

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.

REGISTRAR & TRANSFER AGENTS

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

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NOTICE

NOTICE is hereby given that the Twenty Second Annual General Meeting of the members of **SKY INDUSTRIES LIMITED** will be held on Thursday, the 29th day of September, 2011 at 11.00 a.m. at the Registered Office at C-58, TTC Industrial Area, Thane Belapur Road, Navi Mumbai – 400 705 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Balance Sheet as at 31st March 2011 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. Mahesh Shirodkar, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

Special Business

4. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution:
“**RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, the consent of the Company be and is hereby accorded to re-appoint Mr. Maikal Raorani as a Wholtime Director of the Company for a period commencing from 1st October, 2011 to 30th September, 2012 (both days inclusive), on the terms and conditions and remuneration (including remuneration to be paid in the event of any loss, absence or inadequacy of profit during his term) as placed before the meeting with sanction to the Board of Directors of the Company or the Committee to revise the terms of re-appointment and/or vary or increase the remuneration and prerequisites payable within the limits as provided for in the Act rules made there under.”
“**RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorized or cause to do all the acts, deeds and things and execute all such documents, instruments and writing as may be required to give effect to the aforesaid resolution.”

By Order of the Board of Directors

Sd/-
Maikal Raorani

Registered Office:

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

Place: Mumbai,

Date : 12th August 2011

NOTES:

- a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN HIS PLACE AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- b) Proxies in order to be effective must be lodged with the Company not less than 48 hours before the time of the meeting.
- c) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, with respect to Item No. 5-9 is annexed herewith and forms part of the Notice.
- d) Members are requested to :
 - immediately intimate change of address, if any, to the Company or the Registrar and Share Transfer Agent, Link Intime Pvt. Limited C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai – 400 078 quoting reference of their folio number;
 - produce the Attendance Slip duly filled in for attending the Meeting;
 - bring copy of the Annual Report to the venue of the Meeting; and
 - write to the Company at least 7 days in advance of the Annual General Meeting for any information about accounts.
- e) The Register of Members and Share Transfer Books of the Company will remain closed from 19th September, 2011, to 23rd September, 2011 (both days inclusive).
- f) Pursuant to Section 205A of the Companies Act, 1956 any dividend remaining unpaid or unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund. No claims shall lie against the Fund or the Company thereafter. All the shareholders who have not encashed the dividend warrants for any year for which the dividend was declared are requested to encash the same.
- g) All the documents referred to in the Notice and Explanatory Statement are available for inspection at the Registered Office of the Company during office hours on all working days, between 11.00 a.m. and 1.00 p.m., upto the date of Annual General Meeting.

Profile of the Directors liable to retire by rotation:

Mr. Mahesh Shirodkar:

Mr. Mahesh Shirodkar, aged about 51 years, is a widely respected personality in the Travel Industry. His marketing insight and global knowledge has been immensely helpful to the Company.

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

Item No.5

Mr. Raorani, aged 38, B.E. (Electronics & Communications), MBA (Finance) has rich and vast experience of around 14 years in finance, accounts, legal and commercial functions.

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

1. The appointment of Mr. Maikal Raorani as a Wholetime Director of the Company shall be for a period commencing from 1st October, 2011 to 30th September, 2012, (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. 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.

By Order of the Board of Directors

Sd/-
Maikal Raorani

Registered Office:

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

Place: Mumbai,

Date : 12th Aug, 2011

SKY INDUSTRIES LIMITED

DIRECTORS' REPORT

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

The Directors take pleasure in submitting the 22nd Annual Report and Accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS AND OPERATIONS:

(Rs in Lacs)

Particulars	Current Year ended 31.03.2011	Previous Year ended 31.03.2010
Sales and other income	7823	6455
Profit before Depreciation, Interest, Tax and Appropriation	450	710
Less : Interest	288	246
Depreciation	216	205
Profit / (Loss) before tax	(54)	259
Provision for Taxation	19	89
Profit / (Loss) after taxation	(73)	170
Add : Prior Period Adjustments	0	4
Excess provision for tax adjusted	0	0
Balance brought forward	1535	1162
Balance available for Appropriation	1463	1329

RESULTS OF OPERATIONS

The turnover during the year was Rs. 7823 Lacs as compared to previous years Rs. 6455 Lacs, an increase of about 21 %. The increase was partly due to carpet yarn manufacture, which was commenced in the ensuing year as well as increase in turnover in the hook and loop business.

DIVIDEND

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

EXPORTS

During the year under review the Exports were at Rs. 1648 lacs, a drop from Rs. 2583 lacs in the previous year. The drop was mainly on account of conscious decision to avoid the risky European markets, which were largely instrumental in getting higher export orders in the previous year.

INTERNATIONAL BUSINESS / SUBSIDIARY

Your Directors are pleased to inform that the performance of the subsidiary company, SKAY INC for the year ended 31st March, 2011 was satisfactory.

As required under Section 212 of the Companies Act, 1956, the audited statements of accounts, along with the report of the Board of the Directors and the respective Auditors' Report thereon of the subsidiary company, SKAY INC for the year ended 31st March, 2011, is annexed herewith.

HUMAN RESOURCES

At present we have 336 (Three Hundred and thirty six members) in our family globally and we expect stable growth in same in this financial year. Your company encourages teamwork, along with individual excellence; develop a sense of belonging amongst employees by caring attitude.

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

DIRECTORS

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

Mr. Maikal Raorani's term of appointment as a Wholtime Director expires on 30th Sep 2011. 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

1. The company has not provided for interest and payment of income tax of Rs. 50,65,286/- pertaining to prior years' cumulative income tax dues, as the auditors have recommended that the refunds to be received against prior years income tax assessments due are not to be netted off.

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:

The Company 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, as of the date of this report.

DE-LISTING OF SHARES

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

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

ACKNOWLEDGEMENTS

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

For and on behalf of the Board

Sd/-

Nitin K. Motani
Chairman

Date: 12th August, 2011

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
ELECTRICITY		
Purchased Units		
Units	2766217	1950104
Total Amt	Rs 151.52 Lacs	Rs 104.92
Lacs Rate/Unit	Rs 5.48 Per Unit	Rs 5.38 Per Unit
COAL		NIL
FURNACE OIL		
Units	388144	218995
Total Amt	124.78 Lacs	Rs 68.47 Lacs
Rate/Unit	32.14 Per Unit	Rs 31.27 Per Unit
OTHERS	Nil	Nil
Consumption per unit of production		
Standard (if any)	Current Year	Previous Year
Hook and Loop Tape Fasteners (Meter)		
Electricity (unit)/Meter	0.02	0.02
Elastics and Other Tapes (meter)		
Electricity (unit)/meter	0.01	0.01

B. Technology Absorption

Research and Development

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

Technology absorption, adaptation and innovation:

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

C. Foreign Exchange Earning and Outgo:

The Exchange Earning: Rs. 1648 lacs

The Exchange outgo: Rs. 2740 lacs

SKY INDUSTRIES LIMITED
CORPORATE GOVERNANCE REPORT 2010-11

The Company is a listed company on Bombay Stock Exchange Limited. The report on Corporate Governance as per Clause 49 of the Listing Agreement is given hereunder:

1. Company's Philosophy on Code of Governance

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

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

2. Board of Directors

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

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

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

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

Composition of Board of Directors

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

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

** In Indian Public Limited Companies as on 31st March, 2011

*** In Audit and Shareholders Grievances Committee of Indian Public Limited Companies as on 31st March, 2011.

@ 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	29 May	31 Jul	12 Aug	15 Nov	12 Feb
Board Strength	7	7	7	7	7
No. of Directors Present	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, 2011.

Board Committees

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

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

3 Audit Committee:

Pursuant to the provision of the companies act, 1956 and the Listing Agreement, an Audit Committee under the Listing Agreement as well as under provision of the companies act, 1956. The Composition of the Audit Committee is as under:

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

Terms of References of Audit Committees

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

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

Remuneration Policy

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

Executive Directors

- Salary & Commission
- No Sitting Fee

Non-executive Directors

- Sitting Fee

During the financial year 2010-11 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

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

	2007-08	2008-09	2009-10
Date	13.09.2008	31.10.2009	29.09.2010
Time	11.00 A.M	11.00 A.M.	11.00 A.M.
Venue	Registered Office	Registered Office	Registered Office

7. Disclosures

Related Party Transactions

During the financial year 2010-11 the Company has not entered into any transactions of material nature with its promoters, directors or the management, subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large. The Company has Declarations that have been received from the senior management personnel to this effect. The disclosure in respect of related party transactions is provided in Notes to Accounts.

Statutory Compliance, Penalties and Strictures

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

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

- During the financial year 2010-11, there are certain audit qualifications in the Company's financial statements, however, which are more of procedural in nature.
 - Certain transactions with related parties have exceeded the approval limit and the Company has already applied to the Central Government for the approval of the enhancement of the same.
 - The company has not provided for interest and payment of income tax of Rs. 50,65,286/- pertaining to prior years' cumulative income tax dues, as the auditors have recommended that the refunds to be received against prior years income tax assessments due are not to be netted off.
- The Company is making all the efforts to recruit Independent / Non-executive Directors on the Board of the Company, to comply with requirements of the Clause 49 of the listing agreement.

Risk Management Framework

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

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

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

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

8. Means of Communication:

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

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

9. General Shareholder information:

a. Annual General Meeting

Date : 29th Sep 2011

Time : 11.00 A. M.

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

b. Financial Calendar 2011 – 2012

First quarter results :: By mid August, 2011

Second quarter results :: By mid November, 2011

Third quarter results :: By mid February, 2012

Annual results for the year ending on 31st March, 2012 :: By end of May, 2012

c. Book Closure

The Register of Members and Transfer Registers of the Company will remain closed from 19th September, 2011 to 23rd September, 2011 (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 2010 – 2011:

The Stock Exchange, Mumbai

Year	Month	Stock Price (Rupees)		Volumes
		Highest	Lowest	
2010	April	111.90	82.00	364677
2010	May	119.95	105.10	113861
2010	June	134.90	108.65	925135
2010	July	149.90	117.30	1567336
2010	August	140.50	91.25	794689
2010	September	117.00	89.45	347061
2010	October	129.90	104.05	213438
2010	November	165.00	99.05	1533317
2010	December	145.70	95.55	709963
2011	January	149.20	119.80	739180
2011	February	165.00	125.35	715127
2011	March	149.90	63.00	984475

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 3594890 equity shares of Rs.10/- each were dematerialised as on 31st March, 2011 constituting 90.40 % 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.

SKY INDUSTRIES LIMITED

Distribution of Shareholding as on 31st March, 2011

A. Category wise:

Sr. No.	Category	No. of Shares held	%
1	CORPORATE BODIES (PROMOTER CO)	1310147	32.95%
2	CLEARING MEMBER	73043	1.84%
3	OTHER BODIES CORPORATE	546897	13.75%
4	DIRECTORS	269989	6.79%
5	NON RESIDENT INDIANS	163131	4.10%
6	NON RESIDENT INDIANS(NON REPARTRIABLE)	10000	0.25%
7	PUBLIC	1446193	36.37%
8	PROMOTERS	157000	3.95%
	TOTAL	3976400	100.00%

B. Shareholding wise:

Shareholding of Shares	Nos. of Shareholders	% Age Total	Shares	% Age of Total
1 - 500	1677	83.31%	291054	7.32%
501 - 1000	136	6.76%	111044	2.79%
1001 - 2000	65	3.23%	100873	2.54%
2001 - 3000	24	1.19%	60225	1.51%
3001 - 4000	20	0.99%	71504	1.80%
4001 - 5000	12	0.60%	57182	1.44%
5001 - 10000	35	1.74%	264278	6.65%
10001 And above	44	2.19%	3020240	75.95%
Total	2013	100%	3976400	100%

C. Top Ten Shareholders as on 31st March, 2011

Sr. No.	Name(s) of Shareholders	Shares	%
1.	SKAY FINVEST PRIVATE LIMITED	1310147	32.95
2.	M R SHARE BROKING	356462	8.96
3.	KAILASHMATI SURYAKANT SHAH	157000	3.95
4.	NITIN K MOTANI	82529	2.08
5.	SHAILESH S SHAH	73620	1.85
6.	ANILKUMAR JANARDAN GOKHALE, PRIYA ANILKUMAR GOKHALE	69000	1.74
7.	BIMAL KUMAR CHORARIA	67000	1.68
8.	SHARAD S SHAH	60570	1.52
9.	SAURABH K MOTANI	53270	1.34
10.	PANKAJ KHIMJI NARAM	49500	1.24

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

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

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

i. Address for correspondence

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

j. Plant Locations:

- C-58, C - 57/1,2 TTC Industrial Area, Thane Belapur Road, Pawane Navi Mumbai - 705
- 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 2910, GIDC, IVth Phase, Vapi, Gujarat.
- Plot No. 517, Road No 5, GIDC, Sachin, Surat.
- Plot No. 6310, GIDC, Sachin, Surat.
- Plot No. 5521, GIDC, Sachin, Surat.

SKY INDUSTRIES LIMITED

Shareholding pattern as on 31st March, 2011

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total No. of Shares held in Dematerialized Form	Total Shareholding as a % of total No. of Shares		Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	Number of shares	As a % of Total No. of Shares
(A) Shareholding of Promoter and Promoter Group							
-1 Indian							
Individuals / Hindu Undivided Family	6	426,989	426,989	10.74	10.74	-	-
(a) Individuals/Hindu Undivided Family	5	426,989	426,989	10.74	10.74	-	-
(b) Central Government/ State Government(s)	-	-	-	-	-	-	-
(c) Bodies Corporate	1	131,017	131,017	32.95	32.95	663,500	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	663,500	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 and Promoter Group (A)= (A)(1)+(A)(2)	6	1,737,136	1,737,136	43.69	43.69	663,500	38.20
(B) Public shareholding							
-1 Institutions							
(a) Mutual Funds/ UTI	-	-	-	-	-	-	-
(b) Financial Institutions/ Banks	-	-	-	-	-	-	-
(c) Central Government/ State Government(s)	-	-	-	-	-	-	-
(d) Insurance Companies	-	-	-	-	-	-	-
(e) FIs	-	-	-	-	-	-	-
(f) Foreign Venture Capital	-	-	-	-	-	-	-
(g) Any Other (specify)	-	-	-	-	-	-	-
1) Foreign Financial Inst.	-	-	-	-	-	-	-
Sub-Total (B)(1)	-	-	-	-	-	-	-
-2 Non-institutions							
(a) Bodies Corporate	85	546,897	542,097	13.75	13.75	0	0.00
(b) Individuals							
i. Individual shareholders holding nominal share capital up to Rs. 1 lakh.	1845	826,362	591,562	20.78	20.78	0	0.00
ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	26	61,983	57,233	15.59	15.59	0	0.00
(c) Any Other (Specify)							
1. Clearing Member	35	73,043	73,043	1.84	1.84	0	0.00
2. Trust	-	-	-	-	-	-	-
3. NRIs	15	1,63,131	68,721	4.10	4.10	0	0.00
4. NRN	1	10,000	10,000	0.25	0.25	0	0.00
5. Foreign Company	-	-	-	-	-	-	-
Sub-Total (B)(2)	2,007	2,239,264	1,857,754	56.31	56.31	0	0.00
Total Public Shareholding (B)= (B)(1)+(B)(2)	2,007	2,239,264	1,857,754	56.31	56.31	0	0.00
TOTAL (A)+(B)	2,013	3,976,400	3,594,890	100.00	100.00	663,500	16.69
(C) Shares held by Custodians and against which Depository Receipts have been issued							
GRAND TOTAL (A)+(B)+(C)	2,013	3,976,400	3,594,890	100.00	100.00	663,500	16.69

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure & Development:

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

The Company is a leader in the premium category of the Hook and Loop Tape Fasteners and caters to over 70% of the domestic demand. The Company has ventured into the manufacture of Carpet yarn during this year. 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. 1648 lacs, a drop from Rs. 2583 lacs the previous year. The drop was mainly on account of conscious decision to avoid the risky European markets, which were largely instrumental in getting higher export orders in the previous year.

Risks and Concerns

The Company faces various risks which are incidental to the Company's operations in the various product lines viz. Hook and Loop Tape Fasteners and Velvet tapes like new competitor setting up business or expanding of the existing players owing to the market available.

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

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

Internal Control systems and their adequacy

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

Operations

The turnover during the year was Rs. 7823 Lacs as compared to previous years Rs. 6455 Lacs, an increase of about 21 %. The

increase was partly due to carpet yarn manufacture, which was commenced in the ensuing year as well as increase in turnover in the hook and loop business.

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, 2011, the total number of employees on the rolls of the Company was 336.

DECLARATION

To
The Members of
Sky Industries Ltd

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

For **SKY INDUSTRIES LIMITED**

Sd/-
Shailesh Shah
(Managing Director)

THE MANAGING DIRECTOR AND EXECUTIVE DIRECTOR HAVE GIVEN THEIR CERTIFICATION FOR THE YEAR

Mr. Shailesh Shah Managing Director's and Mr. Maikal Raorani Executive Director's Certification for the year 2010-11

We hereby certify that to the Board that:

We 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 our knowledge and belief, no transactions entered into by the company during the year are fraudulent, illegal or violative of the company's code of conduct.
- We accept responsibility for establishing and maintaining internal controls and that they have evaluated the effectiveness of the internal control systems of the company and they have disclosed to the auditors and the Audit Committee, efficiencies in the designer operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- We have indicated to the auditors and the Audit committee
 - (i) significant changes in 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

SKY INDUSTRIES LIMITED

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, 2011. 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 5 times on 29th May 2010, 31st July 2010, 12th Aug 2010, 15th Nov 2010 and 12th Feb 2011 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 2010 during the financial year.
6. The Annual General Meeting for the financial year ended on 31/3/2010 was held on 29th Sep 2010.
7. No Extra Ordinary Meeting was held during the financial year ended 31st March 2011.
8. The provisions of section 295 of the Companies Act, 1956 duly complied by the company.
9. The Company has applied to Central Government for certain transactions falling within the preview of Section 297.
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;
 - deposited amount in separate Bank Accounts as 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, except for constitution of the same as per Clause 49 of the listing agreement.**
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 borrowings 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.

SKY INDUSTRIES LIMITED

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 initiated 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: 24/05/2011

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

Annexure "A"

Registers 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: 24/05/2011.

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

SKY INDUSTRIES LIMITED

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, 2011.

S. 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	31.03.2010	20.10.2010	Yes	No
2.	Balance sheet	220	31.03.2010	20.10.2010	Yes	No
3.	Compliance Certificate	383A (read with 217)	31.03.2010	18.10.2010	Yes	No
4.	8	125, 130, 132	Not Applicable	28.06.2010	No	Yes
5.	23	192	Not Applicable	28.10.2010	Yes	NA
6.	25C	269(2) & Schedule XIII	Not Applicable	29.10.2010	Yes	No
7.	25C	269(2) & Schedule XIII	Not Applicable	29.10.2010	Yes	Yes
8.	25C	269(2) & Schedule XIII	Not Applicable	29.10.2010	Yes	Yes
9.	25C	269(2) & Schedule XIII	Not Applicable	29.10.2010	Yes	Yes
10.	25C	269(2) & Schedule XIII	Not Applicable	01.11.2010	Yes	Yes
11.	21	141	Not Applicable	23.11.2010	Yes	NA
12.	8	125, 130, 132	Not Applicable	06.01.2011	Yes	NA
13.	8	125, 130, 132	Not Applicable	28.02.2011	Yes	NA
14.	8	125, 130, 132	Not Applicable	28.02.2011	Yes	NA
15.	8	125, 130, 132	Not Applicable	28.02.2011	Yes	NA
16.	8	125, 130, 132	Not Applicable	28.02.2011	Yes	NA
17.	24A	297	Not Applicable	10.03.2011	Yes	NA
18.	24A	297	Not Applicable	10.03.2011	Yes	NA
19.	24A	297	Not Applicable	10.03.2011	Yes	NA
20.	24A	297	Not Applicable	10.03.2011	Yes	NA
21.	24A	297	Not Applicable	10.03.2011	Yes	NA
22.	24A	297	Not Applicable	10.03.2011	Yes	NA
23.	25A	198, 309 and 310	Not Applicable	29.03.2011	Yes	NA
24.	25A	198, 309 and 310	Not Applicable	29.03.2011	Yes	NA
25.	25A	198, 309 and 310	Not Applicable	29.03.2011	Yes	NA
26.	25A	198, 309 and 310	Not Applicable	29.03.2011	Yes	NA

Place: Mumbai
Date: 24/05/2011.

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

SKY INDUSTRIES LIMITED

AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To,
The Members,
Sky Industries Limited.

We have examined the compliance of the conditions of Corporate Governance by **Sky Industries Limited** for the year ended March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

Further to the above, we report that :

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

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

On the basis of representation received from the Registrar of Share Transfer Agent and as per the records maintained by the Company which are presented to the Shareholders / Investors Grievance Committee, we state that during the year ended March 31, 2011 no Investor Grievance were pending for a period exceeding one month.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of

KALYANIWALLA & MISTRY
CHARTERED ACCOUNTANTS

Sd/-

E. K. IRANI
PARTNER

Membership No.35646

Mumbai, May 30th, 2011

**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, 2011 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. *The Company has not complied with the provisions of Section 58AA read with the Acceptance of Deposits Rules, 1975 in respect of a deposit taken from a shareholder of Rs.50,00,000/-. The impact of this non compliance on the loss for the year and results as at year end is not ascertainable.*
5. *The Company has not provided for income tax including interest and penalty on non- payment of income tax of Rs.50,65,286/-. This has resulted in understatement of losses for the current year of Rs. 50,65,286/- and overstatement of reserves as at the year end to that extent.*
6. *We further report that without considering the item mentioned in the paragraph 4 above, the effect of which could not be determined, had the observation made by us in paragraph 5, been considered, the loss for the year would have been Rs. 1,22,86,987 as against the reported figure of Rs. 72,21,701/-. The Reserves would have been Rs. 14,92,31,287/- as against the reported figure of Rs.15,42,96,573/-. Current Liabilities & Provisions would have been Rs. 17,41,58,897/- as against the reported figure of Rs.16,90,93,611/-.*
7. *Without qualifying our opinion, attention is invited to note 8 of schedule 14 to the accounts wherein the Company has made an application under section 297 of the Companies Act 1956, to the Central Government for further increase in limits of transactions with parties covered in the register maintained under section 301 of the said act.*
8. *Without qualifying our opinion, attention is invited to note 4(b) of schedule 14 to the accounts, wherein the Company has not determined the provision for diminution in the value of investments in subsidiaries as at the year-end as required by the paragraph 19 of Accounting Standard (AS) 13 Accounting for Investments issued by the Institute of Chartered Accountants of India. We are unable to ascertain the impact on the loss for the year and the year end reserves.*
9. 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 and read with paragraph 8 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 paragraph 6 above, the said financial statements read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011; and
 - ii) in the case of the Profit and Loss Account, of the loss 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.

10. On the basis of the written representations received from the Directors as on 31st March, 2011, and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31st March, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For and on behalf of
KALYANIWALLA & MISTRY
CHARTERED ACCOUNTANTS
 Firm Registration No.104607W.

Sd/-
ERMINK. IRANI
PARTNER

Membership No. 35646
 Mumbai; Dated: May 30th, 2011

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 assets during the year. In our opinion, the disposal of fixed assets during the year does not affect the going concern assumption.
- 2) (a) The Management has conducted physical verification of inventory at reasonable intervals.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are 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 neither taken a deposit nor granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) Consequently, the question of commenting on the rates of interest and the other terms and conditions of the loans granted being prejudicial to the interests of the Company, regular payment of principal and interest and reasonable steps taken for recovery of principal and interest does not arise.
- 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 paragraph 7 of the auditor's report, the company has made an application to the Central government for further increase in limits of transactions with parties covered in the register maintained under section 301 of the said act.
- (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 and as stated in paragraph 4 of the Auditors Report the Company has accepted a deposit from a shareholder without issue of advertisement at an interest rate higher than the prescribed limits, which is in contravention with the provisions of section 58A, 58AA of the Companies Act, 1956, and the rules framed there under.*
- 7) *In our opinion and according to the information and explanations given to us, the internal audit system is not commensurate with the size of the Company and nature of its business.*
- 8) The 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.

SKY INDUSTRIES LIMITED

- 9) (a) According to the information and explanations given to us and on the basis of our examination of the books of account, during the year, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess and other statutory dues applicable to it with the appropriate authorities. According to the information and explanations given to us, except for income tax dues of Rs.89,22,322/-, there are no undisputed dues payable in respect of the above as at 31st March, 2011 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues outstanding of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty or cess on account of any dispute, other than the following:

Name of Statute	Nature of Dues	Period to which the amount relates	Forum where dispute is pending	Amount (Rs.)
The Bombay Provincial Municipal Corporation Act, 1959	Cess	1998-1999 and 1999-2000	The Supreme Court of India	9,82,603
The Income Tax act, 1961	Penalty u/s 274 (1)(c)	2001-2002	Assistant commissioner of Income Tax	90,000

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

For and on behalf of
KALYANIWALLA & MISTRY
CHARTERED ACCOUNTANTS
 Firm Registration No.104607W.

Sd/-

ERMINK. IRANI
PARTNER

Membership No. 35646

Mumbai; Dated: May 30th, 2011

SKY INDUSTRIES LIMITED

BALANCE SHEET AS AT 31st MARCH, 2011.

	Schedule	Rupees	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
SOURCES OF FUNDS				
SHAREHOLDERS FUND				
SHARE CAPITAL	1	39,764,000		39,764,000
RESERVES AND SURPLUS	2	154,296,573		161,518,274
			194,060,573	201,282,274
LOAN FUNDS				
SECURED LOANS	3	237,460,453		144,301,342
UN SECURED LOANS	4	2,603,562		-
			240,064,015	144,301,342
DEFERRED TAX LIABILITY				
			26,701,647	24,871,647
TOTAL			460,826,235	370,455,263
APPLICATION OF FUNDS				
FIXED ASSETS				
	5			
GROSS BLOCK		383,284,434		367,940,441
LESS: DEPRECIATION		197,031,153		194,077,273
NET BLOCK		186,253,281		173,863,168
CAPITAL WORK IN PROGRESS		1,590,155		12,394,712
			187,843,436	186,257,880
INVESTMENTS	6		21,714,314	18,853,225
CURRENT ASSETS, LOANS AND ADVANCES				
	7			
INVENTORIES		200,422,694		106,368,876
SUNDRY DEBTORS		165,548,861		103,624,427
CASH AND BANK BALANCE		11,802,475		14,250,857
LOANS AND ADVANCES		42,588,066		42,563,165
		420,362,096		266,807,325
LESS: CURRENT LIABILITIES AND PROVISIONS				
	8			
LIABILITIES		165,914,662		90,746,387
PROVISIONS		3,178,949		10,716,780
		169,093,611		101,463,167
NET CURRENT ASSETS			251,268,485	165,344,158
TOTAL			460,826,235	370,455,263
NOTES TO ACCOUNTS	14			

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

Signatures to Balance Sheet and Schedule 1 to 8 and 14

As per our Report attached

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants

For and on behalf of the Board

Sd/-
ERMIN. K. IRANI
Partner

Sd/-
SHAILESH SHAH
Managing Director

Sd/-
NITIN MOTANI
Chairman

Place : Mumbai
Date : May 30th, 2011

SKY INDUSTRIES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011.

	Schedule	Rupees	For the year ended 31.03.2011 Rupees	For the year ended 31.03.2010 Rupees
INCOME				
SALES		782,324,976		629,812,851
OTHER INCOME	9	32,642,752		47,382,270
			<u>814,967,728</u>	<u>677,195,121</u>
EXPENDITURE				
MATERIALS CONSUMED	10	513,926,423		289,554,881
FINISHED GOODS PURCHASED		48,300,371		58,368,031
(INCREASE)/DECREASE IN INVENTORY	11	(63,932,371)		17,411,509
MANUFACTURING, ADMINISTRATIVE & SELLING EXPENSES	12	270,863,952		212,251,253
INTEREST AND FINANCE CHARGES	13	28,789,900		24,569,067
DEPRECIATION		21,642,715		20,480,746
			<u>819,590,990</u>	<u>622,635,486</u>
(LOSS) / PROFIT BEFORE TAXATION			<u>(4,623,262)</u>	<u>54,559,635</u>
(LOSS)/PROFIT BEFORE TAX ON CONTINUING OPERATIONS			<u>(4,623,262)</u>	23,406,827
LESS: PROVISION FOR TAXATION				
CURRENT TAX			-	4,950,000
DEFERRED TAX			<u>1,830,000</u>	6,390,000
(LOSS)/PROFIT AFTER TAX ON CONTINUING OPERATION			<u>(6,453,262)</u>	<u>12,066,827</u>
(LOSS)/PROFIT ON DISCOUNTING OPERATIONS - RIBBON DIVISION			-	31,152,808
LESS: PROVISION FOR TAXATION				
CURRENT TAX			-	2,700,000
DEFERRED TAX			-	-
PROFIT AFTER TAX ON DISCONTINUING OPERATION			-	<u>28,452,808</u>
(LOSS)/PROFIT AFTER TAXATION			<u>(6,453,262)</u>	40,519,635
PRIOR PERIOD ADJUSTMENTS			<u>768,439</u>	376,921
(LOSS) / PROFIT AFTER TAXATION AND PRIOR PERIOD ADJUSTMENTS			<u>(7,221,701)</u>	40,142,714
SURPLUS BROUGHT FORWARD			<u>153,518,274</u>	<u>116,194,000</u>
AMOUNT AVAILABLE FOR APPROPRIATION			<u>146,296,573</u>	<u>156,336,714</u>
APPROPRIATION				
TRANSFER TO GENERAL RESERVE			-	500,000.00
PROPOSED DIVIDEND			-	1,988,200.00
TAX ON DIVIDEND			-	330,240.00
BALANCE CARRIED TO BALANCE SHEET			<u>146,296,573</u>	<u>153,518,274</u>
			<u>146,296,573</u>	<u>156,336,714</u>
Earnings per share (basic / diluted) in Rs. (Refer Note 12)			<u>(1.83)</u>	10.10
NOTES TO ACCOUNTS	14			

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

Signatures to Profit and Loss Account and Schedule 9 to 14

As per our Report attached

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants

For and on behalf of the Board

Sd/-
ERMIN. K. IRANI
Partner

Sd/-
SHAILESH SHAH
Managing Director

Sd/-
NITIN MOTANI
Chairman

Place : Mumbai
Date : May 30th, 2011

SKY INDUSTRIES LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
1 SHARE CAPITAL		
Authorised Capital		
15,000,000 Equity Shares of Rs.10/- each	150,000,000	150,000,000
500,000 Redeemable Preference Shares of Rs. 100/- each	50,000,000	50,000,000
	<u>200,000,000</u>	<u>200,000,000</u>
Issued, subscribed and paid up :		
3,976,400 Equity Shares of Rs. 10/- each, fully paid up. (Of which 400,000 equity shares of Rs.10/- each have been allotted for consideration other than cash)	39,764,000	39,764,000
	<u>39,764,000</u>	<u>39,764,000</u>
2 RESERVES AND SURPLUS		
General Reserve as per last Balance Sheet	8,000,000	7,500,000
Add : Transferred from Profit & Loss Account	-	500,000
	<u>8,000,000</u>	<u>8,000,000</u>
Profit and Loss Account	146,296,273	153,518,274
	<u>154,296,573</u>	<u>161,518,274</u>
3 SECURED LOANS		
LONG TERM:		
(a) From Banks:		
i) Term loans	63,422,754	27,311,193
(The above facility is secured by way of pari pasu 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 and personal guarantee of Directors) (Amount repayable within one year Rs 12,244,085/-, Previous year Rs 5,287,666/-)		
ii) Vehicle Loans	6,794,990	4,176,820
(The above facility is secured by the hypothecation of vehicles purchased under the scheme) Interest accrued	47,982	29,963
(Amount repayable within one year Rs 2,608,264/-, Previous year Rs 1,368,778/-)		
(b) From others:		
Vehicle loan	338,932	272,012
(The above facility is secured by the hypothecation of assets purchased under the scheme) (Amount repayable within one year Rs. 285,827/-, Previous year Rs. 102,472/-)		
SHORT TERM:		
From Banks:		
Cash Credit and Packing credit & Payable for Letter of credit (The above facility is secured by way of first charge on all the current assets of the borrower both present and future, second charge on the entire fixed assets, both present & future, and personal guarantee of Directors.)	166,855,795	112,511,344
	<u>237,460,453</u>	<u>144,301,342</u>

SKY INDUSTRIES LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET (Contd.)

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
4 UNSECURED LOANS		
From share holder	2,500,000	-
Interest accrued and due	103,562	-
(Amount repayable within one year Rs. 2,603,562/-, Previous year Nil)		
	2,603,562	-

5. FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions	Sales/ Adjustments	As at 31.03.2011	Up to 01.04.2010	For the year ended 31.03.2011	Sales/ Adjustments	Up to 31.03.2011	As at 31.03.2011	As at 31.03.2010
Tangible Fixed Assets										
Leasehold Land	8,360,860	-	-	8,360,860	900,144	102,264	-	1,002,408	7,358,452	7,460,716
Buildings	48,560,463	200,585	-	48,761,048	13,559,457	1,625,160	-	15,184,617	33,576,432	35,001,006
Plant & Machinery	268,437,015	72,128,667	57,233,325	283,332,357	158,246,028	16,449,360	14,631,506	160,063,882	123,268,475	110,190,988
Electrical Installations	5,383,761	1,578,648	-	6,962,409	3,843,003	530,920	-	4,373,923	2,588,486	1,540,758
Furniture & Fixtures	4,803,285	555,343	-	5,358,628	3,342,460	500,191	-	3,842,651	1,515,977	1,460,825
Office Equipment	5,661,860	196,325	6,364	5,851,821	3,300,366	197,594	1,472	3,496,488	2,355,334	2,361,494
Computer	5,651,307	552,175	-	6,203,482	4,583,635	438,823	-	5,022,458	1,181,024	1,067,672
Vehicles	20,461,336	6,971,714	9,684,165	17,748,885	5,774,531	1,738,425	4,055,857	3,457,100	14,291,785	14,686,805
Total	367,319,887	82,183,456	66,923,854	382,579,489	193,549,623	21,582,737	18,688,835	196,443,526	186,135,965	173,770,264
Intangible Fixed Assets										
Computer Software	620,554	84,391	-	704,945	527,650	59,978	-	587,628	117,317	92,904
Grand Total	367,940,441	82,267,847	66,923,854	383,284,434	194,077,274	21,642,715	18,688,835	197,031,154	186,253,282	173,863,167
Previous year	391,122,924	26,928,746	50,111,229	367,940,441	192,267,283	20,480,746	18,670,757	194,077,274	-	173,863,168
Capital Work In Progress and Advances									1,590,155	12,394,712
									187,843,437	186,257,880

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET (Contd.)

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
6 INVESTMENTS		
LONG TERM - TRADE UNQUOTED (AT COST)		
IN GOVERNMENT SECURITIES		
50 units of Rs.100/- each in National Savings Certificate(Lodged with Government Departments as Security Deposit)	5,000	5,000
IN EQUITY SHARES		
IN SUBSIDIARY COMPANIES		
80,000 (Previous year 80,000) Equity shares of US\$ 1/- each, fully paid up in Sky Inc., U.S.A	3,560,515	3,560,515
14,78,770 (Previous year 14,78,770) Equity shares of Rs. 10/- each, fully paid up in Sky Hemmay Pvt Ltd	14,787,700	14,787,700
2,59,999 (Previous year Nil) Equity shares of Rs. 10/- each, fully paid up in SK Stabel Industries Pvt Ltd	2,859,989	-
IN OTHERS		
50,000 (Previous year 50,000) Equity shares of Rs.10/- each, fully paid in Dombivali Nagari Sahakari Bank Ltd.	500,010	500,010
105 (Previous year Nil) Equity shares of Rs. 10/ each, fully paid in Janakalyan Sahakari Bank Ltd.	1,100	-
	21,714,314	18,853,225
Aggregate Value of Unquoted Investments	21,714,314	18,853,225
7. CURRENT ASSETS, LOANS & ADVANCES		
CURRENT ASSETS		
(a) Inventories:		
Raw Materials	79,598,683	48,355,457
Packing Materials	1,632,264	2,754,043
Work in Progress	34,851,213	28,352,138
Finished Goods	84,340,534	26,907,238
	200,422,694	106,368,876
(b) Sundry Debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good*	20,015,878	20,615,833
Considered doubtful	2,812,191	2,348,285
	22,828,069	22,964,118
Other Debts*	145,522,983	83,008,594
	168,351,052	105,972,712
Less: Provision for doubtful debts	2,802,191	2,348,285
*(Includes Rs. 6,84,48,855/- (Previous year Rs.1,46,57,362/-) receivable from Companies under same management.	165,548,861	103,624,427

SKY INDUSTRIES LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET (Contd.)

	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees
(c) Cash and Bank balances		
Cash on hand	194,840	234,527
Balances with Scheduled Banks		
In Current Accounts	2,395,418	3,758,734
In Deposit Account	9,212,217	10,257,596
	<hr/>	<hr/>
		11,802,475
		14,250,857
 LOANS AND ADVANCES (Unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received	5,191,935	2,431,182
Balances with Government Authorities	9,859,234	9,802,755
Advances to Suppliers	4,669,742	9,585,105
Deposits	22,867,155	20,744,123
	<hr/>	<hr/>
		42,588,066
		42,563,165
		<hr/> <hr/>
		420,362,096
		266,807,325
 8 CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors (Refer note 5)	115,662,095	57,950,585
Dues to Investor Education and Protection Fund	216,183	-
Advance received from Customers	5,310,447	16,664,984
Unclaimed dividend	250,294	297,663
Other Liabilities	44,475,643	15,833,155
	<hr/>	<hr/>
		165,914,662
		90,746,387
 PROVISIONS		
Taxation (Net of Advance Tax and TDS Rs. 20,067,077/- Previous year Rs. 16,460,122/-)	2,641,922	6,248,878
Dividend	-	1,988,200
Tax on Dividend	-	330,240
Leave encashment	537,027	2,149,462
	<hr/>	<hr/>
		3,178,949
		10,716,780
		<hr/> <hr/>
		169,093,611
		101,463,167

SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT & LOSS ACCOUNT

	Rupees	For the year ended 31.03.2011 Rupees	For the year ended 31.03.2010 Rupees
9 OTHER INCOME			
Interest Received (TDS Rs.45,214 /-, Previous year Rs. 52,277/-)		486,889	451,754
Excess Provision written back		1,494,809	6,742
Claim Received		43,216	-
Dividend		75,600	1,074,412
Service Contract Charges		13,768,717	9,275,591
Machine Hire Receipts		2,160,000	684,209
Difference in Exchange rate		3,175,587	3,141,357
Discount Received		283,762	-
Profit on Sale of Assets		-	31,665,505
Processing Charges Received		11,055,135	-
Miscellaneous Income		99,037	1,082,700
		<u>32,642,752</u>	<u>47,382,270</u>
10 MATERIALS CONSUMED			
Raw Materials consumed			
Opening Stock	48,355,457		42,088,926
Add: Purchases	500,550,998		259,597,596
Less: Closing Stock	79,598,683		48,355,457
		<u>469,307,772</u>	<u>253,331,065</u>
Stores & Spares		11,989,966	9,245,114
Packing Material		32,628,685	26,978,702
		<u>513,926,423</u>	<u>289,554,881</u>
11 (INCREASE)/DECREASE IN INVENTORY			
CLOSING STOCK			
Finished Goods	84,340,534		26,907,238
Work In Process	34,851,213		28,352,138
		<u>119,191,747</u>	<u>55,259,376</u>
OPENING STOCK			
Finished Goods	26,907,238		45,956,155
Work In Process	28,352,138		26,714,730
		<u>55,259,376</u>	<u>72,670,885</u>
		<u>(63,932,371)</u>	<u>17,411,509</u>

SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT & LOSS ACCOUNT (Contd.)

	Rupees	For the year ended 31.03.2011 Rupees	For the year ended 31.03.2010 Rupees
12 MANUFACTURING, ADMINISTRATIVE & SELLING EXPENSES			
Employee Cost:			
Salaries, Wages & Bonus	85,516,356		58,124,778
Contribution to P.F & Other Funds	4,271,413		3,572,650
Welfare Expenses	5,061,119		4,778,699
		94,848,888	66,476,127
Directors Remuneration & Sitting fees		10,560,000	10,560,000
Power & Fuel		29,437,896	22,376,464
Labour Charges		28,860,132	21,066,745
Rent Rates & Taxes		25,387,084	12,920,123
Repairs & Maintenance:			
Building	1,970,291		1,573,157
Plant & Machinery	3,024,231		1,794,698
Others	5,311,052		4,004,747
		10,305,574	7,372,601
Auditors Remuneration		620,536	536,932
Advertisement & Business Promotion		3,169,985	1,724,630
Insurance		1,103,068	1,160,780
Freight, Cartage and Forwarding Expenses		19,292,087	22,783,151
Travelling & Other Conveyance		7,573,842	7,468,111
Commission		8,236,869	10,498,976
Postage, Telegram & Telephone		4,345,684	3,952,060
Professional & Other Fees		5,384,684	2,935,686
Printing & Stationery		2,742,042	1,610,294
Bad debts		545,310	7,645,647
Provision for Doubtful Debts made (Net)		453,906	2,021,715
Loss on sale of fixed assets		3,470,616	-
Share of Loss from Shamots International		-	102,782
Donations		11,421	231,952
Other Sundry Expenses		14,514,328	8,806,477
		270,863,952	212,251,253
13 INTEREST AND FINANCE CHARGES			
Interest on Fixed Loans			
Banks		6,562,324	7,358,224
Others		61,536	18,774
Interest on Other Loans		-	
Banks		12,703,554	11,389,150
Others		115,069	-
Interest on Others		1,433,537	113,104
Bank Charges		7,913,880	5,689,815
		28,789,900	24,569,067

Schedule 14

NOTES FORMING PART OF THE ACCOUNTS

1. Statement of Significant Accounting Policies

A. Basis of Accounting:

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

B. 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. 163,500/-)
- 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. 12,000,000)
- 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.4,797,791/- (Previous year Rs.30,313,445/-)

3. Segment Reporting:

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

4. Investments

- a) The Company had 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, amounting to Rs. Nil (Previous Year Profit of Rs. 1,02,782/-) has been charged to the Profit & Loss Account.
- b) The Company's equity investment in Skay Inc, USA is carried at cost. The diminution in the value of the investment is considered to be of a temporary nature, in view of the company's long-term financial involvement in that company. No provision is therefore considered necessary in the amounts for diminution in the value of this investment.

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	As at 31-Mar-09	As at 31-Mar-08
Depreciation on Fixed Assets	(28,570,821)	(27,231,362)
Others	1,869,174	2,359,715
Deferred Tax Liability	(26,701,647)	(24,871,647)

7. Debtors, Creditors and Loans & advances are subject to confirmation/ reconciliation, adjustment, if any will be accounted for on receipt/ confirmation of the same after examination.

8. Note - The Company has made an application under section 297 of Company's Act 1956, to the Central Government for further increase in limits of transaction with parties covered in the Register maintained under section 301 of the said Act.

9. 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
SK Stabel Industries Private Limited (wholly owned subsidiary)
- iii. Key management personnel/ persons exercising significant influence & their relatives:
Mr. Nitin K. Motani
Mr. Shailesh S. Shah
Mr. Saurabh K. Motani
Mr. Sharad S Shah
Mr. Maikal Raorani
- iv. Enterprises over which Key management personnel exercise significant influence.
S.K. Exports
S.K. Silks
Shamots International
S.K.Overseas
SK Enertek Private Limited
Jask Invogue Private Ltd.

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

Nature of Transaction	Shareholder with a substantial interest in voting power A (i)	Subsidiaries A (ii)	Key managerial personnel/ persons exercising significant influence & their relatives A (iii)	Enterprises over which Key management personnel exercising significant influence A (iv)
Sales		– –		22,832,156 –
Share of Profit from Shamots International				<i>(102,782)</i>
Service Charges Recd.		1,763,278 <i>(1,181,430)</i>		12,005,439 <i>(8,087,423)</i>
Hire charges Recd.		– <i>(84,209)</i>		2,160,000 <i>(600,000)</i>
Purchase		344,500 –		6,228,798 <i>(926,280)</i>
Labour Receipts		– –		514,242 <i>(114,813)</i>
Remuneration			10,560,000 <i>(10,560,000)</i>	
Rent	12,000,000 <i>(6,000,000)</i>			– <i>(90,000)</i>
Repairs and Maintenance (P&M)				279,389 <i>(136,255)</i>
Repairs and Maintenance (others)				58,228 –
Commission		6,090,639 <i>(6,331,919)</i>		
Labour charges				– <i>(51,618)</i>
Sale of Fixed Assets		42,918,540 <i>(13,080,700)</i>		– –
Purchase of Fixed Assets		– –		5,775,102 <i>(6,331,603)</i>
Deposit given	– <i>(10,370,000)</i>			
Investment in shares		– <i>(12,790,080)</i>		
Purchase of Shares	2,859,989 –	– –		
Advances taken				2,000,000 <i>(5,800,000)</i>
Balances Outstanding	18,479,989 <i>(14,720,000)</i>	55,547,205 <i>(2,278,154)</i>	<i>(1,124,837)</i> <i>(Cr. 1514017)</i>	4,714,606 <i>(Cr. 1,603,265)</i>
Gurantees given outstanding at the year end		12,000,000 <i>(12,000,000)</i>		

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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		-			SK Exports	22,832,156
Service Charges Recd	Sky Hemmay Pvt. Ltd.	1,628,402			S.K. Silks	272,400
		(1,181,430)				(290,800)
	S. K. Stable Ind Pvt Ltd	134,876			S.K. Overseas	1,341,824
		-				(1,499,524)
					S.K. Exports	7,773,327
						(4,007,580)
					Shamots International	1,939,052
						(1,763,082)
				S.K.Stable Ind Pvt Ltd	503,924	
					(329,711)	
				Jask Invogue	174,912	
					(196,726)	
Hire Charges Recd.	Sky Hemmay Pvt. Ltd.	-			S.K. Stabel Ind Pvt Ltd	2,160,000
		(84,209)				(600,000)
Purchases	Sky Hemmay Pvt Ltd	344,500			S.K. Overseas	49,537
						(437,069)
					S.K. Silks	-
						(228,340)
					S.K. Exports	4,634,971
						(254,271)
				Shamots International	1,544,290	
				S.K. Stabel Ind Pvt Ltd	-	
					(6,600)	
Labour Charges					Shamots International	-
						(51,618)
Remuneration			Nitin K. Motani	2,820,000		
				(2,820,000)		
			Shailesh S. Shah	2,340,000		
				(23,400,000)		
			Saurabh K. Motani	1,860,000		
				(1,860,000)		
			Sharad S. Shah	2,340,000		
				(2,340,000)		
		Maikal Raorani	1,200,000			
			(1,200,000)			
Investment in Shares	Sky Hemmay Pvt. Ltd.	-				
		(12,790,080)				
Rent		-			S.K.Export	-
						(90,000)
Labour Receipts					S.K.Stabel Ind Pvt Ltd	-
						-
Repairs & Maintenance (P&M)					Shamots International	48,314
						(33,500)
					S.K. Overseas	231,075
						(102,755)

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

(Rupees)

Transactions during the year	Item A(ii)	Amount	Item A(iii)	Amount	Item A(iv)	Amount
Repairs & Maintenance (Others)					S.K.Overseas	5,586
						-
					Shamots International	52,642
Commission	Sky Inc. , USA	6,090,639				
		(6,331,919)				
Other Sundry Expenses					Shamots International	-
						-
Sale of Fixed Assets	Sky Hemmay Pvt. Ltd.	-				
		(13,080,700)				
	S.K.Stabel Ind Pvt Ltd	42,918,540				
Purchase of Fixed Assets	Sky Hemmay Pvt. Ltd.	-			Shamots International	5,553,312
		-				(4,129,711)
					S.K. Overseas	221,790
						(59,625)
					S.K. Exports	-
					(2,142,267)	
Advances taken					S.K. Exports	2,000,000
						(5,800,000)
Balances Outstanding	Sky Inc. , USA	(1,645,519)	Shailesh S Shah	Cr. 155000	Shamots International	(3,295,533)
		(1,246,203)		(Cr. 195000)		(1,439,277)
	Sky Hemmay Pvt. Ltd.	3,208,344	Nitin K Motani	Cr. 380000	S.K. Overseas	(70,701)
		(3,524,357)		(Cr 304655)		(2,817)
			Saurabh K Motani	Cr.344537	S.K. Exports	(1,721,774)
				(Cr. 557537)		(7,659,679)
			Sharad S Shah	Cr. 155000	S.K. Silks	98,148
				(Cr. 373875)		(237,473)
			Maikal Raorani	Cr. 90300	Jask Invogue Pvt. Ltd.,	275,254
				(Cr. 82950)		(86,182)
				S.K.Stabel Ind Pvt Ltd	-	
					(10,850,695)	
Gurantees given, outstanding at the year end	Sky Hemmay Pvt. Ltd.	12,000,000				
		(12,000,000)				

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10. The Company has not given any loans to a subsidiary. Hence, there are no disclosures required to be given under Clause 32 of the Listing Agreement.
11. 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	9,599,537	1,316,000
ii) Later than one Year and not later than Five years	4,223,700	153,000
iii) Later than 5 years	-	-

12. Earning per Share

Particulars	Current Year	Previous Year
(Loss)/Profit after tax and prior period expenses	(72,21,701)	40,142,714
Weighted average no. of equity shares outstanding	3,976,400	3,976,400
Basic earnings per share	(1.82)	10.10
Diluted earnings per share	(1.82)	10.10
Nominal value of shares	10/-	10/-

13. Auditors Remuneration:

Particulars	Current Year	Previous Year
Statutory Audit	500,000	400,000
Audit under Other Statutes	50,000	40,000
Representation before Tax Authorities	11,000	30,000
Certification	50,000	61,000
Re-imburement of Expenses	9,536	5,932
Total	620,536	5,36,932

14. 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-11	As at 31-Mar-10
Transportation cost	31,180	
Interest	480,304	
Labour charges	10,393	
Purchases of Rawmaterials	150,594	
Sundry expenses	76,606	
Professional & other fees	15,000	1,700
Advertising Expenses	4,700	-
Packing Materials	-	55,933
Salaries , Wages & Bonus	-	67,254
Welfare Expenses	-	40,417
Commission	-	(86,685)
Postage, Telegram & Telephone	1,161	2,837
Printing & stationery	-	(6,819)
Water charges	2,500	-
Interest on Fixed Loans from Banks	-	(13,714)
Depreciation on P & M	(4,000)	-
Traveling Expenses	-	(47,878)
Repairs & Maintenance	-	66,874
Interest on TDS	-	244,041
Freight & Forwarding	-	18,302
Incentives	-	34,659
	768,438	376,921

15 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 2011:

Particulars	CURRENT YEAR Rupees	PREVIOUS YEAR Rupees
Change in Defined Benefit Obligation		
Opening Defined Benefit Obligation as at 31st March 2010	7,221,055	6,073,208
Current Cost	693,588	980,666
Interest Cost	577,684	461,564
Service Cost	-	-
Benefits Paid	(540,513)	-
Actuarial (gain)/loss on obligation	(1,801,924)	(997,908)
Present value of obligation, as at 31st March 2011	<u>6,149,890</u>	<u>6,517,530</u>
Change in Fair Value of assets		
Opening Fair value of plan assets as at 1st April 2010	6,517,530	-
Expected return on plan assets	591,251	297,715
Contributions by Employer	624,021	6,507,438
Benefits paid	(540,513)	-
Actuarial gain/(loss) on plan assets	-	(287,623)
Fair value of Plan Assets at the end of the year	7,192,289	6,517,530
Total Actuarial (gain)/loss to be recognised	<u>(1,801,924)</u>	<u>(710,285)</u>
Actual Return on Plan Asset		
Expected return on plan assets	591,251	297,715
Actuarial (gain)/loss on plan assets	-	(287,623)
Actual return on plan assets	591,251	10,092
Amount Recognised in the Balance sheet		
Liability at the end of the year	6,149,890	6,517,530
Fair Value of plan assets at the end of the year	7,192,289	6,517,530
Difference	<u>(1,042,399)</u>	-
Amount Recognised in the Balance Sheet		
Net gratuity cost for the year ended 31st March 2011	<u>(1,042,399)</u>	-
Current Service Cost	693,588	980,666
Interest Cost	577,684	461,564
Expected return on plan assets	(591,251)	(297,715)
Net Actuarial (gain)/loss to be recognised	<u>(1,801,924)</u>	<u>(710,285)</u>
Net gratuity cost	<u>(1,121,903)</u>	<u>434,230</u>
Balance Sheet Recognition		
Opening net liability	-	6,073,208
Expenses as above	(1,121,903)	434,230
Employer's Contribution	(624,021)	(6,507,438)
Closing Net liability	<u>(1,745,924)</u>	-
Actuarial Assumptions		
Discount Rate (p.a.)	8.00	8.00
Rate of return on plan assets	9.15	9.15
Salary escalation rate (p.a.)	3.00	4.00

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 :

Contribution to Employee Provident Fund	2,710,884	2,470,174
Contribution to ESI	1,547,533	1,088,509
Contribution to Maharashtra Labour Welfare Fund	12,996	13,968
Contribution to Provident & other funds	<u>4,271,413</u>	<u>3,572,651</u>

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

DESCRIPTION	UNIT	Current Year		Previous Year	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Yarn	Kgs.	2,033,029	295,095,284	1,115,735	166,295,783
Resins and Chemicals	Kgs.	322,531	37,896,465	193,457	26,826,472
Dyes and Colours	Kgs.	6,368	3,820,792	7,446	1,878,420
Rubber Thread	Kgs.	127,425	24,245,693	183,028	26,679,940
Hook Loop Tapes	Kgs.	205,559	77,709,376	-	-
Hot Melt Glue/pp webbing	Kgs.	69,869	17,376,478	53,071	10,310,890
Polyester Film	Kgs.	5,113	1,096,064	-	-
Release Paper	Kgs.	19,145	1,755,338	-	-
Others (incl.Knit Loop Fabrics)	Kgs.	4,804,743	7,811,770		21,697,311
Stores & spares	Kgs.		13,894,097		9,240,103
Paking materials	Kgs.		33,225,066		26,625,962
Total			513,926,423		289,554,881

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

	Current Year		Previous Year	
	Percentage of Total Consumption	Value (Rs.)	Percentage of Total Consumption	Value (Rs.)
Indigenous	51.11%	262,667,795	41.63%	120,532,359
Imported	48.89%	251,258,628	58.37%	169,022,522
	100.00%	513,926,423	100.00%	289,554,881

17. VALUE OF IMPORTS CALCULATED ON CIF BASIS

	Current Year Rs.	Previous Year Rs.
Raw Materials	260,281,621	232,946,650
Stores and spares	3,186,468	1,116,253
Capital Goods	3,019,930	5,872,059
	266,488,019	239,934,962

18. EXPENDITURE IN FOREIGN CURRENCY

	Current Year Rs.	Previous Year Rs.
Commission on exports	6,195,567	6,479,649
Travel expenses	692,119	209,037
Testing Expenses	623,296	465,019
	7,510,982	7,153,705

19. EARNINGS IN FOREIGN CURRENCY

	Current Year Rs.	Previous Year Rs.
FOB Value of Exports	164,822,698	258,267,795
Insurance on Exports	78,053	277,572
Freight on Exports	2,958,626	2,804,408
Other charges	92,945	184,549
	167,952,322	261,534,324

20. Disclosures for Foreign Currency Transactions as on 31st March 2011

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

Particulars	As at 31st March, 2011	As at 31st March, 2010
Amount in Rupees		
Secured Loans		
USD	45,802,354	41,731,893
Current Liabilities		
USD	32,014,455	12,114,093
EURO	982,200	342,949
Current Assets		
USD	12,715,442	13,159,366
EURO	1,920,223	11,529,567
GBP	16,202	148,964

In Foreign Currency

Particulars	As at 31st March, 2011	As at 31st March, 2010
Amount in Foreign currency		
Secured Loans		
USD	1,025,809	924,704
Current Liabilities		
USD	717,009	268,385
EURO	15,535	5,662
Current Assets		
USD	284,780	291,580
EURO	30,371	190,351
GBP	225	2,190

21. Managerial Remuneration

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

	Current Year Rs.	Previous Year Rs.
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	(4,623,262)	54,555,935
Add: Managerial Remuneration	10,560,000	10,560,000
Depreciation as per books	21,642,715	20,480,746
Provision for Doubtful Debts made	877,774	2,348,285
Loss/(Profit) on sale / disposal of fixed assets / CWIP	3,470,616	(31,665,505)
Less: Provision for Doubtful Debts written back	-	-
Depreciation as per section 350	21,642,715	20,480,746
	21,642,715	20,480,746
Net Profit	10,285,128	35,798,715
Maximum remuneration permissible under the Act. (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.		

SKY INDUSTRIES LIMITED

22. 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 (128,400,000)	127,009,104 (76,064,685)
Elastic Tapes	Meters	Not Applicable	210,922,560 (210,922,560)	73,481,238 (162,452,980)
Cordy Tex	Kgs	Not Applicable	3,024,000 (Nil)	648,729 (Nil)

* As certified by the management.

23. Quantitative Information

Class of Goods	Unit	Opening Stock		Closing Stock		Sales		
		Qty	Value Rs.	Qty	Value Rs.	Qty	Value Rs.	
A. Manufactured Goods								
Hook and Loop Tape Fasteners								
	Meters	5,464,312 (13,186,750)	17,263,488 (40,064,494)	18,163,128 (5,464,312)	49,883,092 (17,263,488)	116,310,157 (83,043,373)	530,442,971 (341,903,190)	
Elastic Tapes								
	Meters	5,683,626 (13,665,195)	2,455,453 (4,183,007)	6,911,583 (5,683,626)	5,200,272 (2,455,453)	72,253,281 (170,434,459)	127,484,321 (241,555,114)	
Cordy Tex								
	Kgs (Nil)	- (Nil)	- (Nil)	140,672 (Nil)	19,382,903 (Nil)	508,058 (Nil)	74,139,675	
Total		11,147,938	19,718,941	25,215,383	74,466,267	189,071,496	732,066,967	
(Total)		(26,851,945)	(44,247,501)	(11,147,938)	(19,718,941)	(253,477,832)	(583,458,304)	

B. Traded Goods	Unit	Opening Stock		Purchases		Sales/Samples		Closing Stock	
		Qty	Value	Qty	Value	Qty	Value	Qty	Value
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Misc Items		- (740)	497,440 (103,600)	- (1,683,480)	26,096,073 (1,683,480)	- (1,234,093)	30,554,112 (1,234,093)	- (497,440)	2,909,041 (497,440)
Narrow woven pile fabrics	Meters	- (17,775)	- (267,919)	105,205 (17,775)	4,650,528 (17,775)	105,205 (17,775)	- (17,775)	- (17,775)	- (17,775)
Sky Net	Rolls	1,341 (1,397)	1,291,211 (1,337,135)	17,769 (7,481)	17,553,770 (6,018,068)	12,843 (7,537)	19,703,898 (10,693,734)	6,267 (1,341)	6,965,226 (1,291,211)
Hook & Loop Tape	Equ.25mm	1,999,869 (Nil)	5,399,646 (Nil)	- (Nil)	- (Nil)	- (Nil)	- (Nil)	- (Nil)	- (Nil)
Total		2,001,210	7,188,297	122,974	48,300,371	118,048	50,258,010	6,267	9,874,267
(Total)		(Nil)	(Nil)	(7,481)	(7,701,548)	(25,312)	(11,927,827)	(1,341)	793,771

24. Discontinuance of Ribbon Division

The assets of Rs.10.01 million (Previous year Rs.10.01 million) of the Ribbon division business have not yet been recovered/realized/settled. The Company is in the process of realizing/settling the above dues.

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

SKY INDUSTRIES LIMITED

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

1) Registration Details

Registration No.	11-52645	State Code	II
Balance Sheet Date	31/03/2011		

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	460,826	Total Assets	460,826
-----------------	---------	--------------	---------

Sources of Funds

Paid – Up Capital	39,764	Reserve & Surplus	154,297
Secured Loans	237,460	Unsecured Loans	NIL
Deferred Tax Liability	26,702		

Application of Funds

Net Fixed Assets	187,843	Investments	21,714
Net Current Assets	251,268	Misc. Expenditure	-

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

Turnover	814,968	Total Expenditure	819,591
(Loss) / Profit Before Tax	(4,623)	(Loss) / Profit After Tax	(6,453)
Earning Per Share in	Rs.	Nil	

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

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

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants

For and on behalf of the Board

Sd/-
ERMIN. K. IRANI
Partner

Sd/-
SHAILESH SHAH
Managing Director

Sd/-
NITIN MOTANI
Chairman

Place : Mumbai
Date : May 30th, 2011

SKY INDUSTRIES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31ST, 2011

Particulars	Rupees	Year ended March, 31 2011 (Rupees)	Year ended March, 31 2010 (Rupees)
A. Cash Flow from Operating Activities:			
Profit before tax and extra ordinary item		(4,623,262)	54,559,635
Adjustment for:			
Depreciation	21,642,715		20,480,746
Interest and Finance Charges	6,738,929		7,376,998
Interest income	(486,889)		(451,754)
Dividend	(75,600)		(1,074,412)
Profit/Loss on Sale /Disposal of Fixed Assets/Capital W.I.P.	3,470,616		(31,665,505)
Prior period Adjustments	(768,439)		(376,921)
Share of Loss in Shamots International	-		102,782
		30,521,332	(5,608,067)
Operating Profit before Working Capital Changes		25,898,071	48,951,568
Adjustment for:			
Debtors	(61,924,434)		26,063,506
Other Receivables	(24,901)		(18,485,607)
Inventory	(94,053,818)		11,521,549
Trade and Other Payable	73,387,026		(1,552,309)
		(82,616,127)	17,547,139
Cash generated from Operations		(56,718,056)	66,498,707
Tax paid/net of Refund received		(3,606,956)	(1,121,276)
Net Cash Flow from Operating Activities		(60,325,012)	65,377,431
B. Cash Flow from Investing Activities:			
(Loss)/Profit form Shamots International	-		(102,782)
Acquisition of Fixed Assets	(71,463,290)		(38,742,145)
Sale of Fixed Assets of Continued Operation	44,764,403		5,739,020
Increase in Investments	(2,861,089)		(12,790,080)
Sale of Fixed Assets of Discontinued Operation	-		57,366,957
Dividend	75,600		1,074,412
Interest income	486,889		451,754
Net Cash Flow from Investing Activities		(28,997,487)	12,997,136
C. Cash Flow from Financing Activities:			
(Decrease)/Increase in Working Capital facility (net)	54,344,451		(25,316,552)
Increase in Term Loans	47,758,845		16,155,494
Repayment of Term Loans	8,962,205		(59,377,463)
Increase in Unsecured Loans	5,000,000		-
Repayment of Unsecured Loans	(2,500,000)		-
Interest and Finance Charges	(6,617,348)		(7,347,035)
Payment of Dividend	(1,819,386)		(176,946)
Tax on Dividend Paid	(330,240)		-
Net Cash Flow from Financing Activities		86,874,117	(76,062,502)
Net Increase/(Decrease) in Cash or Cash Equivalents		(2,448,382)	2,312,065
Cash and Cash Equivalents as at the beginning of the year		14,250,857	11,938,792
Cash and Bank Balances		11,802,475	14,250,857
Cash and Cash Equivalents as at the end of the year		(2,448,382)	2,312,065
Cash and Bank Balances			

Note: Cash flow statement has been presented under indirect method as prescribed in AS-3.
 Figures for the previous year have been regrouped and rearranged wherever considered necessary.

As per our Report attached

For and on behalf of
KALYANIWALLA & MISTRY
 Chartered Accountants

Sd/-

ERMIN. K. IRANI
 Partner

Place : Mumbai
 Date : May 30th, 2011

For and on behalf of the Board

Sd/-

SHAILESH SHAH
 Managing Director

Sd/-

NITIN MOTANI
 Chairman

SKY INDUSTRIES LIMITED

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

1. Name of the Subsidiary Company	Sky Inc.,
2. Financial Year of the Subsidiary	1 st April, 2010 to 31 st March, 2011
3. Holding Company	Sky Industries Ltd.
4. Extent of Holding Comany's Interest	100%
5. Face value of Equity Shares (Per Share)	USD 1
6. Number of Equity Shares held by the Company and/or its subsidiary	80,000
7. Net Aggregate amounts of profits/ (losses) of the subsidiary so far as it concerns the members of the Holding Company and is not dealt within accounts of holding company	For the Financial Year of the subsidiary USD 11,721 (Loss) For the previous financial years of subsidiary since it became a subsidiary (USD 63,913) (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. For the previous year of subsidiary since it became a subsidiary N.A.

1. Name of the Subsidiary Company	S. K. Stabel Industries Pvt. Ltd.
2. Financial Year of the Subsidiary	1 st April, 2010 to 31 st March, 2011
3. Holding Company	Sky Industries Ltd.
4. Extent of Holding Comany's Interest	100%
5. Face value of Equity Shares (Per Share)	Rs.10/-
6. Number of Equity Shares held by the Company and/or its subsidiary	259,999
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. 7,608,358 For the previous financial years of subsidiary since it became a subsidiary (Nil)
8. Net Aggregate amounts of profits/ (losses) of the subsidiary so far as it concerns the members of the holding company and is dealt within accounts of holding Company.	For the Financial year of subsidiary N.A. For the previous year of subsidiary since it became a subsidiary N.A.

1. Name of the Subsidiary Company	Sky Hemmay Pvt. Ltd.
2. Financial Year of the Subsidiary	1 st April, 2010 to 31 st March, 2011
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. 1,632,214/- For the previous financial years of subsidiary since it became a subsidiary (Rs. 3,939,663/-)
8. Net Aggregate amounts of profits/ (losses) of the subsidiary so far as it concerns the members of the holding company and is dealt within accounts of holding Company.	For the Financial year of subsidiary N.A. For the previous year of subsidiary since it became a subsidiary N.A.

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

1. We have examined the attached Consolidated Balance Sheet of Sky Industries Limited, its subsidiary as at 31st March 2011 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.20,541,757/- as at March 31, 2011 and the total revenues of Rs.58,146,319/- and net cash inflows amounting to Rs.288,306/- 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 31st March, 2011; and
 - ii) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations Sky Industries Limited and its subsidiaries for the year ended on that date.
 - iii) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of Sky Industries Limited and its subsidiaries for the year ended on that date.

For and on behalf of
KALYANIWALLA & MISTRY
CHARTERED ACCOUNTANTS

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

Place: Mumbai
Date: 12th August, 2011

SKY INDUSTRIES LIMITED - CONSOLIDATED
BALANCE SHEET AS AT 31st MARCH, 2011.

	Schedule	Rupees	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
SOURCES OF FUNDS				
SHAREHOLDERS FUND				
SHARE CAPITAL	1	39,764,000		39,764,000
RESERVES AND SURPLUS	2	150,814,990		160,872,494
			190,578,990	200,636,494
MINORITY INTEREST			17,256,538	16,408,733
LOAN FUNDS				
SECURED LOANS	3		239,380,264	144,301,342
UNSECURED LOANS	4		5,207,789	2,471,725
DEFERRED TAX LIABILITY			28,944,411	25,913,117
TOTAL			481,367,992	389,731,411
APPLICATION OF FUNDS				
FIXED ASSETS	5			
GROSS BLOCK		462,287,078		397,889,982
LESS: DEPRECIATION		205,414,951		197,696,768
NET BLOCK		256,872,127		200,193,214
CAPITAL WORK IN PROGRESS		1,590,154		12,394,711
			258,462,282	212,587,925
INVESTMENTS	6		556,110	555,010
CURRENT ASSETS, LOANS AND ADVANCES				
INVENTORIES	7	219,211,040		118,787,247
SUNDRY DEBTORS		121,278,879		108,034,464
CASH AND BANK BALANCE		13,150,898		15,887,586
LOANS AND ADVANCES		47,046,792		43,116,311
		400,687,608		285,825,608
LESS: CURRENT LIABILITIES AND PROVISIONS				
LIABILITIES	8	173,659,587		97,939,888
PROVISIONS		4,863,914		11,466,780
		178,523,501		109,406,668
NET CURRENT ASSETS			222,164,107	176,418,940
MISCELLANEOUS EXPENDITURE			185,493	169,536
(To the extent not written off or adjusted)				
TOTAL			481,367,992	389,731,411
NOTES TO ACCOUNTS	14			

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

Signatures to Balance Sheet and Schedule 1 to 7 and 14

As per our Report attached

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants

Sd/-

ERMIN. K. IRANI
Partner

Place : Mumbai

Date :

For and on behalf of the Board

Sd/-

SHAILESH SHAH
Managing Director

Sd/-

NITIN MOTANI
Chairman

SKY INDUSTRIES LIMITED - CONSOLIDATED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011.

	Schedule	Rupees	For the year ended 31.03.2011 Rupees	For the year ended 31.03.2010 Rupees
INCOME				
SALES		840,667,748		668,654,429
OTHER INCOME	9	32,446,299		45,582,199
			<u>873,114,047</u>	<u>714,236,628</u>
EXPENDITURE				
MATERIALS CONSUMED	10	540,200,262		304,719,724
FINISHED GOODS PURCHASED	.	48,940,635		58,368,031
INCREASE IN INVENTORY	11	(61,376,882)		18,342,060
MANUFACTURING, ADMINISTRATIVE & SELLING EXPENSES	12	293,336,170		228,800,283
INTEREST AND FINANCE CHARGES	13	29,366,467		25,071,264
DEPRECIATION		26,173,115		23,638,893
			<u>876,639,766</u>	<u>658,940,255</u>
PROFIT BEFORE TAXATION			<u>(3,525,719)</u>	<u>55,296,373</u>
PROFIT/(LOSS) BEFORE TAX ON CONTINUING OPERATIONS			(3,525,719)	24,143,565
LESS: PROVISION FOR TAXATION				
CURRENT TAX			586,493	5,737,936
MAT CREDIT ENTITLEMENT				
FRINGE BENEFIT TAX				
DEFERRED TAX			<u>2,973,287</u>	<u>6,820,470</u>
PROFIT AFTER TAX ON CONTINUING OPERATION			-	<u>11,585,159</u>
PROFIT/(LOSS) ON DISCOUNTING OPERATIONS - RIBBON DIVISION			-	31,152,808
LESS: PROVISION FOR TAXATION				
CURRENT TAX			-	2,700,000
MAT CREDIT ENTITLEMENT				-
FRINGE BENEFIT TAX				-
DEFERRED TAX			-	-
PROFIT AFTER TAX ON DISCONTINUING OPERATION			-	<u>28,452,808</u>
PROFIT AFTER TAXATION			<u>(7,085,499)</u>	40,037,966
PRIOR PERIOD ADJUSTMENTS			814,522	369,288
NET PROFIT BEFORE MINORITY INTEREST			<u>(7,900,021)</u>	39,668,678
Less: Minority Interest			<u>(798,805)</u>	(1,167,253)
NET PROFIT			<u>(8,698,826)</u>	38,501,425
SURPLUS BROUGHT FORWARD			<u>152,790,636</u>	117,107,651
AMOUNT AVAILABLE FOR APPROPRIATION			<u>144,091,811</u>	<u>155,609,076</u>
APPROPRIATION				
TRANSFER TO GENERAL RESERVE			100,000	500,000
PROPOSED DIVIDEND			1,449,775	1,988,200
TAX ON DIVIDEND			235,190	330,240
BALANCE CARRIED TO BALANCE SHEET			<u>142,306,846</u>	<u>152,790,636</u>
			<u>144,091,811</u>	<u>155,609,076</u>
Earnings per share (basic / diluted) in Rs. (Refer Note 10)			<u>(2.19)</u>	9.68
NOTES TO ACCOUNTS			14	

ANNUAL REPORT 2010-11

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

Signatures to Profit and Loss Account 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
Date : 12th August, 2011

For and on behalf of the Board

Sd/-
SHAILESH SHAH
Managing Director

Sd/-
NITIN MOTANI
Chairman

SKY INDUSTRIES LIMITED - CONSOLIDATED

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
1 SHARE CAPITAL		
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
	200,000,000	200,000,000
Issued, subscribed and paid up :		
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)	39,764,000	39,764,000
2 RESERVES AND SURPLUS		
General Reserve		
As per last Balance Sheet	8,229,500	7,729,500
Add : Transferred from Profit & Loss Account	51,000	500,000
	8,360,500	8,229,500
Capital Reserve	368,906	-
Foreign Currency Translation Reserve	(134,885)	(147,642)
Profit and Loss Account	142,306,846	152,790,636
	150,814,990	160,872,494
3 SECURED LOANS		
LONG TERM:		
(a) From Banks:		
i Term loans	63,422,754	27,311,193
(The above facility is secured by way of pari passu first charge on land & buildings including all movable assets, plant and machinery, stores and spares, furniture and fixture, both present and future, excluding vehicles, and a second charge on all the current assets of the Company, both present and future, and personal guarantee of Directors)		
(Amount repayable within one year Rs .12,244,085/- Previous year Rs. 5,287,666/-)		
ii Vehicle Loans	6,794,990	4,176,830
(The above facility is secured by the hypothecation of vehicles purchased under the scheme)		
(Amount repayable within one year Rs.2,608,264/-, Previous year Rs.1,368,778/-)		
Interest accrued	47,982	29,963
(b) From others:		
Vehicle loan	338,932	272,012
(The above facility is secured by the hypothecation of assets-vehicles purchased under the scheme)		
(Amount repayable within one year Rs 285,827/-, Previous year Rs. 102,472/-)		
SHORT TERM:		
From Banks:		
Cash Credit and Packing credit	168,775,606	112,511,344
(The above facility is secured by way of first charge on all the current assets of the borrower both present and future, second charge on the entire fixed assets, both present & future, and personal guarantee of Directors.)		
	239,380,264	144,301,342

SKY INDUSTRIES LIMITED - CONSOLIDATED

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET (Contd.)

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
4 UNSECURED LOANS		
Short term loans from Directors	2,604,227	2,471,725
From a Share holder	2,500,000	-
Interest accrued and not due	103,562	-
(Amount repayable within one year Rs 2,603,562/-, Previous year Rs. Nil)		
	<u>5,207,789</u>	<u>2,471,725</u>

5. FIXED ASSETS

PARTICULARS	GROSSBLOCK				DEPRECIATION				NETBLOCK	
	Asat 01.04.2010	Additions	Sales/ Adjustments	Asat 31.03.2011	Upto 01.04.2010	For the year ended 31.03.2011	Sales/ Adjustments	Upto 31.03.2011	Asat 31.03.2011	Asat 31.03.2010
Tangible Fixed Assets										
Leasehold Land	8,360,860	-	-	8,360,860	900,144	102,264	-	1,002,408	7,358,452	7,460,716
Buildings	48,560,463	200,585	-	48,761,048	13,559,456	1,625,160	-	15,184,616	33,576,433	35,001,007
Plant & Machinery	298,002,793	77,274,094	14,314,785	360,962,102	161,788,576	20,911,078	14,631,506	168,068,148	192,893,954	136,214,218
Electrical Installations	5,829,259	2,046,420	-	7,875,679	3,963,396	572,788	-	4,536,184	3,339,495	1,865,863
Furniture & Fixtures	4,973,029	563,343	-	5,536,372	3,446,432	503,815	-	3,950,247	1,586,126	1,526,598
Office Equipment	6,633,496	231,175	6,364	6,858,307	4,258,848	203,150	1,472	4,460,525	2,397,782	2,374,648
Computer	5,771,271	599,229	-	6,370,500	4,657,439	454,407	-	5,111,846	1,258,654	1,113,832
Vehicles	20,475,186	6,971,714	9,684,165	17,762,735	5,779,494	1,739,094	4,055,857	3,462,732	14,300,003	14,695,692
Total	398,606,357	87,886,559	24,005,314	462,487,602	198,353,784	26,111,756	18,688,835	205,776,705	256,710,897	200,252,573
Intangible Fixed Assets										
Computer Software	637,032	119,391	-	756,423	533,833	61,361	-	595,194	161,229	103,199
Grand Total	399,243,389	88,005,950	24,005,314	463,244,025	198,887,617	26,173,117	18,688,835	206,371,899	256,872,126	200,355,771
Previous year	409,609,761	44,655,775	50,111,229	398,846,930	193,685,581	23,638,893	18,670,757	198,653,717	200,193,214	210,616,803
Capital Work In Progress and Advances									1,590,155	12,394,712
									258,462,281	212,750,483

SKY INDUSTRIES LIMITED - CONSOLIDATED

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

	Rupees	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
6 INVESTMENTS			
LONG TERM - TRADE UNQUOTED (AT COST)			
IN GOVERNMENT SECURITIES			
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
IN OTHERS			
50,000 (Previous year 50,000) Equity shares of Rs.10/- each, fully paid in Dombivali Nagari Sahakari Bank Ltd.		500,010	500,010
5000 (Previous year Nil) Equity shares of Rs.10/- each, fully paid in Shamrao Vital Co-op Bank		50,000	50,000
105 (Previous year Nil) Equity shares of Rs. 10/ each, fully paid in Janakalyan Sahakari Bank Ltd.		1,100	-
		556,110	555,010
7 CURRENT ASSETS, LOANS & ADVANCES			
CURRENT ASSETS			
(a) Inventories:			
Raw Materials	93,197,244		53,490,707
Packing Materials	1,632,264		2,754,043
Work in Progress	37,610,165		31,950,935
Finished Goods	86,771,367		30,591,562
		219,211,040	118,787,247
(b) Sundry Debtors (unsecured)			
Debts outstanding for a period exceeding six months			
Considered good	18,987,894		17,184,740
Considered doubtful	2,812,191		2,348,285
	21,800,085		19,533,025
Other Debts	102,280,985		90,849,724
	124,081,070		110,382,749
Less: Provision for doubtful debts	2,802,191		2,348,285
		121,278,879	108,034,464
(c) Cash and Bank balances			
Cash on hand	349,984		261,722
Balances with Scheduled Banks			
In Current Accounts	3,256,197		12,386,295
In Deposit Account	9,544,717		3,239,569
		13,150,898	15,887,586

SKY INDUSTRIES LIMITED - CONSOLIDATED

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET (Contd.)

	Rupees	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
LOANS AND ADVANCES (Unsecured, considered good)			
Advances recoverable in cash or kind or for value to be recived	6,275,734		2,854,837
Balances with Government Authorities	10,037,562		9,802,755
Advances to Suppliers	6,970,037		9,585,105
Deposits	23,763,459		
		<u>47,046,792</u>	<u>43,116,311</u>
		<u>400,687,608</u>	<u>285,825,608</u>
SCHEDULE 8: CURRENT LIABILITIES & PROVISIONS			
CURRENT LIABILITIES			
Acceptances			
Sundry Creditors (Refer note 5)	121,871,125		64,011,994
Dues to Investor Education and Protection Fund	216,183		-
Advance received from Customers	5,482,429		16,865,400
Unclaimed dividend	250,294		297,663
Other Liabilities	45,839,556		16,764,831
		<u>173,659,587</u>	<u>97,939,888</u>
PROVISIONS			
Taxation (Net of Advance Tax and TDS Rs. 20,067,077/- Previous year Rs. 16,460,122/-)	2,641,922		6,998,878
Dividend	1,449,775		1,988,200
Tax on Dividend	235,190		330,240
Leave encashment	537,027		2,149,462
		<u>4,863,914</u>	<u>11,466,780</u>
		<u>178,523,501</u>	<u>109,406,668</u>

SKY INDUSTRIES LIMITED - CONSOLIDATED

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

	Rupees	For the year ended 31.03.2011 Rupees	For the year ended 31.03.2010 Rupees
9 OTHER INCOME			
Interest Received		528,973	451,754
(TDS Rs.45,214 /-, Previous year Rs. 52,277/-)		-	-
DEPB & Drawback Income		151,110	151,829
Excess Provision written back		1,494,809	6,742
Dividend		79,085	75,600
Service Contract Charges		12,014,231	8,094,161
Machine Hire Receipts		2,160,000	600,000
Commission Receipts		1,151,496	-
Difference in Exchange rate		3,269,082	3,230,263
Profit on Sale of Assets		-	31,665,505
Processing Charges		11,140,622	164,211
Miscellaneous Income		456,891	959,946
		<u>32,446,299</u>	<u>45,400,011</u>
10 MATERIALS CONSUMED			
Raw Materials consumed			
Opening Stock	64,483,575		43,546,488
Add: Purchases	523,252,583		277,799,425
Less: Closing Stock	<u>93,197,244</u>		<u>53,490,707</u>
		494,538,914	267,855,206
Stores & Spares		12,383,592	9,501,264
Packing Material		33,277,756	27,363,254
		<u>540,200,262</u>	<u>304,719,724</u>
11 DECREASE IN INVENTORY			
CLOSING STOCK			
Finished Goods	86,771,367		30,591,562
Work In Process	<u>37,610,165</u>		<u>31,950,935</u>
		124,381,532	62,542,497
OPENING STOCK			
Finished Goods	31,053,715		50,073,029
Work In Process	<u>31,950,935</u>		<u>30,811,528</u>
		63,004,650	80,884,557
		<u>(61,376,882)</u>	<u>18,342,060</u>

SKY INDUSTRIES LIMITED - CONSOLIDATED

SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT & LOSS A/C (Contd.)

	Rupees	For the year ended 31.03.2011 Rupees	For the year ended 31.03.2010 Rupees
12 MANUFACTURING, ADMINISTRATIVE & SELLING EXPENSES			
Employee Cost:			
Salaries, Wages & Bonus	99,425,701		68,229,984
Contribution to P.F & Other Funds	4,462,016		3,725,559
Welfare Expenses	5,328,797		4,983,966
		109,216,514	76,939,509
Directors Remuneration & Sitting fees		10,560,000	10,560,000
Power & Fuel		32,214,264	25,173,984
Labour Charges		29,382,896	21,214,386
Rent Rates & Taxes		28,590,299	16,144,645
Repairs & Maintenance:			
Building	1,970,291		1,573,157
Plant & Machinery	3,205,392		2,021,108
Others	5,340,520		4,086,309
		10,516,203	7,680,573
Auditors Remuneration		667,414	575,537
Advertisement & Business Promotion		3,375,150	1,990,359
Difference in exchange rate		0	-
Insurance		1,504,391	1,452,297
Freight, Cartage and Forwarding Expenses		20,859,528	24,103,915
Travelling & Other Conveyance		9,156,591	9,377,915
Commission		2,524,971	4,282,552
Postage, Telegram & Telephone		5,218,384	4,896,950
Professional & Other Fees		5,690,748	3,235,737
Printing & Stationery		2,837,278	1,690,874
Bad debts		545,310	7,645,647
Provision for Doubtful Debts made / Provisions no longer required (Net)		453,906	-
		0	2,021,715
Loss on sale of fixed assets		3,470,616	-
Share of Loss from Shamots International		0	102,782
Donations		11,421	231,952
Other Sundry Expenses		16,540,287	9,478,953
		293,336,170	228,800,283
13 INTEREST AND FINANCE CHARGES			
Interest on Fixed Loans			
Banks		6,562,324	7,358,224
Others		61,536	18,774
Interest on Other Loans			
Banks		12,841,824	11,401,601
Others		115,069	342,839
Interest to others		1,687,406	-
Bank Charges		8,098,308	5,949,826
		29,366,467	25,071,264

Schedule 14

NOTES TO ACCOUNTS - CONSOLIDATED

1. Statement of Significant Accounting Policies

A. Basis of Accounting:

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

B. Principles of Consolidation:

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

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

The financial statements of the subsidiary used in the consolidation are drawn up to the same reporting date as of the Company i.e. year ended March 31, 2011.

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
Skay Inc. U.S.A.	100%	100%	
Sky Hemmay Pvt Ltd	India	51%	51%
SK Stabel Industries Pvt Ltd (with effect from 06.01.2011)	India	100%	Nil

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 31st March, 2007 have been included in the carrying amount of fixed assets. The discount or premium in forward exchange contracts, arising from the difference between the forward rate and the spot rate at the inception of such a contract is amortized as income or expense over the period of the contract.

In 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.

SKY INDUSTRIES LIMITED - CONSOLIDATED

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. 1,63,500/-)
- 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.4,797,791/- (Previous year Rs.30,313,445/-)

3. Segment Reporting:

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

4. Investments

The Company had 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, amounting to Rs. Nil (Previous Year Profit of Rs. 1,02,782/-) has been charged to the Profit & Loss Account.

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 2nd 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 overage under the said Act. Since the relevant information is not readily available, no disclosures have been made in the accounts. However, in the opinion of the management, the impact of interest, if any, that may be payable in accordance with the provision of this Act is not expected to be material.
- (c) There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.

6. Related Party Disclosures:

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

A) Relationships

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

SKY INDUSTRIES LIMITED - CONSOLIDATED

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

Nature of Transaction	Shareholder with a substantial interest in voting power A (i)	Key managerial personnel / persons exercising significant influence & their relatives A (ii)	Enterprises over which Key management personnel exercising significant influence A (iii)
Sales			22,832,156 -
Share of Profit/(Loss) from Shamtos International			<i>(102,782)</i>
Service Charges Received			12,005,439 <i>(8,087,423)</i>
Hire Charges Received			2,160,000 <i>(600,000)</i>
Purchases			6,228,798 <i>(926,280)</i>
Labour Receipts			514,342 <i>(114,813)</i>
Remuneration		10,560,000 <i>(10,560,000)</i>	
Rent	12,000,000 <i>(6,000,000)</i>		- <i>(90,000)</i>
Repairs & Maintenance (P&M)			279,389 <i>(136,255)</i>
Repairs & Maintenance (Others)			58,228 -
Commission			
Labour Charges			- <i>(51,618)</i>
Sale of Fixed Assets			- -
Purchase of Fixed Assets			5,775,102 <i>(6,331,603)</i>
Deposit given	- <i>(10,370,000)</i>		
Purchase of Shares	2,859,989 -		
Advances taken			2,000,000 <i>(5,800,000)</i>
Balances Outstanding	18,479,989 <i>(14,720,000)</i>	(1,124,837) <i>(Cr. 1514017)</i>	(4,714,606) <i>(1,603,265)</i>

SKY INDUSTRIES LIMITED - CONSOLIDATED

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

(Rupees)

Transactions during the year	Item A(ii)	Amount	Item A(iii)	Amount
Sales			S.K. Exports	22,832,156
Service Charges Recd			S.K. Silks	272,400 (290,800)
			S.K. Overseas	1,341,824
			S.K. Ultratech	(1,499,524)
			S.K. Exports	7,773,327 (4,007,580)
			Shamots International	1,939,052 (1,763,082)
			S.K. Stabel Ind Pvt Ltd	503,924 (329,711)
			Jask Invogue	174,912 (196,726)
Hire Charges Recd.			S.K. Stabel Ind Pvt Ltd	2,160,000 (600,000)
Purchases			S.K. Overseas	49,537 (437,069)
			S.K. Silks	- (228,340)
			S.K. Exports	4,634,971 (254,271)
			Shamots International	1,544,290 -
			S.K. Stabel Ind Pvt Ltd	- (6,600)
Labour Charges			Shamots International	- (51,618)
Remuneration	Nitin K. Motani	2,820,000 (2,820,000)		
	Shailesh S. Shah	2,340,000 (23,400,000)		
	Saurabh K. Motani	1,860,000 (1,860,000)		
	Sharad S. Shah	2,340,000 (2,340,000)		
	Maikal Raorani	1,200,000 (1,200,000)		
Rent			S.K. Export	- (90,000)
Labour Receipts			S.K. Stabel Ind Pvt Ltd	514,342 (114,813)
Repairs & Maintenance (P&M)			Shamots International	48,314 (33,500)
			S.K. Overseas	231,075 (102,755)
Repairs & Maintenance (Others)			S.K. Overseas	5,586 -
			Shamots International	52,642 -
Purchase of Fixed Assets			Shamots International	5,553,312 (4,129,711)
			S.K. Overseas	221,790 (59,625)
			S.K. Exports	- (2,142,267)
Advances taken			S.K. Exports	2,000,000 (5,800,000)

SKY INDUSTRIES LIMITED - CONSOLIDATED

Transactions during the year	Item A(ii)	Amount	Item A(iii)	Amount
Balances Outstanding	Shailesh S Shah	Cr. 155000 (Cr. 195000)	Shamots International	(3,295,533) (1,439,277)
	Nitin K Motani	Cr. 380000 (Cr 304655)	S.K. Overseas	(70,701) (2,817)
	Saurabh K Motani	Cr.344537 (Cr. 557537)	S.K. Exports	(1,721,774) (7,659,679)
	Sharad S Shah	Cr. 155000 (Cr. 373875)	S.K. Silks	98,148 (237,473)
	Maikal Raorani	Cr. 90300 (Cr. 82950)	Jask Invogue Pvt. Limited	275,254 (86,182)
			S.K.Stabel Ind Pvt Ltd	- (10,850,695)

S.K. Stabel Industries Pvt Ltd figures are for the period prior to it becoming subsidiary of Sky Industries Ltd

7. Earning per Share

Particulars	For the year 31-Mar-11	For the year 31-Mar-10
Profit after tax and prior period expenses	(8,698,926)	3,85,01,425
Weighted average no. of equity shares outstanding	3,976,400	3,976,400
Basic earnings per share	(2.19)	9.68
Diluted earnings per share	(2.19)	9.68
Nominal value of shares	10/-	10/-

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

SKY INDUSTRIES LIMITED - CONSOLIDATED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

Particulars	Rupees	Year ended March, 31 2011 (Rupees)	Year ended March, 31 2010 (Rupees)
A. Cash Flow from Operating Activities:			
Profit before tax and extra ordinary item		(3,525,719)	55,296,373
Adjustment for:			
Depreciation	26,173,115		23,638,893
Interest and Finance Charges	29,366,467		25,071,264
Interest income	(528,973)		(451,754)
Dividend	(79,085)		(75,600)
Loss/(Profit) on Sale /Disposal of Fixed Assets	3,470,616		(31,665,505)
Prior period Adjustments	(814,522)		(369,288)
Share of Loss in Shamots International	-		102,782
Preliminary Expenses w/off	61,041		56,512
Increase/ Decrease F. C translation reserve	6,380		(1,077,828)
		<u>57,655,039</u>	<u>15,229,476</u>
Operating Profit before Working Capital Changes		54,129,320	70,525,849
Adjustment for:			
Debtors	(13,244,414)		23,781,145
Other Receivables	(3,930,481)		(18,533,315)
Inventory	(100,423,794)		8,774,412
Trade and Other Payable	73,908,221		5,933,636
		<u>(43,690,468)</u>	<u>19,955,878</u>
Cash generated from Operations		10,438,851	90,481,727
Tax paid/net of Refund received		(4,356,956)	(1,074,212)
Net Cash Flow from Operating Activities		6,081,895	89,407,515
B. Cash Flow from Investing Activities:			
(Loss)/Profit form Shamots International	-		(102,782)
Acquisition of Fixed Assets	(77,201,393)		(56,469,174)
Sale of Fixed Assets of Continued Operation	1,845,863		5,739,020
Increase in Investments	(1,100)		(50,000)
Sale of Fixed Assets of Discontinued Operation	-		57,366,957
Increase/ Decrease Capital reserve	(368,906)		-
Dividend	79,085		75,600
Interest income	528,973		451,754
Net Cash Flow from Investing Activities		(75,117,478)	7,011,375
C. Cash Flow from Financing Activities:			
(Decrease)/Increase in Working Capital facility	56,264,262		(25,316,552)
(Decrease)/Increase in Term Loans	38,814,660		(43,192,006)
Increase/(Decrease) in Unsecured Loans	2,736,065		(181,257)
Interest and Finance Charges	(29,366,467)		(25,071,264)
Share Application money/Allotment of shares	-		1,003,100
Dividend Paid	(1,819,386)		(1,136,589)
Tax on Dividend paid	(330,240)		(263,510)
Net Cash Flow from Financing Activities		66,298,894	(94,158,078)
Net Increase/(Decrease) in Cash or Cash Equivalents		(2,736,688)	2,260,812
Cash and Cash Equivalents as at the beginning of the year			
Cash and Bank Balances		15,887,586	13,626,774
Cash and Cash Equivalents as at the end of the year			
Cash and Bank Balances		13,150,898	15,887,586
Net Increase/(Decrease) in Cash and Cash Equivalents		(2,736,688)	2,260,812

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 the Board

Sd/-
ERMIN. K. IRANI
Partner

Sd/-
SHAILESH SHAH
Managing Director

Sd/-
NITIN MOTANI
Chairman

Place : Mumbai
Date : 12th August, 2011

SKAY INC.
DIRECTORS REPORT

To

The Members,

The Directors have pleasure in submitting the Eleventh Annual Report for the year ended March 31, 2011.

The year under review was challenging. The world trade and the economic activities continued to be affected by slower economic growth as in earlier years.

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, 2011, and the related statement of income, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SKAY, Inc. as of March 31, 2011, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

FOCUS CPA GROUP, INC.
July 28, 2011

SKAY INC.

BALANCE SHEET AS AT 31ST MARCH, 2011

	AMOUNT IN USD	
	AS AT March 31, 2011	AS AT March 31, 2010
ASSETS:		
CURRENT ASSETS:		
Cash	–	17,326
Accounts Receivable	64,154	51,963
Advances	2,792	2,792
Total Current Assets	\$66,946	\$72,081
PROPERTY & EQUIPMENT (Note 2):		
Property & Equipment	21,452	21,452
Less: Accumulated Depreciation	(21,452)	(21,452)
Total Property & Equipment	–	–
OTHER ASSETS		
Deposits	1,429	1,429
Total Other Assets	\$1,429	\$1,429
TOTAL ASSETS	\$68,375	\$73,510
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	4,853	2,654
Bank Overdraft	1,649	–
Total Current Liabilities	\$6,502	\$2,654
LONG TERM LIABILITIES		
Due to Officer (Note 5)	57,507	54,769
Total Long Term Liabilities	\$57,507	\$54,769
TOTAL LIABILITIES	\$64,009	\$57,423
STOCKHOLDERS' EQUITY		
Capital stock no par value; 1,000,000 shares authorized; 80,000 shares issued and outstanding	80,000	80,000
Retained earnings (deficit)	(75,634)	(63,913)
Total Stockholders' Equity	\$4,366	\$16,087
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$68,375	\$73,510

SKAY INC.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	AMOUNT IN USD	
	YEAR ENDED March 31, 2011	YEAR ENDED March 31, 2010
REVENUE:		
Commission Revenue	157,774	116,800
Total Revenue	<u>\$157,774</u>	<u>\$116,800</u>
OPERATING EXPENSES:		
Auto Expenses	6,768	5,515
Bank Charges	558	160
Dues & Subscriptions	261	361
Insurance	7,402	4,860
Interest	2,738	2,924
Legal & Professional Expenses	3,700	3,700
Licence & Permit	206	741
Postage & Delivery	903	356
Promotion & Advertising	2,979	5,277
Rent (Note: 5)	22,800	34,726
Repairs & Maintenance	646	1,720
Salaries & Wages	89,429	72,480
Supplies	1,694	642
Taxes - Payroll	7,440	6,830
Telephone & Utilities	12,771	14,380
Travel	8,400	21,067
Total Operating Expenses	<u>\$168,695</u>	<u>\$175,739</u>
INCOME (LOSS) FROM OPERATIONS BEFORE INCOME TAX PROVISION		
OTHER INCOME (EXPENSES) & INCOME TAX	(\$10,921)	(\$58,939)
OTHER INCOME (EXPENSES)		
Misc. Income	0	3,842
Total Other Income (Expenses)	<u>\$0</u>	<u>\$3,842</u>
NET INCOME (LOSS) BEFORE INCOME TAX PROVISION	(\$10,921)	(\$55,097)
Provision for Income Tax	(800)	(800)
NET INCOME (LOSS)	(\$11,721)	(\$55,897)
BEGINNING RETAINED EARNINGS (DEFICIT)	(\$63,913)	(\$8,016)
ENDING RETAINED EARNINGS (DEFICIT)	<u>(\$75,634)</u>	<u>(\$63,913)</u>

SKAY INC.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

	AMOUNT IN USD	
	AS AT March 31, 2011	AS AT March 31, 2010
ASSETS:		
CURRENT ASSETS:		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	(11,721)	(55,897)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and Amortization	0	0
(Increase) decrease in:		
Accounts receivables	(12,191)	66,686
Advances	0	0
Increase (decrease) in:		
Accounts payable	2,199	260
NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES	(21,713)	11,049
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase / Disposition of Assets	0	0
NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES	0	0
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from officer	2,738	2,608
NET CASH PROVIDED / (USED) BY FINANCING ACTIVITIES	2,738	2,608
NET INCREASE IN CASH	(18,975)	13,657
CASH AT THE BEGINNING OF YEAR	17,326	3,669
CASH AT END OF YEAR	(1,649)	17,326

NOTES TO FINANCIAL STATEMENTS

Year Ended March 31, 2011

1. Description of the Company:

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

2. Summary of Significant Accounting Policies:

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

Property & Equipment:

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

Amortization of Organization Costs:

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

Management's Estimates:

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

Revenue

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

3. Income Taxes:

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

4. Commitments and Contingencies:

Commencing on January 5th, 2006, the Company leased office facilities under an operating noncancelable lease for twelve months ending on February 14, 2008 and since that date 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 \$ 157,774 during the financial year ended March 31, 2011.

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

SK STABEL INDUSTRIES PVT. LTD.

DIRECTORS' REPORT

The Shareowners,
S. K. Stabel Industries Pvt. Ltd.,
Mumbai.

The Directors take pleasure in submitting the Seventh Annual Report and Accounts for the year ended 31st March 2011.

FINANCIAL RESULTS AND OPERATIONS

(Rs in Lacs)

Particulars	Current Year ended 31.03.2011	Previous Year ended 31.03.2010
Sales and other income	207.00	106.13
Profit before Depreciation, Interest, Tax and Appropriation	1.31	2.20
Less : Interest	3.36	2.23
Depreciation	5.60	0.42
Profit before Tax	(7.65)	(0.44)
Provision for Tax	-	-
Profit after Tax	(7.65)	(0.44)
Deferred Tax	(8.43)	(0.02)
Add : Balance brought forward	3.83	4.30
Balance available for Appropriation	(12.24)	3.83
Prior period adjustments	(0.01)	-
Proposed Dividend	-	-
Dividend distribution Tax	-	-
General Reserve	-	-
Balance retained in Profit & Loss account	(12.25)	3.83

The turnover during the year was Rs.207 Lacs as compared to the previous year's Rs. 106.13 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/-
Shailesh Shah
Director**

Place : Mumbai
Date : 30.06.2011

SK STABEL INDUSTRIES PVT. LTD.

SK STABEL INDUSTRIES PRIVATE LIMITED.

AUDITORS REPORT

To,

SK Stabel Industires Private Limited

1. We have audited the attached Balance Sheet of M/s SK Stabel Industries Private Limited, as at 31st March, 2011 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') is not applicable.

2. Further to our comments in the Annexure referred to above :-

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
- c. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- d. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- e. On the basis of written representations received from the directors as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011; and
 - ii. in the case of the Profit & Loss Account, of the LOSS for the year ended on that date.

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

Sd/-

[**V.K. Thanawala**]

Proprietor

Membership No. 15632

Place : Mumbai

Dated : 30/06/2011

SK STABEL INDUSTRIES PVT. LTD.

BALANCE SHEET AS AT 31st MARCH, 2011.

	Schedule	Rupees	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
SOURCES OF FUNDS				
SHAREHOLDERS FUND				
SOURCES OF FUNDS				
Share Capital	A	2,689,472		2,689,472
Reserves & Surplus	B	80,000		463,388
			<u>2,769,472</u>	
LOANS FUND				
Secured Loans	C		1,919,811	2,015,550
Deffered Tax Liability			901,765	58,914
			<u>5,591,048</u>	<u>5,227,324</u>
APPLICATION OF FUNDS				
Fixed Assets	D			
Gross Block		43,799,352		396,460
Less : Depreciation		759,838		200,044
Net Block			<u>43,039,514</u>	<u>196,416</u>
CURRENT ASSETS, LOANS & ADVANCES				
Inventories		10,418,425		11,085,584
Sundry Debtors	E	4,948,132		5,480,462
Cash & Bank balance	F	181,658		1,631,830
Loans & Advances	G	1,601,891		1,122,182
			<u>17,150,106</u>	<u>19,320,058</u>
Less : Current Liabilities	H	55,896,012		14,379,736
Net Current Assets			(38,745,906)	4,940,322
Preliminary Expenses			72,469	90,586
MISCELLANEOUS EXPENDITURE				
Profit & loss Account			1,224,970	0
			<u>5,591,048</u>	<u>5,227,324</u>

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

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

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

Place : Mumbai,
Dated : 30/06/2011

Signatures to Balance Sheet and Schedule 1 to 8 and 14

For and on behalf of the Board

Sd/-
Shailesh Shah
Director

Sd/-
Nitin Motani
Director

SK STABEL INDUSTRIES PVT. LTD.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011.

	Schedule	Rupees	For the year ended 31.03.2011 Rupees	For the year ended 31.03.2010 Rupees
INCOME				
Sales		20,625,569		10,440,969
Exchange Rate Difference		32,585		131,528
Interest received		22,295		31,574
Miscellaneous Income		20,302	20,700,751	9,450
Increase / (Decrease)				
Stock of Finished Goods	I		(203,816)	581,135
Total Rs.			<u>20,496,935</u>	<u>11,194,656</u>
EXPENDITURE				
Material Consumed	J		9,634,794	5,608,945
Manufacturing Expenses	K		5,162,043	2,359,372
Administrative Expenses	L		4,993,151	2,676,173
Selling & Distribution Expenses	M		576,193	198,307
Interest & Finance Charges	N		335,676	222,909
Depreciation			559,794	41,745
Total Rs.			<u>21,261,651</u>	<u>11,107,451</u>
Profit / (Loss) for the year			(764,716)	(44,323)
Prior Period Expenses			(791)	0
Deferred Tax Liability / Assets			(842,851)	(2,323)
Balance of (Loss) / Profit B/f			383,388	430,034
Balance carried to Balance Sheet			<u>(1,224,970)</u>	<u>383,388</u>

Signatures to Balance Sheet and Schedule 1 to 8 and 14

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

For and on behalf of the Board

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

Sd/-
Shailesh Shah
Director

Sd/-
Nitin Motani
Director

Place : Mumbai,
Dated : 30/06/2011

SK STABEL INDUSTRIES PVT. LTD.

SCHEDULES FORMING PART OF BALANCE SHEET AS ON 31ST MARCH, 2011

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
SCHEDULE "A"		
SHARE CAPITAL AUTHORISED		
100000 Equity Shares of Rs.100/- each	10,000,000	10,000,000
ISSUED, SUBSCRIBED & PAID UP		
260000 Equity Shares of Rs.10/- each fully Paid up	2,600,000	2,600,000
Share Application Money	89,472	89,472
Total Rs.	<u>2,689,472</u>	<u>2,689,472</u>
SCHEDULE "B"		
RESERVES & SURPLUS		
General Reserve (As per Last A/c)	80,000	80,000
Profit & loss A/c (As per Annexure)	0	383,388
	<u>80,000</u>	<u>463,388</u>
SCHEDULE "C"		
SECURED LOAN		
Oriental Bank of Commerce (Against Hypothecation of Stock and Debtors)	1,919,811	2,015,550
Total Rs.	<u>1,919,811</u>	<u>2,015,550</u>

SCHEDULE "D"
FIXED ASSETS

PARTICULARS	Rate	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
		Balance As on 01.04.2010	Additions During The year	Sales	Balance As on 31.03.2011	Balance As on 1.04.2010	For the Year	Adjust	Balance As on 31.03.2011	Balance As on 31.03.2011	Balance As on 31.03.2010
Computer	40%	85,976	0	0	85,976	58,789	10,875	0	69,664	16,312	27,187
Computer Software	40%	16,478	0	0	16,478	1,625	5,941	0	7,566	8,912	14,853
Elect. Installation	13.91%	79,996	467,772	0	547,768	43,482	5,079	0	48,561	499,207	36,514
Plant & Machinery	13.91%	30,415	42,927,120	0	42,957,535	1,153	4,070	0	5,223	42,952,312	29,262
Capital WIP Plant & Machinery	13.91%	0	0	0	0	0	515,596	0	515,596	(515,596)	0
Capital WIP Plant & Machinery	13.91%	0	0	0	0	0	0	0	0	0	0
Furniture & Fixture	18.10%	169,745	0	0	169,745	92,234	14,029	0	106,263	63,482	77,511
	18.10%	0	8,000	0	8,000	0	1,333	0	1,333	6,667	0
VEHICLES	25.89%	13,850	0	0	13,850	2,761	2,871	0	5,632	8,218	11,089
Total Rs.		396,460	43,402,892	0	43,799,352	200,044	559,794	0	759,838	43,039,514	196,416

SK STABEL INDUSTRIES PVT. LTD.

SCHEDULES FORMING PART OF BALANCE SHEET (Contd.)

	Rupees	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
SCHEDULE "E"			
SUNDRY DEBTORS			
(Unsecured Considered Good)			
Exceeding six Months	2,173,899		
Less than six Months	2,774,234	4,948,132	5,480,462
Total Rs.		<u>4,948,132</u>	<u>5,480,462</u>
SCHEDULE "F"			
CASH & BANK BALANCE			
Cash on hand		43,727	26,355
Balance with Schedule Bank - State Bank of India		4,497	5,047
Imprest Account			
Oriental Bank of Commerce		3,934	42,428
Margin Deposit with OBC		129,500	1,558,000
Total Rs.		<u>181,658</u>	<u>1,631,830</u>
SCHEDULE "G"			
LOAN AND ADVANCES			
Advance receivable in cash or in kind		149,131	84,532
Refund Receivable (06-07)		47,924	47,924
TDS Receivable		3,971	10,367
Refund Receivable (07-08)		330,054	330,054
Service Tax Input Credit (12.24%)		33,471	33,471
Service Tax Input Credit (12.36%)		129,671	129,671
Service Tax Input Credit (10.30%)		13,430	13,430
Staff Advance		116,138	40,432
Cess Modvat A/c		1,756	1,756
Gujrat Sales Tax Deposit		93,000	0
Deposit with Reliance		2,000	2,000
Deposit for Gas Cylinder		1,000	1,000
Deposits - for room		15,904	6,000
Security Deposit - Universal Polypack		270,000	270,000
Security Deposit - Electricity		10,625	10,625
Security Deposits		5,600	0
Security Deposit - VAT		20,000	113,000
Security Deposit - D.G.V.C. LTD		51,462	0
Security Deposit - DIVYESH CHEMICALS		300,000	0
VAT Receivable		0	14,448
Interest on Margin Money receivable		6,755	13,473
Total Rs.		<u>1,601,891</u>	<u>1,122,182</u>
SCHEDULE "H"			
CURRENT LIABILITIES & PROVISIONS			
Sundry Creditors		55,614,535	14,164,939
Statutory Liabilities		40,773	30,459
Other Liabilities		186,275	129,395
Advance against Sales		54,429	54,943
Total Rs.		<u>55,896,012</u>	<u>14,379,736</u>

SK STABEL INDUSTRIES PVT. LTD.

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT AS ON 31ST MARCH, 2011

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
SCHEDULE "I"		
INCREASE / (DECREASE) IN STOCK		
Closing Stock	377,319	581,135
Opening Stock	581,135	0
Total Rs.	<u>(203,816)</u>	<u>581,135</u>
SCHEDULE "J"		
MATERIAL CONSUMED		
Opening Stock	10,504,449	10,196,147
Add : Purchases	9,171,451	5,917,247
	<u>19,675,900</u>	<u>16,113,394</u>
Add : Trading Purchase	0	0
	<u>19,675,900</u>	<u>16,113,394</u>
Less : Closing stock		
Trading Goods	7,775,875	
Raw Material	2,265,231	
Total Rs.	<u>10,041,106</u>	<u>10,504,449</u>
	<u>9,634,794</u>	<u>5,608,945</u>
SCHEDULE "K"		
MANUFACTURING EXPENSES		
Electricity Charges	360,523	223,733
Labour Charges	1,632,779	689,801
Freight Inward	131,948	227,759
Packing Expenses		1,695
Hire charges	2,382,480	600,000
Factory Rent	555,000	540,000
Service Tax on GTA Payble	5,308	0
Loading & Unloading	52,610	63,358
Water charges	41,396	13,026
Total Rs.	<u>5,162,043</u>	<u>2,359,372</u>

SK STABEL INDUSTRIES PVT. LTD.

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT (Contd.)

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
SCHEDULE "L"		
ADMINISTRATION EXPENSES		
Wages, Salary, Bonus and Other Benefits	3,417,479	1,652,859
Staff Welfare Expenses	136,946	117,813
Printing & Stationery	21,388	29,382
Insurance	35,311	33,814
Telephone	31,826	29,089
Professional Fees	12,843	44,861
Rent, Rates & Taxes	16,419	7,775
Service Contract Charges	704,595	363,671
Security Charges	142,545	91,998
Misc. Expenses	5,531	27,421
Filing Fees	25,500	9,500
Repairs & Maintenance	124,497	133,390
Factory Licence Fee	0	1,058
Audit Fees	33,090	35,847
Sundry Balance w/off	11,627	(570)
Preliminary Exp.	18,117	18,117
Canteen Expenses	76,838	0
Power & Fuel	0	6,315
Conveyance	94,478	24,629
Computer Expenses	0	15,385
Courier charges	35,267	28,707
Software Expenses	4,189	0
Rounding Difference	3	0
Legal Expenses	44,663	5,112
Total Rs.	<u>4,993,151</u>	<u>2,676,173</u>
SCHEDULE "M"		
SELLING & DISTRIBUTION EXPENSES		
Freight Outward	77,349	65,665
Diwali Gift	500	0
Sales Promotion	13,590	0
Travelling Expenses	277,857	202,901
Commission & Brokerage	41,575	45,000
Discount	141,323	0
Samples & Free replacement	24,000	16,269
Total Rs.	<u>576,193</u>	<u>329,835</u>
SCHEDULE "N"		
FINANCE COST		
Interest on working capital	79,651	0
Bank Interest	59,440	160,110
Bank Charges & Commission	113,940	62,799
Interest to Suppliers	82,645	0
Total Rs.	<u>335,676</u>	<u>222,909</u>

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

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

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. Earning in Foreign Exchange – Sales	Rs.	NIL	[Prev. yr. Rs. NIL]
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5. Expenditure in Foreign currency – Traveling	Rs.	NIL	[Prev yr. Rs. NIL]
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6. a. 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.

b. Key Management Personnel & their relatives

i. Mr Saurabh K. Motani	Director
Mr. Nitin K. Motani	Director
Mr Shailesh S. Shah	Director

SK STABEL INDUSTRIES PVT. LTD.

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

Sky Industries Limited
S.K. Overseas
Shamots International

Nature of Transaction	Associate Companies	Key Management personal
Service Charges	7,04,595/-	--
Machinery Hire Charges paid	23,82,480/-	--
Labour Charges Recd	1,98,310/-	--
Assets Purchase	4,29,18,540/-	--
Purchase	10,515/-	--

7. A. Raw Materials Consumed

Particulars	Quantity (Kg.)	Value
Nylon Yarn	40,556	9,185,445
Packing Material	0	633,826
Stores, Spares and others	0	111,186
	9,930,457	

- B. Raw Materials & Stores and Spares Consumed

Particulars	Consumption	% of Total Value
Indigeneous	84.87%	7,890,147
Imported	15.13%	1,406,484
		9,296,631

8. CIF Value of Import – 14,06,484/-

9. Previous year figures are re-grouped, re-arranged and recast wherever necessary.

As per Our Report of Even date

For and on Behalf of

THANAWALA & COMPANY

Chartered Accountants

Firm Reg. no. 110948W

Sd/-

[V.K. Thanawala]

Proprietor

M.N. 15632

Place : Mumbai,

Dated : 30/06/2011

For, SK Stabel Industries Private Limited

Sd/-

Shailesh Shah

Director

Sd/-

Nitin Motani

Director

SKY HEMMAY PVT. LTD.

DIRECTORS' REPORT

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

The Directors take pleasure in submitting the 4th Annual Report and Accounts for the year ended 31st March 2011.

FINANCIAL RESULTS AND OPERATIONS

(Rs in Lacs)

Particulars	Current year ended 31.03.2011	Previous year ended 31.03.2010
Sales and other income	547.19	391.24
Profit before Depreciation, Interest, Tax and Appropriation	68.94	70.64
Less : Interest	3.65	3.56
Depreciation	40.04	31.58
Profit before Tax	25.25	35.53
Provision for Tax	5.50	7.50
Profit after Tax	19.75	28.03
Deferred Tax	3.00	(4.77)
Add : Balance brought forward	39.40	15.58
Balance available for Appropriation	55.70	38.92
Prior period adjustments	0	0
Proposed Dividend	0	0
Dividend distribution Tax	0	0
General Reserve	0	0
Balance retained in Profit & Loss account	55.70	38.92

The turnover during the year was Rs.547.19 Lacs as compared to the previous year Rs. 391.24 Lacs.

DIVIDEND

The Board of Directors recommend a dividend of 5% to shareholders for the current 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 Director

Sd/-

Saurabh Motani

Director

Place: Mumbai

Date : 30.06.2011

SKY HEMMAY PVT. LTD.

AUDITORS REPORT

To,
SKY HEMMAY PRIVATE LIMITED

1. We have audited the attached Balance Sheet of M/s SKY HEMMAY PRIVATE LIMITED, as at 31st March, 2011 and also the Profit & Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

2. We further report that :-
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
 - c. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - d. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - e. On the basis of written representations received from the directors as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011; and
 - ii. in the case of the Profit & Loss Account, of the PROFIT for the year ended on that date.

For and on behalf of –
Thanawala & Company
Chartered Accountants
Firm Reg. No. 110948W

Sd/-
[V.K. Thanawala]
Proprietor
Membership No. 15632
Place : Mumbai,
Dated : 30/06/2011

M/s SKY HEMMAY PRIVATE LIMITED

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

1. a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets;
- b. As explained to us, the assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion, is reasonable, considering the size and the nature of its business. The frequency of verification is reasonable and no material discrepancies have been noticed on such physical verification.
- c. In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
2. a. The inventories have been physically verified by the management during the year, at reasonable intervals;
- b. The procedures of physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c. The Company has maintained proper records of inventories and discrepancies noticed on physical verification of inventories as compared to book records were not material.
3. a. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- b. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. There are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventories, fixed assets and for the sale of goods.
5. a. The transactions made in pursuance of contracts of arrangements, that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been recorded in the register;
- b. In our opinion and according to the information and explanation given to us and having regards to the fact that some of the items purchased are of a special nature and suitable alternative sources do not exist for obtaining comparative quotations, the transactions of purchases of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements, entered in the register maintained under section 301 of the company's Act, and aggregating during the year to Rs.5,00,000/- or more in respect of each party, were made at prices which are reasonable having regard to prevailing market prices as available with the Company for such goods, materials or services or the prices at which transactions for similar goods or services were with the parties.--
6. The Company has not accepted any deposit from the public and consequently the provision of Section 58A and 58AA of the Companies Act, 1956 and the Companies [Acceptance of Deposits] Rules, 1975 are not applicable.
7. As the affairs of the Company are looked after by the Directors themselves, the Company does not possess a system of Internal Audit.
8. The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956.
9. According to the records of the Company, the Company is regular in depositing undisputed statutory dues including Provident Fund and Employees' State Insurance, Income-tax, Sales-tax, Excise Duty, Cess and other statutory dues with appropriate authorities. According to the information and explanations given to us, there are no undisputed amounts payable in respect of such statutory dues, which have remained outstanding as at 31st March, 2011 for a period more than six months from the date they became payable.
10. The company has no accumulated losses as at 31st March, 2011 and it had not incurred any cash loss during the financial year or in the immediately preceding financial year.
11. Best on our audit procedures and on the information and explanations given by the Management, in our opinion, the company has not defaulted in repayment of its dues to any financial institution and bank as at the balance sheet date.
12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.

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

For and on behalf of –
Thanawala & Company
Chartered Accountants
Firm Reg. No. 110948W

Sd/-
[V.K. Thanawala]
Proprietor
Membership No. 15632
Place : Mumbai,
Dated : 30/06/2011

SKY HEMMAY PVT. LTD.

BALANCE SHEET AS AT 31st MARCH, 2011.

	Schedule	Rupees	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
SHAREHOLDERS FUND				
Share Capital	A	28,995,500		
Reserves & Surplus	B	4,334,912	33,330,412	33,385,163
Deffered Tax Liability			1,340,999	1,041,470
TOTAL			34,671,411	34,426,634
APPLICATION OF FUNDS				
Fixed Assets	C			
Gross Block		35,203,292		29,949,541
Less : Depreciation		7,623,960	27,579,332	3,619,495
Net Block			27,579,332	26,330,046
INVESTMENTS				
Share Application - Shamrao Vittal Co-op Bank			50,000	50,000
CURRENT ASSETS, LOANS AND ADVANCES				
Inventories	D		8,369,921	12,418,371
Sundry Debtors	E		7,403,139	6,835,507
Cash & Bank balance	F		1,241,440	854,807
Loans & Advances	G		3,215,685	362,652
			20,230,185	20,471,337
LESS: CURRENT LIABILITIES & PROVISIONS				
Liabilities H			11,066,165	11,844,285
Provisions			2,234,965	750,000
			13,301,129	12,594,285
Net Curnet Assets			6,929,055	7,877,052
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)				
Preliminary Expenses			113,024	169,536
TOTAL			34,671,411	34,426,634

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

For and on behalf of
THANAWALA & CO
Chartered Accountants
Firm Reg. No. 110948W

For and on behalf of the Board

Sd/-
VIJAY K THANAWALA
Proprietor
M. N. 15632

Sd/-
SAURABH MOTANI
DIRECTOR

Sd/-
SHAILESH SHAH
DIRECTOR

Place : Mumbai
Date : 30.06.2011

SKY HEMMAY PVT. LTD.

PROFIT AND LOSS ACCOUNT FOR THE PERIOD 31ST MARCH, 2011

Schedule	For the period ended 31.03.2011 Rupees	For the period ended 31.03.2010 Rupees
INCOME		
Sales	54,268,516	38,841,578
Other Income	447,566	282,192
Increase / (Decrease) in Inventory	(2,470,655)	(930,551)
TOTAL	52,245,426	38,193,219
EXPENDITURE		
Materials Consumed	24,463,841	15,164,843
Manufacturing Expenses	15,015,506	12,095,430
Selling Expenses	2,673,187	1,650,340
Administrative & Selling Expenses	3,198,238	2,213,518
Interest and Finance Charges	365,154	355,954
Depreciation	4,004,465	3,158,147
TOTAL	49,720,391	34,638,232
Profit before Taxation	2,525,035	3,554,987
Provision for Taxation	550,000	750,000
Deffered Tax Liability	(299,529)	(430,470)
Balance Broguht Forward	3,939,663	1,557,513
Short Provision for Taxation	(45,292)	17,978
Prior Period Expenses	0	(10,345)
Balance Carried to Balance Sheet	5,569,877	3,939,663
APPROPRIATIONS :		
Transfer to General Reserve	100,000	0
Proposed Divident	1,449,775	0
Dividend Tax	235,190	0
Balance Carried to Balance Sheet	3,784,912	3,939,663

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

For and on behalf of
THANAWALA & CO
Chartered Accountants
Firm Reg. No. 110948W

For and on behalf of the Board

Sd/-
VIJAY K THANAWALA
Proprietor
M. N. 15632

Sd/-
SAURABH MOTANI
DIRECTOR

Sd/-
SHAILESH SHAH
DIRECTOR

Place : Mumbai
Date : 30.06.2011

SKY HEMMAY PVT. LTD.

SCHEDULES FORMING PART OF BALANCE SHEET AS YEAR ENDED 31ST MARCH, 2011

	Schedule	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
1	SHARE CAPITAL		
	A		
	Authorised Capital 10,00,000 Equity Shares of Rs.10/- each	30,000,000	30,000,000
		<u>30,000,000</u>	<u>30,000,000</u>
	ISSUED, SUBSCRIBED AND PAID UP : 2899550 Equity Shares of Rs. 10/- each, fully paid up. (Subsidiary of SKY Industries Limited)	28,995,500	28,995,500
	Total Rs.	<u>28,995,500</u>	<u>28,995,500</u>
	RESERVES AND SURPLUS		
	B		
	A. General Reserve	550,000	450,000
	As per last Balance Sheet	450,000	450,000
	Add : Transfer from P&L Account	100,000	
	B. Profit and Loss Account (As per annexure)	3,784,912	3,939,663
	Total Rs.	<u>4,334,912</u>	<u>4,389,663</u>

3 FIXED ASSETS

PARTICULARS	GROSSBLOCK				DEPRECIATION			NETBLOCK		
	RATIO	BALANCE ASON 01/04/2010	ADDITION FOR THE YEAR	TRANSFER	BALANCE ASON 31/03/2011	BALANCE ASON 01/04/2010	FOR THE YEAR	BALANCE ASON 31/03/2011	WDV. ASON 31/03/2011	WDV. ASON 31/03/2010
Plant & Machinery	13.91	29,535,363	5,136,847	0	34,672,210	3,538,273	3,945,174	7,483,447	27,188,763	25,997,090
Electrical Installations	13.91	365,502	0	0	365,502	73,015	40,685	113,700	251,802	292,487
Computer	40.00	33,988	47,054	0	81,042	6,673	13,051	19,724	61,318	27,315
Intangible Asset	40.00		35,000		35,000	0		0	35,000	0
Office Equipments	20.00	14,688	34,850	0	49,538	1,534	5,556	7,090	42,448	13,154
Total Rs.		29,949,541	5,253,751	0	35,203,292	3,619,495	4,004,465	7,623,960	27,579,332	26,330,046

4 CURRENT ASSETS, LOANS & ADVANCES

CURRENT ASSETS

(a) INVENTORIES

(At lower of cost and net realisable value)

Raw Materials	3,557,455	5,135,250
Work in Progress	2,758,952	3,598,797
Finished Goods	2,053,514	3,684,324
	<u>8,369,921</u>	<u>12,418,371</u>

(b) SUNDRY DEBTORS

(Unsecured considered Good)

Total Rs.	7,403,139	6,835,507
	<u>7,403,139</u>	<u>6,835,507</u>

(c) CASH AND BANK BALANCES

Cash on hand	111,417	27,195
Balances with Scheduled Banks		
Orient Bank Of Commerce	308,163	509,905
Margin Account	203,000	203,000
Shamrao Vittal Co-op Bank	618,861	114,707
Total Rs.	<u>1,241,440</u>	<u>854,807</u>

SKY HEMMAY PVT. LTD.

SCHEDULES FORMING PART OF BALANCE SHEET AS YEAR ENDED 31ST MARCH, 2011 (Contd.)

Schedule	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
LOANS AND ADVANCES	F	
Interest Receivable	37,050	0
Income tax Refund receivable	117,963	117,963
TDS Receivable+ Drawback Receivable	6,606	2,229
Deposits	62,000	65,000
Advance Income Tax (A.Y-2011-2012)	550,000	0
Advance Income Tax (A.Y-2010-2011)	0	0
Advance to staff	(41,003)	5,000
Advances	0	131,023
Prepaid EX (Insurance)	21,850	21,810
DEPB Receivable	149,844	19,627
Drawback Receivable	11,079	0
Advance to suppliers	2,300,295	0
Total Rs.	3,215,685	362,652
CURRENT LIABILITIES & PROVISIONS	H	
CURRENT LIABILITIES		
Advance received from Customers	117,553	200,416
Outstanding Liabilities	1,047,394	931,676
Sundry Creditor for Expenses	1,968,583	3,001,498
Sundry Creditors for Goods	2,971,139	7,710,696
Sundry Creditors for Services	51,880	0
Sundry Creditors for Group Co.	4,909,616	0
Total Rs.	11,066,165	11,844,286
PROVISIONS FOR		
Taxation	550,000	750,000
Dividend Distribution Tax	235,190	0
Proposed Dividend	1,449,775	0
Total Rs.	2,234,965	750,000

SKY HEMMAY PVT. LTD.

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT

	SCH	Rupees	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
SALES	I		53,546,638	38,263,175
Scrap Sale			73,538	64,974
Freight recovered			648,340	513,429
Total Rs.			<u>54,268,516</u>	<u>38,841,578</u>
OTHER INCOME	J			
Difference in exchange			116,988	88,906
Interest on margin money			21,778	24,226
DEPB			129,701	151,829
Sundry Balance W/off			23,665	7,760
Duty Draw Back			21,409	0
Development charges			85,487	4,000
Commission			45,053	0
Dividend			3,485	0
Total Rs.			<u>447,566</u>	<u>276,721</u>
INCREASE / (DECREASE) IN INVENTORY	K			
CLOSING STOCK				
Finished Goods			2,053,514	3,684,324
Work In Progress			2,758,952	3,598,797
			4,812,466	7,283,121
OPENING STOCK				
Finished Goods			3,684,324	4,116,874
Work In Progress			3,598,797	4,096,798
Total Rs.			<u>(2,470,655)</u>	<u>(930,551)</u>
MATERIALS CONSUMED				
Raw Materials consumed	L			
Opening Stock			5,135,250	1,457,562
Add: Purchases			21,203,085	18,201,829
			26,338,335	19,659,391
Less: Closing Stock			<u>3,557,455</u>	5,135,250
			22,780,880	14,524,141
Stores & Spares			393,626	256,150
Packing Material			649,071	384,552
Purchase of Finished Goods			640,264	
Total Rs.			<u>24,463,841</u>	<u>15,164,843</u>

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT (Contd.)

SCH	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
MANUFACTURING EXPENSES		
M		
Employee Cost:		
Salaries, Wages & Bonus	8,905,850	6,668,205
Contribution to P.F & Other Funds	190,603	152,909
Electricity charges	2,698,569	2,797,520
Labour Charges	308,713	147,641
Rent Rates & Taxes	1,660,788	1,218,798
Machine Hire charges	-	92,882
Repairs & Maintenance:	153,312	226,410
Loading & Unloading Charges	56,246	78,470
Freight Inward+Octroi	536,177	579,441
Testing Charges	426,632	65,747
Canteen Expenses	78,616	67,407
Total Rs.	15,015,506	12,095,430
SELLING AND DISTRIBUTION EXPENSES		
N		
Rebates & Discounts	429,999	178,193
Travelling & Other Conveyance	808,212	649,286
Sales Promotion Expenses	55,684	15,494
Sample Expenses	83,362	21,822
Freight, Cartage and Forwarding Expenses	840,955	662,853
Sales Tax	719	1,726
Commission	378,741	115,495
Clearing & Forwarding outward	75,515	0
Total Rs.	2,673,187	1,644,868
ADMINISTRATIVE EXPENSES		
O		
Auditors Remuneration	38,605	38,605
Insurance	63,655	61,056
Postage, Telegram & Telephone+fax/telex	231,834	246,109
Professional & Other Fees	89,612	124,597
Printing & Stationery	91,097	80,580
Service Contract Charges	1,796,129	1,303,117
Filing fees	25,100	0
office expenses+computer exp+conveyance+MISC EX	116,007	19,404
Diwali gift	3,500	0
Security Charges	430,810	53,384
Legal Expenses	36,081	19,114
License Fees	79,784	66,221
Pooja Expenses	-	724
Staff Welfare	126,686	137,860
Membership & Subscription+books and periodicals	12,827	6,235
Preliminary Expenses	56,512	56,512
	3,198,238	2,213,518
INTEREST AND FINANCE CHARGES		
Q		
Bank Interest	90,266	12,451
Others	123,099	91,079
Bank Charges & Commission	151,789	252,424
Total Rs.	365,154	355,954

SKY HEMMAY PRIVATE LIMITED

NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31st March, 2011

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 up to 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 Furnace.

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

4. Expenditure in Foreign Currency –

	2010-2011	2009-2010
	Rs.	Rs.
Purchases	8,533,241	10,190,635
Testing Fees	425,529	102,252
Capital Goods	1,083,390	1,369,775
License Fees	78,344	-
Travelling	136,921	-
Total	10,257,425	11,662,662

5. Earning in Foreign Currency

CIF Value of Exports	2,092,240	1,869,750
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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 Transaction	Associate Companies	Key Management personal
Purchase	11,220 (10,200)	Nil (Nil)
Sales	344,500 (Nil)	Nil (Nil)
Service contract Charges	1,981,130 (1,303,117)	Nil (Nil)
Hire Charges	(Nil) (92,882)	Nil (Nil)
Rent	1,654,500 (909,975)	Nil (Nil)
Purchase of Capital Goods	3,719,857 (14,816,181)	Nil (Nil)

7. A. RAW MATERIAL CONSUMED (Quantity)

DESCRIPTION	UNIT	2010-2011		2009-2010	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Yarn	Kgs	140,046	21,982,531	109,586	13,981,823
Resins and Chemicals	Kgs		795,349		487,741
Packing Material			649,071		382,608
Stores, Spares and others			393,626		255,665
Narrow Fabrics	Kgs		3,000	1,284	410,971
Total			23,823,577		15,518,809

B. RAW MATERIAL CONSUMED (Percentage)

	2010-2011		2009-2010	
	Percentage of Total Consumption	Value (Rs.)	Percentage of Total Consumption	Value (Rs.)
Indigenous	64.18%	15,290,336	45.34%	7,035,684
Imported	35.82%	8,533,241	54.66%	8,483,125
	100.00%	23,823,577	100.00%	15,518,809

For and on behalf of
THANAWALA & CO
Chartered Accountants
 Firm Reg. No. 110948W

For Sky Hemmay Pvt. Ltd.

Sd/-
VIJAY K THANAWALA
Proprietor
M. N. 15632

Sd/-
SAURABH MOTANI
DIRECTOR

Sd/-
SHAILESH SHAH
DIRECTOR

Place : Mumbai
 Date : 30.06.2011

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 Twenty Second Annual General Meeting on Thursday 29th Sep., 2011 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 Twenty Second Annual General Meeting on Thursday 29th Sep., 2011 at 11.00 a.m. at C-58, TTC Industrial Area, Thane Belapur Road, Pawane, Navi Mumbai - 400 705.

Signed thisday.....2011.

DP ID* :

CLIENT ID* :

REG FOLIO NO. :

Signature.....

Affix a
Re. 1
Revenue
Stamp

* Applicable if shares are held in Electronic Form

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

BANK ACCOUNT PARTICULARS / ECS MANDATE FORM / EMAIL-ID REQUEST

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

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

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

(* Strike out whichever is not applicable)

My/Our Folio No. :

Particulars of Bank Account :

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

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

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

MAIL TO : Link Intime India Pvt. Ltd.

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

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

Signature of the First Shareholder/Joint Shareholder

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

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

I also authorise the company to e-mail me the communication at the following e-mail ID : _____