

## BOARD OF DIRECTORS

Mr. Nitin Motani (Chairman)

Mr. Shailesh Shah (Managing Director)

Mr. Sharad Shah

Mr. Saurabh Motani

Mr. Maikal Raorani

Mr. Mahesh Shirodkar

Mr. Vijay Choraria

## REGISTERED OFFICE

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

## AUDITORS

M/s. KALYANIWALLA & MISTRY  
(Chartered Accountants)

## BANKERS

The Oriental Bank of Commerce

The Karur Vysya Bank Ltd.

The South Indian Bank Ltd.

Kotak Mahindra Bank Ltd.

The Dombivali Nagari Sahakari Bank Ltd.

## RTA

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

## PAGE INDEX

|                                  |    |
|----------------------------------|----|
| GENERAL INFORMATION              | 1  |
| NOTICE FOR AGM                   | 2  |
| DIRECTORS' REPORT                | 9  |
| CORPORATE GOVERNANCE REPORT      | 13 |
| MANAGEMENT DISCUSSION & ANALYSIS | 23 |
| STAND ALONE FINANCIAL RESULTS    |    |
| AUDITORS' REPORT                 | 29 |
| BALANCE SHEET                    | 32 |
| PROFIT AND LOSS ACCOUNT          | 33 |
| SCHEDULES                        | 34 |
| BALANCE SHEET ABSTRACT           | 49 |
| CASH FLOW STATEMENT              | 50 |
| STATEMENT REGARDING SUBSIDIARIES | 51 |
| CONSOLIDATED FINANCIAL RESULTS   |    |
| AUDITORS' REPORT                 | 52 |
| BALANCE SHEET                    | 53 |
| PROFIT AND LOSS ACCOUNT          | 54 |
| SCHEDULES                        | 55 |
| CASHFLOW STATEMENT               | 68 |
| SKAY INC.                        | 69 |
| SKY HEMMAY PVT. LTD.             | 74 |

## NOTICE

NOTICE is hereby given that the Twenty First Annual General Meeting of the members of SKY INDUSTRIES LIMITED will be held on Wednesday, the 29<sup>th</sup> day of September, 2010 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 31<sup>st</sup> March 2010 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Nitin Motani, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Sharad Shah, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

### Special Business

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

RESOLVED that subject to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act and subject to the approval of the Central Government in terms of the said Sections, the Company do hereby accord its consent to the appointment of Mr. Maikal Raorani as a Wholtime Director of the Company for a period commencing from 1st October, 2010 to 30th September, 2011 (both days inclusive) on the following remuneration :

1. Salary : Rs.18,00,000 p.a.
2. Perquisites shall be as follows :
  - 2.1 The appointee will be entitled to gratuity at the rate of half month's salary for every completed year of service.
  - 2.2 Encashment of leave: As per company's rules.
  - 2.3 Other benefits to which senior officers of the company are normally entitled to, according to the rules of the company.

RESOLVED Further that in the event of loss or inadequacy of profits in any financial year during the period of Mr. Maikal Raorani appointment, Mr. Maikal Raorani be paid or provided the salary, the allowances, and the perquisites as set out in the foregoing part of this resolution as the 'minimum remuneration' not withstanding the fact that such remuneration is in excess of the limits set-out in Sections 198 and 309 of the Companies Act, 1956 or in Section II of Part II of Schedule XIII to the Companies Act, 1956.

RESOLVED Further that the Directors of the Company be and they are hereby authorised to accept such modifications/changes as may be proposed or directed by the Central Government provided such modifications/changes are acceptable to Mr. Maikal Raorani

RESOLVED Further that subject to such approvals/sanctions as may be required, the Directors of the Company be and they are hereby authorised to vary, modify or increase at any time hereafter the salary, the allowances and/or the perquisites, set out hereinabove as the Directors may consider appropriate”.

And RESOLVED Further that the company be is hereby approves payment of Rs. 3,00,000/- to Mr .Maikal Raorani for the period 1st April 2010 to 30th Sept, 2010.

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

Resolution approving the increase in the salary payable to Mr. Nitin Motani, Chairman / Executive Director :

“RESOLVED that in partial modification of the Ordinary Resolution passed at the Twentieth Annual General Meeting of the Company held on 31<sup>st</sup> October, 2009 appointing Mr. Nitin Motani as an Executive Director of the Company on the terms and conditions set out therein, and, subject to the approval of the Central Government under Section 198, 309 and 310 of the Companies Act, 1956 approval be and is hereby granted to increasing the Salary payable to Mr. Nitin Motani, effective from 1<sup>st</sup> April, 2010 from Rs. 28,20,000 per annum to Rs. 48,00,000 per annum.

RESOLVED Further that the Post allowance, the perquisites, the benefits, the amenities and the reimbursement as set out in the said Resolution passed at the Twentieth Annual General Meeting shall remain unchanged.

- i RESOLVED Further that in the event of loss or inadequacy of profits in any financial year during the period of Mr. Nitin Motani holding the Office as Executive Director of the Company, the salary aforesaid of Rs. 48,00,000 the post allowance, the perquisites, the benefits, the amenities and the reimbursement aforesaid shall be paid or provided to Mr. Nitin Motani as the 'minimum remuneration' notwithstanding the fact that such remuneration is in excess of the limit set out in Sections 198 and 309 or in Section II of Part II of Schedule XIII of the Companies Act, 1956

RESOLVED Further that the Directors of the Company be and they are hereby authorised to accept such modification/changes as may be proposed or directed by the Central Government provided such modification/changes are acceptable to Mr. Nitin Motani.

RESOLVED Further that subject to such approvals/sanctions as may be necessary, the Directors of the Company be and they are hereby authorised to vary, modify or increase at any time hereafter the salary, the allowances and/or the perquisites set-out hereinabove as the Director consider appropriate.

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

Resolution approving the increase in the salary payable to Mr. Shailesh Shah, Managing Director :

“RESOLVED that in partial modification of the Ordinary Resolution passed at the Twentieth Annual General Meeting of the Company held on 31<sup>st</sup> October, 2009 appointing Mr. Shailesh Shah as an Managing Director of the Company on the terms and conditions set out therein, and, subject to the approval of the Central Government under Section 198, 309 and 310 of the Companies Act, 1956 approval be and is hereby granted to increasing the Salary payable to Mr. Shailesh Shah , effective from 1<sup>st</sup> April, 2010 from Rs. 23,40,000 per annum to Rs. 48,00,000 per annum.

RESOLVED Further that the Post allowance, the perquisites, the benefits, the amenities and the reimbursement as set out in the said Resolution passed at the Twentieth Annual General Meeting shall remain unchanged.

- I RESOLVED Further that in the event of loss or inadequacy of profits in any financial year during the period of Mr. Shailesh Shah holding the Office as Managing Director of the Company, the salary aforesaid of Rs. 48,00,000 the post allowance, the perquisites, the benefits, the amenities and the reimbursement aforesaid shall be paid or provided to Mr. Shailesh Shah as the 'minimum remuneration' notwithstanding the fact that such remuneration is in excess of the limit set out in Sections 198 and 309 or in Section II of Part II of Schedule XIII of the Companies Act, 1956

RESOLVED Further that the Directors of the Company be and they are hereby authorised to accept such modification/changes as may be proposed or directed by the Central Government provided such modification/changes are acceptable to Mr. Shailesh Shah

RESOLVED Further that subject to such approvals/sanctions as may be necessary, the Directors of the Company be and they are hereby authorised to vary, modify or increase at any time hereafter the salary, the allowances and/or the perquisites set-out hereinabove as the Director consider appropriate.

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

Resolution approving the increase in the salary payable to Mr. Sharad Shah, an Executive Director :

“RESOLVED that in partial modification of the Ordinary Resolution passed at the Twentieth Annual General Meeting of the Company held on 31<sup>st</sup> October, 2009 appointing Mr. Sharad Shah as an Executive Director of the Company on the terms and conditions set out therein, and, subject to the approval of the Central Government under Section 198, 309 and 310 of the Companies Act, 1956 approval be and is hereby granted to increasing the Salary payable to Mr. Sharad Shah , effective from 1<sup>st</sup> April, 2010 from Rs.23,40,000 per annum to Rs. 48,00,000 per annum.

RESOLVED Further that the Post allowance, the perquisites, the benefits, the amenities and the reimbursement as set out in the said Resolution passed at the Twentieth Annual General Meeting shall remain unchanged.

RESOLVED Further that in the event of loss or inadequacy of profits in any financial year during the period of Mr. Sharad Shah holding the Office as Executive Director of the Company, the salary aforesaid of Rs.48,00,000, the post allowance, the perquisites, the benefits, the amenities and the reimbursement aforesaid shall be paid or provided to Mr. Sharad Shah as the 'minimum remuneration' notwithstanding the fact that such remuneration is in excess of the limit set out in Sections 198 and 309 or in Section II of Part II of Schedule XIII of the Companies Act, 1956

RESOLVED Further that the Directors of the Company be and they are hereby authorised to accept such modification/changes as may be proposed or directed by the Central Government provided such modification/changes are acceptable to Mr. Sharad Shah

RESOLVED Further that subject to such approvals/sanctions as may be necessary, the Directors of the Company be and they are hereby authorised to vary, modify or increase at any time hereafter the salary, the allowances and/or the perquisites set-out hereinabove as the Director consider appropriate.

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

Resolution approving the increase in the salary payable to Mr. Saurabh Motani, an Executive Director :

“RESOLVED that in partial modification of the Ordinary Resolution passed at the Twentieth Annual General Meeting of the Company held on 31<sup>st</sup> October, 2009 appointing Mr. Saurabh Motani as an Executive Director of the Company on the terms and conditions set out therein, and, subject to the approval of the Central Government under Section 198, 309 and 310 of the Companies Act, 1956 approval be and is hereby granted to increasing the Salary payable to Mr. Saurabh Motani, effective from 1<sup>st</sup> April, 2010 from Rs.18,60,000 per annum to Rs.48,00,000 per annum.

RESOLVED Further that the Post allowance, the perquisites, the benefits, the amenities and the reimbursement as set out in the said Resolution passed at the Twentieth Annual General Meeting shall remain unchanged.

RESOLVED Further that in the event of loss or inadequacy of profits in any financial year during the period of Mr. Saurabh Motani holding the Office as Executive Director of the Company, the salary aforesaid of Rs. 48,00,000 the post allowance, the perquisites, the benefits, the amenities and the reimbursement aforesaid shall be paid or provided to Mr. Saurabh Motani as the 'minimum remuneration' notwithstanding the fact that such remuneration is in excess of the limit set out in Sections 198 and 309 or in Section II of Part II of Schedule XIII of the Companies Act, 1956

RESOLVED Further that the Directors of the Company be and they are hereby authorised to accept such modification/changes as may be proposed or directed by the Central Government provided such modification/changes are acceptable to Mr. Saurabh Motani

RESOLVED Further that subject to such approvals/sanctions as may be necessary, the Directors of the Company be and they are hereby authorised to vary, modify or increase at any time hereafter the salary, the allowances and/or the perquisites set-out hereinabove as the Director consider appropriate.

10. RESOLVED that approval of members is sought for a one time payment of Rs.52.8Lakhs for the period FY 09-10 towards the managerial remuneration/commission /bonus to be paid to Shri Nitin Motani, Shri Shailesh Shah, Shri Sharad Shah And Shri Saurabh Motani.

AND RESOLVED further that this payment is in and above the payment as approved by the members at the Annual General Meeting held on 30th October 2009 and in compliance of section 309 ,311 read with Schedule XIII of the Companies Act 1956.

By Order of the Board of Directors

Sd/-  
Maikal Raorani

Place: Mumbai,  
Date : 12<sup>th</sup> Aug 2010

NOTES:

- a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN HIS PLACE AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- b) Proxies in order to be effective must be lodged with the Company not less than 48 hours before the time of the meeting.
- c) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, with respect to Item No. 5-9 is annexed herewith and forms part of the Notice.
- d) Members are requested to:
  - immediately intimate change of address, if any, to the Company or the Registrar and Share Transfer Agent, Link Intime (India) Pvt. Limited C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai – 400 078 quoting reference of their folio number;
  - produce the Attendance Slip duly filled in for attending the Meeting;
  - bring copy of the Annual Report to the venue of the Meeting; and
  - write to the Company at least 7 days in advance of the Annual General Meeting for any information about accounts.
- e) The Register of Members and Share Transfer Books of the Company will remain closed from 26<sup>th</sup> September, 2010, to 29<sup>th</sup> September, 2010 (both days inclusive).
- f) All the dividends, declared for the financial year 2002-2003, remaining unclaimed on 29<sup>th</sup> September 2010 will be transferred to the Investor Education and Protection Fund in accordance with the Provisions of the Section 205(C) of the Companies Act, 1956 and no claims shall lie thereafter, against the fund or the Company.
- g) Pursuant to Section 205A of the Companies Act, 1956 any dividend remaining unpaid or unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund. No claims shall lie against the Fund or the Company thereafter. All the shareholders who have not encashed the dividend warrants for any year for which the dividend was declared are requested to encash the same.
- h) All the documents referred to in the Notice and Explanatory Statement are available for inspection at the Registered Office of the Company during office hours on all working days, between 11.00 a.m. and 1.00 p.m., upto the date of Annual General Meeting.

Profile of the Directors liable to retire by rotation:

Mr. Nitin Motani

Qualified in the year 1976, he was associated with the family business and has vast experience in the field of Textile and Garment Industry. Since 1984 he has promoted firms viz: S K Exports, S K Silks, S K Overseas etc. which have been in the business of Trading and Exports of various Textile and textile related products and indenting agents for foreign companies in respect of machinery and rubber threads. The commercial part and day to day operations of the company vests with him. His knowledge and skills in the field of Textiles has proved to be an asset to the group

Mr. Sharad Shah

Mr. Sharad Shah is a Commerce Graduate. He is Co-promoter of S K Exports, S K Silks, S K Overseas with Mr. Nitin Motani, Shailesh Shah and Mr. Saurabh Motani. He has been associated himself with his family business and is therefore closely

active regarding the administrative matters of the Company. His decade of experience in the field of Textile has proved to be immensely valuable to the group.

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

Item No.5

Mr. Raorani, aged 37, B.E. (Electronics & Communications), MBA (Finance) has rich and vast experience of around 13 years in finance, accounts, legal and commercial functions.

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

1. The appointment of Mr. Maikal Raorani as a Wholetime Director of the Company shall be for a period commencing from 1<sup>st</sup> October, 2010 to 30<sup>th</sup> September, 2011, (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. 150,000/- per month, w.e.f. 1st April, 2010. 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.
8. 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 No. 6 to 9.

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

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

#### Terms of Appointment

##### Salary

| Name of Director   | Salary/month (subject to approval of Central Govt.) |
|--------------------|---|
| Mr. Nitin Motani   | Rs. 400,000/-                                       |
| Mr. Shailesh Shah  | Rs. 400,000/-                                       |
| Mr. Sharad Shah    | Rs. 400,000/-                                       |
| Mr. Saurabh Motani | Rs. 400,000/-                                       |

##### Additional Terms

The remuneration is inclusive of Salary and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance, together with reimbursement, leave travel concession for self and family, club fees, medical/accident insurance, and such other perquisites and allowances in accordance with the

rules of the Company or as may be agreed to by the Board of Directors.

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

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

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

#### Minimum Remuneration

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

#### Item No. 10

Considering the efforts put by the Promoter Directors, the amount Rs.52.8 Lakhs is proposed to be paid to them.

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

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

By Order of the Board of Directors

Sd/-  
Maikal Raorani

Place: Mumbai,  
Date : 12<sup>th</sup> Aug 2010



## DIRECTORS' REPORT

The Members,  
Sky Industries Limited,  
Mumbai

The Directors take pleasure in submitting the 21<sup>st</sup> Annual Report and Accounts for the year ended 31<sup>st</sup> March, 2010.

### FINANCIAL RESULTS AND OPERATIONS:

(Rs in Lacs)

| Particulars                          | Current Year ended<br>31.03.2010 | Previous Year ended<br>31.03.2009 |
|--------------------------------------|----------------------------------|-----------------------------------|
| Sales and other income               | 6455                             | 6139                              |
| Profit before Depreciation, Interest |                                  |                                   |
| Tax and Appropriation                | 997                              | 602                               |
| Less : Interest                      | 246                              | 358                               |
| Depreciation                         | 205                              | 223                               |
| Provision for Taxation               | 77                               | (3)                               |
| Deferred Taxation                    | 64                               |                                   |
| Profit / (Loss) after taxation       | 405                              | 24                                |
| Add: Prior Period Adjustments        | 4                                | 9                                 |
| Excess provision for tax adjusted    | 0                                | 0                                 |
| Balance brought forward              | 1162                             | 1147                              |
| Balance available for Appropriation  | 1329                             | 1171                              |

### RESULTS OF OPERATIONS

The turnover during the year was Rs. 6455 Lacs as compared to previous years Rs. 6139 Lacs, an increase of about 5%.

### DIVIDEND

A Dividend of 5 % is proposed to be distributed to the shareholders of the Company.

### EXPORTS

During the year under review the Exports were at Rs. 2583 lacs, an increase of about 28% over the previous year. The Company improved its presence in export market, the seeds for which were sowed in the previous years.

### INTERNATIONAL BUSINESS / SUBSIDIARY

Your Directors are pleased to inform that the performance of the subsidiary companies, SKAY INC & Sky Hemmay for the year ended 31<sup>st</sup> March, 2010 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 companies, SKAY INC & Sky Hemmay for the year ended 31<sup>st</sup> March, 2010, are annexed herewith.

### HUMAN RESOURCES

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

## CORPORATE GOVERNANCE

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

## 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. Nitin Motani, and Mr. Sharad Shah, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

Mr. Maikal Raorani's term of appointment as a Wholetime Director expires on 30<sup>th</sup> Sep 2010. 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.

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

## AUDITORS

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

You are requested to consider their re-appointment.

## AUDITOR'S REPORT

Qualification made by Auditor in Auditor's Report under para 4.5 and 6 and further in annexure to the Auditor's Report under para 2(b) and 7, our management in view of that the :

- a) Certain transactions with related parties have exceeded the approved limit and certain transactions need Central Government approval. The Company is in process of applying for the said transactions which will be carried out in due course of time.
- b) The Company has to pass a special resolution for the Managerial Remuneration paid to the Directors, which has been proposed in the forthcoming Annual General Meeting.

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

## DEPOSITS

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

## EMPLOYEES

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

## CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

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

## DIRECTORS RESPONSIBILITY STATEMENT

The Directors confirm:

- (a) that in 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 .

## TRANSFER OF UNPAID/UNCLAIMED AMOUNTS TO IEPF:

During the year Company has duly transferred unpaid / unclaimed dividend for a financial year 2002-03 to the Investor Education and Protection Fund established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

## DE-LISTING OF SHARES

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

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

## ACKNOWLEDGEMENTS

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

For and on behalf of the Board

Sd/-  
Nitin K. Motani  
Chairman

Date: 31st July 2010  
Place: Mumbai

## ANNEXURE 'A' TO DIRECTORS' REPORT

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

### A. Conservation of Energy:

#### (a) Energy conservation measures taken:

The production activity of the company is not energy intensive. However, all measures are being taken for optimizing energy usage.

#### (b) Additional investment and proposals, if any being implemented for reduction of consumption of energy:

The Company does not have immediate investment plan for conservation of energy.

#### (c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

The Company has maintained energy cost at minimum level.

#### (d) Total energy consumption and energy consumption per unit of production:

|                                      | Current Year       | Previous Year      |
|--------------------------------------|--------------------|--------------------|
| <b>1. ELECTRICITY</b>                |                    |                    |
| Purchased Units                      |                    |                    |
| Units                                | 1950104            | 2235854            |
| Total Amount                         | Rs. 104.92 Lacs    | Rs. 112.00 Lacs    |
| Rate/Unit                            | Rs. 5.38 per unit  | Rs. 5.01 per unit  |
| <b>2. COAL</b>                       | Nil                | Nil                |
| <b>3. FURNACE OIL</b>                |                    |                    |
| Units                                | 218995             | 315145             |
| Total Amount                         | Rs. 68.47 Lacs     | Rs. 99.71 Lacs     |
| Rate/Unit                            | Rs. 31.27 per Unit | Rs. 31.64 per unit |
| <b>4. OTHERS</b>                     | 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. 2583 lacs

The Exchange outgo: Rs. 2471 lacs

## CORPORATE GOVERNANCE REPORT

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

### 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/<br>NED/<br>ID* | Attendance in Board Meetings |          | Attendance in Last AGM | Other Board     |                            |                      |
|---------|---|-----------------------|------------------------------|----------|------------------------|-----------------|----------------------------|----------------------|
|         |   |                       | Held                         | Attended |                        | Directorship ** | Committee Chairmanship *** | Committee Membership |
| 1.      | Mr. Nitin K. Motani<br>Chairman           | PD-ED                 | 8                            | 8        | Present                | No              | No                         | No                   |
| 2.      | Mr. Shailesh S. Shah<br>Managing Director | PD-ED                 | 8                            | 8        | Present                | No              | No                         | No                   |
| 3.      | Mr. Saurabh K. Motani                     | PD-ED                 | 8                            | 8        | Present                | No              | No                         | No                   |
| 4.      | Mr. Sharad S. Shah                        | PD-ED                 | 8                            | 8        | Present                | No              | No                         | No                   |
| 5.      | Mr. Maikal Raorani                        | ED                    | 8                            | 8        | Present                | No              | No                         | 3                    |
| 6.      | Mr. Mahesh Shirodkar                      | NED-ID                | 8                            | @        | Absent                 | No              | 2                          | 3                    |
| 7.      | Mr. Vijay Choraria                        | NED-ID                | 8                            | @        | Present                | 9               | 3                          | 7                    |

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

\*\* In Indian Public Limited Companies as on 31<sup>st</sup> March, 2010

\*\*\* In Audit and Shareholders Grievances Committee of Indian Public Limited Companies as on 31<sup>st</sup> March, 2010.

@ 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    | 18-Apr | 30-Jun | 31-Jul | 31-Oct | 30-Nov | 29-Jan | 29-Feb | 23-Mar |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Board Strength           | 8      | 8      | 8      | 8      | 8      | 8      | 8      | 8      |
| No. of Directors Present | 5      | 5      | 5      | 5      | 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, 2010.

#### BOARD COMMITTEES

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

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

#### AUDIT COMMITTEE:

Pursuant to the provisions of the Companies Act 1956 and the listing agreement, an audit committee was constituted and the composition of it, is as under:-

| Sr. No. | Name of Members         | Attendance in Audit Committee Meetings |          |
|---------|-------------------------|--|----------|
|         |                         | Held                                   | Attended |
| 1.      | Mr. Vijay Choraria **   | 4                                      | 3        |
| 2.      | Mr. Mahesh Shirodkar ** | 4                                      | 3        |
| 3.      | Mr. Maikal Raorani      | 4                                      | 4        |

## Terms of Reference

The terms of reference / powers of the Audit Committee are as under:

### A. Powers of the Audit Committee:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsider with relevant expertise, if it considers necessary.

### B. The role of the Audit Committee includes:

- 1 Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- 2 Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of Statutory Auditors and 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 financial statements before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Directors' Responsibility Statement to be included in the Director's Report in terms of sub-section (2AA) of section 217 of the Companies Act, 1956.
  - Changes, if any, in accounting policies and practices and reasons for the same.
  - Major accounting entries involving estimates based on the exercise of judgment by the management.
  - Significant adjustments made in the financial statements arising out of audit findings.
  - Compliance with listing and other legal requirements relating to financial statements.
  - Disclosure of related party transactions.
  - Qualifications in draft audit report.
- 5 Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- 6 Reviewing with the management, the performance of Statutory and Internal Auditors, adequacy of 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 any significant findings and follow up thereon.
- 9 Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is control systems of a material nature and reporting the matter to the Board.
- 10 Discussion with the 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 in to the reasons for substantial defaults, if any, in the payment to the depositors, debentures, shareholders (in case of non payment of declared dividends) and creditors.
- 12 To review the functioning of the Whistle Blower Mechanism.
- 13 Carrying out such other functions as may be specifically referred to the Committee by the Board of Directors and / or other Committees of Directors of the Company.
- 14 To review the following information:
  - The management discussion and analysis of financial condition and results of operations;
  - Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
  - Management letters / letters of internal control weaknesses issued by the Statutory Auditors;
  - Internal audit reports relating to internal control weaknesses; and
  - The appointment, removal and terms of remuneration of Internal Auditors.
- 15 Reviewing the financial statements and in particular the investments made by the unlisted subsidiaries of the Company.
- 16 Review of uses / application of funds raised through any issue (public issue, rights issue, preferential issue, etc.).

### 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 2009-10 remuneration paid to the Executive Directors are as under

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

#### Notes:

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

#### 5. Shareholders' Committees

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

The Committee consists of

|                      |   |          |
|----------------------|---|----------|
| Mr. 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

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

|       | 2006-07           | 2007-08           | 2008-09           |
|-------|-------------------|-------------------|-------------------|
| Date  | 27.10.2007        | 13.09.2008        | 31.10.2009        |
| Time  | 11.00 A.M         | 11.00 A.M.        | 11.00 A.M.        |
| Venue | Registered Office | Registered Office | Registered Office |



## 7. Disclosures

### A. Related Party Transactions

During the financial year 2009-10 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.

### B. 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 2009-10 there are certain audit qualifications in the Company's financial statements, however, which are more of procedural in nature.
  - a) The Company has to pass a special resolution for the Managerial Remuneration paid to the Directors, which has been proposed in the forthcoming Annual General Meetings.
  - b) Certain transactions with related parties have exceeded the approval limit and certain transactions need Central Government approval.
2. The Company is making all the efforts to recruit the Independent /Non Executive Directors on the Board of the Company, to comply with requirements of the Clause 49 of the listing agreement.
3. The Company's website is under upgration, and hence the Code of Conduct has not been pasted on the Company's website.

### C. 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 : 29th September 2010

Time : 11.00 A. M.

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

### b. Financial Calendar 2009 – 2010

First quarter results :: By end of July, 2010

Second quarter results :: By end of October, 2010

Third quarter results :: By end of January, 2011

Annual results for the year ending on 31st March, 2011 :: By end of May, 2011

c. Book Closure

The Register of Members and Transfer Registers of the Company will remain closed from 26<sup>TH</sup> September, 2010 to 29<sup>TH</sup> September, 2010 (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 2009 – 2010:

The Stock Exchange, Mumbai

| Year | Month     | Stock Price (Rupees) |        | Volumes |
|------|-----------|----------------------|--------|---------|
|      |           | Highest              | Lowest |         |
| 2009 | April     | 94.50                | 72.05  | 165629  |
| 2009 | May       | 75.35                | 46.60  | 106339  |
| 2009 | June      | 79.75                | 67.20  | 137168  |
| 2009 | July      | 79.90                | 59.10  | 50481   |
| 2009 | August    | 88.70                | 70.00  | 143944  |
| 2009 | September | 110.15               | 84.00  | 229094  |
| 2009 | October   | 109.80               | 98.05  | 120133  |
| 2009 | November  | 115.00               | 94.00  | 43517   |
| 2009 | December  | 114.95               | 84.00  | 233736  |
| 2010 | January   | 115.90               | 63.55  | 521572  |
| 2010 | February  | 139.75               | 78.25  | 980166  |
| 2010 | March     | 105.75               | 80.50  | 797273  |

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 3525990 equity shares of Rs.10/- each were dematerialised as on 31st March, 2010 constituting 88.67 % 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, 2010

A. Category wise:

| Sr. No. | Category                       | No. of Shares held | %       |
|---------|--------------------------------|--------------------|---------|
| 1       | CORPORATE BODIES (PROMOTER CO) | 1310147            | 32.95%  |
| 2       | CLEARING MEMBER                | 194014             | 4.88%   |
| 3       | OTHER BODIES CORPORATE         | 782989             | 19.69%  |
| 4       | DIRECTORS                      | 269989             | 6.79%   |
| 5       | NON RESIDENT INDIANS           | 109976             | 2.77%   |
| 6       | PUBLIC                         | 1152285            | 28.98%  |
| 7       | 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                | 1456                 | 84.55%      | 283318         | 7.13%          |
| 501 - 1000             | 123                  | 7.14%       | 100934         | 2.54%          |
| 1001 - 2000            | 49                   | 2.85%       | 75191          | 1.89%          |
| 2001 - 3000            | 17                   | 0.98%       | 42841          | 1.08%          |
| 3001 - 4000            | 9                    | 0.52%       | 32344          | 0.81%          |
| 4001 - 5000            | 8                    | 0.47%       | 37959          | 0.96%          |
| 5001 - 10000           | 19                   | 1.10%       | 143325         | 3.60%          |
| 10001 And above        | 41                   | 2.38%       | 3260488        | 81.99%         |
| <b>Total</b>           | <b>1722</b>          | <b>100%</b> | <b>3976400</b> | <b>100%</b>    |

C. Top Ten Shareholders as on 31st March, 2010

| Sr. No | Name(s) of Shareholders                               | Shares  | %      |
|--------|---|---------|--------|
| 1.     | SKAY FINVEST PRIVATE LIMITED                          | 1310147 | 32.95% |
| 2.     | M R SHARE BROKING PVT LTD                             | 510115  | 12.83% |
| 3.     | KAILASHMATI SURYAKANT SHAH                            | 157000  | 3.95%  |
| 4.     | M R SHARE BROKING PVT LTD                             | 119377  | 2.96%  |
| 5.     | NITIN K MOTANI  | 82529   | 2.08%  |
| 6.     | SHAILESH S SHAH                                       | 73620   | 1.85%  |
| 7.     | BIMAL KUMAR CHORARIA.                                 | 70052   | 1.76%  |
| 8.     | SHARAD S SHAH   | 60570   | 1.52%  |
| 9.     | MONARCH RESEARCH AND BROKERAGE PRIVATE LIMITED        | 54638   | 1.37%  |
| 10.    | ANILKUMAR JANARDAN GOKHALE<br>PRIYA ANILKUMAR GOKHALE | 53965   | 1.36%  |

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.

Address for correspondence :

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

Plant Locations:

- C-58, C - 57/1,2 TTC Industrial Area, Thane Belapur Road, Pawane Navi Mumbai - 705  
- 242, Surat Special Economic Zone, Diamond Industrial Park, Road No. 3, GIDC, Sachin, Surat, Dist 394238  
- Plot No 748/1, 40 Shed Area, GIDC, Vapi, Gujarat.  
- Plot No. 517, Road No 5, GIDC, Sachin, Surat.

## SHAREHOLDING PATTERN

| Category code (I) | Category of shareholder(II)  | No. of shareholders (III) | Total number of shares (IV) | Number of shares held in dematerialized form (V) | Total shareholding as a percentage of total number of shares |                        | Shares pledged or otherwise encumbered |                             |
|-------------------|--|---------------------------|-----------------------------|--|--|------------------------|--|-----------------------------|
|                   |  |                           |                             |  | As a % of (A+B+C)  | As a % of (A+B+C)(VII) | No. of shares                          | As a % (IX) = (VIII/IV)*100 |
| (A)               | Shareholding of Promoter and Promoter Group                                      |                           |                             |  |  |                        |  |                             |
| 1                 | Indian   |                           |                             |  |  |                        |  |                             |
| (a)               | Individuals/ Hindu Undivided Family  | 5                         | 426989                      | 426989   | 10.74  | 10.74                  | -                                      | -                           |
| (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)   | 6                         | 1,737,136                   | 1,737,136  | 43.69  | 43.69                  | 663500                                 | 50.64                       |
| 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 & Promoter Group                                  |                           |                             |  |  |                        |  |                             |
|                   | (A)= (A)(1)+(A)(2)   | 6                         | 1,737,136                   | 1,737,136  | 43.69  | 43.69                  | 663,500                                | 38.19                       |
| (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  | -                         | -                           | -  | -  | -                      | -                                      | -                           |
| 1)                | Foreign Financial Instn  | -                         | -                           | -  | -  | -                      | -                                      | -                           |
|                   | Sub-Total (B)(1)   | -                         | -                           | -  | -  | -                      | -                                      | -                           |
| 2                 | Non-institutions   |                           |                             |  |  |                        |  |                             |
| (a)               | Bodies Corporate   | 52                        | 782989                      | 737689   | 19.69  | 19.69                  | 0                                      | 0.00                        |
| (b)               | Individuals  |                           |                             |  |  |                        |  |                             |
| i.                | Individual shareholders holding nominal share capital up to Rs. 1 lakh.          | 1610                      | 647968                      | 384768   | 16.30  | 16.30                  | 0                                      | 0.00                        |
| ii.               | Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.   | 20                        | 504317                      | 456817   | 12.68  | 12.68                  | 0                                      | 0.00                        |
| (c)               | Any Other (Specify)  |                           |                             |  |  |                        |  |                             |
| 1.                | Clearing Member  | 22                        | 194014                      | 194014   | 4.88   | 4.88                   | 0                                      | 0.00                        |
| 2.                | Trust  |                           |                             |  |  |                        |  |                             |
| 3.                | NRIs   | 12                        | 109976                      | 15566  | 2.77   | 2.77                   | 0                                      | 0.00                        |
| 4.                | NRN  |                           |                             |  |  |                        |  |                             |
| 5.                | Foreign Company  |                           |                             |  |  |                        |  |                             |
|                   | Sub-Total (B)(2)   | 1,716                     | 2,239,264                   | 1,788,854  | 56.31  | 56.31                  | 0                                      | 0.00                        |
|                   | Total Public Shareholding (B)= (B)(1)+(B)(2)                                     | 1,716                     | 2,239,264                   | 1,788,854  | 56.31  | 56.31                  | 0                                      | 0.00                        |
| (C)               | TOTAL (A)+(B)  | 1,722                     | 3,976,400                   | 3,525,990  | 100.00   | 100.00                 | 0                                      | 0.00                        |
|                   | Shares held by Custodians and against which Depository Receipts have been issued |                           |                             |  |  |                        |  |                             |
|                   | GRAND TOTAL (A)+(B)+(C)  | 1,722                     | 3,976,400                   | 3,525,990  | 100.00   | 100.00                 | 0                                      | 0.00                        |

## 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)

### Code of Conduct for Senior Management

#### I. Introduction

Our commitment to ethical and lawful business conduct is a fundamental value of our Board of Directors, management and employees and is critical to the company's success. We will strive to uphold ethical and legal standards vigorously even as we pursue our financial objectives. We will not compromise honesty and integrity anywhere at any time even while continuously striving to build value for customers through the innovative use of technology and talent. This code of conduct reiterates our commitment to the above principles.

This code of conduct applies to Sky Industry's Senior Management and is in addition to their legal and equitable duties.

Note:

- (a) Any reference to "Sky Industries" in this Code of Conduct means and includes Sky Industries Limited and its subsidiary.
- (b) Any reference to "Senior Management" in this Code of Conduct means and includes personnel who are members of the core management team of Sky Industries. i.e. chief executive officers and executive directors of Sky Industries and all members of the management one level below executive directors including all functional heads.

#### Purpose

This code of conduct is intended to:

- set high standards of honesty, integrity and ethical and law-abiding behavior expected of Sky Industry's Senior Management;
- encourage the observance of those standards to protect and promote the interests of shareholders and other stakeholders;
- guide Sky Industry's Senior Management as to the practices necessary to maintain confidence in Sky Industry's integrity; and
- set out the responsibility and accountability of Sky Industries's Senior Management to report and investigate any reported violations of this code or unethical or unlawful behavior.

#### Honesty and Integrity

Sky Industries expects each Senior Management member to: observe the highest standards of honesty, integrity and ethical and law-abiding behavior when:

- (i) performing their duties; and
- (ii) dealing with any officer, employee, shareholder, customer, supplier, auditor, lawyer and other adviser of Sky Industries; and
- (iii) foster a culture of honesty, integrity and ethical and law-abiding behaviour among other officers and employees.

#### II. Conflicts of Interest or Duty

- (1) Each Senior Management member must be aware of potential conflicts between (directly or indirectly):  
on the one hand :  
the interests of Sky Industries; or  
their duties to Sky Industries; and

on the other hand:  
their personal or external business interests; or  
their duties to any third party.

- (2) Each Senior Management member must avoid placing himself or herself in a position that may lead to:
  - (a) an actual or a potential conflict of interest or duty; or
  - (b) a reasonable perception of an actual or potential conflict of interest or duty.
- (3) Each Senior Management member must:
  - (a) fully and frankly inform Sky Industry's Board of any personal or external business interest that may lead to:
    - (i) an actual or potential conflict of interest or duty; or
    - (ii) a reasonable perception of an actual or a potential conflict of interest of duty; and
  - (b) obtain and follow independent legal advice to avoid or resolve any actual, potential or perceived conflict of interest or duty.
- (4) Each Senior Management member must affirm compliance with this code of conduct at the end of every year in the format given below in Annexure I.

### III. Corporate opportunities

- (1) A Senior Management member must not improperly use his/her position, property or information acquired through his/her position for personal gain or gain of an associate or to compete with or harm Sky Industries.
- (2) Each Senior Management member must keep his/her personal or external business dealings separate from Sky Industry's business dealings.
- (3) A Senior Management member must only use goods, services and facilities received from Sky Industries in accordance with the terms on which they are given.
- (4) A Senior Management member must not accept any gift from Sky Industry's existing or potential customers or suppliers that is designed to influence their decisions.

### Confidentiality

- (1) Any information acquired by a Senior Management member while performing his/her duties is confidential information of Sky Industries and must be kept confidential. A Senior Management member must not disclose the information to a third party except where:  
disclosure is authorized by the Board; or  
disclosure is required by law or a regulatory body (including a relevant stock exchange); or  
the information is already in the public domain without wrongful disclosure.
- (2) Each Senior Management member's obligations of confidentiality continue after he or she leaves Sky Industries.

### Fair dealing

- (1) Sky Industries expects each Senior Management member to:  
deal fairly with any officer, employee, shareholder, customer, supplier, competitor, auditor, lawyer or other adviser of Sky Industries; and encourage other employees and officers to do the same.
- (2) A Senior Management member must not take unfair advantage of any officer, employee, customer, supplier, auditor, lawyer or other adviser of Sky Industries through unethical or illegal conduct, manipulation, undue influence, concealment, abuse of confidential information, misrepresentation of material facts, or any other unfair-dealing practice.

### Protection and proper use of assets

- (1) Sky Industries expects each Senior Management member to use all reasonable endeavors to protect any Sky Industries asset and to ensure its efficient use.
- (2) A Senior Management member may only use a Sky Industries asset (for example, a product, vehicle, computer or money) for legitimate business purposes or other purposes approved by the Board.

## Compliance with laws, regulations, policies and procedures

Each Senior Management member must:  
comply with the letter and spirit of any applicable law, rule or regulation;  
comply with the protocols, policies and procedures of Sky Industries; and  
encourage other officers and employees to do the same.

## Reporting of unlawful and unethical behaviour

Sky Industries expects each Senior Management member to:

- (1) Report promptly and in good faith, any actual or suspected violation by an officer or employee of the standards, requirements or expectations set out in this code of conduct; and encourage other officers or employees to do the same.
- (2) A Senior Management member may use his or her own judgment in deciding to whom to report any violation or behaviour referred to in sub-clause (1) above.
- (3) If an employee or officer reports, in good faith, any violation or behavior referred to in sub-clause (2) above, each Senior Management member must ensure that:
  - (a) the reporting person's position is protected;
  - (b) the reporting person's identity is only disclosed with their consent, except where disclosure is required by law; and
  - (c) no disciplinary, discriminatory or other adverse action is taken or tolerated against the reporting person for reporting the violation.
- (4) A Senior Management member who receives a report of any violation or behaviour referred to above must ensure that:
  - (a) the alleged violation or behaviour is thoroughly investigated;
  - (b) rules of natural justice are observed in the investigation; and
  - (c) appropriate disciplinary action is taken if the allegation substantiated.

## Violations of this Code

Violations of this Code shall be reported to the Audit Committee who will investigate the violation and recommend the appropriate action to be taken against the defaulter.

## 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 is also the market leader in Velvet Tapes and Printable satin variety in the domestic market. The Company is aiming to improve its share in elastic product lines globally.

### Opportunity and Threats:

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

The Company does face threats from imports and other new emerging players in these product lines. However, they are mitigated partly by the Anti Dumping Duty levied against the imports of sub standard quality goods in the Hook & Loop Tape category, 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. 2583 lacs an increase of 28% over the previous year. The Company has explored few more countries and increased the thrust in the international markets. The past efforts of the Company in penetrating the different markets are paying off now and the growth in the export turnover is visible now.

### Risks and Concerns

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

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

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

### Internal Control systems and their adequacy

The Company has commensurate internal audit systems in relation to the size of the Company. The Company also has appointed an Internal Auditor Ms/ Engineer and Mehta, who have been conducting internal audit of the systems that have been strengthened.



## Operations

The turnover during the year was Rs. 6455 Lacs as compared to previous years Rs. 6139 Lacs. The reason for flat growth can be attributed to the pressure on the sales realizations, inspite of increase in volumes.

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

## 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, 2010, the total number of employees on the rolls of the Company was 321.

## THE MANAGING DIRECTOR AND EXECUTIVE DIRECTOR HAVE GIVEN THEIR CERTIFICATION FOR THE YEAR 2009-10

Mr. Shailesh Shah Managing Director's and Mr. Maikal Raorani Executive Director 's Certification for the year 2009-10

We hereby certify that to the Board that:

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

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

Sd/-  
Shailesh Shah  
Managing Director

Sd/-  
Maikal Raorani  
Executive Director

## 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, 2010, 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:

a. *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.*

b. *The Code of Conduct is not posted on the website of the Company.*

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 abovementioned 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, 2010 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

Mumbai; Dated: May 29, 2010.

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## 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, 2010. 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:

1. The company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made hereunder and all entries therein have been duly recorded.
2. The company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government. Company Law Board or other authorities within the time prescribed under the Act and the rules made hereunder.
3. The Company being Public Limited Company has more than the minimum prescribed paid-up capital. During the year under scrutiny:
  - (i) has not invited public to subscribe for its shares or debentures; and
  - (ii) has not invited or accepted any deposits from persons other than its members, directors or their relatives.
4. The Board of Directors duly met 8 times 18th April 2009, 30th June 2009, 31st July 2009, 31st October 2009, 30th November 2009, 29th January 2010, 27th February 2010 and 23rd March 2010 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The company closed its Register of Members from 26th September 2009 to 29th September 2009 during the financial year.
6. The Annual General Meeting for the financial year ended on 31/3/2009 was held on 31st October 2009. The company obtained permission from the Registrar of Companies pursuant to section 166 of the companies Act, 1956 for extension of time.
7. No Extra Ordinary Meeting was held during the financial year ended 31st March 2010.

8. The provisions of section 295 of the Companies Act, 1956 duly complied by the company.
9. The company has not made an application to the central government for transaction amounting to Rs. 32,12,836/- .
10. The company has made the necessary entries in the register maintained under section 301 of the Act.
11. As there were no instances falling within the purview of section 314 of the Act, the company has not obtained any approvals from the Board of directors, members or central Government.
12. The company has issued duplicate share certificate in accordance with the provisions of the Companies Act, 1956 during the financial year
13. The Company during the period under review has:
  - Not made allotment of Equity Shares during the financial year in compliance with the provisions of the companies Act, 1956;
  - not deposited any amount in separate Bank Accounts as no dividend was declared during the financial year;
  - not required to post warrants to any member of the company as no dividend was declared during the financial year;
  - the company transferred the amounts in unpaid dividend account and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund; and
  - duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the company is duly constituted.
15. The company has complied provision of the Act with regard to appointment of managing director / whole-time director / manager.
16. The company has not appointed any sole-selling agents during the financial year.
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 equity shares during the financial year.
19. The company has not bought back any shares during the financial year.
20. The company has not redeemed any preference shares/debentures during the financial year.
21. There was no transaction necessitating the company to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
22. The company has not invited/accepted any deposits including unsecured loans falling within the purview of section 58A during the financial year.
23. The the borrowing made during the year are in compliance with the provisions of section 293(1) (d) of the Act.
24. The company loans and investments, or given guarantees or provided securities to other bodies corporate are in compliance with the provisions of the Act.
25. The company has not altered the provisions of the memorandum with respect to situation of the company's registered office from one state to another 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 and complied with provisions of the Act.
27. The company has not altered the provisions of the memorandum with respect to name of the company.
28. The company has not altered the provisions of the memorandum with respect to Authorised Share Capital of the company during the year under scrutiny.
29. The company has not altered its articles of association with respect to Authorised Share Capital of the company during the year under scrutiny.
31. There was/were no prosecution initialed against or show cause notices received by the company, during the financial year, for offences under the Act.
32. The company has not received any money as security from its employees during the financial year under certification.
33. The company has deposited both employee's and employer's contribution to provident fund with prescribed authorities pursuant to section 418 of the Act.

Place: Mumbai  
Date: 25/05/2010

Sd/-  
Ramesh Mishra  
Company Secretary in Practice  
C.P. No. 3987 FCS 5477

**ANNEXURE "A"**

Registers as maintained by the Company

|  |                |
|--|----------------|
| 1. Register of Members with Index      | U/s. 150 & 151 |
| 2. Share Transfer Register with Index  | U/s. 108       |
| 3. Register of Directors               | U/s. 303       |
| 4. Register of Director's Shareholding | U/s. 307       |
| 5. Register of Contracts               | U/s. 301       |
| 6. Register of Investments             | U/s 372A       |
| 7. Register of Loans                   | U/s 372A       |
| 8. Register of Fixed Assets            |                |
| 9. Register of Charge                  | U/s. 143       |
| 10. Minutes of Board Meeting           | U/s. 193       |
| 11. Minutes of the AGM/EGM Meeting     | U/s. 193       |

Place: Mumbai

Date: 25/05/2010.

Sd/-

Ramesh Mishra  
Company Secretary in Practice  
C.P. No. 3987 FCS 5477

**ANNEXURE B**

Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ending on 31st March, 2010.

| Sr. No. | Form No./Return        | Filed under section    | For the Period | Date of Filing | Whether filed within prescribed time yes/no | If delay in filing whether requisite additional fee paid Yes/no. |
|---------|------------------------|------------------------|----------------|----------------|---|--|
| 1.      | Annual Return          | 159                    | 30/09/2009     | 23/11/2009     | Yes   | No   |
| 2.      | Balance sheet          | 220                    | 31/03/2009     | 17/11/2009     | Yes   | No   |
| 3.      | Compliance Certificate | 383A (read with 217)   | 31/03/2009     | 17/11/2009     | Yes   | No   |
| 4.      | 25C                    | 269(2) & Schedule XIII | 21/11/2009     | 21/11/2009     | Yes   | No   |
| 5.      | 25C                    |                        | 23/11/2009     | 23/11/2009     | Yes   | No   |
| 6       | 25C                    |                        | 23/11/2009     | 23/11/2009     | Yes   | No   |
| 7       | 25C                    |                        | 23/11/2009     | 23/11/2009     | Yes   | No   |
| 8       | 25C                    |                        | 23/11/2009     | 23/11/2009     | Yes   | No   |

Place: Mumbai

Date: 25/05/2010

Sd/-

Ramesh Mishra  
Company Secretary in Practice  
C.P. No. 3987 FCS 5477

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, 2010 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Attention is invited to note 21 (b) of Schedule 13 of the accounts, wherein the Company has recognized profit of Rs. 236,700,000/- on sale of assets of Discontinued Operations of Ribbon Division pending approval for sale transfer of immovable property from Maharashtra Industrial Development Corporation Limited and Labour Authorities.
5. *The Company has entered into transactions with parties covered in the register maintained under Section 301 of the Companies Act, 1956. The Company has not made an application to the Central Government for transaction amounting to Rs. 32,12,836.*
6. *The Company has not obtained an approval in a general meeting for payment of managerial remuneration of Rs10,560,000/- for the year ended March 31, 2009 and for Rs.5,280,000/- for the period April 1, 2009 to September 30, 2009 as per the requirements of Schedule XIII of the Companies Act, 1956.*
7. The Company has not determined an actuarial valuation of its Leave Encashment liability as per the requirements of AS 15- Employee Benefits (Revised). We are unable to ascertain the impact on the profit for the year.
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, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report, subject to para 7 above, 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 paras 5 to 7 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, 2010; and
    - ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.
    - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st March, 2010, and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31st March, 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For and on behalf of  
KALYANIWALLA & MISTRY  
CHARTERED ACCOUNTANTS  
Sd/-  
ERMIN K. IRANI  
PARTNER  
Firm Registration No.104607W.  
Membership No. 35646  
Mumbai; Dated: May 29, 2010.

## Annexure to the Auditors' Report

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

- 1) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) 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 the assets of the Discontinued Ribbon Division during the year. In our opinion, the disposal does not affect the going concern assumption.
- 2) (a) The Management has conducted physical verification of inventory at reasonable intervals.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are 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 any loan to a company 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 commenting on whether does not arise. In the absence of any stipulated terms and conditions of the deposits/advance granted, we are unable to comment whether the same are prejudicial to the interests of the Company, whether receipt of principal is regular and whether reasonable steps have been taken for recovery of principal.
- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchases of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed a continuing failure to correct major weaknesses in internal controls.
- 5) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts and arrangements referred to in section 301 of the Companies Act, 1956 are entered in the register required to be maintained under that section. *However, as stated in para 5 of the Auditors Report, the Company has not complied with section 297 of the Companies Act, 1956.*
- (b) In the absence of a comparative price of transactions made in pursuance of such contracts or arrangements, we are unable to comment whether these were made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- 6) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public and hence the provisions of section 58A, 58AA or any other provision of the Companies Act, 1956, and the rules framed there under are not applicable.
- 7) In our opinion and according to the information and explanations given to us, the internal audit system is not commensurate with the size of the Company and nature of its business.
- 8) The maintenance of cost records has not been prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956, in respect of any of its products.
- 9) (a) According to the information and explanations given to us and on the basis of our examination of the books of account, during the year, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, 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, there are no undisputed dues payable in respect of the above as at 31st March, 2010 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues outstanding of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty or cess on account of any dispute, other than the following:

| Name of Statue  | Nature of Dues        | Period to which the amount relates | Forum where dispute is pending | Amount (Rs.) |
|---|-----------------------|------------------------------------|--------------------------------|--------------|
| The Bombay Provincial Municipal Corporation Act, 1959 | Cess                  | 1998-1999                          | Deputy Commissioner            | 20,74,603    |
| The Bombay Provincial Municipal Corporation Act, 1959 | Cess                  | 1999-2000                          | Deputy Commissioner            | 16,08,000    |
| The Income Tax Act, 1961                              | Penalty u/s 274(1)(c) | 2001-2002                          | Assistant Commissioner         | 90,000       |

- 10) The Company does not have accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- 11) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not defaulted in repayment of dues to banks and financial institutions. However, subject to bank confirmations for outstanding bills payable not received we are not aware whether there are any defaults for outstanding bills. 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.12,000,000/- from a bank.
- 16) According to the information and explanations given to us, term loans were applied for the purpose for which the loans were obtained.
- 17) According to the information and explanations given to us and on an overall examination of the Balance Sheet and Cash Flows of the Company, we report that the Company has not utilized funds raised on short-term basis for long-term investment.
- 18) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- 19) The Company did not issue any debentures during the year.
- 20) The Company has not raised any money through a public issue during the year.
- 21) Based on the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For and on behalf of  
KALYANIWALLA & MISTRY  
CHARTERED ACCOUNTANTS

Sd/-  
ERMIN K. IRANI  
PARTNER  
Membership No. 35646  
Firm Registration No.104607W.

Mumbai; Dated: May 29, 2010

## BALANCE SHEET AS AT 31st MARCH 2010

|   | Schedule | Rupees             | As at<br>31.03.2010<br>Rupees | As at<br>31.03.2009<br>Rupees |
|---|----------|--------------------|-------------------------------|-------------------------------|
| <b><u>SOURCES OF FUNDS</u></b>                  |          |                    |                               |                               |
| <b>SHAREHOLDERS FUND</b>                        |          |                    |                               |                               |
| SHARE CAPITAL                                   | 1        | 39,764,000         |                               | 39,764,000                    |
| RESERVES AND SURPLUS                            | 2        | <u>161,518,273</u> | 201,282,273                   | <u>123,694,000</u>            |
|   |          |                    |                               | 163,458,000                   |
| <b>LOAN FUNDS</b>                               |          |                    |                               |                               |
| SECURED LOANS                                   | 3        |                    | 99,335,491                    | 167,844,049                   |
| <b>DEFERRED TAX LIABILITY</b>                   |          |                    | 24,871,647                    | 18,481,647                    |
|   |          |                    | <u>325,489,412</u>            | <u>349,783,696</u>            |
| <b><u>APPLICATION OF FUNDS</u></b>              |          |                    |                               |                               |
| <b><u>FIXED ASSETS</u></b>                      |          |                    |                               |                               |
| GROSS BLOCK                                     | 4        | 367,940,441        |                               | 391,122,923                   |
| LESS: DEPRECIATION                              |          | <u>194,077,273</u> |                               | <u>192,267,285</u>            |
| NET BLOCK                                       |          | 173,863,168        |                               | 198,855,638                   |
| CAPITAL WORK IN PROGRESS                        |          | <u>12,394,712</u>  | 186,257,880                   | <u>581,313</u>                |
|   |          |                    |                               | 199,436,951                   |
| <b>INVESTMENTS</b>                              |          |                    |                               |                               |
|   | 5        |                    | 18,853,225                    | 6,063,145                     |
| <b>CURRENT ASSETS, LOANS AND ADVANCES</b>       |          |                    |                               |                               |
| INVENTORIES                                     | 6        | 106,368,876        |                               | 117,890,425                   |
| SUNDRY DEBTORS                                  |          | 103,624,427        |                               | 129,687,934                   |
| CASH AND BANK BALANCE                           |          | 14,250,857         |                               | 11,938,792                    |
| LOANS AND ADVANCES                              |          | <u>42,563,165</u>  |                               | <u>24,357,404</u>             |
|   |          | 266,807,325        |                               | 283,874,555                   |
| <b>LESS: CURRENT LIABILITIES AND PROVISIONS</b> |          |                    |                               |                               |
| LIABILITIES                                     | 7        | 135,712,238        |                               | 131,387,892                   |
| PROVISIONS                                      |          | <u>10,716,780</u>  |                               | <u>8,203,063</u>              |
|   |          | 146,429,018        |                               | 139,590,955                   |
| <b>NET CURRENT ASSETS</b>                       |          |                    | 120,378,307                   | 144,283,600                   |
| <b>TOTAL</b>                                    |          |                    | <u><u>325,489,412</u></u>     | <u><u>349,783,696</u></u>     |
| NOTES TO ACCOUNTS                               | 13       |                    |                               |                               |

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

Signatures to Balance Sheet and Schedule 1 to 7 and 13

As per our Report attached

For and on behalf of

For and on behalf of the Board

**KALYANIWALLA & MISTRY**  
Chartered Accountants

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

Sd/-  
**SHAILESH SHAH**  
Managing Director

Sd/  
**NITIN MOTANI**  
Chairman

Mumbai; Dated: May 29, 2010



**PROFIT AND LOSS ACCOUNT FOR THE PERIOD 31st MARCH, 2010**

|   | Schedule | Rupees      | For the period ended<br>31.03.2010<br>Rupees | For the period ended<br>31.03.2009<br>Rupees |
|---|----------|-------------|--|--|
| <b>INCOME</b>   |          |             |  |  |
| SALES   |          | 629,812,851 |  | 601,082,124                                  |
| OTHER INCOME  | 8        | 47,382,270  |  | 12,807,900                                   |
|   |          |             | <b>677,195,122</b>                           | <b>613,890,024</b>                           |
| <b>EXPENDITURE</b>  |          |             |  |  |
| MATERIALS CONSUMED  | 9        | 289,554,881 |  | 310,629,873                                  |
| FINISHED GOODS PURCHASED  |          | 58,368,031  |  | 5,352,672                                    |
| DECREASE IN INVENTORY   | 10       | 17,411,509  |  | 40,276,827                                   |
| MANUFACTURING, ADMINISTRATIVE & SELLING EXPENSES  | 11       | 212,251,253 |  | 197,403,722                                  |
| INTEREST AND FINANCE CHARGES  | 12       | 24,569,067  |  | 35,782,204                                   |
| DEPRECIATION  |          | 20,480,746  |  | 22,334,986                                   |
|   |          |             | <b>622,635,487</b>                           | <b>611,780,284</b>                           |
| <b>PROFIT BEFORE TAXATION</b>   |          |             | <b>54,559,635</b>                            | <b>2,109,741</b>                             |
| PROFIT/(LOSS) BEFORE TAX ON CONTINUING OPERATIONS   |          |             | 23,406,827                                   | 22,540,447                                   |
| LESS: PROVISION FOR TAXATION  |          |             |  |  |
| CURRENT TAX   |          |             | 4,950,000                                    | 190,000                                      |
| MAT CREDIT ENTITLEMENT  |          |             |  | (190,000)                                    |
| FRINGE BENEFIT TAX  |          |             |  | 847,377                                      |
| DEFERRED TAX  |          |             | 6,390,000                                    | (1,360,000)                                  |
| PROFIT AFTER TAX ON CONTINUING OPERATION  |          |             | <b>12,066,827</b>                            | <b>23,053,070</b>                            |
| PROFIT/(LOSS) ON DISCOUNTING OPERATIONS - RIBBON DIVISION<br>(Refer Note No.21 of Notes to Account) |          |             | 31,152,808                                   | (20,430,707)                                 |
| LESS: PROVISION FOR TAXATION  |          |             |  |  |
| CURRENT TAX   |          |             | 2,700,000                                    | -  |
| FRINGE BENEFIT TAX  |          |             | -  | 52,623                                       |
| DEFERRED TAX  |          |             | -  | 200,000                                      |
| PROFIT AFTER TAX ON DISCONTINUING OPERATION   |          |             | <b>28,452,808</b>                            | <b>(20,683,330)</b>                          |
| PROFIT AFTER TAXATION   |          |             | <b>40,519,635</b>                            | <b>2,369,740</b>                             |
| PRIOR PERIOD ADJUSTMENTS  |          |             | 376,921                                      | 852,444                                      |
| PROFIT AFTER TAXATION AND PRIOR PERIOD ADJUSTMENTS  |          |             | <b>40,142,713</b>                            | <b>1,517,296</b>                             |
| SURPLUS BROUGHT FORWARD   |          |             | 116,194,000                                  | 114,676,704                                  |
| <b>AMOUNT AVAILABLE FOR APPROPRIATION</b>   |          |             | <b>156,336,713</b>                           | <b>116,194,000</b>                           |
| <b>APPROPRIATION</b>  |          |             |  |  |
| TRANSFER TO GENERAL RESERVE   |          |             | 500,000                                      | -  |
| PROPOSED DIVIDEND   |          |             | 1,988,200                                    | -  |
| TAX ON DIVIDEND   |          |             | 330,240                                      | -  |
| BALANCE CARRIED TO BALANCE SHEET  |          |             | 153,518,273                                  | 116,194,000                                  |
|   |          |             | <b>156,336,713</b>                           | <b>116,194,000</b>                           |
| Earnings per share (basic / diluted) in Rs. (Refer Note 10)   |          |             | <b>10.09</b>                                 | <b>0.38</b>                                  |

NOTES TO ACCOUNTS

13

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

Signatures to Balance Sheet and Schedule 8 to 13

As per our Report attached

For and on behalf of

**KALYANIWALLA & MISTRY**

Chartered Accountants

Sd/-

**ERMIN. K. IRANI**

Partner

Place : Mumbai,

For and on behalf of the Board

Sd/-

**SHAILESH SHAH**

Managing Director

Sd/

**NITIN MOTANI**

Chairman

## SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

|  | As at<br>31.03.2010<br>Rupees | As at<br>31.03.2010<br>Rupees |
|--|-------------------------------|-------------------------------|
| <b>SCHEDULE 1: SHARE CAPITAL</b>   |                               |                               |
| Authorised Capital   |                               |                               |
| 15,000,000 Equity Shares of Rs.10/- each   | 150,000,000                   | 150,000,000                   |
| 5,00,000 Redeemable Preference Shares of Rs. 100/- each  | 50,000,000                    | 50,000,000                    |
|  | <b>200,000,000</b>            | <b>200,000,000</b>            |
| Issued, subscribed and paid up :   | <u>                    </u>   | <u>                    </u>   |
| 3,976,400 Equity Shares of Rs. 10/- each, fully paid up.   | 39,764,000                    | 39,764,000                    |
| (Of which 400,000 equity shares of Rs.10/- each have been allotted for consideration other than cash)  | <u>39,764,000</u>             | <u>39,764,000</u>             |
| <b>SCHEDULE 2 : RESERVES AND SURPLUS</b>   |                               |                               |
| General Reserve As per last Balance Sheet  | 7,500,000                     | 7,500,000                     |
| Add : Transferred from Profit & Loss Account   | 500,000                       | -                             |
|  | <u>8,000,000</u>              | <u>7,500,000</u>              |
| Profit and Loss Account  | 153,518,273                   | 116,194,000                   |
|  | <u>161,518,273</u>            | <u>123,694,000</u>            |
| <b>SCHEDULE 3 : SECURED LOANS</b>  |                               |                               |
| <b>LONG TERM:</b>  |                               |                               |
| <b>(a) From Banks:</b>   |                               |                               |
| i Term loans   | 27,311,193                    | 72,761,064                    |
| (The above facility is secured by way of first charge on land & building including whole of the movable assets, plant and machinery, stores and spares, furniture, fixture both present and future excluding vehicles and second charge on all the current assets of the company both present and future)<br>(Amount repayable within one year Rs .5,287,666/- Previous year Rs. 34,646,801/-) |                               |                               |
| ii Vehicle Loans   | 4,176,830                     | 2,220,940                     |
| ( The above facility is secured by the hypothecation of vehicles purchased under the scheme)<br>(Amount repayable within one year Rs.1,338,815/-, Previous year Rs.1,468,825/- )   |                               |                               |
| Interest accrued   | 29,963                        |                               |
| <b>(b) From others:</b>  |                               |                               |
| Vehicle loan   | 272,012                       | -                             |
| ( The above facility is secured by the hypothecation of assets-vehicles purchased under the scheme)<br>(Amount repayable within one year Rs 102,472/-, Previous year Rs. Nil/- )   |                               |                               |
| <b>SHORT TERM:</b>   |                               |                               |
| <b>From Banks:</b>   |                               |                               |
| Cash Credit and Packing credit   | 67,545,493                    | 92,862,045                    |
| (The above facility is secured by way of first charge on all the current assets of the borrower both present and future and fixed assets, financed and second charge on the entire fixed assets both present & future)   |                               |                               |
|  | <u>99,335,491</u>             | <u>167,844,049</u>            |

SCHEDULE ANNEXED TO AND FORMING PART OF BALANCE SHEET

SCHEDULE 4: FIXED ASSETS

| PARTICULARS                      | GROSS BLOCK         |            |                       | DEPRECIATION        |                     |                                     |                       | NET BLOCK           |                     |                     |
|----------------------------------|---------------------|------------|-----------------------|---------------------|---------------------|-------------------------------------|-----------------------|---------------------|---------------------|---------------------|
|                                  | As at<br>01.04.2009 | Additions  | Sales/<br>Adjustments | As at<br>31.03.2010 | Up to<br>01.04.2009 | For the year<br>ended<br>31.03.2010 | Sales/<br>Adjustments | Up to<br>31.03.2010 | As at<br>31.03.2010 | As at<br>31.03.2009 |
| Tangible Fixed Assets            |                     |            |                       |                     |                     |                                     |                       |                     |                     |                     |
| Leasehold Land                   | 12,448,860          | -          | 4,088,000             | 8,360,860           | 1,136,362           | 158,679                             | 394,899               | 900,142             | 7,460,718           | 11,312,498          |
| Buildings                        | 66,612,054          | -          | 18,051,590            | 48,560,464          | 15,203,234          | 2,224,842                           | 3,868,620             | 13,559,457          | 35,001,007          | 51,408,819          |
| Plant & Machinery                | 272,725,304         | 20,020,662 | 24,308,951            | 268,437,015         | 155,599,226         | 14,849,569                          | 12,202,766            | 158,246,030         | 110,190,986         | 117,126,078         |
| Electrical Installations         | 7,928,692           | 219,383    | 2,764,314             | 5,383,761           | 4,956,602           | 673,801                             | 1,787,400             | 3,843,003           | 1,540,758           | 2,972,090           |
| Furniture & Fixtures             | 4,598,062           | 230,382    | 25,160                | 4,803,284           | 2,951,328           | 412,017                             | 20,885                | 3,342,460           | 1,460,824           | 1,646,734           |
| Office Equipment                 | 5,559,065           | 107,244    | -                     | 5,666,309           | 3,133,106           | 167,259                             | -                     | 3,300,365           | 2,365,944           | 2,425,959           |
| Computer                         | 5,307,377           | 350,880    | 11,400                | 5,646,857           | 4,087,970           | 502,065                             | 6,399                 | 4,583,635           | 1,063,222           | 1,219,408           |
| Vehicles                         | 15,396,833          | 5,926,317  | 861,814               | 20,461,336          | 4,705,798           | 1,458,521                           | 389,788               | 5,774,531           | 14,686,805          | 10,691,035          |
| Total                            | 390,576,247         | 26,854,868 | 50,111,229            | 367,319,887         | 191,773,627         | 20,446,754                          | 18,670,757            | 193,549,624         | 173,770,264         | 198,802,620         |
| Intangible Fixed Assets          |                     |            |                       |                     |                     |                                     |                       |                     |                     |                     |
| Computer Software                | 546,676             | 73,878     | -                     | 620,554             | 493,658             | 33,992                              | -                     | 527,650             | 92,904              | 53,018              |
| Grand Total                      | 391,122,923         | 26,928,746 | 50,111,229            | 367,940,441         | 192,267,285         | 20,480,746                          | 18,670,757            | 194,077,274         | 173,863,168         | 198,855,639         |
| Previous year<br>Capital Work In | 399,650,210         | 6,567,314  | 15,094,601            | 391,122,923         | 175,430,340         | 22,334,986                          | 5,498,041             | 192,267,285         | -                   | 198,855,638         |
| Progress and Advances            |                     |            |                       |                     |                     |                                     |                       |                     | 12,394,712          | 581,313             |
|                                  |                     |            |                       |                     |                     |                                     |                       |                     | 186,257,880         | 199,436,951         |

## SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

|  | Rupees      | As at<br>31.03.2010<br>Rupees | As at<br>31.03.2010<br>Rupees |
|--|-------------|-------------------------------|-------------------------------|
| <b>SCHEDULE 5 : INVESTMENTS</b>  |             |                               |                               |
| <b>LONG TERM - TRADE UNQUOTED (AT COST)</b>  |             |                               |                               |
| <b>IN GOVERNMENT SECURITIES</b>  |             |                               |                               |
| 50 units (Previous year 50 units) of Rs.100/- each in National Savings Certificate(Lodged with Government Departments as Security Deposit) |             | 5,000                         | 5,000                         |
| <b>IN SUBSIDIARY COMPANY</b>   |             |                               |                               |
| 80,000 ( Previous year 80,000 ) Equity shares of US\$ 1 each, fully paid up in Skay Inc., U.S.A  |             | 3,560,515                     | 3,560,515                     |
| 1,453,691 ( Previous year 199,767) Equity shares of Rs. 10/- each, fully paid up in Sky Hemmay Pvt Ltd                                     |             | 14,787,700                    | 1,997,620                     |
| <b>IN OTHERS</b>   |             |                               |                               |
| 50,001 ( Previous year 50,001) Equity shares of Rs.10 each, fully paid in Dombivali Nagari Sahakari Bank Ltd.                              |             | 500,010                       | 500,010                       |
|  |             | <b>18,853,225</b>             | <b>6,063,145</b>              |
| <b>SCHEDULE 6 : CURRENT ASSETS, LOANS &amp; ADVANCES</b>   |             |                               |                               |
| <b>CURRENT ASSETS</b>  |             |                               |                               |
| (a) Inventories:   |             |                               |                               |
| Raw Materials  | 48,355,457  |                               | 42,088,926                    |
| Packing Materials  | 2,754,043   |                               | 3,130,614                     |
| Work in Progress   | 28,352,138  |                               | 26,714,730                    |
| Finished Goods   | 26,907,238  |                               | 45,956,155                    |
|  |             | 106,368,876                   | 117,890,425                   |
| (b) Sundry Debtors (unsecured)   |             |                               |                               |
| Debts outstanding for a period exceeding six months  |             |                               |                               |
| Considered good  | 20,615,833  |                               | 41,825,850                    |
| Considered doubtful  | 2,348,285   |                               | 748,820                       |
|  | 22,964,118  |                               | 42,574,670                    |
| Other Debts  | 83,008,594  |                               | 87,862,084                    |
|  | 105,972,712 |                               | 130,436,754                   |
| Less: Provision for doubtful debts   | 2,348,285   |                               | 748,820                       |
|  |             | 103,624,427                   | 129,687,934                   |
| (c) Cash and Bank balances   |             |                               |                               |
| Cash on hand   | 234,527     |                               | 1,084,813                     |
| Balances with Scheduled Banks  |             |                               |                               |
| In Current Accounts  | 10,979,761  |                               | 4,034,251                     |
| In Deposit Account   | 3,036,569   |                               | 6,819,728                     |
|  |             | 14,250,857                    | 11,938,792                    |
| <b>LOANS AND ADVANCES ( Unsecured, considered good)</b>  |             |                               |                               |
| Advance tax & TDS ( Net of Provision for tax Rs. Nil/- , Previous year Rs.15,249,000/- )   | -           |                               | 279,846                       |
| Advances recoverable in cash or kind or for value to be recived  | 2,431,182   |                               | 3,124,034                     |
| Balances with Government Authorities   | 9,802,755   |                               | 11,822,522                    |
| Advances to Suppliers  | 9,585,105   |                               | 1,472,998                     |
| Deposits   | 20,744,123  |                               | 7,658,004                     |
|  |             | 42,563,165                    | 24,357,404                    |
|  |             | <b>266,807,325</b>            | <b>283,874,555</b>            |

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

|   | As at<br>31.03.2010<br>Rupees | As at<br>31.03.2010<br>Rupees |
|---|-------------------------------|-------------------------------|
| <b>SCHEDULE 7 : CURRENT LIABILITIES &amp; PROVISIONS</b>                            |                               |                               |
| <b>CURRENT LIABILITIES</b>  |                               |                               |
| Acceptances   | 44,965,851                    | 42,469,977                    |
| Sundry Creditors  | 57,950,585                    | 70,985,908                    |
| Advance received from Customers   | 16,664,984                    | 3,272,478                     |
| Unclaimed dividend  | 297,663                       | 474,609                       |
| Other Liabilities   | 15,833,155                    | 14,184,920                    |
|   | 135,712,238                   | 131,387,892                   |
| <b>PROVISIONS</b>   |                               |                               |
| Taxation ( Net of Advance Tax and TDS Rs. 16,460,122/-<br>Previous year Rs. Nil/- ) | 6,248,878                     | -                             |
| Dividend  | 1,988,200                     | -                             |
| Tax on Dividend   | 330,240                       | -                             |
| Leave encashment  | 2,149,462                     | 2,129,855                     |
| Gratuity  | -                             | 6,073,208                     |
|   | 10,716,780                    | 8,203,063                     |
|   | 146,429,018                   | 139,590,955                   |
| <b>SCHEDULE 8 : OTHER INCOME</b>  |                               |                               |
| Interest Received<br>( TDS Rs.52,277 /-, Previous year Rs. 259,757/-)               | 451,754                       | 1,253,299                     |
| DEPB & Drawback Income  | -                             | 601,475                       |
| Share of Profits from Shamots International   | -                             | 401,711                       |
| Excess Provision written back   | 6,742                         | 539,236                       |
| Dividend  | 1,074,412                     | 62,500                        |
| Service Contract Charges  | 9,275,591                     | 8,221,832                     |
| Machine Hire Receipts   | 684,209                       | 1,230,915                     |
| Difference in Exchange rate   | 3,141,357                     | -                             |
| Profit on Sale of Assets  | 31,665,505                    | -                             |
| Miscellaneous Income  | 1,082,700                     | 496,932                       |
|   | 47,382,270                    | 12,807,900                    |
| <b>SCHEDULE 9 : MATERIALS CONSUMED</b>  |                               |                               |
| <b>Raw Materials consumed</b>   |                               |                               |
| Opening Stock   | 42,088,926                    | 34,529,409                    |
| Add: Purchases  | 259,597,596                   | 277,604,200                   |
|   | 48,355,457                    | 42,088,926                    |
|   | 253,331,065                   | 270,044,683                   |
| Stores & Spares   | 9,245,114                     | 8,180,506                     |
| Packing Material  | 26,978,702                    | 32,404,684                    |
|   | 289,554,881                   | 310,629,873                   |
| <b>SCHEDULE 10: DECREASE IN INVENTORY</b>   |                               |                               |
| <b>CLOSING STOCK</b>  |                               |                               |
| Finished Goods  | 26,907,238                    | 45,956,155                    |
| Work In Process   | 28,352,138                    | 26,714,730                    |
|   | 55,259,376                    | 72,670,885                    |
| <b>OPENING STOCK</b>  |                               |                               |
| Finished Goods  | 45,956,155                    | 68,320,041                    |
| Work In Process   | 26,714,730                    | 44,627,671                    |
|   | 72,670,885                    | 112,947,712                   |

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

|   | Rupees     | As at<br>31.03.2010<br>Rupees | As at<br>31.03.2010<br>Rupees |
|---|------------|-------------------------------|-------------------------------|
| <u>SCHEDULE 11 : MANUFACTURING, ADMINISTRATIVE &amp; SELLING EXPENSES</u> |            |                               |                               |
| Employee Cost:  |            |                               |                               |
| Salaries, Wages & Bonus   | 58,124,778 |                               | 59,028,801                    |
| Contribution to P.F & Other Funds   | 3,572,650  |                               | 3,710,819                     |
| Welfare Expenses  | 4,778,699  |                               | 4,122,896                     |
|   | 66,476,127 | 66,862,516                    |                               |
| Directors Remuneration & Sitting fees                                     |            | 10,560,000                    | 10,575,000                    |
| Power & Fuel  |            | 22,376,464                    | 27,678,277                    |
| Labour Charges  |            | 21,066,745                    | 18,198,765                    |
| Rent Rates & Taxes  |            | 12,920,123                    | 5,154,059                     |
| Repairs & Maintenance:  |            |                               |                               |
| Building  | 1,573,157  |                               | 325,403                       |
| Plant & Machinery   | 1,794,698  |                               | 1,240,783                     |
| Others  | 4,004,747  |                               | 2,353,543                     |
|   |            | 7,372,601                     | 3,919,729                     |
| Auditors Remuneration   |            | 536,932                       | 597,714                       |
| Advertisement & Business Promotion  |            | 1,724,630                     | 860,862                       |
| Difference in exchange rate   |            | -                             | 7,846,122                     |
| Insurance   |            | 1,160,780                     | 1,152,221                     |
| Freight, Cartage and Forwarding Expenses                                  |            | 22,783,151                    | 18,435,490                    |
| Travelling & Other Conveyance   |            | 7,468,111                     | 7,367,427                     |
| Commission  |            | 10,498,976                    | 7,767,645                     |
| Postage, Telegram & Telephone   |            | 3,952,060                     | 4,087,552                     |
| Professional & Other Fees   |            | 2,935,686                     | 3,007,043                     |
| Printing & Stationery   |            | 1,610,294                     | 1,295,414                     |
| Bad debts   |            | 7,645,647                     | 3,172,059                     |
| Provision for Doubtful Debts made / Provisions no longer required ( Net)  |            | 2,021,715                     | (2,697,338)                   |
| Loss on sale of fixed assets  |            | -                             | 4,710,579                     |
| Share of Loss from Shamots International                                  |            | 102,782                       | -                             |
| Donations   |            | 231,952                       | 17,152                        |
| Other Sundry Expenses   |            | 8,806,477                     | 7,395,433                     |
|   |            | 212,251,253                   | 197,403,722                   |

### SCHEDULE 12: INTEREST AND FINANCE CHARGES

|                         |  |            |            |
|-------------------------|--|------------|------------|
| Interest on Fixed Loans |  |            |            |
| Banks                   |  | 7,358,224  | 12,044,205 |
| Others                  |  | 18,774     | -          |
| Interest on Other Loans |  | -          |            |
| Banks                   |  | 11,389,150 | 15,317,109 |
| Others                  |  | 113,104    | 3,037,483  |
| Bank Charges            |  | 5,689,815  | 5,383,407  |
|                         |  | 24,569,067 | 35,782,204 |

## NOTES FORMING PART OF THE ACCOUNTS

### 1. Statement of Significant Accounting Policies

#### A. Basis of Accounting:

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

#### B. 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 net of Cenvat.

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

Expenditure on Stores and Spares is written off as incurred.

#### 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.

2. Contingent Liabilities

- i) Guarantees given by the Company's banker against counter guarantee given by the company Rs. 163,500/- (Previous year Rs. 365,400/-)
- ii) Guarantees given by the Company's banker on behalf of subsidiary, against counter guarantee given by the Company Rs. 12,000,000/- (Previous year Rs. Nil)
- iii) Income tax demands disputed by the Company: Rs.90,000/- (Previous Year Rs. 90,000/-)

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



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

v) Bills Discounted with Banks Rs.30,313,445/- (Previous year Rs.8,614,337/-)

### 3. Segment Reporting:

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

### 4. Investments

The Company has withdrawn its entire capital in Shamots International, a partnership firm in the financial year 2007-08. However, the Company continued to be a partner in the same till 30th September 2008 with profit sharing of 5%. The Share in the loss for the period ended 30th September, 2008, amounting to Rs.102,782/- ( Previous Year Profit of Rs. 401,711/- ) has been charged to the Profit & Loss Account during the year.

### 5. Current Liabilities

(a) 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.

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

### 6. Deferred Tax

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

| Particulars                  | Current Year | Previous Year |
|------------------------------|--------------|---------------|
| Depreciation on Fixed Assets | (27,231,362) | (22,299,514)  |
| Others                       | 2,359,715    | 3,817,867     |
| Deferred Tax Liability       | (24,871,647) | (18,481,647)  |

### 7. Related Party Disclosures:

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

#### (a) Relationships

##### i. Shareholder with a substantial interest in voting power:

SKAY Finvest Private Limited

##### ii. Subsidiaries:

SKAY Inc., USA (wholly owned subsidiary)  
Sky Hemmay Private Limited

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

Mr. Nitin K. Motani  
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 Stabel Industries Pvt Ltd.  
SK Ultratech Private Limited  
Jask Invogue Private Ltd.

B) THE FOLLOWING TRANSACTIONS WERE CARRIED OUT WITH THE ABOVE RELATED PARTIES IN THE ORDINARY COURSE OF BUSINESS.  
(Rupees)

| Name of Transactions                              | Shareholder with a substantial interest in voting power<br>(i) | Subsidiaries<br>(ii)                 | Key managerial personnel/person exercising significant influence & their relatives<br>(iii) | Enterprises over which Key Management Personnel exercising Significant influence<br>(iv) |
|---|--|--------------------------------------|---|--|
| Sales   |  | -<br>(32,712)                        |   | -<br>10,196,147  |
| Share of Profit/(Loss) from Shamtos International |  |                                      |   | (102,782)<br>(401,711)   |
| Service Charges Received                          |  | 1,181,430<br>(900,127)               |   | 8,202,236<br>(7,321,705)   |
| Hire Charges Received                             |  | 84,209<br>(1,230,915)                |   | 600,000<br>-   |
| Purchases   |  | -<br>(157,243)                       |   | 926,280<br>(4,833,100)   |
| Labour charges                                    |  |                                      |   | 51,618<br>(2,104,525)  |
| Remuneration                                      |  |                                      | 10,560,000<br>(10,560,000)  |  |
| Rent  |  |                                      |   | 90,000<br>(285,000)  |
| Repairs & Maintenance                             |  |                                      |   | 136,255<br>(53,995)  |
| Commission  |  | 6,331,919<br>(6,505,125)             |   |  |
| Interest on Loan/<br>Delayed Payments             | -<br>(223,235)   |                                      | -<br>-  |  |
| Miscellaneous Income                              | -<br>(9,894)   |                                      |   |  |
| Other sundry Expenses                             |  |                                      |   | -<br>(93,928)  |
| Sale of Fixed Assets                              |  | 13,080,700<br>(60,045)               |   |  |
| Purchase of Fixed Assets                          |  | -<br>(318,498)                       |   | 6,331,603<br>(2,748,845)   |
| Deposit given                                     | 10,370,000<br>(4,350,000)                                      |                                      |   |  |
| Loans given                                       | -<br>(16,651)  |                                      |   |  |
| Investment in shares                              |  | 12,790,080<br>-                      |   |  |
| Advances taken                                    |  |                                      |   | 5,800,000<br>-   |
| Loans taken                                       | -<br>(1,245,000)   |                                      | -<br>(500,000)  |  |
| Guarantees given, outstanding at the year end     |  | 12,000,000<br>-                      |   |  |
| <b>Balances Outstanding</b>                       | <b>14,720,000</b><br><b>(16,651)</b>                           | <b>2,278,154</b><br><b>(135,984)</b> | <b>(1,514,017)</b><br><b>(Cr. 2,320,061)</b>  | <b>1,603,265</b><br><b>(7,282,447)</b>   |

c) SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES AS MENTIONED IN A(ii),A(iii) AND A(iv) ABOVE

(Rupees)

| Transactions during the year | Item A(ii)           | Amount                         | Item A(iii)       | Amount                        | Item A(iv)                     | Amount                       |
|------------------------------|----------------------|--------------------------------|-------------------|-------------------------------|--------------------------------|------------------------------|
| Sales                        | Sky Hemmay Pvt. Ltd. | -<br>(32,712)                  |                   |                               | SK Stable Industries Pvt. Ltd. | -<br>(10,196,147)            |
| Service Charges Recd         | Sky Hemmay Pvt. Ltd. | 1,181,430<br>(900,127)         |                   |                               | S.K. Silks                     | 290,800<br>(2,120,904)       |
|                              |                      |                                |                   |                               | S.K. Overseas                  | 1,499,524<br>(2,243,791)     |
|                              |                      |                                |                   |                               | S.K. Exports                   | 4,007,580<br>(988,858)       |
|                              |                      |                                |                   |                               | Shamots International          | 1,763,082<br>(1,470,708)     |
| Hire Charges Recd.           | Sky Hemmay Pvt. Ltd. | 84,209<br>(1,230,915)          |                   |                               | S.K. Stabel IndPvt Ltd         | 600,000<br>-                 |
| Purchases                    |                      |                                |                   |                               | S.K. Overseas                  | 437,069<br>(4,423,862)       |
|                              |                      |                                |                   |                               | S.K. Silks                     | 228,340<br>-                 |
|                              |                      |                                |                   |                               | S.K. Exports                   | 254,271<br>-                 |
| Labour Charges               |                      |                                |                   |                               | Shamots International          | 51,618<br>(2,104,525)        |
| Remuneration                 |                      |                                | Nitin K. Motani   | 2,820,000<br>(2,820,000)      |                                |                              |
|                              |                      |                                | Shailesh S. Shah  | 2,340,000<br>(23,400,000)     |                                |                              |
|                              |                      |                                | Saurabh K. Motani | 1,860,000<br>(1,860,000)      |                                |                              |
|                              |                      |                                | Sharad S. Shah    | 2,340,000<br>(2,340,000)      |                                |                              |
|                              |                      |                                | Maikal Raorani    | 1,200,000<br>(12,000,002)     |                                |                              |
| Investment in Shares         | Sky Hemmay Pvt. Ltd. | 12,790,080<br>-                |                   |                               |                                |                              |
| Rent                         |                      |                                |                   |                               | S.K.Export                     | 90,000<br>(285,000)          |
| Repairs & Maintenance        |                      |                                |                   |                               | S.K.Stabel Ind Pvt Ltd         | -<br>(12,396)                |
|                              |                      |                                |                   |                               | Shamots International          | 33,500<br>-                  |
|                              |                      |                                |                   |                               | S.K. Overseas                  | 102,755<br>(41,599)          |
| Commission                   | Skay Inc. , USA      | 6,331,919<br>(6,505,125)       |                   |                               |                                | -                            |
| Other Sundry Expenses        |                      |                                |                   |                               | Shamotsl International         | (93,928)                     |
| Sale of Fixed Assets         | Sky Hemmay Pvt. Ltd. | 13,080,700<br>(60,045)         |                   |                               |                                |                              |
| Purchase of Fixed Assets     | Sky Hemmay Pvt. Ltd. | -<br>(318,498)                 |                   |                               | Shamots International          | 4,129,711<br>(1,488,876)     |
|                              |                      |                                |                   |                               | S.K. Overseas                  | 59,625<br>(450,279)          |
|                              |                      |                                |                   |                               | S.K. Exports                   | 2,142,267<br>-               |
|                              |                      |                                |                   |                               | S.K.Stabel Ind Pvt Ltd         | -<br>(789,690)               |
| Advances taken               |                      |                                |                   |                               | S.K. Exports                   | 5,800,000<br>-               |
| Loans taken                  |                      |                                | Shailesh S Shah   | -<br>(500,000)                |                                |                              |
| Gurantees given              | Sky Hemmay Pvt. Ltd. | 12,000,000<br>- )              |                   |                               |                                |                              |
| Balances Outstanding         | Skay Inc. , USA      | Cr. 1,246,203<br>Cr. 3,918,842 | Shailesh S Shah   | Cr. 195,000<br>( Cr. 240,644) | Shamots International          | Cr 1,439,277<br>(Cr.511,665) |
|                              | Sky Hemmay Pvt. Ltd. | 3,524,357<br>(4,054,826)       | Nitin K Motani    | Cr. 304,655<br>(Cr. 399655)   | S.K. Overseas                  | 2,817<br>(Cr. 2,031,977)     |
|                              |                      |                                | Saurabh K Motani  | Cr. 557,537<br>( Cr. 772,537) | S.K.Stabel Ind Pvt Ltd         | 10,850,695<br>(9,756,507)    |
|                              |                      |                                | Sharad S Shah     | Cr. 373,875<br>(Cr. 828,875)  | S.K. Exports                   | Cr. 7,659,679<br>(50,199)    |
|                              |                      |                                | Maikal Raorani    | Cr. 82,950<br>(Cr. 78,350)    | S.K. Silks                     | (237,473)<br>-               |
|                              |                      |                                |                   |                               | Jask Invogue Pvt. Ltd.         | 86,182<br>(19,383)           |

8. The Company has not given loans to subsidiary. Hence, there are no disclosures required to be given under Clause 32 of the Listing Agreement.
9. 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 Profit and Loss Account as Rent under Rent Rates and Taxes in Schedule 11.

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

| Particulars   | Current Year | Previous Year |
|---|--------------|---------------|
| i) Not Later than One year                            | 1,316,000    | 1,536,000     |
| ii) Later than one Year and not later than Five years | 153,000      | 1,469,000     |
| iii) Later than 5 years                               | -            | -             |

10. Earning Per Share

| Particulars                                       | Current Year | Previous Year |
|---|--------------|---------------|
| Profit/(Loss) after tax and prior period expenses | 40,142,713   | 1,517,296     |
| Weighted average no. of equity shares outstanding | 3,976,400    | 3,976,400     |
| Basic earnings per share                          | 10.09        | 0.38          |
| Diluted earnings per share                        | 10.09        | 0.38          |
| Nominal value of shares                           | 10/-         | 10/-          |

11. Interest reimbursement as per Technology Upgradation Fund Scheme amounting to Rs. Nil/- (Previous year Rs. 2,766,627/-) has been credited to Interest Expense account.
12. Auditors Remuneration:

| Particulars                           | Current Year | Previous Year |
|---------------------------------------|--------------|---------------|
| Statutory Audit                       | 400,000      | 350,000       |
| Audit under Other Statues             | 40,000       | 30,000        |
| Representation before Tax Authorities | 30,000       | 118,000       |
| Certification work                    | 61,000       | 77,000        |
| Re-imbusement of Expenses             | 5,932        | 22,714        |
| Total                                 | 5,36,932     | 597,714       |

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

| Particulars                        | As at 31-Mar-10 | As at 31-Mar-09 |
|------------------------------------|-----------------|-----------------|
| Interest Received                  |                 | Cr 220,000      |
| Miscellaneous Income               |                 | Cr 35,116       |
| Purchase of Raw Materials          |                 | 138,933         |
| Packing Materials                  | 55,933          | 35,162          |
| Salaries , Wages & Bonus           | 67,254          | 32,424          |
| Welfare Expenses                   | 40,417          | 25,000          |
| Power & Fuel                       |                 | 107,696         |
| Labour Charges                     |                 | 680             |
| Rent , Rates & Taxes               |                 | 10,000          |
| Commission                         | Cr 86,685       | 26,730          |
| Postage, Telegram & Telephone      | 2,837           | 18,050          |
| Professional & other fees          | 1,700           | 22,500          |
| Printing & stationery              | Cr 6,819        | 10,780          |
| Other Sundry Expenses              |                 | 163,807         |
| Interest on Fixed Loans from Banks | Cr 13,714       | 439,090         |
| Interest on Other Loans from Banks |                 | 76,708          |
| Traveling Expenses                 | Cr 47,878       |                 |
| Repairs & Maintenance              | 66,874          |                 |
| Interest on TDS                    | 244,041         |                 |
| Freight & Forwarding               | 18,302          |                 |
| Incentives                         | 34,659          |                 |
|                                    | <b>376,921</b>  | <b>852,444</b>  |

14. EMPLOYEE BENEFITS :

I. Defined Benefit Plans:

Contribution to Gratuity Fund

The Company during the current year has funded its contributions to LIC Gratuity for eligible employees. Gratuity is payable to all eligible employees on superannuation, death or on separation/termination in terms of the provisions of the Payment of Gratuity Act.

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 2010:

|  | CURRENT YEAR<br>Rupees | PREVIOUS YEAR<br>Rupees |
|--|------------------------|-------------------------|
| Change in Defined Benefit Obligation                     |                        |                         |
| Opening Defined Benefit Obligation as at 31st March 2009 | 6,073,208              | 5,330,494               |
| Current Cost   | 980,666                | 626,536                 |
| Interest Cost  | 461,564                | 489,625                 |
| Service Cost   | -                      | -                       |
| enefits Paid   | -                      | (744,238)               |
| Actuarial (gain)/loss on obligation                      | (997,908)              | 370,791                 |
| Present value of obligation, as at 31st March 2010       | <u>6,517,530</u>       | <u>6,073,208</u>        |
| Change in Fair Value of assets                           |                        |                         |
| Opening Fair value of plan assets as at 1st April 2009   | -                      | -                       |

|  |                    |                  |
|--|--------------------|------------------|
| Expected return on plan assets                       | 297,715            | -                |
| Contributions by Employer                            | 6,507,438          | 744,328          |
| Benefits paid  | -                  | (744,328)        |
| Actuarial gain/(loss) on plan assets                 | (287,623)          | -                |
| Fair value of Plan Assets at the end of the year     | 6,517,530          | -                |
| Total Actuarial (gain)/loss to be recognised         | <u>(710,285)</u>   | <u>370,791</u>   |
| Actual Return on Plan Asset                          |                    |                  |
| Expected return on plan assets                       | 297,715            | -                |
| Actuarial (gain)/loss on plan assets                 | <u>(287,623)</u>   | -                |
| Actual return on plan assets                         | <u>10,092</u>      | -                |
| Amount Recognised in the Balance sheet               |                    |                  |
| Liability at the end of the year                     | 6,517,530          | 6,073,208        |
| Fair Value of plan assets at the end of the year     | -                  | 6,517,530        |
| Difference   | -                  | <u>6,073,208</u> |
| Amount Recognised in the Balance Sheet               | <u>-</u>           | <u>6,073,208</u> |
| Net gratuity cost for the year ended 31st March 2010 |                    |                  |
| Current Service Cost                                 | 980,666            | 626,536          |
| Interest Cost  | 461,564            | 489,625          |
| Expected return on plan assets                       | (297,715)          | -                |
| Net Actuarial (gain)/loss to be recognised           | <u>(710,285)</u>   | <u>370,791</u>   |
| Net gratuity cost                                    | <u>434,230</u>     | <u>1,486,952</u> |
| Balance Sheet Recognition                            |                    |                  |
| Opening net liability                                | 6,073,208          | 6,073,208        |
| Expenses as above                                    | 434,230            | -                |
| Employer's Contribution                              | <u>(6,507,438)</u> | -                |
| Closing Net liability                                | <u>-</u>           | <u>6,073,208</u> |
| Actuarial Assumptions                                |                    |                  |
| Discount Rate (p.a.)                                 | 8.00               | 7.60             |
| Rate of return on plan assets                        | 9.15               | -                |
| Salary escalation rate (p.a.)                        | 4.00               | 5.00             |

## II. Defined Contribution Plans:

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

|   | CURRENT YEAR | PREVIOUS YEAR |
|---|--------------|---------------|
|   | Rupees       | Rupees        |
| Contribution to Employee Provident Fund         | 2,470,174    | 2,451,102     |
| Contribution to ESI                             | 1,088,509    | 1,242,293     |
| Contribution to Maharashtra Labour Welfare Fund | 13,968       | 17,424        |
| Contribution to Provident & other funds         | 3,572,651    | 3,710,819     |

#### 14A. RAW MATERIAL CONSUMED ( INCLUDING STORES & SPARES, PACKING MATERIALS)

| DESCRIPTION<br>Year             | UNIT | Current Year |                    | Previous Year |                    |
|---------------------------------|------|--------------|--------------------|---------------|--------------------|
|                                 |      | Quantity     | Value (Rs.)        | Quantity      | Value(Rs.)         |
| Yarn                            | Kgs. | 1,115,735    | 166,295,782        | 1,176,209     | 186,752,665        |
| Resins and Chemicals            | Kgs. | 193,457      | 26,826,472         | 184,685       | 35,539,812         |
| Dyes and Colours                | Kgs. | 7,446        | 1,878,420          | 7,701         | 4,370,389          |
| Rubber Thread                   | Kgs. | 183,028      | 26,679,941         | 162,749       | 25,085,377         |
| Hot Melt Glue/pp webbing        | Kgs. | 53,071       | 10,310,890         | 27,280        | 8,099,512          |
| Others (incl.Knit Loop Fabrics) | Kgs. |              | 21,697,311         |               | 10,405,472         |
| Stores & spares                 | Kgs. |              | 9,240,103          |               | 8,180,506          |
| Paking materials                | Kgs. |              | 26,625,962         |               | 32,196,141         |
| <b>Total</b>                    |      |              | <b>289,554,881</b> |               | <b>310,629,874</b> |

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

|            | Current Year<br>Percentage of<br>Total Consumption | Previous Year<br>Value<br>(Rs.) | Percentage of<br>Total Consumption | Value<br>(Rs)      |
|------------|--|---------------------------------|------------------------------------|--------------------|
| Indigenous | 41.63%   | 120,532,359                     | 40.19%                             | 24,842,146         |
| Imported   | 58.37%   | 169,022,522                     | 59.81%                             | 185,787,728        |
|            | <b>100.00%</b>                                     | <b>289,554,881</b>              | <b>100.00%</b>                     | <b>310,629,874</b> |

#### 15. VALUE OF IMPORTS CALCULATED ON CIF BASIS

|                   | Current Year<br>Rs. | Previous Year<br>Rs. |
|-------------------|---------------------|----------------------|
| Raw Materials     | 232,946,650         | 188,164,602          |
| Stores and spares | 1,116,253           | 1,829,425            |
| Capital Goods     | 5,872,059           | -                    |
|                   | <b>239,934,962</b>  | <b>189,994,027</b>   |

#### 16. EXPENDITURE IN FOREIGN CURRENCY

|                       | Current Year<br>Rs. | Previous Year<br>Rs. |
|-----------------------|---------------------|----------------------|
| Commission on exports | 6,479,649           | 6,552,014            |
| Travel expenses       | 209,037             | 293,349              |
| Testing Expenses      | 465,019             | 282,800              |
|                       | <b>7,153,705</b>    | <b>7,128,163</b>     |

#### 17. EARNINGS IN FOREIGN CURRENCY

|                      | Current Year<br>Rs. | Previous Year<br>Rs. |
|----------------------|---------------------|----------------------|
| FOB Value of Exports | 258,267,795         | 201,697,196          |
| Insurance on Exports | 277,572             | 125,171              |
| Freight on Exports   | 2,804,408           | 5,215,140            |
| Other charges        | 184,549             | 170,718              |
|                      | <b>261,534,324</b>  | <b>207,208,225</b>   |

18 Managerial Remuneration

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

|  | Current Year<br>Rupees | Previous Year<br>Rupees |
|--|------------------------|-------------------------|
| Salary, Allowances   | 10,560,000             | 10,560,000              |
| Computation of Net Profit in accordance with Section 198 of the Companies Act, 1956:   |                        |                         |
| Profit/(Loss) before Taxes as per Profit and Loss Account  |                        | 54,555,935              |
| Add: Managerial Remuneration   | 10,560,000             | 10,560,000              |
| Depreciation as per books  | 20,480,746             | 22,334,986              |
| Provision for Doubtful Debts made  | 2,348,285              | -                       |
| (Profit)/Loss on sale / disposal of fixed assets / CWIP  | (31,665,505)           | 4,710,579               |
|  |                        | 1,723,526               |
| Less: Provision for Doubtful Debts written back  | -                      | 37,605,565              |
| Depreciation as per section 350  | 20,480,746             | 22,334,986              |
|  | 20,480,746             | 25,032,324              |
| Net Profit   | <u>35,798,715</u>      | <u>14,682,981</u>       |
| Maximum remuneration permissible under the Act.<br>(computed on the basis of inadequacy of profits)  | 15,000,000             | 15,000,000              |
| (ii) Director's sitting fees   | -                      | 15,000                  |
| (iii) In the current year, all Executive directors were paid remuneration as per the provisions of Schedule XIII of the Companies Act, 1956. The Company has not passed a special resolution in a General Meeting. |                        |                         |

19 Licensed and Installed Capacity and Actual Production

| Class of Goods               | Unit   | Licensed Capacity | Installed Capacity *        | Actual Production            |
|------------------------------|--------|-------------------|-----------------------------|------------------------------|
| Hook and Loop Tape Fasteners | Meters | Not Applicable    | 128,400,000<br>(92,400,000) | 76,064,685<br>(87,125,203)   |
| Elastics & Other Tapes       | Meters | Not Applicable    | 210,922,560<br>(94,900,000) | 162,452,980<br>(102,190,149) |

\* As certified by the management.

20 Quantitative Information

| Class of Goods               | Unit       | Opening Stock                      |                                    | Closing Stock                      |                                    | Sales                                |                                      |                               |                                  |
|------------------------------|------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|--------------------------------------|--------------------------------------|-------------------------------|----------------------------------|
|                              |            | Qty                                | Value Rs.                          | Qty                                | Value Rs.                          | Qty                                  | Value Rs.                            |                               |                                  |
| <b>A. Manufactured Goods</b> |            |                                    |                                    |                                    |                                    |                                      |                                      |                               |                                  |
| Hook and Loop Tape Fasteners | Meters     | 13,186,750<br>(10,574,500)         | 40,064,494<br>(32,747,216)         | 5,464,312<br>(13,186,750)          | 17,263,488<br>(40,064,494)         | 83,043,373<br>(84,512,953)           | 341,903,190<br>(387,124,496)         |                               |                                  |
| Elastic Tapes                | Meters     | 13,665,195<br>(9,795,985)          | 4,183,007<br>(24,158,391)          | 5,683,626<br>(13,665,195)          | 2,455,453<br>(4,183,007)           | 170,434,549<br>(98,320,939)          | 240,818,461<br>(210,080,660)         |                               |                                  |
| <b>Total (Total)</b>         |            | <b>26,851,945<br/>(20,370,485)</b> | <b>44,247,501<br/>(56,905,607)</b> | <b>11,147,938<br/>(26,851,945)</b> | <b>19,718,941<br/>(44,247,501)</b> | <b>253,477,922<br/>(182,833,892)</b> | <b>582,721,651<br/>(597,205,156)</b> |                               |                                  |
| <b>B. Traded Goods</b>       |            |                                    |                                    |                                    |                                    |                                      |                                      |                               |                                  |
|                              | Unit       | Opening Stock Qty                  | Value Rs.                          | Purchases Qty                      | Value Rs.                          | Sales/Samples Qty                    | Value Rs.                            | Closing Stock Qty             | Value Rs.                        |
| Misc Items                   |            | 740<br>(Nil)                       | 103,600<br>(Nil)                   | -<br>(14,166)                      | 1,683,480<br>(2,139,028)           | -<br>(2,489,524)                     | 1,234,093<br>(Nil)                   | -<br>(740)                    | 497,440<br>(103,600)             |
| Narrow woven pile fabrics    | Meters     | 17,775<br>(Nil)                    | 267,919<br>(Nil)                   | -<br>(18,000)                      | 17,775<br>(271,310)                | -<br>(225)                           | -<br>(Nil)                           | (17,775)                      | -<br>(267,919)                   |
| Sky Net                      | Rolls/Mtrs | 1,397<br>(Nil)                     | 1,337,135<br>(Nil)                 | 7,481<br>(68,280)                  | 6,018,068<br>(2,942,333)           | 7,537<br>(28,140)                    | 10,693,373<br>(1,387,444)            | 4,134<br>(40,140)             | 1,291,211<br>(1,337,135)         |
| Hook & Loop Tape             | Equ.25mm   | -<br>(Nil)                         | -<br>(Nil)                         | 10,494,450<br>(Nil)                | 38,705,885<br>(Nil)                | 8,494,581<br>(Nil)                   | 35,163,374<br>(Nil)                  | 1,999,869<br>(Nil)            | 5,399,646<br>(Nil)               |
| <b>Total</b>                 |            | <b>19,912<br/>(Nil)</b>            | <b>1,708,654<br/>(Nil)</b>         | <b>10,501,931<br/>(100,446)</b>    | <b>46,407,433<br/>(5,352,671)</b>  | <b>8,519,893<br/>(41,791)</b>        | <b>47,091,201<br/>(3,876,968)</b>    | <b>2,001,210<br/>(58,655)</b> | <b>7,188,297<br/>(1,708,654)</b> |



21. Discontinuance of Ribbon Division

- a) The Company had during the previous year discontinued the operations of Ribbon Division in view of its future non viability. During the year, the Ribbon Division has disposed assets of book value Rs. 26.21 million on account of which, there is a pre tax profit of Rs. 31.15 million. The assets of Rs.10.01 million (Previous year Rs.99.99 million/-) and liabilities of Rs. Nil (Previous year Rs.31.27 million) are to be disposed/settled respectively.
- b) Of the above pre-tax profit, recognized gain of Rs.28.67 million is on the account of sale of land & Building which is pending approval, from Maharashtra Industrial Development Corporation Limited and Labour Authorities for its transfer.

22. Previous year's figures have been recast and rearranged wherever necessary

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

1) Registration Details

|                    |            |            |    |
|--------------------|------------|------------|----|
| Registration No.   | 11-52645   | State Code | 11 |
| Balance Sheet Date | 31/03/2010 |            |    |

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

|              |     |                   |     |
|--------------|-----|-------------------|-----|
| Public Issue | NIL | Right Issue       | NIL |
| Bonus Issue  | NIL | Private Placement | NIL |

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

|                        |         |                   |         |
|------------------------|---------|-------------------|---------|
| Total Liability        | 325,489 | Total Assets      | 325,489 |
| Sources of Funds       |         |                   |         |
| Paid - Up Capital      | 39,764  | Reserve & Surplus | 161,518 |
| Secured Loans          | 99,335  | Unsecured Loans   | NIL     |
| Deferred Tax Liability | 24,872  |                   |         |

Application of Funds

|                    |         |                   |        |
|--------------------|---------|-------------------|--------|
| Net Fixed Assets   | 186,258 | Investments       | 18,853 |
| Net Current Assets | 120,378 | Misc. Expenditure | -      |
| Accumulated Loss   | -       |                   |        |

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

|                            |         |                           |         |
|----------------------------|---------|---------------------------|---------|
| Turnover                   | 677,195 | Total Expenditure         | 622,635 |
| (Loss) / Profit Before Tax | 54,560  | (Loss) / Profit After Tax | 40,519  |
| Earning Per Share in Rs.   | 10.09   |                           |         |

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

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

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010

| Particulars   | Rupees       | Year ended<br>March, 31 2010<br>(Rupees) | Year ended<br>March, 31 2009<br>(Rupees) |
|---|--------------|--|--|
| <b>A. Cash Flow from Operating Activities:</b>            |              |  |  |
| Profit before tax and extra ordinary item                 |              | 54,559,635                               | 2,109,741                                |
| Adjustment for:   |              |  |  |
| Depreciation  | 20,480,746   |  | 22,334,986                               |
| Interest and Finance Charges                              | 24,569,067   |  | 35,782,204                               |
| Interest income   | (451,754)    |  | (1,253,299)                              |
| Dividend  | (1,074,412)  |  | -  |
| Profit on Sale /Disposal of Fixed Assets/Capital W.I.P.   | (31,665,505) |  | 4,710,579                                |
| Prior period Adjustments                                  | (376,921)    |  | (852,444)                                |
| Share of Loss in Shamots International                    | 102,782      |  | (401,711)                                |
|   |              | <b>11,584,002</b>                        | <b>60,320,315</b>                        |
| Operating Profit before Working Capital Changes           |              | <b>66,143,637</b>                        | <b>62,430,056</b>                        |
| Adjustment for:   |              |  |  |
| Debtors   | 25,373,426   |  | (25,438,070)                             |
| Other Receivables   | (30,585,607) |  | 2,953,129                                |
| Inventory   | 11,521,549   |  | 33,225,281                               |
| Trade and Other Payable                                   | (1,552,309)  |  | 4,697,489                                |
|   |              | <b>4,757,059</b>                         | <b>15,437,829</b>                        |
| Cash generated from Operations                            |              | <b>70,900,696</b>                        | <b>77,867,885</b>                        |
| Tax paid/net of Refund received                           |              | (1,121,276)                              | (592,462)                                |
| Net Cash Flow from Operating Activities                   |              | <b>69,779,420</b>                        | <b>77,275,423</b>                        |
| <b>B. Cash Flow from Investing Activities:</b>            |              |  |  |
| (Loss)/Profit form Shamots International                  | (102,782)    |  | 401,711                                  |
| Acquisition of Fixed Assets                               | (38,742,145) |  | (4,231,982)                              |
| Sale of Fixed Assets                                      | 63,105,977   |  | 4,885,982                                |
| Dividend  | 1,074,412    |  | -  |
| Interest income   | 451,754      |  | 1,253,299                                |
| Net Cash Flow from Investing Activities                   |              | <b>25,787,216</b>                        | <b>2,309,010</b>                         |
| <b>C. Cash Flow from Financing Activities:</b>            |              |  |  |
| (Decrease)/Increase in Working Capital facility           | (25,316,552) |  | 8,712,432                                |
| (Decrease)/Increase in Term Loans                         | (43,192,006) |  | (63,363,008)                             |
| Increase/(Decrease) in Unsecured Loans                    | -            |  | (3,709,705)                              |
| Interest and Finance Charges                              | (24,569,067) |  | (35,782,204)                             |
| Dividend Paid   | (176,946)    |  | (324,810)                                |
| Net Cash Flow from Financing Activities                   |              | <b>(93,254,571)</b>                      | <b>(94,467,295)</b>                      |
| Net Increase/(Decrease) in Cash or Cash Equivalents       |              | <b>2,312,065</b>                         | <b>(14,882,862)</b>                      |
| Cash and Cash Equivalents as at the beginning of the year |              |  |  |
| Cash and Bank Balances                                    |              | 11,938,792                               | 26,821,655                               |
| Cash and Cash Equivalents as at the end of the year       |              |  |  |
| Cash and Bank Balances                                    |              | 14,250,857                               | 11,938,792                               |
| Net Increase/(Decrease) in Cash and Cash Equivalents      |              | <b>2,312,065</b>                         | <b>(14,882,863)</b>                      |

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

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

As per our Report attached

Signatures to Balance Sheet and Schedule 1 to 7 and 13

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

For and on behalf of Board

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

Sd/-  
**SHAILESH SHAH**

Sd/-  
**NITIN MOTANI**

Partner

Managing Director

Chairman

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

|   |   |
|---|---|
| 1. Name of the Subsidiary Company   | Skay Inc.,  |
| 2. Financial Year of the Subsidiary   | 1 <sup>st</sup> April, 2009 to 31 <sup>st</sup> March, 2010   |
| 3. Holding Company  | Sky Industries Ltd.   |
| 4. Extent of Holding Company's Interest   | 100%  |
| 5. Face value of Equity Shares (Per Share)  | USD 1   |
| 6. Number of Equity Shares held by the Company and/or its subsidiary  | 80,000  |
| 7. Net Aggregate amounts of profits/(losses) of the subsidiary so far as it concerns the members of the Holding Company and is not dealt within accounts of holding company | For the Financial Year of the subsidiary USD 55897 (Loss)<br><br>For the previous financial years of subsidiary since it became a subsidiary (USD 19786 Loss) |
| 8. Net Aggregate amounts of profits/(losses) of the subsidiary so far as it concerns the members of the holding company and is dealt within accounts of holding Company.    | For the Financial year of subsidiary N.A.<br><br>For the previous year of subsidiary since it became a subsidiary N.A.  |

|   |   |
|---|---|
| 1. Name of the Subsidiary Company   | Sky Hemmay Pvt. Ltd.  |
| 2. Financial Year of the Subsidiary   | 1 <sup>st</sup> April, 2009 to 31 <sup>st</sup> March, 2010   |
| 3. Holding Company  | Sky Industries Ltd.   |
| 4. Extent of Holding Comany's Interest  | 51%   |
| 5. Face value of Equity Shares (Per Share)  | Rs. 10/-  |
| 6. Number of Equity Shares held by the Company and/or its subsidiary  | 1,478,770   |
| 7. Net Aggregate amounts of profits/(losses) of the subsidiary so far as it concerns the members of the Holding Company and is not dealt within accounts of holding company | For the Financial Year of the subsidiary Rs. 23,74,518/-<br><br>For the previous financial years of subsidiary since it became a subsidiary (Rs. 29,96,574/-) |
| 8. Net Aggregate amounts of profits/(losses) of the subsidiary so far as it concerns the members of the holding company and is dealt within accounts of holding Company.    | For the Financial year of subsidiary N.A.<br><br>For the previous year of subsidiary since it became a subsidiary N.A.  |

## REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF SKY INDUSTRIES LTD.

1. We have examined the attached Consolidated Balance Sheet of Sky Industries Limited, its subsidiary as at 31<sup>st</sup> March 2010 and also the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiaries, whose financial statements reflect total assets of Rs.50,168,889/- as at March 31, 2010 and the total revenues of Rs. 45,637,877/- and net cash inflows amounting to Rs. 51,253/- for the year ended on that date as considered in the consolidated financial statement. These financial statements have been audited by other auditor whose report have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of the subsidiary is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of the Accounting Standard (AS) 21 – “Consolidated Financial Statements” issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Sky Industries Limited and its subsidiaries included in the consolidated financial statements.
5. In our opinion and to the best of our information and according to the explanations given to us and on consideration of separate audit report on the individual audited financial statements of Sky Industries Limited and its subsidiaries, the consolidated financial statements read with the notes thereon give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of Sky Industries Limited and its subsidiaries as at 31<sup>st</sup> March, 2010; and
  - ii) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations Sky Industries Limited and its subsidiaries for the year ended on that date.
  - iii) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of Sky Industries Limited and its subsidiaries for the year ended on that date.

For and on behalf of  
KALYANIWALLA & MISTRY  
CHARTERED ACCOUNTANTS

Sd/-  
ERMIN K. IRANI  
PARTNER  
Membership No. 35646  
Mumbai;  
**Date : 31-07-2010**

**CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010**

|  | Schedule | Rupees              | As at<br>31.03.2010<br>Rupees | As at<br>31.03.2009<br>Rupees |
|--|----------|---------------------|-------------------------------|-------------------------------|
| <b>SOURCES OF FUNDS</b>  |          |                     |                               |                               |
| <b>SHAREHOLDERS FUND</b>   |          |                     |                               |                               |
| SHARE CAPITAL  | 1        | 39,764,000          |                               | 39,764,000                    |
| RESERVES AND SURPLUS   | 2        | <u>16,09,22,492</u> | 2,00,686,492                  | <u>125,817,335</u>            |
|  |          |                     | 16,358,735                    | 14,188,381                    |
| <b>MINORITY INTEREST</b>   |          |                     |                               |                               |
| <b>LOAN FUNDS</b>  |          |                     |                               |                               |
| SECURED LOANS  | 3        |                     | 99,335,491                    | 167,844,049                   |
| UNSECURED LOANS  | 4        |                     | 2,471,725                     | 2,652,981                     |
| DEFERRED TAX LIABILITY   |          |                     | 25,913,117                    | 19,092,647                    |
| <b>TOTAL</b>   |          |                     | <u><u>344,765,560</u></u>     | <u><u>369,359,393</u></u>     |
| <b>APPLICATION OF FUNDS</b>  |          |                     |                               |                               |
| <b>FIXED ASSETS</b>  |          |                     |                               |                               |
| GROSS BLOCK  | 5        | 397,889,982         |                               | 404,302,383                   |
| LESS: DEPRECIATION   |          | <u>197,696,769</u>  |                               | <u>193,685,582</u>            |
| NET BLOCK  |          | 200,193,213         |                               | 210,616,801                   |
| CAPITAL WORK IN PROGRESS   |          | <u>12,394,712</u>   | 212,587,925                   | <u>581,313</u>                |
|  |          |                     |                               | 211,198,114                   |
| <b>INVESTMENTS</b>   |          |                     |                               |                               |
|  | 6        |                     | 555,010                       | 505,010                       |
| <b>CURRENT ASSETS, LOANS AND ADVANCES</b>                                |          |                     |                               |                               |
| INVENTORIES  | 7        | 118,787,247         |                               | 127,561,660                   |
| SUNDRY DEBTORS   |          | 108,034,464         |                               | 131,815,609                   |
| CASH AND BANK BALANCE  |          | 15,887,586          |                               | 13,626,774                    |
| LOANS AND ADVANCES   |          | <u>43,116,311</u>   |                               | <u>24,947,842</u>             |
|  |          | 285,825,608         |                               | 297,951,886                   |
| <b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>                          |          |                     |                               |                               |
| LIABILITIES  | 8        | 142,905,739         |                               | 131,095,448                   |
| PROVISIONS   |          | <u>11,466,780</u>   |                               | <u>9,426,216</u>              |
|  |          | 154,372,519         |                               | 140,521,664                   |
| NET CURRENT ASSETS   |          |                     | 131,453,089                   | 157,430,222                   |
| MISCELLANEOUS EXPENDITURE<br>(To the extent not written off or adjusted) |          |                     | 169,536                       | 226,048                       |
| <b>TOTAL</b>   |          |                     | <u><u>344,765,560</u></u>     | <u><u>369,359,393</u></u>     |
| NOTES TO ACCOUNTS  | 14       |                     |                               |                               |

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

Signatures to Balance Sheet and Schedule 8 to 13

As per our Report attached  
For and on behalf of

For and on behalf of the Board

**KALYANIWALLA & MISTRY**  
Chartered Accountants

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

Sd/-  
**SHAILESH SHAH**  
Managing Director

Sd/  
**NITIN MOTANI**  
Chairman

Place : Mumbai,  
Date : 31-07-2010

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31st, 2010**

|   | Schedule | For the Year<br>ended<br>31.03.2010<br>Rupees | For the Year<br>ended<br>31.03.2009<br>Rupees |
|---|----------|---|---|
| SALES   |          | 668,654,429                                   | 630,805,694                                   |
| OTHER INCOME  | 9        | 45,582,199                                    | 11,151,676                                    |
|   |          | <u>714,236,628</u>                            | <u>641,957,370</u>                            |
| EXPENDITURE   |          |   |   |
| MATERIALS CONSUMED  | 10       | 304,719,724                                   | 322,505,076                                   |
| FINISHED GOODS PURCHASED                                    |          | 58,368,031                                    | 5,548,293                                     |
| DECREASE IN INVENTORY                                       | 11       | 18,342,060                                    | 40,132,742                                    |
| MANUFACTURING, ADMINISTRATIVE<br>& SELLING EXPENSES         | 12       | 228,800,283                                   | 209,174,936                                   |
| INTEREST AND FINANCE CHARGES                                | 13       | 25,071,264                                    | 36,061,640                                    |
| DEPRECIATION  |          | 23,638,893                                    | 22,789,854                                    |
|   |          | <u>658,940,255</u>                            | <u>636,212,541</u>                            |
| PROFIT BEFORE TAXATION                                      |          | <u>55,296,373</u>                             | <u>5,744,830</u>                              |
| PROFIT/(LOSS) BEFORE TAX ON CONTINUING OPERATIONS           |          | 24,143,565                                    | 26,175,536                                    |
| LESS: PROVISION FOR TAXATION                                |          |   |   |
| CURRENT TAX   |          | 5,737,936                                     | 1,127,142                                     |
| MAT CREDIT ENTITLEMENT                                      |          |   | (190,000)                                     |
| FRINGE BENEFIT TAX  |          |   | 862,377                                       |
| DEFERRED TAX  |          | 6,820,470                                     | (755,000)                                     |
| PROFIT AFTER TAX ON CONTINUING OPERATION                    |          | <u>11,585,159</u>                             | <u>25,131,017</u>                             |
| PROFIT/(LOSS) ON DISCOUNTING OPERATIONS - RIBBON DIVISION   |          | 31,152,808                                    | (20,430,707)                                  |
| LESS: PROVISION FOR TAXATION                                |          |   |   |
| CURRENT TAX   |          | 2,700,000                                     | -   |
| MAT CREDIT ENTITLEMENT                                      |          |   | -   |
| FRINGE BENEFIT TAX  |          |   | 52,623  |
| DEFERRED TAX  |          | -   | 200,000                                       |
| PROFIT AFTER TAX ON DISCONTINUING OPERATION                 |          | <u>28,452,808</u>                             | <u>(20,683,330)</u>                           |
| PROFIT AFTER TAXATION                                       |          | 40,037,967                                    | 4,447,687                                     |
| PRIOR PERIOD ADJUSTMENTS                                    |          | 369,288                                       | 889,834                                       |
| NET PROFIT BEFORE MINORITY INTEREST                         |          | 39,668,679                                    | 3,557,853                                     |
| Less: Minority Interest                                     |          | <u>(1,167,254)</u>                            | <u>(165,237)</u>                              |
| NET PROFIT  |          | 38,501,425                                    | 3,392,616                                     |
| SURPLUS BROUGHT FORWARD                                     |          | 117,151,272                                   | 115,381,809                                   |
| AMOUNT AVAILABLE FOR APPROPRIATION                          |          | <u>155,652,697</u>                            | <u>118,774,425</u>                            |
| APPROPRIATION   |          |   |   |
| TRANSFER TO GENERAL RESERVE                                 |          | 500,000                                       | 400,000                                       |
| PROPOSED DIVIDEND   |          | 1,988,200                                     | 959,643                                       |
| TAX ON DIVIDEND   |          | 330,240                                       | 263,510                                       |
| BALANCE CARRIED TO BALANCE SHEET                            |          | <u>152,834,257</u>                            | <u>117,151,272</u>                            |
|   |          | <u>155,652,697</u>                            | <u>118,774,425</u>                            |
| Earnings per share (basic / diluted) in Rs. (Refer Note 10) |          | 9.68  | 0.85  |
| NOTES TO ACCOUNTS   | 14       |   |   |

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

Signatures to Balance Sheet and Schedule 8 to 13As per

our Report attached  
For and on behalf of  
**KALYANIWALLA & MISTRY**  
Chartered Accountants

For and on behalf of the Board

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

Sd/-  
**SHAILESH SHAH**  
Managing Director

Sd/  
**NITIN MOTANI**  
Chairman

Place : Mumbai, Date : 31.07.2010

## SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

|   | As at<br>31.03.2010<br>Rupees | As at<br>31.03.2009<br>Rupees |
|---|-------------------------------|-------------------------------|
| <u>SCHEDULE 1: SHARE CAPITAL</u>  |                               |                               |
| Authorised Capital  |                               |                               |
| 15,000,000 Equity Shares of Rs.10/- each  | 150,000,000                   | 150,000,000                   |
| 5,00,000 Redeemable Preference Shares of Rs. 100/- each   | 50,000,000                    | 50,000,000                    |
|   | <u>200,000,000</u>            | <u>200,000,000</u>            |
| Issued, subscribed and paid up :  |                               |                               |
| 3,976,400 Equity Shares of Rs. 10/- each, fully paid up.<br>(Of which 400,000 equity shares of Rs.10/- each have been allotted for consideration other than cash)   | 39,764,000                    | 39,764,000                    |
|   | <u>39,764,000</u>             | <u>39,764,000</u>             |
| <u>SCHEDULE 2 : RESERVES AND SURPLUS</u>  |                               |                               |
| General Reserve   |                               |                               |
| As per last Balance Sheet   | 7,729,500                     | 7,525,500                     |
| Add : Transferred from Profit & Loss Account  | 500,000                       | 204,000                       |
|   | <u>8,229,500</u>              | <u>7,729,500</u>              |
| Foreign Currency Translation Reserve  | (141,265)                     | 936,563                       |
| Profit and Loss Account   | 152,834,257                   | 11,751,272                    |
|   | <u>160,922,492</u>            | <u>125,817,335</u>            |
| <u>SCHEDULE 3 : SECURED LOANS</u>   |                               |                               |
| <u>LONG TERM:</u>   |                               |                               |
| (a) From Banks:   |                               |                               |
| i Term loans  | 27,311,193                    | 72,761,064                    |
| (The above facility is secured by way of first charge on land & building including whole of the movable assets, plant and machinery, stores and spares, furniture, fixture both present and future excluding vehicles and second charge on all the current assets of the company both present and future) |                               |                               |
| (Amount repayable within one year Rs .5,287,666/- Previous year Rs. 34,646,801/-)   |                               |                               |
| ii Vehicle Loans  | 4,176,830                     | 2,220,940                     |
| (The above facility is secured by the hypothecation of vehicles purchased under the scheme)   |                               |                               |
| (Amount repayable within one year Rs.1,338,815/-, Previous year Rs.1,468,825/-)   |                               |                               |
| Interest accrued  | 29,963                        | -                             |
| (b) From others:  |                               |                               |
| Vehicle loan  | 272,012                       | -                             |
| (The above facility is secured by the hypothecation of assets-vehicles purchased under the scheme) (Amount repayable within one year Rs 102,472/-, Previous year Rs. Nil/-)   |                               |                               |
| <u>SHORT TERM:</u>  |                               |                               |
| From Banks:   |                               |                               |
| Cash Credit and Packing credit  | 67,545,493                    | 92,862,045                    |
| (The above facility is secured by way of first charge on all the current assets of the borrower both present and future and fixed assets, financed and second charge on the entire fixed assets both present & future)  |                               |                               |
|   | <u>99,335,491</u>             | <u>167,844,049</u>            |
| <u>SCHEDULE 4 : UNSECURED LOANS</u>   |                               |                               |
| Short term loans from Directors   | 2,471,725                     | 2,652,981                     |
|   | <u>2,471,725</u>              | <u>2,652,981</u>              |

SCHEDULE ANNEXED TO AND FORMING PART OF BALANCE SHEET

SCHEDULE 5 : FIXED ASSETS

| PARTICULARS                           | GROSS BLOCK         |            |                       | DEPRECIATION        |                     |                                     |                       | NET BLOCK           |                     |                     |
|---------------------------------------|---------------------|------------|-----------------------|---------------------|---------------------|-------------------------------------|-----------------------|---------------------|---------------------|---------------------|
|                                       | As at<br>01.04.2009 | Additions  | Sales/<br>Adjustments | As at<br>31.03.2010 | Up to<br>01.04.2009 | For the year<br>ended<br>31.03.2010 | Sales/<br>Adjustments | Up to<br>31.03.2010 | As at<br>31.03.2010 | As at<br>31.03.2009 |
| Tangible Fixed Assets                 |                     |            |                       |                     |                     |                                     |                       |                     |                     |                     |
| Leasehold Land                        | 12,448,860          | -          | 4,088,000             | 8,360,860           | 1,136,362           | 158,679                             | 394,899               | 900,142             | 7,460,718           | 11,312,498          |
| Buildings                             | 66,612,054          | -          | 18,051,590            | 48,560,464          | 15,203,234          | 2,224,842                           | 3,868,620             | 13,559,457          | 35,001,007          | 51,408,819          |
| Plant & Machinery                     | 284,622,414         | 37,658,915 | 24,308,951            | 297,972,378         | 156,033,120         | 17,953,948                          | 12,202,766            | 161,784,303         | 136,188,076         | 128,589,294         |
| Electrical Installations              | 8,254,094           | 259,483    | 2,764,314             | 5,749,263           | 4,984,056           | 719,362                             | 1,787,400             | 3,916,018           | 1,833,245           | 3,270,038           |
| Furniture & Fixtures                  | 4,598,062           | 230,382    | 25,160                | 4,803,284           | 2,951,328           | 412,017                             | 20,885                | 3,342,460           | 1,460,824           | 1,646,734           |
| Office Equipment                      | 5,559,065           | 121,932    | -                     | 5,680,997           | 3,133,106           | 168,793                             | -                     | 3,301,899           | 2,379,098           | 2,425,959           |
| Computer                              | 5,307,377           | 384,868    | 11,400                | 5,680,845           | 4,087,970           | 508,738                             | 6,399                 | 4,590,308           | 1,090,537           | 1,219,408           |
| Vehicles                              | 15,396,833          | 5,926,317  | 861,814               | 20,461,336          | 4,705,798           | 1,458,521                           | 389,788               | 5,774,531           | 14,686,805          | 10,691,035          |
| Total                                 | 408106137           | 44,581,897 | 50,111,229            | 397,269,428         | 192,234,975         | 23,604,901                          | 18,670,757            | 197,169,119         | 200,100,309         | 210,563,784         |
| Intangible Fixed Assets               |                     |            |                       |                     |                     |                                     |                       |                     |                     |                     |
| Computer Software                     | 546,676             | 73,878     | -                     | 620,554             | 493,658             | 33,992                              | -                     | 527,650             | 92,904              | 53,018              |
| Grand Total                           | 408652813           | 44,655,775 | 50,111,229            | 397,889,982         | 192,728,633         | 23,638,893                          | 18,670,757            | 197,696,769         | 200,193,213         | 210,616,803         |
| Previous year                         | 400,953,709         | 18,443,275 | 15,094,601            | 404,302,383         | 176,393,768         | 22,789,854                          | 5,498,041             | 193,685,582         | 210,616,801         | 224,559,940         |
| Capital Work In Progress and Advances |                     |            |                       |                     |                     |                                     |                       |                     | 12,394,712          | 581,313             |
|                                       |                     |            |                       |                     |                     |                                     |                       |                     | 212,587,925         | 225,141,253         |



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

|  | Rupees     | As at<br>31.03.2010<br>Rupees | As at<br>31.03.2009<br>Rupees |
|--|------------|-------------------------------|-------------------------------|
| <b>SCHEDULE 6 : INVESTMENTS</b>  |            |                               |                               |
| <b>LONG TERM - TRADE UNQUOTED (AT COST)</b>  |            |                               |                               |
| <b>IN GOVERNMENT SECURITIES</b>  |            |                               |                               |
| 50 units (Previous year 50 units) of Rs.100/- each in National Savings Certificate(Lodged with Government Departments as Security Deposit) |            | 5,000                         | 5,000                         |
| <b>IN OTHERS</b>   |            |                               |                               |
| 50,000 ( Previous year 50,000) Equity shares of Rs.10/- each, fully paid in Dombivali Nagari Sahakari Bank Ltd.                            |            | 500,010                       | 500,010                       |
| 5000 ( Previous year Nil) Equity shares of Rs.10/- each, fully paid in Shamrao Vital Co-op Bank  |            | 50,000                        | -                             |
|  |            | <u>555,010</u>                | <u>505,010</u>                |
| <b>SCHEDULE 7 : CURRENT ASSETS, LOANS &amp; ADVANCES</b>   |            |                               |                               |
| <b>CURRENT ASSETS</b>  |            |                               |                               |
| <b>(a) Inventories:</b>  |            |                               |                               |
| Raw Materials  | 53,490,707 |                               | 43,546,488                    |
| Packing Materials  | 2,754,043  |                               | 3,130,614                     |
| Work in Progress   | 31,950,935 |                               | 30,811,529                    |
| Finished Goods   | 30,591,562 |                               | 50,073,029                    |
|  |            | <u>118,787,247</u>            | <u>127,561,660</u>            |
| <b>(b) Sundry Debtors (unsecured)</b>  |            |                               |                               |
| Debts outstanding for a period exceeding six months  |            |                               |                               |
| Considered good  | 17,184,740 |                               | 41,825,850                    |
| Considered doubtful  | 2,348,285  |                               | 748,820                       |
|  |            | <u>19,533,025</u>             | <u>42,574,670</u>             |
| Other Debts  | 90,849,724 |                               | 89,989,759                    |
|  |            | <u>110,382,749</u>            | <u>132,564,429</u>            |
| Less: Provision for doubtful debts   | 2,348,285  |                               | 748,820                       |
|  |            | <u>108,034,464</u>            | <u>131,815,609</u>            |
| <b>(c) Cash and Bank balances</b>  |            |                               |                               |
| Cash on hand   | 261,722    |                               | 1,312,733                     |
| Balances with Scheduled Banks  |            |                               |                               |
| In Current Accounts  | 12,386,295 |                               | 5,086,178                     |
| In Deposit Account   | 3,239,569  |                               | 7,227,863                     |
|  |            | <u>15,887,586</u>             | <u>13,626,774</u>             |
| <b>LOANS AND ADVANCES ( Unsecured, considered good)</b>  |            |                               |                               |
| Advance tax & TDS ( Net of Provision for tax Rs. Nil/- , Previous year Rs.16,154,000/- )   | -          |                               | 364,846                       |
| Advances recoverable in cash or kind or for value to be received   | 2,854,837  |                               | 3,266,039                     |
| Balances with Government Authorities   | 9,802,755  |                               | 11,822,522                    |
| Advances to Suppliers  | 9,585,105  |                               | 1,528,750                     |
| Deposits   | 20,873,614 |                               | 7,965,685                     |
|  |            | <u>43,116,311</u>             | <u>24,947,842</u>             |
|  |            | <u>285,825,608</u>            | <u>297,951,886</u>            |

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

|   | Rupees            | As at<br>31.03.2010<br>Rupees | As at<br>31.03.2009<br>Rupees |
|---|-------------------|-------------------------------|-------------------------------|
| <b><u>SCHEDULE 8 : CURRENT LIABILITIES &amp; PROVISIONS</u></b>                     |                   |                               |                               |
| <b>CURRENT LIABILITIES</b>  |                   |                               |                               |
| Acceptances   | 44,965,851        |                               | 42,469,977                    |
| Sundry Creditors  | 64,011,994        |                               | 69,906,394                    |
| Advance received from Customers   | 16,865,400        |                               | 3,299,963                     |
| Unclaimed dividend  | 297,663           |                               | 474,609                       |
| Other Liabilities   | <u>16,764,831</u> |                               | <u>14,944,505</u>             |
|   |                   | 142,905,739                   | 131,095,448                   |
| <b>PROVISIONS</b>   |                   |                               |                               |
| Taxation ( Net of Advance Tax and TDS Rs. 16,650,122/-<br>Previous year Rs. Nil/- ) | 6,998,878         |                               | -                             |
| Dividend  | 1,988,200         |                               | 959,643                       |
| Tax on Dividend   | 330,240           |                               | 263,510                       |
| Leave encashment  | 2,149,462         |                               | 2,129,855                     |
| Gratuity  | -                 |                               | 6,073,208                     |
|   |                   | <u>11,466,780</u>             | <u>9426216</u>                |
|   |                   | <u>154,372,519</u>            | <u>140,521,664</u>            |

SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

|  | For the year<br>ended<br>31.03.2010<br>Rupees | For the year<br>ended<br>31.03.2009<br>Rupees |
|--|---|---|
| <u>SCHEDULE 9 : OTHER INCOME</u>                 |   |   |
| Interest Received                                | 451,754                                       | 1,253,299                                     |
| ( TDS Rs.52,277 /-, Previous year Rs. 259,757/-) | -   | -   |
| DEPB & Drawback Income                           | 151,829                                       | 624,265                                       |
| Share of Profits from Shamots International      | -   | 401,711                                       |
| Excess Provision written back                    | 6,742   | 599,618                                       |
| Dividend   | 75,600  | 62,500  |
| Service Contract Charges                         | 8,094,161                                     | 7,208,320                                     |
| Machine Hire Receipts                            | 600,000                                       | -   |
| Commission Receipts                              | -   | 475,421                                       |
| Difference in Exchange rate                      | 3,230,263                                     | -   |
| Profit on Sale of Assets                         | 31,665,505                                    | -   |
| Miscellaneous Income                             | 1,124,157                                     | 526,542                                       |
|  | <u>45,400,011</u>                             | <u>11,151,676</u>                             |
| <u>SCHEDULE 10 : MATERIALS CONSUMED</u>          |   |   |
| Raw Materials consumed                           |   |   |
| Opening Stock                                    | 43,546,488                                    | 35,180,276                                    |
| Add: Purchases                                   | 277,799,425                                   | 289,544,785                                   |
| Less: Closing Stock                              | <u>53,490,707</u>                             | <u>43,546,488</u>                             |
|  | 267,855,206                                   | 281,178,573                                   |
| Stores & Spares                                  | 9,501,264                                     | 8,517,502                                     |
| Packing Material                                 | 27,363,254                                    | 32,809,001                                    |
|  | <u>304,719,724</u>                            | <u>322,505,076</u>                            |
| <u>SCHEDULE 11: DECREASE IN INVENTORY</u>        |   |   |
| <u>CLOSING STOCK</u>                             |   |   |
| Finished Goods                                   | 30,591,562                                    | 50,073,029                                    |
| Work In Process                                  | <u>31,950,935</u>                             | <u>30,811,528</u>                             |
|  | 62,542,497                                    | 80,884,557                                    |
| <u>OPENING STOCK</u>                             |   |   |
| Finished Goods                                   | 50,073,029                                    | 70,443,461                                    |
| Work In Process                                  | <u>30,811,528</u>                             | <u>50,573,838</u>                             |
|  | 80,884,557                                    | 121,017,299                                   |
|  | <u>18,342,060</u>                             | <u>40,132,742</u>                             |

SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

|   | Rupees           | For the year<br>ended<br>31.03.2010<br>Rupees | For the year<br>ended<br>31.03.2009<br>Rupees |
|---|------------------|---|---|
| <u>SCHEDULE 12 : MANUFACTURING, ADMINISTRATIVE &amp; SELLING EXPENSES</u> |                  |   |   |
| Employee Cost:  |                  |   |   |
| Salaries, Wages & Bonus   | 68,229,984       |   | 66,799,822                                    |
| Contribution to P.F & Other Funds   | 3,725,559        |   | 3,833,290                                     |
| Welfare Expenses  | <u>4,983,966</u> |   | <u>4,217,916</u>                              |
|   |                  | 76,939,509                                    | 74,851,028                                    |
| Directors Remuneration & Sitting fees                                     |                  | 10,560,000                                    | 10,575,000                                    |
| Power & Fuel  |                  | 25,173,984                                    | 29,378,705                                    |
| Labour Charges  |                  | 21,214,386                                    | 18,249,128                                    |
| Rent Rates & Taxes  |                  | 16,144,645                                    | 7,750,268                                     |
| Repairs & Maintenance:  |                  |   |   |
| Building  | 1,573,157        |   | 325,403                                       |
| Plant & Machinery   | 2,021,108        |   | 1,240,783                                     |
| Others  | <u>4,086,309</u> |   | <u>2,605,175</u>                              |
|   |                  | 7,680,573                                     | 4,171,361                                     |
| Auditors Remuneration   |                  | 575,537                                       | 617,017                                       |
| Advertisement & Business Promotion  |                  | 1,990,359                                     | 877,332                                       |
| Difference in exchange rate   |                  | -   | 7,973,619                                     |
| Insurance   |                  | 1,452,297                                     | 1,525,534                                     |
| Freight, Cartage and Forwarding Expenses                                  |                  | 24,103,915                                    | 19,939,285                                    |
| Travelling & Other Conveyance   |                  | 9,377,915                                     | 9,185,598                                     |
| Commission  |                  | 4,282,552                                     | 1,388,235                                     |
| Postage, Telegram & Telephone   |                  | 4,896,950                                     | 4,933,750                                     |
| Professional & Other Fees   |                  | 3,235,737                                     | 3,233,852                                     |
| Printing & Stationery   |                  | 1,690,874                                     | 1,348,486                                     |
| Bad debts   |                  | 7,645,647                                     | 3,172,059                                     |
| Provision for Doubtful Debts made / Provisions no longer required ( Net)  |                  | 2,021,715                                     | (2,697,338)                                   |
| Loss on sale of fixed assets  |                  | -   | 4,710,579                                     |
| Share of Loss from Shamots International                                  |                  | 102,782                                       | -   |
| Donations   |                  | 231,952                                       | 17,152  |
| Other Sundry Expenses   |                  | 9,478,953                                     | 7,974,287                                     |
|   |                  | <u>228,800,283</u>                            | <u>209,174,936</u>                            |
| <u>SCHEDULE 13 : INTEREST AND FINANCE CHARGES</u>                         |                  |   |   |
| Interest on Fixed Loans   |                  |   |   |
| Banks   |                  | 7,358,224                                     | 12,044,205                                    |
| Others  |                  | 18,774  | -   |
| Interest on Other Loans   |                  |   |   |
| Banks   |                  | 11,401,601                                    | 15,317,109                                    |
| Others  |                  | 344,520                                       | 3,206,333                                     |
| Bank Charges  |                  | 5,949,826                                     | 5,493,992                                     |
|   |                  | <u>25,071,264</u>                             | <u>36,061,640</u>                             |

SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS FOR THE YEAR  
ENDED 31<sup>st</sup> MARCH, 2010

Schedule 14

NOTES TO ACCOUNTS

1. Statement of Significant Accounting Policies

A. Basis of Accounting:

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

B. Principles of Consolidation:

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

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

The financial statements of the subsidiary used in the consolidation are drawn up to the same reporting date as of the Company i.e. year ended March 31, 2010.

C. Information on subsidiary:

The subsidiary company considered in the consolidated financial statements is:

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

D. Fixed Assets:

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

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

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

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

E. Depreciation/ Amortization:

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

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

F. Investments:

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

G. Inventory:

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

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

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

Expenditure on Stores and Spares is written off as incurred.

H. Foreign Currency Transactions:

Foreign currency transactions are booked at the exchange rates prevailing on the date of transaction. Gains and losses arising out of the subsequent fluctuations in exchange rates are accounted for on realization. Monetary assets and liabilities have been translated at the exchange rates prevailing as on the date of Balance Sheet. Exchange gains / losses are recognized in the Profit and Loss Account. However, exchange differences relating to fixed assets upto the year ended 31- March, 2007 have been included in the carrying amount of fixed assets. The discount or premium in forward exchange contracts, arising from the difference between the forward rate and the spot rate at the inception of such a contract is amortized as income or expense over the period of the contract.

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

I. Revenue Recognition:

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

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

J. Retirement / Other Benefits:

i. Defined Contribution Plan:

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

ii. Defined Benefit Plan:

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

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

K. Grants / Subsidies:

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

L. Borrowing Costs:

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

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 recognized 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 recognized 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.

#### 2. Contingent Liabilities

i) Guarantees issued by the bank on behalf of the Company, counter guaranteed by the Company Rs. 1,63,500/- (Previous year Rs. 3,65,400/-)

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

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

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

iv) Bills Discounted with Banks Rs.30,313,445/- (Previous year Rs.8,614,337/-)

#### 3. Segment Reporting:

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

#### 4. Investments

The Holding Company has withdrawn its entire capital in Shamots International, a partnership firm in the financial year 2007-08, however the Company continued to be a partner till September 2008 with profit sharing of 5%. The share in the loss for the period ended 30-September, 2008, amounting to Rs.102,782/- (Previous Year Profit of Rs. 401,711/-) has been charged to the Profit & Loss Account. Hence, the partnership firm has not been consolidated.

#### 5. Current Liabilities

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

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

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

6. Related Party Disclosures:

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

A) Relationships

i. Shareholder with a substantial interest in voting power:  
SKAY Finvest Private Limited

ii. Subsidiaries:  
SKAY Inc., USA (wholly owned subsidiary)  
Sky Hemmay Private Limited

iii. Key management personnel/persons exercising significant influence & their relatives:  
Mr. Nitin K. Motani, Chairman.  
Mr. Shailesh S. Shah, Managing Director.  
Mr. Saurabh K. Motani, Executive Director.  
Mr. Sharad S Shah, Executive Director.  
Mr. Maikal Raorani, Executive Director.  
Mr. Suryakant Shah, Relative of a Director.

iv. Enterprises over which Key management personnel exercise significant influence.  
S.K. Exports  
S.K. Silks  
Shamots International  
S.K. Overseas  
Sk Stabel Industries Pvt Ltd.  
SK Ultratech Private Limited  
Jask Invogue Private Ltd.



B) THE FOLLOWING TRANSACTIONS WERE CARRIED OUT WITH THE ABOVE RELATED PARTIES IN THE ORDINARY COURSE OF BUSINESS.

(Rupees)

| Name of Transactions                                 | Shareholder<br>with a substantial<br>interest in voting<br>power<br><br>A(i) | Key managerial<br>personnel/person<br>exercising significant<br>influence & their<br>relatives<br><br>A(ii) | Enterprises over<br>which Key management<br>personnel exercising<br>significant<br>influence<br><br>A (iii) |
|--|--|---|---|
| Sales  |  |   | -<br>10,196,147   |
| Share of Profit/(Loss) from<br>Shantos International |  |   | (102,782)<br>(401,711)  |
| Service Charges Received                             |  |   | 8,202,236<br>(7,321,705)  |
| Hire Charges Received                                |  |   | 600,000<br>-  |
| Purchases  |  |   | 926,280<br>(4,833,100)  |
| Labour charges                                       |  |   | 51,618<br>(2,104,525)   |
| Remuneration   |  | 10,560,000<br>(10,560,000)  |   |
| Rent   |  |   | 90,000<br>(285,000)   |
| Repairs & Maintenance                                |  |   | 136,255<br>(53,995)   |
| Interest on Loan/ Delayed Payments                   | -<br>(223,235)   | -<br>-  |   |
| Miscellaneous Income                                 | -<br>(9,894)   |   | (Nil)   |
| Other sundry Expenses                                |  |   | -<br>(93,928)   |
| Purchase of Fixed Assets                             |  |   | 6,331,603<br>(2,748,845)  |
| Deposit given  | 10,370,000<br>(4,350,000)  |   |   |
| Loans given  | -<br>(16,651)  |   |   |
| Advances taken                                       |  |   | 5,800,000<br>-  |
| Loans taken  | -<br>(1,245,000)   | -<br>(500,000)  |   |
| Balances Outstanding                                 | 14,720,000<br>(16,651)   | (1,514,017)<br>(Cr. 2,320,061)  | 1,603,265<br>(7,282,447)  |
|  |  |   |   |

c) SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES AS MENTIONED IN A(ii) AND A(iii) ABOVE

(Rupees)

| Transactions during the year | Item A(ii)        | Amount                       | Item A(iii)                     | Amount                       |
|------------------------------|-------------------|------------------------------|---------------------------------|------------------------------|
| Sales                        |                   |                              | SK Stable Industries Pvt. Ltd.  | -<br>(10,196,147)            |
| Service Charges Recd         |                   |                              | S.K. Silks                      | 290,800<br>(2,120,904)       |
|                              |                   |                              | S.K. Overseas<br>S.K. Ultratech | 1,499,524<br>(2,243,791)     |
|                              |                   |                              | S.K. Exports                    | 4,007,580<br>(988,858)       |
|                              |                   |                              | Shamots International           | 1,763,082<br>(1,470,708)     |
| Hire Charges Recd.           |                   |                              | S.K. Stabel Ind Pvt Ltd         | 600,000<br>-                 |
| Purchases                    |                   |                              | S.K. Overseas                   | 437,069<br>(4,423,862)       |
|                              |                   |                              | S.K. Silks                      | 228,340<br>-                 |
|                              |                   |                              | S.K. Exports                    | 254,271<br>-                 |
| Labour Charges               |                   |                              | Shamots International           | 51,618<br>(2,104,525)        |
| Remuneration                 | Nitin K. Motani   | 2,820,000<br>(2,820,000)     |                                 |                              |
|                              | Shailesh S. Shah  | 2,340,000<br>(23,400,000)    |                                 |                              |
|                              | Saurabh K. Motani | 1,860,000<br>(1,860,000)     |                                 |                              |
|                              | Sharad S. Shah    | 2,340,000<br>(2,340,000)     |                                 |                              |
|                              | Maikal Raorani    | 1,200,000<br>(12,000,002)    |                                 |                              |
| Rent                         |                   |                              | S.K.Export                      | 90,000<br>(285,000)          |
| Repairs & Maintenance        |                   |                              | S.K.Stabel Ind Pvt Ltd          | -<br>(12,396)                |
|                              |                   |                              | Shamots International           | 33,500<br>-                  |
|                              |                   |                              | S.K. Overseas                   | 102,755<br>(41,599)          |
| Other Sundry Expenses        |                   |                              | Shamots International           | -<br>(93,928)                |
| Purchase of Fixed Assets     |                   |                              | Shamots International           | 4,129,711<br>(1,488,876)     |
|                              |                   |                              | S.K. Overseas                   | 59,625<br>(450,279)          |
|                              |                   |                              | S.K. Exports                    | 2,142,267<br>-               |
|                              |                   |                              | S.K.Stabel Ind Pvt Ltd          | -<br>(789,690)               |
| Advances taken               |                   |                              | S.K. Exports                    | 5,800,000<br>-               |
| Loans taken                  | Shailesh S Shah   | -<br>(500,000)               |                                 |                              |
| Balances Outstanding         | Shailesh S Shah   | Cr. 195,000<br>(Cr. 240,644) | Shamots International           | Cr 1,439,277<br>(Cr.511,665) |
|                              | Nitin K Motani    | Cr. 304,655<br>(Cr. 399,655) | S.K. Overseas                   | 2,817<br>(Cr. 2,031,977)     |
|                              | Saurabh K Motani  | Cr. 557,537<br>(Cr. 772,537) | S.K.Stabel Ind Pvt Ltd          | 10,850,695<br>(9,756,507)    |
|                              | Sharad S Shah     | Cr. 373,875<br>(Cr. 828,875) | S.K. Exports                    | Cr. 7,659,679<br>(50,199)    |
|                              | Maikal Raorani    | Cr. 82,950<br>(Cr. 78,350)   | S.K. Silks                      | (237,473)<br>-               |
|                              |                   |                              | Jask Invogue Pvt. Limited       | 86,182<br>(19,383)           |

7. Earning per Share

| Particulars                                       | For the year<br>31-Mar-10 | For the year<br>31-Mar-09 |
|---|---------------------------|---------------------------|
| Profit after tax and prior period expenses        | 3,85,01,425               | 3,392,616                 |
| Weighted average no. of equity shares outstanding | 3,976,400                 | 3,976,400                 |
| Basic earnings per share                          | 9.68                      | 0.85                      |
| Diluted earnings per share                        | 9.68                      | 0.85                      |
| Nominal value of shares                           | 10/-                      | 10/-                      |

8. Interest reimbursement as per Technology Up gradation Fund Scheme amounting to Rs. Nil/- (Previous year Rs. 2,766,627/-) has been credited to Interest Expense account.

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

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31ST, 2010

|   | Rupees       | For the Year<br>ended<br>31.03.2010<br>Rupees | For the Year<br>ended<br>31.03.2009<br>Rupees |
|---|--------------|---|---|
| <b>A. Cash Flow from Operating Activities:</b>            |              |   |   |
| Profit before tax and extra ordinary item                 |              | 55,296,373                                    | 5,744,830                                     |
| Adjustment for:   |              |   |   |
| Depreciation  | 23,638,893   |   | 22,789,854                                    |
| Interest and Finance Charges                              | 25,071,264   |   | 36,061,640                                    |
| Interest income   | (451,754)    |   | (1,253,299)                                   |
| Dividend  | (75,600)     |   | -   |
| Profit on Sale /Disposal of Fixed Assets/Capital W.I.P.   | (31,665,505) |   | 4,710,579                                     |
| Prior period Adjustments                                  | (369,288)    |   | (889,834)                                     |
| Share of Loss in Shamots International                    | 102,782      |   | (401,711)                                     |
| Preliminary Expenses w/off                                | 56,512       |   | -   |
| Increase / (Decrease) in F. C. translation reserve        | (10,77,828)  |   | -   |
|   |              | <u>15,229,476</u>                             | <u>61,017,229</u>                             |
| Operating Profit before Working Capital Changes           |              | 70,525,849                                    | 66,762,059                                    |
| Adjustment for:   |              |   |   |
| Debtors   | 23,781,145   |   | (23,102,462)                                  |
| Other Receivables   | (18,533,315) |   | (3,124,178)                                   |
| Inventory   | 8,774,412    |   | 32,274,501                                    |
| Trade and Other Payable                                   | 59,33,6361   |   | <u>5,618,143</u>                              |
|   |              | 19,955,878                                    | 11,666,004                                    |
| Cash generated from Operations                            |              | 90481727                                      | 78,428,063                                    |
| Tax paid/net of Refund received                           |              | <u>(1,074,212)</u>                            | <u>(960,778)</u>                              |
| Net Cash Flow from Operating Activities                   |              | 89,407,515                                    | 77,467,285                                    |
| <b>B. Cash Flow from Investing Activities:</b>            |              |   |   |
| (Loss)/Profit form Shamots International                  | (102,782)    |   | 401,711                                       |
| Acquisition of Fixed Assets                               | (56,469,174) |   | (16,107,943)                                  |
| Sale of Fixed Assets of Continued Operation               | 5,739,020    |   | 4,885,982                                     |
| Increase in Investments                                   | (50,000)     |   | -   |
| Sale of Fixed Assets of Discontinued Operation            | 57,366,957   |   | -   |
| Dividend  | 75,600       |   | -   |
| Interest income   | 451,754      |   | 1,253,299                                     |
| Net Cash Flow from Investing Activities                   |              | 7011375                                       | <u>(9,566,951)</u>                            |
| <b>C. Cash Flow from Financing Activities:</b>            |              |   |   |
| (Decrease)/Increase in Working Capital facility           | (25,316,552) |   | 8,712,433                                     |
| (Decrease)/Increase in Term Loans                         | (43,192,006) |   | (63,363,008)                                  |
| Increase/(Decrease) in Unsecured Loans                    | (181,257)    |   | (3,028,901)                                   |
| Interest and Finance Charges                              | (25,071,264) |   | (36,061,640)                                  |
| Allotment of Shares / Share Application money             | 10,03,100    |   | 11,285,410                                    |
| Dividend Paid   | (1,136,589)  |   | (324,810)                                     |
| Tax on Dividend Paid                                      | (2,63,510)   |   | -   |
| Net Cash Flow from Financing Activities                   |              | (94,158,078)                                  | <u>(82,780,516)</u>                           |
| Net Increase/(Decrease) in Cash or Cash Equivalents       |              | 2,260,812                                     | (14,880,183)                                  |
| Cash and Cash Equivalents as at the beginning of the year |              |   |   |
| Cash and Bank Balances                                    |              | 13,626,774                                    | 28,506,957                                    |
| Cash and Cash Equivalents as at the end of the year       |              |   |   |
| Cash and Bank Balances                                    |              | <u>15,887,586</u>                             | <u>13,626,774</u>                             |
| Net Increase/(Decrease) in Cash and Cash Equivalents      |              | <u>2,260,812</u>                              | <u>(14,880,183)</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 attached

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

For and on behalf of Board

Sd/-  
**ERMIN. K. IRANI**  
Partner  
Mumbai. Date : 31.07.2010

Sd/-  
**SHAIKESH SHAH**  
Managing Director

Sd/-  
**NITIN MOTANI**  
Chairman

## DIRECTORS REPORT

To

The Members,

The directors have pleasure in submitting the Tenth Annual Report for the year ended March 31, 2010.

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

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

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

On behalf of the Board of Directors

**Sd/-**  
Nitin K Motani  
President

## 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, 2010, 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 audit standards. These 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 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 31 March 2010, and the results of is operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

FOCUS CPA GROUP, INC  
July 28, 2010

**BALANCE SHEET AS AT 31st MARCH, 2010**

|  | Amount in USD       |                     |
|--|---------------------|---------------------|
|  | As at<br>31.03.2010 | As at<br>31.03.2009 |
| <b>ASSETS:</b>   |                     |                     |
| <b>CURRENT ASSETS:</b>   |                     |                     |
| Cash   | 17,326              | 3,669               |
| Accounts Receivable  | 51,963              | 118,649             |
| Advances   | 2,792               | 2,792               |
| <b>Total Current Assets</b>  | <b>\$72,081</b>     | <b>\$125,110</b>    |
| <b>PROPERTY &amp; EQUIPMENT (Note 2):</b>  |                     |                     |
| Property & Equipment   | 21,452              | 21,452              |
| Less: Accumulated Depreciation   | (21,452)            | (21,452)            |
| <b>Total Property &amp; Equipment</b>  | <b>-</b>            | <b>-</b>            |
| <b>OTHER ASSETS</b>  |                     |                     |
| Deposits   | 1,429               | 1,429               |
| <b>Total Other Assets</b>  | <b>\$1,429</b>      | <b>\$1,429</b>      |
| <b>TOTAL ASSETS</b>  | <b>\$73,510</b>     | <b>\$126,539</b>    |
| <b>LIABILITIES</b>   |                     |                     |
| <b>CURRENT LIABILITIES</b>   |                     |                     |
| Accounts Payable   | 2,654               | 2,394               |
| Taxes Payable - Income   | -                   | -                   |
| Taxes Payable - Payroll  | -                   | -                   |
| <b>Total Current Liabilities</b>   | <b>\$2,654</b>      | <b>\$2,394</b>      |
| <b>LONG TERM LIABILITIES</b>   |                     |                     |
| Due to Officer (Note 5)  | 54,769              | 52,161              |
| <b>Total Long Term Liabilities</b>   | <b>\$54,769</b>     | <b>\$52,161</b>     |
| <b>TOTAL LIABILITIES</b>   | <b>\$57,423</b>     | <b>\$54,555</b>     |
| <b>STOCKHOLDERS' EQUITY</b>  |                     |                     |
| Capital stock no par value; 1,000,000 shares authorized;<br>80,000 shares issued and outstanding | 80,000              | 80,000              |
| Retained earnings (deficit)  | (63,913)            | (8,016)             |
| <b>Total Stockholders' Equity</b>  | <b>\$16,087</b>     | <b>\$71,984</b>     |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>  | <b>\$73,510</b>     | <b>\$126,539</b>    |

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010

|  | AMOUNT IN USD                           |   |
|--|---|---|
|  | For the Year<br>ended<br>March 31, 2010 | For the Year<br>ended<br>March 31, 2009 |
| <b>REVENUE:</b>  |   |   |
| Commission Revenue   | 116,800                                 | 150,262                                 |
| Total Revenue  | \$116,800                               | \$150,262                               |
| <b>OPERATING EXPENSES:</b>   |   |   |
| Auto Expenses  | 5,515                                   | 6,756                                   |
| Bank Charges   | 160                                     | 445                                     |
| Dues & Subscriptions   | 361                                     | 209                                     |
| Insurance  | 4,860                                   | 7,816                                   |
| Interest   | 2,924                                   | 2,792                                   |
| Legal & Professional Expenses  | 3,700                                   | 3,695                                   |
| Licence & Permit   | 741                                     | 180                                     |
| Meals & Entertainment  | 356                                     | 812                                     |
| Postage & Delivery   | 5,277                                   | 455                                     |
| Promotion & Advertising  | 34,726                                  | 200                                     |
| Rent (Note: 5)   | 1,720                                   | 35,330                                  |
| Salaries & Wages   | 72,480                                  | 72,480                                  |
| Supplies   | 642                                     | 568                                     |
| Taxes - Payroll  | 6,830                                   | 4,555                                   |
| Telephone & Utilities  | 14,380                                  | 12,991                                  |
| Travel   | 21,067                                  | 19,964                                  |
| Total Operating Expenses   | \$175,739                               | \$169,248                               |
| INCOME (LOSS) FROM OPERATIONS BEFORE<br>OTHER INCOME (EXPENSES) & INCOME TAX | (\$58,939)                              | (\$18,986)                              |
| <b>OTHER INCOME (EXPENSES)</b>   |   |   |
| Misc. Income   | 3,842                                   | 0                                       |
| Total Other Income (Expenses)  | \$3,842                                 | 0                                       |
| NET INCOME (LOSS) BEFORE INCOME TAX PROVISION                                | (\$55,097)                              | (\$18,986)                              |
| Provision for Income Tax   | (800)                                   | (800)                                   |
| NET INCOME (LOSS)  | (\$55,897)                              | (\$19,786)                              |
| BEGINNING RETAINED EARNINGS (DEFICIT)  | (\$8,016)                               | \$11,770                                |
| ENDING RETAINED EARNINGS (DEFICIT)   | (\$63,913)                              | (\$8,016)                               |

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

|   | Amount in USD       |                     |
|---|---------------------|---------------------|
|   | As at<br>31.03.2010 | As at<br>31.03.2009 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                     |                     |
| Net Income (Loss)   | (55,897)            | (19,786)            |
| Adjustments to reconcile net income to net cash provided<br>by operating activities |                     |                     |
| Depreciation and Amortization <sup>0</sup>  |                     |                     |
| 0 (Increase) decrease in:   |                     |                     |
| Accounts receivables  | 66,686              | 23,241              |
| Advances <sup>0</sup>   | -                   | 170                 |
| Rounding  | -                   | -                   |
| Increase (decrease) in:   |                     |                     |
| Accounts payable  | 260                 | (766)               |
| Payroll taxes payable   | -                   | (1,568)             |
| Income taxes payable  | -                   | (5,639)             |
| Bank overdraft  | -                   | -                   |
| <b>-NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES</b>                          | <b>11,049</b>       | <b>(4,348)</b>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                     |                     |
| Purchase / Disposition of Assets  | -                   | -                   |
| <b>0 NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES</b>                         | <b>-</b>            | <b>-</b>            |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                     |                     |
| Borrowings from officer   | 2,608               | 2,484               |
| <b>NET CASH PROVIDED / (USED) BY FINANCING ACTIVITIES</b>                           | <b>2,608</b>        | <b>2,484</b>        |
| <b>NET INCREASE IN CASH</b>   | <b>13,657</b>       | <b>(1,864)</b>      |
| <b>CASH AT THE BEGINNING OF YEAR</b>  | <b>3,669</b>        | <b>5,533</b>        |
| <b>CASH AT END OF YEAR</b>  | <b>17,326</b>       | <b>3,669</b>        |



## NOTES TO FINANCIAL STATEMENTS

Year Ended March 31, 2010

### 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 book 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 5<sup>th</sup>, 2006, the company leased office facilities under an operating non-cancelable lease for twelve months ending on February 14, 2008 and since then we are on month to month lease under the same terms. Commencing August 9, 2005, the company leased a vehicle and the lease requires a monthly payment of \$360.

### 5. Related party Transaction:

The company has earned commission from its sole stock holder of \$116,800 during the financial year ended March 31, 2010.

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

## DIRECTORS' REPORT

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

The Directors take pleasure in submitting the 3<sup>rd</sup> Annual Report and Accounts for the year ended 31<sup>st</sup> March 2010.

### FINANCIAL RESULTS AND OPERATIONS

| Particulars   | Current year ended<br>31.03.2010 | Previous year ended<br>31.03.2009 |
|---|----------------------------------|-----------------------------------|
| Sales and other income                                      | 391.24                           | 298.73                            |
| Profit before Depreciation, Interest, Tax and Appropriation | 70.69                            | 51.01                             |
| Less : Interest   | 3.56                             | 1.29                              |
| Depreciation  | 31.58                            | 4.55                              |
| Profit before Tax   | 35.55                            | 45.17                             |
| Provision for Tax   | 7.50                             | 9.15                              |
| Profit after Tax  | 28.05                            | 36.02                             |
| Deferred Tax  | (4.30)                           | 6.05                              |
| Add : Balance brought forward                               | 15.58                            | 12.20                             |
| Balance available for Appropriation                         | 39.32                            | 42.17                             |
| Prior period adjustments                                    | 0                                | 0.37                              |
| Proposed Dividend   | 0                                | 19.58                             |
| Dividend distribution Tax                                   | 0                                | 2.64                              |
| General Reserve   | 0                                | 4.00                              |
| Balance retained in Profit & Loss account                   | 39.40                            | 15.58                             |

The turnover during the year was Rs.391.24 Lacs as compared to the previous year Rs. 298 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, and Statutory Auditor's of the Company, subject to the approval of members at the ensuing Annual General Meeting.

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

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

#### DEPOSITS

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

#### ACKNOWLEDGEMENTS

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

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

By Order of the Board of Directors

sd/-  
Saurabh Motani  
Director

Place: Mumbai  
Date : 30.06.2010

## AUDITORS REPORT

To,  
SKY HEMMAY PRIVATE LIMITED

1. We have audited the attached Balance Sheet of M/s SKY HEMMAY PRIVATE LIMITED, as at 31<sup>st</sup> March, 2010 and also the Profit & Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Companies (Auditors' Report) Order, 2003 as amended by Companies (Auditor's Report)(Amendment) Order 2004, (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 of India ('the Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

2. We further report that :-
- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
  - c. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
  - d. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
  - e. On the basis of written representations received from the directors as on 31<sup>st</sup> March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
  - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2010; and
  - ii. in the case of the Profit & Loss Account, of the PROFIT for the year ended on that date.

Place : Mumbai,  
Dated : 30th June 2010

For and on behalf of –  
Thanawala & Company  
Chartered Accountants

Sd/-

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

M/s SKY HEMMAY PRIVATE LIMITED

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

-----

1. a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets;
- b. As explained to us, the assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion, is reasonable, considering the size and the nature of its business. The frequency of verification is reasonable and no material discrepancies have been noticed on such physical verification.
- c. In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
2. a. The inventories have been physically verified by the management during the year, at reasonable intervals;
- b. The procedures of physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c. The Company has maintained proper records of inventories and discrepancies noticed on physical verification of inventories as compared to book records were not material.
3. a. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- b. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. There are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventories, fixed assets and for the sale of goods.
5. a. The transactions made in pursuance of contracts of arrangements, that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been recorded in the register;
- b. In our opinion and according to the information and explanation given to us and having regards to the fact that some of the items purchased are of a special nature and suitable alternative sources do not exist for obtaining comparative quotations, the transactions of purchases of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements, entered in the register maintained under section 301 of the company's Act, and aggregating during the year to Rs.5,00,000/- or more in respect of each party, were made at prices which are reasonable having regard to prevailing market prices as available with the Company for such goods, materials or services or the prices at which transactions for similar goods or services were with the parties.--
6. The Company has not accepted any deposit from the public and consequently the provision of Section 58A and 58AA of the Companies Act, 1956 and the Companies [Acceptance of Deposits] Rules, 1975 are not applicable.
7. As the affairs of the Company are looked after by the Directors themselves, the Company does not possess a system of Internal Audit.
8. The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956.
9. According to the records of the Company, the Company is regular in depositing undisputed statutory dues including Provident Fund and Employees' State Insurance, Income-tax, Sales-tax, Excise Duty, Cess and other statutory dues with appropriate authorities. According to the information and explanations given to us, there are no undisputed amounts payable in respect of such statutory dues, which have remained outstanding as at 31<sup>st</sup> March, 2010 for a period more than six months from the date they became payable.
10. The company has no accumulated losses as at 31<sup>st</sup> March, 2010 and it is not incurred any cash loss during the financial year or in the immediately preceding financial year.
11. The Company has taken in loan from Bank or from any Institute.
12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
13. The provisions of any Special Statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund / Societies are not

applicable to the Company.

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

Place : Mumbai  
Dated : 30th June, 2010

For and on behalf of -  
Thanawala & Company  
Chartered Accountants  
Sd/-  
[ V.K. Thanawala ]  
Proprietor  
Membership No. 15632

## BALANCE SHEET AS AT 31st MARCH, 2010

|   |   |            | For the period<br>ended<br>31.03.2010<br>Rupees | For the period<br>ended<br>31.03.2009<br>Rupees |
|---|---|------------|---|---|
| <b>SOURCES OF FUNDS</b>                               |   |            |   |   |
| <b>SHAREHOLDERS</b>                                   |   |            |   |   |
| Share Capital   | A | 28,995,500 |   |   |
| Reserves & Surplus                                    | B | 4,389,663  | 33,385,163                                      | 17,209,833                                      |
| Deffered Tax Liability                                |   |            | 1,041,470                                       | 611,000   |
| <b>TOTAL</b>  |   |            | <b>34,426,634</b>                               | <b>17,820,833</b>                               |
| <b>APPLICATION OF FUNDS</b>                           |   |            |   |   |
| <b>Fixed Assets</b>                                   |   |            |   |   |
| Gross Block   |   | 29,949,541 |   | 12,222,512                                      |
| Less : Depreciation                                   |   | 3,619,495  |   | 461,348   |
| <b>Net Block</b>                                      |   |            | <b>26,330,046</b>                               | <b>11,761,164</b>                               |
| <b>INVESTMENTS</b>                                    |   |            |   |   |
| Shares - Shamrao Vittal Co-op Bank                    |   |            | 50,000  | -   |
| <b>CURRENT ASSETS, LOANS AND ADVANCES</b>             |   |            |   |   |
| Inventories   | D |            | 12,418,371                                      | 9,671,234                                       |
| Sundry Debtors  | E |            | 6,835,507                                       | 4,066,689                                       |
| Cash & Bank balance                                   | F |            | 854,807   | 1,501,372                                       |
| Loans & Advances                                      | G |            | 362,652   | 1,290,752                                       |
|   |   |            | 20,471,337                                      | 16,530,047                                      |
| <b>LESS: CURRENT LIABILITIES &amp; PROVISIONS</b>     |   |            |   |   |
| Liabilities   | H |            | 11,844,285                                      | 7,559,461                                       |
| Provisions  |   |            | 750,000   | 3,136,965                                       |
|   |   |            | 12,594,285                                      | 10,696,426                                      |
| <b>NET CURRENT ASSETS</b>                             |   |            | <b>7,877,051</b>                                | <b>5,833,621</b>                                |
| <b>MISCELLANEOUS EXPENDITURE</b>                      |   |            |   |   |
| (To the extent not written off or Prelimany Expenses) |   |            | 169,536   | 226,048   |
| <b>TOTAL</b>  |   |            | <b>34,426,634</b>                               | <b>17,820,833</b>                               |

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

As per our Report attached  
For and on behalf of

For and on behalf of the Board

**THANAWALA & CO.**  
Chartered Accountants  
Firm Reg. No. 110948W

Sd/-  
**Vijay K. Thanawala**  
Proprietor

Sd/-  
**SAURABH MOTANI**  
Director

Sd/  
**SHAILESH SHAH**  
Director

Place : Mumbai,  
Date : 30.06.2010

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010**

|   | Schedule | For the period<br>ended<br>31.03.2010<br>Rupees | For the period<br>ended<br>31.03.2009<br>Rupees |
|---|----------|---|---|
| <b>INCOME</b>                           |          |   |   |
| Sales                                   | I        | 38,841,578                                      | 29,756,282                                      |
| Other Income                            | J        | 282,192   | 116,952   |
| Increase / (Decrease) in Inventory      | K        | (930,551)                                       | 144,085   |
| <b>TOTAL</b>                            |          | <b>38,193,219</b>                               | <b>30,017,319</b>                               |
| <b>EXPENDITURE</b>                      |          |   |   |
| Materials Consumed                      | L        | 15,164,843                                      | 12,103,536                                      |
| Manufacturing Expenses                  | M        | 12,095,430                                      | 9,829,146                                       |
| Selling Expenses                        | N        | 1,650,339                                       | 1,375,544                                       |
| Administrative & Selling Expenses       | O        | 2,213,518                                       | 1,608,504                                       |
| Interest and Finance Charges            | P        | 355,954   | 129,148   |
| Depreciation                            |          | 3,158,147                                       | 454,868   |
| <b>TOTAL</b>                            |          | <b>34,638,231</b>                               | <b>25,500,745</b>                               |
| Profit before Taxation                  |          | 3,554,988                                       | 4,516,574                                       |
| Provision for Income Tax                |          | 750,000   | 915,000   |
| Profit after Taxation                   |          | 2,804,988                                       | 3,601,574                                       |
| Deffered Tax Liability                  |          | (430,470)                                       | (605,000)                                       |
| Balance Broguht Forward                 |          | 1,557,513                                       | 1,220,294                                       |
| Profit available for Appropriation      |          | 3932,030  | 4,216,868                                       |
| Excess / (Short) Provision for Taxation |          | 17,978  | (37,390)  |
| Prior Period Expenses                   |          | (10,345)  | -   |
| Amount Available for Appropriation      |          | 3,939,663                                       | 4,179,478                                       |
| <b>APPROPRIATIONS :</b>                 |          |   |   |
| Transfer to General Reserve             |          | -   | (400,000)                                       |
| Proposed Dividend                       |          | -   | (1,958,455)                                     |
| Dividend Tax                            |          | -   | (263,510)                                       |
| Balance Carried to Balance Sheet        |          | 3,939,663                                       | 1,557,513                                       |

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

As per our Report attached  
For and on behalf of

For and on behalf of the Board

**THANAWALA & CO.**  
Chartered Accountants  
Firm Reg. No. 110948W

Sd/-  
**Vijay K. Thanawala**  
Proprietor

Sd/-  
**SAURABH MOTANI**  
Director

Sd/  
**SHAILESH SHAH**  
Director

Place : Mumbai,  
Date : 30.06.2010

## SCHEDULES FORMING PART OF BALANCE SHEET

|  | Schedule | As at<br>31.03.2010<br>Rupees | As at<br>31.03.2009<br>Rupees |
|--|----------|-------------------------------|-------------------------------|
| <b>SHARE CAPITAL</b>   |          |                               |                               |
| A  |          |                               |                               |
| Authorised Capital<br>30,00,000 Equity Shares of Rs.10/- each  |          | 30,000,000                    | 30,000,000                    |
|  |          | 30,000,000                    | 30,000,000                    |
| <b>ISSUED, SUBSCRIBED AND PAID UP</b>  |          |                               |                               |
| 28,99,550 Equity Shares of Rs. 10/- each, fully paid up.<br>(Subsidiary of SKY Industries Limited)<br>(Previous Year Equity Shares 391691) |          | 28,995,500                    | 3,916,910                     |
| Share Application Money  |          | -                             | 11,285,410                    |
| Total Rs.  |          | 28,995,500                    | 15,202,320                    |
| <b>RESERVES AND SURPLUS</b>  |          |                               |                               |
| B  |          |                               |                               |
| <b>A. General Reserve</b>  |          |                               |                               |
| As per last Balance Sheet  |          | 450,000                       | 450,000                       |
| B. Profit and Loss Account (As per annexure)   |          | 3,939,663                     | 1,557,513                     |
| Total Rs.  |          | 4,389,663                     | 2,007,513                     |

### FIXED ASSETS

C

| PARTICULARS              | RATE   | GROSS BLOCK                    |                             |                                | DEPRECIATION                   |                 |                                | NET BLOCK                     |                               |
|--------------------------|--------|--------------------------------|-----------------------------|--------------------------------|--------------------------------|-----------------|--------------------------------|-------------------------------|-------------------------------|
|                          |        | BALANCE<br>AS ON<br>01/04/2009 | ADDITION<br>FOR<br>THE YEAR | BALANCE<br>AS ON<br>31/03/2010 | BALANCE<br>AS ON<br>01/04/2009 | FOR<br>THE YEAR | BALANCE<br>AS ON<br>31/03/2010 | W.D.V.<br>AS ON<br>31/03/2010 | W.D.V.<br>AS ON<br>31/03/2009 |
| Office Equipment         | 13.91% | -                              | 14,688                      | 14,688                         | -                              | 1,534           | 1,534                          | 13,154                        | -                             |
| Computer                 | 40.00% | -                              | 33,988                      | 33,988                         | -                              | 6,673           | 6,673                          | 27,315                        | -                             |
| Plant & Machinery        | 13.91% | 11,897,110                     | 17,638,253                  | 29,535,363                     | 433,894                        | 3,104,379       | 3,538,272                      | 25,997,091                    | 11,463,216                    |
| Electrical Installations | 13.91% | 325,402                        | 40,100                      | 365,502                        | 27,454                         | 45,561          | 73,015                         | 292,487                       | 297,948                       |
| Total Rs.                |        | 12,22,512                      | 17,727,029                  | 29,949,541                     | 461,348                        | 3,158,147       | 3,619,495                      | 26,330,046                    | 11,761,164                    |

### CURRENT ASSETS, LOANS & ADVANCES

#### CURRENT ASSETS

##### (a) INVENTORIES

(At lower of cost and net realisable value)

|                  |   |            |           |
|------------------|---|------------|-----------|
| Raw Materials    | D | 5,135,250  | 1,457,562 |
| Work in Progress |   | 3,598,797  | 4,096,798 |
| Finished Goods   |   | 3,684,324  | 4,116,874 |
|                  |   | 12,418,371 | 9,671,234 |



|   | Schedule | Rupees        | As at<br>31.03.2010<br>Rupees | As at<br>31.03.2009<br>Rupees |
|---|----------|---------------|-------------------------------|-------------------------------|
| <b>(b) SUNDRY DEBTORS</b>   | <b>E</b> |               |                               |                               |
| (Unsecured considered Good)   |          |               |                               |                               |
| Less than Six Months  |          | 6,742,243     |                               | 4,066,689                     |
| More than Six Months  |          | <u>93,264</u> | 6,835,507                     |                               |
| Total Rs.   |          |               | <u>6,835,507</u>              | <u>4,066,689</u>              |
| <b>c) CASH AND BANK BALANCE</b>                                     | <b>F</b> |               |                               |                               |
| Cash on hand  |          |               | 27,195                        | 41,310                        |
| Balances with Scheduled Banks                                       |          |               |                               |                               |
| Orient Bank Of Commerce   |          |               | 509,905                       | 1,051,927                     |
| Margin Account  |          |               | 203,000                       | 408,135                       |
| Shamrao Vittal Co-op Bank   |          |               | 114,707                       | -                             |
| Total Rs.   |          |               | <u>854,807</u>                | <u>1,501,372</u>              |
| <b>LOANS AND ADVANCES</b>   | <b>G</b> |               |                               |                               |
| Unsecured, considered good)   |          |               |                               |                               |
| Advances recoverable in cash or kind or for value<br>to be received |          |               | 177,460                       | 55,752                        |
| Deposits  |          |               | 65,000                        | 235,000                       |
| Advance Income Tax /Tds Receivable                                  |          |               | 2,229                         | 1,000,000                     |
| Income tax refund receivable  |          |               | 117,963                       | -                             |
| Total Rs.   |          |               | <u>362,652</u>                | <u>1,290,752</u>              |
| <b>CURRENT LIABILITIES &amp; PROVISIONS</b>                         | <b>H</b> |               |                               |                               |
| <b>CURRENT LIABILITIES</b>  |          |               |                               |                               |
| Advance received from Customers                                     |          |               | 200,416                       | 27,485                        |
| Outstanding Liabilities   |          |               | 931,676                       | 759,585                       |
| Sundry Creditor for Expenses  |          |               | 3,001,498                     | 4,687,972                     |
| Sundry Creditors for Goods  |          |               | 7,710,696                     | 2,084,420                     |
| Total Rs.   |          |               | <u>11,844,285</u>             | <u>7,559,462</u>              |
| <b>PROVISIONS FOR</b>   |          |               |                               |                               |
| Taxation  |          | 750,000       |                               | 900,000                       |
| Fringe Benefit Tax  |          | -             |                               | 15,000                        |
| Dividend Tax  |          | -             |                               | 263,510                       |
|   |          |               | 750,000                       | 1,178,510                     |
| Proposed Dividend   |          |               | -                             | 1,958,455                     |
| Total Rs.   |          |               | <u>750,000</u>                | <u>3,136,965</u>              |

## SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

|   | Schedule | Rupees     | For the period<br>ended<br>31.03.2010<br>Rupees | For the period<br>ended<br>31.03.2009<br>Rupees |
|---|----------|------------|---|---|
| SALES (Including Export Sales)            | I        |            | 38,263,175                                      | 29,133,684                                      |
| Scrap Sale                                |          |            | 64,974  | 53,782  |
| Freight recovered                         |          |            | 513,429   | 568,836   |
| Total Rs.                                 |          |            | 38,841,578                                      | 28,511,066                                      |
| <u>OTHER INCOME</u>                       | J        |            |   |   |
| Difference in exchange                    |          |            | 88,906  | 0   |
| Discount Received & Interest on margin    |          |            | 24,226  | 17,702  |
| Export Incentives                         |          |            | 151,829   | 22,790  |
| Sundry Balance W/off                      |          |            | 13,231  | 60,382  |
| Development charges                       |          |            | 4,000   | 16,078  |
| Total Rs.                                 |          |            | 282,192   | 116,952   |
| <u>INCREASE / (DECREASE) IN INVENTORY</u> | K        |            |   |   |
| <u>CLOSING STOCK</u>                      |          |            |   |   |
| Finished Goods                            |          |            | 3,684,324                                       | 4,116,874                                       |
| Work In Progress                          |          |            | 3,598,797                                       | 4,096,798                                       |
|   |          |            | 7,283,121                                       | 8,213,672                                       |
| <u>OPENING STOCK</u>                      |          |            |   |   |
| Finished Goods                            |          |            | 4,116,874                                       | 2,123,420                                       |
| Work In Progress                          |          |            | 4,096,798                                       | 5,946,167                                       |
| Total Rs.                                 |          |            | (930,551)                                       | 144,085   |
| <u>MATERIALS CONSUMED</u>                 |          |            |   |   |
| Raw Materials consumed                    | L        |            |   |   |
| Opening Stock                             |          | 1,457,562  |   | 650,867   |
| Add: Purchases                            |          | 18,201,829 |   | 11,940,585                                      |
|   |          | 19,659,391 |   | 12,591,452                                      |
| Less: Closing Stock                       |          | 5,135,250  |   | 1,457,562                                       |
|   |          |            | 14,524,141                                      | 11,133,890                                      |
| Stores & Spares                           |          |            | 256,150   | 336,996   |
| Packing Material                          |          |            | 384,552   | 404,317   |
| Finished Goods Purchased                  |          |            | -   | 228,333   |
| Total Rs.                                 |          |            | 15,164,843                                      | 12,103,536                                      |
| <u>MANUFACTURING EXPENSES</u>             | M        |            |   |   |
| Employee Cost:                            |          |            |   |   |
| Salaries, Wages & Bonus                   |          |            | 6,668,205                                       | 4,405,914                                       |
| Contribution to P.F & Other Funds         |          |            | 152,909   | 122,471   |
| Electricity charges                       |          |            | 2,797,520                                       | 1,700,428                                       |
| Labour Charges                            |          |            | 147,641   | 50,363  |
| Rent Rates & Taxes                        |          |            | 1,218,798                                       | 736,068   |

|  | Schedule | For the period<br>ended<br>31.03.2010<br>Rupees | For the period<br>ended<br>31.03.2009<br>Rupees |
|--|----------|---|---|
| Machine Hire charges                     |          | 92,882  | 1,383,060                                       |
| Repairs & Maintenance:                   |          | 226,410   | 251,632   |
| Loading & Unloading Charges              |          | 78,470  | 31,022  |
| Freight Inward                           |          | 579,441   | 991,107   |
| Testing Charges                          |          | 65,747  | 101,443   |
| Canteen Expenses                         |          | 67,407  | 55,639  |
| Total Rs.                                |          | <u>12,095,430</u>                               | <u>9,829,146</u>                                |
| <u>SELLING AND DISTRIBUTION EXPENSES</u> | N        |   |   |
| Miscellaneous Packing Charges            |          | 5,471   | 69,113  |
| Rebates & Discounts                      |          | 178,193   | 103,871   |
| Travelling & Other Conveyance            |          | 649,286   | 539,913   |
| Sales Promotion Expenses                 |          | 15,494  | 7,184   |
| Sample Expenses                          |          | 21,822  | 45,067  |
| Freight, Cartage and Forwarding Expenses |          | 662,853   | 481,666   |
| Sales Tax                                |          | 1,726   | 3,015   |
| Commission                               |          | 115,495   | 125,715   |
| Total Rs.                                |          | <u>1,650,339</u>                                | <u>1,375,544</u>                                |
| <u>ADMINISTRATIVE EXPENSES</u>           | O        |   |   |
| Auditors Remuneration                    |          | 38,605  | 19,303  |
| Insurance                                |          | 61,056  | 10,431  |
| Postage, Telegram & Telephone            |          | 246,109   | 221,926   |
| Professional & Other Fees                |          | 124,597   | 55,257  |
| Printing & Stationery                    |          | 80,580  | 53,072  |
| Service Contract Charges                 |          | 1,303,117                                       | 1,013,512                                       |
| Filing fees                              |          | -   | 1,600   |
| Miscellaneous expenses                   |          | 19,406  | -   |
| Diwali gift                              |          | -   | 3,800   |
| Security Charges                         |          | 53,384  | -   |
| Legal Expenses                           |          | 19,114  | 350   |
| License Fees                             |          | 66,221  | 1,700   |
| Pooja Expenses                           |          | 724   | 428   |
| Staff Welfare                            |          | 137,860   | 39,381  |
| Membership & Subscription                |          | 6,235   | 3,735   |
| Exchange rate difference                 |          | -   | 127,497   |
| Preliminary Expenses                     |          | 56,512  | 56,512  |
| Total Rs.                                |          | <u>2,213,518</u>                                | <u>1,608,504</u>                                |
| <u>INTEREST AND FINANCE CHARGES</u>      | P        |   |   |
| Banks                                    |          | 12,451  | -   |
| Others                                   |          | 91,079  | 39,223  |
| Bank Charges & Commission                |          | 252,424   | 89,925  |
| Total Rs.                                |          | <u>355,954</u>                                  | <u>129,148</u>                                  |

## NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> March, 2010

### 1. Significant Accounting Policies-

#### A. Basis for preparation of financial statements

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

#### B. Expenditure Recognition

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

#### C. Sales

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

#### D. Fixed Assets

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

#### E. Depreciation

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

#### F. Inventories

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

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

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

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

#### G. Employee Benefits

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

#### H. Contingent Liabilities

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

#### I. Taxes on Income

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

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

2. The Company is in the business of manufacturing of Satin 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 Narrow Fabrics.

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

#### 4. Expenditure in Foreign currency

| DESCRIPTION   | 2009-10<br>Rs.    | 2008-09<br>Rs.    |
|---------------|-------------------|-------------------|
| Purchases     | 10,190,635        | 7,668,206         |
| Testing Fees  | 102,252           | 98,971            |
| Capital Goods | 1,369,775         | 8,478,002         |
| <b>Total</b>  | <b>11,662,662</b> | <b>16,245,179</b> |

5. Earning in Foreign Currency

| DESCRIPTION          | 2009-10<br>Rs. | 2008-09<br>Rs. |
|----------------------|----------------|----------------|
| CIF Value of Exports | 1,869,750      | -              |
| Total                | 1,869,750      | -              |

6. Related party Transaction

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

Key Management Personnel & their relatives

|                         |          |
|-------------------------|----------|
| I. Mr Saurabh K. Motani | Director |
| Mr. Nitin K. Motani     | Director |
| Mr Shailesh S. Shah     | Director |
| Mr Lin Chung-Shun       | Director |
| Mr. Liu Chen-Hsiung     | Director |

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

Sky Industries Limited  
SK Stable Industries Pvt. Limited  
Hemmay International  
Shamots International  
S.K. Overseas

| Nature of Transactions    | Associate Companies       | Key Management Personal |
|---------------------------|---------------------------|-------------------------|
| Purchase                  | 10,200<br>(7,672,708)     | Nil<br>(Nil)            |
| Service contract Charges  | 1,303,117<br>(1,007,292)  | Nil<br>(Nil)            |
| Hire Charges              | 92,882<br>(1,383,060)     | Nil<br>(Nil)            |
| Rent                      | 909,975<br>(674,014)      | Nil<br>(Nil)            |
| Purchase of Capital Goods | 14,816,181<br>(2,103,598) | Nil<br>(Nil)            |

## 7. RAW MATERIALS CONSUMPTION

### A. RAW MATERIAL CONSUMED ( Quantity)

| DESCRIPTION               | UNIT | 2009-10 |             | 2008-09 |             |
|---------------------------|------|---------|-------------|---------|-------------|
|                           |      | QTY     | VALUE (Rs.) | QTY     | VALUE (Rs.) |
| Yarn                      | Kgs  | 109,586 | 13,981,823  | 80,439  | 10,063,000  |
| Resins and Chemicals      | Kgs  |         | 487,741     |         | 369,275     |
| Packing Material          |      |         | 382,608     |         | 404,317     |
| Stores, Spares and others |      |         | 255,665     |         | 336,996     |
| Narrow Fabrics            | Kgs  | 1,284   | 410,971     |         | 929,949     |
| Total                     |      |         | 15,518,809  |         | 12,103,537  |

### B. RAW MATERIAL CONSUMED ( Percentage)

|            | 2009-10                         |            | 2008-09                         |            |
|------------|---------------------------------|------------|---------------------------------|------------|
|            | Percentage of Total Consumption | Value Rs   | Percentage of Total Consumption | Value Rs   |
| Indigenous | 45.34%                          | 7,035,684  | 31.12%                          | 3,765,464  |
| Imported   | 54.66%                          | 8,483,125  | 68.88%                          | 8,338,073  |
|            | 100.00%                         | 15,518,809 | 100.00%                         | 12,103,537 |

As per our Report attached  
For and on behalf of

For and on behalf of the Board

**THANAWALA & CO.**  
Chartered Accountants  
Firm Reg. No. 110948W

Sd/-  
**Vijay K. Thanawala**  
Proprietor

Sd/-  
**SAURABH MOTANI**  
Director

Sd/  
**SHAILESH SHAH**  
Director

Place : Mumbai,  
Date : 30.06.2010

**SKY INDUSTRIES LIMITED**

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

**ATTENDANCE SLIP**

DP ID\* : .....  
CLIENT ID\* : .....  
REG FOLIO NO : .....

NAME AND ADDRESS OF THE REGISTERED SHAREHOLDER

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

I hereby record my presence at the Twentyfirst Annual General Meeting on Wednesday 29th Sept., 2010 at C-58, TTC Industrial Area, Thane Belapur Road, Pawane, Navi Mumbai - 400 705.

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

Member's/Proxy's Signature

**SKY INDUSTRIES LIMITED**

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

**FORM OF PROXY**

I /We \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ being a member / members of SKY INDUSTRIES LIMITED hereby appoint \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ or failing him \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ as my/our proxy to vote for me/us on my/our behalf at the Twentyfirst Annual General Meeting to be held on 29th Sept., 2010 at 11.00 a.m. at C-58, TTC Industrial Area, Thane Belapur Road, Pawane, Navi Mumbai - 400 705.

Signed this .....day.....2010.

DP ID\* : .....  
CLIENT ID\* : .....  
REG FOLIO NO : .....

Signature.....

Affix a  
Re. 1  
Revenue

\* Applicable if shares are held in Electronic Form

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

**BANK ACCOUNT PARTICULARS / ECS MANDATE FORM**

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

- \* print the following details on my/our dividend warrant.
- \* Credit my/our dividend amount directly to my/our Bank Account by ECS.
- (\* Strike out whichever is not applicable) My/Our Folio No. :

Particulars of Bank Account : DPIDNo. :.....Client A/c. No. :.....

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

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

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

Signature of the First Shareholder/Joint Shareholder

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

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