u>9,19,64,272</u> | <u>11,69,85,700</u> |
| 17 CASH AND CASH EQUIVALENTS | | |
| a. Balances with banks : | | |
| Earmarked Balances (Refer Note 17.1) | 2,08,149 | 4,66,477 |
| Balance in Deposit account held as Margin | 61,39,942 | 92,12,217 |
| Balance in Current account | 9,04,945 | 19,28,941 |
| b. Cash on hand | | |
| | 3,41,644 | 1,94,840 |
| | <u>75,94,680</u> | <u>1,18,02,475</u> |

17.1 Indicates earmarked balance for distribution of unpaid dividend

NOTES FORMING PART OF FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | As At March 31 2012 | As At March 31 2011 |
|--|--------------------------------------|--------------------------------------|
| 18 SHORT-TERM LOANS AND ADVANCES | | |
| Deposits (Refer Note 18.1) | 1,73,52,352 | 1,57,94,802 |
| Balance with Government Authorities | - | 12,43,410 |
| Staff advances | 18,70,614 | 25,40,840 |
| Other advances | - | 1,00,175 |
| Prepaid expenses | 6,65,658 | 9,82,108 |
| Advances to suppliers | 28,46,739 | 37,60,242 |
| Less: Provision for doubtful advances | (1,01,219) | - |
| | <u>2,26,34,144</u> | <u>2,44,21,577</u> |
| 18.1 Includes deposits to Private Company in which director is a member or Director | 1,47,20,000 | 1,47,20,000 |
| 19 OTHER CURRENT ASSETS | | |
| Interest receivables | 2,13,846 | 2,08,739 |
| Receivable on sale of Fixed Assets (Refer Note 19.1) | 4,31,24,040 | 4,41,60,854 |
| Other receivables (Refer Note 19.2) | 33,97,196 | 45,65,757 |
| DEPB licences | 12,64,015 | 10,17,823 |
| | <u>4,79,99,097</u> | <u>4,99,53,173</u> |
| 19.1 Includes Rs. 4,29,18,540/-, <i>Previous year</i> Rs. 4,29,18,540/- receivable from a subsidiary Company | | |
| 19.2 Includes Rs. 32,10,785/-, <i>Previous year</i> Rs. 44,02,307/- receivable from subsidiaries/group Companies. | | |
| | Year Ended March 31, 2012 | Year Ended March 31, 2011 |
| 20 REVENUE FROM OPERATIONS | | |
| Sale of Products (Gross) (Refer Note.No 20.1) | 79,88,17,506 | 77,36,83,680 |
| Less: Excise Duty | 3,46,166 | 72,137 |
| | <u>79,84,71,340</u> | <u>77,36,11,543</u> |
| Sale of Services | 79,35,530 | 1,10,55,135 |
| | <u>80,64,06,870</u> | <u>78,46,66,678</u> |
| OTHER OPERATING INCOME | | |
| Freight recovered | 30,69,058 | 53,33,196 |
| Sale of scrap | 52,79,878 | 33,80,238 |
| Octroi charges collected | 11,39,812 | - |
| Other Charges Recovered | 1,05,651 | - |
| Export Incentives | 1,93,797 | - |
| | <u>97,88,196</u> | <u>87,13,433</u> |
| | <u>81,61,95,066</u> | <u>79,33,80,111</u> |

NOTES FORMING PART OF FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | Year Ended March 31, 2012 | Year Ended March 31, 2011 |
|--|------------------------------|------------------------------|
| 20.1 Sale of Products (Net) | | |
| Manufactured : | | |
| Hook & Loop Tape Fasteners | 50,40,63,775 | 52,51,09,775 |
| Elastic Tapes | 11,72,99,500 | 12,41,04,083 |
| Cordy Tex | 12,68,32,968 | 7,41,39,675 |
| | <u>74,81,96,243</u> | <u>72,33,53,533</u> |
| Traded : | | |
| Fibre glass Insect Screen | 2,66,69,659 | 1,97,03,898 |
| Knit Loop fabrics | 64,80,738 | - |
| Aluminium wire Mesh | 26,88,502 | - |
| Others | 1,44,36,198 | 3,05,54,112 |
| | <u>5,02,75,097</u> | <u>5,02,58,010</u> |
| | <u>79,84,71,340</u> | <u>77,36,11,543</u> |
| 21 OTHER INCOME | | |
| Service Contract charges | 1,57,45,320 | 1,37,68,717 |
| Interest Income | 6,19,130 | 4,86,889 |
| Dividend Income | 8,14,985 | 75,600 |
| Machine Hire Receipt | - | 21,60,000 |
| Net gain on foreign currency transaction and translation | - | 31,75,587 |
| Insurance claim received | 8,380 | 43,216 |
| Excess Provision write back | 6,032 | 14,94,809 |
| Miscellaneous income | 56,390 | 99,037 |
| | <u>1,72,50,237</u> | <u>2,13,03,856</u> |
| 22 COST OF MATERIAL CONSUMED | | |
| Opening Stock : | | |
| Raw Materials | 7,10,11,983 | 4,46,95,975 |
| Raw Materials in Transit | 1,02,18,964 | 64,13,525 |
| | <u>8,12,30,947</u> | <u>5,11,09,500</u> |
| Add: Purchases | 47,55,23,174 | 53,19,24,736 |
| | <u>55,67,54,121</u> | <u>58,30,34,236</u> |
| Less: Closing Stock : | | |
| Raw Materials | 4,20,19,208 | 7,10,11,983 |
| Raw Materials in Transit | 60,22,398 | 1,02,18,964 |
| | <u>4,80,41,606</u> | <u>8,12,30,947</u> |
| | <u>50,87,12,515</u> | <u>50,18,03,289</u> |
| 22.1 Value of Raw Material Consumed | | |
| Yarn | 30,41,59,254 | 29,68,66,247 |
| Rubber Thread | 3,22,30,285 | 2,42,45,693 |
| Hook & Loop - Semifinished | 9,06,94,099 | 7,77,09,376 |
| Resins & Chemicals | 3,69,85,808 | 3,78,96,465 |
| Others | 4,46,43,069 | 6,50,85,508 |
| | <u>50,87,12,515</u> | <u>50,18,03,289</u> |

NOTES FORMING PART OF FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | Year Ended March 31, 2012 | Year Ended March 31, 2011 |
|------|------------------------------|------------------------------|
|------|------------------------------|------------------------------|

22.2 Value of Raw Material Consumed

| | <u>Year Ended March 31, 2012</u> | | <u>Year Ended March 31, 2011</u> | |
|--------------------------|----------------------------------|---------------------|----------------------------------|---------------------|
| | Percentage | Amount | Percentage | Amount |
| Imported Raw Materials | 44.56 | 22,66,66,542 | 51.87 | 26,02,81,621 |
| Indigenous Raw Materials | 55.44 | 28,20,45,973 | 48.13 | 24,15,21,668 |
| | <u>100.00</u> | <u>50,87,12,515</u> | <u>100.00</u> | <u>50,18,03,289</u> |

23 PURCHASE OF TRADED GOODS

| | | |
|---------------------------|--------------------|--------------------|
| Fibre glass Insect Screen | 1,89,66,795 | 1,75,53,770 |
| Knit Loop fabrics | 82,29,331 | 46,50,528 |
| Aluminium wire Mesh | 44,26,915 | - |
| Others | 84,82,170 | 2,60,96,073 |
| | <u>4,01,05,211</u> | <u>4,83,00,371</u> |

23.1 Value of Traded Goods Purchased

| | <u>Year Ended March 31, 2012</u> | | <u>Year Ended March 31, 2011</u> | |
|----------------------|----------------------------------|--------------------|----------------------------------|--------------------|
| | Percentage | Amount | Percentage | Amount |
| Imported Purchases | 80.48 | 3,22,74,890 | 85.52 | 4,13,05,932 |
| Indigenous Purchases | 19.52 | 78,30,321 | 14.48 | 69,94,439 |
| | <u>100.00</u> | <u>4,01,05,211</u> | <u>100.00</u> | <u>4,83,00,371</u> |

24 CHANGES IN INVENTORY OF FINISHED GOODS, WORK-IN-PROGRESS TRADED GOODS

| | | |
|--------------------------|----------------------|----------------------|
| <u>Opening Inventory</u> | | |
| Finished Goods | | |
| Manufactured | 7,44,66,267 | 1,97,18,941 |
| Trading | 98,74,267 | 71,88,297 |
| | <u>8,43,40,534</u> | <u>2,69,07,238</u> |
| Work-In-Progress | 3,48,51,213 | 2,83,52,138 |
| | <u>11,91,91,747</u> | <u>5,52,59,376</u> |
| <u>Closing Inventory</u> | | |
| Finished Goods | | |
| Manufactured | 8,74,16,044 | 7,44,66,267 |
| Trading | 1,21,08,910 | 98,74,267 |
| | <u>9,95,24,954</u> | <u>8,43,40,534</u> |
| Work-In-Progress | 3,67,97,152 | 3,48,51,213 |
| | <u>13,63,22,106</u> | <u>11,91,91,747</u> |
| | <u>(1,71,30,359)</u> | <u>(6,39,32,371)</u> |

NOTES FORMING PART OF FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | Year Ended March 31, 2012 | Year Ended March 31, 2011 |
|---|------------------------------|------------------------------|
| 25 EMPLOYEE BENEFITS EXPENSE | | |
| Salaries and incentives (Refer Note No.25.1-I) | 12,15,43,904 | 9,60,76,356 |
| Contributions to Provident fund & other funds (Refer Note No.25.1-II) | 43,22,196 | 42,71,413 |
| Staff welfare expenses | 48,75,369 | 50,61,119 |
| | 13,07,41,469 | 10,54,08,888 |

25.1 EMPLOYEE BENEFITS

I. Defined Benefit Plans:

Contribution to Gratuity Fund

The Company makes annual contributions to the Employee's Group Gratuity-cum-Life assurance scheme of Life Insurance Corporation of India, a funded defined benefit plan for qualifying 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.

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 2012:

| | Year ended March,31 2012 | Year ended March, 31 2011 |
|--|-----------------------------|------------------------------|
| Changes in present value of obligations | | |
| Opening balance | (18,01,924) | 72,21,055 |
| Current service Cost | 16,42,549 | 6,93,588 |
| Interest Cost | 4,59,966 | 5,77,684 |
| Benefits Paid | (8,00,632) | (5,40,513) |
| Changes in Fair Value of Plan assets | | |
| Opening balance | 71,92,289 | 65,17,530 |
| Expected return on plan assets | 5,46,839 | 5,91,251 |
| Contributions by Employer | 2,87,017 | 6,24,021 |
| Benefits paid | (8,00,632) | (5,40,513) |
| Actuarial gain/(loss) on plan assets | 78,494 | - |
| Closing balance | 73,04,007 | 71,92,289 |

NOTES FORMING PART OF FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | Year Ended March 31, 2012 | Year Ended March 31, 2011 |
|---|------------------------------|------------------------------|
| Actual Return on Plan Asset | | |
| Expected return on plan assets | 5,46,839 | 5,91,251 |
| Acturial (gain)/loss on plan assets | - | - |
| Actual return on plan assets | <u>5,46,839</u> | <u>5,91,251</u> |
| Amount Recognised in the Balance sheet | | |
| Liability at the end of the year | 53,30,837 | (18,01,924) |
| Fair Value of plan assets at the end of the year | 73,04,007 | 71,92,289 |
| Amount Recognised in the Balance Sheet | <u>(19,73,170)</u> | <u>(89,94,213)</u> |
| Net gratuity cost for the year | | |
| Current Service Cost | 16,42,549 | 6,93,588 |
| Interest Cost | 4,59,966 | 5,77,684 |
| Expected return on plan assets | (5,46,839) | (5,91,251) |
| Net Actuarial (gain)/loss to be recognised | 52,52,343 | (18,01,924) |
| Net gratuity cost | <u>68,08,019</u> | <u>(11,21,903)</u> |
| Balance Sheet Recognition | | |
| Opening net liability * | (10,42,399) | - |
| Expenses as above | 68,08,019 | (11,21,903) |
| Employer's Contribution | (2,87,017) | (6,24,021) |
| Closing Net liability | <u>54,78,603</u> | <u>(17,45,924)</u> |
| Acturial Assumptions | | |
| Discount Rate (p.a.) | 8.00 | 8.00 |
| Rate of return on plan assets | 8.00 | 9.15 |
| Salary escalation rate (p.a.) | 3.00 | 4.00 |
| * Includes actuarial valuation difference between opening and closing balance of Rs. 7,03,525/- | | |
| II. Defined Contribution Plans: | | |
| The Company has recognised the following amount as an expenses and included in the Note No-25 " Contribution to Provident and Other Funds : | | |
| Contribution to Employee Providend Fund | 27,22,584 | 27,10,884 |
| Contribution to Employee State Insurance | 15,86,328 | 15,47,533 |
| Contribution to Maharashtra Labour Welfare Fund | 13,284 | 12,996 |
| | <u>43,22,196</u> | <u>42,71,413</u> |

NOTES FORMING PART OF FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | Year Ended March 31, 2012 | Year Ended March 31, 2011 |
|--|------------------------------|------------------------------|
| 26 FINANCE COST | | |
| Interest Expense on Loan from Bank: | | |
| Term Loan | 93,22,572 | 58,71,126 |
| Vehicle Loan | 5,33,405 | 6,91,198 |
| Working Capital Loan | 1,82,35,866 | 1,27,03,554 |
| Interest Expense on Loan from Others: | | |
| Vehicle Loan | 43,688 | 61,536 |
| Shareholders Loan | 7,21,920 | 1,15,069 |
| Inter Corporate Deposit | 4,09,068 | - |
| Interest on Delayed Payment to Creditors | 25,77,538 | 19,13,841 |
| | <u>3,18,44,056</u> | <u>2,13,56,324</u> |
| 27 OTHER EXPENSES | | |
| Consumption of stores and spare parts (Refer Note 27.1) | 1,09,30,468 | 1,19,89,966 |
| Labour Charges | 1,06,04,003 | 2,88,70,525 |
| Power and Fuel | 3,56,37,849 | 2,94,37,896 |
| Rent | 2,40,62,600 | 2,20,93,232 |
| Repairs and Maintenance : | | |
| Building | 2,08,273 | 19,70,291 |
| Machinery | 20,86,157 | 30,24,231 |
| Others | 50,01,889 | 53,11,052 |
| Insurance | 14,41,709 | 11,03,068 |
| Rates and Taxes | 17,69,513 | 32,93,852 |
| Net loss on foreign currency transaction and translation | 68,93,431 | - |
| Legal and Professional | 34,94,363 | 53,99,684 |
| Auditors Remuneration : | | |
| (a) Auditor | | |
| Audit Fees | 5,00,000 | 5,00,000 |
| Audit under other statutes | 50,000 | 50,000 |
| Certification | 1,500 | - |
| (b) Taxation Matters | 74,000 | 61,000 |
| (c) Reimbursement of Expenses | 6,947 | 9,536 |
| | <u>6,32,447</u> | <u>6,20,536</u> |
| Advertisement & Business, Sales Promotion | 10,54,201 | 31,74,685 |
| Freight, Cartage and Forwarding Expenses | 2,18,76,541 | 1,93,23,267 |
| Travelling & Other Conveyance | 80,32,951 | 75,73,842 |
| Commission | 85,34,281 | 82,36,869 |
| Postage, Telegram, Telephone & Courier | 45,35,339 | 43,46,845 |
| Printing & Stationery | 23,56,239 | 27,42,042 |
| Provision for doubtful debts | - | 4,53,906 |
| Bad Debts written off | 2,59,265 | 5,45,310 |
| Loss on sale/Impairment of assets | 29,46,546 | 34,70,616 |
| Discount - Scheme | 26,12,178 | 42,28,160 |
| Miscellaneous Balance Written off | 15,01,860 | 10,46,602 |
| Octroi Charges | 12,08,979 | 16,20,103 |
| Miscellaneous expenses | 1,64,71,715 | 1,56,19,871 |
| | <u>17,41,52,795</u> | <u>18,54,96,451</u> |

27.1 Value of Stores & Spares Consumed

| | <u>Year Ended March 31, 2012</u> | | <u>Year Ended March 31, 2011</u> | |
|----------------------------|----------------------------------|--------------------|----------------------------------|--------------------|
| | Percentage | Amount | Percentage | Amount |
| Imported Stores & Spares | 32.99 | 36,05,984 | 26.58 | 31,86,468 |
| Indegenous Stores & Spares | 67.01 | 73,24,484 | 73.42 | 88,03,498 |
| | <u>100.00</u> | <u>1,09,30,468</u> | <u>100.00</u> | <u>1,19,89,966</u> |

NOTES FORMING PART OF FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | Year Ended March 31, 2012 | Year Ended March 31, 2011 |
|--|------------------------------|------------------------------|
| 28 EARNINGS PER SHARE | | |
| Loss attributable to Equity shareholders | (4,72,49,549) | (72,21,700) |
| Weighted average number of Equity shares outstanding (Nominal value of Shares Rs. 10) | 39,76,400 | 39,76,400 |
| Earnings per share (Basic & Diluted) in Rs. | (11.88) | (1.82) |
| 29 PRIOR PERIOD EXPENSES | | |
| During the year the company has accounted expenditure relating to Prior period in its Statement of Profit & Loss, bifurcation of such expenses is as under : | | |
| Interest to others | 4,49,813 | 4,80,304 |
| Salaries, Wages & Bonus : | | - |
| - Gratuity | 18,19,647 | - |
| - Retainership Charges | 3,84,132 | - |
| Labour charges | - | 10,393 |
| Purchases of Rawmaterials | - | 1,50,594 |
| Other Sundry expenses | 750 | 76,606 |
| Professional & other fees | 43,819 | 15,000 |
| Advertisement & Business promotion | - | 4,700 |
| Rent | 6,640 | - |
| Stores & Spares | 43,690 | - |
| Travelling & other Conveyance | 26,892 | - |
| Postage, Telegram & Telephone | 22,699 | 1,161 |
| Printing & stationery | 15,543 | - |
| Power & Fuel | - | 2,500 |
| Depreciation | - | (4,000) |
| Repairs & Maintenance - Others | 3,750 | - |
| Freight, Cartage & Forwarding Expenses | 85,498 | 31,180 |
| | <u>29,02,873</u> | <u>7,68,439</u> |
| 30 CONTINGENT LIABILITIES NOT PROVIDED IN RESPECT OF : | | |
| a) Guarantees given by the Company's banker against counter guarantee given by the company | 7,38,500 | 1,63,500 |
| b) Guarantees given by the Company's banker on behalf of subsidiary, against counter guarantee given by the Company. | 2,50,00,000 | 1,20,00,000 |
| c) Income tax demand disputed by the Company | 1,14,896 | 90,000 |
| d) Cess Demand from Deputy Commissioner of Navi Mumbai Municipal Corporation | 36,83,521 | 36,83,521 |
| e) Bills Discounted with Banks | 10,66,619 | 47,97,791 |
| f) Sales tax demands pending with Commissionerate and disputed by the company | 33,33,901 | - |

NOTES FORMING PART OF FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | Year Ended March 31, 2012 | Year Ended March 31, 2011 |
|---|------------------------------|------------------------------|
| 31 VALUE OF IMPORT ON CIF BASIS : | | |
| (i) Raw Materials & Trading goods | 22,06,94,877 | 26,02,81,621 |
| (ii) Stores & Spares | 27,68,033 | 31,86,468 |
| (iii) Capital Goods | 33,83,867 | 30,19,930 |
| | 22,68,46,776 | 26,64,88,019 |
| 32 EXPENDITURE IN FOREIGN CURRENCY | | |
| (i) Commission on Exports | 49,48,153 | 61,95,567 |
| (ii) Foreign Travel | 4,13,627 | 6,92,119 |
| (iii) Testing Expenses | - | 6,23,296 |
| | 53,61,780 | 75,10,982 |
| 33 EARNING IN FOREIGN CURRENCY | | |
| (i) FOB value of Exports | 14,06,26,666 | 16,48,22,698 |
| (ii) Insurance on Exports | 59,187 | 78,053 |
| (iii) Freight on Exports | 28,81,308 | 29,58,626 |
| (iv) Other charges | 95,855 | 92,945 |
| | 14,36,63,016 | 16,79,52,322 |

34 DISCLOSURES FOR FOREIGN CURRENCY TRANSACTIONS :

The Foreign Currency exposures that have not been hedged by any derivative instrument or otherwise are:

| | <u>As at 31st March 2012</u> | | <u>As at 31st March 2011</u> | |
|----------------------------|------------------------------|----------------|------------------------------|----------------|
| | Foreign Currency | INR Equivalent | Foreign Currency | INR Equivalent |
| <u>Secured Loans</u> | | | | |
| USD | 4,48,881 | 2,30,73,543 | 10,25,809 | 4,58,02,354 |
| <u>Current Liabilities</u> | | | | |
| USD | 7,81,887 | 3,99,98,580 | 7,17,009 | 3,20,14,455 |
| EURO | 41,672 | 28,47,866 | 15,535 | 9,82,200 |
| GBP | 9,391 | 7,87,882 | - | - |
| <u>Current Assets</u> | | | | |
| USD | 6,70,041 | 3,42,76,958 | 2,84,780 | 1,27,15,442 |
| EURO | 70,683 | 48,30,527 | 30,371 | 19,20,223 |
| GBP | 9,326 | 7,73,125 | 225 | 16,202 |

NOTES FORMING PART OF FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | As At March 31 2012 | As At March 31 2011 |
|------|------------------------|------------------------|
|------|------------------------|------------------------|

35 SEGMENT REPORTING

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

36 RELATED PARTY DISCLOSURE :

(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

SK Stabel Industries Private Limited (wholly owned subsidiary)

iii. Key management personnel/persons exercising significant influence & their relatives:

Mr. Nitin K. Motani

Mr. Shailesh S. Shah

Mr. Saurabh K. Motani

Mr. Sharad S Shah

Mr. Maikal Raorani

iv. Enterprises over which Key management personnel exercise significant influence.

S.K. Exports

S.K. Silks

Shamots International

S.K.Overseas

SK Enertek Private Limited

Jask Invogue Private Ltd.

NOTES FORMING PART OF FINANCIAL STATEMENTS

(Amount in Rs.)

- b) The following transactions were carried out with the related parties in the ordinary course of business :
 (i) Details relating to parties referred to in items (i) (ii) (iii) and (iv) above :

| Transactions | Shareholder with a substantial interest in voting power (i) | Subsidiaries (ii) | Key managerial personnel/persons exercising significant influence & their relatives (iii) | Enterprises over which Keymanagement personnel exercising significant influence (iv) |
|---|--|---------------------------------|---|--|
| Sales | - | 10,55,002 | - | 3,52,85,381 |
| | - | - | - | (2,28,32,156) |
| Service Charges Received | - | 22,30,884 | - | 1,35,14,436 |
| | - | (22,67,202) | - | (1,15,01,515) |
| Hire Charges Received | - | - | - | - |
| | - | - | - | (21,60,000) |
| Purchases | - | 1,79,343 | - | 8,63,732 |
| | - | (3,44,500) | - | (62,28,798) |
| Labour Receipts | - | - | - | - |
| | - | - | - | (5,14,242) |
| Remuneration | - | - | 1,01,40,000 | - |
| | - | - | (1,05,60,000) | - |
| Rent | 1,08,65,366 | - | - | - |
| | (1,20,00,000) | - | - | - |
| Repairs & Maintenance (P&M) | - | - | - | 1,05,206 |
| | - | - | - | (2,79,389) |
| Repairs & Maintenance (others) | - | - | - | 15,824 |
| | - | - | - | (58,228) |
| Commission | - | 49,48,153 | - | - |
| | - | (60,90,639) | - | - |
| Labour Charges | - | - | - | 33,090 |
| | - | - | - | - |
| Sale of Fixed Assets | - | - | - | - |
| | - | (4,29,18,540) | - | - |
| Purchase of Fixed Assets | - | - | - | 30,03,743 |
| | - | - | - | (57,75,102) |
| Purchase of Shares | - | - | - | - |
| | (28,59,989) | - | - | - |
| Advances taken | - | - | - | 18,00,000 |
| | - | - | - | (20,00,000) |
| Balances Outstanding | (42,68,983) | 5,39,87,708 | (23,57,953) | (2,18,07,691) |
| | (1,84,79,989) | (5,55,46,455) | (11,24,837) | (47,14,606) |
| Guarantees given, outstanding at the year end | - | 2,50,00,000 | - | - |
| | - | (1,20,00,000) | - | - |

NOTES FORMING PART OF FINANCIAL STATEMENTS

(Amount in Rs.)

c) (i) Significant transactions with related parties in respect of Item A(ii) and A(iii):

| Transactions during the year | <u>Item A(ii)</u> | | <u>Item A(iii)</u> | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | Year Ended March 31, 2012 | Year Ended March 31, 2011 | Year Ended March 31, 2012 | Year Ended March 31, 2011 |
| <u>Sales</u> | | | | |
| Sky Hemmay Pvt. Ltd. | 28,500 | - | | |
| S.K. Stabel Ind Pvt Ltd | 10,26,502 | - | | |
| <u>Service Charges Received</u> | | | | |
| Sky Hemmay Pvt. Ltd. | 18,10,045 | 16,28,402 | - | - |
| S.K. Stabel Ind Pvt Ltd | 4,20,839 | 6,38,800 | - | - |
| <u>Purchases</u> | | | | |
| Sky Hemmay Pvt Ltd | 85,158 | 3,44,500 | - | - |
| S.K. Stabel Ind Pvt Ltd | 94,185 | - | - | - |
| <u>Remuneration</u> | | | | |
| Nitin K. Motani | - | - | 24,00,000 | 28,20,000 |
| Shailesh S. Shah | - | - | 23,40,000 | 23,40,000 |
| Saurabh K. Motani | - | - | 18,60,000 | 18,60,000 |
| Sharad S. Shah | - | - | 23,40,000 | 23,40,000 |
| Maikal Raorani | - | - | 12,00,000 | 12,00,000 |
| <u>Commission</u> | | | | |
| Skay Inc. , USA | 49,48,153 | 60,90,639 | - | - |
| <u>Sale of Fixed Assets</u> | | | | |
| S.K.Stabel Ind Pvt Ltd | - | 4,29,18,540 | - | - |
| <u>Balances Outstanding</u> | | | | |
| Skay Inc. , USA | (8,35,029) | (16,45,519) | - | - |
| Sky Hemmay Pvt. Ltd. | 27,37,014 | 31,82,094 | - | - |
| S.K.Stabel Ind Pvt Ltd | 5,20,85,723 | 5,40,09,880 | - | - |
| Shailesh S Shah | - | - | (5,63,737) | (1,55,000) |
| Nitin K Motani | - | - | (5,44,001) | (3,80,000) |
| Saurabh K Motani | - | - | (6,97,414) | (3,44,537) |
| Sharad S Shah | - | - | (4,56,461) | (1,55,000) |
| Maikal Raorani | - | - | (96,340) | (90,300) |
| <u>Guarantees given, outstanding at the year end</u> | | | | |
| Sky Hemmay Pvt. Ltd. | 2,50,00,000 | 1,20,00,000 | - | - |

NOTES FORMING PART OF FINANCIAL STATEMENTS

(Amount in Rs.)

c) (ii) Significant transactions with related parties in respect of Item A(iv)

| Transactions during the year | Item A(iv) | |
|---|---------------------------|---------------------------|
| | Year Ended March 31, 2012 | Year Ended March 31, 2011 |
| <u>Sales</u> | | |
| S.K.Exports | 3,52,76,348 | 2,28,32,156 |
| Shamots International | 9,033 | - |
| <u>Service Charges Received</u> | | |
| S.K. Silks | 2,72,400 | 2,72,400 |
| S.K. Overseas | 8,18,830 | 13,41,824 |
| S.K. Exports | 1,04,28,624 | 77,73,327 |
| Shamots International | 19,71,764 | 19,39,052 |
| Jask Invogue | 22,818 | 1,74,912 |
| <u>Hire Charges Recd.</u> | | |
| S.K. Stabel Ind Pvt Ltd | - | 21,60,000 |
| <u>Purchases</u> | | |
| S.K. Overseas | 1,01,710 | 49,537 |
| S.K. Ultratech Machines Pvt Ltd | 2,38,501 | - |
| S.K. Exports | 4,01,759 | 46,34,971 |
| Shamots International | 1,21,762 | 15,44,290 |
| <u>Labour Charges</u> | | |
| Shamots International | 33,090 | 5,14,342 |
| <u>Repairs & Maintenance (P&M)</u> | | |
| Shamots International | 56,162 | 48,314 |
| S.K. Overseas | 49,044 | 2,31,075 |
| <u>Repairs & Maintenance (Others)</u> | | |
| S.K.Overseas | 7,000 | 5,586 |
| Shamots International | 8,824 | 52,642 |
| <u>Purchase of Fixed Assets</u> | | |
| Shamots International | 28,34,123 | 55,53,312 |
| S.K. Overseas | 1,69,620 | 2,21,790 |
| <u>Advances taken</u> | | |
| S.K. Exports | 18,00,000 | 20,00,000 |
| <u>Balances Outstanding</u> | | |
| Shamots International | (39,07,983) | (32,95,533) |
| S.K. Overseas | (10,64,279) | (70,701) |
| S.K. Exports | (1,72,08,960) | (17,21,774) |
| S.K. Silks | 73,611 | 98,148 |
| Jask Invogue Pvt. Limited | 2,99,920 | 2,75,254 |

NOTES FORMING PART OF FINANCIAL STATEMENTS

(Amount in Rs.)

Note

37 DISCLOSURE UNDER ACCOUNTING STANDARD 19 - LEASES

The Company's significant leasing arrangements are in respect of operating leases for premises occupied by the Company. The aggregate lease rentals payable by the Company are charged to Statement of Profit and Loss as Rent .(Refer Note 27)

The future minimum lease rentals payable under non-cancelable operating leases is as follows :

| | Year Ended March 31, 2012 | Year Ended March 31, 2011 |
|---|--------------------------------------|--------------------------------------|
| i) Not Later than One year | 2,15,84,016 | 95,99,537 |
| ii) Later than one Year and not later than Five years | 88,18,265 | 42,23,700 |
| iii) Later than 5 years | - | - |

38 Balances of Trade Receivables, Trade Payables and Loans & Advances are subject to confirmation/reconciliation. Adjustments, if any, will be accounted for on confirmation/reconciliation of the same, which will not have a material impact.

39 During the year under review, the company has suffered loss of production due to labour strike declared on 25.12.2011 at one of it's manufacturing plant situated at Navi Mumbai. Efforts are underway to resolve the disputed matter with the labour union. In the mean time company has initiated efforts to source the required material to fulfil the contractual commitments.

40 The financial statements for the year ended March 31, 2011 had been prepared as per then applicable pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended March 31, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year's figures have also been reclassified to conform to this year's classifications. The adoption of Revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements except for the accounting for dividend on investments in subsidiaries.

As per our Report of even date

For and on behalf of the Board of Directors

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,
Dated: June 26, 2012

SKY INDUSTRIES LIMITED

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

| | | |
|---|---|--|
| Name of the Subsidiary | : | Skay Inc |
| Financial year of the subsidiary | : | 1 st April 2011 to 31 st March 2012 |
| Holding Company | : | Sky Industries Ltd |
| Extent of Holding companies interest | : | 100% |
| Face Value of equity shares | : | USD 1 |
| Number of equity shares held by the company And/or its subsidiary | : | 80,000 |
| 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 7,815. for the previous financial years of the subsidiary since it became a subsidiary (USD 75,634) (Loss). |

| | | |
|--|---|--|
| 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 the subsidiary-NA for the previous year of the subsidiary since it became a subsidiary-NA. |
|--|---|--|

| | | |
|---|---|--|
| Name of the Subsidiary | : | S K Stabel Industries Pvt Ltd. |
| Financial year of the subsidiary | : | 1 st April 2011 to 31 st March 2012 |
| Holding Company | : | Sky Industries Ltd |
| Extent of Holding companies interest | : | 100% |
| Face Value of equity shares | : | Rs.10/= |
| Number of equity shares held by the company And/or its subsidiary | : | 259,999. |
| 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 fin.year of the subsidiary(Rs. 47,28,797) for the previous financial years of the subsidiary since it became a subsidiary (Rs.12,24,971). |

| | | |
|--|---|--|
| 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 the subsidiary-NA for the previous year of the subsidiary since it became a subsidiary-NA. |
|--|---|--|

| | | |
|---|---|--|
| Name of the Subsidiary | : | SKY Hemmay Pvt Ltd. |
| Financial year of the subsidiary | : | 1 st April 2011 to 31 st March 2012 |
| Holding Company | : | Sky Industries Ltd |
| Extent of Holding companies interest | : | 51% |
| Face Value of equity shares | : | Rs.10/= |
| Number of equity shares held by the company And/or its subsidiary | : | 1,478,770. |
| 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 fin.year of the subsidiary Rs. 837,951. for the previous financial years of the subsidiary since it became a subsidiary (Rs.37,84,912). |
| 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 the subsidiary-NA for the previous year of the subsidiary since it became a subsidiary-NA. |

**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 31st March 2012, the Consolidated Statement of Profit and Loss and the 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 the 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. 31,556,072/- as at March 31, 2012 and the total revenues of Rs. 76,287,215/- and net cash inflows amounting to Rs. 1,485,237/- for the year ended on that date as considered in the consolidated financial statements. 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.
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 31st March, 2012; and
 - ii) in the case of the Consolidated Statement of Profit and Loss, 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
Firm Registration No. 104607W

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

Place : Mumbai
Dated : November 16, 2012

SKY INDUSTRIES LIMITED - CONSOLIDATED
BALANCE SHEET AS AT MARCH 31, 2012

(Amount in Rs.)

| | Note | As At March 31 2012 | As At March 31 2011 |
|------------------------------------|------|---------------------------|---------------------------|
| A EQUITY AND LIABILITIES | | | |
| 1 Shareholders' funds | | | |
| (a) Share Capital | 2 | 39,764,000 | 39,764,000 |
| (b) Reserves and Surplus | 3 | 99,697,897 | 150,814,989 |
| | | <u>139,461,897</u> | <u>190,578,989</u> |
| 2 Minority Interest | | 17,667,134 | 17,256,538 |
| 3 Non-current liabilities | | | |
| (a) Long-term borrowings | 4 | 40,932,817 | 55,418,500 |
| (b) Deferred tax liabilities (net) | 5 | 17,948,578 | 28,944,411 |
| (c) Other long-term liabilities | 6 | 500,000 | |
| (c) Long-term provisions | 7 | 806,426 | 471,436 |
| | | <u>60,187,821</u> | <u>84,834,347</u> |
| 4 Current liabilities | | | |
| (a) Short-term borrowings | 8 | 167,350,607 | 173,879,833 |
| (b) Trade payables | 9 | 112,302,204 | 135,492,824 |
| (c) Other current liabilities | 10 | 98,751,183 | 54,045,459 |
| (d) Short-term provisions | 11 | 15,385,739 | 8,556,854 |
| | | <u>393,789,733</u> | <u>371,974,969</u> |
| | | <u>611,106,584</u> | <u>664,644,843</u> |
| B ASSETS | | | |
| 1 Non-current assets | | | |
| (a) Fixed assets | 12 | | |
| 1) Tangible Assets | | 240,380,951 | 256,710,897 |
| 2) Intangible Assets | | 1,749,197 | 161,229 |
| 3) Capital Work in Progress | | 4,336,435 | 1,590,155 |
| 4) Assets held for disposal | | 78,842 | - |
| | | <u>246,545,425</u> | <u>258,462,281</u> |
| (b) Non-current investments | 13 | 551,110 | 556,110 |
| (c) Long-term loans and advances | 14 | 26,593,198 | 22,321,486 |
| (d) Other non-current assets | 15 | 136,864 | 364,293 |
| | | <u>273,826,597</u> | <u>281,704,170</u> |
| 2 Current assets | | | |
| (a) Inventories | 16 | 208,000,318 | 219,211,040 |
| (b) Trade receivables | 17 | 92,681,440 | 119,446,642 |
| (c) Cash and cash equivalents | 18 | 10,503,016 | 13,225,574 |
| (d) Short-term loans and advances | 19 | 23,380,954 | 27,505,869 |
| (e) Other current assets | 20 | 2,714,259 | 3,551,547 |
| | | <u>337,279,987</u> | <u>382,940,673</u> |
| | | <u>611,106,584</u> | <u>664,644,843</u> |
| Significant accounting policies | 1 | | |

The accompanying notes (1 to 41) form an integral part of the Consolidated financial statements.

As per our Report of even date
For and on behalf of
KALYANIWALLA & MISTRY
CHARTERED ACCOUNTANTS
Sd/-
ERMIN K. IRANI
PARTNER

For and on behalf of the Board of Directors

Sd/-
Shailesh Shah
Managing Director

Sd/-
Nitin Motani
Chairman

Place : Mumbai,
Dated: November 16, 2012

SKY INDUSTRIES LIMITED - CONSOLIDATED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2012

(Amount in Rs.)

| | Note | For the year ended 31.03.2012 | For the year ended 31.03.2011 |
|---|------|----------------------------------|----------------------------------|
| I. Revenue from operations | 21 | 891,495,311 | 851,959,480 |
| II. Other income | 22 | 18,237,206 | 20,870,806 |
| III. Total Revenue | | 909,732,518 | 872,830,286 |
| IV. Expenses: | | | |
| Cost of materials consumed | 23 | 547,582,209 | 528,323,766 |
| Purchases of Stock-in-Trade | 24 | 40,172,779 | 48,300,371 |
| Changes in Inventories of Finished Good, Work In Progress and Traded Goods | 25 | (19,439,243) | (61,376,882) |
| Employee benefits expense | 26 | 148,402,863 | 119,571,212 |
| Finance costs | 27 | 32,750,484 | 21,748,462 |
| Depreciation and amortization Expenses | 12 | 25,924,886 | 26,173,115 |
| Other expenses | 28 | 190,461,775 | 194,430,483 |
| V. Total Expenses | | 965,855,753 | 877,170,528 |
| VI. Loss before tax | | (56,123,235) | (4,340,242) |
| VII. Tax expense: | | | |
| (1) Current tax - For the year | | (1,187,814) | (586,493) |
| - Short Provision of Previous years | | (4,449,014) | - |
| (2) Deferred tax | | 10,995,833 | (2,973,287) |
| | | 5,359,004 | (3,559,780) |
| VIII. Loss for the period | | (50,764,230) | (7,900,022) |
| IX. Earnings per share (Basic/ Diluted) | 29 | | |
| Significant accounting policies | 1 | | |

The accompanying notes (1 to 41) form an integral part of the Consolidated financial statements.

As per our Report of even date
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,
Dated: November 16, 2012

SKY INDUSTRIES LIMITED - CONSOLIDATED

Cash Flow Statement for the Year Ended March 31, 2012

(Amount in Rs.)

| | For the year ended 31.03.2012 | For the year ended 31.03.2011 |
|---|----------------------------------|----------------------------------|
| A. Cash Flow from Operating Activities: | | |
| Profit before tax and extra ordinary item | (56,123,235) | (4,340,242) |
| Adjustment for: | | |
| Depreciation | 25,906,769 | 26,173,115 |
| Interest and Finance Charges | 32,750,483 | 29,366,467 |
| Interest income | (663,427) | (528,973) |
| Dividend | (821,885) | (79,085) |
| Preliminary Expenses w/off | 18,117 | 61,041 |
| Increase/Decrease F.C translation reserve | 57,733 | 6,380 |
| Profit/(Loss) on Sale /Disposal of Fixed Assets | 2,946,546 | 3,470,616 |
| | <u>60,194,336</u> | <u>58,469,561</u> |
| Operating Profit before Working Capital Changes | <u>4,071,101</u> | <u>54,129,319</u> |
| Adjustment for : | | |
| Trade Receivables | 26,765,202 | (13,244,414) |
| Other Receivables | 850,741 | (3,855,805) |
| Inventory | 11,210,726 | (100,423,794) |
| Trade and Other Payable | 20,963,054 | 73,786,640 |
| | <u>59,789,723</u> | <u>(43,737,373)</u> |
| Cash generated from Operations | 63,860,824 | 10,391,946 |
| Direct Tax paid/net of Refund received | <u>(576,084)</u> | <u>(4,356,956)</u> |
| Net Cash Flow from Operating Activities | <u>63,284,740</u> | <u>6,034,990</u> |
| B. Cash Flow from Investing Activities: | | |
| Acquisition of Fixed Assets | (18,102,386) | (77,201,393) |
| Proceeds from Sale of Fixed Assets | 1,165,927 | 1,845,863 |
| Decrease/(Increase) in Investments | 5,000 | (1,100) |
| Decrease/(Increase) in Capital reserve | - | (368,906) |
| Dividend | 821,885 | 79,085 |
| Interest income | 663,427 | 528,973 |
| Net Cash used in Investing Activities | <u>(15,446,147)</u> | <u>(75,117,478)</u> |
| C. Cash Flow from Financing Activities: | | |
| (Decrease)/Increase in Working Capital facility (net) | (22,929,226) | 56,264,262 |
| Increase/ (Decrease) of Term Loans/ Vehicle Loan | (11,851,677) | 38,814,660 |
| Increase in Unsecured Loans | 25,500,000 | 2,736,065 |
| Repayment of Unsecured Loans | (9,100,000) | - |
| Interest and Finance Charges Paid | (30,495,283) | (29,244,886) |
| Payment of Dividend | (1,449,775) | (1,819,386) |
| Tax on Dividend Paid | (235,190) | (330,240) |
| Net Cash (Used)/Generated from Financing Activities | <u>(50,561,151)</u> | <u>66,420,475</u> |
| Net Increase/(Decrease) in Cash and Cash Equivalents | <u>(2,722,558)</u> | <u>(2,662,012)</u> |
| Cash and Cash Equivalents as at the beginning of the year | 13,225,574 | 15,887,586 |
| Cash and Cash Equivalents as at the end of the year | <u>10,503,016</u> | <u>13,225,574</u> |
| Net Increase/(Decrease) in Cash and Cash Equivalents | <u>(2,722,558)</u> | <u>(2,662,012)</u> |

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 of even date

For and on behalf of the Board of Directors

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,
Dated: November 16, 2012

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

Note 1

Significant Accounting Policies

A. Basis of Accounting:

The consolidated financial statements of Sky Industries Limited., 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 of 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, 2012.

C. Information on subsidiary :

The subsidiary company considered in the consolidated financial statements are:

| Name of the Company | Country of Incorporation | Percentage of Holding | |
|---|--------------------------|-----------------------|---------------|
| | | Current year | Previous year |
| Sky Inc. | U.S.A. | 100% | 100% |
| Sky Hemmay Pvt Ltd | India | 51% | 51% |
| SK Stable Industries Pvt Ltd (with effect from 06.01.2011) | India | 100% | 100% |

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 Statement of Profit & Loss Account as incurred.

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

E. 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.

In respect of the foreign subsidiary, depreciation is provided using 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.

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 Statement of Profit and Loss. However, exchange differences relating to fixed assets up to the year ended 31st 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 respect of foreign subsidiary, 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:

The defined contribution to Provident Fund, are recognized in the Statement of Profit and Loss on accrual basis.

ii. Defined Benefit Plan:

The liabilities under the 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 Profit And Loss 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 the subsidiaries.

K. Grants / Subsidies:

Grants / Subsidies related to revenue are presented as a credit to the Statement of profit and loss 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.

M. 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.

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.

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | As At March 31 2012 | As At March 31 2011 |
|---|-----------------------------|-----------------------------|
| 2 SHARE CAPITAL | | |
| 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 | 39,764,000 | 39,764,000 |
| (Refer Notes 2.1 to 2.3) | <u>39,764,000</u> | <u>39,764,000</u> |
| 2.1 Shareholders holding more than 5% shares in the Company Name of Shareholder | | |
| | <u>As at March 31, 2012</u> | <u>As at March 31, 2011</u> |
| | No of Equity shares held | No of Equity shares held |
| | % of Holding | % of Holding |
| SKAY FINVEST PRIVATE LIMITED | 1,310,147 | 1,310,147 |
| | 32.95% | 32.95% |
| MR SHARE BROKING | - | 356,462 |
| | - | 8.96% |
| 2.2 There is no movement in the number of shares outstanding during the year ended March 31, 2012 and year ended March 31, 2011. | | |
| 2.3 Rights and restrictions attached to the shares | | |
| The Company has only one class of equity shares. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. | | |
| 3 RESERVES AND SURPLUS | | |
| a. General Reserve | | |
| As per last balance sheet | 8,280,500 | 8,229,500 |
| Add: Transfer from surplus | | 51,000 |
| | <u>8,280,500</u> | <u>8,280,500</u> |
| b. Profit and loss Account | | |
| As per last balance sheet | 142,306,846 | 152,790,636 |
| Add: Net Loss for the year | (50,764,230) | (7,900,022) |
| Add: Share of Minority Interest | (410,596) | (798,805) |
| Less: Transfer to Reserves | - | 100,000 |
| Less: Proposed Dividends | - | 1,449,775 |
| Less: Tax on Proposed Dividends | - | 235,190 |
| | <u>91,132,020</u> | <u>142,306,845</u> |
| c. Capital Reserve | 368,906 | 368,906 |
| d. Foreign Currency Translation reserve | (83,529) | (141,262) |
| | <u>99,697,897</u> | <u>150,814,989</u> |

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | As At March 31 2012 | As At March 31 2011 |
|---|------------------------|------------------------|
| 4 LONG-TERM BORROWINGS | | |
| SECURED LOANS | | |
| From Banks | | |
| (a) Term loans [Refer Note 4.1, 4.3(a) and 4.3(b)] | 37,813,482 | 51,178,669 |
| (b) Vehicle loans [Refer Note 4.2, 4.3(c) and 4.3(d)] | 1,642,563 | 4,186,726 |
| | 39,456,045 | 55,365,395 |
| From other parties | | |
| Vehicle loan [Refer Note 4.2, 4.3(e)] | 1,276,772 | 53,105 |
| | 1,276,772 | 53,105 |
| UN SECURED LOANS | | |
| From Directors (Refer Note 4.4) | 200,000 | - |
| | 200,000 | - |
| | 40,932,817 | 55,418,500 |

4.1 Term loans from banks are secured by way of pari passu first charge on land & buildings including all movable assets, plant and machinery, stores and spares, furniture and fixture, both present and future, excluding vehicles, and a second charge on all the current assets of the Company, both present and future, and personal guarantee of Directors and Promoter Company.

4.2 The vehicle loans from banks and other parties are secured by the hypothecation of vehicles purchased under the scheme

4.3 Terms of repayment :

(a) Term Loan from Dombivli Nagari Shakari Bank Ltd (Rate of Interest: 14.74%)

| <u>Financial Year</u> | <u>Amount</u> |
|-----------------------|---------------|
| Year : 2013-14 | 80,47,633 |
| Year : 2014-15 | 22,79,884 |

(b) Term Loan from The Karur Vysya Bank Ltd (Rate of Interest : 14%)

| <u>Financial Year</u> | <u>Amount</u> |
|-----------------------|---------------|
| Year : 2013-14 | 71,19,361 |
| Year : 2014-15 | 36,97,221 |
| Year : 2015-16 | 1,66,69,383 |

(c) Vehicle loans from Dombivli Nagari Shakari Bank Ltd. (Rate of Interest : 13%)

| <u>Financial Year</u> | <u>Amount</u> |
|-----------------------|---------------|
| Year : 2013-14 | 14,48,389 |
| Year : 2014-15 | 96,984 |

(d) Vehicle loans from ICICI Bank Ltd. (Rate of Interest : 9.60%)

| <u>Financial Year</u> | <u>Amount</u> |
|-----------------------|---------------|
| Year : 2013-14 | 97,190 |

(e) Vehicle loans from Kotak Mahindra Prime Ltd (Rate of Interest : 10.88%)

| <u>Financial Year</u> | <u>Amount</u> |
|-----------------------|---------------|
| Year : 2013-14 | 5,52,220 |
| Year : 2014-15 | 6,15,333 |
| Year : 2015-16 | 1,09,219 |

4.4 The Installment following due within 12 months after report date is Nil as terms of repayment are not pre determined

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | As At March 31 2012 | As At March 31 2011 |
|--|---------------------------|---------------------------|
| 5 DEFERRED TAX LIABILITY (Net) | | |
| Deferred Tax Liability | | |
| Depreciation on Fixed Assets | 32,200,812 | 30,813,586 |
| | <u>32,200,812</u> | <u>30,813,586</u> |
| Deferred Tax Asset | | |
| Expenses disallowed under Sec 43B of the Income Tax Act, 1961 | 2,187,062 | 958,017 |
| Carry forward unabsorbed depreciation | 11,159,938 | - |
| Provision for doubtful debts | 905,235 | 911,158 |
| | <u>14,252,234</u> | <u>1,869,175</u> |
| Deferred Tax Liability (Net) | <u><u>17,948,578</u></u> | <u><u>28,944,411</u></u> |
| 6 OTHER LONG-TERM LIABILITIES | | |
| Trade/Security Deposit Received | 500,000 | - |
| | <u>500,000</u> | <u>-</u> |
| 7 LONG-TERM PROVISIONS | | |
| Provision for Employee Benefits: | | |
| Leave Encashment (Refer Note 11.1) | 806,426 | 471,436 |
| | <u>806,426</u> | <u>471,436</u> |
| 8 SHORT-TERM BORROWINGS | | |
| SECURED | | |
| Loans repayable on demand From Banks | | |
| Cash credit, Packing credit and Payables for Letter of Credit (Refer Note 8.1) | 148,450,607 | 168,775,606 |
| | <u>148,450,607</u> | <u>168,775,606</u> |
| UNSECURED | | |
| (a) Loans and advances from related parties | | |
| Loan from Directors | 5,200,000 | 2,604,227 |
| Loan from Shareholders | 5,000,000 | 2,500,000 |
| Advances from group companies | 500,000 | - |
| | <u>10,700,000</u> | <u>5,104,227</u> |
| (b) Inter Corporate Deposits | | |
| From Related Party | 2,200,000 | - |
| From Others (Refer Note 8.2) | 6,000,000 | - |
| | <u>8,200,000</u> | <u>-</u> |
| | <u><u>167,350,607</u></u> | <u><u>173,879,833</u></u> |

8.1 The cash credit, packing credit and payables for letter of credit is secured by way of pari passu first charge on land & buildings including all movable assets, plant and machinery, stores and spares, furniture and fixture, both present and future, excluding vehicles, and a second charge on all the current assets of the Company, both present and future, and personal guarantee of Directors and Promoter Company.

8.2 Amount is guaranteed by Director.

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | As At March 31 2012 | As At March 31 2011 |
|--|--------------------------|--------------------------|
| 9 TRADE PAYABLES | | |
| Due to Micro and Small Enterprises (Refer Note 9.1) | - | - |
| Other than Micro and Small Enterprises (Refer Note 9.2) | 112,302,204 | 135,492,824 |
| | <u>112,302,204</u> | <u>135,492,824</u> |
| 9.1 The Company has not compiled the relevant information from its suppliers under the Micro, Small, Medium Enterprises Development Act, 2006. As 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. | | |
| 9.2 Includes Rs.3,104,171, <i>Previous year Rs. 3,104,171</i> payable to group Companies | | |
| 10 OTHER CURRENT LIABILITIES | | |
| Current maturities of long-term debt (Secured) | | |
| Term loans from Banks (Refer Note 4.1) | 14,121,396 | 12,244,084 |
| Vehicle loans from Banks (Refer Note 4.2) | 3,150,112 | 2,608,264 |
| Vehicle loans from other parties (Refer Note 4.2) | <u>548,657</u> | <u>285,827</u> |
| | 17,820,166 | 15,138,175 |
| Interest accrued but not due on borrowings | 66,355 | 103,562 |
| Interest accrued and due on borrowings | - | 47,982 |
| Unpaid dividends | 208,149 | 466,477 |
| STATUTORY LIABILITIES | | |
| Tax deduction payable | 1,320,361 | 1,494,642 |
| Sales Tax Payable | 44,999 | 400,066 |
| Provident Fund/Esic/Professional tax payable | 786,320 | 763,960 |
| Excise/Service tax payable | 20,797 | 164,089 |
| EMPLOYEE LIABILITIES | | |
| Salaries Payable | 11,910,837 | 11,431,282 |
| Bonus Payable | 2,409,995 | 2,615,079 |
| Gratuity Payable (Refer Note 25.1) | 5,364,282 | - |
| Outstanding Liabilities | 777,528 | 151,356 |
| Security Deposit received | 8,270,000 | 8,823,210 |
| Advances received from customer | 17,405,397 | 5,482,429 |
| Other Payables | <u>32,345,997</u> | <u>6,963,150</u> |
| | <u>98,751,183</u> | <u>54,045,459</u> |
| 11 SHORT-TERM PROVISIONS | | |
| Provision for employee benefits : | | |
| Gratuity (Refer Note 26.1) | 114,321 | - |
| Leave encashment (Refer Note 11.1) | 3,635,095 | 65,591 |
| Others : | | |
| Provision for taxation | 11,636,323 | 6,806,298 |
| (Net of advance tax Rs.1,59,16,523 /-, <i>Previous year Rs. 88,47,702/-</i>) | | - |
| Proposed dividend | - | 1,449,775 |
| Tax on proposed dividend | - | 235,190 |
| | <u>15,385,739</u> | <u>8,556,854</u> |
| 11.1 Details of Provision for Leave Encashment | | |
| Opening Balance - Long Term | 471,436 | 2,149,462 |
| Opening Balance - Short Term | 65,591 | - |
| Provision made during the year | 4,139,677 | - |
| Utilisation during the year | (235,183) | (1,612,435) |
| Closing Balance - Long Term | 806,426 | 471,436 |
| Closing Balance - Short Term | 3,635,095 | 65,591 |

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

Note 12 - FIXED ASSETS

(Amount in Rs.)

| | Gross Block | | | Depreciation | | | | Net Block | | |
|--------------------------|---------------------|---------------------------|-------------------|----------------------|--------------------|-------------------|-------------------|---------------------|----------------------|----------------------|
| | As at April 1, 2011 | Additions during the Year | Deduction | As at March 31, 2012 | Upto April 1, 2011 | For the year | On Deduction | Upto March 31, 2012 | As at March 31, 2012 | As at March 31, 2011 |
| Tangible Assets | | | | | | | | | | |
| Leasehold Land | 8,360,860 | - | - | 8,360,860 | 1,002,408 | 102,546 | - | 1,104,954 | 7,255,906 | 7,358,452 |
| Buildings | 48,761,048 | - | - | 48,761,048 | 15,184,616 | 1,633,081 | - | 16,817,697 | 31,943,351 | 33,576,432 |
| Plant & Machinery | 368,837,780 | 8,965,072 | 3,129,106 | 374,673,746 | 172,604,331 | 21,017,279 | 391,825 | 193,229,785 | 181,443,961 | 196,233,449 |
| Furniture & Fixtures | 5,536,373 | 455,281 | - | 5,991,654 | 3,950,247 | 305,898 | - | 4,256,145 | 1,735,509 | 1,586,126 |
| Vehicles | 17,762,735 | 3,004,878 | 2,946,329 | 17,821,284 | 3,462,732 | 1,677,039 | 1,492,295 | 3,647,476 | 14,173,808 | 14,300,003 |
| Office Equipment | 6,858,307 | 189,563 | - | 7,047,870 | 4,460,526 | 217,861 | - | 4,678,387 | 2,369,483 | 2,397,781 |
| Computers | 6,370,500 | 660,478 | - | 7,030,978 | 5,111,846 | 460,199 | - | 5,572,045 | 1,458,933 | 1,258,654 |
| Sub-total | 462,487,603 | 13,275,272 | 6,075,435 | 469,687,440 | 205,776,706 | 25,413,903 | 1,884,120 | 229,306,489 | 240,380,951 | 256,710,897 |
| <i>Previous Year</i> | <i>398,606,357</i> | <i>87,886,559</i> | <i>24,005,314</i> | <i>462,487,602</i> | <i>198,353,784</i> | <i>26,111,756</i> | <i>18,688,835</i> | <i>205,776,705</i> | <i>256,710,897</i> | <i>-</i> |
| Intangible Assets | | | | | | | | | | |
| Computer software | 756,423 | 2,080,833 | - | 2,837,256 | 595,194 | 492,865 | - | 1,088,059 | 1,749,197 | 161,229 |
| Sub-total | 756,423 | 2,080,833 | - | 2,837,256 | 595,194 | 492,865 | - | 1,088,059 | 1,749,197 | 161,229 |
| <i>Previous Year</i> | <i>637,032</i> | <i>119,391</i> | <i>-</i> | <i>756,423</i> | <i>533,533</i> | <i>61,361</i> | <i>-</i> | <i>594,894</i> | <i>161,529</i> | <i>-</i> |
| Total | 463,244,026 | 15,356,105 | 6,075,435 | 472,524,696 | 206,371,900 | 25,906,768 | 1,884,120 | 230,394,548 | 242,130,148 | 256,872,126 |
| Capital Work in Progress | | | | | | | | | 4,336,435 | 1,590,155 |
| Assets Held for Disposal | | | | | | | | | 78,842 | - |
| | | | | | | | | | 246,545,425 | 258,462,281 |

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | As At March 31 2012 | As At March 31 2011 |
|--|------------------------|------------------------|
| 13 NON-CURRENT INVESTMENTS | | |
| Unquoted, Trade Investments | | |
| In Government or Trust securities : | | |
| National Savings Certificate | - | 5,000 |
| (Previous year 50 units of Rs.100/- each in National Savings Certificate (Lodged with Government Departments as Security Deposit) | - | 5,000 |
| In Equity Shares : | | |
| In Others : | | |
| - 50,000 (Previous year 50,000) Equity shares of Rs.10/- each, fully paid in Dombivali Nagari Sahakari Bank Ltd. | 500,010 | 500,010 |
| - 105 (Previous year 105) Equity shares of Rs. 10/ each, fully paid in Janakalyan Sahakari Bank Ltd. | 1,100 | 1,100 |
| 5,000 (Previous year 5000) Equity shares of Rs.10/- each, fully paid in Shamrao Vital Co-op Bank | 50,000 | 50,000 |
| | 551,110 | 506,110 |
| 14 LONG-TERM LOANS AND ADVANCES | | |
| Unsecured, considered good | | |
| Capital Advances | 905,000 | 909,500 |
| Security Deposits | 6,160,002 | 7,072,353 |
| Advance Tax and Tax Deducted at Source (Refer Note 14.1) | 3,447,624 | 3,614,376 |
| Other Advances | 701,360 | 1,595,136 |
| Balance with Government Authorities | 15,379,212 | 9,130,121 |
| | 26,593,198 | 22,321,486 |
| 14.1 Net of provisions for Tax Rs.1,80,000/-, Previous year Rs. 76,05,000/- | | |
| 15 OTHER NON-CURRENT ASSETS | | |
| a. Trade receivables | | |
| Unsecured | | |
| Trade receivables outstanding for a period more than six months from the date they are due for payment | 2,694,940 | 2,802,191 |
| Less: Provision for doubtful debts | (2,694,940) | (2,802,191) |
| | - | - |
| b. Others | | |
| Loan to Staff | 17,000 | 178,800 |
| Prepaid Expenses | 9,000 | - |
| Unamortised Preliminary Expenses | 110,864 | 185,493 |
| | 136,864 | 364,293 |
| 16 INVENTORIES | | |
| a. Raw Materials | 54,327,272 | 82,682,617 |
| b. Raw Materials - In transit | 6,022,398 | 10,218,964 |
| c. Work-in-progress | 40,041,913 | 37,905,828 |
| d. Packing Material | 3,203,811 | 1,632,264 |
| e. Finished goods | | |
| - Manufactured | 92,296,014 | 76,897,100 |
| - Traded Goods | 12,108,910 | 9,874,267 |
| | 208,000,318 | 219,211,040 |

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | As At March 31 2012 | As At March 31 2011 |
|---|---------------------------|---------------------------|
| 17 TRADE RECEIVABLES | | |
| Unsecured, considered good | | |
| -Outstanding for a period more than six months from the date they are due for payment | 16,947,971 | 21,256,570 |
| -Others | 75,733,468 | 98,190,072 |
| | <u>92,681,440</u> | <u>119,446,642</u> |
| 18 CASH AND CASH EQUIVALENTS | | |
| a. Balances with banks : | | |
| Earmarked Balances (Refer Note 18.1) | 208,149 | 466,477 |
| Balance in Deposit account held as Margin | 8,047,442 | 9,544,717 |
| Balance in Current account | 1,813,176 | 2,864,396 |
| b. Cash on hand | 434,249 | 349,984 |
| | <u>10,503,016</u> | <u>13,225,574</u> |
| 18.1 Indicates earmarked balance for distribution of unpaid dividend | | |
| 19 SHORT-TERM LOANS AND ADVANCES | | |
| Deposits (Refer Note 19.1) | 17,352,352 | 15,794,802 |
| Balance with Government Authorities | 151,517 | 1,855,410 |
| Advance Tax and Tax Deducted at Source | 569,543 | - |
| Staff advances | 1,884,111 | 2,499,837 |
| Other advances | - | 100,175 |
| Prepaid expenses | 677,910 | 1,003,958 |
| Advances to suppliers | 2,846,739 | 6,060,537 |
| Less: Provision for doubtful advances | (101,219) | - |
| | <u>23,380,953</u> | <u>27,314,719</u> |
| 19.1 Includes deposits to Private Company in which director is a member or Director | | |
| 20 OTHER CURRENT ASSETS | | |
| Interest receivables | 296,531 | 252,544 |
| Receivable on sale of Fixed Assets | 205,500 | - |
| Other receivables (Refer Note 20.1) | 946,748 | 2,120,256 |
| DEPB licences | 1,265,479 | 1,178,747 |
| | - | - |
| | <u>2,714,258</u> | <u>3,551,547</u> |
| 20.1 Includes Rs. 6,39,374/-, Previous year Rs. 18,32,237/- receivable from group Companies. | | |
| 21 REVENUE FROM OPERATIONS | | |
| Sale of Products (Gross) (Refer Note.No 21.1) | 873,890,638 | 831,304,574 |
| Less: Excise Duty | 346,166 | 72,137 |
| | <u>873,544,472</u> | <u>831,232,437</u> |
| Sale of Services | 7,935,530 | 11,055,135 |
| | <u>881,480,002</u> | <u>842,287,572</u> |
| OTHER OPERATING INCOME | | |
| Freight recovered | 3,144,029 | 5,981,536 |
| Sale of scrap | 5,432,020 | 3,453,776 |
| Octroi charges collected | 1,139,812 | - |
| Other Charges Recovered | 105,651 | 85,487 |
| Export Incentives | 193,797 | 151,110 |
| | <u>10,015,309</u> | <u>9,671,908</u> |
| | <u>891,495,311</u> | <u>851,959,480</u> |

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | As At March 31 2012 | As At March 31 2011 |
|--|------------------------|------------------------|
| 21.1 Sale of Products (Net) | | |
| Manufactured: | | |
| Hook & Loop Tape Fasteners | 504,063,775 | 525,109,775 |
| Elastic Tapes | 117,299,500 | 124,104,083 |
| Cordy Tex | 125,598,623 | 74,139,675 |
| Velvet Ribbon | 17,209,084 | 4,418,756 |
| Satin Ribbon | 59,098,393 | 53,202,138 |
| | <u>823,269,375</u> | <u>780,974,427</u> |
| Traded: | | |
| Fibre glass Insect Screen | 26,669,659 | 19,703,898 |
| Knit Loop fabrics | 6,480,738 | - |
| Aluminium wire Mesh | 2,688,502 | - |
| Others | 14,436,198 | 30,554,112 |
| | <u>50,275,097</u> | <u>50,258,010</u> |
| | <u>873,544,472</u> | <u>831,232,437</u> |
| 22 OTHER INCOME | | |
| Service Contract charges | 13,514,436 | 12,014,231 |
| Interest Income | 663,427 | 528,973 |
| Dividend Income | 821,885 | 79,085 |
| Machine Hire Receipt | - | 2,160,000 |
| Commission Receipts | 106,595 | 1,151,496 |
| Net gain on foreign currency transaction and translation | - | 3,269,082 |
| Insurance claim received | 8,380 | 43,216 |
| Excess Provision write back | 25,780 | 1,518,474 |
| Miscellaneous income | 3,096,703 | 106,248 |
| | <u>18,237,206</u> | <u>20,870,806</u> |
| 23 COST OF MATERIAL CONSUMED | | |
| Opening Stock: | | |
| Raw Materials | 84,610,544 | 60,824,093 |
| Raw Materials in Transit | 10,218,964 | 6,413,525 |
| | 94,829,508 | 67,237,618 |
| Add: Purchases | 516,932,240 | 555,915,656 |
| | 611,761,748 | 623,153,274 |
| Less: Closing Stock: | | |
| Raw Materials | 58,157,141 | 84,610,544 |
| Raw Materials in Transit | 6,022,398 | 10,218,964 |
| | <u>64,179,539</u> | <u>94,829,508</u> |
| | <u>547,582,209</u> | <u>528,323,766</u> |
| 23.1 Value of Raw Material Consumed | | |
| Yarn | 336,538,706 | 318,504,278 |
| Rubber Thread | 32,230,285 | 27,040,455 |
| Hook & Loop - Semifinished | 90,694,099 | 77,709,376 |
| Resins & Chemicals | 37,706,364 | 38,691,814 |
| Others | 50,412,754 | 66,377,843 |
| | <u>547,582,208</u> | <u>528,323,766</u> |

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | As At March 31 2012 | As At March 31 2011 |
|------------------------------------|------------------------|------------------------|
| 24 PURCHASE OF TRADED GOODS | | |
| Fibre glass Insect Screen | 18,966,795 | 17,553,770 |
| Knit Loop fabrics | 8,229,331 | 4,650,528 |
| Aluminium wire Mesh | 4,426,915 | - |
| Others | 8,549,738 | 26,096,073 |
| | 40,172,779 | 48,300,371 |

24.1 Value of Traded Goods Purchased

| | <u>Year Ended March 31, 2012</u> | | <u>Year Ended March 31, 2011</u> | |
|----------------------|----------------------------------|------------|----------------------------------|------------|
| | Percentage | Amount | Percentage | Amount |
| Imported Purchases | 80.34 | 32,274,890 | 85.52 | 41,305,932 |
| Indigenous Purchases | 19.66 | 7,897,889 | 14.48 | 6,994,439 |
| | 100.00 | 40,172,779 | 100.00 | 48,300,371 |

25 CHANGES IN INVENTORY OF FINISHED GOODS, WORK-IN-PROGRESS TRADED GOODS

Opening Inventory

| | | |
|------------------|-------------|------------|
| Finished Goods | | |
| Manufactured | 76,897,100 | 23,865,418 |
| Trading | 9,874,267 | 7,188,297 |
| | 86,771,367 | 31,053,715 |
| Work-In-Progress | 37,610,165 | 31,950,935 |
| | 124,381,532 | 63,004,650 |

Closing Inventory

| | | |
|------------------|--------------|--------------|
| Finished Goods | | |
| Manufactured | 92,296,014 | 79,656,052 |
| Trading | 12,108,910 | 9,874,267 |
| | 104,404,924 | 89,530,319 |
| Work-In-Progress | 39,415,851 | 34,851,213 |
| | 143,820,775 | 124,381,532 |
| | (19,439,243) | (61,376,882) |

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | As At March 31 2012 | As At March 31 2011 |
|---|------------------------|------------------------|
| 26 EMPLOYEE BENEFITS EXPENSE | | |
| Salaries and incentives (Refer Note No.26.1-I) | 138,709,245 | 109,985,701 |
| Contributions to Provident fund & other funds (Refer Note No.26.1-II) | 4,571,626 | 4,462,016 |
| Staff welfare expenses | 5,121,993 | 5,123,495 |
| | 148,402,863 | 119,571,212 |

26.1 EMPLOYEE BENEFITS

I. Defined Benefit Plans:

Contribution to Gratuity Fund

The Company makes annual contributions to the Employee's Group Gratuity-cum-Life assurance scheme of Life Insurance Corporation of India, a funded defined benefit plan for qualifying 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.

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 2012:

| | Year ended March,31 2012 | Year ended March, 31 2011 |
|--|-----------------------------|------------------------------|
| Changes in present value of obligations | | |
| Opening balance | (1,801,924) | 7,221,055 |
| Current service Cost | 1,642,549 | 693,588 |
| Interest Cost | 459,966 | 577,684 |
| Benefits Paid | (800,632) | (540,513) |
| Changes in Fair Value of Plan assets | | |
| Opening balance | 7,192,289 | 6,517,530 |
| Expected return on plan assets | 546,839 | 591,251 |
| Contributions by Employer | 287,017 | 624,021 |
| Benefits paid | (800,632) | (540,513) |
| Actuarial gain/(loss) on plan assets | 78,494 | - |
| Closing balance | 7,304,007 | 7,192,289 |

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | Year Ended March 31, 2012 | Year Ended March 31, 2011 |
|---|------------------------------|------------------------------|
| Actual Return on Plan Asset | | |
| Expected return on plan assets | 546,839 | 591,251 |
| Acturial (gain)/loss on plan assets | - | - |
| Actual return on plan assets | <u>546,839</u> | <u>591,251</u> |
| Amount Recognised in the Balance sheet | | |
| Liability at the end of the year | 5,330,837 | (1,801,924) |
| Fair Value of plan assets at the end of the year | 7,304,007 | 7,192,289 |
| Amount Recognised in the Balance Sheet | <u>(1,973,170)</u> | <u>(8,994,213)</u> |
| Net gratuity cost for the year | | |
| Current Service Cost | 1,642,549 | 693,588 |
| Interest Cost | 459,966 | 577,684 |
| Expected return on plan assets | (546,839) | (591,251) |
| Net Actuarial (gain)/loss to be recognised | 5,252,343 | (1,801,924) |
| Net gratuity cost | <u>6,808,019</u> | <u>(1,121,903)</u> |
| Balance Sheet Recognition | | |
| Opening net liability * | (1,042,399) | - |
| Expenses as above | 6,808,019 | (1,121,903) |
| Employer`s Contribution | (287,017) | (624,021) |
| Closing Net liability | <u>5,478,603</u> | <u>(1,745,924)</u> |
| Acturial Assumptions | | |
| Discount Rate (p.a.) | 8.00 | 8.00 |
| Rate of return on plan assets | 8.00 | 9.15 |
| Salary escalation rate (p.a.) | 3.00 | 4.00 |
| * Includes actuarial valuation difference between opening and closing balance of Rs. 7,03,525/- | | |
| II. Defined Contribution Plans: | | |
| The Company has recognised the following amount as an expenses and included in the Note No-26 " Contribution to Provident and Other Funds : | | |
| Contribution to Employee Providend Fund | 2,722,584 | 2,710,884 |
| Contribution to Employee State Insurance | 1,835,758 | 1,738,136 |
| Contribution to Maharashtra Labour Welfare Fund | 13,284 | 12,996 |
| | <u>4,571,626</u> | <u>4,462,016</u> |

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | Year Ended March 31, 2012 | Year Ended March 31, 2011 |
|--|------------------------------|------------------------------|
| 27 FINANCE COST | | |
| Interest Expense on Loan from Bank: | | |
| Term Loan | 9,322,572 | 5,871,126 |
| Vehicle Loan | 533,405 | 691,198 |
| Working Capital Loan | 18,770,558 | 12,841,824 |
| Interest Expense on Loan from Others: | | |
| Vehicle Loan | 43,688 | 61,536 |
| Shareholders Loan | 721,920 | 239,967 |
| Inter Corporate Deposit | 409,068 | - |
| Interest on Delayed Payment to Creditors | 2,949,273 | 2,042,812 |
| | <u>32,750,484</u> | <u>21,748,463</u> |
| 28 OTHER EXPENSES | | |
| Consumption of stores and spare parts (Refer Note 28.1) | 11,484,045 | 12,383,592 |
| Labour Charges | 12,647,137 | 29,393,289 |
| Power and Fuel | 39,255,019 | 32,214,264 |
| Rent | 26,698,436 | 23,907,610 |
| Repairs and Maintenance : | | |
| Building | 436,109 | 2,123,603 |
| Machinery | 2,318,213 | 3,052,080 |
| Others | 5,208,310 | 5,357,843 |
| Insurance | 1,850,618 | 1,504,391 |
| Rates and Taxes | 3,700,340 | 4,682,689 |
| Net loss on foreign currency transaction and translation | 7,174,996 | - |
| Legal and Professional | 4,555,303 | 5,705,748 |
| Auditors Remuneration : | - | - |
| (a) Auditor | - | - |
| Audit Fees | 583,446 | 546,878 |
| Audit under other statutes | 50,000 | 50,000 |
| Certification | 1,500 | - |
| (b) Taxation Matters | 74,000 | 61,000 |
| (c) Reimbursement of Expenses | 6,947 | 9,536 |
| | <u>715,893</u> | <u>667,414</u> |
| Advertisement & Business, Sales Promotion | 1,356,113 | 3,463,931 |
| Freight, Cartage and Forwarding Expenses | 23,947,727 | 20,890,708 |
| Travelling & Other Conveyance | 9,839,808 | 9,230,793 |
| Commission | 4,030,667 | 2,524,971 |
| Postage, Telegram , Telephone & Courier | 5,528,782 | 5,219,545 |
| Printing & Stationery | 2,569,688 | 2,837,278 |
| Provision for doubtful debts | - | 453,906 |
| Bad Debts written off | 259,265 | 545,310 |
| Loss on sale/Impairment of assets | 2,946,546 | 3,470,616 |
| Discount - Scheme | 2,884,204 | 4,658,159 |
| Miscellaneous Balance Written off | 1,529,882 | 1,046,602 |
| Octroi Charges | 1,211,115 | 1,620,103 |
| Miscellaneous expenses | 18,305,933 | 17,476,038 |
| | <u>190,461,777</u> | <u>194,430,483</u> |

28.1 Value of Stores & Spares Consumed

| | <u>Year Ended March 31, 2012</u> | | <u>Year Ended March 31, 2011</u> | |
|----------------------------|----------------------------------|-------------------|----------------------------------|-------------------|
| | Percentage | Amount | Percentage | Amount |
| Imported Stores & Spares | 31.40 | 3,605,984 | 25.73 | 3,186,468 |
| Indegenous Stores & Spares | 68.60 | 7,878,061 | 74.27 | 9,197,124 |
| | <u>100.00</u> | <u>11,484,045</u> | <u>100.00</u> | <u>12,383,592</u> |

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | Year Ended March 31, 2012 | Year Ended March 31, 2011 |
|--|------------------------------|------------------------------|
| 29 EARNINGS PER SHARE | | |
| Loss attributable to Equity shareholders | (51,174,826) | (8,698,826) |
| Weighted average number of Equity shares outstanding (Nominal value of Shares Rs. 10) | 3,976,400 | 3,976,400 |
| Earnings per share (Basic & Diluted) in Rs. | (12.87) | (2.19) |
| 30 PRIOR PERIOD EXPENSES | | |
| During the year the company has accounted expenditure relating to Prior period in its Statement of Profit & Loss, bifurcation of such expenses is as under : | | |
| Interest to others | 449,813 | 480,304 |
| Salaries, Wages & Bonus : | | |
| - Gratuity | 1,819,647 | - |
| - Retainership Charges | 384,132 | - |
| Labour charges | - | 10,393 |
| Purchases of Raw materials | - | 150,594 |
| Other Sundry expenses | 750 | 76,606 |
| Professional & other fees | 43,819 | 15,000 |
| Advertisement & Business promotion | - | 4,700 |
| Rent | 6,640 | - |
| Stores & Spares | 43,690 | - |
| Travelling & other Conveyance | 26,892 | - |
| Postage, Telegram & Telephone | 22,699 | 1,161 |
| Printing & stationery | 15,543 | - |
| Power & Fuel | - | 2,500 |
| Depreciation | - | (4,000) |
| Repairs & Maintenance - Others | 3,750 | - |
| Freight, Cartage & Forwarding Expenses | 85,498 | 31,180 |
| Miscellaneous expenses | 7,628 | 791 |
| | <u><u>2,910,501</u></u> | <u><u>769,230</u></u> |
| 31 CONTINGENT LIABILITIES NOT PROVIDED IN RESPECT OF : | | |
| a) Guarantees given by the Company's banker against counter guarantee given by the company | 738,500 | 163,500 |
| b) Guarantees given by the Company's banker on behalf of subsidiary, against counter guarantee given by the Company. | 25,000,000 | 12,000,000 |
| c) Income tax demand disputed by the Company | 114,896 | 90,000 |
| d) Cess Demand from Deputy Commissioner of Navi Mumbai Municipal Corporation | 3,683,521 | 3,683,521 |
| e) Bills Discounted with Banks | 1,066,619 | 4,797,791 |
| f) Sales tax demands pending with Commissionerate and disputed by the company | 3,333,901 | - |
| 32 VALUE OF IMPORT ON CIF BASIS : | | |
| (i) Raw Materials & Trading goods | 232,878,816 | 270,221,346 |
| (ii) Stores & Spares | 2,768,033 | 3,186,468 |
| (iii) Capital Goods | 3,383,867 | 4,103,320 |
| | <u><u>239,030,715</u></u> | <u><u>277,511,134</u></u> |

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.)

| Note | Year Ended March 31, 2012 | Year Ended March 31, 2011 |
|---|------------------------------|------------------------------|
| 33 EXPENDITURE IN FOREIGN CURRENCY | | |
| (i) Commission on Exports | 4,979,803 | 6,195,567 |
| (ii) Foreign Travel | 528,317 | 829,040 |
| (iii) Testing Expenses | 559,804 | 1,127,169 |
| | 6,067,924 | 8,151,776 |
| 34 EARNING IN FOREIGN CURRENCY | | |
| (i) FOB value of Exports | 142,044,890 | 164,822,698 |
| (ii) Insurance on Exports | 59,187 | 78,053 |
| (iii) Freight on Exports | 2,881,308 | 2,958,626 |
| (iv) Other charges | 95,855 | 92,945 |
| | 145,081,240 | 167,952,322 |

35 DISCLOSURES FOR FOREIGN CURRENCY TRANSACTIONS :

The Foreign Currency exposures that have not been hedged by any derivative instrument or otherwise are:

| | <u>As at 31st March 2012</u> | | <u>As at 31st March 2011</u> | |
|----------------------------|------------------------------|----------------|------------------------------|----------------|
| | Foreign Currency | INR Equivalent | Foreign Currency | INR Equivalent |
| <u>Secured Loans</u> | | | | |
| USD | 448,881 | 23,073,543 | 1,025,809 | 45,802,354 |
| <u>Current Liabilities</u> | | | | |
| USD | 781,887 | 39,998,580 | 717,009 | 32,014,455 |
| EURO | 41,672 | 2,847,866 | 15,535 | 982,200 |
| GBP | 9,391 | 787,882 | - | - |
| <u>Current Assets</u> | | | | |
| USD | 670,041 | 34,276,958 | 284,780 | 12,715,442 |
| EURO | 70,683 | 4,830,527 | 30,371 | 1,920,223 |
| GBP | 9,326 | 773,125 | 225 | 16,202 |

36 SEGMENT REPORTING

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

37 RELATED PARTY DISCLOSURE :

(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

Mr. Shailesh S. Shah

Mr. Saurabh K. Motani

Mr. Sharad S Shah

Mr. Maikal Raorani

iii. Enterprises over which Key management personnel exercise significant influence.

S.K. Exports

S.K. Silks

Shamots International

S.K. Overseas

SK Eneretek Private Limited

Jask Invogue Private Ltd.

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.)

- b) The following transactions were carried out with the related parties in the ordinary course of business :
 (i) Details relating to parties referred to in items (i) (ii) and (iii) above :

| Transactions | Shareholder with a substantial interest in voting power (i) | Key managerial personnel /persons exercising significant influence & their relatives (ii) | Enterprises over which Keymanagement personnel exercising significant influence (iii) |
|--------------------------------|--|--|--|
| Sales | - | - | 35,285,381 |
| | - | - | (22,832,156) |
| Service Charges Received | - | - | 13,514,436 |
| | - | - | (11,501,515) |
| Hire Charges Received | - | - | - |
| | - | - | (2,160,000) |
| Purchases | - | - | 899,987 |
| | - | - | (6,228,798) |
| Labour Receipts | - | - | - |
| | - | - | (514,242) |
| Remuneration | - | 10,140,000 | - |
| | - | (10,560,000) | - |
| Rent | 10,865,366 | - | - |
| | (12,000,000) | - | - |
| Repairs & Maintenance (P&M) | - | - | 105,206 |
| | - | - | (279,389) |
| Repairs & Maintenance (others) | - | - | 15,824 |
| | - | - | (58,228) |
| Commission | - | - | - |
| | - | - | - |
| Labour Charges | - | - | 33,090 |
| | - | - | - |
| Sale of Fixed Assets | - | - | - |
| | - | - | - |
| Purchase of Fixed Assets | - | - | 6,116,646 |
| | - | - | (5,775,102) |
| Purchase of Shares | - | - | - |
| | (2,859,989) | - | - |
| Advances taken | - | - | 1,800,000 |
| | - | - | (2,000,000) |
| Balances Outstanding | (4,268,983) | (2,357,953) | (23,952,370) |
| | (18,479,989) | (1,124,837) | (4,714,606) |

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.)

c) (i) Significant transactions with related parties in respect of Item A(ii) and A(iii):

| Transactions during the year | Item A(ii) | | Item A(iii) | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | Year Ended March 31, 2012 | Year Ended March 31, 2011 | Year Ended March 31, 2012 | Year Ended March 31, 2011 |
| Sales | | | | |
| S.K.Exports | | | 35,276,348 | 22,832,156 |
| Shamots International | | | 9,033 | - |
| Service Charges Received | | | | |
| S.K. Silks | | | 272,400 | 272,400 |
| S.K. Overseas | | | 818,830 | 1,341,824 |
| S.K. Exports | | | 10,428,624 | 7,773,327 |
| Shamots International | | | 1,971,764 | 1,939,052 |
| Jask Invogue | | | 22,818 | 174,912 |
| Purchases | | | | |
| S.K. Overseas | | | 126,180 | 49,537 |
| S.K. Ultratech Machines Pvt Ltd | | | 238,501 | - |
| S.K. Exports | | | 401,759 | 4,634,971 |
| Shamots International | | | 133,547 | 1,544,290 |
| Labour Charges | | | | |
| Shamots International | | | 33,090 | 514,342 |
| Remuneration | | | | |
| Nitin K. Motani | 2,400,000 | 2,820,000 | | |
| Shailesh S. Shah | 2,340,000 | 2,340,000 | | |
| Saurabh K. Motani | 1,860,000 | 1,860,000 | | |
| Sharad S. Shah | 2,340,000 | 2,340,000 | | |
| Maikal Raorani | 1,200,000 | 1,200,000 | | |
| Repairs & Maintenance (P&M) | | | | |
| Shamots International | | | 56,162 | 48,314 |
| S.K. Overseas | | | 49,044 | 231,075 |
| Repairs & Maintenance (Others) | | | | |
| S.K.Overseas | | | 7,000 | 5,586 |
| Shamots International | | | 8,824 | 52,642 |
| Purchase of Fixed Assets | | | | |
| Shamots International | | | 5,750,166 | 5,553,312 |
| S.K. Overseas | | | 366,480 | 221,790 |
| Hire Charges Reccd. | | | | |
| S.K.Stabel Ind Pvt Ltd (Amount pertains to period prior to it becoming subsidiary) | | | - | 2,160,000 |
| Advances taken | | | | |
| S.K. Exports | | | 1,800,000 | 2,000,000 |
| Balances Outstanding | | | | |
| Shamots International | | | (6,052,662) | (3,295,533) |
| S.K. Overseas | | | (1,064,279) | (70,701) |
| S.K. Exports | | | (17,208,960) | (1,721,774) |
| S.K. Silks | | | 73,611 | 98,148 |
| Jask Invogue Pvt. Limited | | | 299,920 | 275,254 |
| Shailesh S Shah | (563,737) | (155,000) | | |
| Nitin K Motani | (544,001) | (380,000) | | |
| Saurabh K Motani | (697,414) | (344,537) | | |
| Sharad S Shah | (456,461) | (155,000) | | |
| Maikal Raorani | (96,340) | (90,300) | | |

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.)

Note

38 DISCLOSURE UNDER ACCOUNTING STANDARD 19 - LEASES

The Company's significant leasing arrangements are in respect of operating leases for premises occupied by the Company. The aggregate lease rentals payable by the Company are charged to Statement of Profit and Loss as Rent .(Refer Note 28)

The future minimum lease rentals payable under non-cancelable operating leases is as follows :

| | Year Ended March 31, 2012 | Year Ended March 31, 2011 |
|--|--------------------------------------|--------------------------------------|
| i) Not Later than One year | 21,584,016 | 9,599,537 |
| ii) Later than one Year and not later than Five years | 8,818,265 | 4,223,700 |
| iii) Later than 5 years | - | - |

39 Balances of Trade Receivables, Trade Payables and Loans & Advances are subject to confirmation/reconciliation. Adjustments, if any, will be accounted for on confirmation/reconciliation of the same, which will not have a material impact.

40 During the year under review, the holding company, Sky Industries Limited has suffered loss of production due to labour strike declared on 25.12.2011 at one of it's manufacturing plant situated at Navi Mumbai. Efforts are underway to resolve the disputed matter with the labour union. In the mean time company has initiated efforts to source the required material to fulfil the contractual commitments.

41 The consolidated financial statements for the year ended March 31, 2011 had been prepared as per then applicable pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended March 31, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year's figures have also been reclassified to conform to this year's classifications. The adoption of Revised Schedule VI does not impact recognition and measurement principles followed for preparation of consolidated financial statements.

As per our Report of even date

For and on behalf of the Board of Directors

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,
Dated: November 16, 2012

DIRECTORS REPORT

To,

The Members,

The Directors have pleasure in submitting the Twelfth Annual Report for the year ended March 31, 2012.

The year under review was challenging. The world trade and the economic activities continued to be affected by the slower economic growth as in earlier years, and it remained under the threat of global slowdown.

The performance of the company during the year was a little better than the last year. The company is constantly striving to improve its performance.

M/s Focus CPA Group Inc, being eligible offers themselves for reappointment.

On behalf of the Board Directors

Sd/-
Nitin K. Motani
President

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, 2012, 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, 2012, 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.
October 28, 2012

BALANCE SHEET AS AT MARCH 31, 2012

Amount in USD

| | As at 31.03.2012 | As at 31.03.2011 |
|--|---------------------|---------------------|
| ASSETS: | | |
| CURRENT ASSETS : | | |
| Cash | 50 | - |
| Accounts Receivable | 33,009 | 64,154 |
| Advances | - | 2,792 |
| Total Current Assets | 33,059 | 66,946 |
| PROPERTY & EQUIPMENT (Note 2) : | | |
| Property & Equipment | 21,452 | 21,452 |
| Less: Accumulated Depreciation | (21,452) | (21,452) |
| Total Property & Equipment | - | - |
| OTHER ASSETS | | |
| Deposits | - | 1,429 |
| Total Other Assets | - | 1,429 |
| TOTAL ASSETS | 33,059 | 68,375 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | 5,996 | 4,853 |
| Bank overdraft | 14,882 | 1,649 |
| Taxes Payable - Income | - | - |
| Taxes Payable - Payroll | - | - |
| Total Current Liabilities | 20,878 | 6,502 |
| LONG TERM LIABILITIES | | |
| Due to Officer (Note 5) | - | 57,507 |
| Total Long Term Liabilities | - | 57,507 |
| TOTAL LIABILITIES | 20,878 | 64,009 |
| STOCKHOLDERS' EQUITY | | |
| Capital stock no par value; 1,000,000 shares authorized; 80,000 shares issued and outstanding | 80,000 | 80,000 |
| Retained earnings (deficit) | (67,819) | (75,634) |
| Total Stockholders' Equity | 12,181 | 4,366 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | 33,059 | 68,375 |

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2012

Amount in USD

| | As at 31.03.2012 | As at 31.03.2011 |
|--|---------------------|---------------------|
| REVENUE: | | |
| Commission Revenue | 1,02,731 | 1,57,774 |
| Loan forfeiture | 57,507 | - |
| Total Revenue | <u>1,60,238</u> | <u>1,57,774</u> |
| OPERATING EXPENSES: | | |
| Auto Expenses | 6,271 | 6,768 |
| Bank Charges | 1,919 | 558 |
| Dues & Subscriptions | 222 | 261 |
| Insurance | 5,994 | 7,402 |
| Interest | - | 2,738 |
| Legal & Professional Expenses | 4,615 | 3,700 |
| Licence & Permit | 135 | 206 |
| Postage & Delivery | 682 | 903 |
| Promotion & Advertising | - | 2,979 |
| Rent (Note: 5) | 31,599 | 22,800 |
| Repairs & Maintenance | 246 | 646 |
| Salaries & Wages | 70,072 | 89,429 |
| Supplies | 743 | 1,694 |
| Taxes - Payroll | 8,380 | 7,440 |
| Telephone & Utilities | 11,878 | 12,771 |
| Travel | 8,867 | 8,400 |
| Total Operating Expenses | <u>1,51,623</u> | <u>1,68,695</u> |
| INCOME (LOSS) FROM OPERATIONS BEFORE INCOME TAX PROVISION | 8,615 | (10,921) |
| OTHER INCOME (EXPENSES) & INCOME TAX | | |
| OTHER INCOME (EXPENSES) | | |
| Misc. Income | - | - |
| Total Other Income (Expenses) | <u>-</u> | <u>-</u> |
| NET INCOME (LOSS) BEFORE INCOME TAX PROVISION | 8,615 | (10,921) |
| Provision for Income Tax | (800.00) | (800.00) |
| NET INCOME (LOSS) | <u>7,815</u> | <u>(11,721)</u> |
| BEGINNING RETAINED EARNINGS (DEFICIT) | <u>(75,634)</u> | <u>(63,913)</u> |
| ENDING RETAINED EARNINGS (DEFICIT) | <u>(67,819)</u> | <u>(75,634)</u> |

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

Amount in USD

| | As at 31.03.2012 | As at 31.03.2011 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Income (Loss) | 7,815 | (11,721) |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and Amortization | - | - |
| (Increase) decrease in: | | |
| Accounts receivables | 31,145 | (12,191) |
| Advances | 2,792 | - |
| Deposits | 1,429 | - |
| Increase (decrease) in: | | |
| Accounts payable | 1,143 | 2,199 |
| Payroll taxes payable | - | - |
| Income taxes payable | - | - |
| Bank overdraft | - | - |
| NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES | <u>44,324</u> | <u>(21,713)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase / Disposition of Assets | - | - |
| NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES | <u>-</u> | <u>-</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Borrowings from officer | (57,507) | 2,738 |
| NET CASH PROVIDED / (USED) BY FINANCING ACTIVITIES | <u>(57,507)</u> | <u>2,738</u> |
| NET INCREASE IN CASH | (13,183) | (18,975) |
| CASH AT THE BEGINNING OF YEAR | (1,649) | 17,326 |
| CASH AT END OF YEAR | <u>(14,832)</u> | <u>(1,649)</u> |

NOTES TO FINANCIAL STATEMENTS
Year Ended March 31, 2012

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 non-cancelable lease for twelve months ending on February 14, 2008 and since that date are on month to month lease under the same terms.

5. Related Party Transaction:

The company has earned commission from its sole stock holder of \$102,731 during the financial year ended March 31, 2012.

DIRECTORS' REPORT

To,
The Shareholders,
SK Stable Industries Pvt. Ltd.,
Mumbai.

The Directors take pleasure in submitting the 8th Annual Report and Accounts for the year ended 31st March 2012.

FINANCIAL RESULTS AND OPERATIONS:

| Particulars | Current Year ended 31.03.2012 | (Rs in Lacs) |
|---|----------------------------------|-----------------------------------|
| | | Previous Year ended 31.03.2011 |
| Sales and other income | 173.05 | 207.00 |
| Profit after Depreciation | (34.96) | (7.65) |
| Tax Expenses | 12.31 | 8.42 |
| Exceptional Items | - | - |
| Profit after Tax | (47.28) | (16.08) |
| Profit/(Loss) from discontinuing operations | - | - |
| Balance retained in Profit & Loss account | (47.28) | (16.08) |

The turnover during the year was Rs.173.05 Lacs as compared to the previous year Rs.207.00 Lacs. The PBT has slightly gone down owing to input cost pressures.

DIVIDEND

In view of the future expansion planned for the Company, the Directors do not recommend a dividend to shareholders for the ensuing year.

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, as 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.

For and on behalf of the Board
Sd/-
Shailesh S Shah
Director

Date : 30th May 2012
Place : Mumbai

AUDITORS REPORT

To,
SK STABEL INDUSTRIES PRIVATE LIMITED.

1. We have audited the attached Balance Sheet of M/s SK Stabel Industries Private Limited, as at 31st March, 2012 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. Further to our comments in the Annexure referred to above :-
 - 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. On the basis of written representations received from the directors as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 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 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 31st March, 2012; and
 - ii. in the case of the Profit & Loss Account, of the LOSS for the year ended on that date.

For and on behalf of
THANAWALA & COMPANY
Chartered Accountants
Firm Reg. no. 110948W

Sd/-
[**V.K. Thanawala**]
Proprietor
Membership No. 15632

Place : Mumbai
Dated : 30/05/2012

M/s. SK STABEL INDUSTRIES 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 taken Unsecured loan of Rs 2,00,000/- from 1 party covered in the register maintained under Section 301 of the Companies Act, 1956 which are outstanding as on 31/03/2012.
b. The terms and conditions on which loans have been taken by the company are not prejudicial to the interest of the Company.
c. As no term of repayment have been specified, we are unable to comment whether the payment of principle is regular in respect of unsecured loans taken by the company.
d. As Company has not granted any loans, secured or unsecured to companies firms or other parties listed in the register maintained under section 301 of the companies Act, 1956, the matters to be reported under Paragraphs 4 (iii) (b)(c) and (d) are not applicable.
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 31st March, 2012 for a period more than six months from the date they became payable.

10. The company has accumulated losses of Rs.58,73,768/- as at 31st March, 2012 and it had incurred cash loss during the financial year and immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the Management, in our opinion, the company has not defaulted in repayment of its dues to any financial institution and bank as at the balance sheet date.
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.
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 made 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
Firm Reg. No. 110948W

Sd/-
[V.K. Thanawala]
Proprietor
Membership No. 15632

Place : Mumbai
Dated : 30/05/2012

SK STABEL INDUSTRIES PVT. LTD.
BALANCE SHEET AS AT 31st MARCH, 2012

(Amount in Rs.)

| | Sch. No. | As At March 31 2012 | As At March 31 2011 |
|--|----------|---------------------------|---------------------------|
| I. EQUITY AND LIABILITIES | | | |
| (1) Shareholder's Funds | | | |
| (a) Share Capital | 1 | 26,00,000 | 26,00,000 |
| (b) Reserves and Surplus | 2 | (58,73,768) | (11,44,971) |
| (c) Money received against share warrants | | - | - |
| (2) Share Application money pending allotment | | 89,472 | 89,472 |
| (3) Non-Current Liabilities | | | |
| (a) Long-Term Borrowings | 3 | 2,00,000 | - |
| (b) Deferred Tax Liabilities (Net) | | 21,33,589 | 9,01,765 |
| (c) Other Long Term Liabilities | 4 | 5,00,000 | - |
| (4) Current Liabilities | | | |
| (a) Short-Term Borrowings | 5 | 18,32,404 | 19,19,811 |
| (b) Trade Payables | 6 | 5,54,56,067 | 5,56,14,535 |
| (c) Other Current Liabilities | 7 | 1,67,144 | 95,302 |
| (d) Short-Term Provisions | 8 | 1,74,066 | 1,86,175 |
| Total Equity & Liabilities | | <u>5,72,78,975</u> | <u>6,02,62,090</u> |
| II. ASSETS | | | |
| (1) Non-Current Assets | | | |
| (a) Fixed Assets | 9 | | |
| (i) Tangible Assets | | 4,11,23,244 | 4,30,39,514 |
| (ii) Intangible Assets | | - | - |
| (iii) Capital Work-in-progress | | - | - |
| (iv) Intangible Assets Under Development | | - | - |
| | | <u>4,11,23,244</u> | <u>4,30,39,514</u> |
| (b) Non-current investments | | - | - |
| (c) Deferred tax assets (net) | | - | - |
| (d) Long term loans and advances | 10 | 12,00,951 | 15,95,136 |
| (e) Other non-current assets | 11 | 54,352 | 72,469 |
| (2) Current Assets | | | |
| (a) Current investments | | - | - |
| (b) Inventories | 12 | 1,02,98,356 | 1,04,18,425 |
| (c) Trade receivables | 13 | 28,27,187 | 49,48,132 |
| (d) Cash and cash equivalents | 14 | 17,46,734 | 1,81,658 |
| (e) Short-term loans and advances | | - | - |
| (f) Other current assets | 15 | 28,151 | 6,755 |
| Total Assets | | <u>5,72,78,975</u> | <u>6,02,62,090</u> |
| Significant Accounting Policies | 24 | | |

Schedules referred to above and notes attached there to form an integral part of Balance Sheet

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

For and on behalf of

THANAWALA & COMPANY

Chartered Accountants

Firm Reg. no. 110948W

Sd/-

[V.K. Thanawala]

Proprietor

Membership No. 15632

Place : Mumbai,

Dated: 30/05/2012

For and on behalf of the Board of Directors

Sd/-

Shailesh Shah

Director

Sd/-

Saurabh Motani

Director

SK STABEL INDUSTRIES PVT. LTD.

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2012

(Amount in Rs.)

| Sr. No. | Particulars | Sch. No. | For the year ended 31.03.2012 | For the year ended 31.03.2011 |
|---------|---|------------|----------------------------------|----------------------------------|
| I | Revenue from operations | 16 | 1,72,63,815 | 2,06,25,569 |
| II | Other Income | 17 | 41,418 | 75,182 |
| III | III. Total Revenue (I +II) | | <u>1,73,05,233</u> | <u>2,07,00,751</u> |
| IV | <u>Expenses:</u> | | | |
| | Cost of materials consumed | 18 | 1,11,28,239 | 96,34,794 |
| | Purchase of Stock-in-Trade | | - | - |
| | Changes in inventories of finished goods, work-in-progress and Stock-in-Trade | 19 | (407) | 2,03,816 |
| | Employee Benefit Expense | 20 | 36,00,214 | 34,17,479 |
| | Financial Costs | 21 | 4,24,631 | 3,35,676 |
| | Depreciation and Amortization Expense | 22 | 20,89,447 | 5,77,911 |
| | Other Administrative Expenses | 23 | 35,60,082 | 72,96,583 |
| | Total Expenses (IV) | | <u>2,08,02,206</u> | <u>2,14,66,259</u> |
| V | Profit before exceptional and extraordinary items and tax | (III - IV) | <u>(34,96,973)</u> | <u>(7,65,508)</u> |
| VI | Exceptional Items | | - | - |
| VII | Profit before extraordinary items and tax (V - VI) | | <u>(34,96,973)</u> | <u>(7,65,508)</u> |
| VIII | Extraordinary Items | | - | - |
| IX | Profit before tax (VII - VIII) | | <u>(34,96,973)</u> | <u>(7,65,508)</u> |
| X | <u>Tax expense:</u> | | | |
| | (1) Current tax | | - | - |
| | (2) Deferred tax | | 12,31,824 | 8,42,851 |
| XI | Profit(Loss) from the period from continuing operations | (IX-X) | <u>(47,28,797)</u> | <u>(16,08,359)</u> |
| XII | Profit/(Loss) from discontinuing operations | | - | - |
| XIII | Tax expense of discounting operations | | - | - |
| XIV | Profit/(Loss) from Discontinuing operations (XII - XIII) | | - | - |
| XV | Profit/(Loss) for the period (XI + XIV) | | <u>(47,28,797)</u> | <u>(16,08,359)</u> |

Schedules referred to above and notes attached there to form an integral part of Profit & Loss Statement.

This is the Profit & Loss Statement referred to in our Report of even date.

For and on behalf of
THANAWALA & COMPANY

Chartered Accountants
Firm Reg. no. 110948W

Sd/-
[V.K. Thanawala]
Proprietor
Membership No. 15632
Place : Mumbai,

For and on behalf of the Board of Directors

Sd/-
Shailesh Shah
Director

Sd/-
Saurabh Motani
Director

SK STABEL INDUSTRIES PVT. LTD.

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2012

(Amount in Rs.)

| Sr. No. | Particulars | For the year ended 31.03.2012 | For the year ended 31.03.2011 |
|-----------------------------------|--|----------------------------------|----------------------------------|
| Schedule : 1 Share Capital | | | |
| 1 | <u>AUTHORIZED CAPITAL</u> | | |
| | 100000 Equity Shares of Rs. 100/- each. | 1,00,00,000 | 1,00,00,000 |
| | | <u>1,00,00,000</u> | <u>1,00,00,000</u> |
| 2 | <u>ISSUED, SUBSCRIBED & PAID UP CAPITAL</u> | | |
| | <i>To the Subscribers of the Memorandum</i> | | |
| | Paid up Share capital by allotment | | |
| | 260000 Equity Shares of Rs. 10/- each, Fully | 26,00,000 | 26,00,000 |
| | Total in Rs. | <u>26,00,000</u> | <u>26,00,000</u> |

Note 1A Equity Share capital

| | As at 31 March, 2012 | | As at 31 March, 2011 | |
|---|----------------------|--------------------|----------------------|--------------------|
| | Number of shares | Amount | Number of shares | Amount |
| (a) Authorised | | | | |
| Equity shares of Re 100/- each with voting rights | 100,000 | 10,00,000 | 100,000 | 1,00,00,000 |
| (b) Issued, Subscribed and fully paid up | | | | |
| Equity shares of Re 10/- each with voting rights | 260,000 | 2,60,00,000 | 260,000 | 2,60,00,000 |
| Total | 260,000 | 2,60,00,000 | 260,000 | 2,60,00,000 |

Note 1A2 Equity Share capital :-

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

| Particulars | Opening Balance | Fresh issue | Bonus | ESOP | Conversion | Buy back | Closing Balance |
|----------------------------------|--------------------|-------------|-------|------|------------|-------------|--------------------|
| Equity shares with voting rights | - | - | - | - | | | |
| Year ended 31 March, 2012 | | | | | | | |
| - Number of shares | 260,000 | - | - | - | - | - | 260,000 |
| - Amount | 2,60,00,000 | - | - | - | - | - | 2,60,00,000 |
| Year ended 31 March, 2011 | | | | | | | |
| - Number of shares | 260,000 | - | - | - | - | - | 260,000 |
| - Amount | 2,60,00,000 | - | - | - | - | - | 2,60,00,000 |

(ii) Details of shares held by each shareholder holding more than 5% shares:

| Class of shares / Name of shareholder | As at 31 March, 2012 | | As at 31 March, 2011 | |
|---------------------------------------|--------------------------|---|--------------------------|---|
| | Number of shares held | % holding in that class of shares | Number of shares held | % holding in that class of shares |
| Equity shares with voting rights | | | | |
| SKY INDUSTRIES LTD | 259,999 | 100.00 | 259,999 | 100.00 |
| TOTAL | 259,999 | 100.00 | 259,999 | 100.00 |

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2012

(Amount in Rs.)

| Sr. No. | Particulars | For the year ended 31.03.2012 | For the year ended 31.03.2011 |
|---|--|----------------------------------|----------------------------------|
| Schedule : 2 Reserve & Surplus | | | |
| 1 | <u>General Reserve</u> | | |
| | Opening Balance | 80,000 | 80,000 |
| | Transferred from Profit & Loss A/c | - | - |
| | | <u>80,000</u> | <u>80,000</u> |
| 2 | <u>Surplus (Profit & Loss Account)</u> | | |
| | Balance brought forward from previous year | (12,24,971) | 3,83,388 |
| | Add: Profit for the period | (47,28,797) | (16,08,359) |
| | | <u>(59,53,768)</u> | <u>(12,24,971)</u> |
| | Total in Rs. | <u><u>(58,73,768)</u></u> | <u><u>(11,44,971)</u></u> |
| Schedule : 3 Long Term Borrowings | | | |
| 1 | <u>From others</u> | | |
| a) | From related parties (*) Shailsh S. Shah | 2,00,000 | - |
| | (*) The installment following due within 12 months after report date is NIL as terms of repayment are not pre determined | | |
| | Total in Rs. | <u>2,00,000</u> | - |
| Schedule 4 : Other Long-Term Liabilities | | | |
| a) | <u>Others</u> | | |
| i) | Trade / Security deposits received Mahendra Ribbons | 5,00,000 | - |
| | Total in Rs. | <u>5,00,000</u> | - |
| Schedule : 5 Short Term Borrowings | | | |
| 1 | <u>Loan Repayable on Demand</u> | | |
| | - From Bank Oriental Bank of Commerce (Against Hypothecation of Stock and Debtors) | 18,32,404 | 19,19,811 |
| | Total in Rs. | <u>18,32,404</u> | <u>19,19,811</u> |
| Schedule : 6 Trades Payable | | | |
| 1 | <u>-Sundry Creditors for Materiel/Supplies:</u> | 5,54,56,067 | 5,56,14,535 |
| | Total in Rs. | <u>5,54,56,067</u> | <u>5,56,14,535</u> |
| Schedule : 7 Other Current Liabilities | | | |
| a. | <u>Statutory Remittances</u> | | |
| | Professional Tax Payable | 26,350 | 15,670 |
| | TDS Payable | 29,551 | 19,795 |
| | Service Tax on GTA | 11,312 | 5,308 |
| | Other Liabilities | - | 100 |
| | Outstanding Expenses | 99,931 | - |
| | Advance against sales | - | 54,429 |
| | Total in Rs. | <u>1,67,144</u> | <u>95,302</u> |
| Schedule : 8 Short Term Provisions | | | |
| 1 | <u>Provision For Employees Benefit</u> | | |
| | Retainership Payable | 22,033 | - |
| | Salary Payable | 1,28,610 | 1,17,889 |
| | Bonus Payable | 23,423 | 35,196 |
| 2 | <u>Provision for Expenses</u> | | |
| | Professional Fees - Thanawala & Co. | - | 33,090 |
| | Total in Rs. | <u>1,74,066</u> | <u>1,86,175</u> |

SK STABEL INDUSTRIES PVT. LTD.

Schedule : 9 Fixed Assets

(Amount in Rs.)

| Sr. No | Particulars | Rate % | Gross Block | | | | Depreciation | | | | Net Block | |
|--------|---|--------|------------------------|--------------------------|---------------------------|-------------------|------------------------|--------------------------|---------------------------|------------------|----------------------|----------------------|
| | | | Value at the beginning | Addition during the year | Deduction during the year | Value at the end | Value at the beginning | Addition during the year | Deduction during the year | Value at the end | WDV as on 31/03/2012 | WDV as on 31/03/2011 |
| I | <u>Tangible Assets</u> | | | | | | | | | | | |
| 1 | Computer | 40% | 85,976 | - | - | 85,976 | 69664 | 6525 | - | 76189 | 9,787 | 16312 |
| 2 | Computer Software | 40% | 16,478 | - | - | 16,478 | 7,566 | 3565 | - | 11131 | 5,347 | 8,912 |
| 3 | Elect. Installation | 13.91% | 547,768 | 155,060 | - | 702,828 | 48,561 | 23,713 | - | 72274 | 630,554 | 499,207 |
| 4 | Plant & Machinery | 13.91% | 42,957,535 | - | - | 42,957,535 | 520,819 | 2,022,702 | - | 2543521 | 40,414,014 | 42,436,716 |
| 5 | Furniture & Fixture | 18.10% | 169,745 | - | - | 169,745 | 106,263 | 11,490 | - | 117753 | 51,992 | 63,482 |
| | | 18.10% | 8,000 | - | - | 8,000 | 1,333 | 1,207 | - | 2539 | 5,460 | 6,667 |
| 6 | VEHICLES | 25.89% | 13,850 | - | - | 13,850 | 5,632 | 2,128 | - | 7759 | 6,090 | 8,218 |
| | SUB TOTAL (A) | | 43,799,352 | 155,060 | - | 43,954,412 | 759,838 | 2,071,330 | - | 2,831,168 | 41,123,244 | 43,039,514 |
| II | <u>Intangible Assets</u> | | - | - | - | - | - | - | - | - | - | - |
| | SUB TOTAL (B) | | - | - | - | - | - | - | - | - | - | - |
| III | <u>Capital Work-in-progress</u> | | | | | | | | | | | |
| 1 | Plant & Machinery | | - | - | - | - | - | - | - | - | - | - |
| | SUB TOTAL (C) | | - | - | - | - | - | - | - | - | - | - |
| IV | <u>Intangible Assets Under Development</u> | | - | - | - | - | - | - | - | - | - | - |
| | SUB TOTAL (D) | | - | - | - | - | - | - | - | - | - | - |
| | Total [A + B + C + D] | | | | | | | | | | | |
| | (Current Year) | | 43,799,352 | 155,060 | - | 43,954,412 | 759,838 | 2,071,330 | - | 2,831,168 | 41,123,244 | 43,039,514 |
| | (Previous Year) | | 396,460 | 43,402,892 | - | 43,799,352 | 200,044 | 559,794 | - | 759,838 | 43,039,514 | 196,416 |

SK STABEL INDUSTRIES PVT. LTD.

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2012

(Amount in Rs.)

| Sr. No. | Particulars | For the year ended 31.03.2012 | For the year ended 31.03.2011 |
|---|---|----------------------------------|----------------------------------|
| Schedule : 10 Long Term Loans and Advances | | | |
| II) | <u>Security Deposit</u> | | |
| | a) <u>Secured, Considered Good :</u> | | |
| | Other Deposit | 4,99,591 | - |
| II) | <u>Loans & Advances to related parties</u> | 7,01,360 | 15,95,136 |
| | Total in Rs. | <u>12,00,951</u> | <u>15,95,136</u> |
| Schedule : 11 Other Non Current Assets | | | |
| 1 | <u>Unamortised Expenses</u> | | |
| | Priliminary Expenses | 54,352 | 72,469 |
| | Total in Rs. | <u>54,352</u> | <u>72,469</u> |
| Schedule : 12 Inventories | | | |
| 1 | Raw Material | 92,94,568 | 1,00,41,106 |
| 2 | Work-in-Progress | 6,26,062 | - |
| 3 | Finished Goods | 3,77,726 | 3,77,319 |
| | Total in Rs. | <u>1,02,98,356</u> | <u>1,04,18,425</u> |
| Schedule : 13 Trade Recievables | | | |
| 1 | <u>Outstanding for (more than six months from the date they were due for payment)</u> | | |
| | b) <u>Unsecured, Considered Good :</u> | - | 21,73,899 |
| 2 | <u>Others</u> | | |
| | a) <u>Secured, Considered Good :</u> | - | - |
| | b) <u>Unsecured, Considered Good :</u> | 28,27,187 | 27,74,234 |
| | Total in Rs. | <u>28,27,187</u> | <u>49,48,132</u> |
| Schedule : 14 Cash & Cash Equivalent | | | |
| 1 | <u>Cash-in-Hand</u> | | |
| | Cash Balance | 33,771 | 43,727 |
| | Petty Cash Balance | - | - |
| | Sub Total (A) | <u>33,771</u> | <u>43,727</u> |
| 2 | <u>Bank Balance</u> | | |
| | <u>In Current Account :</u> | | |
| | State Bank of India | 4,497 | 4,497 |
| | Oriental Bank of Commerce | 3,966 | 3,934 |
| | Margin Deposit with OBC | 17,04,500 | 1,29,500 |
| | Sub Total (B) | <u>17,12,963</u> | <u>1,37,931</u> |
| 3 | <u>Cheques on Hand (C)</u> | - | - |
| | Total in Rs. [A + B + C] | <u>17,46,734</u> | <u>1,81,658</u> |
| Schedule : 15 Other Current Assets | | | |
| | Interest Receivable on Margine Money | 25,151 | 6,755 |
| | Imprest - SKS Factory | 3,000 | - |
| | Total in Rs. | <u>28,151</u> | <u>6,755</u> |

SK STABEL INDUSTRIES PVT. LTD.

SCHEDULES FORMING PART OF THE PROFIT & LOSS AS AT 31ST MARCH, 2012

(Amount in Rs.)

| Sr. No. | Particulars | For the year ended 31.03.2012 | For the year ended 31.03.2011 |
|---|-----------------------------------|----------------------------------|----------------------------------|
| <u>Schedule : 16 Revenue from Operations</u> | | | |
| 1 | Local Sales | 1,72,09,084 | 2,05,50,387 |
| 3 | Sales Scrap | 54,731 | 75,182 |
| | Total in Rs. | <u>1,72,63,815</u> | <u>2,06,25,569</u> |
| <u>Schedule : 17 Other Income</u> | | | |
| | Difference in exchange | - | 32,585 |
| | Excess Provision w/back | 10,640 | - |
| | Interest on Margine Money | 21,337 | 22,295 |
| | Interest on Income tax | 199 | - |
| | Miscellaneous Income | 9,242 | 20,302 |
| | Total in Rs. | <u>41,418</u> | <u>75,182</u> |
| <u>Schedule : 18 Cost of Material Consumed</u> | | | |
| <u>PURCHASES OF RAW MATERIALS AND STORES</u> | | | |
| 1 | Opening Stock | 1,00,41,106 | 1,05,04,449 |
| | Add : Purchase | <u>1,10,07,763</u> | <u>91,71,451</u> |
| | | 2,10,48,869 | 1,96,75,900 |
| | Less : Closing Stock | <u>99,20,630</u> | <u>1,00,41,106</u> |
| | | 3,09,69,499 | 2,97,17,006 |
| | Total in Rs. | <u>1,11,28,239</u> | <u>96,34,794</u> |
| <u>Schedule : 19 Change in Inventories</u> | | | |
| 1 | Opening Stock | | |
| | Finish Goods | 3,77,319 | 5,81,135 |
| | Work-in-progees | - | - |
| | | <u>3,77,319</u> | <u>5,81,135</u> |
| 2 | Closing Stock | 3,77,726 | 3,77,319 |
| | Total in Rs. | <u>(407)</u> | <u>2,03,816</u> |
| <u>Schedule : 20 Employment Benefit Expenses</u> | | | |
| 1 | Salaries Bonus and other benefits | 36,00,214 | 34,17,479 |
| | Total in Rs. | <u>36,00,214</u> | <u>34,17,479</u> |
| <u>Schedule : 21 Financial Cost</u> | | | |
| 2 | Exchange Rate difference | 15,778 | - |
| 4 | Interest on Other | - | 79,651 |
| 5 | Bank Interest | 2,35,008 | 59,440 |
| 6 | Bank Charges & commission | 76,693 | 1,13,940 |
| 7 | Interest from Supplier | 97,152 | 82,645 |
| | Total in Rs. | <u>4,24,631</u> | <u>3,35,676</u> |
| <u>Schedule : 22 Depreciation & Amortised Cost</u> | | | |
| 1 | Depreciation | 20,71,330 | 5,59,794 |
| 2 | Preliminary Expenses W/O | 18,117 | 18,117 |
| | Total in Rs. | <u>20,89,447</u> | <u>5,77,911</u> |

SCHEDULES FORMING PART OF THE PROFIT & LOSS AS AT 31ST MARCH, 2012

(Amount in Rs.)

| Sr. No. | Particulars | For the year ended 31.03.2012 | For the year ended 31.03.2011 |
|--|------------------------------------|----------------------------------|----------------------------------|
| Schedule : 23 Other Expenses | | | |
| <u>Manufacturing Expenses</u> | | | |
| 1 | Processing Labour Charges | 8,67,043 | 16,32,779 |
| 2 | Power & Fuel (Electricity Charges) | 3,47,027 | 3,60,523 |
| 3 | Packing, Freight & Forwarding | 1,98,270 | 1,31,948 |
| 4 | Loading & Unloading | 6,200 | 52,610 |
| 5 | Rent Rates & Taxes | - | 5,55,000 |
| 6 | Canteen Exp. | 56,038 | 76,838 |
| 7 | Hire Charges | - | 23,82,480 |
| 8 | Service Tax on GTA Payable | 14,909 | 5,308 |
| 9 | Water Charges | 29,662 | 41,396 |
| | Total in Rs. | <u>15,19,149</u> | <u>52,38,881</u> |
| <u>Selling and Distribution Expenses</u> | | | |
| 1 | Commission Brokerage | - | 41,575 |
| 2 | Exhibition Expenses | 31,505 | - |
| 3 | Freight Forwarding Outward | 53,113 | 77,349 |
| 4 | Sales Promotion Exp. | - | 13,590 |
| 5 | Samples | 234 | 24,000 |
| 6 | Travelling Expenses | 1,12,134 | 2,77,857 |
| 7 | Diwali Gift | - | 500 |
| 8 | Discount | 1,05,628 | 1,41,323 |
| | Total in Rs. | <u>3,02,614</u> | <u>5,76,194</u> |
| <u>Establishment Expenses</u> | | | |
| 1 | Staff Welfare Expenses | - | 1,36,946 |
| 2 | Legal Expenses | 2,947 | 44,663 |
| 3 | Postage & Telegram | 66,187 | 35,267 |
| 4 | Professional Charges | 86,512 | 12,843 |
| 5 | Stationery Expenses | 45,598 | 21,388 |
| 6 | Auditors Remuneration | 44,841 | 33,090 |
| 7 | Repairs & Maint. | 1,84,097 | 1,24,497 |
| 8 | Service Contract Charges | 4,64,187 | 7,04,595 |
| 9 | Miscellaneous Exp. | 42,058 | 5,531 |
| 10 | Insurance | 63,967 | 35,311 |
| 11 | Computer Expenses | 5,623 | - |
| 12 | Conveyance Exp. | 33,265 | 94,478 |
| 13 | Telephone Expe. | - | 31,826 |
| 14 | Prior Period Exp. | - | 791 |
| 15 | Rounding Difference | 0.15 | 3 |
| 16 | Filling Fees | 520 | 25,500 |
| 17 | Security Expenses | 1,81,995 | 1,42,545 |
| 18 | Rent, Rates & Taxes | 4,81,336 | 16,419 |
| 19 | Sundry Balance W/off | 28,022 | 11,627 |
| 20 | Software Expenses | 4,860 | 4,189 |
| 21 | Interest on Delay Payment | 2,305 | - |
| | Total in Rs. | <u>17,38,319</u> | <u>14,81,508</u> |
| | Total in Rs. | <u>35,60,082</u> | <u>72,96,583</u> |

NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31st March, 2012**24 Significant Accounting Policies-****24.1 Basis for preparation of financial statements**

The financial statements have been prepared on historical cost convention and as a going concern and in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the Section 211(3C) of the Companies Act, 1956. The company follows mercantile system of accounting and recognizes income and expenditure on accrual basis.

Estimates and Assumptions used in the preparation of financial statements are based upon the management's evaluation of relevant fact and the circumstances as of the date of the financial statements, which may differ from the actual results at a subsequent date.

24.2 Inventories :

Inventories are valued at cost or net realizable value whichever is lower; cost is ascertained on the following basis :

- a Raw Material, Packing Material, tools, spares and consumable are valued at cost on plus direct cost incurred to bring the stock to its existing level.
- b Work in progress/ Finished Goods are valued at cost of manufacturing based on cost of Raw material and labour and overheads cost up to the relevant stage of completion.
- c Cost includes taxes and duties as applicable.

24.3 Cash and cash equivalents (for purposes of Cash Flow Statement) :

Cash comprises cash in hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

24.4 Depreciation :

Depreciation on all tangible assets has been calculated on Written Down Value Method (WDV) as per the rates and manner prescribed under Schedule XIV of the Companies Act, 1956.

24.5 Revenue recognition :

Sales are accounted on net of tax less sales Returns/ rejection. Revenue from sale of products is recognized upon passage of title to the customer on acceptance of goods which generally coincides with the dispatch of materials.

Dividend Income is recognized when the right to receive the dividend is unconditional at the Balance Sheet date.

Interest Income is recognized on accrual basis.

24.6 Fixed Asset :

Fixed Assets are accounted at cost of acquisition or construction. Fixed assets are capitalized net of CENVAT / VAT for which credit is taken and includes borrowing cost directly attributable to construction or acquisition of fixed assets, up to the date the asset is ready to use.

24.7 Employee benefits Costs :

The liabilities in respect of Bonus and for Leave Encashment are provided on mercantile basis.

24.8 Borrowing costs :

Borrowing costs that are directly attributable to the acquisition, construction or production of fixed assets are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

24.9 Related Party Transactions :

The related parties are identified by the management of the Company and relied upon by the Auditors. The related party transactions are reported at their net value (Including indirect taxes).

24.10 Taxes on income :

Tax Expenses for the year, comprising Current Tax including Wealth Tax, and is included in determining the net profit for the year. A provision is made for the current tax and based on tax liability computed in accordance with relevant tax rates and tax laws.

Current and deferred tax relating to items directly recognized in equity is recognized in equity and not in the Statement of Profit and Loss Account.

24.11 Deferred Tax- Asset/ Liability :

The Accounting Standard 22 “Accounting for Taxes on Income” issued by the Institute of Chartered accountants of India, has become applicable to the Company. The Deferred Tax is recognized for all timing differences being the difference between “Taxable Income” and “Accounting Income” that originate in one period, and are capable of reversal in one or more subsequent periods and measured using relevant enacted tax rates. Deferred Tax Assets are recognized only if there is reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying value at each balance sheet date.

24.12 Miscellaneous Expenditure :

Miscellaneous expenditure is written off over a period of future economic benefit available not exceeding five years.

Additional information to the Financial Statements for the year ended 31/03/2012

24.13 Contingent liabilities and commitments

| PARTICULARS | As on 31/03/2012 | As on 31/03/2011 |
|--|------------------|------------------|
| (i) Commitments | | |
| Estimated amount of contracts remaining to be executed on capital account and not provided for Tangible assets | NIL | NIL |

24.14 Value of Imports calculated on CIF basis

| | | |
|---------------------------|-----------|------------|
| Raw Materials & Component | 9,124,421 | 15,518,809 |
|---------------------------|-----------|------------|

24.15 Expenditure in foreign currency

| | | |
|----------------|-----|-----|
| Foreign Travel | NIL | NIL |
|----------------|-----|-----|

24.16 Details of consumption of imported and indigenous items

 Raw Materials & Component
 Imported raw materials
 indigenous Raw Materials

24.17 Segment Reporting

The Company is in the business of manufacturing of velvet 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 narrow fabrics.

24.18 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 (ii) & (iii) below, Related parties relationship under the Accounting Standard have been identified by the Company has substantial sales in the domestic market. Thus, there is only one identified reportable segment.

i. Key Management Personnel & their relatives

| | | |
|-----------------------|---|----------|
| Mr. Saurabh K. Motani | - | Director |
| Mr. Nitin K. Motani | - | Director |
| Mr. Shailesh S. Shah | - | Director |

ii. Entities where Key Management Personnel or relatives of Key Management Personnel have significant influence

Sky Industries Limited
S.K. Overseas
Shamots International

iii. Related Party transaction Nature of Transaction Amount Rs.

| | | |
|---------------------|-----------------|---------|
| Associate Companies | Service Charges | 464,187 |
|---------------------|-----------------|---------|

Entities where Key Management Personnel or relatives of Key Management Personnel have significant influence

25. Previous year figures

The Revised Schedule VI has become effective from April 1, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements.

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

As per Our Report of Even date

For and on Behalf of
THANAWALA & COMPANY
Chartered Accountants
Firm Reg. no. 110948W

Sd/-
[V.K. Thanawala]
Proprietor
Membership No. 15632

Place : Mumbai,
Dated: 30/05/2012

For and on behalf of the Board of Directors

Sd/-
Shailesh Shah
Director

Sd/-
Saurabh Motani
Director

SKY HEMMAY PVT. LTD.**DIRECTORS' REPORT**

To,
The Shareholders,
Sky Hemmay Pvt. Ltd.,
Mumbai.

The Directors take pleasure in submitting the 5th Annual Report and Accounts for the year ended 31st March 2012.

FINANCIAL RESULTS AND OPERATIONS:

| Particulars | (Rs in Lacs) | |
|---|----------------------------------|-----------------------------------|
| | Current Year ended 31.03.2012 | Previous Year ended 31.03.2011 |
| Sales and other income | 596.79 | 547.16 |
| Profit after Depreciation | 13.75 | 25.25 |
| Tax Expenses | 5.37 | 8.49 |
| Exceptional Items | - | 0.45 |
| Profit after Tax | 8.37 | 16.30 |
| Profit/(Loss) from discontinuing operations | - | 39.39 |
| Balance retained in Profit & Loss account | 8.37 | 55.69 |

The turnover during the year was Rs. 596.79 Lacs as compared to the previous year Rs.547.16 Lacs. The PAT has slightly gone down owing to input cost pressures.

DIVIDEND

In view of the future expansion planned for the Company, the Directors do not recommend a dividend to shareholders for the ensuing year.

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, as 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.

DIRECTORS RESPONSIBILITY STATEMENT

The Directors confirm:

- (a) that in preparation of the Annual Accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- (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.

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 Directors
Sd/-
Saurabh Motani
Director

Place: Mumbai
Date: 28.05.2012

AUDITORS REPORT

To,
SKY HEMMAY PRIVATE LIMITED

1. We have audited the attached Balance Sheet of M/s SKY HEMMAY PRIVATE LIMITED, as at 31st March, 2012 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 31st March, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2012 from being appointed as a Director 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 31st March, 2012; 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
Firm Reg. No. 110948W

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

Place : Mumbai
Dated : 28/05/2012

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 31st March, 2012 for a period more than six months from the date they became payable.
10. The company has no accumulated losses as at 31st March, 2012 and it had not incurred any cash loss during the financial year or in the immediately preceding financial year.

11. Best on our audit procedures and on the information and explanations given by the Management, in our opinion, the company has not defaulted in repayment of its dues to any financial institution and bank as at the balance sheet date.
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.
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 made 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
Firm Reg. No. 110948W

Sd/-
[V.K. Thanawala]
Proprietor
Membership No. 15632

Place : Mumbai
Dated : 28/05/2012

SKY HEMMAY PVT. LTD.

BALANCE SHEET AS AT 31st MARCH, 2012

(Amount in Rs.)

| Particulars | Notes | As At March 31 2012 | As At March 31 2011 |
|--|-------|------------------------|------------------------|
| I. EQUITY AND LIABILITIES | | | |
| (1) Shareholder's Funds | | | |
| (a) Share Capital | 1 | 2,89,95,500 | 2,89,95,500 |
| (b) Reserves and Surplus | 2 | 51,72,863 | 43,34,912 |
| (c) Money received against share warrants | | - | - |
| (2) Share Application money pending allotment | | | |
| (3) Non-Current Liabilities | | | |
| (a) Long-Term Borrowings | | - | - |
| (b) Deferred Tax Liabilities (Net) | 3 | 16,23,342 | 13,40,999 |
| (c) Other Long Term Liabilities | | - | - |
| (d) Long Term Provisions | | - | - |
| (4) Current Liabilities | | | |
| (a) Short-Term Borrowings | 4 | 24,83,148 | - |
| (b) Trade Payables | 5 | 89,57,933 | 99,01,218 |
| (c) Other Current Liabilities | 6 | 3,53,161 | 2,12,005 |
| (d) Short-Term Provisions | 7 | 20,65,595 | 31,87,908 |
| Total Equity & Liabilities | | <u>4,96,51,542</u> | <u>4,79,72,541</u> |
| II. ASSETS | | | |
| (1) Non-Current Assets | | | |
| (a) Fixed Assets | 8 | | |
| (i) Tangible Assets | | 2,74,09,842 | 2,75,44,332 |
| (ii) Intangible Assets | | 69,295 | 35,000 |
| (iii) Capital Work-in-progress | | - | - |
| (iv) Intangible Assets Under Development | | - | - |
| | | <u>2,74,79,137</u> | <u>2,75,79,332</u> |
| (b) Non-current investments | 9 | 50,000 | 50,000 |
| (c) Deferred tax assets (net) | | - | - |
| (d) Long term loans and advances | 10 | 76,000 | - |
| (e) Other non-current assets | 11 | 56,512 | 1,13,024 |
| (2) Current Assets | | | |
| (a) Current investments | 12 | 2,03,000 | 2,03,000 |
| (b) Inventories | 13 | 1,33,38,246 | 83,69,921 |
| (c) Trade receivables | 14 | 65,68,868 | 74,03,139 |
| (d) Cash and cash equivalents | 15 | 9,56,009 | 10,38,440 |
| (e) Short-term loans and advances | 16 | 9,23,770 | 32,15,685 |
| (f) Other current assets | | - | - |
| Total Assets | | <u>4,96,51,542</u> | <u>4,79,72,541</u> |
| Significant Accounting Policies | 26 | | |
| NOTES TO ACCOUNTS | 27 | | |

Schedules referred to above and notes attached there to form an integral part of Balance Sheet

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

For and on behalf of

For and on behalf of the Board of Directors

THANAWALA & COMPANY

Chartered Accountants

Firm Reg. no. 110948W

Sd/-

Sd/-

Sd/-

[V.K. Thanawala]

Shailesh Shah

Saurabh Motani

Proprietor

Director

Director

Membership No. 15632

Place : Mumbai,

Dated: 28/05/2012

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2012

(Amount in Rs.)

| Sr. No. | Particulars | Notes | For the year ended 31.03.2012 | For the year ended 31.03.2011 |
|---------|--|--------|----------------------------------|----------------------------------|
| | <u>INCOME</u> | | | |
| I | Revenue from operations | 17 | 5,92,70,775 | 5,42,68,516 |
| II | Other Income | 18 | 4,08,422 | 4,47,566 |
| III | <i>III. Total Revenue (I +II)</i> | | 5,96,79,197 | 5,47,16,081 |
| IV | <u>Expenses:</u> | | | |
| | Cost of materials consumed | 19 | 2,95,29,377 | 2,44,63,841 |
| | Purchase of Stock in Trade | 20 | 67,568 | - |
| | Changes in inventories of finished goods, work-in-progress and Stock-in-Trade | 21 | (23,08,477) | 24,70,655 |
| | Employee Benefit Expense | 22 | 1,04,41,746 | 90,96,453 |
| | Financial Costs | 23 | 12,07,688 | 3,65,154 |
| | Depreciation and Amortization Expense | 24 | 44,56,108 | 40,60,977 |
| | Other Administrative Expenses | 25 | 1,49,09,892 | 1,17,33,967 |
| | <i>Total Expenses (IV)</i> | | 5,83,03,903 | 5,21,91,047 |
| V | Profit before exceptional and extraordinary items and tax (III - IV) | | 13,75,295 | 25,25,034 |
| VI | Exceptional Items | | - | 45,292 |
| VII | Profit before extraordinary items and tax (V - VI) | | 13,75,295 | 24,79,742 |
| VIII | Extraordinary Items | | - | - |
| IX | Profit before tax (VII - VIII) | | 13,75,295 | 24,79,742 |
| X | <u>Tax expense:</u> | | | |
| | (1) Current tax | | 2,55,000 | 5,50,000 |
| | (2) Deferred tax | | 2,82,343 | 2,99,523 |
| XI | Profit(Loss) from from continuing operations | (IX-X) | 8,37,951 | 16,30,219 |
| XII | Profit/(Loss) from discontinuing operations | | - | 39,39,663 |
| XIII | Tax expense of discounting operations | | - | - |
| XIV | Profit/(Loss) from Discontinuing operations (XII - XIII) | | - | 39,39,663 |
| XV | Profit/(Loss) for the period (XI + XIV) | | 8,37,951 | 55,69,882 |
| XVI | Earning per equity share: | | | |
| | (1) Basic | | 0.28 | 2 |
| | (2) Diluted | | 0.28 | 2 |

Schedules referred to above and notes attached there to form an integral part of Profit & Loss Statement.

This is the Profit & Loss Statement referred to in our Report of even date.

For and on behalf of

THANAWALA & COMPANY

Chartered Accountants

Firm Reg. no. 110948W

Sd/-

[**V.K. Thanawala**]

Proprietor

Membership No. 15632

Place : Mumbai,

Dated: 28/05/2012

For and on behalf of the Board of Directors

Sd/-

Shailesh Shah

Director

Sd/-

Saurabh Motani

Director

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Amount in Rs.)

| Particulars | As at 31 March, 2012 | | As at 31 March, 2011 | |
|--|----------------------|-------------|----------------------|-------------|
| Note 1A Equity Share capital | | | | |
| | Number of shares | Amount | Number of shares | Amount |
| (a) Authorised Equity shares of Re 10/- each with voting rights | 30,00,000 | 3,00,00,000 | 30,00,000 | 3,00,00,000 |
| (b) Issued, Subscribed and fully paid up Equity shares of Re 10/- each with voting rights | 28,99,550 | 2,89,95,500 | 28,99,550 | 2,89,95,500 |
| Total | 28,99,550 | 2,89,95,500 | 28,99,550 | 2,89,95,500 |

Note 1A1 Equity Share capital :-

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

| Particulars | Opening Balance | Fresh issue | Bonus | Closing Balance |
|---|-----------------|-------------|-------|-----------------|
| Equity shares with voting rights Year ended 31 March, 2012 | | | | - |
| - Number of shares | 28,99,550 | - | - | 28,99,550 |
| - Amount | 2,89,95,500 | - | - | 2,89,95,500 |
| Year ended 31 March, 2011 | | | | |
| - Number of shares | 28,99,550 | - | - | 28,99,550 |
| - Amount | 2,89,95,500 | - | - | 2,89,95,500 |

(ii) Details of shares held by each shareholder holding more than 5% shares:

| Class of shares / Name of shareholder | As at 31 March, 2012 | | As at 31 March, 2011 | |
|---------------------------------------|-----------------------|-----------------------------------|-----------------------|-----------------------------------|
| | Number of shares held | % holding in that class of shares | Number of shares held | % holding in that class of shares |
| Equity shares with voting rights | | | | |
| Sky Industries Ltd. | 14,78,770 | 51% | 14,78,770 | 51% |
| Good Excess Co. Ltd. | 10,20,907 | 35% | 10,20,907 | 35% |
| Rich Team Investment Ltd | 2,83,891 | 10% | 2,83,891 | 10% |
| TOTAL | 27,83,568 | 96% | 27,83,568 | 96% |

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2012

(Amount in Rs.)

| Sr. No. | Particulars | For the year ended 31.03.2012 | For the year ended 31.03.2011 |
|---|---|----------------------------------|----------------------------------|
| Notes : 2 Reserve & Surplus | | | |
| 1 | Capital Reserve | | |
| | General Reserve | 5,50,000 | 4,50,000 |
| | Transferred from Profit & Loss A/c | - | 1,00,000 |
| | A | 5,50,000 | 5,50,000 |
| | Surplus (Profit & Loss Account) | - | - |
| | Balance brought forward from previous year | 37,84,912 | 39,39,663 |
| | Add: Profit for the period | 8,37,951 | 16,30,214 |
| | Less : Dividend Proposed | - | (14,49,775) |
| | Tax on Dividend | - | (2,35,190) |
| | Transferred to General Reserve | - | (1,00,000) |
| | B | 46,22,863 | 37,84,912 |
| | A+B = C | 51,72,863 | 43,34,912 |
| Notes : 3 Deferred Tax Liabilities (Net) | | | |
| | <i>Deferred Tax Liabilities</i> | | |
| | <i>Related to Fixed Assets</i> | 16,23,342 | 13,40,999 |
| | Total in Rs. | 16,23,342 | 13,40,999 |
| Notes : 4 Short Term Borrowings | | | |
| 1 | <u>Loan Repayable on Demand</u> | | |
| | - From Bank | 24,83,148 | - |
| | - From Other Parties | - | - |
| | Total in Rs. | 24,83,148 | - |
| Notes The over draft facilities from Shamrao Vitthal Co-op Bank is against stock and debtors. | | | |
| Notes : 5 Trades Payable | | | |
| | <i>-Sundry Creditors for Materiel/Supplies:</i> | | |
| 1 | Creditors Raw Material | 25,86,812 | 29,71,139 |
| 2 | Creditors Expenses | 13,50,557 | 20,20,463 |
| 3 | Creditors Others | 24,502 | - |
| 4 | Creditors Intercompany | 49,96,062 | 49,09,616 |
| | Total in Rs. | 89,57,933 | 99,01,218 |
| Notes : 6 Other Current Liabilities | | | |
| (a) | <u>Statutory Remittances</u> | | |
| | VAT Payable | 328 | - |
| | PF Payable | 39,614 | 30,127 |
| | TDS Payable | 70,708 | 42,497 |
| | CST Payable | - | 21,828 |
| (b) | Advance from Customers | 2,42,511 | 1,17,553 |
| | Total in Rs. | 3,53,161 | 2,12,005 |
| Notes : 7 Short Term Provisions | | | |
| 1 | <u>Provision For Employees Benefit</u> | | |
| | Retainership Payable | 1,70,661 | - |
| | Salary Payable | 5,52,117 | 7,41,017 |
| | Incentives Payable | 7,500 | - |
| | Bonus Payable | 2,01,585 | 1,64,168 |
| 2 | <u>Others</u> | | |
| | Electricity & Power Charges Payable | 2,93,988 | - |
| | Travelling Expenses | - | 9,153 |
| | Audit Fees | 34,744 | 38,605 |
| | Provision for Taxation | 8,05,000 | 5,50,000 |
| | Proposed Dividend | - | 14,49,775 |
| | Dividend distribution Tax | - | 2,35,190 |
| | Total in Rs. | 20,65,595 | 31,87,908 |

Notes : 8 Fixed Asset

(Amount in Rs.)

| Sr. No | Particulars | Rate % | Value at the beginning | Gross Block | | Value at the end | Depreciation | | | Net Block | | |
|--------|---|--------|------------------------|--------------------------|---------------------------|--------------------|------------------------|--------------------------|---------------------------|--------------------|----------------------|----------------------|
| | | | | Addition during the year | Deduction during the year | | Value at the beginning | Addition during the year | Deduction during the year | Value at the end | WDV as on 31/03/2012 | WDV as on 31/03/2011 |
| I | <u>Tangible Assets</u> | | | | | | | | | | | |
| 1 | Plant & Machinery | 13.91 | 3,46,72,210 | 4189833 | - | 3,88,62,043 | 7483447 | 4280372 | - | 11763818 | 2,70,98,225 | 27188763 |
| 2 | Electrical Installations | 13.91 | 3,65,502 | - | - | 3,65,502 | 1,13,700 | 35,026 | - | 148726 | 2,16,776 | 2,51,802 |
| 3 | Computer | 40.00 | 81,042 | - | - | 81,042 | 19,724 | 24,527 | - | 44251 | 36,791 | 61,318 |
| 4 | Office Equipments | 20.00 | 49,538 | 21,427 | - | 70,965 | 7,090 | 12,090 | - | 19180 | 51,785 | 42,448 |
| 5 | Furnitures & Fixtures | 18.10 | - | 7,650 | - | 7,650 | - | 1,385 | - | 1,385 | 6,265 | - |
| | SUB TOTAL (A) | | 3,51,68,292 | 42,18,910 | - | 3,93,87,202 | 76,23,960 | 43,53,400 | - | 1,19,77,360 | 2,74,09,842 | 2,75,44,332 |
| II | <u>Intangible Assets</u> | 40.00 | 35,000 | 80,491 | - | 1,15,491 | - | 46,196 | - | 46,196 | 69,295 | 35,000 |
| | SUB TOTAL (B) | | 35,000 | 80,491 | - | 1,15,491 | - | 46,196 | - | 46,196 | 69,295 | 35,000 |
| III | <u>Capital</u> | | | | | | | | | | | |
| 1 | <u>Work-in-progress</u> | | - | - | - | - | - | - | - | - | - | - |
| | Building Under Construction | | - | - | - | - | - | - | - | - | - | - |
| IV | SUB TOTAL (C) | | - | - | - | - | - | - | - | - | - | - |
| | <u>Intangible Assets Under Development</u> | | - | - | - | - | - | - | - | - | - | - |
| | SUB TOTAL (D) | | - | - | - | - | - | - | - | - | - | - |
| | Total [A + B + C + D] | | | | | | | | | | | |
| | (Current Year) | | 3,52,03,292 | 42,99,401 | - | 3,95,02,693 | 76,23,960 | 43,99,596 | - | 1,20,23,556 | 2,74,79,137 | 2,75,79,332 |
| | (Previous Year) | | 2,99,49,541 | 52,53,751 | - | 3,52,03,292 | 36,19,495 | 40,04,465 | - | 76,23,960 | 2,75,79,332 | 2,63,30,046 |

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2012

(Amount in Rs.)

| Sr. No. | Particulars | For the year ended 31.03.2012 | For the year ended 31.03.2011 |
|---|---|----------------------------------|----------------------------------|
| <u>Notes : 9 Non Current Investment</u> | | | |
| 1 | <u>Investment in Equity Instrument</u> Shamrao Vitthal Co-op. Bank | 50,000 | 50,000 |
| | Total in Rs. | 50,000 | 50,000 |
| <u>Notes : 10 Long Term Loans and Advances</u> | | | |
| I) | <u>Security Deposit</u> a) <u>Secured, Considered Good :</u> Other Deposit | 76,000 | - |
| II) | <u>Loans & Advances to related parties</u> | - | - |
| IV) | <u>Other Loans & Advances</u> | - | - |
| | Total in Rs. | 76,000 | - |
| <u>Notes : 11 Other Non Current Assets</u> | | | |
| 1 | <u>Unamortised Expenses</u> Priliminary Expenses | - | - |
| | Total in Rs. | 56,512 | 1,13,024 |
| <u>Notes : 12 Current Investment</u> | | | |
| 1 | In Short term Fixed Deposits | 2,03,000 | 2,03,000 |
| | Total in Rs. | 2,03,000 | 2,03,000 |
| <u>Notes : 13 Inventories</u> | | | |
| 1 | Raw Material | 62,17,303 | 35,57,455 |
| 2 | Work-in-Progress | 26,18,699 | 27,58,952 |
| 3 | Finished Goods | 45,02,244 | 20,53,514 |
| | Total in Rs. | 1,33,38,246 | 83,69,921 |
| <u>Notes : 14 Trade Recievables</u> | | | |
| 1 | <u>Outstanding for (more than six months from the date they were due for payment)</u> b) <u>Unsecured, Considered Good :</u> | - | 1,41,725 |
| 2 | <u>Others</u> a) <u>Secured, Considered Good :</u> b) <u>Unsecured, Considered Good :</u> | - | - |
| | Total in Rs. | 65,68,868 | 74,03,139 |

SKY HEMMAY PVT. LTD.

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2012

(Amount in Rs.)

| Sr. No. | Particulars | For the year ended 31.03.2012 | For the year ended 31.03.2011 |
|--|-----------------------------|----------------------------------|----------------------------------|
| Notes : 15 Cash & Cash Equivalent | | | |
| 1 | <u>Cash-in-Hand</u> | | |
| | Cash Balance | 56,241 | 1,11,417 |
| | Petty Cash Balance | - | - |
| | Sub Total (A) | <u>56,241</u> | <u>1,11,417</u> |
| 2 | <u>Bank Balance</u> | | |
| | <u>In Current Account :</u> | | - |
| | Oriental Bank of Commerce | 8,99,768 | 3,08,163 |
| | Shamrao Vittal Co-op Bank | - | 6,18,861 |
| | Sub Total (B) | <u>8,99,768</u> | <u>9,27,024</u> |
| 3 | <u>Cheques on Hand</u> | (C) - | - |
| | Total [A + B + C] | <u>9,56,009</u> | <u>10,38,440</u> |

Notes : 16 Short Terms Loans and Advances

| | | | |
|---|--|-----------------|------------------|
| 1 | Loans & Advances to related parties | | |
| | <u>a) Secured, Considered Good :</u> | | |
| | Advance to Associate Concerns | - | - |
| | <u>b) Unsecured, Considered Good :</u> | | |
| | Loans & Advance to employees | 13,497 | (41,003) |
| | Prepaid Expenses | 12,252 | 21,850 |
| | <u>Balance with govt. authorities</u> | | |
| | DEPB / Draw Back Receivable | 1,464 | 1,60,924 |
| | IT Refund receivable | 1,17,963 | 1,17,963 |
| | TDS Receivable | 19,543 | 6,606 |
| 2 | Others | | |
| | <u>Advance Recoverable in cash or in kind or for value to be considered good</u> | | |
| | Advance to Suppliers | - | 23,00,295 |
| | Advance Income Tax/Refund Due | 5,50,000 | 6,12,000 |
| | Balance With Revenue Authorities (DEPB Receivable) | 1,51,517 | - |
| | Prepaid Expenses | - | - |
| | Interest Receivable | 57,534 | 37,050 |
| | Total in Rs. | <u>9,23,770</u> | <u>32,15,685</u> |

SCHEDULES FORMING PART OF THE PROFIT & LOSS AS AT 31ST MARCH, 2012

(Amount in Rs.)

| Sr. No. | Particulars | For the year ended 31.03.2012 | For the year ended 31.03.2011 |
|--|-----------------------------------|----------------------------------|----------------------------------|
| <u>Notes : 17 Revenue from Operations</u> | | | |
| 1 | Local Sales | 5,76,48,612 | - |
| 2 | Export Sales | 14,49,781 | 5,35,46,638 |
| 3 | Sales Scrap | 97,411 | 73,538 |
| 4 | Other operating revenues | 74,971 | 6,48,340 |
| | Total in Rs. | <u>5,92,70,775</u> | <u>5,42,68,516</u> |
| <u>Notes : 18 Other Income</u> | | | |
| | DEPB | - | 1,29,701 |
| | Difference in exchange | - | 1,16,988 |
| | Commission Receipts | 1,06,595 | 45,053 |
| | Discount Received | 720 | - |
| | Dividend Income | 6,900 | 3,485 |
| | Duty Drawback Income | 40,336 | 21,409 |
| | Excess Provision w/back | 9,108 | - |
| | Interest on Margine Money | 22,761 | 21,778 |
| | Development Charges | - | 85,487 |
| | Sundry Balance W/off | 2,22,003 | 23,665 |
| | Total in Rs. | <u>4,08,422</u> | <u>4,47,566</u> |
| <u>Notes : 19 Cost of Material Consumed</u> | | | |
| <u>PURCHASES OF RAW MATERIALS AND STORES</u> | | | |
| | Opening Stock | 35,57,455 | 51,35,250 |
| | Add : Purchase | <u>3,21,89,225</u> | <u>2,28,86,046</u> |
| | | 3,57,46,680 | 2,80,21,296 |
| | Less : Closing Stock | 62,17,303 | 35,57,455 |
| | Total in Rs. | <u>2,95,29,377</u> | <u>2,44,63,841</u> |
| <u>Notes : 20 Purchase of Traded Goods</u> | | | |
| | Purchase | 67,568 | - |
| | Total in Rs. | <u>67,568</u> | <u>-</u> |
| <u>Notes : 21 Change in Inventories</u> | | | |
| 1 | Opening Stock | | |
| | Finish Goods | 20,53,514 | 36,84,324 |
| | Work-in-progees | 27,58,952 | 35,98,797 |
| | | - | - |
| | | 48,12,466 | 72,83,121 |
| 2 | Closing Stock | 71,20,943 | 48,12,466 |
| | Net (Increase) / Decrease | <u>(23,08,477)</u> | <u>24,70,655</u> |
| <u>Notes : 22 Employment Benefit Expenses</u> | | | |
| 1 | Salaries, Bonus, | 1,01,92,316 | 89,05,850 |
| 2 | Contribution to P.F & Other Funds | 2,49,430 | 1,90,603 |
| | Total in Rs. | <u>1,04,41,746</u> | <u>90,96,453</u> |

SCHEDULES FORMING PART OF THE PROFIT & LOSS AS AT 31ST MARCH, 2012

(Amount in Rs.)

| Sr. No. | Particulars | For the year ended 31.03.2012 | For the year ended 31.03.2011 |
|---|------------------------------------|----------------------------------|----------------------------------|
| Notes : 23 Financial Cost | | | |
| 1 | Interest on Cash Credit Facility | 2,99,684 | 90,266 |
| 2 | Interest on Term loan | - | - |
| 3 | Interest on Car loan | - | - |
| 4 | Interest on delay payment | 2,74,583 | 1,23,099 |
| 5 | Bank Charges & commission | 3,51,856 | 1,51,789 |
| 6 | Exchange Rate Difference | 2,81,565 | - |
| | Total in Rs. | 12,07,688 | 3,65,154 |
| Notes : 24 Depreciation & Amortised Cost | | | |
| 1 | Depreciation | 43,99,596 | 40,04,465 |
| 2 | Preliminary Expenses W/O | 56,512 | 56,512 |
| | Total in Rs. | 44,56,108 | 40,60,977 |
| Notes : 25 Other Expenses | | | |
| <u>Manufacturing Expenses</u> | | | |
| 1 | Processing Labour Charges | 11,76,091 | 3,08,713 |
| 2 | Power & Fuel (Electricity Charges) | 32,70,143 | 26,98,569 |
| 3 | Packing, Freight & Forwarding | 7,64,657 | 5,36,177 |
| 4 | Repair & Maintenance | 2,32,056 | 1,53,312 |
| 5 | Octrio Charges | 2,136 | - |
| 6 | Loading & Unloading | 87,933 | 56,246 |
| 7 | Testing Charges | 5,60,304 | 4,26,632 |
| 8 | Rent Rates & Taxes | 21,54,500 | 16,60,788 |
| 9 | Canteen Exp. | 1,01,087 | 78,616 |
| 10 | Security Expenses | 6,26,608 | 4,30,810 |
| | Total in Rs. | 89,75,515 | 63,49,863 |
| <u>Selling and Distribution Expenses</u> | | | |
| 1 | Business Promotion Exp. | 64,076 | - |
| 2 | Clearing & Forwarding Outward | 57,806 | 75,515 |
| 3 | Commission Brokerage | 4,41,189 | 3,78,741 |
| 4 | Exhibition Expenses | 1,08,601 | - |
| 5 | Freight Forwarding Outward | 8,65,726 | 8,40,955 |
| 6 | Packing Expenses | 37,481 | - |
| 7 | Rebates & Discount Allowed | 1,66,398 | 4,29,999 |
| 8 | Sales Promotion Exp. | 22,520 | 55,684 |
| 9 | Sales Tax | 2,292 | 719 |
| 10 | Samples | 72,684 | 83,362 |
| 11 | <u>Travelling Expenses</u> | | |
| 12 | Inland Travelling | 5,77,563 | 8,08,212 |
| 13 | International Travelling | 2,33,886 | - |
| | Total in Rs. | 26,50,222 | 26,73,187 |

SCHEDULES FORMING PART OF THE PROFIT & LOSS AS AT 31ST MARCH, 2012

(Amount in Rs.)

| Sr. No. | Particulars | For the year ended 31.03.2012 | For the year ended 31.03.2011 |
|------------|-------------------------------|----------------------------------|----------------------------------|
| | <u>Establishment Expenses</u> | | |
| 1 | Staff Welfare Expenses | 74,499 | 1,26,686 |
| 2 | Legal Expenses | 18,630 | 36,081 |
| 3 | Postage & Telegram | 1,90,215 | 2,31,834 |
| 4 | Professional Charges | 1,42,811 | 89,612 |
| 5 | Stationery Expenses | 1,58,201 | 91,097 |
| 6 | Auditors Remuneration | 38,605 | 38,605 |
| 7 | Repairs & Maint. | 2,27,836 | - |
| 8 | Donation | 4,000 | - |
| 9 | Service Contract Charges | 19,96,481 | 17,96,129 |
| 10 | Staff training Expenses | 15,000 | - |
| 11 | Books & periodicals | 100 | 3,000 |
| 12 | Licence Fees | 4,440 | 79,784 |
| 13 | Membership & Subscription | 6,795 | 9,827 |
| 14 | Miscellaneous Exp. | 35,874 | 21,582 |
| 15 | Recruitment Charges | 26,560 | - |
| 16 | Office Exp. | 9,266 | 2,900 |
| 17 | Water Charges | 6,766 | - |
| 18 | Insurance | 56,430 | 63,655 |
| 19 | Computer Expenses | 9,650 | 17,323 |
| 20 | Conveyance Exp. | 1,21,364 | 74,202 |
| 21 | Telephone Expe. | 1,32,484 | - |
| 22 | Prior Period Exp. | 7,628 | - |
| 23 | Filling Fees | 520 | 25,100 |
| 24 | Diwali Expenses | - | 3,500 |
| | Total in Rs. | <u>32,84,156</u> | <u>27,10,917</u> |
| | Total in Rs. | <u>1,49,09,892</u> | <u>1,17,33,967</u> |

NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2012

26 Significant Accounting Policies-**26.1 Basis for preparation of financial statements**

The financial statements have been prepared on historical cost convention and as a going concern and in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the Section 211(3C) of the Companies Act, 1956. The company follows mercantile system of accounting and recognizes income and expenditure on accrual basis.

Estimates and Assumptions used in the preparation of financial statements are based upon the management's evaluation of relevant fact and the circumstances as of the date of the financial statements, which may differ from the actual results at a subsequent date.

26.2 Inventories :

Inventories are valued at cost or net realizable value whichever is lower; cost is ascertained on the following basis :

- a Raw Material, Packing Material, tools, spares and consumable are valued at cost on plus direct cost incurred to bring the stock to its existing level.
- b Work in progress/ Finished Goods are valued at cost of manufacturing based on cost of Raw material and labour and overheads cost up to the relevant stage of completion.
- c Cost includes taxes and duties as applicable.

26.3 Cash and cash equivalents (for purposes of Cash Flow Statement) :

Cash comprises cash in hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

26.4 Depreciation :

Depreciation on all tangible assets has been calculated on Written Down Value Method (WDV) as per the rates and manner prescribed under Schedule XIV of the Companies Act, 1956.

26.5 Revenue recognition :

Sales are accounted on net of tax less sales Returns/ rejection. Revenue from sale of products is recognized upon passage of title to the customer on acceptance of goods which generally coincides with the dispatch of materials.

Dividend Income is recognized when the right to receive the dividend is unconditional at the Balance Sheet date.

Interest Income is recognized on accrual basis.

26.6 Fixed Asset :

Fixed Assets are accounted at cost of acquisition or construction. Fixed assets are capitalized net of CENVAT / VAT for which credit is taken and includes borrowing cost directly attributable to construction or acquisition of fixed assets, up to the date the asset is ready to use.

26.7 Employee benefits Costs :

The liabilities in respect of Bonus is provided on mercantile basis.

26.8 Borrowing costs :

Borrowing costs that are directly attributable to the acquisition, construction or production of fixed assets are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

26.9 Related Party Transactions :

The related parties are identified by the management of the Company and relied upon by the Auditors. The related party transactions are reported at their net value (Including indirect taxes).

26.10 Taxes on income :

Tax Expenses for the year, comprising Current Tax including Wealth Tax, and is included in determining the net profit for the year. A provision is made for the current tax and based on tax liability computed in accordance with relevant tax rates and tax laws.

Current and deferred tax relating to items directly recognized in equity is recognized in equity and not in the Statement of Profit and Loss Account.

26.11 Deferred Tax- Asset/ Liability :

The Accounting Standard 22 “Accounting for Taxes on Income” issued by the Institute of Chartered accountants of India, has become applicable to the Company. The Deferred Tax is recognized for all timing differences being the difference between “Taxable Income” and “Accounting Income” that originate in one period, and are capable of reversal in one or more subsequent periods and measured using relevant enacted tax rates. Deferred Tax Assets are recognized only if there is reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying value at each balance sheet date.

26.12 Miscellaneous Expenditure :

Miscellaneous expenditure is written off over a period of future economic benefit available not exceeding five years.

Additional information to the Financial Statements for the year ended 31/03/2012

| PARTICULARS | As on 31/03/2012 | As on 31/03/2011 |
|---|------------------|------------------|
| 27.1 (A) <u>Total Value of consumption imported and indigenous</u> | | |
| Imported | | |
| Indigenous | - | - |
| (B) <u>Value of imports calculated on CIF Value</u> | | |
| Raw Materials | 10,411,576 | 8,533,241 |
| Capital Goods | - | 1,083,390 |
| (C) <u>Expenditure in foreign currency</u> | | |
| Testing Fees | 559,804 | 425,529 |
| License Fees | - | 78,344 |
| Travelling | 114,690 | 136,921 |
| Commission | 31,650 | - |
| (D) <u>Earning in foreign Exchange</u> | | |
| Export | 1418224 | - |

27.2 Segment Reporting

The Company is in the business of manufacturing of Satin and Cotton 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.

27.3 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.

i. Key Management Personnel & their relatives

| | | |
|----------------------|---|----------|
| 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
 S.K. Overseas

| iii. Related Party transaction | Nature of Transaction | Amount Rs. |
|---|---------------------------|------------|
| Key Management Personnel & their relatives | Service Charges Paid | 1,996,481 |
| | Rent Paid | 1,654,500 |
| | Machinery Purchase | 3,112,903 |
| | Purchase | 1,020,575 |
| | Purchase (Stores & Parts) | 41,212 |
| | Reimbursement of Expenses | 13,650 |

27.4 Previous year figures

The Revised Schedule VI has become effective from April 1, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements.

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year;s classification / disclosure.

As per Our Report of Even date

For and on Behalf of
THANAWALA & COMPANY
 Chartered Accountants
 Firm Reg. no. 110948W

For and on behalf of the Board of Directors

Sd/-
[V.K. Thanawala]
 Proprietor
 Membership No. 15632

Sd/-
Shailesh Shah
 Director

Sd/-
Saurabh Motani
 Director

Place : Mumbai,
 Dated: 28/05/2012