

TWELFTH ANNUAL REPORT 2000-2001

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SKY INDUSTRIES LTD.



SKY INDUSTRIES LTD.

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BOARD OF DIRECTORS

Mr. Nitin Motani (Chairman)
 Mr. Sharad Shah (Whole Time Director)
 Mr. Shailesh Shah (Managing Director)
 Mr. Saurabh Motani (Whole Time Director)
 Mr. S. V. Singh (Whole Time Director)

AUDITORS

G. M. Mehra and Associates (Chartered Accountants)-
 Mumbai

BANKERS

Oriental Bank Of Commerce - Fort, Mumbai

REGISTERED OFFICE AND WORKS

C-58, TCC Industrial Area, Thane Belapur Road,
 Pawane, New Mumbai, Pin - 400 705.

SHARE TRANSFER AGENTS

Intime Spectrum Registry Pvt. Ltd.
 260-A, Shanti Industrial Estate, Sarojini Naidu
 Road, Mulund (W), Mumbai - 400 080.

CHAIRMAN'S SPEECH

Dear Friends,

The year has seen cataclysmic changes in the business environment. In this seemingly turbulent phase we have continued to serve consistently our customers with increased dedication and they have motivated us with continued support and patronage.

We are better placed now than ever before of achieving our goals and targets. We continue to maintain our leadership in our segments. We are better focused and better organized to achieve our goal of being the foremost manufacturer of narrow fabrics in the world. Our singular focus of differentiating ourselves on the quality and performance of our products has been the key to our success in the past and we are oriented of becoming the benchmark in performance.

The textiles sector is the largest sector of the economy & is also the most protected. It adds about 14% to industrial production & 4% to GDP directly employing over 350 lakhs people. It is a self reliant industry having a fully developed value chain.

In the future India is committed towards lowering of customs tariffs as a signatory of the WTO. This will result in surge in imports of products from East Asian countries like China, Korea etc.

Today the customer is better placed than before owing to greater competition & choice and is definitely seeking better value through tangible & intangible forms. To compete in the market our trade needs to create greater value, build networks, focus on core competencies etc. In this age factors like better quality & lower costs are taken for granted.

Market dominance for a long time in today's context requires establishing brand loyalty & capturing market share, which acts as deterrent for the competitors to catch up. To compete we need to accelerate & streamline the process of designing, developing & introducing value added products. Given the unpredictability of business environment the pressure to respond to change is immense.

Human resource is viewed as an asset by the MNCs but we view it as a disadvantage but it is a pity that the same criteria are viewed by the MNC's as an asset. More and more international firms are queuing up to tap this potential where as we are still harping on reservations and protections instead of taking them head long.

With better production technologies and manufacturing process it is the time is ripe for our trade to shift from unorganised activities to developing brand and quality where the economies of scale will be to our advantage. The day has come for the narrow fabric industry to claim it's rightful place as a super export promoter challenging other sectors like I.T, entertainment, agriculture etc.

The international market witnessed unprecedented price competition that had its impact. In the face of this it has not been easy to implement our strategy and maintain our course. It is a matter of delight that despite these difficulties, we continued to register leading market shares exporting all over the world. Many of the initiatives in earlier years of increasing capacities, streamlining processes and effecting control on costs have been responsible for this.

The market is passing through a major phase of metamorphosis and as in the past we have been responsible for leading the change by introducing new product categories for various customer segments. The activities we have now set into motion will help us to emerge fitter and stronger in all areas of our business and better placed to meet our customer's requirements.

Our ERP initiative currently underway promises to enhance organizational efficiency and effectiveness. In addition we are overhauling our entire service approach to exceed our customers growing expectations. The organization has been further strengthened with induction of fresh talent. We are also introducing new value products to further stimulate growth and consumption. I believe all of this would go towards making us a truly performance driven, customer oriented organization ready to take on any challenge.

We have made the right moves in the right direction and the best of us is yet to come.

Thank you for seeing the future the way we do and for your support.

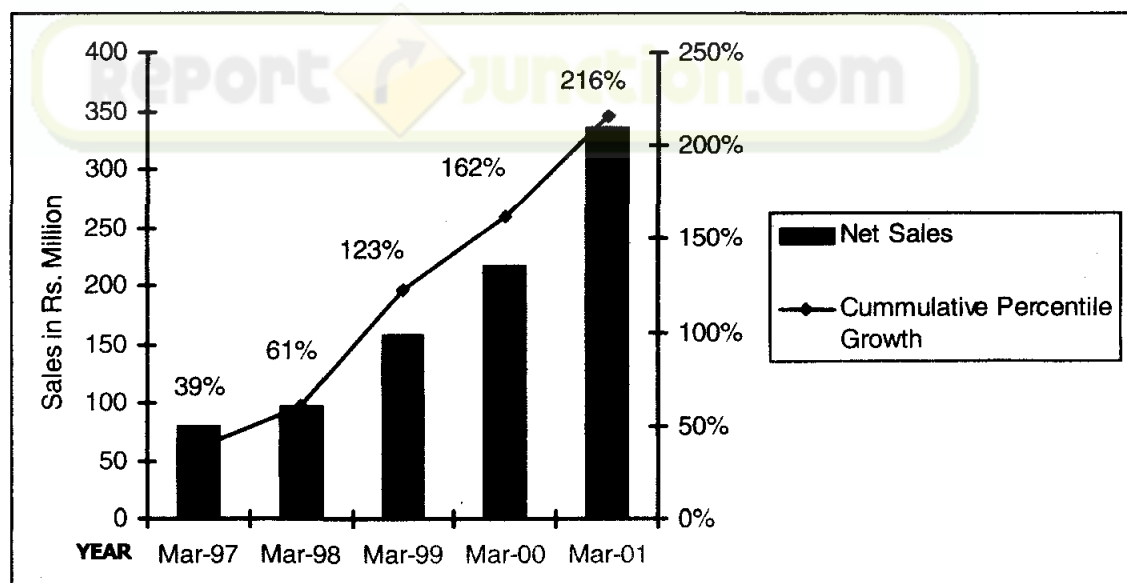
NITIN MOTANI
CHAIRMAN

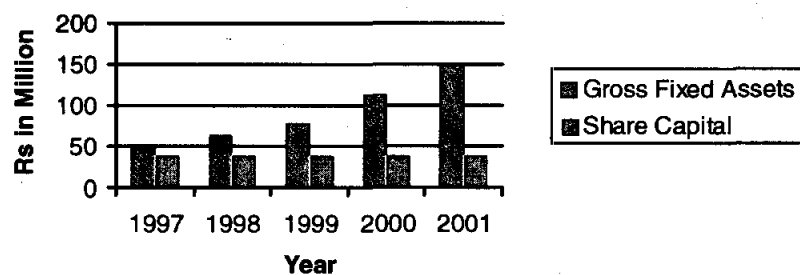
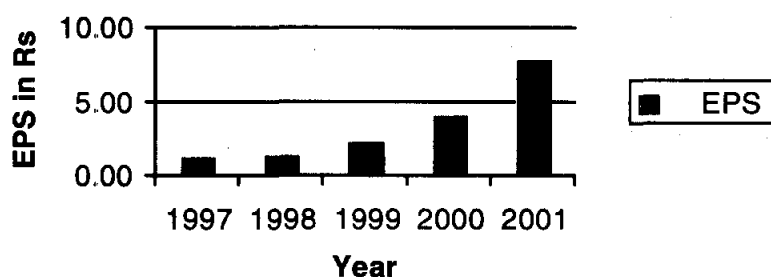
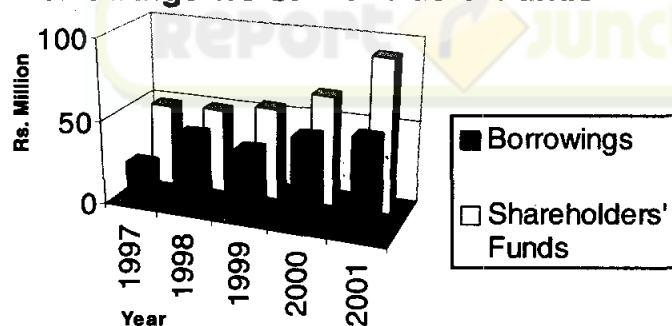
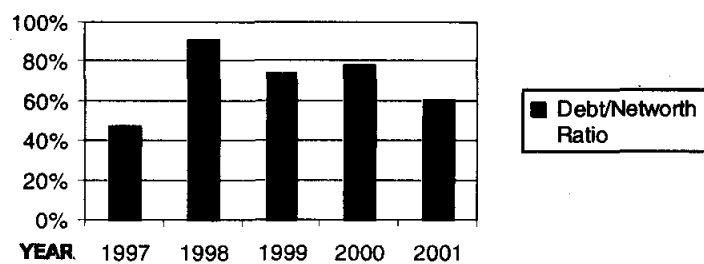
Sky Industries Limited

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	Mar-97	Mar-98	Mar-99	Mar-00	Mar-01
Net Sales	79.20	96.63	157.21	217.41	335.34
Other Income	5.24	3.36	4.62	1.10	2.94
Profit/Loss Before Taxation	6.71	6.70	11.43	18.17	38.35
% to Sales	8.5%	6.9%	7.3%	8.4%	11.4%
Taxation	1.60	1.25	2.25	2.04	7.00
Profit/Loss After Taxation	5.11	5.45	9.18	16.13	31.35
% to Sales	6.45%	5.64%	5.84%	7.42%	9.35%
Dividend on Equity Capital	3.97	3.97	3.97	3.97	4.77
%	10%	10%	10%	10%	12%
Gross Fixed Assets	50.64	62.69	77.63	112.76	149.98
Depreciation	4.26	4.66	6.91	7.35	11.71
Net Fixed Assets	46.38	58.03	70.72	105.41	138.27
Share Capital	39.76	39.76	39.76	39.76	39.76
Reserves	9.19	10.5	15.25	26.48	52.11
Shareholders' Funds	48.95	50.26	55.01	66.24	91.87
EPS	1.29	1.37	2.31	4.06	7.88
Cash EPS	2.36	2.54	4.05	5.91	10.83
Borrowings	23.61	45.87	40.92	52.42	56.03
Debt/Equity Ratio	48%	91%	74%	79%	61%
Book Value/Share	12.31	12.64	13.84	16.66	23.11

Incremental Sales Growth



Sky Industries Limited**Annual Report 2000 - 2001****Fixed Assets Vs Share Capital****Earning Per Share****Borrowings v/s Shareholders' Funds****Debt/Networth Ratio**

NOTICE

NOTICE is hereby given that the 12th ANNUAL GENERAL MEETING of the members of SKY INDUSTRIES LIMITED will be held on Saturday, 22nd of September, 2001 at 10:30 A.M. at the Registered Office of the Company to transact the following business:

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31st March 2001 and the Balance Sheet as at that date.
2. To declare the dividend.
3. To appoint a Director in place of Mr. Nitin Motani, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. Saurabh Motani, who retires by rotation and is eligible for reappointment.
5. To appoint Auditors to hold office from the conclusion of the ensuing Annual General Meeting, until the conclusion of the next Annual General Meeting and to fix their remuneration.
M/s G. M. Mehra & Associates, Chartered Accountants, Mumbai, Auditors of the Company, retire at this Annual General Meeting and are eligible for reappointment.

SPECIAL BUSINESS:

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

RESOLVED THAT pursuant to the provisions of Section 257 of the Companies Act 1956, Mr. S.V. Singh, who was appointed an Additional Director of the Company by the Board of Directors with effect from 28th May, 2001, under Section 260 of the Companies Act, 1956 and who holds office upto the date of the forthcoming Annual General Meeting of the Company, but who is eligible for reappointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director.

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

"RESOLVED THAT pursuant to the provisions of Sections 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as "the said Act" including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the approval of the Company, be and is hereby accorded to the appointment and remuneration of Mr. S.V. Singh as a Whole-time Director designated as Director (Personal and Administration) for a period of one year with effect from 28th May 2001, upon the terms and conditions with liberty to the Directors to alter and vary the terms and conditions of the said appointment and/or the said remuneration in such manner as may be agreed between the Directors and Mr. Singh.

REVISION IN TERMS OF REMUNERATION OF Mr. NITIN MOTANI, EXECUTIVE CHAIRMAN

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

"RESOLVED THAT IN PARTIAL modification of resolution No. 8 passed at the Eleventh Annual General Meeting of the Company held on 28th September 2001 for the reappointment and terms of remuneration of Mr. Nitin Motani, Executive Chairman of the Company and in accordance with the provisions of Sections 198, 269, 309 and 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as "The Act"), the Company hereby approves of the change in the maximum amount of Salary payable to Mr. Nitin Motani (including the remuneration to be paid in the event of loss or inadequacy of the profits in any financial year during the tenure of his appointment) with authority to the Board of Directors to fix his salary within such maximum amount increasing thereby proportionately all benefits related to the quantum of salary with effect from 1st September 2001 for the remainder of the tenure of his appointment."

REVISION IN TERMS OF REMUNERATION OF Mr. SHAILESH SHAH, MANAGING DIRECTOR

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

"RESOLVED THAT IN PARTIAL modification of resolution No. 6 passed at the Eleventh Annual General Meeting of the Company held on 28th September 2001 for the reappointment and terms of remuneration of Mr. Shailesh Shah, Managing Director of the Company and in accordance with the provisions of Sections 198, 269, 309 and 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as "The Act"), the Company hereby approves of the change in the maximum amount of Salary payable to Mr. Shailesh Shah (including the remuneration to be paid in the event of loss or inadequacy of the profits in any financial year during the tenure of his appointment) with authority to the Board of Directors to fix his salary within such maximum amount increasing thereby proportionately all benefits related to the quantum of salary with effect from 1st September 2001 for the remainder of the tenure of his appointment."

REVISION IN TERMS OF REMUNERATION OF Mr. SAURABH MOTANI, DIRECTOR

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

"RESOLVED THAT IN PARTIAL modification of resolution No. 7 passed at the Eleventh Annual General Meeting of the Company held on 28th September 2001 for the reappointment and terms of remuneration of Mr. Saurabh Motani, Director of the Company and in accordance with the provisions of Sections 198, 269, 309 and 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as "The Act"), the Company hereby approves of the change in the maximum amount of Salary payable to Mr. Saurabh Motani (including the remuneration to be paid in the event of loss or inadequacy of the profits in any financial year during the tenure of his appointment) with authority to the Board of Directors to fix his salary within such maximum amount increasing thereby proportionately all benefits related to the quantum of salary with effect from 1st September 2001 for the remainder of the tenure of his appointment."

REVISION IN TERMS OF REMUNERATION OF Mr. SHARAD SHAH, DIRECTOR

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

"RESOLVED THAT IN PARTIAL modification of resolution No. 9 passed at the Eleventh Annual General Meeting of the Company held on 28th September 2001 for the reappointment and terms of remuneration of Mr. Sharad Shah, Managing Director of the Company and in accordance with the provisions of Sections 198, 269, 309 and 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as "The Act"), the Company hereby approves of the change in the maximum amount of Salary payable to Mr. Sharad Shah (including the remuneration to be paid in the event of loss or inadequacy of the profits in any financial year during the tenure of his appointment) with authority to the Board of Directors to fix his salary within such maximum amount increasing thereby proportionately all benefits related to the quantum of salary with effect from 1st September 2001 for the remainder of the tenure of his appointment."

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

"RESOLVED that pursuant to the provisions of Section 293(1)(e) of the Companies Act, 1956, and other applicable provisions, if any, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to contribute to charitable and other funds not directly related to the business of the Company or to the welfare of its employees such amounts from time to time which the Board of Directors in its discretion deem fit, in any financial year to the extent of Rs.10 Lakhs or 5% of its average net profits as determined in accordance with the provisions of Section 349 and 350 of the Act during the three financial years immediately preceding, whichever is greater."

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

"RESOLVED that consent of the Company be and is hereby accorded to the Board of Directors under the provisions of Section 293(1) (d) of the Companies Act, 1956, to borrow any sum or sum of money from time to time (apart from temporary loans obtained from Company's bankers in the ordinary course of business) in excess of the aggregate of the paid-up capital of the Company and its free reserves (not set apart for any specific purpose) provided however, the total amount so borrowed at any time shall not exceed Rs. 50,00,00,000/- (Rupees Fifty Crores only).

Registered Office :
C-58, TTC Industrial Area,
Thane Belapur Road,
Pawane, Navi Mumbai - 400 705.
NAVI MUMBAI - 30th June, 2001

By the Order of the Board
NITIN MOTANI
Chairman

NOTES

- (a) The relative Explanatory Statements pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Item Nos. 6 to 13 set out above is annexed herewith.
- (b) A member entitled to attend & vote at the meeting is entitled to appoint a proxy to attend & vote in his place and the proxy need not be a member of the company. The instrument of proxy in order to be effective must be lodged at the registered office of the company not less than 48 hours before the time of the meeting.
- (c) The Transfer Books of the Company will remain closed from Saturday 15th September 2001 to September 22nd September 2001, both days inclusive.
- (d) If dividend on shares as recommended by the Directors is passed at the Meeting, the payment will be made to the shareholders whose names are on the Company's Register of Members on Saturday 15th September 2001. The dividend in respect of shares held in electronic form will be payable to the beneficial owner of the shares as on 15th September, 2001, as per details furnished by the Depositories for this purpose.
- (e) Members are requested to notify any change in their address to the Registrar and Share Transfer Agents of the Company, M/s Intime Spectrum Registry Pvt. Ltd., 260A, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (W). In all correspondence with the Company, members are requested to quote their folio numbers.

Registered Office :
C-58, TTC Industrial Area,
Thane Belapur Road,
Pawane, Navi Mumbai - 400 705.
NAVI MUMBAI - 30th June, 2001

By the Order of the Board
NITIN MOTANI
Chairman

EXPLANATORY STATEMENT

As required by Section 173 of the Companies Act, 1956, the following Explanatory Statement set out all material facts relating to the business mentioned in the accompanying Notice dated 30th June, 2001.

Item Nos. 6 & 7:

Mr. S.V. Singh was appointed as additional Director by the Board w.e.f. from 28th May 2001. In terms of Section 260 of the Act and article No. 127, of the Company's Articles of Association, Mr. S.V. Singh hold office as Director only till the date of the forthcoming Annual General Meeting, but is eligible for re-appointment. Notice has been received from a member as required by Section 257 of the Act, signifying intention to propose the candidature of Mr. S. V. Singh for office of the Director.

Mr. Singh has done his Master of Arts, Diploma in Industrial Relation and Personnel Management and also has a Degree in Training and Development. He has an experience of 33 years in the areas of Personnel and Human Resources Development. He joined this Company as General Manager (Personnel & Administration) since 1994. Subsequently w.e.f. from 28th May 2001 he was appointed as Additional Director and redesignated as Director (Personal and Administration)

Item Nos. 8 to 11:

At the Annual General Meeting of the Company held on 28th September 2001 the members had approved of the reappointment and remuneration of Mr. Nitin Motani, Executive Chairman, Mr. Shailesh Shah, Managing Director, Mr. Saurabh Motani, Director, and Mr. Sharad Shah, Director, together with such perquisites as specified in the explanatory statement annexed to the Notice of the meeting.

The Board of Directors at its meeting held on 30th of June 2001 has revised the maximum salary payable to Mr. Nitin Motani to Rs. 1,20,000/- per month, and Mr. Shailesh Shah Mr. Saurabh Motani, Mr. Sharad Shah to Rs. 112500/- w.e.f. from 1st September 2001 (with proportionate increase in the value of the benefits related to salary for the remainder of the tenure of his appointment, with the authority to the Board to fix the salary within the said maximum amount. The Board is of the view that the increase in remuneration proposed is commensurate with the responsibilities they have shouldered and recognised the contribution to the Company.

The following are the terms and conditions: -

(A) Remuneration:

- ◆ Mr. S. V. Singh – Rs. 33925/- per month
- ◆ Mr. Nitin Motani – Rs. 120000/- per month
- ◆ Mr. Shailesh Shah, Mr. Saurabh Motani, Mr. Sharad Shah - Rs. 112500/- per month

- (i) The remuneration is inclusive of Salary, perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance, together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs; medical reimbursement; leave travel concession for self and family; club fees; medical/accident insurance, and such other perquisites and allowance in accordance with the rules of the Company or as may be agreed to by the Board of Directors.

- (ii) For the purpose of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost.
- (iii) Benefits under the Provident Fund Scheme, the Company's Pension/Superannuation Fund Scheme in accordance with the Company's rules and regulations in force from time to time shall not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable, under the Income-tax Act, 1961. Gratuity payable as per the rules of the Company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration as aforesaid.
- (iv) Provision for use of the Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

(B) Minimum Remuneration :

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

1. These arrangements may be terminated by either party by giving six months' notice or the Company paying six months' remuneration in lieu thereof.
2. If at any time, they cease to be Directors of the Company for any cause whatsoever, they shall cease to be the Managing/Wholtime Directors of the Company.
3. The Directors shall not without the prior sanction of the Board of Directors:
 - (i) borrow moneys or make loans except within the limits previously fixed by the Board of Directors of the Company;
 - (ii) issue debentures;
 - (iii) make calls on shareholders in respect of moneys unpaid on shares in the Company;
 - (iv) Invest the funds of the Company in shares, stocks and securities.

The resolution for the revision in the salary payable to Mr.Nitin Motani, Mr. Shailesh Shah, Mr. Saurabh Motani, Mr. Sharad Shah and Mr. S. V. Singh is commended for acceptance by the members.

4. Mr. S. V. Singh is concerned or interested in Items Nos. 6 and 7 of the Notice concerning his appointment and remuneration and Mr. Nitin Motani, Mr. Shailesh Shah, Mr. Saurabh Motani, Mr. Sharad Shah are concerned or interested in Item No. 8 to 11 of the Notice pertaining to change in their remuneration.
5. This may be treated as abstract pursuant to Section 302 of the Companies Act, 1956.