

# ESKAY K'n'IT (INDIA) LIMITED

## **BOARD OF DIRECTORS**

Mr. Navin Kumar Tayal – Chairman  
Mr. Sanjeev Sharma – Managing Director  
Ms. Mrinal Tayal  
Mr. Mahesh Prasad Mehrotra  
Mr. Naresh Chandra Sharma  
Mr. Ram Bharosey Lal Vaish  
Mr. Ajay Ramesh Gupta  
Mr. Subhash Bhargava  
Mr. Manmohan Ahluwalia  
Mr. Yashpal Agrawal

## **COMPANY SECRETARY**

Mrs. Priti Shirke

## **BANKERS**

Term Loan : Indian Overseas Bank, Dena Bank and Federal Bank  
Working Capital : Bank of India, Andhra Bank, Indian Overseas Bank, Federal Bank,  
Karnataka Bank, Punjab & Sind Bank and Dena Bank

## **AUDITORS**

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

## **REGISTERED OFFICE**

Plot No.58-B, Danudyog Industrial Area,  
Piperia, Silvassa  
Union Territory of Dadra & Nagar Haveli

## **ADMINISTRATIVE OFFICE**

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

## **REGISTRAR & SHARE TRANSFER AGENT**

MONDKAR COMPUTERS PVT. LTD.  
21, Shakil Nivas, Opp Satya Sai Baba Temple,  
Mahakali Caves Road, Andheri (East)  
Mumbai-400 093.

## **PLANTS**

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

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**ANNUAL GENERAL MEETING** on Saturday, **10<sup>th</sup> July, 2010**, at 10.30 A.M.  
at 65, Krishna Nagar, Samarvani, Silvassa, (Union Territory).

# ESKAY K'n'IT (INDIA) LIMITED

## NOTICE

Notice is hereby given that 23<sup>rd</sup> Annual General Meeting of the Shareholders of Eskay K'n'it (India) Limited will be held on Saturday, 10<sup>th</sup> July, 2010 at 10:30 a.m. at 65, Krishna Nagar, Samarvani, Silvassa (U.T.), to transact the following business :

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2010 and Profit and Loss Account for the year ended on that date and the Reports of Directors' and the Auditors' thereon.
2. To appoint a Director in place of Mr. Manmohan Ahluwalia, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Yashpal Aggarwal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To re-appoint M/s. A. F. Khasgiwala & Co., Chartered Accountants, as Statutory Auditor of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix the Auditor's remuneration.

### SPECIAL BUSINESS:

**To consider and, if thought fit, to pass with or without modifications, the following Resolutions:**

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Special Resolution:  
"RESOLVED that pursuant to Sections 198, 269, 309, 310 and 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the appointment made by Board of Directors of the Company of Mr. Sanjeev Sharma, as Managing Director w.e.f.14<sup>th</sup> October, 2009, for a period of five years upon the terms and conditions as set out in the agreement and on the remuneration as detailed below:

Particulars	W.E.F. 14 <sup>th</sup> October, 2010
Salary	Rs. 50,000/- per month or Rs. 6,00,000/- p.a.
Commission on Net Profit	1% of the Net Profits as calculated under section 349/350 of the Companies Act, 1956
Maximum	Rs. 12,00,000/- p.a.

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:  
"RESOLVED THAT in accordance with the provisions of section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Ms. Mrinal Tayal, who was appointed by the Board as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 on 15<sup>th</sup> January, 2010 and whose tenure of office comes to an end at this Annual General Meeting, be and is hereby appointed as Director of the Company who shall be liable to retire by rotation."
7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:  
"RESOLVED THAT in accordance with the provisions of section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mr. Mahesh P. Mehrotra, who was appointed by the Board as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 on 16<sup>th</sup> March, 2010 and whose tenure of office comes to an end at this Annual General Meeting, be and is hereby appointed as Director of the Company."
8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:  
"RESOLVED THAT in accordance with the provisions of section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mr. Ram Bharosey Lal Vaish, who was appointed by the Board as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 on 16<sup>th</sup> March, 2010 and whose tenure of office comes to an end at this Annual General Meeting, be and is hereby appointed as Director of the Company."
9. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:  
"RESOLVED THAT in accordance with the provisions of section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mr. Subhash C. Bhargava, who was appointed by the Board as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 on 25<sup>th</sup> May, 2010 and whose tenure of office comes to an end at this Annual General Meeting, be and is hereby appointed as Director of the Company."

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### **NOTES:**

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business is annexed hereto and forms an integral part of this Notice.
2. A SHAREHOLDER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON (WHETHER A SHAREHOLDER OR NOT) AS HIS/HER PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER. A PROXY SO APPOINTED SHALL NOT HAVE ANY RIGHT TO SPEAK AT THE MEETING AND SHALL BE ENTITLED TO VOTE ONLY UPON A POLL.
3. The instrument(s) appointing the Proxy, if any, shall be delivered at the Registered Office of the Company not less than forty eight (48) hours before the commencement of the Meeting and the instrument of proxy shall be treated as invalid in case of default.
4. The Register of Members and Share Transfer Register of the Company will remain closed from 8<sup>th</sup> July, 2010 to 10<sup>th</sup> July, 2010 (both days inclusive) to comply with Annual Book Closure requirements.
5. All documents and agreements referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days, except holidays, between 10.00 A.M. and 1.00 P.M., up to the date of Annual General Meeting.
6. Members desiring any information with regard to accounts or operations are requested to write to the Company at its Administrative Office Address at least 7 days in advance of the Annual General Meeting so as to enable the Management to keep the information ready at the meeting.
7. Members holding shares under multiple folios in the identical order of names are requested to consolidate their holdings into one folio. Members are requested to immediately notify any change in their registered address specifying full address with Pin Code Number and quoting their registered Folio No. to the Company.

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

**Place : Mumbai**  
**Date : 25<sup>th</sup> May, 2010**

**Sd/-**  
**Navin Kumar Tayal**  
**Chairman**

# ESKAY K'n'IT (INDIA) LIMITED

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

### ITEM NO.5:

Mr. Sanjeev Sharma was appointed as Managing Director by the Board on 14<sup>th</sup> October, 2009 under Section 269 of the Companies Act, 1956

Mr. Sanjeev Sharma is B. Sc. And Diploma in Textile technology. He has more than 20 years experience in Textiles and has specialization in spinning.

The Board recommends the passing of this Resolution. Except Mr. Sanjeev Sharma, none of the Directors are interested in the Resolution.

### ITEM NO.6:

Ms. Mrinal Tayal was appointed as an Additional Director by the Board on 15<sup>th</sup> January, 2010 under Section 260 of the Companies Act, 1956. She holds office till the conclusion of this Annual General Meeting. The Company has received a Notice along with the deposit of Rs. 500/- from a member, under section 257 of the Companies Act, 1956 signifying his intention to propose the candidature of Ms Mrinal Tayal for the office of the Director of the Company.

Ms. Mrinal Tayal is MBA (Finance & Marketing) and B. Tech (Computer Science). She has rich experience of working in Banking Sector. Ms. Mrinal Tayal worked as Corporate Relationship Manager in Citybank. Further, she worked with ICRA to profile credit ratings for SME's. She has also worked with Barclays Capital for the project on Syndicated INR Loans.

The Board recommends the passing of this Resolution. Except Ms. Mrinal Tayal, none of the Directors are interested in the Resolution.

### ITEM NO.7:

Mr. Mahesh P. Mehrotra was appointed as an Additional Director by the Board on 16<sup>th</sup> March, 2010 under Section 260 of the Companies Act, 1956. He holds office till the conclusion of this Annual General Meeting. The Company has received a Notice along with the deposit of Rs. 500/- from a member, under section 257 of the Companies Act, 1956 signifying his intention to propose the candidature of Mr. Mahesh P. Mehrotra for the office of the Director of the Company.

Mr. Mahesh P. Mehrotra is B. Com., L.L.B. and a Fellow Chartered Accountant. He is a founder partner of M/s. Mehrotra and Mehrotra, Practicing Chartered Accountants, Kanpur and Delhi.

Mr. Mahesh P. Mehrotra is on the Board of several well known Companies such as India Securities Ltd. (Essar Group), Dhampur Sugar Mills Ltd., Delton Cables Ltd., etc. He is also a member of PHD Chamber of Commerce Industry and ASSOCHAM.

The Board recommends the passing of this resolution. Except Mr. Mahesh P. Mehrotra, none of the Directors are interested in the resolution.

### ITEM NO. 8:

Mr. Ram Bharosey Lal Vaish was appointed as an Additional Director by the Board on 16<sup>th</sup> March, 2010 under Section 260 of the Companies Act, 1956. He holds office till the conclusion of this Annual General Meeting. The Company has received a Notice along with the deposit of Rs. 500/- from a member, under section 257 of the Companies Act, 1956 signifying his intention to propose the candidature of Mr Ram Bharosey Lal Vaish for the office of the Director of the Company.

Mr. Ram Bharosey Lal Vaish is B. Com and a Fellow Chartered Accountant. He has a vast experience of working in various areas such as Marketing, Finance, Accounts and Audit.

He is currently working with Institute of Actuaries of India as Executive Director. He is on the Board of Axis Bank and OTCEI Securities Ltd. He has also worked with several renowned institutions such as LIC, New India Assurance Co. Ltd., LIC Housing Finance Ltd., etc.

The Board recommends the passing of this resolution. Except Mr. Ram Bharosey Lal Vaish, none of the Directors are interested in the resolution.

### ITEM NO. 9:

Mr. Subhash C. Bhargava was appointed as an Additional Director by the Board on 25<sup>th</sup> May, 2010 under Section 260 of the Companies Act, 1956. He holds office till the conclusion of this Annual General Meeting. The Company has received a Notice along with the deposit of Rs. 500/- from a member, under section 257 of the Companies Act, 1956 signifying his intention to propose the candidature of Mr Subhash C. Bhargava for the office of the Director of the Company.

Mr. Subhash C. Bhargava is B. Com (Hons.) and Chartered Accountant. He has rich experience in working as Financial Advisory with the well-known institutions like LIC, Investment Department at Central Office, RBI, etc.

He has worked in diverse functional areas apart from Investment Department like Audit & Inspection Dept., Finance and Accounts Dept., and Estate Management. He is currently on the Board of Met Life Insurance Company Limited and Bank of Rajasthan Limited.

The Board recommends the passing of this resolution. Except Mr. Subhash C. Bhargava, none of the Directors are interested in the resolution.

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

**Sd/-**

**Navin Kumar Tayal  
Chairman**

**Place : Mumbai**

**Date : 25<sup>th</sup> May, 2010**

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## DIRECTORS' REPORT

### TO, THE SHAREHOLDERS,

The Directors have pleasure in presenting 23<sup>rd</sup> Annual Report on the business and operations of your Company and the Audited Statements of Accounts for the Financial Year ended 31<sup>st</sup> March 2010.

### FINANCIAL HIGHLIGHTS

Particulars	2009-10 (Rs. in Lacs)	2008-09 (Rs. in Lacs)
Sales	81675.56	71892.20
Other Income	1.31	58.60
Profit (Loss) Before Depreciation, Interest and Tax	11011.32	12027.30
Interest & Finance Charges	2678.80	2367.04
Depreciation	8027.78	8987.74
Profit (Loss) before Tax	304.74	672.52
Add: Deferred Tax Assets	727.42	1177.58
Provision for Taxation	51.81	76.20
Net Profit (Loss) after Tax	980.35	1766.42
Balance brought forward from previous year	6545.87	4779.45
Balance available for appropriations	7526.22	6545.88
Surplus (Deficit) carried to Balance Sheet	7526.22	6545.88

### DIVIDEND

In view of inadequacy of profit in current year your Directors do not recommend any dividend on the equity shares for the year under review.

### REVIEW OF OPERATIONS

The Company has achieved Sales Turnover of Rs. 81675.56 Lacs Financial Year 2009-10 as against Rs. 71892.20 Lacs in Financial Year 2008-09 registering a growth of 13.60%.

The Company has registered Net Profit of Rs. 980.35 Lacs in Financial Year 2009-10 as against Net Profit of Rs. 1766.42 Lacs in Financial Year 2008-09 registering a marginal decline due to higher interest outgo of Rs. 2678.80 Lacs from Rs.2367.04 Lacs in the year under review.

### DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Manmohan Ahluwalia and Mr. Yashpal Agarwal, Directors of the Company retire by rotation and being eligible, have offered themselves for re-appointment.

The appointment /cessation of Directors during the year 2009-10 are as below.

Sr. No.	Name of the Director	Designation	Appointment/ Cessation	Date of Appointment/ Cessation
1.	Mr. Ramit Agarwal	Managing Director	Cessation	14 <sup>th</sup> October, 2009
2.	Mr. Sanjeev Sharma	Managing Director	Appointment	14 <sup>th</sup> October, 2009
3.	Ms. Mrinal Tayal	Additional Director	Appointment	15 <sup>th</sup> January, 2010
4.	Mr. Raj Narain Bharadwaj	Independent Director	Cessation	14 <sup>th</sup> March, 2010
5.	Mr. V. Sridar	Independent Director	Cessation	15 <sup>th</sup> March, 2010
6.	Mr. Mahesh Prasad Mehrotra	Additional Director	Appointment	16 <sup>th</sup> March, 2010
7.	Mr. Ram Bharosey Lal Vaish	Additional Director	Appointment	16 <sup>th</sup> March, 2010
8.	Mr. Subhash Bhargava	Additional Director	Appointment	25 <sup>th</sup> May, 2010

The Board of Directors record with appreciation the valuable services rendered by Mr. Ramit Agarwal, Mr. Raj Narain Bharadwaj and Mr. V. Sridar during their tenure as Directors of the Company.

### DIRECTORS' RESPONSIBILITY STATEMENT

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

- That the applicable accounting standards had been followed along with proper explanation relating to material departures; if any, except revised AS-15 relating to accounting treatment for employee benefits in case of gratuity and leave encashment which have been accounted for on cash basis;
- That the selected accounting policies were applied consistently and judgments and estimates that are reasonable and prudent were made 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 and Loss of the Company for the year under review;
- That the Directors 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 frauds and other irregularities;
- That the annual accounts were prepared for the financial year ended 31<sup>st</sup> March 2010 on a 'going concern basis'.

# ESKAY K'n'IT (INDIA) LIMITED

## AUDIT COMMITTEE

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

## SHARE TRANSFER AND INVESTOR GRIEVANCES COMMITTEE

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

## REPORT ON CORPORATE GOVERNANCE

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

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

## SAFETY, HEALTH AND ENVIRONMENT

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

Safety records, at all plants showed considerable improvement and accident statistics showed downward trend. This was made possible by strict adherence to laid down procedures and following of international guidelines. Involvement of workers in all safety matters has been encouraged by their participation in shop floor safety meetings.

## ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the 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.

## EMPLOYEES

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

None of the employees drew remuneration of Rs.24,00,000/- or more per annum or Rs.2,00,000/- or more per month during the year. This information is furnished as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

## FIXED DEPOSITS

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

## INSURANCE

The properties / assets of your Company are adequately insured.

## COST AUDITORS

The Company has re-appointed M/s. J. K. Kabra & Co., Cost Accountants, as Cost Auditors in respect of manufacture of textiles for the year ending 31<sup>st</sup> March 2010, as per the directives from Cost Audit Branch, Department of Company Affairs, Ministry of Industry, Government of India, New Delhi.

## AUDITORS

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

## AUDITORS' REPORT

The observation of Auditors contained in their Report have been adequately dealt with in the Notes to the Accounts given in Schedule 20 which are self explanatory and therefore, do not call for any further comments.

## DISCLOSURES

The Securities And Exchange Board of India has vide its Ad-Interim ex-parte Order dated 8<sup>th</sup> March 2010 has restrain the Company from accessing the securities market and further prohibited from buying, selling or dealing in securities in any manner whatsoever till further directions.

The Company has filed Writ Petition before the Hon'ble Rajasthan High Court, Jaipur under D.B. Civil W.P. No.4582/2010 and the Hon'ble the Chief Justice Mr. Jagdish Bhalla, Hon'ble Mr. Justice M. N. Bhandari has passed the Order on 2<sup>nd</sup> April 2010 restraining SEBI to act against the petitioner pursuant to the impugned SEBI order dated 8<sup>th</sup> March 2010.

## ACKNOWLEDGEMENT

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

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

Sd/-

**Navin Kumar Tayal**  
Chairman

Place : Mumbai

Date : 25<sup>th</sup> May, 2010

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### ANNEXURE TO THE DIRECTORS' REPORT:

Information as per Section 217(1)(e), read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, and forming part of the Directors' Report for the year 2009-10.

#### I. CONSERVATION OF ENERGY

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

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

##### b) Additional Investments and Proposals, if any, being implemented for reduction of consumption of energy:

The Company, as a matter of policy, has a regular and on-going program for investments in energy saving devices. Studies to reduce energy consumption of existing units are constantly on and suitable investments continue to be made in these areas.

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

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

#### TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION AS PER FORM A OF THE RULES IN RESPECT OF INDUSTRIES SPECIFIED IN THE SCHEDULE THEREOF.

	Year ended 31.03.2010	Year ended 31.03.2009
<b>A. Power and Fuel Consumption :</b>		
<b>1. Electricity</b>		
(a) Purchased		
1. Units (KWH in Lacs)	164.25	152.06
2. Total Amount (Rs. in lacs)	681.63	626.48
3. Rate/Unit (Rs.)	4.15	4.12
(b) Own Generation (through Diesel Generator/Furnace Oil)		
1. Units ( KWH in Lacs)	825.75	617.06
2. Units per Liter of fuel	3.75	3.79
3. Cost per unit (Rs.)	6.12	6.08
2. Coal	—	—
3. Furnace Oil	—	—
4. Others/Internal Generation/Steam	—	—
<b>B. Consumption per unit of production</b> (Product : Yarn & Fabric)		
1. Electricity (KWH per tonne)	1897.21	1205.78
2. Coal (Kgs.)	—	—
3. Furnace Oil (Ltrs.)	—	—
4. Steam (Tonnes)	—	—

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

# ESKAY K'n'IT (INDIA) LIMITED

## TOTAL ENERGY CONSUPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION AS PER FORM A OF THE RULES IN RESPECT OF INDUSTRIES SPECIFIED IN THE SCHEDULE THEREOF.

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

### II. TECHNOLOGY ABSORPTION :

#### EFFORTS MADE IN TECHNOLOGY ABSORPTION AS PER "FORM B" OF THE ANNEXURE TO THE RULES.

- |   |   |
|---|---|
| 1. Research and Development (R & D)               |   |
| a) Specified areas in which R & D activities are  | R & D activities are being carried out by the Company continuously to produce better quality of yarn and fabrics.                     |
| b) Benefits derived as a result of the above      | As a result of R & D activities, the Company has been able to produce quality yarn and fabrics conforming to international standards. |
| c) Future Plan of Action                          | Efforts aimed at cost reduction, improvement in quality of products and development of new process will continue.                     |
| d) Expenditure on R & D                           | Expenditure on R & D is being booked under the respective heads in the Profit & Loss Account as no separate account is maintained.    |
| 2. Technology Absorption, Adaption and Innovation | The Company has not utilized any imported technology.   |

### III. FOREIGN EXCHANGE EARNINGS AND OUT-GO :

- |  |   |           |
|--|---|-----------|
| a) Activities relating to export Markets for products and services and export plan | The Company is exploring avenues to export its premium quality yarns. |           |
| b) Foreign Exchange Outgo (Rs. in Lacs)  | <b>(2009-10)</b>  | (2008-09) |
|  | —   | —         |
| c) Foreign Exchange earned (Rs. in Lacs)   | —   | —         |

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

**Sd/-**

**Navin Kumar Tayal  
Chairman**

**Place : Mumbai**

**Date : 25<sup>th</sup> May, 2010**



# ANNUAL REPORT 2009–2010

## CORPORATE GOVERNANCE REPORT

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

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

In **ESKAY K'n'IT (INDIA) LIMITED**, the concept of Corporate Governance hinges on total transparency, integrity and accountability of the management team. The main goal of Corporate Governance is maximization of shareholder's value and protection of the interests of all the stakeholders. It includes the policies and procedures adopted by the company in achieving its objective in relation to its shareholders, employees, customers, and suppliers, regulatory authorities and society at large.

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

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

### 2. BOARD OF DIRECTORS

The Board of Directors consists of 10 Directors.

During the year 2009-2010, the board met 6 times on the following dates namely 19<sup>th</sup> May 2009, 9<sup>th</sup> June 2009, 14<sup>th</sup> July 2009, 14<sup>th</sup> October 2009, 15<sup>th</sup> January 2010 and 16<sup>th</sup> March, 2010. There was no time gap of four months or more between any two meetings.

The following table gives details of Directors, attendance of Directors at the Board Meetings and at the 22<sup>nd</sup> Annual General Meeting held on 22<sup>nd</sup> August, 2009, number of membership held by Directors in the board / committees of various companies: -

Name	Category	Attendance Particulars		Number of other Directorships and other Committee Member/Chairmanships		
		Board Meetings	Last AGM	Directorship in Indian Public Limited Companies	Committee Membership	Committee Chairmanship
Mr. Navin Kumar Tayal	NEC	6	Yes	2	Nil	1
Mr. Ramit Agarwal*	MD	3	Yes	1	1	Nil
Mr. Sanjeev Sharma**	MD	5	Yes	1	1	Nil
Mr. Yashpal Aggarwal	ID	Nil	No	Nil	Nil	Nil
Mr. Manmohan Ahluwalia	ID	4	No	Nil	Nil	Nil
Mr. Ajay Ramesh Gupta	NED	6	Yes	7	1	3
Mr. Raj Narain Bhardwaj#	ID	4	No	10	Nil	1
Mr. Naresh C. Sharma	ID	Nil	No	3	2	Nil
Ms. Mrinal Tayal @	ID	2	—	3	NIL	NIL
Mr. Raj Narain Bharadwaj #	ID	4	—	10	NIL	1
Mr. V. Sridar ##	ID	4	—	10	—	—
Mr. Mahesh P. Mehrotra@@	ID	Nil	—	14	4	2
Mr. Ram Bharosey Lal Vaish @@	ID	Nil	—	3	1	1
Mr. Subhash Bhargava \$	ID	Nil	—	12	5	1

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

\* Resigned w.e.f. 14<sup>th</sup> October, 2009. \*\* Appointed w.e.f. 14<sup>th</sup> October, 2009. # Resigned w.e.f. 14<sup>th</sup> March, 2010.

## Resigned w.e.f. 15<sup>th</sup> March, 2010. @ Appointed w.e.f. 15<sup>th</sup> January, 2010. @@ Appointed w.e.f. 16<sup>th</sup> March, 2010.

\$ Appointed w.e.f. 25<sup>th</sup> May, 2010.

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

### Appointment/Re-appointment of Directors

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

No	Name of Director	Brief Resume	Area of Expertise	Other Director-ships	Other Committee Memberships	Committee Chairmanship
1.	Mr. Sanjeev Sharma	B.Sc., Dip. In Textile Technology	20 years experience in spinning specialization	1	1	Nil
2.	Mr. Manmohan Ahluwalia	B. Sc.	20 years experience in Garment industry Specialization in complete management of operations	Nil	Nil	Nil
3.	Mr. Mahesh P. Mehrotra	B.Com., L.L.B. and F. C.A.	Accounts & Audit, Legal, and Finance	14	4	2
4.	Mr. Ram Bharosey Lal Vaish	B.Com. and F. C.A.	Marketing, Finance, Accounts and Audit.	2	Nil	Nil
5.	Mr. Subhash Bhargava	B.Com. (Hons.) and C.A.	Audit & Inspection, Finance, Accounts, and Estate Management	14	5	1
6.	Ms. Mrinal Tayal	MBA (Finance & Marketing) B. Tech (Computer Science)	Experience in commercial operations and Banking sector	3	Nil	Nil
8.	Mr. Yashpal Aggarwal	B.Com, MBA,	Experience in General Administration & Credit Control	Nil	Nil	Nil

### 3. BOARD COMMITTEES

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

#### 3.1 Audit Committee

The Board of Directors of the Company has constituted an Audit Committee. Audit Committee was reconstituted on 14<sup>th</sup> October, 2009 and Board appointed Mr. Yashpal Agarwal as Member of the Audit Committee in place of Mr. Sanjeev Sharma.

The Audit Committee comprises of Mr. Ajay Ramesh Gupta, Mr. Manmohan Ahluwalia and Mr. Yashpal Agarwal as member of the Committee. Mr. Ajay Ramesh Gupta is the Chairman of the Committee.

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

The terms of reference specified by the Board to the Audit Committee are as contained under Clause 49 of the Listing Agreement. They are as follows:

- Overview of the company's financial reporting process and the disclosure of its financial information.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the board, focusing primarily on (i) any changes in accounting policies and practices (ii) major accounting entries based on exercise of judgment by management (iii) qualifications in draft audit report (iv) significant adjustments arising out of audit (v) the going concern assumption (vi) compliance with accounting standards (vii) compliance with stock exchange and legal requirements concerning financial statements and (viii) any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.
- Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
- Reviewing the adequacy of internal audit functions.

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- f. Discussion with internal auditors any significant findings and follow up there on.
- g. 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.
- h. Discussion with external auditors before the audits commences nature and scope of audit as well as has post-audit discussion to ascertain any area of concern.
- i. Reviewing the company's various financial and risk management policies.
- j. 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.

During the year 2009-2010, the Audit Committee met 4 times on the following dates:

8<sup>th</sup> June, 2009, 13<sup>th</sup> July 2009, 21<sup>st</sup> October 2009 and 15<sup>th</sup> January 2010.

Name of Member	Designation	Attendance
Mr. Ajay Ramesh Gupta	Chairman	4
Mr. Manmohan Ahluwalia	Member	4
Mr. Yashpal Agarwal	Member	Nil

### 3.2 Remuneration Committee

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

(A) Remuneration to Managing Director and Non-Executive Directors for the year 2009-2010.

Name	Salary	Commission	Sitting Fees	Total
Mr. Ramit Agarwal (MD)	3,25,000	—	—	3,25,000
Mr. Sanjeev Sharma	2,75,000	—	—	2,75,000
<b>TOTAL</b>	<b>6,00,000</b>	<b>—</b>	<b>—</b>	<b>6,00,000</b>

(B) Details of sitting fees paid to Non-Executive Directors for attending Board meetings.

Sl. No.	Name of Directors	Relationship with the other Directors	Sitting Fees (Rs.)
1.	Mr. Sanjeev Sharma	Nil	20000.00
2.	Mr. Naresh Chandra Sharma	Nil	40000.00
3.	Mr. Yashpal Aggarwal	Nil	Nil
4.	Mr. Manmohan Ahluwalia	Nil	40000.00
5.	Mr. Ajay Ramesh Gupta	Nil	60000.00
6.	Mr. V. Sridhar	Nil	40000.00
7.	Mr. Raj Narain Bharadwaj	Nil	40000.00
8.	Ms. Mrinal Tayal	Nil	10000.00
	<b>Total</b>		<b>2,50,000.00</b>

(C) Non executive Directors of the Company do not have any pecuniary relationship with the Company other than sitting fees.

### 3.3 Share Transfer and Investors' Grievances Committee

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

During the year 2009-2010, the Investor Grievance Committee met 4 times on the following dates: 8<sup>th</sup> June, 2009, 13<sup>th</sup> July 2009, 21<sup>st</sup> October 2009 and 15<sup>th</sup> January 2010.

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

Name of Member	Designation	Attendance
Mr. Navin Kumar Tayal	Chairman (Non Executive Director)	4
Mr. Ajay Ramesh Gupta	Member	4
Mr. Yashpal Agarwal	Member	Nil

Name & Designation of Compliance Officer	:	Mrs. Priti Shirke, Company Secretary
No of Shareholder's Complaint received so far	:	64
Number of complaints solved to the satisfaction of shareholders	:	64
Number of pending complaints	:	Nil

#### 4. General Body Meetings

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

Year	Location	Date	Time
2008-2009	65, Krishna Nagar, Samarvani, Silvassa (U.T.)	22 <sup>nd</sup> August, 2009	11.30 A.M.
2007-2008	65, Krishna Nagar, Samarvani, Silvassa (U.T.)	08 <sup>th</sup> August, 2008	10.00 A.M.
2006-2007	65, Krishna Nagar, Samarvani, Silvassa (U.T.)	08 <sup>th</sup> June, 2007	10.30 A.M.

Note: The Company, in its Board Meeting held on January 15, 2010 has proposed to pass Special Resolutions through Postal Ballot pursuant to Section 192A for Alteration of Objects Clause of Memorandum of Association under Section 17 and to Change the name of the Company under Section 21 of the Companies Act, 1956.

#### 5. DISCLOSURES

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

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

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

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

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

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

- (d) **Risk Management:**

The Board of Directors have laid down procedures to inform Board Members about the risk assessment and minimization procedures and such procedures are reviewed periodically.

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

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

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

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

None of the Non Executive Directors of the Company hold any Shares of the Company. The Company has paid a sum of Rs. 3.25 Lacs as managerial remuneration to Mr. Ramit Agarwal, Managing Director upto October 14, 2009 and Rs. 2.75 Lacs as managerial remuneration to Mr. Sanjeev Sharma, Managing Director of the Company from October 14, 2009 to March 31, 2010.

#### 6. MEANS OF COMMUNICATION

- (a) The Company has published its quarterly results in The Economic Times, Navbharat Times and Loksatta-Jansatta. Further, the Quarterly/Half yearly results and Quarterly shareholding patterns are also posted at EDIFAR website i.e. [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in).
- (b) Management Discussion and Analysis forms integral part of this annual report.

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### 7. GENERAL SHAREHOLDER INFORMATION

#### 7.1 Annual General Meeting

- Date and time : 10<sup>th</sup> July, 2010 at 10.30 a.m.
- Venue : 65, Krishna Nagar, Samarvani, Silvassa (Union Territory of Dadra & Nagar Haveli)

#### 7.2 Financial Year

: 1<sup>st</sup> April to 31<sup>st</sup> March

#### Financial Calendar 2010-2011 (Tentitive)

: Annual General Meeting – August 2011

#### Board Meetings

Results for the quarter ending  
June 30, 2010

: Second week of August 2010

Results for the quarter ending  
September 30, 2010

: Second week of November 2010

Results for the quarter ending  
December 31, 2010

: Second week of February 2010

Results for the year ending  
March 31, 2011

: Second Week of July 2011

#### 7.3 Book Closure Date

: 8<sup>th</sup> August to 10<sup>th</sup> August, 2010  
(both days inclusive)

#### 7.4 Dividend Payment Date

: N. A.

#### 7.5 (a) Listing of Equity shares

: Bombay Stock Exchange Ltd.

#### (b) Demat ISIN Numbers in NSDL

: Equity shares: INE220A01032

#### 7.6 Stock Code

: 514118 (Bombay Stock Exchange Ltd.)

(Note: Annual listing fees for the year 2010-2011 have been duly paid to Bombay Stock Exchange Ltd., Mumbai)

#### 7.7 Stock Market Data

ESKAY K'n'IT (INDIA) LIMITED (Bombay Stock Exchange, Ltd.)						
Month	Open Price	High Price	Low Price	Close Price	No. of Shares	No. of Trades
Apr 09	1.20	2.12	1.20	1.61	7,27,869	650
May 09	1.74	3.18	1.50	2.97	9,73,265	1,292
Jun 09	3.15	3.34	2.29	2.90	16,48,807	2,283
Jul 09	2.83	2.99	2.02	2.39	6,50,857	1,140
Aug 09	2.40	3.66	2.03	3.15	40,39,012	2,216
Sep 09	3.28	3.44	2.64	2.86	28,25,270	1,672
Oct 09	3.01	3.58	2.56	2.77	17,90,023	1,853
Nov 09	2.76	3.42	2.47	2.77	10,65,000	1,642
Dec 09	2.73	3.69	2.73	3.14	14,02,666	1,932
Jan 10	3.17	5.48	3.10	3.70	87,29,297	9,306
Feb 10	3.74	3.77	3.05	3.24	12,51,756	1,920
Mar 10	3.24	3.70	2.82	3.02	18,62,449	2,503

Sources: [www.bseindia.com](http://www.bseindia.com)

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

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

#### 7.9 Registrar & Transfer Agent

: Mondkar Computers Pvt. Ltd.  
21, Shakil Nivas, Opp Satya Sai  
Baba Temple, Mahakali Caves Road,  
Andheri (East), Mumbai – 400 093.

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

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

**7.11. a) Distribution of Shareholding as on 31<sup>st</sup> March 2010**

Category		Number of Shareholders	Number of Shares held
From	To		
Upto	– 500	7713	2666668
501	– 1000	20460	20079144
1001	– 2000	5333	8890773
2001	– 3000	1913	4823620
3001	– 4000	944	3606534
4001	– 5000	636	3098303
5001	– 10000	793	6131468
10001	– Above	554	231535342
<b>TOTAL</b>		<b>38346</b>	<b>280831852</b>

**7.11. b) Shareholding pattern as on 31<sup>st</sup> March 2010**

	Category	No. of shares held	Percentage of shareholding
1.	Promoter's Holding	<b>160972276</b>	<b>57.32</b>
2.	Mutual Funds, Banks, Financial Institutions, FII, NRIs & OCBs	<b>9796695</b>	<b>3.49</b>
3.	Domestic Companies	<b>38102042</b>	<b>13.57</b>
4.	Resident Individuals	<b>71960839</b>	<b>25.62</b>
	<b>Total</b>	<b>280831852</b>	<b>100.00</b>

- 7.12.a) Dematerialization of Shares** : Approximately 89.95% of the Shares issued by the Company have been dematerialized upto 31<sup>st</sup> March 2010.

- 7.12. (b) Liquidity** : The Company's shares are listed on The Bombay Stock Exchange Ltd., Mumbai.

- 7.13 Outstanding GDR/ADR/Warrants Or any other convertible instruments, Conversion date and likely impact on Equity** : The Company has not issued any such instruments.

- 7.14 Plant Location** : Bhilad (Gujarat)  
Silvassa (U.T. of Dadra & Nagar Haveli)  
Dombiwali and Baddi

- 7.15 (i) Address for Investor Correspondence For transfer / dematerialization of Shares payment of dividend on shares, interest and redemption of debentures and any other query relating to the shares and debentures of the Company.** : Mondkar Computers Pvt. Ltd.  
21, Shakil Nivas,  
Opp Satya Sai Baba Temple  
Mahakali Caves Road  
Andheri (East)  
Mumbai – 400 093

Note : Shareholders holding shares in electronic mode should address all correspondence to their respective depository participants.

- (ii) Any query on Annual Report** : Plot No.58B, Dhanudyog Industrial Area,  
Piperia, Silvassa (U.T.)

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### **Declaration Regarding Compliance by Board Members and Senior Management Personnel with the Code of Conduct**

This is to confirm that the Company has adopted the Code of Conduct for its Board Members and Senior Management Personnel. I confirm that the Company has in respect of the financial year ended 31<sup>st</sup> March, 2010, received from the senior management team of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them. For the purpose of this declaration, Senior Management Team means the Members of the Management one level below the Executive Directors as on 31<sup>st</sup> March, 2010.

For ESKAY K'n'IT (INDIA) LIMITED

Sd/-

Sanjeev Sharma  
Managing Director

Place: Mumbai  
Date: 25<sup>th</sup> May, 2010

### **CEO CERTIFICATION**

I, Sanjeev Sharma, Managing Director of Eskay K'n'it (India) Limited to the best of my knowledge and belief, certify that: I have reviewed the Balance Sheet and Profit & Loss Account (consolidated and unconsolidated), and all its Schedules and Notes on Accounts, as well as the Cash Flow Statements and the Directors' Report;

Based on my knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the statements made;

Based on my knowledge and information, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report, and are in compliance with the existing Accounting Standards and/or applicable laws and regulations;

To the best of my 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;

I accept the responsibility for establishing and maintaining Internal Controls and that I have evaluated the effectiveness of the Internal Control System of the Company and has not found any deficiencies in the design or operation of the Internal Control System.

I further certify that: -

- a. there have been no significant changes in Internal Control (except increase in scope of work of Internal auditor) during this year.
- b. There have been no significant changes in accounting policies during this year.
- c. There have been no instances of significant fraud of which we have become aware and the involvement therein, of Management or an Employee having a significant role in the Company's Internal Control System.

I further declare that all Board Members and Senior Managerial Personnel have affirmed compliance with the Code of Conduct for the Financial Year 2010-2011.

For ESKAY K'n'IT (INDIA) LIMITED

Sd/-

Sanjeev Sharma  
Managing Director

Place: Mumbai  
Date: 25<sup>th</sup> May, 2010

### **CERTIFICATE ON CORPORATE GOVERNANCE**

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

We have examined the compliance of the conditions of Corporate Governance by ESKAY K'n'IT (INDIA) LIMITED for the year ended 31<sup>st</sup> March 2010 as stipulated in Clause 49 of the Listing Agreement of the Company with Stock Exchanges in India.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an opinion on the Financial Statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the conditions of Corporate Governance as stipulated in the above Listing Agreement.

We state that in respect of investor grievances received during the year ended 31<sup>st</sup> March 2010 no investor grievances are pending against the Company as on 24<sup>th</sup> May, 2010 as per the records maintained by the Company and presented to the Share Transfer/ Investors' Grievances Committee.

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

For A.F Khasgiwala & Co.  
Chartered Accountants

Sd/-

A.F Khasgiwala  
Partner

Membership No. 006491

Place: Mumbai  
Date: 25<sup>th</sup> May 2010

# ESKAY K'n'IT (INDIA) LIMITED

## REPORT ON MANAGEMENT DISCUSSION AND ANALYSIS PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

The Management of **ESKAY K'n'IT (INDIA) LIMITED** in its Analysis Report place the performance and outlook of the Company in order to comply the requirement of Corporate Governance as prescribed in the Listing Agreement. However, investors and readers are cautioned that this discussion contains certain forward looking statements that involve risk and uncertainties.

### INDUSTRY STRUCTURE AND DEVELOPMENTS:

#### A) TEXTILE INDUSTRY:

The Textile Industry occupies a unique place in our country by contributing 14% of the country's industrial production and 4% of India's GDP. India is the 2<sup>nd</sup> largest producer of cotton and accounts for 24% of Country's exports. In fact, it is the largest foreign exchange earning sector in the country. Moreover, it provides employment to over 35 million people.

In the year 2000, the Government of India formulated a comprehensive textile policy called as Vision 2010 aimed at developing a globally competitive textile industry in India through modernization and consolidation. This policy is intended to take advantage of the free quota regime and increase India's export turnover to US\$ 50 billion by the end of 2010.

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

The textile industry is estimated offer an incremental revenue potential of no less than US\$ 50 billion by 2014 and over US\$ 125 billion by 2020.

It is expected that India's share of exports to the world would also increase from the current 4 per cent to around 10 per cent by 2015.

#### — Cotton

Cotton production in India, the world's second-biggest grower, may climb by 10% next year as farmers increase the crop area to benefit from record domestic prices. India is the second largest producer of cotton (4.15 metric tonnes) in the world, accounting for 16.75 per cent of the global production. Cotton is the predominant fabric used in the Indian industry, accounting for nearly 60 per cent of production. The average yield of cotton per hectare in Indian is about 400 kilograms which is considered low.

#### — Spinning

The spinning sector in India is completely (100 per cent) organized and is globally competitive in terms of variety, process and production quantity. India has about 40 million spindles (23 per cent of the world).

#### — Knitting

India's weaving/ knitting sector is highly unorganized, with the organized sector contributing to just 5 per cent of the total production. There are about 3.9 million hand looms and 1.8 million powers – looms in India.

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

#### — Processing

Indian processing sector is largely decentralized with low levels of automation, marked by hand/independent processing units.

#### i) **Opportunity and Threats**

The textile industry is undergoing a major reorientation towards non-clothing applications of textiles, known as technical textiles, which are growing roughly at twice rate of textiles for clothing applications and now account for more than half of total textile production There is ample scope in the market by promoting research and development in this sector.



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

### **Strengths:**

- Large and growing domestic market.
- Excellence in fabric and garment designing.
- Adequate raw material supplies.
- Self reliant industry producing the entire supply chain fiber/cotton to garments/ home textiles.
- Low labour cost and availability of skilled and technical labour force.

### **Weaknesses:**

- Labour laws and policies lack reforms.
- Small size and technologically outdated plants result in lack of economies scale, low productivity and weak quality control.
- Cotton availability is vulnerable to erratic monsoon and low per hectare yield.
- Infrastructure bottlenecks for handling large volumes.

### **Opportunities:**

- Shift in domestic market towards readymade garments, and domestic textile consumption increasing with growing disposable income.
- End of quota system and full integration of the textile industry.

### **Threats:**

- Stiff competition from other Asian countries.
- Survival of the fittest-in term of quality, size delivery and cost.
- Pricing pressures.
- Increase in regional trade could reduce share of market opened for India, China and other countries.

### **ii) Government Initiatives**

In an effort to increase India's share in the world textile market, the government has introduced a number of progressive steps.

- 100 per cent FDI allowed through the automatic route.
- De-reservation of readymade garments, hosiery and knitwear from the small-scale industries sector in end-2000.
- Technology Mission on Cotton was launched in February 2000 to make quality raw material available at competitive prices.
- Technology Upgradation Fund Scheme (TUFS) which was launched to facilitate the modernisation and upgradation of the textiles industry in 1999 has been given further extension till 2011-12.
- 40 textile parks are being set up under the Scheme for Integrated Textile Parks (SITP) which will attract an investment of US\$ 4.38 billion.

In current times of a global meltdown, the government has come out with an economic stimulus package for the textile industry. This includes:

- Extension of interest rate subvention of 2 per cent on pre and post shipment credit.

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

- Additional allocation of US\$ 285.66 million to clear the entire backlog in TUFs, which would enhance cash flow of the exporters.
- Additional fund of US\$ 224.42 million for refund of terminal excise duty.

### B) OUTLOOK

As the industrial and economic growth of the country is showing steadily improvement The Company has drawn out and is implementing an extensive action plan which comprises thrust on high margin products, reduction in raw material costs, rationalization of operations and over-heads, optimizing inventory level, selective credit policy to customers and liquidation of slow-moving inventories and overdue receivables.

The Company with its superior product mix and higher value-addition, coupled with the change in industry scenario like more fiscal incentives as announced by Government of India for textile industry, change in consumer preferences from woven to knitted clothes etc, is expected to benefit significantly.

### C) RISK AND CONCERN

Forward looking statements are based on certain assumptions and expectations of the future events that are subject to risks and uncertainties. Actual future results and trends may differ materially from historical results, depending on variety of factors. The risk and concerns faced by the Company are similar to those faced by any growing organization in today's dynamic industrial and economic scenario.

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

### D) INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

Your Company ensures adherence to all Internal Control policies and procedures as well as compliance with all regulatory guidelines. The adequacy of internal controls is reviewed by the Audit Committee of the Board of Directors.

The Company's internal control systems are adequate, considering size and nature of operation of the Company, to meet regulatory/statutory requirements assure recording of all transactions and report reliable and timely financial information. Additionally, it also provides protection against misuse or loss of any of the company assets.

### E) FINANCIAL PERFORMANCE VS. OPERATIONAL PERFORMANCE

The Company has achieved Net Sales of Rs. 81675.56 Lacs during the year ended 31<sup>st</sup> March, 2010 as against Net Sales of Rs.71892.20 Lacs during the previous year ended 31<sup>st</sup> March, 2009.

The net profit for the year 2009-10 decreased to Rs.980.35 Lacs from previous year profit of Rs. 1766.41 Lacs due to higher interest outgo. On a paid up capital of Rs.2808.32 Lacs, the earnings per share works out to 0.35.

### F) DEVELOPMENT IN HUMAN RESOURCES/INDUSTRIAL RELATION FRONT

Human resources represent the strength of your Company with a team of qualified and dedicated personnel who have contributed to the consolidation of the operations of your Company. The team ensured timely completion of the various projects undertaken by the Company. The Company has also laid qualitative objectives to maximize overall growth. Emphasis was placed on building a cohesive workforce to maximize returns to all stakeholders of the Company.

The focus of Human Resource is on building and developing intellectual capital through innovative ideas and by providing the training of the employees is an ongoing process. The industrial relation climate of the Company continues to remain harmonious with focus on quality and safety.

### G) RESEARCH AND DEVELOPMENT

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

Forward looking statements are based on certain assumptions and expectations of the future events that are subject to risks and uncertainties. Actual future results and trends may differ materially from historical results, depending on variety of factors.

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### AUDITORS' REPORT

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

1. We have audited the attached Balance Sheet of **ESKAY K'n'IT (INDIA) LIMITED** as at 31<sup>st</sup> March, 2010 and also the Profit and Loss Account of the Company for the year ended on that date and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003(CARO)and the Companies (Auditor's Report)(Amendment) order 2004 issued by the Central Government in terms of section 227(4A) of the Companies Act, 1956, and on the basis of such checks of the books of records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that : -
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
  - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account of the company.
  - d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Companies (Accounting Standard) Rules, 2006.
  - e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2010 from being appointed as a director of the Company in terms of Section 274(1)(g) of the Act.
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India :
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2010,
    - ii) in the case of the Profit & Loss Account, of the Profit of the Company for the year ended on that date and ;
    - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

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

**Sd/-**  
**A.F. KHASGIWALA**  
**Partner**  
**Membership No. 6491**

**Place: Mumbai**  
**Dated: 25<sup>th</sup> May, 2010**

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

### ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITORS' REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2010 OF ESKAY K'N'IT (INDIA) LIMITED.

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

1. In respect of its Fixed Assets
  - (a) The Company has maintained proper records to show full particulars, including quantitative details and situation of the Fixed Assets.
  - (b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies between the books records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
  - (c) In our opinion, and according to the information and explanation given to us, the Company has not disposed of substantial part of fixed assets during the year and on going Concern status of the Company is not affected.
2. In respect of its inventories:
  - a) The stocks of finished goods, stores, spare parts and raw materials of the company, at all its locations, have been physically verified by the management at reasonable intervals during the year.
  - b) In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
  - c) The discrepancies noticed on physical verification of the above referred stocks as compared to the book records were not material and have been properly dealt with in the books of account.
  - d) In our opinion, valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
3. In respect of loans, secured or unsecured, granted or taken by the Company to/ from Companies, firm or other parties covered in the register maintained under 301 of the Companies Act,1956:
  - a) The Company has not taken any loans, Secured or Unsecured from companies and other parties listed in the register maintained under Section 301 of the Act and / or Companies under the same management as defined under Section 370(1-B) which is rendered inoperative since insertion of sub section (6) of section 370 of the Companies Act, 1956.
  - b) The Company has not granted any loans secured or unsecured, during the year, to companies, firms or parties listed in the register maintained under Section 301 of the Companies Act, 1956. On the basis of the information and explanations given to us, there are no companies under the same management within the meaning of section 370(1-B) which is rendered inoperative since insertion of sub section (6) of section 370 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of stores, raw materials including components, plant & machinery, equipment and similar assets & purchase of goods and for the sale of goods. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. In respect of transaction covered under Section 301of the Companies Act,1956:

According to the information and explanations given to us, purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and aggregating during the year to Rs.5,00,000 or more in respect of each party have been made at prices which are reasonable having regards to the prevailing market price for such goods, materials or services or the prices at which the transactions for similar goods are services have been made with other parties, where applicable.

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6. In our opinion and according to the information and explanations given to us, the company has complied with the directives issued by Reserve Bank of India and the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law tribunal or Reserve Bank of India or any court or any other Tribunal on the company in respect of the aforesaid deposits.
7. In our opinion, the internal audit system of the Company is commensurate with the size of the company and nature of its business
8. We have broadly reviewed the books of accounts maintained by the Company in respect of product where, pursuant to the rules made by the Central Government of India under Section 209 (1) (d) of the Act and are of the opinion that prima facie, the prescribed account and records have been made and maintained. However we are not required to and have not carried out any detailed examination of such accounts and records.
9. In respect of statutory dues:
  - a) According to the information and explanations given to us, and the records of the company examined by us, in our opinion, the company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income Tax, sales tax, wealth tax, service tax, excise duty, customs duty, cess and other material statutory dues as applicable with the appropriate authorities.
10. According to the records of the company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the Balance Sheet date.
11. Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.
12. The provisions of any special statute applicable to Chit fund & Nidhi /Mutual benefit / societies are not applicable to the company.
13. During the year, the Company does not have any transactions in respect of dealing and trading in shares, securities, debentures and other investments. All shares, debentures and other securities held as investments by the company have been held by the Company in its own name.
14. According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from bank or financial institutions.
15. According to the information and explanations given to us, the working capital term loans raised during the year were used for the purpose for which they were raised.
16. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the Company has used no funds raised on Short-term basis for long-term investment.
17. The Company has not made any preferential allotment of shares during the year.
18. During the year covered by our audit report the Company has not issued any secured debentures.
19. The Company has not raised any money by public issues during the year covered by our report.
20. The Company has no accumulated losses as at 31<sup>st</sup> March,2010 and has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year
21. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of frauds on or by the company, noticed or reported during the year, nor have been informed of such case by the management.

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

**Sd/-  
A.F. KHASGIWALA  
Partner  
Membership No. 6491**

**Place: Mumbai  
Dated: 25<sup>th</sup> May, 2010**

# ESKAY K'n'IT (INDIA) LIMITED

## BALANCE SHEET AS AT 31ST MARCH, 2010

	Schedules		As at 31.03.2010 (Rs.in lacs)		As at 31.03.2009 (Rs.in lacs)
<b>SOURCES OF FUNDS</b>					
<b>SHAREHOLDERS' FUND</b>					
Share Capital	1	2808.32		2808.32	
Reserves & Surplus	2	29233.00	32041.32	28252.90	31061.22
<b>LOAN FUNDS</b>					
Secured Loans	3	28526.69		23467.01	
Unsecured Loans	4	14500.00	43026.69	14500.00	37967.01
<b>TOTAL FUNDS</b>			<b>75068.01</b>		<b>69028.23</b>
<b>APPLICATION OF FUNDS</b>					
<b>FIXED ASSETS</b>					
Gross Block	5	67518.92		60164.23	
Less : Depreciation		38116.94		30632.32	
Net Block		29401.98		29531.91	
Capital Work-in-Progress		1521.68		1735.25	
			<b>30923.66</b>		31267.16
<b>INVESTMENTS</b>	6		<b>2448.91</b>		2448.91
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>					
Inventories	7	16337.97		11934.47	
Sundry Debtors	8	19786.65		17363.64	
Cash & Bank Balances	9	67.35		1379.79	
Loans and Advances	10	2714.63		3153.44	
		<b>38906.60</b>		<b>33831.34</b>	
<b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>					
Current Liabilities	11	1376.88		1690.85	
Provisions	12	51.81		318.70	
		<b>1428.69</b>		<b>2009.55</b>	
<b>NET CURRENT ASSETS</b>			<b>37477.91</b>		31821.79
Deffered Tax Assets			<b>4217.79</b>		3490.37
<b>TOTAL ASSETS (NET)</b>			<b>75068.27</b>		<b>69028.23</b>
<b>NOTES ON ACCOUNTS</b>	20				

SCHEDULES REFERRED TO ABOVE FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

As per our report of even date attached

For and on behalf of the Board of Directors

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

Chartered Accountants

Sd/-

**A. F. Khasgiwala**

Partner

Membership No. 6491

Sd/-

**Navin Kumar Tayal**

Chairman

Sd/-

**Sanjeev Sharma**

Managing Director

Sd/-

**Priti Shirke**

Company Secretary

Place: Mumbai  
Date: 25th May, 2010

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### PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED ON 31ST MARCH, 2010

	Schedules	As at 31.03.2010 (Rs.in lacs)	As at 31.03.2009 (Rs.in lacs)
<b>INCOME</b>			
Sales	13	81675.56	71892.20
Other Income	14	1.31	58.59
Increase in Stock of Finished Goods	15	(604.87)	537.48
		<b>81072.00</b>	<b>72488.27</b>
<b>EXPENDITURE</b>			
Materials & Goods consumed	16	57606.07	50990.86
Manufacturing Expenses	17	10336.78	7826.45
Interest & Finance Charges	18	2678.80	2367.05
Selling & Administrative Expenses	19	2117.84	1641.94
Loss on discarded of Fixed assets		0.00	1.72
Depreciation		8027.78	8987.75
		<b>80767.27</b>	<b>71815.77</b>
<b>Profit (Loss) before tax</b>		<b>304.74</b>	<b>672.50</b>
Less Provision for Taxation		51.81	76.19
Less Provision for FBT		0.00	7.48
Add: Deffered Tax Assets		727.42	1177.58
<b>Profit (Loss) after tax</b>		<b>980.35</b>	<b>1766.41</b>
Balance brought forward from previous year		6545.87	4779.45
Surplus(Deficit) Carried to Balance Sheet		<b>7526.22</b>	<b>6545.86</b>
Basic / Diluted Earning per share		<b>0.35</b>	<b>0.63</b>
<b>NOTES ON ACCOUNTS</b>	20		

SCHEDULES REFERRED TO ABOVE FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**As per our report of even date attached**

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

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

Chartered Accountants

Sd/-

**A. F. Khasgiwala**

Partner

Membership No. 6491

Sd/-

**Navin Kumar Tayal**

Chairman

Sd/-

**Sanjeev Sharma**

Managing Director

Sd/-

**Priti Shirke**

Company Secretary

Place: Mumbai

Date: 25th May, 2010

# ESKAY K'n'IT (INDIA) LIMITED

## SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31-03-2010

	As at 31.03.2010 (Rs.in lacs)	As at 31.03.2009 (Rs.in lacs)
<b>SCHEDULE '1'</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
1,50,00,00,000 Equity Shares of Rs.1/- each	15000.00	15000.00
150,00,000 Redeemable Preference Shares of Rs.10 each	1500.00	1500.00
<b>Issued,Subscribed and Paid-up</b>		
280831852 Equity Shares of Rs.1/- each (Previous year 280831852 Sh of Rs.1 each)	2808.32	2808.32
	<u>2808.32</u>	<u>2808.32</u>
<b>SCHEDULE '2'</b>		
<b>RESERVE &amp; SURPLUS</b>		
<b>General Reserve</b>		
As per last Balance Sheet	10201.26	10176.26
Add:Transferred from Debenture Redemption reserve	0.00	0.00
Add:Transferred from Capital reserve(subsidy)	800.00	25.00
	<u>11001.26</u>	<u>10201.26</u>
<b>Debenture Redemption Reserve</b>		
As per last Balance Sheet	800.00	800.00
Less:Transferred to general reserve	800.00	0.00
	<u>0.00</u>	<u>800.00</u>
<b>Capital Redempetion Reserve Account</b>		
	300.00	300.00
<b>Capital Reserve</b>		
	107.61	107.61
	<u>107.61</u>	<u>107.61</u>
<b>SHARE PREMIUM</b>		
As per last Balance Sheet	10298.17	10298.17
	<u>10298.17</u>	<u>10298.17</u>
<b>Profit Transferred from Profit and Loss Account</b>		
	7526.22	6545.86
	<u>7526.22</u>	<u>6545.86</u>
	<u>29233.26</u>	<u>28252.90</u>
<b>SCHEDULE'3'</b>		
<b>SECURED LOANS</b>		
Term Loans	10158.54	12589.30
(Secured by first charge on all Fixed assets & second charge on Current assets on pari passu basis with other banks and personal guarantes of Promoter/Directors) (Repayable within one year Rs.2496Lacs (Previous year Rs.2496 Lacs)		
Interest Acured & due	103.63	133.28
Working Capital Loans		
Banks	18264.52	10744.43
(Secured by first charge on all current assets & second charge on fixed assets on pari passu basis with other banks and personal guarantes of Promotoer/Directors)		
	<u>28526.69</u>	<u>23467.01</u>



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	As at 31.03.2010 (Rs.in lacs)	As at 31.03.2009 (Rs.in lacs)
<b>SCHEDULE '4'</b>		
<b>UNSECURED LOANS</b>		
LONG TERM		
From Corporates	<b>14500.00</b>	14500.00
	<b>14500.00</b>	14500.00

### SCHEDULE '5' :- FIXED ASSETS AS ON 31ST MARCH, 2010

(Rs. In Lacs )

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As At 01.04.2009	Additions	Deductions	As At 31.03.2010	Upto 01.04.2009	Written Back	Depreciation	Upto 31.03.2010	As on 31.03.2010	As on 31.03.2009
Land	216.54	186.24	0.00	402.78	0.00	0.00	0.00	0.00	402.78	216.54
Resident Flat	5.42	0.00	0.00	5.42	4.96	0.00	0.02	4.98	0.43	0.46
Factory Buildings	7358.18	2001.46	0.00	9359.64	3256.83	0.00	441.72	3698.54	5661.09	4101.35
Plant & Machinery	52450.80	5140.35	565.80	57025.35	27247.93	543.14	7525.41	34230.20	22795.16	25202.87
Furniture & Fixtures	52.71	5.06	0.00	57.77	46.06	0.00	1.43	47.49	10.28	6.65
Computer	16.37	0.00	0.00	16.37	14.71	0.00	0.65	15.36	1.01	1.66
Delivery Van	4.65	0.00	0.00	4.65	4.63	0.00	0.01	4.64	0.01	0.02
Vehicles	59.56	587.38	0.00	646.94	57.20	0.00	58.54	115.73	531.21	2.36
<b>Total</b>	<b>60164.22</b>	<b>7920.49</b>	<b>565.80</b>	<b>67518.92</b>	<b>30632.32</b>	<b>543.14</b>	<b>8027.78</b>	<b>38116.94</b>	<b>29401.98</b>	<b>29531.92</b>
<b>Capital Work In Progress</b>	<b>1735.25</b>	<b>7706.92</b>	<b>7920.49</b>	<b>1521.68</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1521.68</b>	<b>1735.25</b>
<b>Total</b>	<b>61899.47</b>	<b>15627.41</b>	<b>8486.30</b>	<b>69040.59</b>	<b>30632.32</b>	<b>543.14</b>	<b>8027.78</b>	<b>38116.94</b>	<b>30923.66</b>	<b>31267.16</b>
Previous Year	58160.40	5027.34	1288.25	61899.49	22633.20	988.64	8987.75	30632.32	31267.16	35527.18

	As at 31.03.2010	As at 31.03.2009
<b>SCHEDULE '6'</b>		
<b>INVESTMENTS</b>		
Long Term -Trade		
A) Quoted, (at Cost)		
Krishna Lifestyle Technologies Limited Equity Shares of Rs.1 each fully paid up	<b>32711500</b> <b>1398.91</b>	32711500      1398.91
B) Unquoted,(at cost)		
Krishna Knitwear Technology Limited Equity Shares of Re.10 each fully paid up	<b>10000000</b> <b>1000.00</b>	10000000      1000.00
C. Bonds		
13.5% I.D.B.I.Bonds-sixty sixth series (2003)	<b>1</b> <b>50.00</b>	1      50.00
	<b>2448.91</b>	2448.91
Aggregate Book Value of Quoted Investments	<b>1398.91</b>	1398.91
Aggregate Market Value of Quoted Investments	<b>340.20</b>	193.00

### SCHEDULE '7'

#### INVENTORIES

(At cost or net realisable value, whichever is lower,  
at valued and certified by the Management)

Raw Material	<b>9972.64</b>	4540.28
Stock-in-Process	<b>2855.91</b>	3265.25
Finished Goods	<b>3479.61</b>	4084.48
Stores, Spare parts, etc.	<b>29.81</b>	44.46
	<b>16337.97</b>	11934.47

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

	As at 31.03.2010 (Rs. in lacs)	As at 31.03.2009 (Rs. in lacs)
<b>SCHEDULE '8'</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured, Considered Good)		
Over six months	126.19	111.65
Less than Six month	19660.46	17251.99
	<u>19786.65</u>	<u>17363.64</u>
<b>SCHEDULE '9'</b>		
<b>CASH AND BANK BALANCES</b>		
Cash in Hand	9.06	9.78
Balances with Scheduled Banks in current accounts	34.12	1339.57
Fixed Deposit (Pledged with Bank)	24.17	30.44
	<u>67.35</u>	<u>1379.79</u>
<b>SCHEDULE '10'</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received	2587.24	3100.23
Advance Payment of Taxes	127.39	53.21
	<u>2714.63</u>	<u>3153.44</u>
<b>SCHEDULE '11'</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors	528.06	585.60
Other liabilities	848.82	1105.25
	<u>1376.88</u>	<u>1690.84</u>
<b>SCHEDULE '12'</b>		
<b>PROVISIONS</b>		
Provision for Taxation	51.81	318.70
	<u>51.81</u>	<u>318.70</u>

### SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010

	As at 31.03.2010 (Rs.in lacs)	As at 31.03.2009 (Rs.in lacs)
<b>SCHEDULE '13'</b>		
<b>SALES</b>		
Gross Sales		
Domestic	81675.56	71892.20
	<u>81675.56</u>	<u>71892.20</u>
<b>SCHEDULE '14'</b>		
<b>OTHER INCOME</b>		
Interest on deposit with Bank	0.00	1.86
Other Income	1.31	56.73
	<u>1.31</u>	<u>58.59</u>

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### SCHEDULE '15'

#### INCREASE/DECREASE IN FINISHED GOODS

Closing Stock	3479.61	4084.48
Opening Stock	4084.48	3547.00
Increase / (Decrease)	<u>(604.87)</u>	<u>537.48</u>

### SCHEDULE '16'

#### MATERIALS AND GOODS CONSUMED

Opening Stock		
Raw Material	4540.28	3927.37
Stock-in-process	3265.25	1607.70
	<u>7805.53</u>	<u>5535.07</u>
Add : Purchases	62629.09	53261.32
	<u>70434.62</u>	<u>58796.39</u>
Less : Closing Stock		
Raw Material	9972.64	4540.28
Stock-in-process	2855.91	3265.25
	<u>12828.55</u>	<u>7805.53</u>
Raw Material Consumed	<u>57606.07</u>	<u>50990.86</u>

### SCHEDULE '17'

#### MANUFACTURING EXPENSES

Power & Fuel	5735.24	4378.23
Labour & Processing Charges	3376.98	2530.26
Stores, Chemicals and Packing Materials	897.31	699.69
Machinery & Electricals Repairs & Maintenance	327.25	218.27
	<u>10336.78</u>	<u>7826.45</u>

### SCHEDULE '18'

#### INTEREST & FINANCE CHARGES

Term Loans	734.81	1040.77
Cash Credit Accounts	1868.00	1305.34
Bank Charges	75.99	20.94
	<u>2678.80</u>	<u>2367.05</u>

### SCHEDULE '19'

#### SELLING & ADMINISTRATIVE EXPENSES

Rent, Rates and Taxes	10.52	9.19
Insurance	44.45	35.92
Conveyance & Travelling	73.67	61.35
General & Misc. Expenses	92.26	65.11
Legal, Professional & Consultancy	81.59	49.39
Transportation	265.26	226.16
Auditors' Remuneration	0.91	0.91
Directors' Remuneration	6.00	6.00
Directors' Sitting Fees	2.50	1.70
Printing and Stationery and postage	81.49	71.89
Listing Fee	0.48	0.48
Repairs & Maintenance	40.62	28.77
Telephone and Telex	65.46	45.73
Discount Commission and Brokerage	780.46	623.15
Salary & Staff Welfare	496.73	347.07
Publicity & Advertisements	34.85	31.32
Service & Maintenance Charges	40.59	37.80
	<u>2117.84</u>	<u>1641.94</u>

# ESKAY K'n'IT (INDIA) LIMITED

## SCHEDULE '20'

### NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

#### SIGNIFICANT ACCOUNTING POLICIES

1. a. ACCOUNTING CONCEPTS  
The Company follows the mercantile system of Accounting and recognizes Income and Expenditure on accrual basis. The accounts are prepared on historical cost basis, as a going concern, and are consistent with generally accepted accounting principles.
- b. FIXED ASSETS  
Fixed Assets are stated at cost of acquisition less depreciation. The cost comprises the purchase price and other attributable costs.
- c. DEPRECIATION  
The Company follows the written down value method of providing depreciation at the rates prescribed in Schedule XIV to the Companies (Amendment) Act 1988 read with Section 205(2) (b) of the said Act on pro-rata basis uniformly in respect of all assets.
- d. INVESTMENTS  
Investments are stated at cost, Provision for diminution in value of investments, if any, is made if such diminution is other than temporary.
- e. INVENTORIES  
Inventories are valued at cost or net realizable value, whichever is lower.
2. The expenditure on research and development activities as certified by the management has been taken into account.
3. Retirement benefits:
  - (a) Provident fund has been paid regularly in time by the company
  - (b) Gratuity & Leave Encashment is accounted for in cash basis as and when paid.
4. Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes as a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue.
5. The company has a single business segment namely "Textiles" hence segment reporting as required under AS-17 issued by ICAI and made mandatory w.e.f. 1/04/2001 for certain business enterprises is not applicable in case of company.
6. AS-18 Related Party Disclosure:  
Related party disclosures as required by AS-18 "Related Party Disclosures" are given below. [Related parties are as identified by the Company and relied upon by the Auditors]:
  - A. List of Related Parties.
    1. Parties where control exists: Nil
    2. Other parties with whom the company has entered into transaction during the year.
      - i) Associates where key management personnel and their relatives have significant influence; - Nil
      - ii) Key Management Personnel: -
        - a. Sanjeev Sharma – Managing Director
      - iii) Relative of Key Management Personnel: - Nil
  - B. During the year, the following transactions were carried out with the related parties in the normal course of business.

Transaction	Associates	Key Management Personnel (In lacs)	Relative of Key Management Personnel	Total (In lacs)
Remuneration	Nil (Nil)	6.00 (6.00)	Nil (Nil)	6.00 (6.00)

#### Notes:

1. No amount pertaining to Related Parties has been provided for as doubtful debts. Also, no amount has been written off / written back during the year.
2. Figures in brackets represent corresponding amount of previous year.

## ANNUAL REPORT 2009–2010

### 7. AS-19 Leases

Company has not taken any Assets on Lease basis

### 8. AS-22 Accounting for taxes on Income:

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

Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year, and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

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

9. There is no payment overdue to small-scale industries.

10. The balance of advances, debtors and creditors are confirmed by majority of parties and efforts are being made for obtaining confirmation from remaining parties

11. **CENVAT:** Capital expenditure and raw materials have been taken at net value after adjusting cenvat, wherever applicable as per guidelines issued by The Institute of Chartered Accountants of India..

### 12. EARNING PER SHARE

Basic and Diluted Earnings Per Share is calculated as under:

	<b>31-03-2010 (Rs.in Lacs)</b>	31-03-2009 (Rs.in Lacs)
a. Numerator :		
Net Profit As per Profit and Loss Account	<b>980.35</b>	1766.41
Net Profit considered for EPS Calculation	<b>980.35</b>	1766.41
b. Denominator :		
No. of Equity Shares	<b>280831852</b>	280831852
c. Basic & Diluted Earnings per Share	<b>(Rs.) 0.35</b>	(Rs.) 0.63
d. Nominal value of Equity Share	<b>(Rs.) 1.00</b>	(Rs.) 1.00

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

### 14. Payment of Audit Fees

	<b>31.03.2010 (Rs. in Lacs)</b>	31.03.2009 (Rs.in Lacs)
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Remuneration to Auditors:

Audit Fee	<b>0.78</b>	0.78
Tax Audit Fee	<b>0.13</b>	0.13

15. Remuneration to Managing Director	<b>6.00</b>	6.00
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### 16. Particulars in respect of goods manufactured:

	<b>As at 31.03.2010 (In tonnes Per annum)</b>	As at 31.03.2009 (In tonnes per annum)
I. Licensed Capacity	<b>N.A.</b>	N.A.
II. Installed Capacity		
a) Spinning Division :	<b>30000</b>	30000
b) Knitting of specialty fabrics	<b>29000</b>	29000
c) T.F.O.	<b>10000</b>	10000
d) Processing	<b>28000</b>	28000
e) Garments ( Pcs. )	<b>1000000</b>	1000000

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

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

Description	2009–2010		2008–2009	
	Quantity (Tonnes)	Value (Rs. in lacs)	Quantity (Tonnes)	Value (Rs. in lacs)
<b>Opening Stock</b>				
Finished Goods	2615.93	4084.48	2086.92	3547.00
Stock in Process	3024.63	3265.25	1766.49	1607.70
Raw Material	6341.73	4540.28	5740.88	3927.37
<b>Closing Stock</b>				
Finished Goods	2323.89	3479.61	2615.93	4084.48
Stock in Process	2705.19	2855.91	3024.63	3265.25
Raw Material	12686.03	9972.64	6341.73	4540.28
<b>Purchases</b>	<b>66129.03</b>	<b>62629.09</b>	54712.69	53261.32
<b>Sales</b>				
Finished Goods	52473.84	81675.56	40665.16	71892.20
Raw Material Consumed		57606.07		50990.86
<b>Production (Yarn/Cloth)</b>	<b>52181.80</b>		41194.17	
Garments (Pcs in Lacs)	8.51		8.81	

18. Expenditure in Foreign Currency :

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

19. Earnings in Foreign Currency

0.00 0.00

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

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

21. Contingent liabilities: Bank Guarantees Rs.153.00 Lacs

22. Figures of previous year have been re-grouped/re-arranged wherever necessary.

SCHEDULES REFERRED TO ABOVE FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

As per our report of even date attached

For and on behalf of the Board of Directors

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

Chartered Accountants

Sd/-

**A. F. Khasgiwala**  
Partner  
Membership No. 6491

Sd/-

**Navin Kumar Tayal**  
Chairman

Sd/-

**Sanjeev Sharma**  
Managing Director

Sd/-

**Priti Shirke**  
Company Secretary

Place: Mumbai  
Date: 25<sup>th</sup> May, 2010

## ANNUAL REPORT 2009–2010

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2010

	2009–2010 (Rs. In lacs)	2008–2009 (Rs. In lacs)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax and extraordinary activities	304.74	672.50
Adjustments for :		
Depreciation & amortisation	8027.78	8987.75
Loss on fixed assests discarded	0.00	1.72
Interest (net)	2678.80	2367.05
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>11011.32</b>	12029.01
Adjustments for :		
Trade & other receivables	(1984.20)	(2771.09)
Inventories	(4403.50)	(2792.78)
Current Liabilities & Provisions	(313.98)	704.74
<b>CASH GENERATED FROM OPERATIONS</b>	<b>4309.64</b>	7169.88
Interest paid	(2678.80)	(2367.05)
Direct taxesPaid	(318.70)	(8.38)
<b>CASH FLOW BEFORE EXTRAORDINARY ITEMS</b>	<b>1312.14</b>	4794.45
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>1312.14</b>	4794.45
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(7684.26)	(4729.44)
Sale of Fixed Assets	0.00	0.00
Sale of Investment	0.00	0.02
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(7684.26)</b>	(4729.42)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds From Issue Of Share Capital Including Share Premium	0.00	0.00
Total Proceedings From Borrowings (Net Of Repayment)	5059.68	1047.15
Dividend Paid	0.00	0.00
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>5059.68</b>	1047.15
<b>NET DECREASE /INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1312.45)</b>	1112.18
CASH AND CASH EQUIVALENTS (Opening Balance)	1379.79	267.60
CASH AND CASH EQUIVALENTS (Closing Balance)	<b>67.35</b>	1379.79

As per our report of even date attached

For and on behalf of the Board of Directors

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

Chartered Accountants

Sd/-

**A. F. Khasgiwala**

Partner

Membership No. 6491

Sd/-

**Navin Kumar Tayal**

Chairman

Sd/-

**Sanjeev Sharma**

Managing Director

Place: Mumbai

Date: 25th May, 2010

Sd/-

**Priti Shirke**

Company Secretary

#### Auditors Certificate

We have examined the attached cash flow statement of **Eskay K 'n' IT (India) Ltd.** For the year ended 31st March 2010. The Statement has been prepared by the company in accordance with the requirements of Listing Agreement Clause 32 with various Stock Exchanges and is based on and is in Agreement with the corresponding Profit and Loss account and Balance Sheet of the company by our report to the members.

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

Chartered Accountants

Sd/-

**A. F. Khasgiwala**

Partner

Membership No. 6491

Place: Mumbai

Date: 25<sup>th</sup> May, 2010

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

### ADDITIONAL INFORMATION UNDER PART IV OF THE SCHEDULE VI TO THE COMPANIES ACT, 1956

#### I. REGISTRATION DETAILS

Registration	No.L18109DN1987PLC000034	State Code	54
Balance sheet Date	31.03.2010		

#### II. CAPITAL RAISED DURING THE YEAR

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement :	Nil

#### III. POSITION TO THE MOBILISATION AND DEPLOYMENT OF FUNDS(Amount in Lacs)

Total Liabilities	75068.27	Total Assets	75068.27
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#### SOURCE OF FUNDS

Paid-up Capital	2808.32	Reserves & Surplus	29233.26
Secured Loans	28526.69	Unsecured Loans	14500.00

#### APPLICATION OF FUNDS

Net Fixed Assets	30923.66	Investments	2448.91
Net Current Assets	37477.91	Misc.Expenditure	0.00
Accumulated Losses	NIL	Deffered Tax Assets	4217.19

#### IV PERFORMANCE OF COMPANY(Amount in Lacs)

Turnover & Other Income	81072.00	Total Expenditure	80767.27
Profit/(Loss) before Tax	304.74	Profit/(Loss) after Tax	980.35
Earning Per Share	0.35	Dividend Rate %	Nil

V Item Code No.(ITC Code) :	52-05
Product description :	Cotton Yarn
Item Code No.(ITC Code) :	60-02
Product description :	Knitted fabrics

As per our report of even date attached

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

Sd/-  
**A. F. Khasgiwala**  
Partner  
Membership No. 6491

Place: Mumbai  
Date: 25<sup>th</sup> May, 2010

For and on behalf of the Board of Directors

Sd/-  
**Navin Kumar Tayal**  
Chairman

Sd/-  
**Sanjeev Sharma**  
Managing Director

Sd/-  
**Priti Shirke**  
Company Secretary