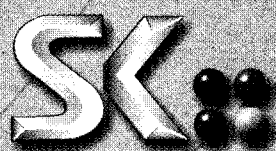


*Fourteenth*

# *Annual Report*

*2002-2003*



**SKY INDUSTRIES LTD.**





# SKY INDUSTRIES LTD.

## **BOARD OF DIRECTORS**

Mr. Nitin Motani (Chairman)  
 Mr. Sharad Shah  
 Mr. Shailesh Shah  
 Mr. Saurabh Motani  
 Mr. S. V. Singh (upto 26-7-2003)  
 Mr. Kamal Mehra  
 Mr. Nikhil Mehra  
 Mrs. Savita Motani  
 Mr. P. Swamidass  
 Mr. Sanjay Lad  
 Mr. Maikal Raorani (from 31-7-2003)

## **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, Navi Mumbai - 400 705.

## **SHARE TRANSFER AGENTS**

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

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## SKY INDUSTRIES LIMITED

## NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of the members of SKY INDUSTRIES LIMITED will be held on Friday, the 26<sup>th</sup> September, 2003 at 10.30 a.m. at Hotel Abott, Sector 2, Vashi, Navi Mumbai - 400 703 to transact the following business :

1. To receive, consider and adopt the Balance Sheet as at 31<sup>st</sup> March 2003 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Nitin Motani, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Saurabh Motani, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to authorise the Audit Committee to fix their remuneration.
6. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:  
To appoint a Director in place of Mr. Kamal Mehra, who was appointed as an Additional Director of the Company, pursuant to Article 109 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting by reason of Section 260 of the Companies Act, 1956, but being eligible, offers himself for re-appointment and in respect of whom the Company has received a notice in writing from some shareholders proposing his candidature for the office of Director.
7. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:  
To appoint a Director in place of Mr. Nikhil Mehra, who was appointed as an Additional Director of the Company, pursuant to Article 109 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting by reason of Section 260 of the Companies Act, 1956, but being eligible, offers himself for re-appointment and in respect of whom the Company has received a notice in writing from some shareholders proposing his candidature for the office of Director.
8. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:  
To appoint a Director in place of Mrs. Savita Motani, who was appointed as an Additional Director of the Company, pursuant to Article 109 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting by reason of Section 260 of the Companies Act, 1956, but being eligible, offers herself for re-appointment and in respect of whom the Company has received a notice in writing from some shareholders proposing her candidature for the office of Director.
9. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:  
To appoint a Director in place of Mr. P. Swamidass, who was appointed as an Additional Director of the Company, pursuant to Article 109 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting by reason of Section 260 of the Companies Act, 1956, but being eligible, offers himself for re-appointment and in respect of whom the Company has received a notice in writing from some shareholders proposing his candidature for the office of Director.
10. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:  
To appoint a Director in place of Mr. Sanjay Lad, who was appointed as an Additional Director of the Company, pursuant to Article 109 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting by reason of Section 260 of the Companies Act, 1956, but being eligible, offers himself for re-appointment and in respect of whom the Company has received a notice in writing from some shareholders proposing his candidature for the office of Director.
11. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:  
To appoint a Director in place of Mr. Maikal Raorani, who was appointed as an Additional Director of the Company, pursuant to Article 109 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting by reason of Section 260 of the Companies Act, 1956, but being eligible, offers himself for re-appointment and in respect of whom the Company has received a notice in writing from some shareholders proposing his candidature for the office of Director.
12. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:  
"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, the consent of the Company be and is hereby accorded to the terms of appointment of Mr. Maikal Raorani as a Wholetime Director for a period commencing from 31<sup>st</sup> July, 2003 to 30<sup>th</sup> September, 2004 (both days inclusive), on the remuneration and perquisites as set out in the draft Agreement to be entered into between the Company and Mr. Maikal Raorani placed before the meeting and initialled by the Chairman for the purpose of identification.

RESOLVED FURTHER THAT the Directors of the Company be and are hereby authorised to enter into an Agreement on behalf of the Company with Mr. Maikal Raorani in terms of the aforesaid draft Agreement."

## SKY INDUSTRIES LIMITED

13. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:  
 "RESOLVED THAT in modification of the Special Resolution passed by the Members at the Annual General Meeting of the Company held on 28<sup>th</sup> September, 2002, and subject to provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force and as may be enacted hereinafter), the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and subject also to such approvals, permissions, sanctions which may be agreed to, by the Board of Directors of the Company ( hereinafter referred to as the Board), the consent of the Company be and is hereby accorded to the Board to delist the equity shares of the Company from The Stock Exchange, Ahmedabad, The Calcutta Stock Exchange Association Limited and The Jaipur Stock Exchange Limited.
- RESOLVED FURTHER THAT the Board be and is hereby authorised to take all necessary steps in this regard in order to comply with the legal and /or procedural formalities, including authorising any of the Directors /officers/executives of the Company to do all such acts, deeds or things to give effect to the above".

For and on behalf of the Board

Sd/-

NITIN MOTANI  
Chairman

Mumbai, 31<sup>st</sup> July, 2003

### **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) 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 setout under Items No. 6 to 13 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 Friday, 19<sup>th</sup> September, 2003, to Friday, 26<sup>th</sup> September, 2003 (both days inclusive), to decide the entitlement of members for payment of Dividend that may be declared at the Annual General Meeting.
- f) Dividend, when declared, will be paid on or after 1<sup>st</sup> October, 2003, only to those members whose names are registered as such in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company on or before 18<sup>th</sup> September, 2003 and to the Beneficiary Holders as per the Beneficiary list on the close balances of 18<sup>th</sup> September, 2003, provided by the NSDL and CDSL.
- g) 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.
- h) 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., C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai - 400 078. In all correspondence with the Company, members are requested to quote their folio numbers.

## 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 items No. 6 to 13 and forming part of the accompanying Notice dated 31<sup>st</sup> July, 2003.

### Item No. 6 :

Mr. Kamal Mehra was appointed as an Additional Director of the Company on 31<sup>st</sup> March, 2003. Pursuant to Section 260 of the Companies Act, 1956 ("the Act") read with Article 109 of the Articles of Association, Mr. Kamal Mehra holds office only upto the date of the forthcoming Annual General Meeting.

Notice in writing has been received from some shareholders of the Company pursuant to Section 257 of the Act, signifying their intention to propose Mr. Kamal Mehra as a candidate for the office of Director. As required by Section 257 of the Act, the Shareholders giving notice have deposited a sum of Rs. 500 with the Company which shall be refunded if Mr. Kamal Mehra is elected as Director.

Mr. Kamal Mehra, aged 52, has rich and vast experience and knowledge of the Textile Industry. The Board of Directors of the Company is of the view that the services of Mr. Kamal Mehra will be useful to the Company.

Mr. Kamal Mehra is interested in the Resolution at Item No.6 of the accompanying Notice since it relates to his own appointment.

Except Mr. Nikhil Mehra, who is related to Mr. Kamal Mehra, none of the other Directors of the Company are in any way concerned or interested in the resolution.

### Item No. 7

Mr. Nikhil Mehra was appointed as an Additional Director of the Company on 31<sup>st</sup> March, 2003. Pursuant to Section 260 of the Companies Act, 1956 ("the Act") read with Article 109 of the Articles of Association, Mr. Nikhil Mehra holds office only upto the date of the forthcoming Annual General Meeting.

Notice in writing has been received from some shareholders of the Company pursuant to Section 257 of the Act, signifying their intention to propose Mr. Nikhil Mehra as a candidate for the office of Director. As required by Section 257 of the Act, the Shareholders giving notice have deposited a sum of Rs. 500 with the Company which shall be refunded if Mr. Nikhil Mehra is elected as Director.

Mr. Nikhil Mehra, aged 29, is a Management expert and has made significant contribution in developing marketing strategies. The Board of Directors of the Company is of the view that the services of Mr. Nikhil Mehra will be useful to the Company.

Mr. Nikhil Mehra is interested in the Resolution at Item No.7 of the accompanying Notice since it relates to his own appointment.

Except Mr. Kamal Mehra, who is related to Mr. Nikhil Mehra, none of the other Directors of the Company are in any way concerned or interested in the resolution.

### Item No. 8

Mrs. Savita Motani was appointed as an Additional Director of the Company on 31<sup>st</sup> March, 2003. Pursuant to Section 260 of the Companies Act, 1956 ("the Act") read with Article 109 of the Articles of Association, Mrs. Savita Motani holds office only upto the date of the forthcoming Annual General Meeting.

Notice in writing has been received from some shareholders of the Company pursuant to Section 257 of the Act, signifying their intention to propose Mrs. Savita Motani as a candidate for the office of Director. As required by Section 257 of the Act, the Shareholders giving notice have deposited a sum of Rs. 500 with the Company which shall be refunded if Mrs. Savita Motani is elected as Director.

Mrs. Savita Motani, aged 70, has lot of experience in field of textiles and accounts and her experience will be valuable to the growth of the organisation. The Board of Directors of the Company is of the view that the services of Mrs. Savita Motani will be useful to the Company.

Mrs. Savita Motani is interested in the Resolution at Item No.8 of the accompanying Notice since it relates to his own appointment.

Except Mr. Nitin Motani, Mr. Shailesh Shah, Mr. Saurabh Motani and Mr. Sharad Shah who are related to Mrs. Savita Motani, none of the other Directors of the Company are in any way concerned or interested in the resolution.

## SKY INDUSTRIES LIMITED

### Item No. 9

Mr. P.Swamidass was appointed as an Additional Director of the Company on 31<sup>st</sup> March, 2003. Pursuant to Section 260 of the Companies Act, 1956 ("the Act") read with Article 109 of the Articles of Association, Mr. Swamidass holds office only upto the date of the forthcoming Annual General Meeting.

Notice in writing has been received from some shareholders of the Company pursuant to Section 257 of the Act, signifying their intention to propose Mr. Swamidass as a candidate for the office of Director. As required by Section 257 of the Act, the Shareholders giving notice have deposited a sum of Rs. 500 with the Company which shall be refunded if Mr. Swamidass is elected as Director.

Mr. Swamidass, aged 38, has rich experience and vast knowledge in the field of the accounts and systems. The Board of Directors of the Company is of the view that the services of Mr. Swamidass will be useful to the Company.

Mr. Swamidass is interested in the Resolution at Item No. 9 of the accompanying Notice since it relates to his own appointment.

None of the other Directors of the Company are in any way concerned or interested in the resolution.

### Item No. 10

Mr. Sanjay Lad was appointed as an Additional Director of the Company on 31<sup>st</sup> March, 2003. Pursuant to Section 260 of the Companies Act, 1956 ("the Act") read with Article 109 of the Articles of Association, Mr. Lad holds office only upto the date of the forthcoming Annual General Meeting.

Notice in writing has been received from some shareholders of the Company pursuant to Section 257 of the Act, signifying their intention to propose Mr. Lad as a candidate for the office of Director. As required by Section 257 of the Act, the Shareholders giving notice have deposited a sum of Rs. 500 with the Company which shall be refunded if Mr. Lad is elected as Director.

Mr. Lad, aged 34, Mr. Lad has rich experience in the field of finance and accounts. The Board of Directors of the Company is of the view that the services of Mr. Lad will be useful to the Company.

Mr. Lad is interested in the Resolution at Item No.10 of the accompanying Notice since it relates to his own appointment.

None of the other Directors of the Company are in any way concerned or interested in the resolution.

### Items No. 11 and 12

The Board of Directors of the Company at its meeting held on 31<sup>st</sup> July, 2003, has appointed Mr. Maikal Raorani as an Additional Director of the Company. Pursuant to Section 260 of the Companies Act, 1956 ("the Act") read with Article 109 of the Articles of Association, Mr. Raorani holds office only upto the date of the forthcoming Annual General Meeting.

Notice in writing has been received from some shareholders of the Company pursuant to Section 257 of the Act, signifying their intention to propose Mr. Raorani as a candidate for the office of Director. As required by Section 257 of the Act, the Shareholders giving notice have deposited a sum of Rs. 500 with the Company which shall be refunded if Mr. Raorani is elected as Director.

Mr. Raorani has also been appointed as a Wholetime Director of the Company for a period commencing from 31<sup>st</sup> July, 2003 and ending on 30<sup>th</sup> September, 2004 (both days inclusive).

The remuneration and perquisites to be paid or granted to Mr. Raorani, referred to in the Resolution at Item No. 12 of the Notice, are set out in the draft Agreement between the Company and Mr. Raorani.

The appointment of Mr. Raorani as a Wholetime Director and the remuneration and perquisites proposed to be paid to be paid or granted to him as set out in the aforesaid draft Agreement are in conformity with the provisions and requirements of Schedule XIII to the Companies Act, 1956. These are however, subject to the approval of the shareholders in general meeting, pursuant to Sections 198, 269 and 309 and other applicable provisions of the Companies Act, 1956. Hence, the Resolution at Item No. 12 of the Notice

Mr. Raorani, aged 30, B.E. (Electronics & Communications), MBA (Finance), with a varied experience of around 8 years, joined the Company during the year 2000, and had been handling finance, accounts, legal and commercial functions prior to his appointment on the Board as Additional Director and Wholetime Director as aforesaid.

The material terms of the draft Agreement referred to in the Resolution at Item No.12 of the Notice are as follows:

1. The appointment of Mr. Maikal Raorani as a Wholetime Director of the Company shall be for a period commencing from 31<sup>st</sup> July, 2003 and ending on 30<sup>th</sup> September, 2004, (both days inclusive) subject to the same being previously determined as provided for in the agreement.



## SKY INDUSTRIES LIMITED

2. Mr. Raorani shall exercise all such powers and perform all such functions and duties as may be entrusted to him by the Chairman / Managing Director and/or the Board of Directors of the Company and be subject to such restrictions as the Chairman / Managing Director and/or the Board of Directors of the Company may from time to time specify.
3. Mr. Raorani shall report to the Chairman / Managing Director and be responsible for all his actions to the Chairman / Managing Director as well as to the Board. Management of the whole or substantially the whole of the affairs of the Company will not vest in Mr. Raorani.
4. Mr. Raorani shall devote his wholetime, attention and abilities during business hours to the business of the Company and undertake travelling in India and abroad for the same.
5. Remuneration : Mr. Raorani shall be entitled to the following emoluments, salary and perquisites and allowances, subject to the limits laid down under Sections 198 and 309 and Schedule XIII to the Companies Act, 1956 :

Salary, Perquisites and Allowances : Rs. 35,000/- per month. Increments will be decided upon from time to time by the Board / remuneration committee each year and will be merit based and take into account the Company's performance.

**Perquisites and Allowances :**

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

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

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

**Minimum Remuneration:**

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

6. Mr. Raorani shall not be paid any sitting fees for attending the meetings of the Board of Directors or committees thereof.
7. Mr. Raorani shall be entitled to reimbursement of all actual expenses, including on entertainment and travelling, incurred in the course of the Company's business.
8. In case of death of Mr. Raorani during the course of his employment, the Company will pay to his legal personal representatives the salary and other emoluments payable hereunder for the then current month.
9. Mr. Raorani shall not directly or indirectly engage himself in any business or activity substantially similar to or competing with the business or activity of the Company during the term of the Agreement.
10. Mr. Raorani shall not become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company without the prior approval of the Central Government.
11. Mr. Raorani shall not divulge or disclose any information or knowledge obtained by him during his employment as to the business or affairs of the Company or any trade secrets or secret processes of the Company.
12. Mr. Raorani's employment shall be determined forthwith if he commits a breach of any of the aforesaid terms, disqualifies himself to act as a Director for any reason except inadvertent breach of Section 283 of the Companies Act, 1956, or becomes insolvent , makes any composition or arrangement with his creditors or ceases to be a Director of the Company.
13. Either party shall be entitled to terminate the Agreement at any time by giving to the other not less than 90 days' notice in writing in that behalf provided that the Company shall be entitled to terminate the Agreement by giving six months' salary in of such notice.
14. All Notices shall be in writing and shall be sent to the Company's Registered Office and to the last known residential address of Mr. Raorani.
15. This Agreement with Mr. Raorani shall be the entire Agreement between the parties and shall supersede and cancel all prior arrangements, agreements, understandings, oral or written, on the subject matter.

Your Directors consider the aforesaid remuneration to be commensurate with the duties and responsibilities of Mr. Raorani as a Wholetime Director.

## SKY INDUSTRIES LIMITED

The draft Agreement between the Company and Mr. Raorani referred to in the Resolution at Item No. 12 of the Notice will be open for inspection by the shareholders at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day.

The above Explanatory Statement relating to Item No. 12 concerning the appointment of Mr. Raorani as a Wholetime Director may be treated as an abstract of the terms of the draft Agreement and the memorandum of concern or interest under Section 302 of the Companies Act, 1956.

The Board recommend the Resolutions at Items No. 11 and 12 for acceptance by the shareholders.

Mr. Raorani is interested in the Resolutions at Items No. 11 and 12 of the Notice since it relates to his own appointment. None of the other Directors of the Company are in anyway concerned or interested in the Resolutions at Items No. 11 and 12 of the Notice.

### Item No. 13:

Presently, the Company's shares are listed on four Stock Exchanges, viz. The BSE (the Regional Stock Exchange), The Stock Exchange, Ahmedabad, The Calcutta Stock Exchange Association Limited, The Jaipur Stock Exchange Limited.

The approval of the Members was obtained at the Annual General Meeting held on 28th September, 2002 for delisting the Company's shares from The Stock Exchange, Ahmedabad, The Calcutta Stock Exchange Association Limited and The Jaipur Stock Exchange Limited.

Subsequently, The Securities and Exchange Board of India had introduced norms for delisting of securities from the Stock Exchanges vide SEBI (Delisting of Securities) Guidelines, 2003, which now has done away with the requirement of offering an exit option to Members situated in the regions of the Stock Exchanges from which a Company's securities were to be delisted, provided that the investors have access to online dealings in the Company's securities across the country. Over the years, it has been observed that the trading in the Company's equity shares takes place only on the BSE and that there are hardly any trading on the other stock exchanges, where the Company's securities are listed.

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 delisted 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, which will enable your Company to delist its equity shares from The Stock Exchange, Ahmedabad, The Calcutta Stock Exchange Association Limited and The Jaipur Stock Exchange Limited, at an appropriate time in future, which will be decided by the Board of Directors of the Company.

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 Resolution.

For and on behalf of the Board

Sd/-

Nitin Motani  
Chairman

Mumbai, 31<sup>st</sup> July, 2003



## DIRECTORS' REPORT

To

The Members,

Your Directors have pleasure in presenting their Report and the audited accounts for the financial year ended 31<sup>st</sup> March, 2003.

### Financial Results

	1 <sup>st</sup> April, 2002 to 31 <sup>st</sup> March, 2003		1 <sup>st</sup> April, 2001 to 31 <sup>st</sup> March, 2002	
	Rs.in lacs	Rs.in lacs	Rs.in lacs	Rs.in lacs
Profit before Depreciation, Interest Tax and Appropriation		585.79		657.85
Less: Depreciation	153.52		141.02	
Interest	<u>77.30</u>	<u>230.82</u>	<u>108.55</u>	<u>249.57</u>
Profit before Tax		354.97		408.28
Tax	65.00		54.18	
Less : Deferred Tax Asset/(Liability)	<u>11.40</u>	<u>53.60</u>	<u>(16.16)</u>	<u>70.34</u>
Profit after Tax		301.37		337.94
Add/(Less): Prior Period Adjustments		(1.20)		.99
Add: Balance Brought forward from previous year		631.76		493.05
Excess Provision for tax adjusted		13.38		-
Less: Deferred Tax Liability		-		<u>127.55</u>
Balance available for appropriation		<u>945.31</u>		<u>704.43</u>
Appropriations :				
Proposed Dividend (for the previous year, subject to deduction of tax)	55.67		55.67	
Corporate Distribution Tax	7.13		-	
General Reserve	<u>15.00</u>	<u>77.80</u>	<u>17.00</u>	72.67
Balance retained in Profit and Loss Account		<u>867.51</u>		<u>631.76</u>
		<u>945.31</u>		<u>704.43</u>

### Dividend:

The Directors recommend a dividend of 14%, tax free in the hands of the shareholders amounting to Rs. 55.67 Lacs on the paid - up share capital of Rs. 398 lacs, (previous year : Dividend @ 14%, subject to deduction of tax in the hands of the shareholders, amounting to Rs.55.67 lacs on the paid - up share capital of Rs. 398 lacs)

### Management Discussion And Analysis

#### Industry Structure & Development :

The Narrow Woven fabric Industry in India mainly comprises of players from private sector and is represented by a mix of large companies with national presence and 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 category of the Industry , which caters to over 70% of this demand. The Company is also a major player in the organized sector of the Industry.

Your Company is the market leader in the manufacture of Hook and Loop Tape Fasteners . The Company also manufactures Knitted Elastic Tapes and other Tapes.

## SKY INDUSTRIES LIMITED

### Opportunity and Threats:

The Company has a strong presence for its products in the domestic market. The Company is also exporting its products to the developed nations and that the product is well accepted in those markets.

The Company is operating in an competitive environment and is constantly keeping itself abreast with the changing market requirements. The Company is well equipped to meet the challenges of globalisation. The Company is also constantly exploring new opportunities which would boost the growth of the Company in the future.

### Segment Reporting:

The Company has one segment of activity namely "Narrow Woven Fabrics". The applicability of Accounting Standard on Segment Reporting (AS - 17) issued by the Institute of Chartered Accountants of India is not applicable.

### Outlook

The company's position enables it to take advantage of emerging attractive opportunities in the Indian and International economy by offering a wide range of products. The Company looks forward to maintain leadership in the Hook and Loop category of its products by offering quality products at internationally competitive prices. Thus, the Company to achieve the above also has to have a thrust on exports. The Company is also introducing several new innovative value added products which would ensure its market dominance.

### Risks and Concerns

The Company faces competition from the un-organised sector and cheap imports from China. The Company also expects increased international competition owing to lowering of import duties. However, the Company with its innovative and value added products looks to overcome the said concerns. As the Company has a strong presence in domestic market, the Company is also expanding its activities globally, in order to counter any depressing or unforeseen situation in the domestic markets.

### Internal Control Systems and their Adequacy

The Company has an adequate internal control system commensurate with the nature and size of its business. The Company has constituted an Audit Committee which would review the financial performance and the internal control systems prevailing in the organisation.

The system of internal control comprises of 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.

### Discussion on financial performance with respect to operational performance:

Your Company achieved a turnover of Rs. 33.29 crores as compared to Rs. 35.28 crores in the previous year. The lower realisations on the domestic brand of Hook & Loop Tape Fasteners were due to competitive pressures from Chinese imports as compared to that of the previous year. The prices of our products have stabilised and we do not foresee any further price reduction. The Sales Volume, equivalent of 25 mm of Hook & Loop Tape fasteners for the year ended 31<sup>st</sup> March, 2003 was 721 Lac mtrs as compared to 753 Lac mtrs for the previous year. The Company however actively worked in bringing down the costs on all fronts and succeeded in doing so, thereby protecting the margins to a great extent.

The Net profit of the Company reduced marginally during the year under review to Rs. 301 Lacs. The reduction was primarily on account of reduction in the margin of the domestic brand of Hook & Loop Tape Fasteners. Other significant reasons contributing to the above were reduction in the other income on account of Difference in Exchange Rate owing to weaker dollar, which now has been derisked by the Company spreading its exports in various other global currencies, higher provisioning on account of Bad Debts as compared to that for the previous year and higher depreciation charge owing to certain gross block additions.

The Company is constantly endeavoring to reduce the costs and maximise shareholders' wealth. In order to achieve the same, various measures were initiated by the Company like better working capital management, better product mix, reduction in power and fuel consumption and reduction in overheads.