

SKY INDUSTRIES LTD.



Report Junction

Thirteenth
Annual Report
2001-2002



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, TTC 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.



NOTICE

NOTICE is hereby given that the 13th ANNUAL GENERAL MEETING of the members of SKY INDUSTRIES LIMITED will be held on Saturday, 28th of September, 2002 at 10:30 A.M. at Hotel Abbott, Sec 2, Vashi, Navi Mumbai - 400 703 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2002, the Audited Profit and Loss Account for the year ended as at that date together with the Report of Board of Directors & Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Sharad Shah, who retires by rotation and being eligible offers himself for reappointment.
4. To Appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next annual general meeting and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification, the following resolution as a Special 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 re-appointment and remuneration of Mr. S.V. Singh as a Whole-time Director designated as Director (Personnel and Administration) with effect from 28th May 2002 till 30th September 2003, 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 within the limits as approved in such manner as may be agreed between the Directors and Mr. Singh.

Provided that the remuneration, as far as salary and perquisites are concerned, shall not exceed Rs. 50,000/- per month which the Company is entitled to pay in terms of paragraph 1 of Section II of Part II of Schedule XIII during the tenure of his appointment."

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

"RESOLVED THAT in partial modification of Resolution No. 8 passed at Twelfth Annual General Meeting of the Company held on 22nd September 2001, and in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any of the Companies Act, 1956, the Company hereby approves of the change in the maximum amount of the salary payable to Shri Nitin Motani, Executive Chairman (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment) with effect from 1st October 2002, with authority to the Board of Directors to fix his salary within such maximum amount to be considered and approved by the remuneration committee increasing thereby proportionately all benefits related to the quantum of salary.

Provided that the remuneration, as far as salary and perquisites are concerned, shall not exceed Rs. 240,000/- per month which the Company is entitled to pay in terms of paragraph 1 of Section II of Part II of Schedule XIII during the tenure of his appointment."

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

"RESOLVED THAT in partial modification of Resolution No. 9 passed at Twelfth Annual General Meeting of the Company held on 22nd September 2001, and in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any of the Companies Act, 1956, the Company hereby approves of the change in the maximum amount of the salary payable to Shri Shailesh Shah, Managing Director (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment) with effect from 1st October 2002, with authority to the Board of Directors to fix his salary within such maximum amount to be considered and approved by the remuneration committee increasing thereby proportionately all benefits related to the quantum of salary.

Provided that the remuneration, as far as salary and perquisites are concerned, shall not exceed Rs. 240,000/- per month which the Company is entitled to pay in terms of paragraph 1 of Section II of Part II of Schedule XIII during the tenure of his appointment."

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

"RESOLVED THAT in partial modification of Resolution No. 10 passed at Twelfth Annual General Meeting of the Company held on 22nd September 2001, and in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any of the Companies Act, 1956, the Company hereby approves of the change in the maximum amount of the salary payable to Shri Saurabh Motani, Executive Director (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment) with effect from 1st October 2002, with authority to the Board of Directors to fix his salary within such maximum amount to be considered and approved by the remuneration committee increasing thereby proportionately all benefits related to the quantum of salary.

Provided that the remuneration, as far as salary and perquisites are concerned, shall not exceed Rs. 240,000/- per month which the Company is entitled to pay in terms of paragraph 1 of Section II of Part II of Schedule XIII during the tenure of his appointment."

9. To consider and if thought fit, to pass with or without modification the following Resolution as a Special Resolution: -
 "RESOLVED THAT in partial modification of Resolution No. 11 passed at Twelfth Annual General Meeting of the Company held on 22nd September 2001, and in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any of the Companies Act, 1956, the Company hereby approves of the change in the maximum amount of the salary payable to Shri Sharad Shah, Executive Director (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment) with effect from 1st October 2002, with authority to the Board of Directors to fix his salary within such maximum amount to be considered and approved by the remuneration committee increasing thereby proportionately all benefits related to the quantum of salary.
 Provided that the remuneration, as far as salary and perquisites are concerned, shall not exceed Rs. 240,000/- per month which the Company is entitled to pay in terms of paragraph 1 of section II of Part II of Schedule XIII during the tenure of his appointment."
10. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:
 "RESOLVED THAT subject to provisions of the Companies Act 1956 (including any statutory modification or re-enactment thereof for the time being in force), Securities Contracts (Regulation) Act, 1956 and the rules framed thereunder, guidelines of the Securities and Exchange Board of India, prescribed in this regard, Listing Agreements with the Stock Exchanges and all other applicable laws, rules, regulations and guidelines and also subject to such approvals, permission, sanctions, terms and conditions as may be prescribed or imposed by any authority while granting such approvals, permission and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the Board), which terms shall be deemed to include any committee thereof for the time being exercising the powers conferred on the Board by the resolution, the consent of the Company be and is hereby accorded to the Board to de-list the equity shares of the Company from the Stock Exchanges at Calcutta, Ahmedabad & Jaipur.

NOTES:

- a) 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.
- b) 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 relative Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business set out under Item Nos. 5 to 10 is annexed hereto and forms part of this Notice.
- d) Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company atleast seven days in advance so as to enable the Company to keep the information ready.
- e) The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 21st September 2002, to Saturday 28th September 2002 (both days inclusive), to decide the entitlement of members for payment of Dividend that may be declared at the Annual General Meeting.
- f) The dividend on shares for the financial year ended 31/03/02 as recommended by the Directors, if declared at the meeting will be payable on or after 28th September 2002 - to the shareholders whose names are on the Company's Register of Members on 28th September 2002 - to those deemed members whose name appear on statement of beneficial ownership furnished by the Depositories at the end of business hours on 20th September 2002.
- g) Pursuant to amended provisions of Income Tax Act 1961, the dividend that would be paid during the financial year 2002-03 exceeding an amount of Rs. 1000/-* to individual shareholders shall be subject to deduction of tax at applicable rates. In such cases, the members who are entitled for non-deduction of tax may file with the Company a declaration in Form - 15 G in duplicate on or before 28th September 2002. * since revised to Rs. 2,500/-.
- h) The members are requested to intimate the Company their Permanent Account numbers (PAN) alongwith designation and particulars of the ward/circle/range of Assessing Office to enable the Company to mention these details on the Tax Deduction Certificate, wherever applicable, in terms of Section 139(A) (5A) and (5B) of the Income Tax Act, 1961.
- i) Pursuant to Section 205A of the Companies Act 1956 unpaid dividend for the financial year 1996-97 onwards remaining unpaid or unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund. The shareholders who have not encashed their dividend warrants for any year as stated above are requested to write to the Company for issue of Duplicate warrants.
- j) 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) Mumbai-80. In all correspondence with the Company, members are requested to quote their folio numbers.

By Order of the Board of Directors

Sd/-

Shailesh Shah
 Managing Director

Place: Mumbai
 Date: 29th June 2002



EXPLANATORY STATEMENT

As required by Section 173(2) of the Companies Act, 1956, the following Explanatory Statement set out all material facts relating to the special business bearing item Nos. 5 to 10 and forming part of the accompanying Notice dated 29th June, 2002.

Item Nos. 5:

Mr. S.V. Singh was appointed as Whole Time Director by the members at the 12th Annual General Meeting and whose terms ended on 27th May 2002. Pursuant to the same the Board of Directors re-appointed Mr. S.V. Singh w.e.f. from 28th May 2002 till 30th September 2003 including the remuneration payable to him. The Company during his tenure as Director (Personnel and Administration) has immensely benefited from his contribution and rich experience. The Board felt that the Company still needs his services for some period and therefore propose his re-appointment by the members at the ensuing Annual general meeting. The Remuneration proposed to Mr. S. V. Singh under the said resolution is within the maximum limit of Rs. 50,000/- per month.

Except Mr. Singh none of the Directors are interested or concerned in the re-appointment.

Item Nos. 6 to 9:

At the Annual General Meeting of the Company held on 28th September 2000 the members had approved of the reappointment and remuneration of Mr. Nitin Motani Executive Chairman, Mr. Shailesh Shah, Managing Director, Mr. Saurabh Motani, Executive Director, and Mr. Sharad Shah, Executive 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 29th of June 2002 has proposed for consideration by the Remuneration Committee to be constituted in the near future the maximum salary payable to Mr. Nitin Motani, Mr. Shailesh Shah Mr. Saurabh Motani & Mr. Sharad Shah to Rs. 2,40,000/- p.m. w.e.f. from 1st October 2002 (with proportionate increase in the value of the benefits related to salary for the remainder of the tenure of their appointment, with the authority to the Board to fix the salary within the said maximum amount but within the limits of Schedule XIII of the responsibilities they have shouldered and recognised the contribution to the Company.

The following are the terms and conditions :-

(A) Remuneration : Rs. 2,40,000/- per month each

(B) Additional Terms of Appointment :

- (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.

(C) 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. If at any time, they cease to be Directors of the Company for any cause whatsoever, they shall cease to be the Managing/Wholetime Directors of the Company.
2. 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.

3. All the Directors are concerned or interested in Items Nos. 6 and 9 of the Notice concerning their remuneration.
4. This may be treated as abstract pursuant to Section 302 of the Companies Act, 1956.

Item Nos. 10:

At present, the Company's shares are listed on three Stock Exchanges, viz. The Stock Exchange, Mumbai (the Regional Stock Exchange), The Stock Exchange, Ahmedabad, The Calcutta Stock Exchange Association Limited, The Jaipur Stock Exchange Limited.

Over the years it has been found that the trading in Company's equity shares takes place only on BSE and there have been hardly any trading on the Stock Exchanges other than the Regional Stock Exchange.

Also owing to the extensive networking of BSE and extension of BSE to other cities also, investors have access to online dealings in the Company's shares across the country.

Since January 2002, the Securities and Exchange Board of India has specified trading in the Company's equity shares and settlement thereof only in Dematerialized form by all investors.

In view of the above, it is felt that the investors/shareholders of the Company will in no way be adversely affected, if the Company gets its equity shares de-listed from the said three Stock Exchanges at Ahmedabad, Calcutta and Jaipur.

Considering the cost curtailing measures initiated by the Company, your Directors have proposed the Special Resolution under this head of item, which will enable your Company to delist its equity shares from The Stock Exchange, Ahmedabad, The Calcutta Stock Exchange Association Limited, The Jaipur Stock Exchange Limited, at an appropriate time in future, which will be decided by the Board of Directors of the Company depending upon the relevant circumstances.

In line with the SEBI regulations and approvals if any, that may be required, consent of the members of the Company is being sought by special resolution proposed under this item for enabling the Company / its Board of Directors to voluntarily delist its equity shares from aforesaid three Stock Exchanges.

The Proposed delisting of the Company's securities from The Stock Exchange, Ahmedabad, The Calcutta Stock Exchange Association Limited, The Jaipur Stock Exchange Limited, as and when the same takes place, will not adversely affect the shareholder/investors. The Company's securities will continue to be listed on BSE as the regional stock exchange. The delisting will take place after all approvals, permissions and sanctions are obtained. The exact Date on which delisting will take effect will be notified at that time.

Your Directors feel that the proposed Special Resolution on the above matter will be in the interest of the Company and therefore recommend the same for your approval.

None of the directors of the Company are, in any way, concerned or interested in the said resolution.

Hence this resolution for adoption by members.

By Order of the Board of Directors

sd/-

Place: Mumbai

Date: 29th June 2002

Shailesh Shah
Managing Director



ADDITIONAL INFORMATION PURSUANT TO THE PROPOSED INCREASE IN MANAGERIAL REMUNERATION AS PER THE COMPANIES ACT 1956. (PART OF EXPLANATORY STATEMENT)

I. General Information :

The Narrow Woven fabric industry in India is mainly comprised of players from private sector and is represented by a mix of large companies with national presence as well as a number of small companies with regional focus as well as some players in the unorganized sector.

The Company is a leader in the premium segment of the Industry and presently caters to over 70% of this market. The Company also is a major player in the organized sector of the industry.

The Company already has units in Vashi and Sachin, Surat for manufacturing of Narrow Woven Fabrics. The Unit at Vashi is into manufacturing of Hook & Loop Tape Fasteners.

Financial performance

Figures in Rs. Lacs

Particulars	Year ended 31.03.2001	Year ended 31.03.2002
NET SALES	3353	3361
PROFIT BEFORE TAX	383	408
NET PROFIT	313	338
PAID UP EQUITY SHARE CAPITAL	398	398
EARNING PER SHARE (Rs)	7.86	8.49

The Exports for the year were Rs. 880.72 Lacs as compared to Rs. 803.65 Lacs in the previous year registering a growth of 10% for the year. The overall sluggishness in the international economy contributed widely to the decelerated growth of the same.

The Company does not envisage foreign investment or collaborations in near future.

II. Information about the appointees :

(1) Background details

1 NAME	NITIN K. MOTANI
DESIGNATION	CHAIRMAN
QUALIFICATIONS	B.COM
EXPERIENCE	Qualified in the year 1976, he was associated with the family business and has vast experience in the field of Textile and Garment Industry. Since 1984 he has promoted firms viz: S K Exports, S K Silks, S K Overseas etc. who have been in the business of Trading and Exports of various Textile and textile related products and indenting agents for foreign companies in respect of machinery and rubber threads. The commercial part and day to day operations of the company vests with him. His knowledge and skills in the field of Textiles has proved to be an asset to the group.
2 NAME	SHAILESH S. SHAH
DESIGNATION	MANAGING DIRECTOR
QUALIFICATIONS	M.COM
EXPERIENCE	Mr. Shailesh Shah also has vast knowledge in the field of Textile, Marketing, Commercial and Administrative Matters. He was also associated along with Nitin Motani since the formation of the Company and its inception. The entire Marketing & Production activities, Planning etc. is being looked after by him including the day to day management of the Company. His hardwork and dedication towards upbringing of the Company is marvelous.

3 NAME SAURABH K. MOTANI

DESIGNATION DIRECTOR

QUALIFICATIONS B.E (ELECTRONICS)

EXPERIENCE Mr. Saurabh Motani, has a tremendous experience and knowledge in the Technical field and has been associated with the Company for the past 7-8 years. His visits abroad for various technical matters have given the Company a big boost. His contribution towards the Company throughout has been very useful.

4 NAME SHARAD S. SHAH

DESIGNATION DIRECTOR

QUALIFICATIONS B.COM

EXPERIENCE Mr. Sharad Shah is a Commerce Graduate and is also Co-promoter of S K Exports, S K Silks, S K Overseas with Mr. Nitin Motani, Shailesh Shah and Mr. Saurabh Motani. He has also been associated himself with his family business and is therefore closely active regarding the administrative matters of the Company. His decade of experience in the field of Textile has proved to be an asset to the Company.

The Managerial Remuneration presently being paid to Mr. Nitin Motani Rs. 1,20,000/- p.m. The remuneration to Mr. Sharad Shah, Mr. Shailesh Shah and Mr. Saurabh Motani was Rs. 1,12,500/- p.m.

The Revised Remuneration proposed as above is subject to the approval of the Remuneration Committee as and when constituted and the Company shall pay the revised remuneration only after the Committee approves the same and is considered by the Board.

The Company being one of the largest in the industry and being a leader in the industry, having a market share of over 70% and their being no other major player in the industry, the comparison cannot be made.

Mr. Nitin Motani, Mr. Sharad Shah, Mr. Shailesh Shah and Mr. Saurabh Motani are the promoters of the Company and are related to each other.

III. Other information :

The proposed remuneration payable to the Managerial Personnel are above the limits prescribed under Section 198 of the Companies Act 1956. Hence the same is being proposed to be given under Schedule XIII of the Act.

The Company has taken steps to reduce the cost of production and enhance the profitability. The Company is also looking at expanding its market share internationally and boost its earnings in the long term. These steps are expected to increase the profitability of the Company.

IV. Disclosures :

The remuneration package of the managerial persons mentioned above are consisting of Basic Salary, House Rent Allowance, Leave Travel Allowance and Medical Allowance

Since the Corporate Governance guidelines are going to be applicable from March 31, 2003 onwards, no separate details of the Remuneration paid to the Managerial Persons mentioned herein above are available in the Note on Corporate Governance under the Directors' Report. However, apart from the components above mentioned, no bonus, stock options or pensions are being offered to any of the Managerial Persons. Neither the Company pays any performance linked incentive to the persons mentioned above. The contract of the Managerial Persons is for five years w.e.f October 1, 2000. There is no severance package offered to them.



DIRECTORS' REPORT

The Directors have pleasure in presenting the 13th Annual Report and the audited accounts for the financial year ended 31st March 2002.

Financial Results

AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31st March 2002

(Figures in Rs Lacs)

Particulars	Previous Year ended 31.03.2001 (Audited)	Current Year ended 31.03.2002 (Audited)	Consolidated for Year ended 31.03.2002 (Audited)
NET SALES	3,353	3,361	3,376
OTHER INCOME	29	46	46
TOTAL INCOME	3,383	3,407	3,422
TOTAL EXPENDITURE			
a. (Increase)/Decrease in Stock in Trade	-28	-135	-135
b. Consumption of Raw Material	1,997	1,808	1,829
c. Staff Cost	227	310	342
d. Other Expenditure	583	764	746
INTEREST	103	111	111
DEPRECIATION	117	141	144
PROFIT BEFORE TAX	383	408	385
PROVISION FOR TAXATION	70	54	55
DEFERRED TAXATION	-	16	16
NET PROFIT	313	338	314
PAID UP EQUITY SHARE CAPITAL	398	398	
RESERVES EXCL. REVALUATION RESERVES	521	677	
Earning Per Share (Rs) (Not Annualised)	7.86	8.49	

MANAGEMENT DISCUSSION AND ANALYSIS:

Industry Structure & Development.

The Narrow Woven fabric industry in India is mainly comprised of players from private sector and is represented by a mix of large companies with national presence as well as a number of small companies with regional focus as well as some players in the unorganized sector.

The Company is a leader in the premium segment of the Industry and presently caters to over 70% of this market. The Company is also a major player in the organized sector of the industry.

Business Review:

Your Directors are pleased to summarize the results for the year ended 31st March 2002. The Company achieved a turnover of Rs. 35.28 crores as compared to Rs. 34.5 crores in the previous year. The lower realisations owing to overall sluggishness in the economy contributed to the dip in the topline growth.

The Net profit of the Company rose to Rs. 338 Lakhs, showing an increase of 8% over the previous year.

The Company's unit at Vashi manufacturing Hook & Loop Tapes saw an increase in production levels from 637 lacs to 648 lacs as compared in the previous year. Also, the Unit achieved the ISO 9002(1994) certification from RWUTV, Germany.

The Unit at Surat Special Economic Zone has commenced operations and capacity enhancement carried out for various narrow woven fabrics manufacturing, the benefits of which were partially accrued to the Company in the year. The production for the entire year was 740.77 lac mtrs (221.38 Lacs mtrs in the previous year) as well as the sales were 740.77 lac mtrs (161.54 lac mtrs in the previous year)

Opportunities

The major product of the Company, i.e. the Hook & Loop Tape fastener is considered as the best trouble free fastening solution. Thus many new applications are being introduced. This in turn will lead to increase in demand of these products in future. Also the Company has its presence in various product categories of the industry in which there is a attractive growth opportunity.

The increase in production would also help the Company in reducing the overhead costs and achieve the economies of scale and act as a effective entry barrier to the new entrants.

Over the years, the Company has built up a strong dealership and distribution network which can be leveraged to introduce a similar product in the market.

Also the company has put in efforts to promote its brands under the umbrella brand of SKY and has it self well established in the domestic market.

The products of the company are accepted by various International markets, which is evident from additional customers the company is catering to. Thus the Company foresees a increase in demand in its products from new customers apart from the existing customers.

Challenges

The Company foresees competition from the developing nations as the market dynamics change after the major of countries are signatories to the WTO. Also there is a threat of entry of MNC players in this sector. However as discussed above, the Company with its dominant market position, strong distribution network and focus on brands would ensure a sustained growth of the Company.

Overall, we also find that in our country, there are unethical trade practices in the organized sector which are more likely to harm a nascent industry like ours. The government is expected to take a proactive stand to counter the menace.

Change in styles/designs etc. can cause a drop in sales which is a threat that the Company is encountering. This is a normal risk associated with the business and the Company. However, the Company is diversifying into various value added products in which there a growth opportunity in future.

Outlook

The Company is poised to take advantage of its position to take advantage of emerging attractive opportunities in the Indian and International economy by offering a wide range of products.

Internal Control Systems & their Adequacy

The system of internal control comprises controls established to provide reasonable assurance of:

- maintenance of proper accounting records and its accuracy.
- safeguarding assets.

The business risks and its control procedures are reviewed frequently. Reports are prepared and circulated to senior management and action taken to strengthen controls where necessary. The key business processes and controls are reviewed by the internal audit department.

Normal foreseeable risks to the Company's assets are adequately covered by comprehensive insurance. Safety audits are conducted regularly.

Human Resources & Industrial Relations:

Your Company continued to have cordial relations with its employees. The Company has a team of able and experienced industry professionals in its ranks. As of 31st March, 2002, the total number of employees on the rolls of the Company was 306.

EXPORTS

The Exports for the year were at Rs. 880.72 Lacs as compared to Rs. 803.65 Lacs in the previous year registering a growth of 10% for the year. The overall sluggishness in the international economy contributed widely to the decelerated growth of the same.

DIVIDENDS

The Directors have declared a dividend of Rs. 1.4 per Equity share on 3976400 Equity shares of Rs. 10/- each for the financial year ended 31st March, 2002, which if approved at the forthcoming Annual General Meeting will be paid

- to the shareholders whose names are on the Company's Register of Members on 28th September 2002
- to those deemed members whose name appear on statement of beneficial ownership furnished by the Depositories at the end of business hours on 20th September 2002.