

**BOARD OF DIRECTORS**

- Mr. Nitin Motani (*Chairman*)
- Mr. Shailesh Shah (*Managing Director*)
- Mr. Shard Shah
- Mr. Saurabh Motani
- Mr. Maikal Raorani
- Mr. Vijay Choraria
- Mr. Narendra Mahajani (*Additional Director w. e. f. 26<sup>th</sup> June, 2013*)
- Mr. Subramanian Sharma (*Additional Director w. e. f. 26<sup>th</sup> June, 2013*)

**REGISTERED OFFICE**

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

**AUDITORS**

Thanawala & Co  
Chartered Accountants

**BANKERS**

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

**REGISTRAR & TRANSFER AGENTS**

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

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NOTICE

**NOTICE** is hereby given that the Twenty Fourth Annual General Meeting of the members of **SKY INDUSTRIES LIMITED** will be held on Friday, the 27<sup>th</sup> September 2013 at 11.00 a.m. at Abbott Hotels Private Limited, Chandragupt Hall, Sector - 2, Vashi, Navi Mumbai - 400 703 to transact the following business:

**Ordinary Business**

1. To receive, consider and adopt the Balance Sheet as at 31<sup>st</sup> March 2013 and the statement of Profit and Loss for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Vijay Choraria, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

**Special Business**

4. To consider and if thought fit, to pass with or without modification(s) if any, the following Ordinary **Resolution:**

**RESOLVED THAT** Mr. Narendra Mahajani, who was appointed as an Additional Director of the Company by the Board of Directors on 26<sup>th</sup> June, 2013 and who ceases to hold office under section 260 of the Companies Act, 1956 at the forthcoming Annual General Meeting, and pursuant to section 257 of the Companies Act, 1956, in respect of whom the Company has received a notice in writing proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company, liable to retirement by rotation.

5. To consider and if thought fit, to pass with or without modification(s) if any, the following Ordinary **Resolution:**

**RESOLVED THAT** Mr. Subramanian Sharma, who was appointed as an Additional Director of the Company by the Board of Directors on 26<sup>th</sup> June, 2013 and who ceases to hold office under section 260 of the Companies Act, 1956 at the forthcoming Annual General Meeting, and pursuant to section 257 of the Companies Act, 1956, in respect of whom the Company has received a notice in writing proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company, liable to retirement by rotation.

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

**“RESOLVED THAT** pursuant to section 257 of the Companies Act, 1956 the company has received a notice in writing proposing Mr. Vaibhav Desai's candidature for the office of Director and he be and is hereby appointed as a Director of the Company.

**FURTHER RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, the consent of the Company be and is hereby accorded to appoint Mr. Vaibhav Desai as a Wholtime Director of the Company for a period commencing from 1<sup>st</sup> October, 2013 to 30<sup>th</sup> September, 2014 (both days inclusive), on the terms and conditions and remuneration (including remuneration to be paid in the event of any loss, absence or inadequacy of profit during his term) as mentioned in the Explanatory Statement and authorised the Board of Directors of the Company or the Committee to revise the terms of appointment and/or vary the remuneration and perquisites payable to him within the limits as provided for in the Act / Rules made there under.

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

By Order of the Board of Directors

Sd/-  
Nitin Motani  
Chairman

Place: Mumbai,  
Date : 14<sup>th</sup> August 2013

**NOTES:**

- a) A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his place and the proxy need not be a member of the Company.
- b) Proxies in order to be effective must be lodged with the Company not less than 48 hours before the time of the meeting.
- c) Members are requested to :
  - immediately intimate change of address, if any, to the Company or the Registrar and Share Transfer Agent, Link Intime Pvt. Limited C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai 400 078 quoting reference of their folio number;
  - produce the Attendance Slip duly filled in for attending the Meeting;
  - bring copy of the Annual Report to the venue of the Meeting; and
  - write to the Company at least 7 days in advance of the Annual General Meeting for any information about accounts.
- d) The Register of Members and Share Transfer Books of the Company will remain closed from 25<sup>th</sup> Sep 2013 to 27<sup>th</sup> Sep, 2013 (both days inclusive).
- e) Pursuant to Section 205A of the Companies Act, 1956 any dividend remaining unpaid or unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund. No claims shall lie against the Fund or the Company thereafter. All the shareholders who have not encashed the dividend warrants for any year for which the dividend was declared are requested to encash the same.
- f) All the documents referred to in the Notice and Explanatory Statement are available for inspection at the Registered Office of the Company during office hours on all working days, between 11.00 a.m. and 1.00 p.m., upto the date of Annual General Meeting.

**Profile of the Directors liable to retire by rotation:**

As required under Clause 49 of the Listing Agreement with the Stock Exchanges, the particulars of Directors who are proposed to be appointed / reappointed are given below.

Name: **Mr. Vijay K. Choraria**

Date of Birth: 10<sup>th</sup> August 1964

Qualification: CA, BGL

Directorship: Mr. Vijay K Choraria is a director in several reputed Companies.

Expertise: A Chartered Accountant and Bachelor in General Law by qualification, Mr. Vijay Choraria has over 25 years of experience and has been actively involved in the real estate and financial markets. He is on the board of several reputed companies.

Name: **Mr. Narendra Mahajani**

Date of Birth: 3<sup>rd</sup> August 1968

Qualification: B.Com; FCA; FICWA.

Directorship: Mr. Narendra Mahajani is a Director in several Reputed Companies.

Expertise: A Chartered Accountant and a Cost Accountant by qualification, Mr. Narendra Mahajani has over 20 years of rich experience and has been actively involved in the field of finance and Treasury. He is on the field of several reputed companies.

Name: **Mr. Subramanian Sharma**

Date of Birth: 30<sup>th</sup> January 1966

Qualification: B.Com; ACA.

Directorship: Mr. Subramanian Sharma is a director in several reputed companies.

Expertise: A Chartered Accountant by degree, Mr. Sharma brings to the table two decades of solid experience in a number of fields. Be they matters related to corporate finance or management of documentary credits or even those associated with international trade finance, his expertise has earned him an outstanding name in business.

Name: **Mr. Vaibhav Jay Desai**

Date of Birth: 22<sup>nd</sup> December 1971

Qualification: B.E(Mech); DBM; DIM.

Directorship: Mr. Vaibhav Desai is not a director in any other company.

Expertise: An Engineer and a Diploma Holder in Business and industrial Management, Mr. Vaibhav Desai has rich and vast experience of around 22 years in Manufacture of man made Textile Products and Narrow woven products.

**EXPLANATORY STATEMENT PURSUANT TO SUB SECTION (2) OF SECTION 173 OF THE COMPANIES ACT, 1956 IN RESPECT OF THE SPECIAL BUSINESS SET OUT IN THE NOTICE CONVENING THE ANNUAL GENERAL MEETING**

**Item No. 4**

Mr. Narendra Mahajani was appointed as an Additional Director of the Company on 26h June 2013 by the Board of Directors of the Company and as an Independent Director of the Company. According to the provision of Section 260 of the Companies Act, 1956, he holds office as Director only up to date of the ensuing Annual General Meeting. As required by Section 257 of the Act, a notice has been received from a member signifying his intention to propose appointment of Mr Narendra Mahajani as a Director along with a deposit of Rupees five hundred. The Board considers it desirable that the Company should continue to avail itself of his services.

None of the directors are concerned or interested in the above said resolution, except, as a member of the Company.

**Item No. 5**

Mr. Subramanian Sharma was appointed as an Additional Director of the Company on 26h June 2013 by the Board of Directors of the Company and as an Independent Director of the Company. According to the provision of Section 260 of the Companies Act, 1956, he holds office as Director only up to date of the ensuing Annual General Meeting. As required by Section 257 of the Act, a notice has been received from a member signifying his intention to propose appointment of Mr Subramanian Sharma as a Director along with a deposit of Rupees five hundred. The Board considers it desirable that the Company should continue to avail itself of his services.

None of the directors are concerned or interested in the above said resolution, except, as a member of the Company.

**Item No.6**

Mr. Vaibhav Jay Desai aged 42, B.E (Mechanical Engineering), DBM, DIM, has rich and vast experience of around 22 years in Manufacture of Textile Products.

The main terms of his appointment as a Wholetime Director of the Company are given below.

1. Designation : Wholetime Director;
2. Period: commencing from 1<sup>st</sup> October 2013 to 30<sup>th</sup> September 2014, (both days inclusive).
3. Salary & Perquisites : 75,000/- per month

Mr. Desai shall exercise all such powers and perform all such functions and duties as may be entrusted to him by the Chairman / Managing Director and/or the Board of Directors of the Company and be subject to such restrictions as the Chairman / Managing Director and/or the Board of Directors of the Company may from time to time specify.

Mr. Desai shall report to the Chairman / Managing Director and be responsible for all his actions to the Chairman / Managing Director as well as to the Board. Management of the whole or substantially the whole of the affairs of the Company will not vest in Mr. Desai.

Mr. Desai shall devote his whole time, attention and abilities during business hours to the business of the company and undertake travelling in India and abroad for the same.

**Perquisites and Allowances:**

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

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

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

**Minimum Remuneration:**

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

Mr. Desai shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.

Mr. Desai shall be entitled to reimbursements of all actual expenses, including on entertainment and travelling, incurred in the course of company's business.

In case of death of Mr. Desai during the course of his employment, the company will pay to his legal personal representatives, salary and other emoluments payable hereunder for the then current month.

Mr. Desai shall not directly or indirectly engage himself in any business or activity substantially similar to or competing with the business or activity of the company during the term of the agreement.

Mr. Desai shall not become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the company without the prior approval of the Central Government.

Mr. Desai shall not divulge or disclose any information or knowledge obtained by him during his employment as to the business or affairs of the company or any trade secrets or secret processes of the company.

Mr. Desai's employment shall be determined forthwith if he commits a breach of any of the aforesaid terms, disqualifies himself to act as a Director for any reason except inadvertent breach of section 283 of the Companies Act, 1956, or becomes insolvent, makes any composition or arrangement with his creditors or ceases to be a director of the company.

Either party shall be entitled to terminate the agreement at any time by giving the other party not less than 90 days notice in writing in that behalf provided that the company shall be entitled to terminate the agreement by giving three months salary in lieu of such notice.

All Notices shall be in writing and shall be sent to the Company's Registered Office and to the last known residential address of Mr. Desai.

This agreement with Mr. Desai shall be the entire Agreement between the parties and shall supersede and cancel all prior arrangements, agreements, understandings, oral or written on the subject matter.

Your Directors consider the aforesaid remuneration to be commensurate with the duties and responsibilities of Mr. Desai as a whole time director.

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

None of the Directors of the company except Mr. Desai is concerned or interested in the said Resolution.

Explanatory statement with the accompanying Notice can be considered as an abstract of the terms under section 302 of the Companies Act, 1956.

**By Order of the Board of Directors**

Sd/-

**Nitin Motani  
Chairman**

**Place: Mumbai,**

**Date : 14<sup>th</sup> Aug 2013**

**DIRECTORS' REPORT**

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

The Directors take pleasure in submitting the 24<sup>th</sup> Annual Report and Accounts for the year ended 31<sup>st</sup> March, 2013.

**FINANCIAL RESULTS AND OPERATIONS:**

| Particulars   | Current Year ended<br>31.03.2013 | Previous Year ended<br>31.03.2012 |
|---|----------------------------------|-----------------------------------|
| Sales and other income  | 6117                             | 8162                              |
| Profit before Depreciation, Interest<br>Tax and Appropriation | 336                              | (32)                              |
| <b>Less: Interest</b>   | <b>288</b>                       | <b>318</b>                        |
| Depreciation  | 145                              | 194                               |
| Profit / (Loss) before tax                                    | (97)                             | (544)                             |
| Exceptional item  | 35                               | -                                 |
| Provision for Taxation  | 28                               | 72                                |
| Profit / (Loss) after taxation                                | (34)                             | (472)                             |

**RESULTS OF OPERATIONS**

The turnover during the year was Rs.6117 Lacs as compared to previous years Rs. 8162 Lacs, a reduction of about 25%. The Company faced external pressures as well as managed to overcome a mini crisis in form of labour unrest at its Vashi plant.

**DIVIDEND**

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

**EXPORTS**

During the year under review the Exports were at Rs. 1031 lacs, a drop from Rs. 1406 lacs in the previous year. The drop was mainly on account of conscious decision to avoid the risky European markets, which were largely instrumental in getting higher export orders in the previous year.

**INTERNATIONAL BUSINESS / SUBSIDIARY**

Your Directors are pleased to inform that the performance of the subsidiary company, SKAY INC for the year ended 31<sup>st</sup> March, 2013 was satisfactory.

As required under Section 212 of the Companies Act, 1956, the audited statements of accounts, along with the report of the Board of the Directors and the respective Auditors' Report thereon of the subsidiary company, SKAY INC for the year ended 31<sup>st</sup> March, 2013, is annexed herewith.

**HUMAN RESOURCES**

At present we have 214 (Two Hundred and fourteen members) in our family globally and we expect stable growth in the same in this financial year. Your company encourages teamwork, along with individual excellence; develop a sense of belonging amongst employees by caring attitude.

**CORPORATE GOVERNANCE**

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



**AUDIT COMMITTEE**

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

**MANAGEMENT DISCUSSION AND ANALYSIS**

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

**DIRECTORS**

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

Mr. Maikal Raorani's term of appointment as a Wholetime Director expires on 30<sup>th</sup> Sep 2013. He has expressed his inability to continue as the director and also Whole time Director of the company.

The Board has received a Notice u/s 257 of the Companies Act 1956 proposing Mr. Vaibhav Desai as the Director of the company with effect from 1<sup>st</sup> October 2013. The Board considered the same and taking into account Mr. Vaibhav Desai's expertise, experience and also association with the company, recommended him to be appointed as a Whole time Director of the company subject to the approval of the Members. The Remuneration Committee also approved the Terms & Conditions of his appointment which are part of the Explanatory Statement to the Notice of the AGM.

We are pleased to inform the members that we have inducted two experienced professionals as Independent directors in our Board with effect from 26<sup>th</sup> June 2013. They are Mr. Narendra P. Mahajani and Mr. Subramanian H. Sharma. Their appointment has to be confirmed by the members in the annual general meeting of your Company.

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

**AUDITORS**

M/s Thanawala & Co., Chartered Accountants, Mumbai, the current statutory auditors of the company, being eligible, have expressed their willingness to serve as Statutory Auditors of company. The Company has received a certificate under Section 224 (1B) of the Companies Act, 1956 stating that the appointment, if made, will be within the limits as specified in that section.

You are requested to consider their re-appointment.

**AUDITOR'S REPORT**

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

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

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

Remark: "The Company has accepted deposits from shareholders without issue of advertisements and at an interest rate higher than the prescribed limits. The company has not maintained adequate liquid assets. Hence the company has contravened the provisions of Sec.58A, 58 AA of the Companies Act, 1956 and rules framed there under"

Response: Acceptance of deposit from a shareholder is permitted under the Company's Act, however, since Sky is a listed Company, as far as compliance is concerned, we need to publish an advertisement prior to calling of the deposit from the shareholder. Another point is that we have accepted the deposit higher than the permissive rate of 15 % as practically in a higher

interest scenario it is difficult to borrow at lower rates, and again the impact of same is not significant. We are paying close to 15.50% 15.75% even on our Cash Credit facility enjoyed with our bankers.

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

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

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

### **DEPOSITS**

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

### **EMPLOYEES**

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

### **CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION**

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

### **DIRECTORS RESPONSIBILITY STATEMENT**

The Directors confirm:

- (a) that in preparation of the Annual Accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- (b) that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit / (Loss) of the Company for the year;
- (c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) that they have prepared the annual accounts on a going concern basis.

### **DE-LISTING OF SHARES**

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

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

### **ACKNOWLEDGEMENTS**

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

**For and on behalf of the Board**

Sd/-  
**Nitin K. Motani**  
Chairman

Date : 14<sup>th</sup> August 2013  
Place : Mumbai



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

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

**A. Conservation of Energy:**

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

| ELECTRICITY   | CURRENT YEAR    | PREVIOUS YEAR   |
|---|-----------------|-----------------|
| Units   | 787243          | 2815044         |
| Total Amount  | Rs. 66.32 lacs  | Rs. 151.07 lacs |
| Rate/Unit   | Rs. 8.42        | Rs. 5.37        |
| COAL  | NIL             | NIL             |
| FURNACE OIL   |                 |                 |
| Units   | 224676          | 342265          |
| Amount  | Rs. 111.45 lacs | Rs. 146.75 lacs |
| Rate/Unit   | Rs. 49.60       | Rs. 42.87       |
| OTHERS  | NIL             | NIL             |
| Consumption per unit of production<br>Standard (if any) | Current Year    | Previous Year   |
| Hook and Loop Tape Fasteners (Meter)                    |                 |                 |
| Electricity (Unit)/Meter                                | 0.02            | 0.02            |
| Elastics and Other Tapes (Meter)                        |                 |                 |
| Electricity (Unit)/Meter                                | 0.01            | 0.01            |

**B. Technology Absorption :**

**Research and Development**

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

**Technology absorption, adaptation and innovation:**

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

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

The Exchange Earning: Rs. 1031.00 lacs

The Exchange outgo: Rs. 2145.12 lacs

**CORPORATE GOVERNANCE REPORT 2012-13**

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

**1. Company's Philosophy on Code of Governance**

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

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

**2. Board of Directors**

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

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

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

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

**Composition of Board of Directors**

| Sr. No. | Name of Director                          | PD/ED/NED/ID* | Attendance in Board Meetings |          | Attendance in Last AGM | Other Board     |                            |                      |
|---------|---|---------------|------------------------------|----------|------------------------|-----------------|----------------------------|----------------------|
|         |   |               | Held                         | Attended |                        | Directorship ** | Committee Chairmanship *** | Committee Membership |
| 1.      | Mr. Nitin K. Motani<br>Chairman           | PD-ED         | 6                            | 6        | Present                | No              | No                         | No                   |
| 2.      | Mr. Shailesh S. Shah<br>Managing Director | PD-ED         | 6                            | 6        | Present                | No              | No                         | No                   |
| 3.      | Mr. Saurabh K. Motani                     | PD-ED         | 6                            | 6        | Present                | No              | No                         | No                   |
| 4.      | Mr. Sharad S. Shah                        | PD-ED         | 6                            | 6        | Present                | No              | No                         | No                   |
| 5.      | Mr. Maikal Raorani                        | ED            | 6                            | 6        | Present                | No              | No                         | 3                    |
| 6.      | Mr. Vijay Choraria                        | NED-ID        | 6                            | 6        | Present                | 9               | 2                          | 4                    |
| 7.      | Mahesh Shirodkar                          | NED-ID        | 6                            | 0        | Absent                 | None            | 2                          | 3                    |
| 8.      | Narendra Mahajani                         | NED-ID        | #                            | -        | NA                     | 2               | -                          | -                    |
| 9.      | Subramaniam H Sharma                      | NED-ID        | #                            | -        | NA                     | -               | -                          | -                    |

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

\*\* In Indian Public Limited Companies as on 31<sup>st</sup> March, 2013

\*\*\* In Audit and Shareholders Grievances Committee of Indian Public Limited Companies as on 31<sup>st</sup> March, 2013.

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

# These Directors were inducted into the Board on 26<sup>th</sup> June 2013.

Mr. Mahesh Shirodkar resigned from the directorship w.e.f 31<sup>st</sup> July 2012.

Mr. Maikal Raorani's term ends on 30<sup>th</sup> September 2013.

**Details of Board Meetings Held during the Year**

| Date of Board Meeting    | 30 May | 26 Jun | 14 Aug | 16 Nov | 26 Nov | 14 Feb |
|--------------------------|--------|--------|--------|--------|--------|--------|
| Board Strength           | 7      | 7      | 6      | 6      | 6      | 6      |
| No. of Directors Present | 6      | 6      | 6      | 6      | 6      | 6      |

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

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

**The information regularly supplied to the Board includes:**

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

**Materially significant related party disclosures:**

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors, management, subsidiary or relatives except for those disclosed in the financial statements for the year ended March 31, 2013.

**Board Committees**

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

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

**3. Audit Committee:**

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

| Sr. No. | Name of Members                                    | Attendance in Audit Committee Meetings |          |
|---------|--|--|----------|
|         |  | Held                                   | Attended |
| 1.      | Mr. Vijay Choraria (Chairman Independent Director) | 6                                      | 6        |
| 2.      | Mr. Mahesh Shirodkar (Member Independent Director) | 6                                      | 2        |
| 3.      | Mr. Maikal Raorani (Member)                        | 6                                      | 6        |

**Terms of References of Audit Committee**

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

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

#### **Remuneration Policy**

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

#### **Executive Directors**

- Salary & Commission
- No Sitting Fee

#### **Non-executive Directors**

- Sitting Fee

**During the financial year 2012-13 remuneration paid to the Executive Directors are as under**

| <b>Name of Director</b> | <b>Amount (INR)</b> |
|-------------------------|---------------------|
| Mr. Nitin K. Motani     | 1980000/-           |
| Mr. Shailesh S. Shah    | 2340000/-           |
| Mr. Saurabh K. Motani   | 1860000/-           |
| Mr. Sharad S. Shah      | 2340000/-           |
| Mr. Maikal Raorani      | 1050000/-           |

#### **Notes:**

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

#### **5. Shareholders' Committees**

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

The Committee consists of

Mr. Vijay Choraria - Chairman  
Mr. Maikal Raorani - Member

Name and Designation of Compliance Officer:

Mr. Maikal Raorani Whole-time Director

Number of Shareholders' Complaints Received during the year : 6  
Number of Complaints solved to the satisfaction of Shareholders : 6  
Number of Complaints pending : Nil

**6. General Body Meetings**

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

|       | 2009-10           | 2010-11           | 2011-12           |
|-------|-------------------|-------------------|-------------------|
| Date  | 29.09.2010        | 29.09.2011        | 20.12.2012        |
| Time  | 11.00 A.M         | 11.00 A.M.        | 11.00 A.M.        |
| Venue | Registered Office | Registered Office | Registered Office |

**7. Disclosures**

**Related Party Transactions**

During the financial year 2012-13 the Company has not entered into any transactions of material nature with its promoters, directors or the management, subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large. The Company has Declarations that have been received from the senior management personnel to this effect. The disclosure in respect of related party transactions is provided in Notes to Accounts.

**Statutory Compliance, Penalties and Strictures**

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

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

1. During the financial year 2012-13, there are certain audit qualifications in the Company's financial statements, however, which are more of procedural in nature.
  - a) The Company has applied to the Central Government for renewal of their permission for transactions with related parties. The permission is awaited.
2. The Company has recruited Independent / Non-executive Directors on the Board of the Company and it is now compliant with the requirements of the Clause 49 of the listing agreement.

**Risk Management Framework**

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

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

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

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

**8. Means of Communication:**

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

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

**9. General Shareholder information:**

**a. Annual General Meeting**

**Date** : 27<sup>th</sup> September 2013

**Time** : 11.00 A. M.

**Venue** : Abbott Hotels Private Limited. Chandragupt Hall, Sector - 2, Vashi, Navi Mumbai - 400 703

**b. Financial Calendar 2013-2014**

First quarter results :: By mid August, 2013  
 Second quarter results :: By mid November, 2013  
 Third quarter results :: By mid February, 2014  
 Annual results for the year ending on 31st March, 2014 :: By end of May, 2014

**c. Book Closure**

The Register of Members and Transfer Registers of the Company will remain closed from 25<sup>th</sup> September, 2013 to 27<sup>th</sup> September, 2013 (both days inclusive).

**d. Listing on Stock Exchanges**

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

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

Stock Code - 526479

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

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

Details of High/Low during each month in the financial year 2012 2013:

**The Stock Exchange, Mumbai**

| Year | Month     | Stock Price (Rupees) |        | Volumes | Nos. of Shares |
|------|-----------|----------------------|--------|---------|----------------|
|      |           | Highest              | Lowest |         |                |
| 2012 | April     | 25.55                | 21.65  |         | 9528           |
| 2012 | May       | 23.85                | 17.90  |         | 26131          |
| 2012 | June      | 22.60                | 18.10  |         | 14408          |
| 2012 | July      | 21.80                | 17.90  |         | 9569           |
| 2012 | August    | 22.05                | 18.10  |         | 13761          |
| 2012 | September | 19.95                | 16.20  |         | 18408          |
| 2012 | October   | 22.70                | 18.55  |         | 13174          |
| 2012 | November  | 25.00                | 21.15  |         | 501            |
| 2012 | December  | 22.85                | 17.25  |         | 9309           |
| 2013 | January   | 21.90                | 16.65  |         | 8356           |
| 2013 | February  | 19.45                | 17.80  |         | 1995           |
| 2013 | March     | 18.95                | 12.45  |         | 5748           |

**Registrar and Transfer Agents** Link Intime (India) Pvt. Ltd (formerly known as Intime Spectrum Registry Ltd.) C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W) Mumbai 400 078. , Phone : 2596 3838 e-mail : [isrl@intimespectrum.com](mailto:isrl@intimespectrum.com).

**Share Transfer System:** Link Intime (India) Pvt. Ltd. handles the investor services for Sky Industries Limited. The Company's equity shares are compulsorily traded in dematerialized form as per the SEBI guidelines. In all **3640490** equity shares of Rs.10/- each were dematerialized as on 31<sup>st</sup> March, 2013 constituting **91.55 %** of the paid-up capital of the Company.

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



**Distribution of Shareholding as on 31<sup>st</sup> March, 2013**

**A. Category wise:**

| Sr. No. | Category                               | No. of Shares held | %              |
|---------|--|--------------------|----------------|
| 1       | CORPORATE BODIES (PROMOTER CO)         | 1310147            | 32.95%         |
| 2       | CLEARING MEMBER                        | 89489              | 2.25%          |
| 3       | OTHER BODIES CORPORATE                 | 182965             | 4.60%          |
| 4       | DIRECTORS                              | 271152             | 6.82%          |
| 5       | NON RESIDENT INDIANS                   | 163682             | 4.12%          |
| 6       | NON RESIDENT INDIANS(NON REPARTRIABLE) | 10800              | 0.27%          |
| 7       | PUBLIC                                 | 1791165            | 45.04%         |
| 8       | PROMOTERS                              | 157000             | 3.95%          |
|         | <b>TOTAL</b>                           | <b>3976400</b>     | <b>100.00%</b> |

**B. Shareholding wise:**

| Shareholding of Shares |           | Nos. of Shareholders | % Age Total | Shares  | % Age of Total |
|------------------------|-----------|----------------------|-------------|---------|----------------|
| 1                      | - 500     | 1764                 | 79.96%      | 308893  | 7.77%          |
| 501                    | - 1000    | 178                  | 8.07%       | 146373  | 3.68%          |
| 1001                   | - 2000    | 114                  | 5.17%       | 173780  | 4.37%          |
| 2001                   | - 3000    | 31                   | 1.41%       | 81904   | 2.06%          |
| 3001                   | - 4000    | 23                   | 1.04%       | 81961   | 2.06%          |
| 4001                   | - 5000    | 13                   | 0.59%       | 59193   | 1.49%          |
| 5001                   | - 10000   | 33                   | 1.49%       | 256683  | 6.45%          |
| 10001                  | And above | 50                   | 2.27%       | 2867613 | 72.12%         |
|                        | Total     | 2206                 | 100%        | 3976400 | 100%           |

**C. Top Ten Shareholders as on 31<sup>st</sup> March, 2013**

| Sr. No | Name(s) of Shareholders            | Shares  | %     |
|--------|------------------------------------|---------|-------|
| 1.     | SKAY FINVEST PRIVATE LIMITED       | 1310147 | 32.95 |
| 2.     | KAILASHMATI SURYAKANT SHAH         | 157000  | 3.95  |
| 3.     | BIMAL KUMAR CHORARIA               | 102631  | 2.58  |
| 4.     | NITIN K MOTANI                     | 82529   | 2.08  |
| 5.     | SHAILESH S SHAH                    | 74783   | 1.88  |
| 6.     | ANIL KUMAR JANARDHAN GOKHALE       | 67100   | 1.68  |
| 7.     | SHARAD S SHAH                      | 60570   | 1.52  |
| 8.     | INDIANIVESH SECURITIES PRIVATE LTD | 55000   | 1.38  |
| 9.     | SAURABH K MOTANI                   | 53270   | 1.34  |
| 10.    | PANKAJ KHIMJINARAM                 | 49500   | 1.24  |

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

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

In the twenty second Annual general Meeting regarding the re-appointment of director Mr. Maikal Raorani.

In the twenty third Annual General Meeting regarding the re-appointment of Directors Mr. Maikal Raorani, Mr. Nitin Motani, Mr. Shailesh Shah, Mr. Sharad Shah and Mr. Sourabh Motani.

**i. Address for correspondence**

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

e-mail: sales@skgroup.com

**j. Plant Locations:**

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

-A-12, First Floor, Unit No:112-122, Harihar Complex, Mankoli Naka, Bhiwandi, Dist Thane.

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

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

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

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

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

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

**SKY INDUSTRIES LIMITED**

**ANNUAL REPORT 2012-13**

| Category code (I) | Category of shareholder (II)  | No. of shareholders (III) | Total No. of shares (IV) | No. of shares held in dematerialized form (V) | Total shareholding as a % of total no. of shares |                         | Shares pledged or otherwise encumbered |                              |
|-------------------|---|---------------------------|--------------------------|---|--|-------------------------|--|------------------------------|
|                   |   |                           |                          |   | As a % of (A+B)                                  | As a % of (A+B+C) (VII) | No. of shares                          | As a % (IX) = (VIII/IV) *100 |
| <b>(A)</b>        | <b>Shareholding of Promoter and Promoter Group</b>                                      |                           |                          |   |  |                         |  |                              |
| <b>-1</b>         | <b>Indian</b>   |                           |                          |   |  |                         |  |                              |
| (a)               | Individuals/ Hindu Undivided Family   | 6                         | 428152                   | 428152  | 10.77  | 10.77                   |  | -                            |
| (b)               | Central Government/ State Government(s)   |                           |                          |   | -  | -                       |  | -                            |
| (c)               | Bodies Corporate  | 1                         | 1310147                  | 1310147                                       | 32.95  | 32.95                   | 923500                                 | 70.48                        |
| (d)               | Financial Institutions/ Banks   |                           |                          |   | -  | -                       |  |                              |
| (e)               | Any Other (specify)   |                           |                          |   | -  | -                       |  | -                            |
|                   | <b>Sub-Total (A)(1)</b>   | <b>7</b>                  | <b>1,738,299</b>         | <b>1,738,299</b>                              | <b>43.72</b>                                     | <b>43.72</b>            | <b>923500</b>                          | <b>53.12</b>                 |
| <b>-2</b>         | <b>Foreign</b>  |                           |                          |   |  |                         |  |                              |
| (a)               | Individuals (Non-Resident Individuals/ Foreign Individuals)                             | -                         | -                        | -   | -  | -                       |  | -                            |
| (b)               | Bodies Corporate  | -                         | -                        | -   | -  | -                       |  | -                            |
| (c)               | Institutions  | -                         | -                        | -   | -  | -                       |  | -                            |
| (d)               | Any Other (specify)   | -                         | -                        | -   | -  | -                       |  | -                            |
|                   | <b>Sub-Total (A)(2)</b>   | <b>-</b>                  | <b>-</b>                 | <b>-</b>                                      | <b>-</b>   | <b>-</b>                |  | <b>-</b>                     |
|                   | <b>Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)</b>             | <b>7</b>                  | <b>1,738,299</b>         | <b>1,738,299</b>                              | <b>43.72</b>                                     | <b>43.72</b>            | <b>923500</b>                          | <b>53.12</b>                 |
| <b>(B)</b>        | <b>Public shareholding</b>  |                           |                          |   |  |                         |  |                              |
| <b>-1</b>         | <b>Institutions</b>   |                           |                          |   |  |                         |  |                              |
| (a)               | Mutual Funds/ UTI   | -                         | -                        | -   | -  | -                       |  | -                            |
| (b)               | Financial Institutions/ Banks   | -                         | -                        | -   | -  | -                       |  | -                            |
| (c)               | Central Government/ State Government(s)   | -                         | -                        | -   | -  | -                       |  | -                            |
| (d)               | Insurance Companies   | -                         | -                        | -   | -  | -                       |  | -                            |
| (e)               | FII's   | -                         | -                        | -   | -  | -                       |  | -                            |
| (f)               | Foreign Venture Capital   | -                         | -                        | -   | -  | -                       |  | -                            |
| (g)               | Any Other (specify)   | -                         | -                        | -   | -  | -                       |  | -                            |
|                   | 1) Foreign Financial Inst.  | -                         | -                        | -   | -  | -                       |  | -                            |
|                   | <b>Sub-Total (B)(1)</b>   | <b>-</b>                  | <b>-</b>                 | <b>-</b>                                      | <b>-</b>   | <b>-</b>                |  | <b>-</b>                     |
| <b>-2</b>         | <b>Non-institutions</b>   |                           |                          |   |  |                         |  |                              |
| (a)               | Bodies Corporate  | 67                        | 182965                   | 178165  | 4.60   | 4.60                    |  | -                            |
| (b)               | Individuals   |                           |                          |   |  |                         |  |                              |
|                   | i. Individual shareholders holding nominal share capital up to Rs. 1 lakh.              | 2059                      | 995762                   | 774062  | 25.04  | 25.04                   |  | -                            |
|                   | ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.      | 33                        | 795403                   | 780403  | 20.00  | 20.00                   |  | -                            |
| (c)               | Any Other (Specify)   |                           |                          |   |  |                         |  |                              |
|                   | 1. Clearing Member  | 19                        | 89489                    | 89489   | 2.25   | 2.25                    |  | -                            |
|                   | 2. Trust  | -                         | -                        | -   | -  | -                       |  | -                            |
|                   | 3. NRIs   | 18                        | 163682                   | 69272   | 4.11   | 4.11                    |  | -                            |
|                   | 4. NRN  | 3                         | 10800                    | 10800   | 0.27   | 0.27                    |  | -                            |
|                   | 5. Foreign Company  | -                         | -                        | -   | -  | -                       |  | -                            |
|                   | <b>Sub-Total (B)(2)</b>   | <b>2199</b>               | <b>2238101</b>           | <b>1902191</b>                                | <b>56.28</b>                                     | <b>56.28</b>            |  | <b>-</b>                     |
|                   | <b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>                                     | <b>2199</b>               | <b>2238101</b>           | <b>1902191</b>                                | <b>56.28</b>                                     | <b>56.28</b>            |  | <b>-</b>                     |
|                   | <b>TOTAL (A)+(B)</b>  | <b>2206</b>               | <b>3976400</b>           | <b>3640490</b>                                | <b>100.00</b>                                    | <b>100.00</b>           | <b>923500</b>                          | <b>23.22</b>                 |
| <b>(C)</b>        | <b>Shares held by Custodians and against which Depository Receipts have been issued</b> |                           |                          |   |  |                         |  |                              |
|                   | <b>GRAND TOTAL (A)+(B)+(C)</b>  | <b>2206</b>               | <b>3976400</b>           | <b>3640490</b>                                | <b>100.00</b>                                    | <b>100.00</b>           | <b>923500</b>                          | <b>23.22</b>                 |

## MANAGEMENT DISCUSSION AND ANALYSIS

**Industry Structure & Development:**

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

The Company is a leader in the premium category of the Hook and Loop Tape Fasteners and caters to over 70% of the domestic demand.

The Company which entered recently in to manufacture of Carpet Yarn had sold in the current year yarns worth Rs.980 lakhs.

**Opportunity and Threats:**

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

The Company does face threats from imports and other new emerging players in these product lines. However, they are mitigated partly by the Anti Dumping Duty levied against the imports of sub standard quality goods in the Hook & Loop Tape category. This for the next review period has been changed to fixed rate of duty. This is expected to be more effective.

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

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

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

**Segment Reporting:**

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

**Outlook**

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

**Exports**

During the year under review the Exports were at Rs. 1031 lacs, a drop from Rs. 1407 lacs the previous year. The drop was mainly on account of conscious decision to avoid the risky European markets, which were largely instrumental in getting higher export orders in the previous years.

**Risks and Concerns**

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

The Company faces various risks which are incidental to the Company's operations. In the various product lines that the Company operates, viz. Hook and Loop Tape Fasteners and Velvet tapes etc, an entry of a new competitor setting up business or expansion of the existing capacity by the existing competing players owing to the availability of the market is a risk as well as a concern.

The concerns amongst others are the frequent rise of all round input costs on account of Raw Materials, Labour and other overheads. The Company cannot pass on these rise in costs to the customers always, is also a main concern. The Company is also facing the highly volatile exchange rate fluctuation. This volatility increases the input costs further. The Company is however working towards passing on such rise in costs arising due to exchange rate fluctuation, to the ultimate customer.

The Company however effectively addresses the above risks and concerns by setting up a robust risk management system.

**Internal Control systems and their adequacy**

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

**Operations**

The turnover during the year was Rs. 6117 Lacs as compared to previous years Rs. 8162 Lacs, a decrease of about 25%. The Company faced several external pressures. It also faced a labour unrest at its Vashi plant, which was effectively overcome by shifting the manufacturing base to a different location. Nevertheless, the Company was able to supply the products and service its customers. This has prevented the Company from encountering a loss of market share.

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

**Human Resources & Industrial Relations:**

Your Company continued to have cordial relations with its employees though it is undergoing labour unrest in its Vashi Plant. However, the management had worked out its strategy in such a manner that its production was not affected and the company was able to service its customers and retain its market share. The Company has a team of able and experienced industry professionals in its ranks. As of 31<sup>st</sup> March, 2013, the total number of employees on the rolls of the Company was 214.

**DECLARATION**

To  
The Members of  
Sky Industries Ltd

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

For **SKY INDUSTRIES LIMITED**

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

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

Mr. Shailesh Shah, Managing Director's and Mr. Maikal Raorani, Executive Director's certification for the year 2012-13. We hereby certify to the Board that:

We have reviewed the financial statements and the cash flow statements for the year and that to the best of our knowledge and belief:

These statements do not contain any material untrue statement or omit any material fact or contain statements that might be misleading.

These statements together present a true and fair view of the company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.

To the best of our knowledge and belief, no transactions entered into by the company during the year are fraudulent, illegal or violative of the company's code of conduct.

We accept responsibility for establishing and maintaining internal controls and that they have evaluated the effectiveness of the internal control systems of the company and they have disclosed to the auditors and the audit committee, efficiencies in the designer operations of the internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.

We have indicated to the auditors and the audit committee

- 1) Significant changes in the internal controls during the year
- 2) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements: and
- 3) Instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having significant role in the company's internal control system.

Sd/-  
**Shailesh S. Shah**  
Managing Director

Sd/-  
**Maikal Raorani**  
Director

**SECRETARIAL COMPLIANCE CERTIFICATE**

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

To,

The Members of

M/s. SKY INDUSTRIES LIMITED

Co. No. 052645

I have examined the registers, records, books and papers of M/s. SKY INDUSTRIES LIMITED (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended 31<sup>st</sup> March, 2013. In my opinion and to best of my information and according to the examinations carried out by me and explanations furnished to me by the company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The company has kept and maintained all registers as stated in Annexure `A' to this certificate, as per the provisions and the rules made hereunder and all entries therein have been duly recorded.
2. The company has duly filed the forms and returns as stated in Annexure `B' to this certificate, with the Registrar of Companies, Regional Director, Central Government. Company Law Board or other authorities within the time prescribed under the Act and the rules made hereunder.
3. The Company being Public Limited Company has more than the minimum prescribed paid-up capital. During the year under scrutiny:
  - (i) has not invited public to subscribe for its shares or debentures; and
  - (ii) has not invited or accepted any deposits from persons other than its members, directors or their relatives.
4. The Board of Directors duly met 6 times on 30<sup>th</sup> May 2012, 26<sup>th</sup> June 2012, 14<sup>th</sup> Aug 2012, 16<sup>th</sup> Nov 2012, 26<sup>th</sup> Nov 2012 and 14<sup>th</sup> Feb, 2013 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The company has closed its Register of Members from 16<sup>th</sup> December, 2012 to 19<sup>th</sup> December, 2012 during the financial year.
6. The Annual General Meeting for the financial year ended on 31/3/2012 was held on 20<sup>th</sup> December, 2012.
7. No Extra Ordinary Meeting was held during the financial year ended 31<sup>st</sup> March 2013.
8. The provisions of section 295 of the Companies Act, 1956 duly complied by the company.
9. The Company has made applications to the Central Government for obtaining approval for certain transactions falling within the preview of Section 297.
10. The company has made the necessary entries in the register maintained under section 301 of the Act.
11. As there were no instances falling within the purview of section 314 of the Act, the company has not obtained any approvals from the Board of directors, members or Central Government.
12. The company has issued duplicate share certificate in accordance with the provisions of the Companies Act, 1956 during the financial year.
13. The Company during the period under review has:
  - Not made allotment of Equity Shares during the financial year in compliance with the provisions of the Companies Act, 1956;
  - Not deposited any amount in separate Bank Accounts as no dividend was declared during the financial year;
  - Not required to post warrants to any member of the company as no dividend was declared during the financial year;
  - The company transferred the amounts in unpaid dividend account and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund; and
  - Duly complied with the requirements of section 217 of the Act.

14. The Board of Directors of the company is duly constituted, except for constitution of the same was not as per Clause 49 of the listing agreement.
15. The appointment of Managing Director / Whole-time Director / Manager has been made in compliance with the provisions of section 269 read with Schedule XIII to the Act.
16. The company has not appointed any sole-selling agents during the financial year.
17. The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
18. The company has not issued any equity shares during the financial year.
19. The company has not bought back any shares during the financial year.
20. The company has not redeemed any preference shares/debentures during the financial year, as the same was not in existence.
21. There was no transaction necessitating the company to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
22. The company has not invited/accepted any deposits including unsecured loans falling within the purview of section 58A during the financial year except from its members, directors and their relatives.
23. The borrowings made during the year are in compliance with the provisions of section 293(1) (d) of the Act.
24. The company has made loans and investments, or has given guarantees or provided securities to other bodies corporate in compliance with the provisions of the Act.
25. The company has not altered the provisions of the memorandum with respect to situation of the company's registered office from one state to another during the year under scrutiny.
26. The company has not altered the provisions of the memorandum with respect to the objects of the company during the year under scrutiny and complied with provisions of the Act.
27. The company has not altered the provisions of the memorandum with respect to name of the company.
28. The company has not altered the provisions of the memorandum with respect to Authorized Share Capital of the company during the year under scrutiny.
29. The company has not altered its articles of association with respect to Authorized Share Capital of the company during the year under scrutiny.
30. There was/were no prosecution initiated against or show cause notices received by the company, during the financial year, for offences under the Act.
31. The company has not received any money as security from its employees during the financial year under certification.
32. The company has deposited both employee's and employer's contribution to provident fund with prescribed authorities pursuant to section 418 of the Act.

For Ramesh Chandra Mishra & Associates

Place: Mumbai  
Date: 05/08/2013

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



**ANNEXURE A**

Registers as maintained by the Company

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

For Ramesh Chandra Mishra & Associates

Place: Mumbai  
Date: 05/08/2013

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

**ANNEXURE B**

Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ending on 31<sup>st</sup> March, 2013.

| S. No. | Form No./ Return | Filed under section                            | For the Period                          | Date of Filing | Whether filed within prescribed time yes/no | If delay in filing whether requisite additional fee paid Yes/no. |
|--------|------------------|--|---|----------------|---|--|
| 1.     | Annual Return    | 159  | Year ended 31 <sup>st</sup> March, 2012 | 21.05.2013     | No  | Yes  |
| 2.     | Balance sheet    | 220  | Year ended 31 <sup>st</sup> March, 2012 | 06.06.2013     | No  | Yes  |
| 3.     | Profit & Loss    | 220  | Year ended 31 <sup>st</sup> March, 2012 | 06.06.2013     | No  | Yes  |
| 4.     | Form 61          | 166  | Year ended 31 <sup>st</sup> March, 2012 | 03.09.2012     | Yes   | NA   |
| 5.     | Form 32          | 303(2), 264(2) or 266(1)(a) and 266(1)(b)(iii) | Year ended 31 <sup>st</sup> March, 2012 | 24.08.2012     | Yes   | NA   |
| 6.     | Form 24A         | 297  | Year ended 31 <sup>st</sup> March, 2012 | 25.03.2013     | Yes   | NA   |
| 7.     | Form 67          | Rule 20A(3)                                    | Year ended 31 <sup>st</sup> March, 2012 | 30.03.2013     | Yes   | NA   |
| 8.     | Form 66          | 383A read with Rule 3(2)                       | Year ended 31 <sup>st</sup> March, 2012 | 24.04.2013     | No  | Yes  |

For Ramesh Chandra Mishra & Associates

Place: Mumbai  
Date: 05/08/2013

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

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

To,  
The Members,  
Sky Industries Limited.

We have examined the compliance of the conditions of Corporate Governance by Sky Industries Limited for the year ended March 31, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

Further to the above, we report that:

*The Company does not have the required number of non executive directors and independent directors on the Board.*

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

On the basis of representation received from the Registrar of Share Transfer Agent and as per the records maintained by the Company which are presented to the Shareholders / Investors Grievance Committee, we state that during the year ended March 31, 2013 no Investor Grievances were pending for a period exceeding one month.

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

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

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

Place : Mumbai  
Dated : 30/05/2013

## INDEPENDENT AUDITOR'S REPORT

To,

Sky Industries Limited

We have audited the accompanying financial statements of SKY INDUSTRIES LIMITED, which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India **subject to above paragraph:**

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013; and
  - b) in the case of the Profit and Loss Account, of the **LOSS** for the year ended on that date;
  - c) in the case of the Cash Flow statement, of the Cash Flows for the year ended on that date.
1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
  2. As required by section 227(3) of the Act, 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 purpose of our audit;
    - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books
    - c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
    - d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards **subject to above note** referred to in subsection (3C) of section 211 of the Companies Act, 1956;
    - e) on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

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

Place : Mumbai  
 Dated : 30/05/2013

**Annexure to Independent Auditors Report**

Referred to in paragraph 1 under the heading of “Report on Other Legal and Regulatory Requirements” of our report of even date

1. In regard to Fixed Assets -

- (a) The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) As explained to us, fixed assets have been physically verified by the management at reasonable intervals; no material discrepancies were noticed on such verification.
- (c) In our opinion the company has not disposed off major part of its Fixed Assets during the year.

2. In regard to inventories -

- (a) The inventories (Excluding stock with 3<sup>rd</sup> party and material in-transits) have been physically verified during the year by the management at reasonable intervals.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) In our opinion and on the basis of our examination of the records, the Company is generally maintaining proper records of its inventories. No major material discrepancy was noticed on physical verification of stocks by the management as compared to book records.

3. (a) The Company has not granted any loans, secured, unsecured loans to the companies, firm or other parties covered in the register maintained under section 301 of the Act. Therefore the provision of clause 4(iii)(b),(c) and (d) of the said order are not applicable to the company.
- (b) The Company has taken interest free loans from 4 parties covered in the register maintained under Section 301 of the Companies Act, 1956. The total amount of such loans received and outstanding as of 31<sup>st</sup> March 2013 is Rs.5,26,73,865/-.
- (c) The terms and conditions on which loans have been taken by the Company are not prejudicial to the interest of the company.
- (d) As no terms of repayment have been specified, we are unable to comment whether the payment of principal is regular in respect of loans taken by the company;

4. *In our opinion and according to the information and explanations given to us, the internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventories, fixed assets and sale of goods and services need to be strengthened.* During the course of our audit, we have not observed a continuing failure to correct major weaknesses in internal controls

5. (a) The transactions made in pursuance of contracts of arrangements, that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been recorded in the register;
- (b) In our opinion and according to the information and explanations given to us, these transactions in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act 1956 and exceeding the value of Rupees five lacs in respect of each party during the year have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.

6. *In our opinion and according to the information and explanations given to us, the company has accepted deposits from shareholders without issue of advertisement and at an interest rate higher the prescribed limits. The company has not maintained adequate liquid assets. Hence the company has contravened the provisions of Section 58A, 58AA of the Companies Act, 1956 and the rules framed there under.*

7. In our opinion, the internal audit system is not commensurate with the size of the Company and the nature of its business.

8. *The company has not maintained cost records as prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956 in respect of its products / activities.*

- 9 (a) The Company has been generally regular in depositing undisputed dues of Provident Fund, Employees State Insurance, Income Tax, Profession Tax, except CST of Rs.3,32,870/-, Entry Tax of Rs. 49,242/- & Income Tax of Rs. 33,22,504/- outstanding for more than six months, as at 31<sup>st</sup> March 2013.

(b) Details of dues of Sales Tax, Excise Duty & Service Tax which have not been deposited as on 31<sup>st</sup> March 2013 on account of disputes are given below

| Nature of Dues | Amount in Rs. | Period for which dispute relates | Forum where dispute is pending |
|----------------|---------------|----------------------------------|--------------------------------|
| Income Tax     | 114896        | Asst year 2009-10                | CIT (A)                        |
| Gujarat VAT    | 3208752       | 2006-07 & 2007-08                | Commissioner of Sales Tax      |
| CST            | 125149        | 2006-2007                        | Commissioner of Sales Tax      |
| Cess           | 3683521       | 1998-99 & 1999-00                | Supreme Court of India         |

10. The Company does not have accumulated losses at the end of the financial year but it has not incurred cash losses in the current financial year but incurred cash loss in immediately preceding the financial year.
11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund or a nidhi /mutual benefit fund/society. Therefore, the provision of this clause of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.
14. The Company is not dealing or trading in shares, securities, debentures or other investments and hence the requirements of Para 4(xiv) are not applicable to the Company.
15. According to the information and explanations given to us, the Company has given a guarantee for loan taken by a subsidiary of Rs. 2.5 crore from a bank. The terms and conditions thereof are prima facie not prejudicial to the interest of the company
16. Based on our audit procedures and on the information given by the management, we report that the company has not raised any term loans during the year.
17. Based on the information and explanations given to us and on an overall examination of the Balance Sheet of the Company as at 31<sup>st</sup> March, 2013, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
18. Based on the audit procedures performed and the information and explanations given to us by the management, we report that the Company has not made preferential allotment of shares during the year to the parties and companies covered in the Register maintained under Section 301 of the Companies Act 1956.
19. The Company has no outstanding debentures during the period under audit.
20. The Company has not raised any money by public issue during the year.
21. Based on the audit procedures performed and the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year, nor have we been informed of such case by the management.

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

Firm Reg. No. 110948W

Place : Mumbai  
 Dated : 30/05/2013

Sd/-  
**[ V.K. Thanawala ]**  
**Proprietor**

Membership No. 15632

**SKY INDUSTRIES LIMITED**

**BALANCE SHEET AS AT MARCH 31, 2013**

(Amount in Rs.)

|                                    | Note | As At<br>March 31 2013    | As At<br>March 31 2012    |
|------------------------------------|------|---------------------------|---------------------------|
| <b>A EQUITY AND LIABILITIES</b>    |      |                           |                           |
| <b>1 Shareholders' funds</b>       |      |                           |                           |
| (a) Share capital                  | 2    | 39,764,000                | 39,764,000                |
| (b) Reserves and surplus           | 3    | <u>103,596,211</u>        | <u>107,047,024</u>        |
|                                    |      | <b><u>143,360,211</u></b> | <b><u>146,811,024</u></b> |
| <b>2 Non-current liabilities</b>   |      |                           |                           |
| (a) Long-term borrowings           | 4    | 38,625,630                | 58,619,337                |
| (b) Deferred tax liabilities (net) | 5    | 12,841,647                | 14,191,647                |
| (c) Long-term provisions           | 6    | -                         | 806,426                   |
|                                    |      | <u>51,467,277</u>         | <u>73,617,410</u>         |
| <b>3 Current liabilities</b>       |      |                           |                           |
| (a) Short-term borrowings          | 7    | 186,580,521               | 163,035,055               |
| (b) Trade payables                 | 8    | 112,368,501               | 103,997,752               |
| (c) Other current liabilities      | 9    | 60,863,125                | 77,508,532                |
| (d) Short-term provisions          | 10   | <u>17,274,470</u>         | <u>14,580,739</u>         |
|                                    |      | <b><u>377,086,617</u></b> | <b><u>359,122,078</u></b> |
|                                    |      | <b><u>571,914,105</u></b> | <b><u>579,550,511</u></b> |
| <b>B ASSETS</b>                    |      |                           |                           |
| <b>1 Non-current assets</b>        |      |                           |                           |
| (a) Fixed assets                   | 11   |                           |                           |
| 1) Tangible Assets                 |      | 165,578,490               | 171,853,213               |
| 2) Intangible Assets               |      | 1,008,083                 | 1,674,555                 |
| 3) Capital Work in Progress        |      | 1,901,847                 | 4,336,435                 |
| 4) Assets held for disposal        |      | <u>1,978,886</u>          | <u>78,842</u>             |
|                                    |      | <u>170,467,306</u>        | <u>177,943,045</u>        |
| (b) Non-current investments        | 12   | 21,709,314                | 21,709,314                |
| (c) Long-term loans and advances   | 13   | 58,265,558                | 42,668,599                |
| (d) Other non-current assets       | 14   | -                         | 26,000                    |
|                                    |      | <u>250,442,178</u>        | <u>242,346,958</u>        |
| <b>2 Current assets</b>            |      |                           |                           |
| (a) Inventories                    | 15   | 150,345,343               | 184,363,712               |
| (b) Trade receivables              | 16   | 108,339,387               | 91,964,272                |
| (c) Cash and cash equivalents      | 17   | 11,385,011                | 7,594,680                 |
| (d) Short-term loans and advances  | 18   | 5,829,766                 | 5,281,792                 |
| (e) Other current assets           | 19   | <u>45,572,420</u>         | <u>47,999,097</u>         |
|                                    |      | <b><u>321,471,927</u></b> | <b><u>337,203,554</u></b> |
|                                    |      | <b><u>571,914,105</u></b> | <b><u>579,550,511</u></b> |
| Significant accounting policies    | 1    |                           |                           |

The accompanying notes (1 to 28) form an integral part of the financial statements.

As per our Report of even date

For and on behalf of the Board of Directors

For and on behalf of

**THANAWALA & COMPANY**  
CHARTERED ACCOUNTANTS  
Firm Reg. No. 110948W

Sd/-

**VIJAY K THANAWALA**  
PROPRIETOR  
Membership No. 15632

Sd/-

**Shailesh Shah**  
Managing Director

Sd/-

**Nitin Motani**  
Chairman

Place : Mumbai, Dated: May 30, 2013



**SKY INDUSTRIES LIMITED**

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2013**

(Amount in Rs.)

|  | Note | For the year ended<br>31.03.2013 | For the year ended<br>31.03.2012 |
|--|------|----------------------------------|----------------------------------|
| <b>I. Revenue from operations</b>  | 20   | 611,711,941                      | 816,195,066                      |
| <b>II. Other income</b>  | 21   | 19,395,069                       | 17,250,237                       |
| <b>III. Total Revenue</b>  |      | <u><b>631,107,010</b></u>        | <u><b>833,445,303</b></u>        |
| <b>IV. Expenses:</b>   |      |                                  |                                  |
| Cost of materials consumed   | 22   | 329,757,984                      | 508,712,515                      |
| Purchases of Stock-in-Trade  | 23   | 68,293,302                       | 40,105,211                       |
| Changes in Inventories of Finished Good,<br>Work In Progress and Traded Goods        | 24   | 24,616,834                       | (17,130,359)                     |
| Employee benefits expense  | 25   | 64,974,092                       | 130,741,469                      |
| Finance costs  | 26   | 28,854,595                       | 31,844,057                       |
| Depreciation and amortization Expenses   | 11   | 14,503,535                       | 19,435,843                       |
| Other expenses   | 27   | 109,859,489                      | 174,152,795                      |
| <b>V. Total Expenses</b>   |      | <u><b>640,859,831</b></u>        | <u><b>887,861,531</b></u>        |
| <b>VI. Loss before tax</b>   |      | (9,752,821)                      | (54,416,228)                     |
| <b>VII Exceptional Items</b>   |      | 3,545,823                        | -                                |
| <b>VIII Tax expense:</b>   |      |                                  |                                  |
| (1) Current tax - For the year   |      | -                                | (894,307)                        |
| - Excess/(Short) Provision of<br>the Previous years                                  |      | 1,406,185                        | (4,449,014)                      |
| (2) Deferred tax   |      | 1,350,000                        | 12,510,000                       |
|  |      | <u>2,756,185</u>                 | <u>7,166,679</u>                 |
| <b>IX. Profit (Loss) for the period from continuing<br/>operations (VI-VII-VIII)</b> |      | <u><b>(3,450,813)</b></u>        | <u><b>(47,249,549)</b></u>       |
| Significant accounting policies  | 1    |                                  |                                  |

As per our Report of even date  
For and on behalf of  
**THANAWALA & COMPANY**  
CHARTERED ACCOUNTANTS  
Firm Reg. No. 110948W

Sd/-  
**VIJAY K THANAWALA**  
PROPRIETOR  
Membership No. 15632

Place : Mumbai, Dated: May 30, 2013

For and on behalf of the Board of Directors

Sd/-  
**Shailesh Shah**  
Managing Director

Sd/-  
**Nitin Motani**  
Chairman

**SKY INDUSTRIES LIMITED**

**Cash Flow Statement for the Year Ended March 31, 2013**

(Amount in Rs.)

|   | For the year ended<br>31.03.2013 | For the year ended<br>31.03.2012 |
|---|----------------------------------|----------------------------------|
| <b>A. Cash Flow from Operating Activities:</b>            |                                  |                                  |
| Profit before tax and extra ordinary item                 | (9,752,821)                      | (54,416,228)                     |
| Adjustment for:   |                                  |                                  |
| Depreciation  | 14,503,535                       | 19,435,843                       |
| Interest and Finance Charges                              | 28,854,595                       | 31,844,057                       |
| Interest income   | (828,087)                        | (619,130)                        |
| Dividend  | (75,300)                         | (814,985)                        |
| Profit/(Loss) on Sale /Disposal of Fixed Assets           | (1,592,049)                      | 2,946,546                        |
|   | <b>40,862,694</b>                | <b>52,792,331</b>                |
| Operating Profit before Working Capital Changes           | <b>31,109,873</b>                | <b>(1,623,898)</b>               |
| Adjustment for:   |                                  |                                  |
| Trade Receivables   | (16,375,116)                     | 25,021,428                       |
| Other Receivables   | (10,146,432)                     | (695,589)                        |
| Inventory   | 34,018,369                       | 16,058,982                       |
| Trade and Other Payable                                   | (6,053,724)                      | 16,660,582                       |
|   | <b>1,443,098</b>                 | <b>57,045,403</b>                |
| Cash generated from Operations                            | 32,552,971                       | 55,421,505                       |
| Direct Tax paid/net of Refund received                    | (333,629)                        | (625,144)                        |
| <b>Net Cash Flow from Operating Activities</b>            | <b>32,219,342</b>                | <b>54,796,361</b>                |
| <b>B. Cash Flow from Investing Activities:</b>            |                                  |                                  |
| Acquisition of Fixed Assets                               | (12,323,948)                     | (13,647,924)                     |
| Proceeds from Sale of Fixed Assets                        | 8,242,816                        | 1,165,927                        |
| Decrease/(Increase) in Investments                        | -                                | 5,000                            |
| Dividend  | 75,300                           | 814,985                          |
| Interest income   | 828,087                          | 619,130                          |
| Net Cash used in Investing Activities                     | <b>(3,177,745)</b>               | <b>(11,042,882)</b>              |
| <b>C. Cash Flow from Financing Activities:</b>            |                                  |                                  |
| (Decrease)/Increase in Working Capital facility (net)     | (62,426)                         | (22,720,740)                     |
| Increase in Vehicle Loans                                 | -                                | 1,894,659                        |
| Repayment of Term Loans                                   | (19,993,707)                     | (13,946,336)                     |
| Increase in Unsecured Loans                               | 51,325,000                       | 25,500,000                       |
| Repayment of Unsecured Loans                              | (18,025,000)                     | (9,100,000)                      |
| Interest and Finance Charges Paid                         | (28,329,161)                     | (29,588,856)                     |
| Payment of Dividend                                       | -                                | -                                |
| Tax on Dividend Paid                                      | -                                | -                                |
| Net Cash (Used)/Generated from Financing Activities       | <b>(15,085,293)</b>              | <b>(47,961,273)</b>              |
| Net Increase/(Decrease) in Cash and Cash Equivalents      | <b>13,956,303</b>                | <b>(4,207,793)</b>               |
| Cash and Cash Equivalents as at the beginning of the year | 7,594,680                        | 11,802,475                       |
| Cash and Cash Equivalents as at the end of the year       | 11,385,011                       | 7,594,680                        |
| Net Increase/(Decrease) in Cash and Cash Equivalents      | <b>3,790,331</b>                 | <b>(4,207,795)</b>               |

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

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

As per our Report of even date

For and on behalf of the Board of Directors

For and on behalf of

**THANAWALA & COMPANY**  
CHARTERED ACCOUNTANTS  
Firm Reg. No. 110948W

Sd/-  
**VIJAY K THANAWALA**  
PROPRIETOR  
Membership No. 15632

Sd/-  
**Shailesh Shah**  
Managing Director

Sd/-  
**Nitin Motani**  
Chairman

Place : Mumbai, Dated: May 30, 2013

**NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31st March, 2013**

**1 Significant Accounting Policies-**

**1.1 Basis for preparation of financial statements**

The financial statements have been prepared on historical cost convention and as a going concern and in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the Section 211(3C) of the Companies Act, 1956. The company follows mercantile system of accounting and recognizes income and expenditure on accrual basis. Estimates and Assumptions used in the preparation of financial statements are based upon the management's evaluation of relevant fact and the circumstances as of the date of the financial statements, which may differ from the actual results at a subsequent date.

**1.2 Inventories :**

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

- a. Raw Material, Packing Material, tools, spares and consumable are valued at cost on plus direct cost incurred to bring the stock to its existing level.
- b. Work in progress are valued at cost of manufacturing based on cost of Raw material and labour and overheads cost up to the relevant stage of completion.
- c. Finished Goods valued at cost or Market price which ever is less.

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

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

**1.4 Events occurring after the date of Balance Sheet :**

Material events occurring after the date of Balance Sheet are considered up to the date of approval of the accounts by the board of directors. There are no substantial events having an impact on the results of the current year Balance Sheet.

**1.5 Prior Period Items and Changes in Accounting Policies :**

No Prior Period items have materially affected this year's financial statements.

**1.6 Depreciation :**

Depreciation on all tangible assets has been calculated on Straight Line Method (SLM) as per the rates and manner prescribed under Schedule XIV of the Companies Act, 1956.

**1.7 Revenue recognition :**

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

Export Incentives receivable are accounted on accrual basis.

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

Interest Income is recognized on accrual basis.

**1.8 Fixed Asset :**

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

**1.9 Employee Benefits**

The Company makes annual contributions to the Employee's Group Gratuity-cum-life assurance scheme of Life Insurance Corporation of India, a funded, defined benefit plan for qualifying employees. Gratuity is payable to all eligible employees on super annuation, death or separation / termination in terms of the provisions of the payment of Gratuity Act or as per the Company's policy whichever is beneficial to the employees.

**1.10 Borrowing costs :**

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

**1.11 Related Party Transactions :**

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

**1.12 Taxes on income :**

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

**1.13 Deferred Tax- Asset/ Liability :**

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

**1.14 Miscellaneous Expenditure :**

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

**1.15 Foreign Currency Transaction**

All transactions in foreign currency are recorded at the rate of exchange prevailing on dates when the relevant transactions take place. In case of payment/realizations against these transactions in the same accounting year the respective expense/income head is debited/credited. In case of transactions where payments/realizations take place in the subsequent years the exchange gains/losses are accounted under exchange rate difference.

**1.16 Provisions and contingencies :**

The company recognizes provisions when there is a present legal or constructive obligation as a result of past event that probably require an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure of a contingent liability is made when there is possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made. Provisions are not discounted to its present value and are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect current best estimates.

**1.17 Capital work in Progress :**

The Expenditure which is of Capital nature and the assets for which it is incurred which has not come into existence/put to use during the year is shown under this head.

**1.18 Earning Per Shares :**

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

As per our Report of even date  
For and on behalf of  
**THANAWALA & COMPANY**  
CHARTERED ACCOUNTANTS  
Firm Reg. No. 110948W

For, SKY Industries Limited

Sd/-  
**VIJAY K THANAWALA**  
PROPRIETOR  
Membership No. 15632

Sd/-  
**Shailesh Shah**  
Managing Director

Sd/-  
**Nitin Motani**  
Chairman

Place : Mumbai, Dated: May 30, 2013

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Amount in Rs.)

| Note  | As At<br>March 31, 2013         | As At<br>March 31, 2012     |                                 |                     |
|---|---------------------------------|-----------------------------|---------------------------------|---------------------|
| <b>2 SHARE CAPITAL</b>  |                                 |                             |                                 |                     |
| <b>Authorised Capital</b>   |                                 |                             |                                 |                     |
| 15,000,000 Equity Shares of Rs. 10/- each   | 150,000,000                     | 150,000,000                 |                                 |                     |
| 500,000 Redeemable Preference Shares of Rs. 100/-each   | 50,000,000                      | 50,000,000                  |                                 |                     |
|   | <u>200,000,000</u>              | <u>200,000,000</u>          |                                 |                     |
| <b>Issued, Subscribed and Paid Up</b>   |                                 |                             |                                 |                     |
| 3,976,400 Equity Shares of Rs 10/- each   | 39,764,000                      | 39,764,000                  |                                 |                     |
| (Refer Notes 2.1 to 2.3)  | <u>39,764,000</u>               | <u>39,764,000</u>           |                                 |                     |
| <b>2.1 Shareholders holding more than 5% shares in the Company</b>  |                                 |                             |                                 |                     |
|   | <u>As at March 31, 2013</u>     | <u>As at March 31, 2012</u> |                                 |                     |
| <b>Name of Shareholder</b>  | <b>No of Equity shares held</b> | <b>% of Holding</b>         | <b>No of Equity shares held</b> | <b>% of Holding</b> |
| SKAY FINVEST PRIVATE LIMITED  | 1,310,147                       | 32.95%                      | 1,310,147                       | 32.95%              |
|   | <u>1,310,147</u>                | <u>32.95%</u>               | <u>1,310,147</u>                | <u>32.95%</u>       |
| <b>2.2</b> There is no movement in the number of shares outstanding during the year ended March 31, 2013 and year ended March 31, 2012.   |                                 |                             |                                 |                     |
| <b>2.3 Rights and restrictions attached to the shares</b>   |                                 |                             |                                 |                     |
| The Company has only one class of equity shares. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. |                                 |                             |                                 |                     |
|   | As at<br>March 31, 2013         | As at<br>March 31, 2012     |                                 |                     |
| <b>3 RESERVES AND SURPLUS</b>   |                                 |                             |                                 |                     |
| <b>a. General Reserve</b>   |                                 |                             |                                 |                     |
| As per last balance sheet   | 8,000,000                       | 8,000,000                   |                                 |                     |
|   | <u>8,000,000</u>                | <u>8,000,000</u>            |                                 |                     |
| <b>b. Profit and loss Account</b>   |                                 |                             |                                 |                     |
| As per last balance sheet   | 99,047,024                      | 146,296,573                 |                                 |                     |
| Less : Net Loss for the year  | (3,450,813)                     | (47,249,549)                |                                 |                     |
|   | <u>95,596,211</u>               | <u>99,047,024</u>           |                                 |                     |
|   | <u><b>103,596,211</b></u>       | <u><b>107,047,024</b></u>   |                                 |                     |

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Amount in Rs.)

| Note   | As At<br>March 31, 2013 | As At<br>March 31, 2012 |
|--|-------------------------|-------------------------|
| <b>4 LONG-TERM BORROWINGS</b>  |                         |                         |
| <b>SECURED LOANS</b>   |                         |                         |
| <b>From Banks</b>  |                         |                         |
| (a) Term loans [Refer Note 4.1, 4.3(a) and 4.3(b)]   | 33,234,697              | 51,934,878              |
| (b) Vehicle loans [Refer Note 4.2, 4.3(c) and 4.3(d)]  | 4,113,775               | 4,859,030               |
|  | 37,348,472              | 56,793,908              |
| <b>From other parties</b>  |                         |                         |
| Vehicle loan [Refer Note 4.2, 4.3(e)]  | 1,277,158               | 1,825,429               |
|  | 1,277,158               | 1,825,429               |
|  | <b>38,625,630</b>       | <b>58,619,337</b>       |
| <b>4.1</b> Term loans from banks are secured by way of pari passu first charge on land & buildings including all movable assets, plant and machinery, stores and spares, furniture and fixture, both present and future, excluding vehicles, and a second charge on all the current assets of the Company, both present and future, and personal guarantee of Directors. |                         |                         |
| <b>4.2</b> The vehicle loans from banks and other parties are secured by the hypothecation of vehicles purchased under the scheme.   |                         |                         |
| <b>4.3 Terms of repayment :</b>  |                         |                         |
| (a) Term Loan from Dombivli Nagari Shakari Bank Ltd  |                         |                         |
| Corporate Loan - Repayable in 16 months @ Rs. 7.43 lacs  | 9,873,042               | 17,294,956              |
| (b) Term Loan from The Karur Vysya Bank Ltd  |                         |                         |
| Term Loan No. 1 - Repayable in 36 months @ Rs. 8.43 lacs   | 18,209,340              | 25,430,882              |
| Term Loan No. 2 - Repayable in 8 months @ Rs. 1.85 lacs  | 1,623,117               | 3,436,003               |
| Term Loan No. 3 - Repayable in 15 months @ Rs. 2.45 lacs   | 3,529,198               | 5,773,037               |
| (c) Vehicle loans from Dombivli Nagari Shakari Bank Ltd.   |                         |                         |
| Vehicle Loan No. 1 - Repayable in 28 months @ Rs. 0.41 lacs  | 1,002,432               | 1,252,680               |
| Vehicle Loan No. 2 - Repayable in 28 months @ Rs. 0.31 lacs  | 758,755                 | 894,083                 |
| Vehicle Loan No. 3 - Repayable in 27 months @ Rs. 0.11 lacs  | 277,022                 | 291,315                 |
| Vehicle Loan No. 4 - Repayable in 25 months @ Rs. 0.11 lacs  | 256,354                 | 270,121                 |
| Vehicle Loan No. 5 - Repayable in 20 months @ Rs. 0.11 lacs  | 190,853                 | 200,241                 |
| Vehicle Loan No. 6 - Repayable in 13 months @ Rs. 0.11 lacs  | 127,788                 | 161,297                 |
| Vehicle Loan No. 7 - Repayable in 18 months @ Rs. 0.11 lacs  | 157,773                 | 189,862                 |
| Vehicle Loan No. 8 - Repayable in 28 months @ Rs. 0.38 lacs  | 1,000,588               | 1,044,364               |
| Vehicle Loan No. 9 - Repayable in 24 months @ Rs. 0.11 lacs  | 245,020                 | 302,349                 |
| (d) Vehicle loans from ICICI Bank Ltd.   |                         |                         |
| Vehicle Loan No. 1 - Repayable in 7 months @ Rs. 0.14 lacs   | 97,189                  | 252,718                 |
| (e) Vehicle loans from Kotak Mahindra Prime Ltd  |                         |                         |
| Vehicle Loan No. 1 - Repayable in 28 months @ Rs. 0.55 lacs  | 1,277,158               | 1,825,429               |



NOTES FORMING PART OF FINANCIAL STATEMENTS

(Amount in Rs.)

| Note  | As At<br>March 31, 2013 | As At<br>March 31, 2012 |
|---|-------------------------|-------------------------|
| <b>5 DEFERRED TAX LIABILITY (Net)</b>                         |                         |                         |
| <b>Deferred Tax Liability</b>                                 |                         |                         |
| Depreciation on Fixed Assets                                  | 28,378,624              | 28,443,881              |
|   | 28,378,624              | 28,443,881              |
| <b>Deferred Tax Asset</b>                                     |                         |                         |
| Expenses disallowed under Sec 43B of the Income Tax Act, 1961 | 3,510,684               | 2,187,062               |
| Carry forward unabsorbed depreciation                         | 11,159,938              | 11,159,938              |
| Provision for doubtful debts                                  | 866,355                 | 905,235                 |
|   | 15,536,977              | 14,252,234              |
| <b>Deferred Tax Liability (Net)</b>                           | <b>12,841,647</b>       | <b>14,191,647</b>       |
| <b>6 LONG-TERM PROVISIONS</b>                                 |                         |                         |
| <b>Provision for Employee Benefits:</b>                       |                         |                         |
| Leave Encashment (Refer Note 10.1)                            | -                       | 806,426                 |
|   | -                       | 806,426                 |
|   | -                       | 806,426                 |
| <b>7 SHORT-TERM BORROWINGS</b>                                |                         |                         |
| <b>SECURED</b>  |                         |                         |
| <b>Loans repayable on demand From Banks</b>                   |                         |                         |
| Dombivli Nagari Sahakari Bank Ltd - CC                        | 30,185,411              | 30,488,359              |
| Kotak Mahindra Bank Ltd - CC                                  | 16,115,808              | 25,035,024              |
| Kotak Mahindra Bank Ltd - Letter of Credit                    | -                       | 15,342,488              |
| Oriental Bank of Commerce - CC                                | 7,551,573               | 7,613,999               |
| Oriental Bank of Commerce - Packing Credit                    | 9,308,400               | 8,070,000               |
| The South Indian Bank Ltd - CC                                | 9,719,825               | 10,015,569              |
| The South Indian Bank Ltd - Letter of Credit                  | 8,215,680               | 886,189                 |
| The Karur Vysya Bank Ltd - CC                                 | 30,937,147              | 39,838,562              |
| The Karur Vysya Bank Ltd - Letter of Credit                   | 21,872,812              | 6,844,866               |
|   | 133,906,656             | 144,135,055             |
| <b>UN-SECURED</b>   |                         |                         |
| <b>(a) Loans and advances from related parties</b>            |                         |                         |
| Loan from Directors   | 5,650,000               | 5,200,000               |
| Loan from Shareholders  | 12,859,546              | 5,000,000               |
| Advances from group companies                                 | -                       | 500,000                 |
|   | 18,509,546              | 10,700,000              |
| <b>(b) Inter Corporate Deposits</b>                           |                         |                         |
| From Related Party  | 34,164,319              | 2,200,000               |
| From Others   | -                       | 6,000,000               |
|   | 34,164,319              | 8,200,000               |
|   | <b>186,580,521</b>      | <b>163,035,055</b>      |

7.1 The cash credit, packing credit and payables for letter of credit is secured by way of pari passu first charge on all immovable properties and by hypothecation of all movable assets, both present and future, excluding vehicles, and a second charge on all the current assets of the Company, both present and future, and personal guarantee of Directors.

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Amount in Rs.)

| Note  | As At<br>March 31, 2013   | As At<br>March 31, 2012 |
|---|---|-------------------------|
| <b>8 TRADE PAYABLES</b>                                 |   |                         |
| Due to Micro and Small Enterprises (Refer note no. 8.1) | -   | -                       |
| Other than Micro and Small Enterprises                  | 112,368,501   | 103,997,752             |
|   | <u>112,368,501</u>  | <u>103,997,752</u>      |
| <b>8.1</b>  | The Company has not compiled the relevant information from its suppliers under the Micro, Small, Medium Enterprises Development Act, 2006. As the relevant information is not readily available, no disclosures have been made in the accounts. However, in the opinion of the management, the impact of interest, if any, that may be payable in accordance with the provision of this Act is not expected to be material. |                         |
| <b>9 OTHER CURRENT LIABILITIES</b>                      |   |                         |
| Unclaimed dividends                                     | 208,149   | 208,149                 |
| <b>STATUTORY LIABILITIES</b>                            |   |                         |
| Tax deduction payable                                   | 1,304,447   | 1,220,102               |
| Sales Tax Payable                                       | 2,590,617   | 44,671                  |
| Provident Fund/Esic/Professional tax payable            | 367,935   | 720,356                 |
| Excise/Service tax payable                              | -   | 9,485                   |
| <b>EMPLOYEE LIABILITIES</b>                             |   |                         |
| Salaries Payable  | 12,532,728  | 11,029,916              |
| Bonus Payable   | 1,811,999   | 2,184,987               |
| Gratuity Payable (Refer Note 25.1)                      | 5,759,016   | 5,364,282               |
| Outstanding Liabilities                                 | 1,265,941   | 348,865                 |
| Security Deposit received                               | 8,270,000   | 8,270,000               |
| Advances received from customer                         | 26,547,746  | 17,162,886              |
| Other Payables  | 204,548   | 30,944,832              |
|   | <u>60,863,126</u>   | <u>77,508,532</u>       |
| <b>10 SHORT-TERM PROVISIONS</b>                         |   |                         |
| <b>Provision for employee benefits:</b>                 |   |                         |
| Gratuity  | -   | 114,321                 |
| Leave encashment  | 3,249,400   | 3,635,095               |
| <b>Others:</b>  |   |                         |
| Provision for taxation                                  | 14,025,070  | 10,831,323              |
|   | <u>17,274,470</u>   | <u>14,580,739</u>       |

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

**Note 11 - FIXED ASSETS**

(Amount in Rs.)

|                          | Gross Block         |                           |                   | Depreciation         |                    |                   |                   |                     | Net Block            |                      |
|--------------------------|---------------------|---------------------------|-------------------|----------------------|--------------------|-------------------|-------------------|---------------------|----------------------|----------------------|
|                          | As at April 1, 2012 | Additions during the Year | Deduction         | As at March 31, 2013 | Upto April 1, 2012 | For the year      | On Deduction      | Upto March 31, 2013 | As at March 31, 2013 | As at March 31, 2012 |
| <b>Tangible Assets</b>   |                     |                           |                   |                      |                    |                   |                   |                     |                      |                      |
| Leasehold Land           | 8,360,860           | -                         | -                 | 8,360,860            | 1,104,954          | 102,264           | -                 | 1,207,218           | 7,153,642            | 7,255,906            |
| Buildings                | 48,761,048          | 876,360                   | -                 | 49,637,408           | 16,817,697         | 1,631,260         | -                 | 18,448,957          | 31,188,451           | 31,943,351           |
| Plant & Machinery        | 291,785,838         | 12,980,539                | 23,572,450        | 281,193,926          | 178,701,446        | 9,341,268         | 16,415,917        | 171,626,796         | 109,567,130          | 113,084,392          |
| Furniture & Fixtures     | 5,806,259           | 280,951                   | 479,038           | 5,608,172            | 4,134,467          | 424,432           | 439,378           | 4,119,521           | 1,488,651            | 1,671,792            |
| Vehicles                 | 17,807,434          | -                         | -                 | 17,807,434           | 3,639,716          | 1,685,496         | -                 | 5,325,212           | 12,482,222           | 14,167,718           |
| Office Equipment         | 6,019,957           | 364,071                   | -                 | 6,384,028            | 3,702,259          | 190,480           | -                 | 3,892,739           | 2,491,289            | 2,317,698            |
| Computers                | 6,863,960           | 206,615                   | -                 | 7,070,575            | 5,451,605          | 411,866           | -                 | 5,863,471           | 1,207,104            | 1,412,355            |
| <b>Sub-total</b>         | <b>385,405,356</b>  | <b>14,708,536</b>         | <b>24,051,488</b> | <b>376,062,403</b>   | <b>213,552,143</b> | <b>13,787,066</b> | <b>16,855,295</b> | <b>210,483,914</b>  | <b>165,578,490</b>   | <b>171,853,213</b>   |
| <i>Previous Year</i>     | <i>382,579,489</i>  | <i>8,901,302</i>          | <i>6,075,435</i>  | <i>385,405,356</i>   | <i>196,443,525</i> | <i>18,992,739</i> | <i>1,884,120</i>  | <i>213,552,144</i>  | <i>171,853,212</i>   | <i>-</i>             |
| <b>Intangible Assets</b> |                     |                           |                   |                      |                    |                   |                   |                     |                      |                      |
| Computer software        | 2,705,287           | 50,000                    | -                 | 2,755,287            | 1,030,732          | 716,472           | -                 | 1,747,204           | 1,008,083            | 1,674,555            |
| <b>Sub-total</b>         | <b>2,705,287</b>    | <b>50,000</b>             | <b>-</b>          | <b>2,755,287</b>     | <b>1,030,732</b>   | <b>716,472</b>    | <b>-</b>          | <b>1,747,204</b>    | <b>1,008,083</b>     | <b>1,674,555</b>     |
| <i>Previous Year</i>     | <i>704,945</i>      | <i>2,000,342</i>          | <i>-</i>          | <i>2,705,287</i>     | <i>587,628</i>     | <i>443,104</i>    | <i>-</i>          | <i>1,030,732</i>    | <i>1,674,555</i>     | <i>-</i>             |
| <b>Total</b>             | <b>388,110,643</b>  | <b>14,758,536</b>         | <b>24,051,488</b> | <b>378,817,690</b>   | <b>214,582,875</b> | <b>14,503,538</b> | <b>16,855,295</b> | <b>212,231,118</b>  | <b>166,586,572</b>   | <b>173,527,768</b>   |
| Capital Work in Progress |                     | 12,323,948                |                   |                      |                    |                   |                   |                     | 1,901,847            | 4,336,435            |
| Assets Held for Disposal |                     |                           |                   |                      |                    |                   |                   |                     | 1,978,886            | 78,842               |
|                          |                     |                           |                   |                      |                    |                   |                   |                     | 170,467,306          | 177,943,045          |

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Amount in Rs.)

| Note  | As At<br>March 31, 2013  | As At<br>March 31, 2012  |
|---|--------------------------|--------------------------|
| <b>12 NON-CURRENT INVESTMENTS</b>   |                          |                          |
| <b>In Equity Shares (Un quoted) :</b>   |                          |                          |
| <b>In Subsidiary Companies :</b>  |                          |                          |
| - 80,000 (Previous year 80,000) Equity shares of US\$ 1/- each, fully paid up in Skay Inc., U.S.A (Refer Note 12.1)   | 3,560,515                | 3,560,515                |
| - 14,78,770 (Previous year 14,78,770) Equity shares of Rs. 10/- each, fully paid up in Sky Hemmay Pvt Ltd   | 14,787,700               | 14,787,700               |
| - 2,59,999 (Previous year 2,59,999) Equity shares of Rs. 10/- each, fully paid up in SK Stabel Industries Pvt Ltd   | 2,859,989                | 2,859,989                |
|   | <u>21,208,204</u>        | <u>21,208,204</u>        |
| <b>In Others :</b>  |                          |                          |
| - 50,000 (Previous year 50,000) Equity shares of Rs.10/- each, fully paid in Dombivali Nagari Sahakari Bank Ltd.  | 500,010                  | 500,010                  |
| - 105 (Previous year 105) Equity shares of Rs. 10/ each, fully paid in Janakalyan Sahakari Bank Ltd.  | 1,100                    | 1,100                    |
|   | <u>501,110</u>           | <u>501,110</u>           |
|   | <u><b>21,709,314</b></u> | <u><b>21,709,314</b></u> |
| <b>12.1</b> The Company's equity investment in Skay Inc, USA is carried at cost. The diminution in the value of the investment is considered to be temporary in nature, in view of the Company's long term financial involvement in that Company. No Provision is therefore considered necessary in the amounts for diminution in the value of this investment. |                          |                          |
| <b>13 LONG-TERM LOANS AND ADVANCES</b>  |                          |                          |
| <b>Unsecured, considered good</b>   |                          |                          |
| Capital Advances  | -                        | 905,000                  |
| Security Deposits (Refer Note 13.1)   | 22,985,182               | 22,936,763               |
| Advance Tax and Tax Deducted at Source  | 14,423,685               | 3,447,624                |
| Balance with Government Authorities   | 20,856,691               | 15,379,212               |
|   | <u>58,265,558</u>        | <u>42,668,599</u>        |
| <b>13.1</b> Includes deposits from Private Company in which director is a member or Director  | <b>14,720,000</b>        | <b>14,720,000</b>        |



**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Amount in Rs.)

| Note   | As At<br>March 31, 2013              | As At<br>March 31, 2012              |
|--|--------------------------------------|--------------------------------------|
| <b>18 SHORT-TERM LOANS AND ADVANCES</b>        |                                      |                                      |
| Staff advances                                 | 1,695,906                            | 1,870,614                            |
| Prepaid expenses                               | 493,626                              | 665,658                              |
| Advances to suppliers                          | 3,640,234                            | 2,846,739                            |
| Less: Provision for doubtful advances          | -                                    | (101,219)                            |
|  | <u>5,829,766</u>                     | <u>5,281,792</u>                     |
| <b>19 OTHER CURRENT ASSETS</b>                 |                                      |                                      |
| Interest receivables                           | 444,170                              | 213,846                              |
| Receivable on sale of Fixed Assets             | 45,128,250                           | 43,124,040                           |
| Other receivables                              | -                                    | 3,397,196                            |
| DEPB licences                                  | -                                    | 1,264,015                            |
|  | <u>45,572,420</u>                    | <u>47,999,097</u>                    |
|  | <b>Year Ended<br/>March 31, 2013</b> | <b>Year Ended<br/>March 31, 2012</b> |
| <b>20 REVENUE FROM OPERATIONS</b>              |                                      |                                      |
| Sale of Products (Gross) ( Refer Note.No 20.1) | 605,956,490                          | 798,817,506                          |
| Less: Excise Duty                              | 213,841                              | 346,166                              |
|  | <u>605,742,649</u>                   | <u>798,471,340</u>                   |
| Sale of Services                               | 147,671                              | 7,935,530                            |
|  | <u>605,890,320</u>                   | <u>806,406,870</u>                   |
| <b>OTHER OPERATING INCOME</b>                  |                                      |                                      |
| Freight recovered                              | 1,178,875                            | 3,069,058                            |
| Sale of scrap                                  | 1,440,160                            | 5,279,878                            |
| Octroi charges collected                       | 169,355                              | 1,139,812                            |
| Other Charges Recovered                        | 325,092                              | 105,651                              |
| Export Incentives                              | 2,702,912                            | 193,797                              |
| Miscellaneous Receipt                          | 5,226                                | -                                    |
|  | <u>5,821,620</u>                     | <u>9,788,196</u>                     |
|  | <u>611,711,940</u>                   | <u>816,195,066</u>                   |



**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Amount in Rs.)

| Note   | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|--|------------------------------|------------------------------|
| <b>20.1 Sale of Products (Net)</b>                       |                              |                              |
| Manufactured :   |                              |                              |
| Hook & Loop Tape Fasteners                               | 410,413,516                  | 504,063,775                  |
| Elastic Tapes  | 12,697,000                   | 117,299,500                  |
| Narrow Woven Fabrics                                     | 77,413,587                   | 126,832,968                  |
|  | <u>500,524,103</u>           | <u>748,196,243</u>           |
| Traded :   |                              |                              |
| Fibre glass Insect Screen                                | 19,601,799                   | 26,669,659                   |
| Knit Loop fabrics  | -                            | 6,480,738                    |
| Aluminium wire Mesh                                      | 10,130,634                   | 2,688,502                    |
| Elastics   | 65,893,043                   | -                            |
| Others   | 9,593,070                    | 14,436,198                   |
|  | <u>105,218,546</u>           | <u>50,275,097</u>            |
|  | <u>605,742,649</u>           | <u>798,471,340</u>           |
| <b>21 OTHER INCOME</b>                                   |                              |                              |
| Service Contract charges                                 | 11,288,689                   | 15,745,320                   |
| Interest Income  | 828,087                      | 619,130                      |
| Dividend Income  | 75,300                       | 814,985                      |
| Profit on Sale of Assets                                 | 1,592,049                    | -                            |
| Net gain on foreign currency transaction and translation | 1,380,698                    | -                            |
| Insurance claim received                                 | -                            | 8,380                        |
| Excess Provision write back                              | 4,224,050                    | 6,032                        |
| Miscellaneous income                                     | 6,196                        | 56,390                       |
|  | <u>19,395,069</u>            | <u>17,250,237</u>            |
| <b>22 COST OF MATERIAL CONSUMED</b>                      |                              |                              |
| Opening Stock :  |                              |                              |
| Raw Materials  | 42,019,208                   | 71,011,983                   |
| Raw Materials in Transit                                 | 6,022,398                    | 10,218,964                   |
|  | <u>48,041,606</u>            | <u>81,230,947</u>            |
| Add: Purchases   | 320,356,449                  | 475,523,174                  |
|  | <u>368,398,055</u>           | <u>556,754,121</u>           |
| Less: Closing Stock :                                    |                              |                              |
| Raw Materials  | 37,333,794                   | 42,019,208                   |
| Raw Materials in Transit                                 | 1,306,277                    | 6,022,398                    |
|  | <u>38,640,071</u>            | <u>48,041,606</u>            |
|  | <u>329,757,984</u>           | <u>508,712,515</u>           |
| <b>22.1 Value of Raw Material Consumed</b>               |                              |                              |
| Yarn   | 85,163,647                   | 304,159,254                  |
| Rubber Thread  | 1,734,686                    | 32,230,285                   |
| Hook & Loop - Semifinished                               | 187,722,035                  | 90,694,099                   |
| Resins & Chemicals                                       | 10,674,756                   | 36,985,808                   |
| Others   | 44,462,860                   | 44,643,069                   |
|  | <u>329,757,984</u>           | <u>508,712,515</u>           |

NOTES FORMING PART OF FINANCIAL STATEMENTS

(Amount in Rs.)

| Note  | Year Ended<br>March 31, 2013     |                    | Year Ended<br>March 31, 2012     |                     |
|---|----------------------------------|--------------------|----------------------------------|---------------------|
| <b>22.2 Value of Raw Material Consumed</b>                                      |                                  |                    |                                  |                     |
|   | <u>Year Ended March 31, 2013</u> |                    | <u>Year Ended March 31, 2012</u> |                     |
|   | Percentage                       | Amount             | Percentage                       | Amount              |
| Imported Raw Materials  | 71.02                            | 234,199,335        | 44.56                            | 226,666,542         |
| Indigenous Raw Materials  | 28.98                            | 95,558,649         | 55.44                            | 282,045,973         |
|   | <u>100.00</u>                    | <u>329,757,984</u> | <u>100.00</u>                    | <u>508,712,515</u>  |
| <b>23 PURCHASE OF TRADED GOODS</b>  |                                  |                    |                                  |                     |
| Fibre glass Insect Screen   |                                  |                    | 10,627,772                       | 18,966,795          |
| Knit Loop fabrics   |                                  |                    | 1,612,701                        | 8,229,331           |
| Aluminium wire Mesh   |                                  |                    | 8,579,255                        | 4,426,915           |
| Elastics  |                                  |                    | 43,612,121                       | -                   |
| Others  |                                  |                    | 3,861,453                        | 8,482,170           |
|   |                                  |                    | <u>68,293,302</u>                | <u>40,105,211</u>   |
| <b>23.1 Value of Traded Goods Purchased</b>                                     |                                  |                    |                                  |                     |
|   | <u>Year Ended March 31, 2012</u> |                    | <u>Year Ended March 31, 2012</u> |                     |
|   | Percentage                       | Amount             | Percentage                       | Amount              |
| Imported Purchases  | 34.66                            | 23,667,601         | 80.48                            | 32,274,890          |
| Indigenous Purchases  | 65.34                            | 44,625,701         | 19.52                            | 7,830,321           |
|   | <u>100.00</u>                    | <u>68,293,302</u>  | <u>100.00</u>                    | <u>40,105,211</u>   |
| <b>24 CHANGES IN INVENTORY OF FINISHED GOODS, WORK-IN-PROGRESS TRADED GOODS</b> |                                  |                    |                                  |                     |
| <u>Opening Inventory</u>  |                                  |                    |                                  |                     |
| Finished Goods  |                                  |                    |                                  |                     |
| Manufactured  |                                  |                    | 87,416,044                       | 74,466,267          |
| Trading   |                                  |                    | 12,108,910                       | 9,874,267           |
|   |                                  |                    | <u>99,524,954</u>                | <u>84,340,534</u>   |
| Work-In-Progress  |                                  |                    | 36,797,152                       | 34,851,213          |
|   |                                  |                    | <u>136,322,106</u>               | <u>119,191,747</u>  |
| <u>Closing Inventory</u>  |                                  |                    |                                  |                     |
| Finished Goods  |                                  |                    |                                  |                     |
| Manufactured  |                                  |                    | 69,909,049                       | 87,416,044          |
| Trading   |                                  |                    | 8,970,717                        | 12,108,910          |
|   |                                  |                    | <u>78,879,766</u>                | <u>99,524,954</u>   |
| Work-In-Progress  |                                  |                    | 32,825,506                       | 36,797,152          |
|   |                                  |                    | <u>111,705,272</u>               | <u>136,322,106</u>  |
|   |                                  |                    | <u>24,616,834</u>                | <u>(17,130,359)</u> |
| <b>25 EMPLOYEE BENEFITS EXPENSE</b>   |                                  |                    |                                  |                     |
| Salaries and incentives   |                                  |                    | 61,513,511                       | 121,543,904         |
| Contributions to Provident fund & other funds                                   |                                  |                    | 1,545,463                        | 4,322,196           |
| Staff welfare expenses  |                                  |                    | 1,915,118                        | 4,875,369           |
|   |                                  |                    | <u>64,974,092</u>                | <u>130,741,469</u>  |

NOTES FORMING PART OF FINANCIAL STATEMENTS

(Amount in Rs.)

| Note   | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|--|------------------------------|------------------------------|
| <b>26 FINANCE COST</b>                                   |                              |                              |
| Interest Expense on Loan from Bank:                      |                              |                              |
| Term Loan  | 5,792,368                    | 9,322,572                    |
| Vehicle Loan   | 1,014,103                    | 533,405                      |
| Working Capital Loan                                     | 16,788,780                   | 18,235,866                   |
| Interest Expense on Loan from Others:                    |                              |                              |
| Vehicle Loan   | 17,091                       | 43,688                       |
| Shareholders Loan  | 279,700                      | 721,920                      |
| Inter Corporate Deposit                                  | 1,946,541                    | 409,068                      |
| Interest on Delayed Payment to Creditors                 | 3,016,012                    | 2,577,538                    |
|  | <u>28,854,595</u>            | <u>31,844,057</u>            |
| <b>27 OTHER EXPENSES</b>                                 |                              |                              |
| <b>A) Manufacturing Expenses</b>                         |                              |                              |
| Consumption of stores and spare parts (Refer Note 27.1)  | 4,191,264                    | 10,930,468                   |
| Labour Charges   | 15,483,084                   | 10,604,003                   |
| Power and Fuel   | 13,211,157                   | 35,637,849                   |
| Repairs and Maintenance :                                |                              |                              |
| Building   | -                            | 208,273                      |
| Machinery  | 1,083,400                    | 2,086,157                    |
| Others   | 3,840,665                    | 5,001,889                    |
|  | <u>37,809,569</u>            | <u>64,468,639</u>            |
| <b>B) Establishment Expenses</b>                         |                              |                              |
| Rent   | 20,047,595                   | 24,062,600                   |
| Insurance  | 1,227,081                    | 1,441,709                    |
| Rates and Taxes  | 1,637,741                    | 1,769,513                    |
| Legal and Professional                                   | 4,051,380                    | 3,494,363                    |
| Travelling & Other Conveyance                            | 5,235,574                    | 8,032,951                    |
| Postage, Telegram , Telephone & Courier                  | 3,043,219                    | 4,535,339                    |
| Printing & Stationery                                    | 1,159,202                    | 2,356,239                    |
| Miscellaneous expenses                                   | 11,751,591                   | 16,471,715                   |
|  | <u>48,153,384</u>            | <u>62,164,429</u>            |
| <b>C) Selling Expenses</b>                               |                              |                              |
| Net loss on foreign currency transaction and translation | -                            | 6,893,431                    |
| Auditors Remuneration :                                  |                              |                              |
| (a) Auditor  |                              |                              |
| Audit Fees   | 400,000                      | 500,000                      |
| Audit under other statutes                               | 50,000                       | 50,000                       |
| Certification  | -                            | 1,500                        |
| (b) Taxation Matters                                     | -                            | 74,000                       |
| (c) Reimbursement of Expenses                            | -                            | 6,947                        |
|  | <u>450,000</u>               | <u>632,447</u>               |
| Advertisement & Business, Sales Promotion                | 773,238                      | 1,054,201                    |
| Freight, Cartage and Forwarding Expenses                 | 15,750,048                   | 21,876,541                   |
| Commission   | 5,661,195                    | 8,534,281                    |
| Provision for doubtful debts                             | 73,022                       | -                            |
| Bad Debts written off                                    | -                            | 259,265                      |
| Loss on sale/Impairment of assets                        | -                            | 2,946,546                    |
| Discount - Scheme  | -                            | 2,612,178                    |
| Miscellaneous Balance Written off                        | -                            | 1,501,860                    |
| Octroi Charges   | 721,191                      | 1,208,979                    |
| Prior Period items                                       | 467,843                      | -                            |
|  | <u>23,896,536</u>            | <u>47,519,729</u>            |
|  | <u>109,859,489</u>           | <u>174,152,795</u>           |

**27.1 Value of Stores & Spares Consumed**

|                            | <u>Year Ended March 31, 2013</u> |                  | <u>Year Ended March 31, 2012</u> |                   |
|----------------------------|----------------------------------|------------------|----------------------------------|-------------------|
| Imported Stores & Spares   | 14.07                            | 589,737          | 32.99                            | 3,605,984         |
| Indegenous Stores & Spares | 85.93                            | 3,601,527        | 67.01                            | 7,324,484         |
|                            | <u>100.00</u>                    | <u>4,191,264</u> | <u>100.00</u>                    | <u>10,930,468</u> |

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Amount in Rs.)

| Note   | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|--|------------------------------|------------------------------|
| <b>28 OTHER NOTES</b>  |                              |                              |
| <b>(i) EARNINGS PER SHARE</b>  |                              |                              |
| Loss attributable to Equity shareholders   | (3,450,813)                  | (47,249,549)                 |
| Weighted average number of Equity shares outstanding<br>(Nominal value of Shares Rs. 10)   | 3,976,400                    | 3,976,400                    |
| Earnings per share (Basic & Diluted) in Rs.  | (0.87)                       | (11.88)                      |
| <b>(ii) PRIOR PERIOD EXPENSES</b>  |                              |                              |
| During the year the company has accounted expenditure relating to Prior period in its Statement of Profit & Loss, bifurcation of such expenses is as under : |                              |                              |
| Interest to others   | 93,672                       | 449,813                      |
| Salaries, Wages & Bonus :  |                              |                              |
| - Gratuity   | -                            | 1,819,647                    |
| - Retainership Charges   | 20,865                       | 384,132                      |
| Labour charges   | 10,233                       | -                            |
| Purchases of Rawmaterials  | 131,024                      | -                            |
| Other Sundry expenses  | -                            | 750                          |
| Professional & other fees  | 4,000                        | 43,819                       |
| Rent   | 16,200                       | 6,640                        |
| Stores & Spares  | -                            | 43,690                       |
| Travelling & other Conveyance  | -                            | 26,892                       |
| Postage, Telegram & Telephone  | 51,715                       | 22,699                       |
| Printing & stationery  | -                            | 15,543                       |
| Staff Welfare  | 43,794                       | -                            |
| Repairs & Maintenance - Others   | 13,410                       | 3,750                        |
| Freight, Cartage & Forwarding Expenses   | 82,930                       | 85,498                       |
|  | <b>467,843</b>               | <b>2,902,873</b>             |
| <b>(iii) CONTINGENT LIABILITIES NOT PROVIDED IN RESPECT OF :</b>   |                              |                              |
| a) Guarantees given by the Company's banker against counter guarantee given by the company   | 583,700                      | 738,500                      |
| b) Guarantees given by the Company's banker on behalf of subsidiary, against counter guarantee given by the Company.   | 25,000,000                   | 25,000,000                   |
| c) Income tax demand disputed by the Company   | 114,896                      | 114,896                      |
| d) Cess Demand from Deputy Commissioner of Navi Mumbai Municipal Corporation   | 3,683,521                    | 3,683,521                    |
| e) Bills Discounted with Banks   | 1,618,509                    | 1,066,619                    |
| f) Sales tax demands pending with Commissionerate and disputed by the company  | 3,333,901                    | 3,333,901                    |
| <b>(iv) VALUE OF IMPORT ON CIF BASIS :</b>   |                              |                              |
| (i) Raw Materials & Trading goods  | 207,960,859                  | 220,694,877                  |
| (ii) Stores & Spares   | 589,737                      | 2,768,033                    |
| (iii) Capital Goods  | 2,445,015                    | 3,383,867                    |
|  | <b>210,995,611</b>           | <b>226,846,776</b>           |
| <b>(v) EXPENDITURE IN FOREIGN CURRENCY</b>   |                              |                              |
| (i) Commission on Exports  | 3,465,548                    | 4,948,153                    |
| (ii) Foreign Travel  | 51,453                       | 413,627                      |
|  | <b>3,517,001</b>             | <b>5,361,780</b>             |

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Amount in Rs.)

| Note  | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|---|------------------------------|------------------------------|
| <b>(vi) EARNING IN FOREIGN CURRENCY</b>   |                              |                              |
| (i) FOB value of Exports  | 103,044,204                  | 140,626,666                  |
| (ii) Insurance on Exports   | 577,584                      | 59,187                       |
| (iii) Freight on Exports  | 1,679,130                    | 2,881,308                    |
| (iv) Other charges  | -                            | 95,855                       |
|   | <u>105,300,918</u>           | <u>143,663,016</u>           |
| <b>(vii) EMPLOYEE BENEFITS</b>  |                              |                              |
| <b>I. Defined Benefit Plans:</b>  |                              |                              |
| Contribution to Gratuity Fund   |                              |                              |
| <p>The Company makes annual contributions to the Employee's Group Gratuity-cum-Life assurance scheme of Life Insurance Corporation of India, a funded defined benefit plan for qualifying employees. Gratuity is payable to all eligible employees on superannuation, death or on separation/termination in terms of the provisions of the Payment of Gratuity Act or as per the Company's policy whichever is beneficial to the employees.</p> |                              |                              |
| <p>The following table sets out the funded status of the gratuity plan and the amounts recognised in the Company's financial statements as at 31 March 2013</p>   |                              |                              |
| <b>Changes in present value of obligations</b>  |                              |                              |
| Opening balance   | 12,782,610                   | 6,149,890                    |
| Current service Cost  | 1,182,522                    | 1,642,549                    |
| Interest Cost   | 940,537                      | 459,966                      |
| Benefits Paid   | (2,051,795)                  | (800,632)                    |
| Actuarial (gain)/loss on obligation   | (1,414,068)                  | 5,330,837                    |
| Closing balance   | <u>11,439,806</u>            | <u>12,782,610</u>            |
| <b>Changes in Fair Value of Plan assets</b>   |                              |                              |
| Opening balance   | 7,304,007                    | 7,192,289                    |
| Expected return on plan assets  | 489,825                      | 546,839                      |
| Contributions by Employer   | 89,398                       | 287,017                      |
| Benefits paid   | (2,051,795)                  | (800,632)                    |
| Actuarial gain/(loss) on plan assets  | 49,355                       | 78,494                       |
| Closing balance   | <u>5,880,790</u>             | <u>7,304,007</u>             |
| <b>Actual Return on Plan Asset</b>  |                              |                              |
| Expected return on plan assets  | 489,825                      | 546,839                      |
| Actuarial (gain)/loss on plan assets  | 49,355                       | -                            |
| Actual return on plan assets  | <u>539,180</u>               | <u>546,839</u>               |
| <b>Amount Recognised in the Balance sheet</b>   |                              |                              |
| Liability at the end of the year  | 11,439,806                   | 12,782,610                   |
| Fair Value of plan assets at the end of the year  | 5,880,790                    | 7,304,007                    |
| Amount Recognised in the Balance Sheet  | <u>5,559,016</u>             | <u>5,478,603</u>             |

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Amount in Rs.)

| Note                                       | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|--|------------------------------|------------------------------|
| <b>Net gratuity cost for the year</b>      |                              |                              |
| Current Service Cost                       | 1,182,522                    | 1,642,549                    |
| Interest Cost                              | 940,537                      | 459,966                      |
| Expected return on plan assets             | (489,825)                    | (546,839)                    |
| Net Actuarial (gain)/loss to be recognised | (1,463,423)                  | 5,252,343                    |
|  | 169,811                      | 6,808,019                    |
| <b>Balance Sheet Recognition</b>           |                              |                              |
| Opening net liability                      | 5,478,603                    | (1,042,399)                  |
| Expenses as above                          | 169,811                      | 6,808,019                    |
| Employer's Contribution                    | (89,398)                     | (287,017)                    |
|  | 5,559,016                    | 5,478,603                    |
| <b>Actuarial Assumptions</b>               |                              |                              |
| Discount Rate (p.a.)                       | 8.00                         | 8.00                         |
| Rate of return on plan assets              | 8.00                         | 8.00                         |
| Salary escalation rate (p.a.)              | 5.00                         | 3.00                         |

**II. Defined Contribution Plans:**

The Company has recognised the following amount as an expenses and included in the Note No-25 " Contribution to Provident and Other Funds :

|   |           |           |
|---|-----------|-----------|
| Contribution to Employee Provident Fund         | 1,047,493 | 2,722,584 |
| Contribution to Employee State Insurance        | 494,118   | 1,586,328 |
| Contribution to Maharashtra Labour Welfare Fund | 3,852     | 13,284    |
|   | 1,545,463 | 4,322,196 |

**(viii) SEGMENT REPORTING**

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

**(ix) RELATED PARTY DISCLOSURE :**

**(a) Relationships**

**i. Subsidiaries:**

- SKAY Inc., USA (wholly owned subsidiary)
- Sky Hemmay Private Limited
- SK Stabel Industries Private Limited (wholly owned subsidiary)

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

- Mr. Nitin K. Motani
- Mr. Shailesh S. Shah
- Mr. Saurabh K. Motani
- Mr. Sharad S Shah
- Mr. Maikal Raorani
- Mr. Mohit N Motani



**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Amount in Rs.)

| Note | As At<br>March 31 2013 | As At<br>March 31 2012 |
|------|------------------------|------------------------|
|------|------------------------|------------------------|

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

S.K. Exports  
S.K. Silks  
Shamots International  
S.K.Overseas  
SK Windtronics Private Ltd.  
Jask Invogue Private Ltd.  
Skay Finvest Private Ltd.  
Novitas India Private Ltd.

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

| Transactions             | Subsidiaries<br><br>(i)         | Key managerial<br>personnel/persons<br>exercising significant<br>influence & their relatives<br><br>(ii) | Enterprises over which<br>Key management<br>personnel exercising<br>significant influence<br><br>(iii) |
|--------------------------|---------------------------------|--|--|
| Sales                    | 1,758,704<br><i>(1,055,002)</i> | -  | 17,437,450<br><i>(35,285,381)</i>  |
| Service Charges Received | 2,022,241<br><i>(2,230,884)</i> | -  | 10,661,713<br><i>(13,514,436)</i>  |
| Purchases                | 1,174,325<br><i>(179,343)</i>   | -  | 1,520,842<br><i>(863,732)</i>  |
| Remuneration             | -                               | 10,380,000<br><i>(10,140,000)</i>  | -  |
| Rent                     | -                               | -  | 10,120,222<br><i>(10,865,366)</i>  |
| Commission               | 3,319,753<br><i>(4,948,153)</i> | -  | -  |
| Labour Charges           | 254,337                         | -  | -  |
| Sale of Fixed Assets     | 78,750                          | -  | <i>(33,090)</i>  |
| Purchase of Fixed Assets | -                               | -  | 582,751<br><i>(3,003,743)</i>  |

As per our Report of even date  
For and on behalf of  
**THANAWALA & COMPANY**  
CHARTERED ACCOUNTANTS  
Firm Reg. No. 110948W

For and on behalf of the Board of Directors

Sd/-  
**VIJAY K THANAWALA**  
PROPRIETOR  
Membership No. 15632  
Place : Mumbai, Dated: May 30, 2013

Sd/-  
**Shailesh Shah**  
Managing Director

Sd/-  
**Nitin Motani**  
Chairman

**SKY INDUSTRIES LIMITED**

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

|   |   |   |
|---|---|---|
| Name of the Subsidiary  | : | Skay Inc  |
| Financial year of the subsidiary  | : | 1 <sup>st</sup> April 2012 to 31 <sup>st</sup> March 2013   |
| Holding Company   | : | Sky Industries Ltd  |
| Extent of Holding companies interest  | : | 100%  |
| Face Value of equity shares   | : | USD 1   |
| Number of equity shares held by the company<br>And/or its subsidiary  | : | 80,000  |
| Net Aggregate amounts of profits/(losses)<br>Of the subsidiary so far as it concerns the<br>members of the holding company and is not<br>dealt within accounts of holding company | : | for the financial year of the subsidiary USD 41,469.<br>for the previous financial years of the<br>subsidiary since it became a subsidiary<br>( USD 67,819) (Loss). |

|  |   |  |
|--|---|--|
| Net aggregate amounts of profits/(losses)<br>Of the subsidiary so far as it concerns the<br>Members of the holding company and is dealt<br>Within accounts of holding company. | : | For the financial year of the subsidiary-NA<br>for the previous year of the subsidiary<br>since it became a subsidiary-NA. |
|--|---|--|

|   |   |   |
|---|---|---|
| Name of the Subsidiary  | : | S K Stabel Industries Pvt Ltd.  |
| Financial year of the subsidiary  | : | 1 <sup>st</sup> April 2012 to 31 <sup>st</sup> March 2013   |
| Holding Company   | : | Sky Industries Ltd  |
| Extent of Holding companies interest  | : | 100%  |
| Face Value of equity shares   | : | Rs.10/=   |
| Number of equity shares held by the company<br>And/or its subsidiary  | : | 259,999.  |
| Net Aggregate amounts of profits/(losses)<br>Of the subsidiary so far as it concerns the<br>members of the holding company and is not<br>dealt within accounts of holding company | : | for the fin.year of the subsidiary Rs.4,91,006<br>for the previous financial years of the<br>subsidiary since it became a subsidiary<br>(Rs.47,28,797). |

|  |   |  |
|--|---|--|
| Net aggregate amounts of profits/(losses)<br>Of the subsidiary so far as it concerns the<br>Members of the holding company and is dealt<br>Within accounts of holding company. | : | For the financial year of the subsidiary-NA<br>for the previous year of the subsidiary<br>since it became a subsidiary-NA. |
|--|---|--|

|   |   |   |
|---|---|---|
| Name of the Subsidiary  | : | SKY Hemmay Pvt Ltd.   |
| Financial year of the subsidiary  | : | 1 <sup>st</sup> April 2012 to 31 <sup>st</sup> March 2013   |
| Holding Company   | : | Sky Industries Ltd  |
| Extent of Holding companies interest  | : | 51%   |
| Face Value of equity shares   | : | Rs.10/=   |
| Number of equity shares held by the company<br>And/or its subsidiary  | : | 1,478,770.  |
| Net Aggregate amounts of profits/(losses)<br>Of the subsidiary so far as it concerns the<br>members of the holding company and is not<br>dealt within accounts of holding company | : | for the fin.year of the subsidiary Rs. 52,85,036.<br>for the previous financial years of the<br>subsidiary since it became a subsidiary<br>Rs.8,37,952. |
| Net aggregate amounts of profits/(losses)<br>Of the subsidiary so far as it concerns the<br>Members of the holding company and is dealt<br>Within accounts of holding company.    | : | For the financial year of the subsidiary-NA<br>for the previous year of the subsidiary<br>since it became a subsidiary-NA.                              |

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

1. We have examined the attached Consolidated Balance Sheet of Sky Industries Limited, its subsidiary as at 31<sup>st</sup> March 2013, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of the Accounting Standard (AS) 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
4. In our opinion and to the best of our information and according to the explanations given to us and on consideration of separate audit report on the individual audited financial statements of Sky Industries Limited and its subsidiaries, the consolidated financial statements read with the notes thereon give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of Sky Industries Limited and its subsidiaries as at 31<sup>st</sup> March, 2013; and
  - ii) in the case of the Consolidated Statement of Profit and Loss, of the consolidated results of operations Sky Industries Limited and its subsidiaries for the year ended on that date.
  - iii) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of Sky Industries Limited and its subsidiaries for the year ended on that date.

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

Firm Reg. No. 110948W

Place : Mumbai  
Dated : 14/08/2013

Sd/-  
**[ V.K. Thanawala ]**  
**Proprietor**

Membership No. 15632

**SKY INDUSTRIES LIMITED - CONSOLIDATED**  
**BALANCE SHEET AS AT MARCH 31, 2013**

(Amount in Rs.)

|                                    | Note | As At<br>March 31 2013    | As At<br>March 31 2012    |
|------------------------------------|------|---------------------------|---------------------------|
| <b>A EQUITY AND LIABILITIES</b>    |      |                           |                           |
| <b>1 Shareholders' funds</b>       |      |                           |                           |
| (a) Share capital                  | 2    | 39,764,000                | 39,764,000                |
| (b) Reserves and surplus           | 3    | <u>100,017,139</u>        | <u>99,697,897</u>         |
|                                    |      | <b>139,781,139</b>        | <b>139,461,897</b>        |
| <b>2 Minority interest *</b>       |      | <b>18,561,747</b>         | <b>17,667,134</b>         |
| <b>3 Non-current liabilities</b>   |      |                           |                           |
| (a) Long-term borrowings           | 4    | 38,625,630                | 58,619,337                |
| (b) Deferred tax liabilities (net) | 5    | 17,418,380                | 17,948,578                |
| (c) Other long-term liabilities    | 6    | 500,000                   | 500,000                   |
| (d) Long-term provisions           | 7    | -                         | 806,426                   |
|                                    |      | <u>56,544,010</u>         | <u>77,874,341</u>         |
| <b>4 Current liabilities</b>       |      |                           |                           |
| (a) Short-term borrowings          | 8    | 191,537,146               | 167,550,607               |
| (b) Trade payables                 | 9    | 120,099,441               | 112,302,204               |
| (c) Other current liabilities      | 10   | 63,005,988                | 80,864,663                |
| (d) Short-term provisions          | 11   | 24,221,944                | 15,385,739                |
|                                    |      | <u>398,864,519</u>        | <u>376,103,213</u>        |
|                                    |      | <u><b>613,751,415</b></u> | <u><b>611,106,584</b></u> |
| <b>B ASSETS</b>                    |      |                           |                           |
| <b>1 Non-current assets</b>        |      |                           |                           |
| (a) Fixed assets                   | 12   |                           |                           |
| 1) Tangible Assets                 |      | 227,170,563               | 240,380,951               |
| 2) Intangible Assets               |      | 1,052,868                 | 1,749,197                 |
| 3) Capital Work in Progress        |      | 4,286,691                 | 4,336,435                 |
| 4) Assets held for disposal        |      | <u>1,978,886</u>          | <u>78,842</u>             |
|                                    |      | 234,489,008               | 246,545,425               |
| (b) Non-current investments        | 13   | 551,110                   | 551,110                   |
| (c) Long-term loans and advances   | 14   | 61,599,303                | 44,666,610                |
| (d) Other non-current assets       | 15   | <u>36,235</u>             | <u>136,864</u>            |
|                                    |      | <b>296,675,656</b>        | <b>291,900,009</b>        |
| <b>2 Current assets</b>            |      |                           |                           |
| (a) Inventories                    | 16   | 175,317,253               | 208,000,318               |
| (b) Trade receivables              | 17   | 117,763,369               | 92,681,440                |
| (c) Cash and cash equivalents      | 18   | 16,422,445                | 10,503,016                |
| (d) Short-term loans and advances  | 19   | 7,036,319                 | 5,307,542                 |
| (e) Other current assets           | 20   | <u>536,373</u>            | <u>2,714,259</u>          |
|                                    |      | <u><b>317,075,759</b></u> | <u><b>319,206,574</b></u> |
|                                    |      | <u><b>613,751,415</b></u> | <u><b>611,106,584</b></u> |

Significant accounting policies

1

The accompanying notes (1 to 29) form an integral part of the financial statements.

As per our Report of even date

For and on behalf of the Board of Directors

For and on behalf of

**THANAWALA & COMPANY**  
CHARTERED ACCOUNTANTS  
Firm Reg. No. 110948W

Sd/-  
**VIJAY K THANAWALA**  
PROPRIETOR  
Membership No. 15632

Sd/-  
**Shailesh Shah**  
Managing Director

Sd/-  
**Nitin Motani**  
Chairman

Place : Mumbai, Dated: August 14, 2013

**SKY INDUSTRIES LIMITED - CONSOLIDATED**

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2013**

(Amount in Rs.)

|  | Note | For the year ended<br>31.03.2013 | For the year ended<br>31.03.2012 |
|--|------|----------------------------------|----------------------------------|
| <b>I. Revenue from operations</b>  | 21   | 716,345,743                      | 891,495,311                      |
| <b>II. Other income</b>  | 22   | 17,568,495                       | 18,237,206                       |
| <b>III. Total Revenue</b>  |      | <b>733,914,238</b>               | <b>909,732,518</b>               |
| <b>IV. Expenses:</b>   |      |                                  |                                  |
| Cost of materials consumed   | 23   | 384,328,930                      | 547,582,209                      |
| Purchases of Stock-in-Trade  | 24   | 68,293,302                       | 40,172,779                       |
| Changes in Inventories of Finished Good,<br>Work In Progress and Traded Goods        | 25   | 25,640,187                       | (19,439,243)                     |
| Employee benefits expense  | 26   | 79,515,896                       | 148,402,863                      |
| Finance costs  | 27   | 29,597,086                       | 32,750,484                       |
| Depreciation and amortization Expenses   | 12   | 20,589,305                       | 25,924,886                       |
| Other expenses   | 28   | 124,027,605                      | 190,461,775                      |
| <b>V. Total Expenses</b>   |      | <b>731,992,311</b>               | <b>965,855,753</b>               |
| <b>VI. Loss before tax</b>   |      | 1,921,927                        | (56,123,235)                     |
| <b>VII. Exceptional Items</b>  |      | 3,545,823                        | -                                |
| <b>VIII Tax expense:</b>   |      |                                  |                                  |
| (1) Current tax - For the year   |      | (2,793,458)                      | (1,187,814)                      |
| - Excess/(Short) Provision of the Previous years                                     |      | 1,406,185                        | (4,449,014)                      |
| (2) Deferred tax   |      | 530,199                          | 10,995,833                       |
|  |      | (857,074)                        | 5,359,004                        |
| <b>IX. Profit (Loss) for the period from continuing operations<br/>(VI-VII-VIII)</b> |      | <b>4,610,676</b>                 | <b>(50,764,230)</b>              |
| Significant accounting policies  | 1    |                                  |                                  |

The accompanying notes (1 to 29) form an integral part of the financial statements.

As per our Report of even date

For and on behalf of the Board of Directors

For and on behalf of

**THANAWALA & COMPANY**  
CHARTERED ACCOUNTANTS  
Firm Reg. No. 110948W

Sd/-

**VIJAY K THANAWALA**  
PROPRIETOR  
Membership No. 15632

Sd/-

**Shailesh Shah**  
Managing Director

Sd/-

**Nitin Motani**  
Chairman

Place : Mumbai, Dated: August 14, 2013

**SKY INDUSTRIES LIMITED - CONSOLIDATED**

**Cash Flow Statement for the Year Ended March 31, 2013**

(Amount in Rs.)

|   | For the year ended<br>31.03.2013 | For the year ended<br>31.03.2012 |
|---|----------------------------------|----------------------------------|
| <b>A. Cash Flow from Operating Activities:</b>            |                                  |                                  |
| Profit before tax and extra ordinary item                 | 1,921,927                        | (56,123,235)                     |
| Adjustment for:   |                                  |                                  |
| Depreciation  | 20,589,305                       | 25,906,769                       |
| Interest and Finance Charges                              | 29,597,086                       | 32,750,484                       |
| Interest income   | (891,332)                        | (663,427)                        |
| Dividend  | (82,200)                         | (821,885)                        |
| Preliminary Expenses W/off                                | 74,629                           | 18,117                           |
| Increase/Decrease F.C translation reserve                 | (28,395)                         | 57,733                           |
| Profit/(Loss) on Sale /Disposal of Fixed Assets           | (1,592,049)                      | 2,946,546                        |
|   | <u>47,667,044</u>                | <u>60,194,337</u>                |
| Operating Profit before Working Capital Changes           | <u>49,588,971</u>                | <u>4,071,101</u>                 |
| Adjustment for:   |                                  |                                  |
| Trade Receivables   | (25,081,929)                     | 26,765,202                       |
| Other Receivables   | (16,727,895)                     | 850,741                          |
| Inventory   | 32,683,065                       | 11,210,726                       |
| Trade and Other Payable                                   | (2,031,659)                      | 20,963,054                       |
|   | <u>(11,158,418)</u>              | <u>59,789,723</u>                |
| Cash generated from Operations                            | 38,430,553                       | 63,860,824                       |
| Direct Tax paid/net of Refund received                    | (344,940)                        | (576,084)                        |
| <b>Net Cash Flow from Operating Activities</b>            | <u>38,085,613</u>                | <u>63,284,740</u>                |
| <b>B. Cash Flow from Investing Activities:</b>            |                                  |                                  |
| Acquisition of Fixed Assets                               | (15,095,087)                     | (18,102,386)                     |
| Proceeds from Sale of Fixed Assets                        | 7,559,624                        | 1,165,927                        |
| Decrease/(Increase) in Investments                        | -                                | 5,000                            |
| Dividend  | 82,200                           | 821,885                          |
| Interest income   | 891,332                          | 663,427                          |
| Net Cash used in Investing Activities                     | <u>(6,561,931)</u>               | <u>(15,446,147)</u>              |
| <b>C. Cash Flow from Financing Activities:</b>            |                                  |                                  |
| (Decrease)/Increase in Working Capital facility (net)     | (12,564,332)                     | (22,929,226)                     |
| Increase/(Decrease) of Term Loan/Vehicle Loans            | (19,993,707)                     | (11,851,677)                     |
| Increase/(Decrease) of Unsecured Loans                    | 36,550,871                       | 16,400,000                       |
| Interest and Finance Charges Paid                         | (29,597,086)                     | (30,495,283)                     |
| Payment of Dividend                                       | -                                | (1,449,775)                      |
| Tax on Dividend Paid                                      | -                                | (235,190)                        |
| Net Cash (Used)/Generated from Financing Activities       | <u>(25,604,253)</u>              | <u>(50,561,151)</u>              |
| Net Increase/(Decrease) in Cash and Cash Equivalents      | <u>5,919,429</u>                 | <u>(2,722,558)</u>               |
| Cash and Cash Equivalents as at the beginning of the year | 10,503,016                       | 13,225,574                       |
| Cash and Cash Equivalents as at the end of the year       | <u>16,422,445</u>                | <u>10,503,016</u>                |
| Net Increase/(Decrease) in Cash and Cash Equivalents      | <u>5,919,429</u>                 | <u>(2,722,558)</u>               |

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

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

The accompanying notes (1 to 29) form an integral part of the financial statements.

As per our Report of even date

For and on behalf of the Board of Directors

For and on behalf of

**THANAWALA & COMPANY**  
CHARTERED ACCOUNTANTS  
Firm Reg. No. 110948W

Sd/-  
**VIJAY K THANAWALA**  
PROPRIETOR  
Membership No. 15632

Sd/-  
**Shailesh Shah**  
Managing Director

Sd/-  
**Nitin Motani**  
Chairman

Place : Mumbai, Dated: August 14, 2013



**NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1**

**Significant Accounting Policies**

**A. Basis of Accounting:**

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

**B. Principles of Consolidation:**

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

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

The financial statements of the subsidiary used in the consolidation are drawn up to the same reporting date as of the Company i.e. year ended March 31, 2012.

**C. The subsidiary company considered in the consolidated financial statements are:**

The subsidiary company considered in the consolidated financial statements are:

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

**D. Fixed Assets:**

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

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

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

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

**E. Depreciation / Amortization:**

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

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

**F. Investments:**

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

**G. Inventory:**

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

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

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

Expenditure on Stores and Spares is written off as incurred.

**H. Foreign Currency Transactions:**

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

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

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

**I. Revenue Recognition:**

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

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

**J. Retirement / Other Benefits:**

**i. Defined Contribution Plan:**

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

**ii. Defined Benefit Plan:**

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

Leave Encashment and Gratuity are accounted on cash basis by the subsidiaries.

**K. Grants / Subsidies:**

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

**L. Borrowing Costs:**

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

**M. Accounting for Taxes on income:**

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

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

**N. Earning Per Share:**

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

**O. Provisions :**

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

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

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Amount in Rs.)

| Note  | As At<br>March 31 2013                   | As At<br>March 31 2012                   |
|---|--|--|
| <b>2 SHARE CAPITAL</b>  |  |  |
| <b>Authorised Capital</b>   |  |  |
| 15,000,000 Equity Shares of Rs. 10/- each   | 150,000,000                              | 150,000,000                              |
| 500,000 Redeemable Preference Shares of Rs. 100/-each   | 50,000,000                               | 50,000,000                               |
|   | <u>200,000,000</u>                       | <u>200,000,000</u>                       |
| <b>Issued, Subscribed and Paid Up</b>   |  |  |
| 3,976,400 Equity Shares of Rs 10/- each   | 39,764,000                               | 39,764,000                               |
| (Refer Notes 2.1 to 2.3)  | <u>39,764,000</u>                        | <u>39,764,000</u>                        |
| <b>2.1 Shareholders holding more than 5% shares in the Company Name of Shareholder</b>  |  |  |
|   | <u>As at March 31, 2013</u>              | <u>As at March 31, 2012</u>              |
|   | No of Equity shares held    % of Holding | No of Equity shares held    % of Holding |
| SKAY FINVEST PRIVATE LIMITED  | 1,310,147    32.95%                      | 1,310,147    32.95%                      |
|   | <u>1,310,147    32.95%</u>               | <u>1,310,147    32.95%</u>               |
| <b>2.2</b> There is no movement in the number of shares outstanding during the year ended March 31, 2013 and year ended March 31, 2012.   |  |  |
| <b>2.3 Rights and restrictions attached to the shares</b>   |  |  |
| The Company has only one class of equity shares. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. |  |  |
| <b>3 RESERVES AND SURPLUS</b>   |  |  |
| <b>a. General Reserve</b>   |  |  |
| As per last balance sheet   | 8,280,500                                | 8,280,500                                |
| Add : Transfer from Surplus   | 102,000                                  |  |
|   | <u>8,382,500</u>                         | <u>8,280,500</u>                         |
| <b>b. Profit and loss Account</b>   |  |  |
| As per last balance sheet   | 91,132,020                               | 142,306,846                              |
| Less : Net Loss for the year  | 4,610,676                                | (50,764,230)                             |
| Add : Share of Minority Interest  | (829,355)                                | (410,596)                                |
| Less: Transfer to Reserves  | 200,000                                  | -  |
| Less: Proposed Dividends  | 2,899,550                                | -  |
| Less: Tax on Proposed Dividends   | 492,924                                  | -  |
|   | <u>91,320,867</u>                        | <u>91,132,020</u>                        |
| <b>c. Capital Reserve</b>   | 368,906                                  | 368,906                                  |
| <b>d. Foreign Currency Translation reserve</b>  | (55,134)                                 | (83,529)                                 |
|   | <u>100,017,139</u>                       | <u>99,697,897</u>                        |

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Amount in Rs.)

| Note  | As At<br>March 31 2013 | As At<br>March 31 2012 |
|---|------------------------|------------------------|
| <b>4 LONG-TERM BORROWINGS</b>                         |                        |                        |
| <b>SECURED LOANS</b>                                  |                        |                        |
| <b>From Banks</b>                                     |                        |                        |
| (a) Term loans [Refer Note 4.1, 4.3(a) and 4.3(b)]    | 33,234,697             | 51,934,878             |
| (b) Vehicle loans [Refer Note 4.2, 4.3(c) and 4.3(d)] | 4,113,775              | 4,859,030              |
|   | 37,348,472             | 56,793,908             |
| <b>From other parties</b>                             |                        |                        |
| Vehicle loan [Refer Note 4.2, 4.3(e)]                 | 1,277,158              | 1,825,429              |
|   | 1,277,158              | 1,825,429              |
|   | <b>38,625,630</b>      | <b>58,619,337</b>      |

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

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

**4.3 Terms of repayment :**

|  |   |   |
|--|---|---|
| (a) Term Loan from Dombivli Nagari Shakari Bank Ltd<br>Corporate Loan - Repayable in 16 months @ Rs. 7.43 lacs   | 9,873,042   | 17,294,956  |
| (b) Term Loan from The Karur Vysya Bank Ltd<br>Term Loan No. 1 - Repayable in 36 months @ Rs. 8.43 lacs<br>Term Loan No. 2 - Repayable in 8 months @ Rs. 1.85 lacs<br>Term Loan No. 3 - Repayable in 15 months @ Rs. 2.45 lacs   | 18,209,340<br>1,623,117<br>3,529,198  | 25,430,882<br>3,436,003<br>5,773,037  |
| (c) Vehicle loans from Dombivali Nagrik Shakari Bank Ltd.<br>Vehicle Loan No. 1 - Repayable in 28 months @ Rs. 0.41 lacs<br>Vehicle Loan No. 2 - Repayable in 28 months @ Rs. 0.31 lacs<br>Vehicle Loan No. 3 - Repayable in 27 months @ Rs. 0.11 lacs<br>Vehicle Loan No. 4 - Repayable in 25 months @ Rs. 0.11 lacs<br>Vehicle Loan No. 5 - Repayable in 20 months @ Rs. 0.11 lacs<br>Vehicle Loan No. 6 - Repayable in 13 months @ Rs. 0.11 lacs<br>Vehicle Loan No. 7 - Repayable in 18 months @ Rs. 0.11 lacs<br>Vehicle Loan No. 8 - Repayable in 28 months @ Rs. 0.38 lacs<br>Vehicle Loan No. 9 - Repayable in 24 months @ Rs. 0.11 lacs | 1,002,432<br>758,755<br>277,022<br>256,354<br>190,853<br>127,788<br>157,773<br>1,000,588<br>245,020 | 1,252,680<br>894,083<br>291,315<br>270,121<br>200,241<br>161,297<br>189,862<br>1,044,364<br>302,349 |
| (d) Vehicle loans from ICICI Bank Ltd.<br>Vehicle Loan No. 1 - Repayable in 7 months @ Rs. 0.14 lacs   | 97,189  | 252,718   |
| (e) Vehicle loans from Kotak Mahindra Prime Ltd<br>Vehicle Loan No. 1 - Repayable in 28 months @ Rs. 0.55 lacs   | 1,277,158   | 1,825,429   |

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Amount in Rs.)

| Note  | As At<br>March 31 2013    | As At<br>March 31 2012    |
|---|---------------------------|---------------------------|
| <b>5 DEFERRED TAX LIABILITY (Net)</b>                         |                           |                           |
| <b>Deferred Tax Liability</b>                                 |                           |                           |
| Depreciation on Fixed Assets                                  | 32,955,357                | 32,200,812                |
|   | <u>32,955,357</u>         | <u>32,200,812</u>         |
| <b>Deferred Tax Asset</b>                                     |                           |                           |
| Expenses disallowed under Sec 43B of the Income Tax Act, 1961 | 3,510,684                 | 2,187,062                 |
| Carry forward unabsorbed depreciation                         | 11,159,938                | 11,159,938                |
| Provision for doubtful debts                                  | 866,355                   | 905,235                   |
|   | <u>15,536,976</u>         | <u>14,252,234</u>         |
| <b>Deferred Tax Liability (Net)</b>                           | <u><b>17,418,380</b></u>  | <u><b>17,948,578</b></u>  |
| <b>6 OTHER LONG-TERM LIABILITIES</b>                          |                           |                           |
| Trade/Security Deposit Received                               | 500,000                   | 500,000                   |
| Capital Goods   | -                         | -                         |
|   | <u>500,000</u>            | <u>500,000</u>            |
| <b>7 LONG-TERM PROVISIONS</b>                                 |                           |                           |
| <b>Provision for Employee Benefits:</b>                       |                           |                           |
| Leave Encashment  | -                         | 806,426                   |
|   | <u>-</u>                  | <u>806,426</u>            |
| <b>8 SHORT-TERM BORROWINGS</b>                                |                           |                           |
| <b>SECURED</b>  |                           |                           |
| <b>Loans repayable on demand From Banks</b>                   |                           |                           |
| Dombivli Nagari Sahakari Bank Ltd - CC                        | 30,185,411                | 30,488,359                |
| Kotak Mahindra Bank Ltd - CC                                  | 16,115,808                | 25,035,024                |
| Kotak Mahindra Bank Ltd - Letter of Credit                    | -                         | 15,342,488                |
| Oriental Bank of Commerce - CC                                | 9,531,192                 | 9,446,403                 |
| Oriental Bank of Commerce - Packing Credit                    | 9,308,400                 | 8,070,000                 |
| The South Indian Bank Ltd - CC                                | 9,719,825                 | 10,015,569                |
| The South Indian Bank Ltd - Letter of Credit                  | 8,215,680                 | 886,189                   |
| The Karur Vysya Bank Ltd - CC                                 | 30,937,147                | 39,838,562                |
| The Karur Vysya Bank Ltd - Letter of Credit                   | 21,872,812                | 6,844,866                 |
| Shamrao Vithal Co-op Bank                                     | -                         | 2,483,148                 |
|   | <u>135,886,275</u>        | <u>148,450,607</u>        |
| <b>UN-SECURED</b>   |                           |                           |
| <b>(a) Loans and advances from related parties</b>            |                           |                           |
| Loan from Directors 1   | 8,627,006                 | 5,400,000                 |
| Loan from Shareholders  | 12,859,546                | 5,000,000                 |
| Advances from group companies                                 | -                         | 500,000                   |
|   | <u>21,486,552</u>         | <u>10,900,000.00</u>      |
| <b>(b) Inter Corporate Deposits</b>                           |                           |                           |
| From Related Party  | 34,164,319                | 2,200,000                 |
| From Others   | -                         | 6,000,000                 |
|   | <u>34,164,319</u>         | <u>8,200,000</u>          |
|   | <u><b>191,537,146</b></u> | <u><b>167,550,607</b></u> |

**8.1** The cash credit, packing credit and payables for letter of credit is secured by way of pari passu first charge on all immovable properties and by hypothecation of all movable assets, both present and future, excluding vehicles, and a second charge on all the current assets of the Company, both present and future, and personal guarantee of Directors.

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Amount in Rs.)

| Note  | As At<br>March 31 2013  | As At<br>March 31 2012 |
|---|---|------------------------|
| <b>9 TRADE PAYABLES</b>                                 |   |                        |
| Due to Micro and Small Enterprises (Refer note no. 9.1) | -   | -                      |
| Other than Micro and Small Enterprises                  | 120,099,441   | 112,302,204            |
|   | <u>120,099,441</u>  | <u>112,302,204</u>     |
| <b>9.1</b>  | The Company has not compiled the relevant information from its suppliers under the Micro, Small, Medium Enterprises Development Act, 2006. As the relevant information is not readily available, no disclosures have been made in the accounts. However, in the opinion of the management, the impact of interest, if any, that may be payable in accordance with the provision of this Act is not expected to be material. |                        |
| <b>10 OTHER CURRENT LIABILITIES</b>                     |   |                        |
| Unclaimed dividends                                     | 208,149   | 208,149                |
| <b>STATUTORY LIABILITIES</b>                            |   |                        |
| Tax deduction payable                                   | 1,409,121   | 1,320,361              |
| Sales Tax Payable                                       | 2,591,478   | 44,999                 |
| Provident Fund/Esic/Professional tax payable            | 434,795   | 786,320                |
| Excise/Service tax payable                              | -   | 20,797                 |
| <b>EMPLOYEE LIABILITIES</b>                             |   |                        |
| Salaries Payable  | 13,137,447  | 11,910,837             |
| Bonus Payable   | 1,984,794   | 2,409,995              |
| Gratuity Payable  | 5,759,016   | 5,364,282              |
| Outstanding Liabilities                                 | 1,347,552   | 777,528                |
| Security Deposit received                               | 8,270,000   | 8,270,000              |
| Advances received from customer                         | 26,617,350  | 17,405,397             |
| Other Payables  | 1,246,286   | 32,345,997             |
|   | <u>63,005,988</u>   | <u>80,864,663</u>      |
| <b>11 SHORT-TERM PROVISIONS</b>                         |   |                        |
| <b>Provision for employee benefits:</b>                 |   |                        |
| Gratuity  | -   | 114,321                |
| Leave encashment  | 3,249,400   | 3,635,095              |
| <b>Others:</b>  |   |                        |
| Provision for taxation                                  | 17,580,070  | 11,636,323             |
| Proposed dividend                                       | 2,899,550   | -                      |
| Tax on proposed dividend                                | 492,924   | -                      |
|   | <u>24,221,944</u>   | <u>15,385,739</u>      |



**SKY INDUSTRIES LIMITED - CONSOLIDATED**

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

**Note 12 - FIXED ASSETS**

(Amount in Rs.)

|   | Gross Block         |                           |                   | Depreciation         |                    |                   |                   |                     | Net Block            |                      |
|---|---------------------|---------------------------|-------------------|----------------------|--------------------|-------------------|-------------------|---------------------|----------------------|----------------------|
|   | As at April 1, 2012 | Additions during the Year | Deduction         | As at March 31, 2013 | Upto April 1, 2012 | For the year      | On Deduction      | Upto March 31, 2013 | As at March 31, 2013 | As at March 31, 2012 |
| <b>Tangible Assets</b>  |                     |                           |                   |                      |                    |                   |                   |                     |                      |                      |
| Leasehold Land  | 8,360,860           | -                         | -                 | 8,360,860            | 1,104,954          | 102,264           | -                 | 1,207,218           | 7,153,642            | 7,255,906            |
| Buildings   | 48,761,048          | 876,360                   | -                 | 49,637,408           | 16,817,697         | 1,631,260         | -                 | 18,448,957          | 31,188,451           | 31,943,351           |
| Plant & Machinery   | 374,673,746         | 13,198,896                | 24,913,125        | 362,959,516          | 193,229,786        | 15,275,536        | 16,415,917        | 192,089,404         | 170,870,112          | 181,443,960          |
| Furniture & Fixtures  | 5,991,654           | 311,551                   | 479,038           | 5,824,167            | 4,256,145          | 438,727           | 439,378           | 4,255,494           | 1,568,673            | 1,735,509            |
| Vehicles  | 17,821,284          | -                         | -                 | 17,821,284           | 3,647,476          | 1,687,073         | -                 | 5,334,549           | 12,486,735           | 14,173,808           |
| Office Equipment  | 7,047,870           | 377,071                   | -                 | 7,424,941            | 4,678,387          | 202,994           | -                 | 4,881,381           | 2,543,560            | 2,369,483            |
| Computers   | 7,030,978           | 330,953                   | -                 | 7,361,931            | 5,572,045          | 430,497           | -                 | 6,002,542           | 1,359,389            | 1,458,933            |
| <b>Sub-total</b>  | <b>469,687,440</b>  | <b>15,094,831</b>         | <b>25,392,163</b> | <b>459,390,107</b>   | <b>229,306,489</b> | <b>19,768,351</b> | <b>16,855,295</b> | <b>232,219,545</b>  | <b>227,170,563</b>   | <b>240,380,951</b>   |
| <i>Previous Year</i>  | <i>462,487,602</i>  | <i>13,275,272</i>         | <i>6,075,435</i>  | <i>469,687,439</i>   | <i>205,776,706</i> | <i>25,413,903</i> | <i>1,884,120</i>  | <i>229,306,489</i>  | <i>240,380,950</i>   | <i>-</i>             |
| <b>Intangible Assets</b>  |                     |                           |                   |                      |                    |                   |                   |                     |                      |                      |
| Computer software   | 2,837,256           | 50,000                    | -                 | 2,887,256            | 1,088,059          | 746,329           | -                 | 1,834,388           | 1,052,868            | 1,749,197            |
| Hemmay  | 115,491             | -                         | -                 | 115,491              | 46,196             | 27,718            | -                 | 73,914              | 41,577               | 69,295               |
| Stabel  | 16,478              | -                         | -                 | 16,478               | 11,131             | 2,139             | -                 | 13,270              | 3,208                | 5,347                |
| Sky   | 2,705,287           | 50,000                    | -                 | 2,755,287            | 1,030,732          | 716,472           | -                 | 1,747,204           | 1,008,083            | 1,674,555            |
| Masterhead and Publishing titles  | -                   | -                         | -                 | -                    | -                  | -                 | -                 | -                   | -                    | -                    |
| Mining rights   | -                   | -                         | -                 | -                    | -                  | -                 | -                 | -                   | -                    | -                    |
| Copyrights, Patents and other intellectual property rights, services and operating rights | -                   | -                         | -                 | -                    | -                  | -                 | -                 | -                   | -                    | -                    |
| Recipe, formulae, models, designs and prototypes  | -                   | -                         | -                 | -                    | -                  | -                 | -                 | -                   | -                    | -                    |
| Licenses and franchise  | -                   | -                         | -                 | -                    | -                  | -                 | -                 | -                   | -                    | -                    |
| <b>Sub-total</b>  | <b>2,837,256</b>    | <b>50,000</b>             | <b>-</b>          | <b>2,887,256</b>     | <b>1,088,059</b>   | <b>746,329</b>    | <b>-</b>          | <b>1,834,388</b>    | <b>1,052,868</b>     | <b>1,749,197</b>     |
| <i>Previous Year</i>  | <i>756,423</i>      | <i>2,080,833</i>          | <i>-</i>          | <i>2,837,256</i>     | <i>595,194</i>     | <i>492,865</i>    | <i>-</i>          | <i>1,088,059</i>    | <i>1,749,197</i>     | <i>-</i>             |
| <b>Total</b>  | <b>472,524,696</b>  | <b>15,144,831</b>         | <b>25,392,163</b> | <b>462,277,363</b>   | <b>230,394,548</b> | <b>20,514,680</b> | <b>16,855,295</b> | <b>234,053,933</b>  | <b>228,223,430</b>   | <b>242,130,148</b>   |
| Capital Work in Progress  |                     |                           |                   |                      |                    |                   |                   |                     | 4,286,691            | 4,336,435            |
| Assets Held for Disposal  |                     |                           |                   |                      |                    |                   |                   |                     | 1,978,886            | 78,842               |
|   |                     |                           |                   |                      |                    |                   |                   |                     | 234,489,008          | 246,545,425          |

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Amount in Rs.)

| Note  | As At<br>March 31 2013 | As At<br>March 31 2012 |
|---|------------------------|------------------------|
| <b>13 NON-CURRENT INVESTMENTS</b>   |                        |                        |
| <b>In Equity Shares (Un quoted) :</b>   |                        |                        |
| <b>In Others :</b>  |                        |                        |
| - 50,000 (Previous year 50,000) Equity shares of Rs.10/- each, fully paid in Dombivali Nagari Sahakari Bank Ltd.  | 500,010                | 500,010                |
| - 105 (Previous year 105) Equity shares of Rs. 10/ each, fully paid in Janakalyan Sahakari Bank Ltd.  | 1,100                  | 1,100                  |
| 5,000 (Previous year 5000) Equity shares of Rs.10/- each, fully paid in Shamrao Vital Co-op Bank  | 50,000                 | 50,000                 |
|   | <u>551,110</u>         | <u>551,110</u>         |
| <b>13.1</b> The Company's equity investment in Skay Inc, USA is carried at cost. The diminution in the value of the investment is considered to be temporary in nature, in view of the Company's long term financial involvement in that Company. No Provision is therefore considered necessary in the amounts for diminution in the value of this investment. |                        |                        |
| <b>14 LONG-TERM LOANS AND ADVANCES</b>  |                        |                        |
| <b>Unsecured, considered good</b>   |                        |                        |
| Capital Advances  | -                      | 905,000                |
| Security Deposits (Refer Note 14.1)   | 24,940,773             | 24,081,897             |
| Advance Tax and Tax Deducted at Source  | 15,010,368             | 3,447,624              |
| Other Advances  | 50,400                 | 701,360                |
| Balance with Government Authorities   | 21,597,762             | 15,530,729             |
|   | <u>61,599,303</u>      | <u>44,666,610</u>      |
| <b>14.1</b> Includes deposits from Private Company in which director is a member or Director  | <b>14,720,000</b>      | <b>14,720,000</b>      |
| <b>15 OTHER NON-CURRENT ASSETS</b>  |                        |                        |
| <b>a. Trade receivables</b>   |                        |                        |
| <b>Unsecured</b>  |                        |                        |
| Trade receivables outstanding for a period more than six months from the date they are due for payment  | 2,659,130              | 2,694,940              |
| Less: Provision for doubtful debts  | (2,659,130)            | (2,694,940)            |
|   | <u>-</u>               | <u>-</u>               |
| <b>b. Others</b>  |                        |                        |
| Loan to Staff   | -                      | 17,000                 |
| Prepaid Expenses  | -                      | 9,000                  |
| Unamortised Preliminary Expenses  | 36,235                 | 110,864                |
|   | <u>36,235</u>          | <u>136,864</u>         |
| <b>16 INVENTORIES</b>   |                        |                        |
| <b>(At lower of cost or net realisable value)</b>   |                        |                        |
| a. Raw Materials  | 52,769,257             | 54,327,272             |
| b. Raw Materials - In transit   | 1,306,277              | 6,022,398              |
| c. Work-in-progress   | 35,446,627             | 40,041,913             |
| d. Packing Material   | 3,061,131              | 3,203,811              |
| e. Finished goods   |                        |                        |
| - Manufactured  | 73,763,244             | 92,296,014             |
| - Traded Goods  | 8,970,717              | 12,108,910             |
|   | <u>175,317,253</u>     | <u>208,000,318</u>     |

**SKY INDUSTRIES LIMITED - CONSOLIDATED**

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Amount in Rs.)

| Note   | As At<br>March 31 2013               | As At<br>March 31 2012               |
|--|--------------------------------------|--------------------------------------|
| <b>17 TRADE RECEIVABLES</b>  |                                      |                                      |
| <b>Unsecured, considered good</b>  |                                      |                                      |
| Trade receivables outstanding for a period more than six months from the date they are due for payment | 27,198,297                           | 16,947,971                           |
| Others   | 90,565,072                           | 75,733,469                           |
|  | <u><b>117,763,369</b></u>            | <u><b>92,681,440</b></u>             |
| <b>18 CASH AND CASH EQUIVALENTS</b>  |                                      |                                      |
| a. Balances with banks :   |                                      |                                      |
| Earmarked Balances (Refer Note 18.1)   | 208,149                              | 208,149                              |
| Balance in Deposit account held as Margin  | 6,146,584                            | 8,047,442                            |
| Balance in Current account   | 8,194,338                            | 1,813,176                            |
| b. Cash on hand  | 1,873,374                            | 434,249                              |
|  | <u><b>16,422,445</b></u>             | <u><b>10,503,016</b></u>             |
| <b>18.1</b> Indicates earmarked balance for distribution of unpaid dividend                            |                                      |                                      |
| <b>19 SHORT-TERM LOANS AND ADVANCES</b>  |                                      |                                      |
| Staff advances   | 1,742,339                            | 1,884,111                            |
| Prepaid expenses   | 538,156                              | 677,910                              |
| Advances to suppliers  | 4,755,824                            | 2,846,739                            |
| Less: Provision for doubtful advances  | -                                    | (101,219)                            |
|  | <u><b>7,036,319</b></u>              | <u><b>5,307,542</b></u>              |
| <b>20 OTHER CURRENT ASSETS</b>   |                                      |                                      |
| Interest receivables   | 532,007                              | 296,531                              |
| Receivable on sale of Fixed Assets   | -                                    | 205,500                              |
| Other receivables  | -                                    | 946,748                              |
| DEPB licences  | 4,366                                | 1,265,479                            |
|  | <u><b>536,373</b></u>                | <u><b>2,714,259</b></u>              |
|  | <b>Year Ended<br/>March 31, 2013</b> | <b>Year Ended<br/>March 31, 2012</b> |
| <b>21 REVENUE FROM OPERATIONS</b>  |                                      |                                      |
| Sale of Products (Gross) (Refer Note.No 21.1)  | 710,348,884                          | 873,890,638                          |
| Less: Excise Duty  | 213,841                              | 346,166                              |
|  | <u>710,135,043</u>                   | <u>873,544,472</u>                   |
| Sale of Services   | 147,671                              | 7,935,530                            |
|  | <u>710,282,714</u>                   | <u>881,480,002</u>                   |
| <b>OTHER OPERATING INCOME</b>  |                                      |                                      |
| Freight recovered  | 1,178,875                            | 3,144,029                            |
| Sale of scrap  | 1,617,432                            | 5,432,020                            |
| Octroi charges collected   | 169,355                              | 1,139,812                            |
| Other Charges Recovered  | 325,092                              | 105,651                              |
| Export Incentives  | 2,767,049                            | 193,797                              |
| Miscellaneous Receipt  | 5,226                                | -                                    |
|  | <u>6,063,029</u>                     | <u>10,015,309</u>                    |
|  | <u><b>716,345,743</b></u>            | <u><b>891,495,311</b></u>            |

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Amount in Rs.)

| Note   | As At<br>March 31 2013 | As At<br>March 31 2012 |
|--|------------------------|------------------------|
| <b>21.1 Sale of Products (Net)</b>                       |                        |                        |
| Manufactured :   |                        |                        |
| Hook & Loop Tape Fasteners                               | 410,413,516            | 504,063,775            |
| Elastic Tapes  | 12,697,000             | 117,299,500            |
| Narrow Woven Fabrics                                     | 181,805,980            | 201,906,100            |
|  | <u>604,916,496</u>     | <u>823,269,375</u>     |
| Traded :   |                        |                        |
| Fibre glass Insect Screen                                | 19,601,799             | 26,669,659             |
| Knit Loop fabrics  | -                      | 6,480,738              |
| Aluminium wire Mesh                                      | 10,130,634             | 2,688,502              |
| Elastics   | 65,893,043             | -                      |
| Others   | 9,593,070              | 14,436,198             |
|  | <u>105,218,546</u>     | <u>50,275,097</u>      |
|  | <u>710,135,042</u>     | <u>873,544,472</u>     |
| <b>22 OTHER INCOME</b>                                   |                        |                        |
| Service Contract charges                                 | 9,266,448              | 13,514,436             |
| Interest Income  | 891,332                | 663,427                |
| Dividend Income  | 82,200                 | 821,885                |
| Commission Receipts                                      | 8,800                  | 106,595                |
| Profit on Sale of Assets                                 | 1,592,049              | -                      |
| Net gain on foreign currency transaction and translation | 1,335,665              | -                      |
| Insurance claim received                                 | -                      | 8,380                  |
| Excess Provision write back                              | 4,370,153              | 25,780                 |
| Miscellaneous income                                     | 21,848                 | 3,096,703              |
|  | <u>17,568,495</u>      | <u>18,237,206</u>      |
| <b>23 COST OF MATERIAL CONSUMED</b>                      |                        |                        |
| Opening Stock :  |                        |                        |
| Raw Materials  | 58,157,141             | 84,610,544             |
| Raw Materials in Transit                                 | 6,022,398              | 10,218,964             |
|  | 64,179,539             | 94,829,508             |
| Add: Purchases   | 377,286,056            | 516,932,240            |
|  | 441,465,595            | 611,761,748            |
| Less: Closing Stock :                                    |                        |                        |
| Raw Materials  | 55,830,388             | 58,157,141             |
| Raw Materials in Transit                                 | 1,306,277              | 6,022,398              |
|  | <u>57,136,665</u>      | <u>64,179,539</u>      |
|  | <u>384,328,930</u>     | <u>547,582,209</u>     |
| <b>23.1 Value of Raw Material Consumed</b>               |                        |                        |
| Yarn   | 132,152,192            | 336,538,706            |
| Rubber Thread  | 1,734,686              | 32,230,285             |
| Hook & Loop - Semifinished                               | 187,722,035            | 90,694,100             |
| Resins & Chemicals                                       | 10,674,756             | 37,706,364             |
| Others   | 52,045,261             | 50,412,754             |
|  | <u>384,328,930</u>     | <u>547,582,209</u>     |

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Amount in Rs.)

| Note  | Year Ended<br>March 31 2013             | Year Ended<br>March 31 2012             |
|---|---|---|
| <b>24 PURCHASE OF TRADED GOODS</b>  |   |   |
| Fibre glass Insect Screen   | 10,627,772                              | 18,966,795                              |
| Knit Loop fabrics   | 1,612,701                               | 8,229,331                               |
| Aluminium wire Mesh   | 8,579,255                               | 4,426,915                               |
| Elastics  | 43,612,121                              | -                                       |
| Others  | 3,861,453                               | 8,549,738                               |
|   | <u>68,293,302</u>                       | <u>40,172,779</u>                       |
| <b>24.1 Value of Traded Goods Purchased</b>                                     |   |   |
|   | <b><u>Year Ended March 31, 2013</u></b> | <b><u>Year Ended March 31, 2012</u></b> |
|   | Percentage      Amount                  | Percentage      Amount                  |
| Imported Purchases  | 34.66      23,667,601                   | 80.34      32,274,890                   |
| Indigenous Purchases  | 65.34      44,625,701                   | 19.66      7,897,889                    |
|   | <u>100.00      68,293,302</u>           | <u>100.00      40,172,779</u>           |
| <b>25 CHANGES IN INVENTORY OF FINISHED GOODS, WORK-IN-PROGRESS TRADED GOODS</b> |   |   |
| <u>Opening Inventory</u>  |   |   |
| Finished Goods  |   |   |
| Manufactured  | 92,296,014                              | 76,897,100                              |
| Trading   | 12,108,910                              | 9,874,267                               |
|   | <u>104,404,924</u>                      | <u>86,771,367</u>                       |
| Work-In-Progress  | 39,415,851                              | 37,610,165                              |
|   | <u>143,820,775</u>                      | <u>124,381,532</u>                      |
| <u>Closing Inventory</u>  |   |   |
| Finished Goods  |   |   |
| Manufactured  | 76,384,365                              | 92,296,014                              |
| Trading   | 8,970,717                               | 12,108,910                              |
|   | <u>85,355,082</u>                       | <u>104,404,924</u>                      |
| Work-In-Progress  | 32,825,506                              | 39,415,851                              |
|   | <u>118,180,588</u>                      | <u>143,820,775</u>                      |
|   | <u>25,640,187</u>                       | <u>(19,439,243)</u>                     |
| <b>26 EMPLOYEE BENEFITS EXPENSE</b>   |   |   |
| Salaries and incentives   | 75,504,833                              | 138,709,245                             |
| Contributions to Provident fund & other funds                                   | 1,787,695                               | 4,571,626                               |
| Staff welfare expenses  | 2,223,368                               | 5,121,993                               |
|   | <u>79,515,896</u>                       | <u>148,402,863</u>                      |

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Amount in Rs.)

| Note   | Year Ended<br>March 31, 2013     | Year Ended<br>March 31, 2012     |               |                   |
|--|----------------------------------|----------------------------------|---------------|-------------------|
| <b>27 FINANCE COST</b>                                   |                                  |                                  |               |                   |
| Interest Expense on Loan from Bank:                      |                                  |                                  |               |                   |
| Term Loan  | 5,792,368                        | 9,322,572                        |               |                   |
| Vehicle Loan   | 1,014,103                        | 533,405                          |               |                   |
| Working Capital Loan                                     | 17,176,350                       | 18,770,558                       |               |                   |
| Interest Expense on Loan from Others:                    |                                  |                                  |               |                   |
| Vehicle Loan   | 17,091                           | 43,688                           |               |                   |
| Shareholders Loan  | 365,262                          | 721,920                          |               |                   |
| Inter Corporate Deposit                                  | 1,946,541                        | 409,068                          |               |                   |
| Interest on Delayed Payment to Creditors                 | 3,285,371                        | 2,949,273                        |               |                   |
|  | <u>29,597,086</u>                | <u>32,750,484</u>                |               |                   |
| <b>28 OTHER EXPENSES</b>                                 |                                  |                                  |               |                   |
| <b>A) Manufacturing Expenses</b>                         |                                  |                                  |               |                   |
| Consumption of stores and spare parts (Refer Note 28.1)  | 4,191,264                        | 11,484,045                       |               |                   |
| Labour Charges   | 18,690,008                       | 12,647,137                       |               |                   |
| Power and Fuel   | 17,502,420                       | 39,255,019                       |               |                   |
| Repairs and Maintenance:                                 |                                  |                                  |               |                   |
| Building   | -                                | 436,109                          |               |                   |
| Machinery  | 1,083,400                        | 2,318,213                        |               |                   |
| Others   | 4,091,209                        | 5,208,310                        |               |                   |
|  | <u>45,558,300</u>                | <u>71,348,833</u>                |               |                   |
| <b>B) Establishment Expenses</b>                         |                                  |                                  |               |                   |
| Rent   | 22,450,415                       | 26,698,436                       |               |                   |
| Insurance  | 1,410,639                        | 1,850,618                        |               |                   |
| Rates and Taxes  | 1,692,824                        | 3,700,340                        |               |                   |
| Legal and Professional                                   | 4,342,690                        | 4,555,303                        |               |                   |
| Travelling & Other Conveyance                            | 6,230,228                        | 9,839,808                        |               |                   |
| Postage, Telegram, Telephone & Courier                   | 3,469,810                        | 5,528,782                        |               |                   |
| Printing & Stationery                                    | 1,320,010                        | 2,569,688                        |               |                   |
| Miscellaneous expenses                                   | 14,292,505                       | 18,305,933                       |               |                   |
|  | <u>55,209,121</u>                | <u>73,048,908</u>                |               |                   |
| <b>C) Selling Expenses</b>                               |                                  |                                  |               |                   |
| Net loss on foreign currency transaction and translation | -                                | 7,174,996                        |               |                   |
| Auditors Remuneration:                                   |                                  |                                  |               |                   |
| (a) Auditor  |                                  |                                  |               |                   |
| Audit Fees   | 486,676                          | 583,446                          |               |                   |
| Audit under other statutes                               | 50,000                           | 50,000                           |               |                   |
| Certification  | -                                | 1,500                            |               |                   |
| (b) Taxation Matters                                     | -                                | 74,000                           |               |                   |
| (c) Reimbursement of Expenses                            | -                                | 6,947                            |               |                   |
|  | <u>536,676</u>                   | <u>715,893</u>                   |               |                   |
| Advertisement & Business, Sales Promotion                | 792,180                          | 1,356,113                        |               |                   |
| Freight, Cartage and Forwarding Expenses                 | 17,780,083                       | 23,947,727                       |               |                   |
| Commission   | 2,889,190                        | 4,030,667                        |               |                   |
| Provision for doubtful debts                             | 73,022                           | -                                |               |                   |
| Bad Debts written off                                    | -                                | 259,265                          |               |                   |
| Loss on sale/Impairment of assets                        | -                                | 2,946,546                        |               |                   |
| Discount - Scheme  | -                                | 2,884,204                        |               |                   |
| Miscellaneous Balance Written off                        | -                                | 1,529,882                        |               |                   |
| Octroi Charges   | 721,191                          | 1,211,115                        |               |                   |
| Prior Period items                                       | 467,843                          | 7,628                            |               |                   |
|  | <u>23,260,184</u>                | <u>46,064,036</u>                |               |                   |
|  | <u>124,027,605</u>               | <u>190,461,775</u>               |               |                   |
| <b>28.1 Value of Stores &amp; Spares Consumed</b>        | <b>Year Ended March 31, 2013</b> | <b>Year Ended March 31, 2012</b> |               |                   |
|  | Percentage                       | Amount                           | Percentage    | Amount            |
| Imported Stores & Spares                                 | 14.07                            | 589,737                          | 31.40         | 3,605,984         |
| Indegenous Stores & Spares                               | 85.93                            | 3,601,527                        | 68.60         | 7,878,061         |
|  | <u>100.00</u>                    | <u>4,191,264</u>                 | <u>100.00</u> | <u>11,484,045</u> |

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Amount in Rs.)

| Note   | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|--|------------------------------|------------------------------|
| <b>29 OTHER NOTES</b>  |                              |                              |
| <b>(i) EARNINGS PER SHARE</b>  |                              |                              |
| Loss attributable to Equity shareholders   | 3,781,321                    | (51,174,826)                 |
| Weighted average number of Equity shares outstanding<br>(Nominal value of Shares Rs. 10)   | 3,976,400                    | 3,976,400                    |
| Earnings per share (Basic & Diluted) in Rs.  | 0.95                         | (12.87)                      |
| <b>(ii) PRIOR PERIOD EXPENSES</b>  |                              |                              |
| During the year the company has accounted expenditure relating to<br>Prior period in its Statement of Profit & Loss, bifurcation of<br>such expenses is as under : |                              |                              |
| Interest to others   | 93,672                       | 449,813                      |
| Salaries, Wages & Bonus :  |                              |                              |
| - Gratuity   | -                            | 1,819,647                    |
| - Retainership Charges   | 20,865                       | 384,132                      |
| Labour charges   | 10,233                       | -                            |
| Purchases of Rawmaterials  | 131,024                      | -                            |
| Other Sundry expenses  | -                            | 750                          |
| Professional & other fees  | 4,000                        | 43,819                       |
| Rent   | 16,200                       | 6,640                        |
| Stores & Spares  | -                            | 43,690                       |
| Travelling & other Conveyance  | -                            | 26,892                       |
| Postage, Telegram & Telephone  | 51,715                       | 22,699                       |
| Printing & stationery  | -                            | 15,543                       |
| Staff Welfare  | 43,794                       | -                            |
| Repairs & Maintenance - Others   | 13,410                       | 3,750                        |
| Freight, Cartage & Forwarding Expenses   | 82,930                       | 85,498                       |
| Miscellaneous expenses   | -                            | 7,628                        |
|  | <b>467,843</b>               | <b>2,910,501</b>             |
| <b>(iii) CONTINGENT LIABILITIES NOT PROVIDED IN RESPECT OF :</b>   |                              |                              |
| a) Guarantees given by the Company's banker against counter guarantee<br>given by the company  | 583,700                      | 738,500                      |
| b) Guarantees given by the Company's banker on behalf of subsidiary,<br>against counter guarantee given by the Company.  | 25,000,000                   | 25,000,000                   |
| c) Income tax demand disputed by the Company   | 114,896                      | 114,896                      |
| d) Cess Demand from Deputy Commissioner of Navi Mumbai<br>Municipal Corporation  | 3,683,521                    | 3,683,521                    |
| e) Bills Discounted with Banks   | 1,618,509                    | 1,066,619                    |
| f) Sales tax demands pending with Commissionerate and<br>disputed by the company   | 3,333,901                    | 3,333,901                    |
| <b>(iv) VALUE OF IMPORT ON CIF BASIS :</b>   |                              |                              |
| (i) Raw Materials & Trading goods  | 220,288,059                  | 232,878,816                  |
| (ii) Stores & Spares   | 589,737                      | 2,768,033                    |
| (iii) Capital Goods  | 2,445,015                    | 3,383,867                    |
|  | <b>223,322,811</b>           | <b>239,030,715</b>           |



**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Amount in Rs.)

| Note                                       | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|--|------------------------------|------------------------------|
| <b>(v) EXPENDITURE IN FOREIGN CURRENCY</b> |                              |                              |
| (i) Commission on Exports                  | 3,465,548                    | 4,979,803                    |
| (ii) Foreign Travel                        | 230,084                      | 528,317                      |
| (iii) Testing Expenses                     | -                            | 559,804                      |
|  | <u>3,695,632</u>             | <u>6,067,924</u>             |
| <b>(vi) EARNING IN FOREIGN CURRENCY</b>    |                              |                              |
| (i) FOB value of Exports                   | 104,965,480                  | 142,044,890                  |
| (ii) Insurance on Exports                  | 577,584                      | 59,187                       |
| (iii) Freight on Exports                   | 1,679,130                    | 2,881,308                    |
| (iv) Other charges                         | -                            | 95,855                       |
|  | <u>107,222,194</u>           | <u>145,081,240</u>           |

**(vii) EMPLOYEE BENEFITS**

**I. Defined Benefit Plans:**

Contribution to Gratuity Fund

The Company makes annual contributions to the Employee's Group Gratuity-cum-Life assurance scheme of Life Insurance Corporation of India, a funded defined benefit plan for qualifying employees. Gratuity is payable to all eligible employees on superannuation, death or on separation/termination in terms of the provisions of the Payment of Gratuity Act or as per the Company's policy whichever is beneficial to the employees.

The following table sets out the funded status of the gratuity plan and the amounts recognised in the Company's financial statements as at 31 March 2013

**Changes in present value of obligations**

|                                     |                   |                   |
|-------------------------------------|-------------------|-------------------|
| Opening balance                     | 12,782,610        | 6,149,890         |
| Current service Cost                | 1,182,522         | 1,642,549         |
| Interest Cost                       | 940,537           | 459,966           |
| Benefits Paid                       | (2,051,795)       | (800,632)         |
| Actuarial (gain)/loss on obligation | (1,414,068)       | 5,330,837         |
| Closing balance                     | <u>11,439,806</u> | <u>12,782,610</u> |

**Changes in Fair Value of Plan assets**

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| Opening balance                      | 7,304,007        | 7,192,289        |
| Expected return on plan assets       | 489,825          | 546,839          |
| Contributions by Employer            | 89,398           | 287,017          |
| Benefits paid                        | (2,051,795)      | (800,632)        |
| Actuarial gain/(loss) on plan assets | 49,355           | 78,494           |
| Closing balance                      | <u>5,880,790</u> | <u>7,304,007</u> |

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Amount in Rs.)

| Note  | Year Ended<br>March 31, 2013 | Year Ended<br>March 31, 2012 |
|---|------------------------------|------------------------------|
| <b>Actual Return on Plan Asset</b>  |                              |                              |
| Expected return on plan assets  | 489,825                      | 546,839                      |
| Acturial (gain)/loss on plan assets   | 49,355                       | -                            |
| Actual return on plan assets  | <u>539,180</u>               | <u>546,839</u>               |
| <b>Amount Recognised in the Balance sheet</b>   |                              |                              |
| Liability at the end of the year  | 11,439,806                   | 12,782,610                   |
| Fair Value of plan assets at the end of the year  | 5,880,790                    | 7,304,007                    |
| Amount Recognised in the Balance Sheet  | <u>5,559,016</u>             | <u>5,478,603</u>             |
| <b>Net gratuity cost for the year</b>   |                              |                              |
| Current Service Cost  | 1,182,522                    | 1,642,549                    |
| Interest Cost   | 940,537                      | 459,966                      |
| Expected return on plan assets  | (489,825)                    | (546,839)                    |
| Net Actuarial (gain)/loss to be recognised  | (1,463,423)                  | 5,252,343                    |
| Net gratuity cost   | <u>169,811</u>               | <u>6,808,019</u>             |
| <b>Balance Sheet Recognition</b>  |                              |                              |
| Opening net liability   | 5,478,603                    | (1,042,399)                  |
| Expenses as above   | 169,811                      | 6,808,019                    |
| Employer's Contribution   | (89,398)                     | (287,017)                    |
| Closing Net liability   | <u>5,559,016</u>             | <u>5,478,603</u>             |
| <b>Acturial Assumptions</b>   |                              |                              |
| Discount Rate (p.a.)  | 8.00                         | 8.00                         |
| Rate of return on plan assets   | 8.00                         | 8.00                         |
| Salary escalation rate (p.a.)   | 5.00                         | 3.00                         |
| <b>II. Defined Contribution Plans:</b>  |                              |                              |
| The Company has recognised the following amount as an expenses and included in the Note No-25 " Contribution to Provident and Other Funds : |                              |                              |
| Contribution to Employee Providend Fund   | 1,047,493                    | 2,722,584                    |
| Contribution to Employee State Insurance  | 494,118                      | 1,586,328                    |
| Contribution to Maharashtra Labour Welfare Fund   | 3,852                        | 13,284                       |
|   | <u>1,545,463</u>             | <u>4,322,196</u>             |

**SKY INDUSTRIES LIMITED - CONSOLIDATED**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Amount in Rs.)

| Note | As At<br>March 31 2013 | As At<br>March 31 2012 |
|------|------------------------|------------------------|
|------|------------------------|------------------------|

**(viii) SEGMENT REPORTING**

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

**(ix) RELATED PARTY DISCLOSURE :**

(a) Relationships

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

Mr. Nitin K. Motani  
Mr. Shailesh S. Shah  
Mr. Saurabh K. Motani  
Mr. Sharad S Shah  
Mr. Maikal Raorani  
Mr. Mohit N Motani

**ii. Enterprises over which Key management personnel exercise significant influence.**

S.K. Exports  
S.K. Silks  
Shamots International  
S.K.Overseas  
SK Windtronics Private Ltd.  
Jask Invogue Private Ltd.  
Skay Finvest Private Ltd.  
Novitas India Private Ltd

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Amount in Rs.)

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

| Transactions             | Key managerial personnel /persons exercising significant influence & their relatives<br>(i) | Enterprises over which Keymanagement personnel exercising significant influence<br>(ii) |
|--------------------------|---|---|
| Sales                    | -   | 17,437,450<br><i>(35,285,381)</i>   |
| Service Charges Received | -   | 10,661,713<br><i>(13,514,436)</i>   |
| Purchases                | -   | 1,551,819<br><i>(899,987)</i>   |
| Remuneration             | 10,380,000<br><i>(10,140,000)</i>   | -   |
| Rent                     | -   | 11,862,450<br><i>(10,865,366)</i>   |
| Commission               | -   | -   |
| Labour Charges           | -   | -   |
| Sale of Fixed Assets     | -   | -   |
| Purchase of Fixed Assets | -   | 703,591<br><i>(6,116,646)</i>   |

As per our Report of even date  
For and on behalf of  
**THANAWALA & COMPANY**  
CHARTERED ACCOUNTANTS  
Firm Reg. No. 110948W

For and on behalf of the Board of Directors

Sd/-  
**VIJAY K THANAWALA**  
PROPRIETOR  
Membership No. 15632

Sd/-  
**Shailesh Shah**  
Managing Director

Sd/-  
**Nitin Motani**  
Chairman

Place : Mumbai, Dated: August 14, 2013

## DIRECTORS REPORT

To,

The Members,

The Directors have pleasure in submitting the Thirteenth Annual Report for the year ended March 31, 2013.

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

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

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

On behalf of the Board Directors

Sd/-  
Nitin K. Motani  
President

## INDEPENDENT ACCOUNTANTS REPORT

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

We have audited the accompanying balance sheet of SKAY, Inc. as of March 31, 2013, and the related statement of income, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SKAY, Inc. as of March 31, 2013, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

**FOCUS CPA GROUP, INC.**  
July 31, 2013

## BALANCE SHEET AS AT MARCH 31, 2013

Amount in USD

|  | As at<br>31.03.2013  | As at<br>31.03.2012  |
|--|----------------------|----------------------|
| <b>ASSETS:</b>   |                      |                      |
| <b>CURRENT ASSETS :</b>  |                      |                      |
| Cash   | 35                   | 50                   |
| Accounts Receivable  | 66,750               | 33,009               |
| <b>Total Current Assets</b>  | <u>66,785</u>        | <u>33,059</u>        |
| <b>PROPERTY &amp; EQUIPMENT (Note 2) :</b>   |                      |                      |
| Property & Equipment   | 21,452               | 21,452               |
| Less: Accumulated Depreciation   | (21,452)             | (21,452)             |
| <b>Total Property &amp; Equipment</b>  | <u>-</u>             | <u>-</u>             |
| <b>TOTAL ASSETS</b>  | <u><u>66,785</u></u> | <u><u>33,059</u></u> |
| <b>LIABILITIES</b>   |                      |                      |
| <b>CURRENT LIABILITIES</b>   |                      |                      |
| Accounts Payable   | -                    | 5,996                |
| Bank overdraft   | 13,135               | 14,882               |
| Taxes Payable - Income   | -                    | -                    |
| Taxes Payable - Payroll  | -                    | -                    |
| <b>Total Current Liabilities</b>   | <u>13,135</u>        | <u>20,878</u>        |
| <b>TOTAL LIABILITIES</b>   | 13,135               | 20,878               |
| <b>STOCKHOLDERS' EQUITY</b>  |                      |                      |
| Capital stock no par value; 1,000,000 shares authorized;<br>80,000 shares issued and outstanding | 80,000               | 80,000               |
| Retained earnings (deficit)  | (26,350)             | (67,819)             |
| <b>Total Stockholders' Equity</b>  | <u>53,650</u>        | <u>12,181</u>        |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>  | <u><u>66,785</u></u> | <u><u>33,059</u></u> |

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2013

Amount in USD

|  | As at<br>31.03.2013    | As at<br>31.03.2012    |
|--|------------------------|------------------------|
| <b>REVENUE:</b>  |                        |                        |
| Commission Revenue   | 60,509                 | 102,731                |
| Loan forfeiture  | -                      | 57,507                 |
| Total Revenue  | <u>60,509</u>          | <u>160,238</u>         |
| <b>OPERATING EXPENSES:</b>                                       |                        |                        |
| Auto Expenses  | 1,509                  | 6,271                  |
| Bank Charges   | 472                    | 1,919                  |
| Dues & Subscriptions   | -                      | 222                    |
| Insurance  | 332                    | 5,994                  |
| Legal & Professional Expenses                                    | 1,600                  | 4,615                  |
| Licence & Permit   | 345                    | 135                    |
| Postage & Delivery   | 253                    | 682                    |
| Rent (Note: 5)   | 935                    | 31,599                 |
| Repairs & Maintenance  | 90                     | 246                    |
| Salaries & Wages   | 8,687                  | 70,072                 |
| Supplies   | 168                    | 743                    |
| Taxes - Payroll  | 669                    | 8,380                  |
| Telephone & Utilities  | 1,680                  | 11,878                 |
| Travel   | 1,500                  | 8,867                  |
| Total Operating Expenses   | <u>18,240</u>          | <u>151,623</u>         |
| <b>INCOME (LOSS) FROM OPERATIONS BEFORE INCOME TAX PROVISION</b> | 42,269                 | 8,615                  |
| <b>OTHER INCOME (EXPENSES) &amp; INCOME TAX</b>                  | -                      | -                      |
| <b>OTHER INCOME (EXPENSES)</b>                                   |                        |                        |
| Misc. Income   | -                      | -                      |
| Total Other Income (Expenses)                                    | <u>-</u>               | <u>-</u>               |
| <b>NET INCOME (LOSS) BEFORE INCOME TAX PROVISION</b>             | 42,269                 | 8,615                  |
| Provision for Income Tax   | (800.00)               | (800.00)               |
| <b>NET INCOME (LOSS)</b>   | <u>41,469</u>          | <u>7,815</u>           |
| <b>BEGINNING RETAINED EARNINGS (DEFICIT)</b>                     | (67,819)               | (75,634)               |
| <b>ENDING RETAINED EARNINGS (DEFICIT)</b>                        | <u><u>(26,350)</u></u> | <u><u>(67,819)</u></u> |



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2013

Amount in USD

|   | As at<br>31.03.2013    | As at<br>31.03.2012    |
|---|------------------------|------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                        |                        |
| Net Income (Loss)   | 41,469                 | 7,815                  |
| Adjustments to reconcile net income to net cash provided<br>by operating activities |                        |                        |
| <b>Depreciation and Amortization</b>  | -                      | -                      |
| <b>(Increase) decrease in:</b>  |                        |                        |
| Accounts receivables  | (33,741)               | 31,145                 |
| Advances  | -                      | 2,792                  |
| Deposits  | -                      | 1,429                  |
| <b>Increase (decrease) in:</b>  |                        |                        |
| Accounts payable  | (5,996)                | 1,143                  |
| Payroll taxes payable   | -                      | -                      |
| Income taxes payable  | -                      | -                      |
| Bank overdraft  | -                      | -                      |
| <b>NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES</b>                           | <u>1,732</u>           | <u>44,324</u>          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                        |                        |
| Purchase / Disposition of Assets  | -                      | -                      |
| <b>NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES</b>                           | <u>-</u>               | <u>-</u>               |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                        |                        |
| Borrowings from officer   | -                      | (57,507)               |
| <b>NET CASH PROVIDED / (USED) BY FINANCING ACTIVITIES</b>                           | <u>-</u>               | <u>(57,507)</u>        |
| <b>NET INCREASE IN CASH</b>   | 1,732                  | (13,183)               |
| <b>CASH AT THE BEGINNING OF YEAR</b>  | (14,832)               | (1,649)                |
| <b>CASH AT END OF YEAR</b>  | <u><u>(13,100)</u></u> | <u><u>(14,832)</u></u> |

## NOTES TO FINANCIAL STATEMENTS

### Year Ended March 31, 2013

#### 1. Description of the Company:

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

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

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

##### *Property & Equipment:*

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

##### *Amortization of Organization Costs:*

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

##### *Management's Estimates:*

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

##### *Revenue*

The “Corporation” recognizes revenue on accrual basis of accounting.

#### 3. Income Taxes:

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

#### 4. Commitments and Contingencies:

Commencing on January 5th, 2006, the Company leased office facilities under an operating non-cancelable lease for twelve months ending on February 14, 2008 and since that date are on month to month lease under the same terms.

#### 5. Related Party Transaction:

The company has earned commission from its sole stock holder of \$60,509 during the financial year ended March 31, 2013.

**DIRECTORS' REPORT**

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

The Directors take pleasure in submitting the 9<sup>th</sup> Annual Report and Accounts for the year ended 31<sup>st</sup> March 2013.

**FINANCIAL RESULTS AND OPERATIONS**

| Particulars                                | (Rs in Lacs)                     |                                   |
|--|----------------------------------|-----------------------------------|
|  | Current Year ended<br>31.03.2013 | Previous Year ended<br>31.03.2012 |
| Sales and Other Income                     | 373.02                           | 173.05                            |
| Profit after Depreciation                  | 14.28                            | (34.96)                           |
| Tax Expenses                               | 9.37                             | 12.31                             |
| Exceptional Items                          | -                                | -                                 |
| Profit after Tax                           | 4.91                             | (47.28)                           |
| Profit /Loss from discontinuing operations | -                                | -                                 |
| Balance Retained in P&L Account            | 4.91                             | (47.28)                           |

The Turnover during the year was Rs.373.02 lacs as compared to the previous year of Rs. 173.05 lacs, showing an increase of Rs.199.97 lacs. The PBT also has shown a good improvement compared to the previous year as a result of increase in the Income.

**DIVIDEND**

In view of the accumulated losses still lying in the accounts, the Directors do not recommend any dividend to the Shareholders for the ensuing year.

**AUDITORS**

M/s Thanawala & Co, Chartered Accountants, the Statutory Auditors of the Company, hold office until the conclusion of the ensuing AGM and are eligible for reappointment.

Your Directors have therefore proposed to reappoint M/s Thanawala & Co, Chartered Accountants, as Statutory Auditors of the Company, subject to the approval of the members at the ensuing Annual General Meeting.

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

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

**DEPOSITS**

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

**ACKNOWLEDGEMENTS**

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

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

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

**Date : 30<sup>th</sup> May 2013**

**Place : Mumbai**

INDEPENDENT AUDITOR'S REPORT

To,  
**SK STABEL INDUSTRIES PRIVATE LIMITED.**

We have audited the accompanying financial statements of *SK STABEL INDUSTRIES PRIVATE LIMITED*, which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013; and
  - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date;
1. The Companies (Auditors' Report) Order, 2003 as amended by Companies (Auditor's Report)(Amendment) Order 2004, (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 of India ('the Act') is not applicable.
  2. As required by section 227(3) of the Act, 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 purpose of our audit;
    - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books
    - c) The Balance Sheet and Statement of Profit and Loss, dealt with by this Report are in agreement with the books of account.
    - d) In our opinion, the Balance Sheet, Statement of Profit and Loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
    - e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

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

Place : Mumbai  
Dated : 30/05/2013

**SK STABEL INDUSTRIES PVT. LTD.**

**BALANCE SHEET AS AT 31st MARCH, 2013**

(Amount in Rs.)

| Particulars  | Notes No. | As At<br>March 31 2013 | As At<br>March 31 2012 |
|--|-----------|------------------------|------------------------|
| <b>I. EQUITY AND LIABILITIES</b>                     |           |                        |                        |
| <b>(1) Shareholder's Funds</b>                       |           |                        |                        |
| (a) Share Capital                                    | 1         | 26,00,000              | 26,00,000              |
| (b) Reserves and Surplus                             | 2         | (5,382,761)            | (5,873,768)            |
| (c) Money received against share warrants            |           | -                      | -                      |
| <b>(2) Share Application money pending allotment</b> |           | <b>89,472</b>          | <b>89,472</b>          |
| <b>(3) Non-Current Liabilities</b>                   |           |                        |                        |
| (a) Long-Term Borrowings                             | 3         | 2,777,006              | 200,000                |
| (b) Deferred Tax Liabilities (Net)                   |           | 3,070,584              | 2,133,589              |
| (c) Other Long Term Liabilities                      | 4         | 45,628,250             | 51,982,020             |
| <b>(4) Current Liabilities</b>                       |           |                        |                        |
| (a) Short-Term Borrowings                            | 5         | 1,979,619              | 1,832,404              |
| (b) Trade Payables                                   | 6         | 5,446,845              | 3,974,047              |
| (c) Other Current Liabilities                        | 7         | 93,758                 | 131,751                |
| (d) Short-Term Provisions                            | 8         | 406,689                | 209,459                |
| Total Equity & Liabilities                           |           | <b>56,709,462</b>      | <b>57,278,975</b>      |
| <b>II. ASSETS</b>                                    |           |                        |                        |
| <b>(1) Non-Current Assets</b>                        |           |                        |                        |
| (a) Fixed Assets                                     | 9         |                        |                        |
| (i) Tangible Assets                                  |           | 39,188,821             | 41,123,244             |
| (ii) Intangible Assets                               |           | -                      | -                      |
| (iii) Capital Work-in-progress                       |           | -                      | -                      |
| (iv) Intangible Assets Under Development             |           | -                      | -                      |
|  |           | <b>39,188,821</b>      | <b>41,123,244</b>      |
| (b) Non-current investments                          |           | -                      | -                      |
| (c) Deferred tax assets (net)                        |           | -                      | -                      |
| (d) Long term loans and advances                     | 10        | 1,241,900              | 1,200,951              |
| (e) Other non-current assets                         | 11        | 36,235                 | 54,352                 |
| <b>(2) Current Assets</b>                            |           |                        |                        |
| (a) Current investments                              |           | -                      | -                      |
| (b) Inventories                                      | 12        | 11,339,913             | 10,298,356             |
| (c) Trade receivables                                | 13        | 4,422,510              | 2,827,187              |
| (d) Cash and cash equivalents                        | 14        | 471,974                | 1,749,734              |
| (e) Short-term loans and advances                    |           | -                      | -                      |
| (f) Other current assets                             | 15        | 8,109                  | 25,151                 |
| Total Assets   |           | <b>56,709,462</b>      | <b>57,278,975</b>      |
| <b>Significant Accounting Policies</b>               | 24        |                        |                        |
| <b>NOTES TO ACCOUNTS</b>                             | 25        |                        |                        |

Notes referred to above and attached thereto form an integral part of Balance Sheet  
This is the Balance Sheet referred to in our Report of even date.

For and on behalf of

**THANAWALA & COMPANY**

Chartered Accountants

Firm Reg. no. 110948W

Sd/-

**[ V.K. Thanawala ]**

Proprietor

Membership No. 15632

Place : Mumbai,

Dated: 30/05/2013

For and on behalf of the Board of Directors

Sd/-

**Shailesh Shah**

Director

Sd/-

**Nitin Motani**

Director

**SK STABEL INDUSTRIES PVT. LTD.**

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2013**

(Amount in Rs.)

| Sr. No. | Particulars   | Notes No.  | For the year ended<br>31.03.2013 | For the year ended<br>31.03.2012 |
|---------|---|------------|----------------------------------|----------------------------------|
| I       | Revenue from operations   | 16         | 37,128,465                       | 17,263,815                       |
| II      | Other Income  | 17         | 173,872                          | 41,418                           |
| III     | III. Total Revenue (I +II)  |            | <u>37,302,337</u>                | <u>17,305,233</u>                |
| IV      | <u>Expenses:</u>  |            |                                  |                                  |
|         | Cost of materials consumed  | 18         | 25,536,454                       | 11,128,239                       |
|         | Purchase of Stock-in-Trade  |            | -                                | -                                |
|         | Changes in inventories of finished goods, work-in-progress and Stock-in-Trade | 19         | (793,969)                        | (407)                            |
|         | Employee Benefit Expense  | 20         | 3,601,029                        | 3,600,214                        |
|         | Financial Costs   | 21         | 562,184                          | 424,631                          |
|         | Depreciation and Amortization Expense   | 22         | 2,170,897                        | 2,089,447                        |
|         | Other Administrative Expenses   | 23         | 4,797,741                        | 3,560,082                        |
|         | Total Expenses (IV)   |            | <u>35,874,336</u>                | <u>20,802,206</u>                |
| V       | Profit before exceptional and extraordinary items & tax                       | (III - IV) | <u>1,428,001</u>                 | <u>(3,496,973)</u>               |
| VI      | Exceptional Items   |            | -                                | -                                |
| VII     | Profit before extraordinary items and tax (V - VI)                            |            | <u>1,428,001</u>                 | <u>(3,496,973)</u>               |
| VIII    | Extraordinary Items   |            | -                                | -                                |
| IX      | Profit before tax (VII - VIII)  |            | <u>1,428,001</u>                 | <u>(3,496,973)</u>               |
| X       | <u>Tax expense:</u>   |            |                                  |                                  |
|         | (1) Current tax   |            | -                                | -                                |
|         | (2) Deferred tax (Liabilities)  |            | 936,994                          | 1,231,824                        |
| XI      | Profit(Loss) from the period from continuing operations                       | (IX-X)     | <u>491,006</u>                   | <u>(4,728,797)</u>               |
| XII     | Profit/(Loss) from discontinuing operations                                   |            | -                                | -                                |
| XIII    | Tax expense of discounting operations   |            | -                                | -                                |
| XIV     | Profit/(Loss) from Discontinuing operations (XII - XIII)                      |            | -                                | -                                |
| XV      | Profit/(Loss) for the period (XI + XIV)                                       |            | <u>491,006</u>                   | <u>(4,728,797)</u>               |

Notes referred to above and attached thereto form an integral part of Profit & Loss Statement  
This is the Profit & Loss Statement referred to in our Report of even date.

For and on behalf of  
**THANAWALA & COMPANY**

Chartered Accountants  
Firm Reg. no. 110948W

Sd/-  
[ V.K. Thanawala ]  
Proprietor  
Membership No. 15632  
Place : Mumbai,  
Dated: 30/05/2013

For and on behalf of the Board of Directors

Sd/-  
**Shailesh Shah**  
Director

Sd/-  
**Nitin Motani**  
Director

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

(Amount in Rs.)

| Particulars  | As at 31 March, 2013 |                  | As at 31 March, 2012 |                  |
|--|----------------------|------------------|----------------------|------------------|
| <b>Note 1 Equity Share capital</b>   |                      |                  |                      |                  |
|  | Number of shares     | Amount           | Number of shares     | Amount           |
| (a) Authorised<br>Equity shares of Re 100/- each with voting rights                          | 100,000              | 10,000,000       | 100,000              | 10,000,000       |
| (b) Issued, Subscribed and fully paid up<br>Equity shares of Re 10/- each with voting rights | 26,000               | 2,600,000        | 26,000               | 2,600,000        |
| <b>Total</b>   | <b>26,000</b>        | <b>2,600,000</b> | <b>26,000</b>        | <b>2,600,000</b> |

**Note 1A Equity Share capital :-**

**(i) Reconciliation of the number of shares outstanding and the amount of Share Capital as at 31/03/2012 and 31/03/2013**

|  | As at 31.3. 2013 |           | As at 31.3.2012  |           |
|--|------------------|-----------|------------------|-----------|
|  | Number of shares | Amount    | Number of shares | Amount    |
| Outstanding at the beginning of the year | 26,000           | 2,600,000 | 26,000           | 2,600,000 |
| Outstanding at the end of the year       | 26,000           | 2,600,000 | 26,000           | 2,600,000 |

**(ii) Details of shareholders holding more than 5% shares in the company is as under**

| Class of shares / Name of shareholder<br>Equity shares with voting rights | As at 31 March, 2013  |                                   | As at 31 March, 2012  |                                   |
|---|-----------------------|-----------------------------------|-----------------------|-----------------------------------|
|   | Number of shares held | % holding in that class of shares | Number of shares held | % holding in that class of shares |
| SKY INDUSTRIES LTD  | 259,999               | 100                               | 259,999               | 100                               |
| <b>TOTAL</b>  | <b>259,999</b>        | <b>100</b>                        | <b>259,999</b>        | <b>100</b>                        |



**NOTES FORMING INTEGRAL PART OF THE BALANCE SHEET AS AT 31st MARCH, 2013**

(Amount in Rs.)

| Sr. No.                                      | Particulars  | As on<br>31.03.2013 | As on<br>31.03.2012 |
|--|--|---------------------|---------------------|
| <b>Notes : 2 Reserve &amp; Surplus</b>       |  |                     |                     |
| <u>General Reserve</u>                       |  |                     |                     |
|  | Balance as per Last account  | 80,000              | 80,000              |
|  | Transfer from Surplus Balance in the statement of Profit & Loss A/c  | -                   | -                   |
|  |  | <u>80,000</u>       | <u>80,000</u>       |
| <u>Reserve &amp; Surplus</u>                 |  |                     |                     |
|  | Surplus in the statement of Profit & Loss Account  |                     |                     |
|  | Balance as per last Balance Sheet Profit /Loss for the year  | (5,953,768)         | (1,224,971)         |
|  | Add: Profit for the period   | 491,006             | (4,728,797)         |
|  |  | <u>(5,462,761)</u>  | <u>(5,953,768)</u>  |
|  | <b>Total in Rs.</b>  | <u>(5,382,761)</u>  | <u>(5,873,768)</u>  |
| <b>Notes : 3 Long Term Borrowings</b>        |  |                     |                     |
| 1  | <u>From others</u>   |                     |                     |
| a)   | From related parties (*)   |                     |                     |
|  | Shailesh S. Shah   | 1,739,280           | 200,000             |
|  | Sharad Shah  | 1,037,726           | -                   |
|  | (*) The installment falling due within 12 months after report date is NIL as terms of repayment are not pre determined |                     |                     |
|  | <b>Total in Rs.</b>  | <u>2,777,006</u>    | <u>200,000</u>      |
| <b>Notes : 4 Other Long-Term Liabilities</b> |  |                     |                     |
| <u>Others</u>                                |  |                     |                     |
| i)   | Trade / Security deposits received Mahendra Ribbons  | 500,000             | 500,000             |
| ii)  | Capital Goods  | 45,128,250          | 51,482,020          |
|  | <b>Total in Rs.</b>  | <u>45,628,250</u>   | <u>51,982,020</u>   |
| <b>Notes : 5 Short Term Borrowings</b>       |  |                     |                     |
| <u>Loan Repayable on Demand</u>              |  |                     |                     |
|  | - From Bank  | 1,979,619           | 1,832,404           |
|  | Oriental Bank of Commerce (Against Hypothecation of Stock and Debtors)   |                     |                     |
|  | <b>Total in Rs.</b>  | <u>1,979,619</u>    | <u>1,832,404</u>    |
| <b>Notes : 6 Trades Payable</b>              |  |                     |                     |
|  | <b>-Sundry Creditors for Materiel/Supplies:</b>  | 5,446,845           | 3,974,047           |
|  | <b>Total in Rs.</b>  | <u>5,446,845</u>    | <u>3,974,047</u>    |
| <b>Notes : 7 Other Current Liabilities</b>   |  |                     |                     |
| <u>Statutory Remittances</u>                 |  |                     |                     |
|  | Professional Tax Payable   | 32,550              | 26,350              |
|  | TDS Payable  | 56,956              | 29,551              |
|  | Service Tax on GTA   | -                   | 11,312              |
|  | Oustanding Expenses  | 4,252               | 64,538              |
|  | <b>Total in Rs.</b>  | <u>93,758</u>       | <u>131,751</u>      |
| <b>Notes : 8 Short Term Provisions</b>       |  |                     |                     |
| <u>Provision For Employees Benefit</u>       |  |                     |                     |
|  | Retainership Payable   | 239,152             | 22,033              |
|  | Salary Payable   | 45,649              | 128,610             |
|  | Bonus Payable  | 14,000              | 23,423              |
|  | Incentives Payable   | 30,529              | -                   |
| <u>Provision for Expenses</u>                |  |                     |                     |
|  | Professional Fees - Thanawala & Co.  | 77,359              | 35,393              |
|  | <b>Total in Rs.</b>  | <u>406,689</u>      | <u>209,459</u>      |

**SK STABEL INDUSTRIES PVT. LTD.**

**NOTES FORMING INTEGRAL PART OF THE BALANCE SHEET AS AT 31st MARCH, 2013**

**Notes : 9 Fixed Assets**

(Amount in Rs.)

| Sr. No | Particulars                   | Rate % | Gross Block              |                |                          | Depreciation             |                  |                          | Net Block                |                          |
|--------|-------------------------------|--------|--------------------------|----------------|--------------------------|--------------------------|------------------|--------------------------|--------------------------|--------------------------|
|        |                               |        | Balance as on 01/04/2012 | Additions      | Balance as on 31/03/2013 | Balance as on 01/04/2012 | During the Year  | Balance as on 31/03/2013 | Balance as on 31/03/2013 | Balance as on 31/03/2012 |
|        | <b><u>Tangible Assets</u></b> |        |                          |                |                          |                          |                  |                          |                          |                          |
| 1      | Computer                      | 40%    | 85,976                   | -              | 85,976                   | 76,189                   | 3,915            | 80,104                   | 5,872                    | 9,787                    |
| 2      | Computer Software             | 40%    | 16,478                   | -              | 16,478                   | 11,131                   | 2,139            | 13,270                   | 3,208                    | 5,347                    |
| 3      | Elect. Installation           | 13.91% | 702,828                  | -              | 702,828                  | 72,274                   | 87,710           | 159,984                  | 542,844                  | 630,554                  |
| 4      | Plant & Machinery             | 13.91% | 30,415                   | -              | 30,415                   | 8,728                    | 3,017            | 11,744                   | 18,671                   | 21,687                   |
| 5      | Plant & Machinery (SLM)       | 4.75%  | 42,927,120               | 218,357        | 43,145,477               | 2,534,794                | 2,044,024        | 4,578,818                | 38,566,659               | 40,392,326               |
| 6      | Furniture & Fixture           | 18.10% | 169,745                  | -              | 169,745                  | 117,753                  | 9,411            | 127,164                  | 42,581                   | 51,992                   |
|        |                               | 18.10% | 8,000                    | -              | 8,000                    | 2,540                    | 988              | 3,528                    | 4,472                    | 5,460                    |
| 7      | Vehicles                      | 25.89% | 13,850                   | -              | 13,850                   | 7,760                    | 1,577            | 9,336                    | 4,514                    | 6,090                    |
|        | <b>Total Rs.</b>              |        | <b>43,954,412</b>        | <b>218,357</b> | <b>44,172,769</b>        | <b>2,831,168</b>         | <b>2,152,780</b> | <b>4,983,948</b>         | <b>39,188,821</b>        | <b>41,123,244</b>        |

**NOTES FORMING INTEGRAL PART OF THE BALANCE SHEET AS AT 31st MARCH, 2013**

(Amount in Rs.)

| Sr. No.  | Particulars   | As on<br>31.03.2013 | As on<br>31.03.2012 |                  |                  |
|--|---|---------------------|---------------------|------------------|------------------|
| <b>Notes : 10 Long Term Loans and Advances</b> |   |                     |                     |                  |                  |
|  | <u>Security Deposit</u>   |                     |                     |                  |                  |
| a)   | Secured, Considered Good :<br>Other Deposit   | 499,591             | 499,591             |                  |                  |
|  | <u>Loans &amp; Advances</u>   |                     |                     |                  |                  |
|  | <u>Unsecured considered Good</u>  |                     |                     |                  |                  |
|  | Others  | 692,309             |                     |                  |                  |
|  | Related Parties   | 50,000              | 742,309             |                  |                  |
|  | <b>Total in Rs.</b>   | <b>1,241,900</b>    | <b>1,200,951</b>    |                  |                  |
| <b>Notes : 11 Other Non Current Assets</b>     |   |                     |                     |                  |                  |
|  | <u>Unamortised Expenses</u>   | 36,235              | 54,352              |                  |                  |
|  | Preliminary Expenses  |                     |                     |                  |                  |
|  | <b>Total in Rs.</b>   | <b>36,235</b>       | <b>54,352</b>       |                  |                  |
| <b>Notes : 12 Inventories</b>                  |   |                     |                     |                  |                  |
|  |   | Current             | Non Current         | Current          | Non Current      |
| 1  | Raw Material  | 3,392,343           | 6,775,875           | 2,144,755        | 7,775,875        |
| 2  | Finished Goods  | 1,171,695           | -                   | 377,726          | -                |
|  | <b>Total in Rs.</b>   | <b>4,564,038</b>    | <b>6,775,875</b>    | <b>2,522,481</b> | <b>7,775,875</b> |
| <b>Notes : 13 Trade Recievables</b>            |   |                     |                     |                  |                  |
| 1  | <u>Outstanding for (more than six months from the date they were due for payment)</u> |                     |                     |                  |                  |
|  | b) Unsecured, Considered Good :   |                     | 3,935,830           |                  | -                |
| 2  | <u>Others</u>   |                     |                     |                  |                  |
|  | a) Secured, Considered Good :   |                     | -                   |                  | -                |
|  | b) Unsecured, Considered Good :   |                     | 486,680             | 2,827,187        |                  |
|  | <b>Total in Rs.</b>   |                     | <b>4,422,510</b>    | <b>2,827,187</b> |                  |
| <b>Notes : 14 Cash &amp; Cash Equivalent</b>   |   |                     |                     |                  |                  |
|  | <u>Cash-in-Hand</u>   |                     |                     |                  |                  |
|  | Cash Balance  |                     | 118,556             | 33,771           |                  |
|  | Petty Cash Balance  |                     | 3,000               | 3,000            |                  |
|  | <b>Sub Total (A)</b>  |                     | <b>121,556</b>      | <b>36,771</b>    |                  |
|  | <u>Bank Balance</u>   |                     |                     |                  |                  |
|  | <u>In Current Account :</u>   |                     |                     |                  |                  |
|  | State Bank of India   |                     | 4,497               | 4,497            |                  |
|  | Oriental Bank of Commerce   |                     | 10,921              | 3,966            |                  |
|  | Margin Deposit with OBC   |                     | 335,000             | 1,704,500        |                  |
|  | <b>Sub Total (B)</b>  |                     | <b>350,418</b>      | <b>1,712,963</b> |                  |
|  | <b>Total [ A + B ]</b>  |                     | <b>471,974</b>      | <b>1,749,734</b> |                  |
| <b>Notes : 15 Other Current Assets</b>         |   |                     |                     |                  |                  |
|  | Interest Receivable on Margine Money  |                     | 8,109               | 25,151           |                  |
|  | <b>Total in Rs.</b>   |                     | <b>8,109</b>        | <b>25,151</b>    |                  |

**NOTES FORMING PART OF THE PROFIT & LOSS ACCOUNTS AS AT 31ST MARCH, 2013**

(Amount in Rs.)

| Sr. No.  | Particulars                                  | For the year ended<br>31.03.2013 | For the year ended<br>31.03.2012 |
|--|--|----------------------------------|----------------------------------|
| <b><u>Notes : 16 Revenue from Operations</u></b>           |  |                                  |                                  |
| 1  | Local Sales                                  | 37,047,020                       | 17,209,084                       |
| 2  | Sales Scrap                                  | 81,445                           | 54,731                           |
|  | <b>Total in Rs.</b>                          | <b>37,128,465</b>                | <b>17,263,815</b>                |
| <b><u>Notes : 17 Other Income</u></b>                      |  |                                  |                                  |
| 1  | Excess Provision w/back                      | 23,309                           | 10,640                           |
| 2  | Interest on Margine Money                    | 38,584                           | 21,337                           |
| 3  | Interest on Income tax                       | -                                | 199                              |
| 4  | Miscelleneous Income                         | -                                | 9,242                            |
| 5  | Sundry Balance W/off                         | 111,979                          | -                                |
|  | <b>Total in Rs.</b>                          | <b>173,872</b>                   | <b>41,418</b>                    |
| <b><u>Notes : 18 Cost of Material Consumed</u></b>         |  |                                  |                                  |
| 1  | <u>PURCHASES OF RAW MATERIALS AND STORES</u> |                                  |                                  |
|  | Opening Stock                                | 9,920,630                        | 10,041,106                       |
|  | Add : Purchase                               | 25,784,042                       | 11,007,763                       |
|  |  | 35,704,672                       | 21,048,869                       |
|  | Less : Closing Stock                         | 10,168,218                       | 9,920,630                        |
|  |  | 45,872,890                       | 30,969,499                       |
|  | <b>Total in Rs.</b>                          | <b>25,536,454</b>                | <b>11,128,239</b>                |
| <b><u>Notes : 19 Change in Inventories</u></b>             |  |                                  |                                  |
| 1  | <u>Opening Stock</u>                         |                                  |                                  |
|  | Finished Goods                               | 377,726                          | 377,319                          |
|  |  | 377,726                          | 377,319                          |
| 2  | <u>Closing Stock</u>                         |                                  |                                  |
|  | Finished Goods                               | 1,171,695                        | 377,726                          |
|  | <b>Total in Rs.</b>                          | <b>(793,969)</b>                 | <b>(407)</b>                     |
| <b><u>Notes : 20 Employment Benefit Expenses</u></b>       |  |                                  |                                  |
|  | Salaries Bonus and other benefits            | 3,601,029                        | 3,600,214                        |
|  | <b>Total in Rs.</b>                          | <b>3,601,029</b>                 | <b>3,600,214</b>                 |
| <b><u>Notes : 21 Financial Cost</u></b>                    |  |                                  |                                  |
| 1  | Exchange Rate difference                     | 102,675                          | 15,778                           |
| 2  | Interest on Loan                             | 85,562                           | -                                |
| 3  | Bank Interest                                | 211,259                          | 235,008                          |
| 4  | Bank Charges & commission                    | 113,491                          | 76,693                           |
| 5  | Interest to Supplier                         | 49,197                           | 97,152                           |
|  | <b>Total in Rs.</b>                          | <b>562,184</b>                   | <b>424,631</b>                   |
| <b><u>Notes : 22 Depreciation &amp; Amortised Cost</u></b> |  |                                  |                                  |
| 1  | Depreciation                                 | 2,152,780                        | 2,071,330                        |
| 2  | Preliminary Expenses W/O                     | 18,117                           | 18,117                           |
|  | <b>Total in Rs.</b>                          | <b>2,170,897</b>                 | <b>2,089,447</b>                 |

## NOTES FORMING PART OF THE PROFIT &amp; LOSS ACCOUNTS AS AT 31ST MARCH, 2013

(Amount in Rs.)

| Sr. No.                                  | Particulars                        | For the year ended<br>31.03.2013 | For the year ended<br>31.03.2012 |
|--|------------------------------------|----------------------------------|----------------------------------|
| <b>Notes : 23 Other Expenses</b>         |                                    |                                  |                                  |
| <u>Manufacturing Expenses</u>            |                                    |                                  |                                  |
| 1  | Processing Labour Charges          | 1,916,172                        | 867,043                          |
| 2  | Power & Fuel (Electricity Charges) | 550,294                          | 347,027                          |
| 3  | Packing, Freight & Forwarding      | 212,645                          | 198,270                          |
| 4  | Loading & Unloading                | 500                              | 6,200                            |
| 5  | Canteen Exp.                       | 72,407                           | 56,038                           |
| 6  | Service Tax on GTA Payable         | -                                | 14,909                           |
| 7  | Water Charges                      | 62,758                           | 29,662                           |
| <b>Total in Rs. (A)</b>                  |                                    | <b>2,814,776</b>                 | <b>1,519,149</b>                 |
| <u>Selling and Distribution Expenses</u> |                                    |                                  |                                  |
| 1  | Commission Brokerage               | 533                              | -                                |
| 2  | Exhibition Expenses                | -                                | 31,505                           |
| 3  | Freight Forwarding Outward         | 78,283                           | 53,113                           |
| 4  | Sales Promotion Exp.               | 673                              | -                                |
| 5  | Samples                            | -                                | 234                              |
| 6  | Travelling Expenses                | 11,006                           | 112,134                          |
| 7  | Discount                           | 333,815                          | 105,628                          |
| <b>Total in Rs. (B)</b>                  |                                    | <b>424,310</b>                   | <b>302,614</b>                   |
| <u>Establishment Expenses</u>            |                                    |                                  |                                  |
| 1  | Legal Expenses                     | 6,710                            | 2,947                            |
| 2  | Postage & Telegram                 | 22,975                           | 66,187                           |
| 3  | Professional Charges               | 141,551                          | 86,512                           |
| 4  | Stationery Expenses                | 14,636                           | 45,598                           |
| 5  | Auditors Remuneration              | 46,629                           | 44,841                           |
| 6  | Repairs & Maint.                   | 32,576                           | 184,097                          |
| 7  | Service Contract Charges           | 529,148                          | 464,187                          |
| 8  | Miscellaneous Exp.                 | 43,886                           | 42,058                           |
| 9  | Insurance                          | 124,101                          | 63,967                           |
| 10                                       | Computer Expenses                  | 1,200                            | 5,623                            |
| 11                                       | Conveyance Exp.                    | 38,556                           | 33,265                           |
| 12                                       | Filing Fees                        | -                                | 520                              |
| 13                                       | Security Expenses                  | 196,686                          | 181,995                          |
| 14                                       | Rent, Rates & Taxes                | 360,000                          | 481,336                          |
| 15                                       | Sundry Balance W/off               | -                                | 28,022                           |
| 16                                       | Software Expenses                  | -                                | 4,860                            |
| 17                                       | Interest on Delay Payment          | -                                | 2,305                            |
| <b>Total in Rs. (C)</b>                  |                                    | <b>1,558,655</b>                 | <b>1,738,319</b>                 |
| <b>Total in Rs. (A+B+C)</b>              |                                    | <b>4,797,741</b>                 | <b>3,560,082</b>                 |

NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> March, 2013**24 Significant Accounting Policies-****24.1 Basis for preparation of financial statements**

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

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

**24.2 Inventories :**

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

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

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

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

**24.4 Depreciation :**

Depreciation on all tangible assets, except Plant & Machinery acquired after March 2011 as considered on State Line Method, has been calculated on Written Down Value Method (WDV) as per the rates and manner prescribed under Schedule XIV of the Companies Act, 1956.

**24.5 Revenue Recognition :**

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

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

Interest Income is recognized on accrual basis.

**24.6 Fixed Asset :**

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

**24.7 Employee benefits Costs :**

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

**24.8 Borrowing costs :**

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

**24.9 Related Party Transactions :**

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

**24.10 Taxes on income :**

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

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

**24.11 Deferred Tax- Asset/ Liability :**

The 1Accounting Standard 22 “Accounting for Taxes on Income” issued by the Institute of Chartered accountants of India, has become applicable to the Company. The Deferred Tax is recognized for all timing differences being the difference between “Taxable Income” and “Accounting Income” that originate in one period, and are capable of reversal in one or more subsequent periods and measured using relevant enacted tax rates. Deferred Tax Assets are recognized only if there is reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying value at each balance sheet date.

**24.12 Miscellaneous Expenditure :**

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

**25 Additional information to the Financial Statements for the year ended 31/03/2013**

**25.1 Contingent liabilities and commitments**

| PARTICULARS  | As on 31/03/2013 | As on 31/03/2012 |
|--|------------------|------------------|
| (i) Commitments  |                  |                  |
| Estimated amount of contracts remaining to be executed on capital account and not provided for Tangible assets | NIL              | NIL              |

**25.2 Value of Imports calculated on CIF basis**

|                           |           |           |
|---------------------------|-----------|-----------|
| Raw Materials & Component | 4,329,724 | 9,124,421 |
|---------------------------|-----------|-----------|

**25.3 Expenditure in foreign currency**

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

**25.4 Details of consumption of imported and indigenous items**

|                           |                  | %     |                  | %     |
|---------------------------|------------------|-------|------------------|-------|
| Raw Materials & Component |                  |       |                  |       |
| Imported Raw Materials    | 4,329,724        | 16.97 | 1,732,363        | 15.57 |
| Indigenous Raw Materials  | 21,183,885       | 83.03 | 9,395,876        | 84.43 |
|                           | <hr/> 25,513,609 |       | <hr/> 11,128,239 |       |



**25.5 Segment Reporting**

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

**25.6 Related party Transaction**

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

**i. Key Management Personnel & their relatives**

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

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

Sky Industries Limited  
S. K. Overseas  
Shamots International

**iii. The following transactions were carried out with the related parties in the ordinary course of business:**

| Particulars                | Associates | Key Mangerial<br>Personnel |
|----------------------------|------------|----------------------------|
| Services Charges Paid      | 529,148    | -                          |
| Purchase (Raw Material)    | 1,758,704  | -                          |
| Purchase Plant & Machinery | 218,357    | -                          |
| Stores                     | 25,636     | -                          |
| Sales                      | 1,166,925  | -                          |

**25.7 Previous year figures**

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

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

As per Our Report of Even date

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

For S. K. Stabel Industries Private Limited

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

Sd/-  
**Shailesh Shah**  
Director

Sd/-  
**Nitin Motani**  
Director

Place : Mumbai,  
Dated: 30/05/2013

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

To,  
The Shareholders,  
Sky Hemmay Pvt Ltd  
Mumbai.

The Directors take pleasure in submitting the 6<sup>th</sup> Annual Report and Accounts for the year ended 31<sup>st</sup> March 2013.

**FINANCIAL RESULTS AND OPERATIONS:**

| Particulars                               | (Rs in Lacs)                     |                                   |
|---|----------------------------------|-----------------------------------|
|   | Current Year ended<br>31.03.2013 | Previous Year ended<br>31.03.2012 |
| Sales and other Income                    | 676.29                           | 596.79                            |
| Profit after Depreciation                 | 79.17                            | 13.75                             |
| Tax Expenses                              | 26.32                            | 5.37                              |
| Exceptional Items                         | -                                | -                                 |
| Profit after Tax                          | 52.85                            | 8.37                              |
| Profit/Loss from discontinuing operations | -                                | -                                 |
| Balance retained in P&L account           | 16.92                            | 8.37                              |

The Turnover during the year was Rs.676.29 lacs as compared to the previous year of Rs.596.79 lacs. There is an increase of 13% in the turnover. PAT has increased substantially owing to improved operational costs and control of expenditures.

**DIVIDEND**

In view of the good performance and increase in profitability, the Directors are pleased to propose a dividend of Rs. 28,99,550, a Rupee / share to the shareholders.

**AUDITORS**

M/s Thanawala & Co, Chartered Accountants, Mumbai, the statutory auditors of the Company, hold the office till the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

Your Directors propose to reappoint Thanawala & Co, Chartered Accountants as statutory Auditors of the Company subject to the approval of the members at the ensuing Annual General Meeting.

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

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

**DEPOSITS**

The company has not accepted any deposits from the Public within the meaning of Section 58A of the Companies Act 1956 during the year under review.

**DIRECTORS RESPONSIBILITY STATEMENT**

The Directors confirm:

- 1) That in preparation of the Annual Accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.
- 2) That they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for the year.
- 3) That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- 4) That they have prepared the annual accounts on a going concern basis.

**ACKNOWLEDGEMENTS**

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

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

**By Order of the Board of Directors**

Sd/-  
Saurabh Motani  
Director

Place: Mumbai  
Date: 30.05.2013

## INDEPENDENT AUDITOR'S REPORT

,To,  
**SKY HEMMAY PRIVATE LIMITED**

We have audited the accompanying financial statements of **SKY HEMMAY PRIVATE LIMITED**, which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013; and
  - b) in the case of the Profit and Loss Account, of the **PROFIT** for the year ended on that date;
1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
  2. As required by section 227(3) of the Act, 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 purpose of our audit;
    - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books
    - c) the Balance Sheet and Statement of Profit and Loss, dealt with by this Report are in agreement with the books of account.
    - d) in our opinion, the Balance Sheet and Statement of Profit and Loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
    - e) on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

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

Place : Mumbai  
 Dated : 30/05/2013

## ANNEXURE TO INDEPENDENT AUDITORS REPORT

Referred to in paragraph 1 under the heading of “Report on Other Legal and Regulatory Requirements” of our report of even date

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
  - (b) As explained to us, fixed assets have been physically verified by the management at reasonable intervals; no material discrepancies were noticed on such verification.
  - (c) In our opinion and according to the information and explanations given to us, no fixed asset has been disposed of during the year.
2. (a) As explained to us, inventories have been physically verified during the year by the management at reasonable intervals.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
  - (c) In our opinion and on the basis of our examination of the records, the Company is generally maintaining proper records of its inventories. No major material discrepancy was noticed on physical verification of stocks by the management as compared to book records.
- (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Consequently, the provisions of clauses iii (b), iii(c) and iii (d) of the order are not applicable to the Company.
  - (b) The Company has taken Unsecured loans from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956; The loans have been received from one party the year end Balance of Loan taken from such parties was Rs.2,00,000/-.
  - (c) In our opinion and according to the information and explanations given to us, the rates of interest and other terms and conditions on which from companies, firms or other parties listed in the register maintain under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company;
  - (d) As explained to us, in respect of the loans taken there are no stipulations as to repayment.
  - (e) There is no overdue amount of loans, Secured or unsecured, taken from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 as there is no stipulation for repayment.
4. In our opinion and according to the information and explanations given to us, there is generally an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventories & fixed assets and payment for expenses & for sale of goods. During the course of our audit, no major instance of continuing failure to correct any weaknesses in the internal controls has been noticed.
5. (a) The transactions made in pursuance of contracts of arrangements, that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been recorded in the register;
  - (b) In our opinion and according to the information and explanations given to us, these transactions in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act 1956 and exceeding the value of Rupees five lacs in respect of any party during the year have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposit from the public and consequently the provision of Section 58A and 58AA of the Companies Act, 1956 and the Companies [Acceptance of Deposits] Rules, 1975 are not applicable.
7. As the affairs of the Company are looked after by the Directors themselves, the Company does not possess a system of Internal Audit.
8. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that, *prima facies*, the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

9. (a) According to the records of the company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess to the extent applicable and any other statutory dues have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us there were no outstanding statutory dues as on 31<sup>st</sup> of March, 2013 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there is no amount payable in respect of income tax, wealth tax, service tax, sales tax, customs duty and excise duty which have not been deposited on account of any disputes.
10. The Company does not have any accumulated loss and has not incurred cash loss during the financial year covered by our audit and in the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund or a *nidhi* /mutual benefit fund/society. Therefore, the provision of this clause of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.
14. The Company is not dealing or trading in shares, securities, debentures or other investments and hence the requirements of Para 4(xiv) are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantees for loan taken by others from a bank or financial institution.
16. Based on our audit procedures and on the information given by the management, we report that the company has not raised any term loans during the year.
17. Based on the information and explanations given to us and on an overall examination of the Balance Sheet of the Company as at 31<sup>st</sup> March, 2013, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
18. Based on the audit procedures performed and the information and explanations given to us by the management, we report that the Company has not made any preferential allotment of shares during the year.
19. The Company has no outstanding debentures during the period under audit.
20. The Company has not raised any money by public issue during the year.
21. Based on the audit procedures performed and the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year, nor have we been informed of such case by the management.

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

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

Place : Mumbai  
Dated : 30/05/2013

**SKY HEMMAY PVT. LTD.**

**BALANCE SHEET AS AT 31st MARCH, 2013**

(Amount in Rs.)

| Particulars  | Notes | As At<br>March 31, 2013 | As At<br>March 31, 2012 |
|--|-------|-------------------------|-------------------------|
| <b>I. EQUITY AND LIABILITIES</b>                     |       |                         |                         |
| <b>(1) Shareholder's Funds</b>                       |       |                         |                         |
| (a) Share Capital                                    | 1     | 28,995,500              | 28,995,500              |
| (b) Reserves and Surplus                             | 2     | 7,065,426               | 5,172,863               |
| (c) Money received against share warrants            | -     | -                       | -                       |
| <b>(2) Share Application money pending allotment</b> |       |                         |                         |
| <b>(3) Non-Current Liabilities</b>                   |       |                         |                         |
| (a) Long-Term Borrowings                             |       | 200,000                 | -                       |
| (b) Deferred Tax Liabilities (Net)                   | 3     | 1,506,149               | 1,623,342               |
| (c) Other Long Term Liabilities                      |       | -                       | -                       |
| (d) Long Term Provisions                             |       | -                       | -                       |
| <b>(4) Current Liabilities</b>                       |       |                         |                         |
| (a) Short-Term Borrowings                            | 4     | -                       | 2,483,148               |
| (b) Trade Payables                                   | 5     | 8,589,216               | 8,957,933               |
| (c) Other Current Liabilities                        | 6     | 415,118                 | 353,161                 |
| (d) Short-Term Provisions                            | 7     | 7,634,810               | 2,065,595               |
| Total Equity & Liabilities                           |       | <b>54,406,218</b>       | <b>49,651,542</b>       |
| <b>II. ASSETS</b>                                    |       |                         |                         |
| <b>(1) Non-Current Assets</b>                        |       |                         |                         |
| (a) Fixed Assets                                     | 8     |                         |                         |
| (i) Tangible Assets                                  |       | 22,406,462              | 27,409,842              |
| (ii) Intangible Assets                               |       | 41,577                  | 69,295                  |
| (iii) Capital Work-in-progress                       |       | 2,384,844               | -                       |
| (iv) Intangible Assets Under Development             |       | -                       | -                       |
|  |       | 24,832,883              | 27,479,137              |
| (b) Non-current investments                          | 9     | 50,000                  | 50,000                  |
| (c) Deferred tax assets (net)                        |       | -                       | -                       |
| (d) Long term loans and advances                     | 10    | 1,456,000               | 76,000                  |
| (e) Other non-current assets                         | 11    | -                       | 56,512                  |
| <b>(2) Current Assets</b>                            |       |                         |                         |
| (a) Current investments                              | 12    | 203,000                 | 203,000                 |
| (b) Inventories                                      | 13    | 13,631,997              | 13,338,246              |
| (c) Trade receivables                                | 14    | 7,682,661               | 6,568,868               |
| (d) Cash and cash equivalents                        | 15    | 4,360,559               | 956,009                 |
| (e) Short-term loans and advances                    | 16    | 2,189,117               | 923,770                 |
| (f) Other current assets                             |       | -                       | -                       |
| Total Assets   |       | <b>54,406,218</b>       | <b>49,651,542</b>       |
| <b>Significant Accounting Policies</b>               | 26    |                         |                         |
| <b>NOTES TO ACCOUNTS</b>                             | 27    |                         |                         |

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

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

For and on behalf of

For SKY HEMMAY PVT. LTD.

**THANAWALA & COMPANY**

Chartered Accountants

Firm Reg. no. 110948W

Sd/-

Sd/-

Sd/-

[ V.K. Thanawala ]

**Shailesh Shah**

**Saurabh Motani**

Proprietor

Director

Director

Membership No. 15632

Place : Mumbai,

Dated: 30/05/2013

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2013**

(Amount in Rs.)

| Sr. No. | Particulars  | Notes  | For the year ended<br>31.03.2013 | For the year ended<br>31.03.2012 |
|---------|--|--------|----------------------------------|----------------------------------|
|         | <u><b>INCOME</b></u>   |        |                                  |                                  |
| I       | Revenue from operations  | 17     | 67,441,201                       | 59,270,775                       |
| II      | Other Income   | 18     | 188,606                          | 408,422                          |
| III     | <i>III. Total Revenue (I +II)</i>  |        | <u>67,629,807</u>                | <u>59,679,197</u>                |
| IV      | <u><b>Expenses:</b></u>  |        |                                  |                                  |
|         | Cost of materials consumed   | 19     | 29,034,492                       | 29,529,377                       |
|         | Purchase of Stock in Trade   | 20     | -                                | 67,568                           |
|         | Changes in inventories of finished goods,<br>work-in-progress and Stock-in-Trade | 21     | 1,817,322                        | -2,308,477                       |
|         | Employee Benefit Expense   | 22     | 10,160,623                       | 10,441,746                       |
|         | Financial Costs  | 23     | 555,404                          | 1,207,688                        |
|         | Depreciation and Amortization Expense  | 24     | 3,914,873                        | 4,456,108                        |
|         | Other Administrative Expenses  | 25     | 14,229,251                       | 14,909,892                       |
|         | <i>Total Expenses (IV)</i>   |        | <u>59,711,964</u>                | <u>58,303,903</u>                |
| V       | Profit before exceptional and extraordinary items and tax<br>(III - IV)          |        | <u>7,917,843</u>                 | <u>1,375,295</u>                 |
| VI      | Exceptional Items  |        | -                                | -                                |
| VII     | Profit before extraordinary items and tax (V - VI)                               |        | <u>7,917,843</u>                 | <u>1,375,295</u>                 |
| VIII    | Extraordinary Items  |        | -                                | -                                |
| IX      | Profit before tax (VII - VIII)   |        | <u>7,917,843</u>                 | <u>1,375,295</u>                 |
| X       | <u><b>Tax expense:</b></u>   |        |                                  |                                  |
|         | (1) Current tax  |        | 2,750,000                        | 255,000                          |
|         | (2) Deferred tax   |        | -117,193                         | 282,343                          |
| XI      | Profit(Loss) from from continuing operations                                     | (IX-X) | <u>5,285,036</u>                 | <u>837,952</u>                   |
| XII     | Profit/(Loss) from discontinuing operations                                      |        | -                                | -                                |
| XIII    | Tax expense of discounting operations  |        | -                                | -                                |
| XIV     | Profit/(Loss) from Discontinuing operations (XII - XIII)                         |        | -                                | -                                |
| XV      | Profit/(Loss) for the period (XI + XIV)  |        | <u>5,285,036</u>                 | <u>837,952</u>                   |
| XVI     | <b>Earning per equity share:</b>   |        |                                  |                                  |
|         | (1) Basic  |        | 2                                | -                                |
|         | (2) Diluted  |        | 2                                | -                                |

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

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

For and on behalf of

**THANAWALA & COMPANY**

Chartered Accountants

Firm Reg. no. 110948W

Sd/-

**[ V.K. Thanawala ]**

Proprietor

Membership No. 15632

Place : Mumbai,

Dated: 30/05/2013

For SKY HEMMAY PVT. LTD.

Sd/-

**Shailesh Shah**

Director

Sd/-

**Saurabh Motani**

Director



**NOTES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2013**

(Amount in Rs.)

| Particulars | As at 31 March, 2013 | As at 31 March, 2012 |
|-------------|----------------------|----------------------|
|-------------|----------------------|----------------------|

**Note 1A Equity Share capital**

|  | Number of shares | Amount            | Number of shares | Amount            |
|--|------------------|-------------------|------------------|-------------------|
| (a) Authorised<br>Equity shares of Re 10/- each with voting rights                           | 3,000,000        | 30,000,000        | 3,000,000        | 30,000,000        |
| (b) Issued, Subscribed and fully paid up<br>Equity shares of Re 10/- each with voting rights | 2,899,550        | 28,995,500        | 2,899,550        | 28,995,500        |
| <b>Total</b>   | <b>2,899,550</b> | <b>28,995,500</b> | <b>2,899,550</b> | <b>28,995,500</b> |

Note 1A1 Equity Share capital :-

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

| Particulars   | Opening Balance | Fresh issue | Bonus | Closing Balance |
|---|-----------------|-------------|-------|-----------------|
| Equity shares with voting rights<br>Year ended 31 March, 2013 |                 |             |       | -               |
| - Number of shares  | 2,899,550       | -           | -     | 2,899,550       |
| - Amount  | 28,995,500      | -           | -     | 28,995,500      |
| Year ended 31 March, 2012                                     |                 |             |       |                 |
| - Number of shares  | 2,899,550       | -           | -     | 2,899,550       |
| - Amount  | 28,995,500      | -           | -     | 28,995,500      |

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

| Class of shares / Name of shareholder | As at 31 March, 2013  |                                   | As at 31 March, 2012  |                                   |
|---------------------------------------|-----------------------|-----------------------------------|-----------------------|-----------------------------------|
|                                       | Number of shares held | % holding in that class of shares | Number of shares held | % holding in that class of shares |
| Sky Industries Ltd.                   | 1,478,770             | 51%                               | 1,478,770             | 51%                               |
| Good Excess Co. Ltd.                  | 1,020,907             | 35%                               | 1,020,907             | 35%                               |
| Rich Team Investment Ltd              | 283,891               | 10%                               | 283,891               | 10%                               |
| <b>TOTAL</b>                          | <b>2,783,568</b>      | <b>96%</b>                        | <b>2,783,568</b>      | <b>96%</b>                        |

**NOTES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2013**

(Amount in Rs.)

| Sr. No.   | Particulars  | For the year ended<br>31.03.2013 | For the year ended<br>31.03.2012 |
|---|--|----------------------------------|----------------------------------|
| <b><u>Notes : 2 Reserve &amp; Surplus</u></b>   |  |                                  |                                  |
| 1   | Capital Reserve  |                                  |                                  |
|   | General Reserve  | 550,000                          | 550,000                          |
|   | Transferred from Profit & Loss A/c   | 200,000                          | -                                |
|   | A  | 750,000                          | 550,000                          |
|   | Surplus (Profit & Loss Account)  | -                                | -                                |
|   | Balance brought forward from previous year   | 4,622,863                        | 3,784,912                        |
|   | Add: Profit for the period   | 5,285,036                        | 837,951                          |
|   | Less : Dividend Proposed   | 2,899,550                        | -                                |
|   | Tax on Dividend  | 492,924                          | -                                |
|   | Transferred to General Reserve   | 200,000                          | -                                |
|   | B  | 6,315,426                        | 4,622,863                        |
|   | Total in Rs.   | A+B = C<br>7,065,426             | 5,172,863                        |
| <b><u>Long Term Borrowings</u></b>  |  |                                  |                                  |
| <b><u>From others</u></b>   |  |                                  |                                  |
|   | a) From related parties (*)  |                                  |                                  |
|   | Saurabh K. Motani  | 200,000                          | -                                |
|   | (*) The installment falling due within 12 months after report date is NIL as terms of repayment are not pre determined |                                  |                                  |
|   | Total in Rs.   | 200,000                          | -                                |
| <b><u>Notes : 3 Deferred Tax Liabilities (Net)</u></b>  |  |                                  |                                  |
|   | <i>Deferred Tax Liabilities</i>  |                                  |                                  |
|   | <i>Related to Fixed Assets</i>   | 1,506,149                        | 1,623,342                        |
|   | Total in Rs.   | 1,506,149                        | 1,623,342                        |
| <b><u>Notes : 4 Short Term Borrowings</u></b>   |  |                                  |                                  |
| 1   | <u>Loan Repayable on Demand</u>  |                                  |                                  |
|   | - From Bank  | -                                | 2,483,148                        |
|   | Total in Rs.   | -                                | 2,483,148                        |
| Notes The over draft facilities from Shamrao Vitthal Co-op Bank is against stock and debtors. |  |                                  |                                  |
| <b><u>Notes : 5 Trades Payable</u></b>  |  |                                  |                                  |
|   | <i>Sundry Creditors for Material/Supplies:</i>   |                                  |                                  |
| 1   | Creditors Raw Material   | 4,532,261                        | 2,586,812                        |
| 2   | Creditors Expenses   | 1,289,722                        | 1,350,557                        |
| 3   | Creditors Others   | 38,205                           | 24,502                           |
| 4   | Creditors Intercompany   | 2,729,028                        | 4,996,062                        |
|   | Total in Rs.   | 8,589,216                        | 8,957,933                        |
| <b><u>Notes : 6 Other Current Liabilities</u></b>   |  |                                  |                                  |
| (a)   | <b><u>Statutory Remittances</u></b>  |                                  |                                  |
|   | VAT Payable  | 861                              | 328                              |
|   | PF Payable   | 34,310                           | 39,614                           |
|   | TDS Payable  | 47,718                           | 70,708                           |
| (b)   | Advance from Customers   | 332,229                          | 242,511                          |
|   | Total in Rs.   | 415,118                          | 353,161                          |
| <b><u>Notes : 7 Short Term Provisions</u></b>   |  |                                  |                                  |
| 1   | <u>Provision For Employees Benefit</u>   |                                  |                                  |
|   | Retainership Payable   | -                                | 170,661                          |
|   | Salary Payable   | 521,041                          | 552,117                          |
|   | Incentives Payable   | 7,500                            | 7,500                            |
|   | Bonus Payable  | 158,795                          | 201,585                          |
| 2   | <u>Others</u>  |                                  |                                  |
|   | Electricity & Power Charges Payable  | -                                | 293,988                          |
|   | Audit Fees   | -                                | 34,744                           |
|   | Provision for Taxation   | 3,555,000                        | 805,000                          |
|   | Proposed Dividend  | 2,899,550                        | -                                |
|   | Dividend distribution Tax  | 492,924                          | -                                |
|   | Total in Rs.   | 7,634,810                        | 2,065,595                        |

**NOTES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2013**

**Notes : 8 Fixed Asset**

(Amount in Rs.)

| Sr. No | Particulars                                | Rate % | Gross Block            |                          |                           |                   | Depreciation           |                          |                           |                   | Net Block            |                      |
|--------|--|--------|------------------------|--------------------------|---------------------------|-------------------|------------------------|--------------------------|---------------------------|-------------------|----------------------|----------------------|
|        |  |        | Value at the beginning | Addition during the year | Deduction during the year | Value at the end  | Value at the beginning | Addition during the year | Deduction during the year | Value at the end  | WDV as on 31/03/2013 | WDV as on 31/03/2012 |
| I      | <u>Tangible Assets</u>                     |        |                        |                          |                           |                   |                        |                          |                           |                   |                      |                      |
| 1      | Plant & Machinery                          | 13.91  | 38,862,043             | 0                        | 1,340,675                 | 37,521,368        | 11,763,818             | 3,769,363                |                           | 15,533,181        | 21,988,187           | 27,098,225           |
| 2      | Electrical Installations                   | 13.91  | 365,502                | 0                        | -                         | 365,502           | 148,726<br>0           | 30,154                   | -                         | 178,880           | 186,622              | 216,776              |
| 3      | Computer                                   | 40.00  | 81,042                 | 124,338                  | -                         | 205,380           | 44,251                 | 14,716                   | -                         | 58,967            | 146,413              | 36,791               |
| 4      | Office Equipments                          | 20.00  | 70,965                 | 13,000                   | -                         | 83,965            | 19,180                 | 12,514                   | -                         | 31,694            | 52,271               | 51,785               |
| 5      | Furnitures & Fixtures                      | 18.10  | 7,650                  | 30,600                   | -                         | 38,250            | 1,385                  | 3,896                    | -                         | 5,280             | 32,970               | 6,265                |
|        | <b>SUB TOTAL (A)</b>                       |        | <b>39,387,202</b>      | <b>167,938</b>           | <b>1,340,675</b>          | <b>38,214,465</b> | <b>11,977,360</b>      | <b>3,830,643</b>         | <b>-</b>                  | <b>15,808,003</b> | <b>22,406,462</b>    | <b>27,409,842</b>    |
| II     | <u>Intangible Assets</u>                   | 40.00  | 115,491                | -                        | -                         | 115,491           | 46,196                 | 27,718                   | -                         | 73,914            | 41,577               | 35,000               |
|        | <b>SUB TOTAL (B)</b>                       |        | <b>115,491</b>         | <b>-</b>                 | <b>-</b>                  | <b>115,491</b>    | <b>46,196</b>          | <b>27,718</b>            | <b>-</b>                  | <b>73,914</b>     | <b>41,577</b>        | <b>35,000</b>        |
| III    | <u>Capital Work-in-progress</u>            |        |                        |                          |                           |                   |                        |                          |                           |                   |                      |                      |
| 1      | Plant & Machinery                          |        | -                      | 1,540,175                | -                         | 1,540,175         | -                      | -                        | -                         | -                 | 1,540,175            | -                    |
| 2      | Electrical Installations                   |        | -                      | 435,881                  | -                         | 435,881           | -                      | -                        | -                         | -                 | 435,881              | -                    |
| 3      | Furnitures & Fixtures                      |        | -                      | 408,788                  | -                         | 408,788           | -                      | -                        | -                         | -                 | 408,788              | -                    |
|        | <b>SUB TOTAL (C)</b>                       |        | <b>-</b>               | <b>2,384,844</b>         | <b>-</b>                  | <b>2,384,844</b>  | <b>-</b>               | <b>-</b>                 | <b>-</b>                  | <b>-</b>          | <b>2,384,844</b>     | <b>-</b>             |
| IV     | <u>Intangible Assets Under Development</u> |        | -                      | -                        | -                         | -                 | -                      | -                        | -                         | -                 | -                    | -                    |
|        | <b>SUB TOTAL (D)</b>                       |        | <b>-</b>               | <b>-</b>                 | <b>-</b>                  | <b>-</b>          | <b>-</b>               | <b>-</b>                 | <b>-</b>                  | <b>-</b>          | <b>-</b>             | <b>-</b>             |
|        | <b>Total [A + B + C + D]</b>               |        | <b>39,502,693</b>      | <b>2,552,782</b>         | <b>1,340,675</b>          | <b>40,714,800</b> | <b>12,023,556</b>      | <b>3,858,361</b>         | <b>-</b>                  | <b>15,881,917</b> | <b>24,832,883</b>    | <b>27,444,842</b>    |
|        | <i>(Current Year)</i>                      |        |                        |                          |                           |                   |                        |                          |                           |                   |                      |                      |
|        | <i>(Previous Year)</i>                     |        | <b>35,203,292</b>      | <b>4,299,401</b>         | <b>-</b>                  | <b>39,502,693</b> | <b>7,623,960</b>       | <b>4,399,596</b>         | <b>-</b>                  | <b>12,023,556</b> | <b>27,479,137</b>    | <b>27,579,332</b>    |

NOTES FORMING INTEGRAL PART OF THE BALANCE SHEET AS AT 31st MARCH, 2013

(Amount in Rs.)

| Sr. No.   | Particulars   | For the year ended<br>31.03.2013 | For the year ended<br>31.03.2012 |
|---|---|----------------------------------|----------------------------------|
| <b><u>Notes : 9 Non Current Investment</u></b>        |   |                                  |                                  |
| 1   | <u>Investment in Equity Instrument</u><br>Shamrao Vitthal Co-op. Bank   | 50,000                           | 50,000                           |
|   | Total in Rs.  | 50,000                           | 50,000                           |
| <b><u>Notes : 10 Long Term Loans and Advances</u></b> |   |                                  |                                  |
| I)  | <u>Security Deposit</u><br>a) <u>Secured, Considered Good :</u><br>Other Deposit  | 1,456,000                        | 76,000                           |
| II)   | <u>Loans &amp; Advances to related parties</u>  | -                                | -                                |
| III)  | <u>Other Loans &amp; Advances</u>   | -                                | -                                |
|   | Total in Rs.  | 1,456,000                        | 76,000                           |
| <b><u>Notes : 11 Other Non Current Assets</u></b>     |   |                                  |                                  |
| 1   | <u>Unamortised Expenses</u><br>Priliminary Expenses   | -                                | -                                |
|   | Total in Rs.  | -                                | 56,512                           |
| <b><u>Notes : 12 Current Investment</u></b>           |   |                                  |                                  |
| 1   | In Short term Fixed Deposits  | 203,000                          | 203,000                          |
|   | Total in Rs.  | 203,000                          | 203,000                          |
| <b><u>Notes : 13 Inventories</u></b>                  |   |                                  |                                  |
| 1   | Raw Material  | 8,328,376                        | 6,217,303                        |
| 2   | Work-in-Progress  | 2,621,121                        | 2,618,699                        |
| 3   | Finished Goods  | 2,682,500                        | 4,502,244                        |
|   | Total in Rs.  | 13,631,997                       | 13,338,246                       |
| <b><u>Notes : 14 Trade Recievables</u></b>            |   |                                  |                                  |
| 1   | <u>Outstanding for (more than six months from the date they were due for payment)</u><br>b) <u>Unsecured, Considered Good :</u> | 6,150,667                        | -                                |
| 2   | <u>Others</u><br>a) <u>Secured, Considered Good :</u><br>b) <u>Unsecured, Considered Good :</u>                                 | -                                | -                                |
|   | Total in Rs.  | 7,682,661                        | 6,568,868                        |

**SKY HEMMAY PVT. LTD.**

**NOTES FORMING INTEGRAL PART OF THE BALANCE SHEET AS AT 31st MARCH, 2013**

(Amount in Rs.)

| Sr. No.                                      | Particulars                 | For the year ended<br>31.03.2013 | For the year ended<br>31.03.2012 |
|--|-----------------------------|----------------------------------|----------------------------------|
| <b>Notes : 15 Cash &amp; Cash Equivalent</b> |                             |                                  |                                  |
| 1  | <u>Cash-in-Hand</u>         |                                  |                                  |
|  | Cash Balance                | 67,911                           | 56,241                           |
|  | Petty Cash Balance          | -                                | -                                |
|  | Sub Total (A)               | <u>67,911</u>                    | <u>56,241</u>                    |
| 2  | <u>Bank Balance</u>         |                                  |                                  |
|  | <u>In Current Account :</u> |                                  | -                                |
|  | Oriental Bank of Commerce   | 1,794,438                        | 899,768                          |
|  | Shamrao Vittal Co-op Bank   | 2,498,211                        | -                                |
|  | Sub Total (B)               | <u>4,292,649</u>                 | <u>899,768</u>                   |
| 3  | <u>Cheques on Hand</u>      | (C) -                            | -                                |
|  | Total [ A + B + C ]         | <u><u>4,360,559</u></u>          | <u><u>956,009</u></u>            |

**Notes : 16 Short Terms Loans and Advances**

|   |  |                         |                       |
|---|--|-------------------------|-----------------------|
| 1 | Loans & Advances to related parties  |                         |                       |
|   | <u>a) Secured, Considered Good :</u>   |                         |                       |
|   | Advance to Associate Concerns  | 263,025                 | -                     |
|   | <u>b) Unsecured, Considered Good :</u>   |                         |                       |
|   | Loans & Advance to employees   | 13,497                  | 13,497                |
|   | Prepaid Expenses   | 11,687                  | 12,252                |
|   | <u>Balance with govt. authorities</u>  |                         |                       |
|   | DEPB / Draw Back Receivable  | -                       | 1,464                 |
|   | IT Refund Receivable   | 117,963                 | 117,963               |
|   | TDS Receivable   | 28,091                  | 19,543                |
|   | VAT refund receivable  | 37,561                  | -                     |
| 2 | Others   |                         |                       |
|   | <u>Advance Recoverable in cash or in kind or for value to be considered good</u> |                         |                       |
|   | Advance to Suppliers   | 1,083,199               | -                     |
|   | Advance Income Tax/Refund Due  | 550,000                 | 550,000               |
|   | Balance With Revenue Authorities ( DEPB Receivable)                              | 4,366                   | 151,517               |
|   | Interest Receivable  | 79,728                  | 57,534                |
|   | Total in Rs.   | <u><u>2,189,117</u></u> | <u><u>923,770</u></u> |

**NOTES FORMING PART OF THE PROFIT & LOSS ACCOUNTS AS AT 31ST MARCH, 2013**

(Amount in Rs.)

| Sr. No.  | Particulars                       | For the year ended<br>31.03.2013 | For the year ended<br>31.03.2012 |
|--|-----------------------------------|----------------------------------|----------------------------------|
| <b><u>Notes : 17 Revenue from Operations</u></b>     |                                   |                                  |                                  |
| 1  | Local Sales                       | 65,354,193                       | 57,648,612                       |
| 2  | Export Sales                      | 1,991,181                        | 1,449,781                        |
| 3  | Sales Scrap                       | 95,828                           | 97,411                           |
| 4  | Other operating revenues          | -                                | 74,971                           |
|  | Total in Rs.                      | <u>67,441,201</u>                | <u>59,270,775</u>                |
| <b><u>Notes : 18 Other Income</u></b>                |                                   |                                  |                                  |
|  | Difference in exchange            | 57,642                           | -                                |
|  | Commission Receipts               | 8,800                            | 106,595                          |
|  | Discount Received                 |                                  | 720                              |
|  | Dividend Income                   | 6,900                            | 6,900                            |
|  | Duty Drawback Income              | 64,137                           | 40,336                           |
|  | Excess Provision w/back           | 4,626                            | 9,108                            |
|  | Interest on Margin Money          | 24,661                           | 22,761                           |
|  | Sundry Balance W/off              | 6,189                            | 222,003                          |
|  | Miscellaneous Income              | 15,652                           | -                                |
|  | Total in Rs.                      | <u>188,606</u>                   | <u>408,422</u>                   |
| <b><u>Notes : 19 Cost of Material Consumed</u></b>   |                                   |                                  |                                  |
| <b><u>PURCHASES OF RAW MATERIALS AND STORES</u></b>  |                                   |                                  |                                  |
| 1  | Opening Stock                     | 6,217,303                        | 3,557,455                        |
|  | Add : Purchase                    | 31,145,565                       | 32,189,225                       |
|  |                                   | <u>37,362,868</u>                | <u>35,746,680</u>                |
| 2  | Closing Stock                     | 8,328,376                        | 6,217,303                        |
|  | Total in Rs.                      | <u>29,034,492</u>                | <u>29,529,377</u>                |
|  | Cost of Materials Consumed        |                                  |                                  |
| <b><u>Notes : 20 Purchase of Traded Goods</u></b>    |                                   |                                  |                                  |
|  | Purchase                          | -                                | 67,568                           |
|  | Total in Rs.                      | <u>-</u>                         | <u>67,568</u>                    |
| <b><u>Notes : 21 Change in Inventories</u></b>       |                                   |                                  |                                  |
| 1  | Opening Stock                     |                                  |                                  |
|  | Finish Goods                      | 4,502,244                        | 2,053,514                        |
|  | Work-in-progees                   | 2,618,699                        | 2,758,952                        |
|  |                                   | <u>7,120,943</u>                 | <u>4,812,466</u>                 |
| 2  | Closing Stock                     | 5,303,621                        | 7,120,943                        |
|  | Net (Increase) / Decrease         | <u>1,817,322</u>                 | <u>(2,308,477)</u>               |
| <b><u>Notes : 22 Employment Benefit Expenses</u></b> |                                   |                                  |                                  |
| 1  | Salaries, Bonus,                  | 9,918,391                        | 10,192,316                       |
| 2  | Contribution to P.F & Other Funds | 242,232                          | 249,430                          |
|  | Total in Rs.                      | <u>10,160,623</u>                | <u>10,441,746</u>                |

**NOTES FORMING PART OF THE PROFIT & LOSS ACCOUNTS AS AT 31ST MARCH, 2013**

(Amount in Rs.)

| Sr. No.   | Particulars                        | For the year ended<br>31.03.2013 | For the year ended<br>31.03.2012 |
|---|------------------------------------|----------------------------------|----------------------------------|
| <b>Notes : 23 Financial Cost</b>                    |                                    |                                  |                                  |
| 1   | Interest on Cash Credit Facility   | 176,311                          | 299,684                          |
| 2   | Interest on delay payment          | 220,162                          | 274,583                          |
| 3   | Bank Charges & commission          | 158,931                          | 351,856                          |
| 4   | Exchange Rate Difference           | -                                | 281,565                          |
|   | Total in Rs.                       | 555,404                          | 1,207,688                        |
| <b>Notes : 24 Depreciation &amp; Amortised Cost</b> |                                    |                                  |                                  |
| 1   | Depreciation                       | 3,858,361                        | 4,399,596                        |
| 2   | Preliminary Expenses W/O           | 56,512                           | 56,512                           |
|   | Total in Rs.                       | 3,914,873                        | 4,456,108                        |
| <b>Notes : 25 Other Expenses</b>                    |                                    |                                  |                                  |
| <u>Manufacturing Expenses</u>                       |                                    |                                  |                                  |
| 1   | Processing Labour Charges          | 1,290,752                        | 1,176,091                        |
| 2   | Power & Fuel (Electricity Charges) | 3,670,691                        | 3,270,143                        |
| 3   | Packing, Freight & Forwarding      | 672,178                          | 764,657                          |
| 4   | Repair & Maintenance               | 30,897                           | 232,056                          |
| 5   | Octroi Charges                     | -                                | 2,136                            |
| 6   | Loading & Unloading                | 54,685                           | 87,933                           |
| 7   | Testing Charges                    | 649,184                          | 560,304                          |
| 8   | Rent Rates & Taxes                 | 1,992,028                        | 2,154,500                        |
| 9   | Canteen Exp.                       | 125,798                          | 101,087                          |
| 10  | Security Expenses                  | 541,520                          | 626,608                          |
|   | Total in Rs.                       | 9,027,733                        | 8,975,515                        |
| <u>Selling and Distribution Expenses</u>            |                                    |                                  |                                  |
| 1   | Business Promotion Exp.            | 13,019                           | 64,076                           |
| 2   | Clearing & Forwarding Outward      | 104,852                          | 57,806                           |
| 3   | Commission Brokerage               | 547,215                          | 441,189                          |
| 4   | Exhibition Expenses                | -                                | 108,601                          |
| 5   | Freight Forwarding Outward         | 906,891                          | 865,726                          |
| 6   | Packing Expenses                   | 26,301                           | 37,481                           |
| 7   | Rebates & Discount Allowed         | 166,358                          | 166,398                          |
| 8   | Sales Promotion Exp.               | 5,250                            | 22,520                           |
| 9   | Sales Tax                          | -                                | 2,292                            |
| 10  | Samples                            | 63,113                           | 72,684                           |
| 11  | <u>Traveling Expenses</u>          |                                  |                                  |
| 12  | Inland Traveling                   | 328,234                          | 577,563                          |
| 13  | International Traveling            | 280,573                          | 233,886                          |
| 14  | Vehicles Exp                       | 1,672                            | -                                |
|   | Selling & Distribution             | 2,443,478                        | 2,650,222                        |



**NOTES FORMING PART OF THE PROFIT & LOSS ACCOUNTS AS AT 31ST MARCH, 2013**

(Amount in Rs.)

| Sr. No. | Particulars                   | For the year ended<br>31.03.2013 | For the year ended<br>31.03.2012 |
|---------|-------------------------------|----------------------------------|----------------------------------|
|         | <u>Establishment Expenses</u> |                                  |                                  |
| 1       | Staff Welfare Expenses        | 110,045                          | 74,499                           |
| 2       | Legal Expenses                | 1,794                            | 18,630                           |
| 3       | Postage & Telegram            | 207,810                          | 190,215                          |
| 4       | Professional Charges          | 33,888                           | 142,811                          |
| 5       | Stationery Expenses           | 138,922                          | 158,201                          |
| 6       | Auditors Remuneration         | 40,047                           | 38,605                           |
| 7       | Repairs & Maint.              | 183,182                          | 227,836                          |
| 8       | Donation                      | 3,500                            | 4,000                            |
| 9       | Service Contract Charges      | 1,493,093                        | 1,996,481                        |
| 10      | Staff training Expenses       | 595                              | 15,000                           |
| 11      | Books & periodicals           | -                                | 100                              |
| 12      | Licence Fees                  | 80,000                           | 4,440                            |
| 13      | Membership & Subscription     | 5,394                            | 6,795                            |
| 14      | Miscellaneous Exp.            | 113,538                          | 35,874                           |
| 15      | Recruitment Charges           | 20,450                           | 26,560                           |
| 16      | Office Exp.                   | -                                | 9,266                            |
| 17      | Water Charges                 | 7,520                            | 6,766                            |
| 18      | Insurance                     | 41,422                           | 56,430                           |
| 19      | Com puter Expenses            | 6,050                            | 9,650                            |
| 20      | Conveyance Exp.               | 171,155                          | 121,364                          |
| 21      | Telephone Expe.               | 90,800                           | 132,484                          |
| 22      | Prior Period Exp.             | -                                | 7,628                            |
| 23      | Filling Fees                  | 8,835                            | 520                              |
|         |                               | <u>2,758,040</u>                 | <u>3,284,156</u>                 |
|         | Total in Rs.                  | <u>14,229,251</u>                | <u>14,909,892</u>                |

## NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2013

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

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

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

**26.2 Inventories :**

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

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

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

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

**26.4 Depreciation :**

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

**26.5 Revenue recognition :**

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

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

Interest Income is recognized on accrual basis.

**26.6 Fixed Asset :**

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

**26.7 Employee benefits Costs :**

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

**26.8 Borrowing costs :**

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

**26.9 Related Party Transactions :**

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

**26.10 Taxes on income :**

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

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

**26.11 Deferred Tax- Asset/ Liability :**

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

**26.12 Miscellaneous Expenditure :**

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

Additional information to the Financial Statements for the year ended 31/03/2013

| PARTICULARS   | As on 31/03/2013 | As on 31/03/2012 |
|---|------------------|------------------|
| <b>27.1 (A) <u>Total Value of consumption imported and indigenous</u></b> |                  |                  |
| Imported  |                  |                  |
| Indigenous  | -                | -                |
| <b>(B) <u>Value of imports calculated on CIF Value</u></b>                |                  |                  |
| Raw Materials   | 7,997,476        | 10,411,576       |
| Capital Goods   | -                | -                |
| <b>(C) <u>Expenditure in foreign currency</u></b>                         |                  |                  |
| Testing Fees  | -                | 559,804          |
| License Fees  | -                | -                |
| Travelling  | 178,361          | 114,690          |
| Commission  | -                | 31,650           |
| <b>(D) <u>Earning in foreign Exchange</u></b>                             |                  |                  |
| Export  | 1,921,276        | 1418224          |

**27.2 Segment Reporting**

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

**27.3 Related party Transaction**

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

i. Key Management Personnel & their relatives

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

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

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

| iii. Related Party transaction             | Nature of Transaction     | Amount Rs. |
|--|---------------------------|------------|
| Key Management Personnel & their relatives | Service Charges Paid      | 1,493,093  |
|  | Rent Paid                 | 1,742,028  |
|  | Purchase (Stores & Parts) | 5,341      |

**27.4 Previous year figures**

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

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

As per Our Report of Even date

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

For and on behalf of the Board of Directors

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

Sd/-  
**Shailesh Shah**  
 Director

Sd/-  
**Saurabh Motani**  
 Director

Place : Mumbai,  
 Dated: 30/05/2013

# SKY INDUSTRIES LIMITED

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

## ATTENDANCE SLIP

( To be handed at the Entrance of the Meeting Hall )

I hereby record my presence at the Twenty Fourth Annual General Meeting of the Company at Abbott Hotels Private Limited. Chandragupt Hall, Sector - 2, Vashi, Navi Mumbai - 400 703. On Friday, the 27<sup>th</sup> September 2013 at 11.00 a.m.

|                |
|----------------|
| DP ID No.*     |
| Client ID No.* |

Folio No \_\_\_\_\_

Full Name of the Shareholder \_\_\_\_\_ Signature \_\_\_\_\_  
(in block letters)

Full Name of the Proxy \_\_\_\_\_ Signature \_\_\_\_\_

\* Applicable for Investors holding shares in Electronic Forms.

----- Tear Here -----

# SKY INDUSTRIES LIMITED

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

## PROXY FORM

|                |
|----------------|
| DP ID No.*     |
| Client ID No.* |

I \_\_\_\_\_  
of \_\_\_\_\_ in the district of \_\_\_\_\_  
Member(s) of the above named Company hereby appoint \_\_\_\_\_ of  
\_\_\_\_\_ in the district of \_\_\_\_\_ or failing  
him \_\_\_\_\_ of \_\_\_\_\_ in the district of  
\_\_\_\_\_ as my / our Proxy to attend and vote for me/us and on my/our behalf at the  
Twenty Fourth Annual General Meeting of the Company to be held on Friday, the 27<sup>th</sup> September 2013 at  
11.00 a.m. at Abbott Hotels Private Limited. Chandragupt Hall, Sector - 2, Vashi, Navi Mumbai - 400 703 on  
and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

Reference Folio No. \_\_\_\_\_

No. of Shares held \_\_\_\_\_

\*Applicable for Investors holding shares in Electronic Forms.

*Note : The Proxy duly executed should reach the Registered Office of the Company at least 48 hrs. before the time of Meeting.*

|                                     |
|-------------------------------------|
| Affix<br>Re 1/-<br>Revenue<br>Stamp |
|-------------------------------------|

# SKY INDUSTRIES LIMITED



Admn Off.: 9, Jhavar House, 285, Princess Street, Mumbai 400 002, India

Tel.: +91 22 2200 0823 / 24; +91 22 61240500 Fax. : +91 22 2206 4687

E-mail : [sales@skgroup.com](mailto:sales@skgroup.com) Website : [www.sky-india.com](http://www.sky-india.com)

FORM B

|   |  |  |
|---|--|--|
| 1 | Name of the Company  | Sky Industries Limited   |
| 2 | Annual Financial Statements for The year ended   | 31 <sup>st</sup> March 2013.   |
| 3 | Type of Audit Qualification  | Qualified Subject to the referred Notes  |
| 4 | Frequency of Qualification   | Repeat qualification since last financial year   |
| 5 | Relevant Notes in the Annual Financial statements and the Managements Response to the qualification in the Director's report | <p>Refer Page No:23<br/>The Company has not provided for diminution in the value of investments in its subsidiary of Rs.35,60,515/- as at the year end as required by paragraph 19 of AS 13, Accounting of Investments issued by the ICAI. This has resulted in understatement of Loss for the current year and overstatement of Reserves by Rs.35,60,515/-.</p> <p>Response: (ref:Page 7)<br/>The aforesaid investment pertains to the Subsidiary Skay Inc, based in USA. Owing to difficult global conditions, the subsidiary has made losses and pursuant to the AS 13, the provision for the same needs to be made. The Company's investment is from a long term horizon, the view that with improvement in global sentiments, the subsidiary company is expected to be back in black and hence impact of diminution in value of subsidiary has not been made.</p> <p>Refer Page No:24<br/>The Company has accepted deposits from Shareholders without issue of advertisements and at an interest rate higher than the prescribed limits. The company has not maintained adequate liquid assets. Hence the company has contravened the provisions of sec 58A, 58AA of the Companies Act 1956 and rules framed there under.</p> <p>Response: (ref: Page 7)<br/>Acceptance of Deposits from a shareholder is permitted under the Companies Act. However since Sky is a listed company, as far as compliance is concerned, we need to publish an advertisement prior to calling of the deposit from the shareholder. Another point is that we have accepted the deposit higher than the permissive rate of 15% as practically in a higher interest scenario it is difficult to borrow at lower rates and again the impact of same is not significant. We are paying close to 15.5% to 15.75% even on our cash credit facility enjoyed with our bankers.</p> |

# SKY INDUSTRIES LIMITED



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E-mail : [sales@skgroup.com](mailto:sales@skgroup.com) Website : [www.sky-india.com](http://www.sky-india.com)

Refer Page No:24

The Company has not maintained cost records as prescribed by the central government under section 209(1)(d) of the Companies Act, 1956 in respect of its products / activities.

Response: (ref page 8)

Due to part operations at our factory units and one of the units at Vashi going through labour unrest, the company did not appoint the cost accountants as prescribed by the Central Government. The same has been initiated and the process of appointment shall be complied with shortly.

Present status:

The Company has appointed Cost Auditors subsequently for financial years 2012-13 and 2013-14 and necessary papers have been filed with the appropriate authorities.

Shailesh S Shah  
Managing Director.