

Fifteenth
ANNUAL REPORT
2003 - 2004

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SKY INDUSTRIES LTD.



SKY INDUSTRIES LTD.

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SKY INDUSTRIES LIMITED

Dear Shareholder

At the outset we would like to thank you for your valuable support and confidence shown in our company.

We bring to your kind notice that as per the provision of the Section 205C of the Companies Act, 1956 any dividend declared and remaining unpaid for a period of seven years will be transferred to Investor Education and Protection Fund established under that section. Further no claim will lie against the Company or Fund thereafter.

The dividend declared in the year 1996-97 are due to be transferred to the aforesaid fund.

We request all the Shareholders who have not claimed the dividend, for 1996-97 and other years, to encash the same before being transferred to the Fund.

Thanking you

Nitin Motani
(Chairman)

BOARD OF DIRECTORS

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

AUDITORS

KALYANIWALLA & MISTRY
(Chartered Accountants)

BANKERS

ICICI Bank Ltd.
HDFC Bank Ltd.
EXIM Bank
Oriental Bank of Commerce - Fort, Mumbai

COMPANY SECRETARY

Muthiah Ganapathy

SHARE TRANSFER AGENTS

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

REGISTERED OFFICE AND WORKS

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

SKY INDUSTRIES LIMITED**NOTICE**

NOTICE is hereby given that the Fifteenth Annual General Meeting of the members of SKY INDUSTRIES LIMITED will be held on Thursday, the 30th day of September, 2004 at 10.30 a.m. at the Registered Office at C-58, TTC Industrial Area, Thane Belapur Road, Navi Mumbai - 400 705 to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31st March 2004 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 appoint a Director in place of Mr. P. Swamidass, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mrs. Savita Motani, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. Sanjay Lad, who retires by rotation and being eligible offers himself for re-appointment.
5. To re-appoint Auditors and to fix their remuneration.
6. 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 re-appoint Mr. Maikal Raorani as a Wholetime Director of the Company for a period commencing from 1st October, 2004 to 30th September, 2005 (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 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, which Agreement is specifically given with the authority and sanctioned to the Board of Directors to alter and vary the terms and conditions of the said re-appointment and/or agreement (including authority, from time to time, to determine the amount of salary and commission as also the type and amount of perquisites and other benefits payable to Mr. Maikal Raorani) in such manner as may be agreed to between the Board of Directors and Mr. Maikal Raorani provided however that the remuneration payable to Mr. Maikal Raorani shall not exceed the limits prescribed under the Schedule XIII to the Companies Act, 1956, including any amendment, modification, variation or re-enactment thereof;

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised 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."

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

"RESOLVED THAT pursuant to the Section 163 and other applicable provisions, if any, of the Companies Act, 1956 the company approves that the Register of Members, the Index of Members, Transfer Registers be and is hereby kept at the Office of Company's Share Transfer Agents, Intime Spectrum Registry Limited, having its office at C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W) Mumbai - 400 078 instead of the Registered Office of the Company"

"RESOLVED FURTHER THAT the any one of the Directors and the Company Secretary be and are hereby authorised singly and/ or jointly to do all the acts, deeds things as may be necessary to give effect to the above resolution."

By Order of the Board of Directors

MUTHIAH GANAPATHY

Company Secretary

Mumbai, 30th June, 2004

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) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, with respect to Item No. 6 & 7 is annexed herewith and forms part of the Notice.
- d) Members are requested to :
 - immediately intimate change of address, if any, to the Company or the Registrar and Share Transfer Agent, Intime Spectrum Registry 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.
- e) The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 23rd September, 2004, to Thursday, 30th September, 2004 (both days inclusive).
- f) All the dividends, declared for the financial year 1996-97, remaining unclaimed on 29th September, 2004 will be transferred to the Investor Education and Protection Fund in accordance with the Provisions of the Section 205(C) of the Companies Act, 1956 and no claims shall lie thereafter, against the fund or the Company.
- g) 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.
- h) 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 :**Mr. P. Swamidass**

Mr. Swamidass, aged 39, has specialised knowledge in the field of the Accounts, Taxation and Systems. He is a Director of Shilton Fashions Private Limited and Chairman of Audit Committee of the Board of Directors of the Company.

Mrs. Savita K. Motani

Mrs. Savita Motani, aged 71, has lot of experience in field of textile and accounts. She is a member of Audit Committee of the Board of Directors of the Company.

Mr. Sanjay Lad

Mr. Sanjay Lad, aged 35, has tons of experience in Finance and banking related activities. He is the Chairman of Remuneration and Shareholders / Investors Greivance Committee of the Company.

SKY INDUSTRIES LIMITED**EXPLANATORY STATEMENT PURSUANT TO
SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item No. 6**

Mr. Raorani, aged 31, B.E. (Electronics & Communications), MBA (Finance) has rich and vast experience of around 8 years in finance, accounts, legal and commercial functions.

The main terms of re-appointment of Mr. Maikal Raorani as Wholetime Director of the Company as set out in the draft Agreement placed before the meeting are given below :

1. The appointment of Mr. Maikal Raorani as a Wholetime Director of the Company shall be for a period commencing from 1st October, 2004 to 30th September, 2005 (both days inclusive) subject to the same being previously determined as provided for in the agreement.
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, 309 read with Schedule XIII to the Companies Act, 1956 :

Salary, Perquisites and Allowance : Rs. 40,000/- 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 includes car for official purposes, 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.

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

None of the Directors of the Company except Mr. Raorani is concerned or interested in the said Resolution.

Item No. 7

The provisions of the Companies Act, 1956 requires that the index of members, the register and index of debenture holders are required to be kept at the registered office of the company. However, these can be kept at a place other than the Registered Office of the Company, provided that a Special Resolution is passed to that effect. Also in accordance with regulations prescribed by Securities and Exchange Board of India the aforesaid registers are required to be kept at a single point either at Registered Office or at Registrar & Transfer Agents place.

Intime Spectrum Registry Limited our Share Transfer Agents have been assigned the duties relating to Share Transfer(s), Transmission(s) of the Company. All the registers relating to Transfers/ Transmissions of Shares, Register of Members are required to be kept at their office as a matter of administrative convenience.

Your Directors therefore request the members to pass the aforesaid resolution as Special Resolution.

None of the Directors of the Company are interested or Deemed to be interested in the said resolution.

By Order of the Board of Directors

MUTHIAH GANAPATHY

Company Secretary

Mumbai, 30th June, 2004

SKY INDUSTRIES LIMITED

DIRECTORS' REPORT

To

The Members,

Your Directors have pleasure in presenting their Report and the audited accounts for the financial year ended 31st March 2004.

Financial Results

Figures in Rs Lacs

AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31st March 2004

Particulars		CurrentYear ended31.03.2004	PreviousYear ended31.03.2003
Profit before Depreciation and Interest			
Tax and Appropriation		252	585.79
Less : Interest	126		77.30
Depreciation	199	325	153.52
Profit / (Loss) before tax		(73)	354.57
Provision for Taxation		(7)	65
Deferred Taxation		(3)	-11.40
Profit/ (Loss) after taxation		(83)	301
Add : Prior Period Adjustments	13		(1.20)
Excess provision for tax adjusted	3	16	13.38
Balance brought forward		867	631.76
Balance available for appropriation	800	945	
Appropriations :			
Proposed Dividend (for the previous year subject to deduction of tax)			55.67
Corporate Distribution tax			7.13
General Reserve			15
Balance retained in Profit and Loss account		800	867

Dividend

Due to inadequacy of Profits your Directors do not recommend any dividend for the year under review.

Operations:

The turnover during the year was Rs. 3,621 Lac as compared to previous years Rs.3,224. The increase of 12.31 % was mainly on account of introduction of new products and tapping of new markets.

The Company has commenced the production of the Satin Ribbons and Velvet Ribbons recently. The Company has invested heavily in the Trial runs to satisfy the customers' requirement, initial setting up for production cycle etc. This was a basic ground for increase in raw material consumption since the trial runs or sample runs are smaller in size thus leading to less than optimum.

The depreciation has increased on account of additional machinery purchased for Satin Ribbon Project whereas the selling costs have increased on account of foreign trip expenditures for securing export orders for the new product and in addition to that branding and package designing costs. Simultaneously there was additional employment undertaken with a view of increasing capacity and nature of the Satin Ribbon Project and it contributed to increase in manufacturing & administrative costs.

With a view to tie up adequate limits for Working Capital & lower the financing costs, the company entered into consortium arrangement, which became functional in the month of March 2004. The gains from this move will be evident in the current financial year onwards. During the previous year, to bridge the shortfall, the company had availed of Inter Corporate Deposits / Loans from Directors/ Short Term loan from Karur Vysya Bank at a higher rate. All of these have been since paid off in full. This will substantially reduce the interest cost on

working capital for FY 2004-05.

During the previous year, there were instances of dumping of the Low Quality H&L products from China / Taiwan. The company has initiated process under Anti Dumping mechanism. The ministry of commerce has, vide their notification dated 9th June 2004, initiated inquiry towards levying Anti Dumping duty on the same.

In addition to the above, the company has developed newer applications for the existing products, which include Fastner Application for H&L, Blister packs for Elastics, Printed ribbons as well as embossed Velvet ribbons etc. These products are a development over the existing products, which will help us in moving up the value chain towards better realization & better profitability.

Majority of the expenses incurred on new project / product development are in the nature of investment that is expected to help the company to grow profitably in the coming years

Exports:

During the year under review the Exports were at Rs. 1,225 Lacs an increase of 45.73% over the previous year. The Company has explored few more countries and increased the thrust in the international markets. The past efforts of the Company in penetrating the different markets are paying off now and the growth in the export turnover is visible now.

The Coming years should see a substantial surge in the volume of goods exported through this strategy.

During the year under the review, Your Directors are pleased to inform that your Company received few awards, amongst which, a prestigious award for "Highest Export Performance" in the field of Narrow Woven Fabrics was conferred on the Company by the SRTEPC(Synthetic & Rayon Export Promotion Council) under the aegis of Ministry of Textiles., for the second consecutive year.

Subsidiary Company

Your Directors are pleased to inform that the performance of the subsidiary company, SKAY INC for the year ended 31st March, 2004 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 31st March, 2004, is annexed herewith.

Fixed Deposits

The Company has not accepted any deposits during the year.

Directors:

Mrs. Savita Motani, Mr. Sanjay Lad and Mr. P. Swamidass retire by rotation and being eligible, offer themselves for reappointment.

Mr. Maikal Raorani's term of appointment as a Wholtime Director expires on 30th September, 2004. He is eligible and has offered himself for re-appointment on the terms and conditions as stated in the agreement entered into with the Company.

Your Directors recommend the aforesaid Directors re-appointment.

Directors' Responsibility Statement:

As stipulated under Section 217(2AA) of the Companies Act, 1956, your Directors confirm that :

- (i) in the preparation of the accounts for the financial year ended 31st March, 2004, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) Your Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 loss of the Company for the year under review;
- (iii) Your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) Your Directors have prepared the accounts for the financial year ended 31st March 2004 on a 'going concern' basis.

SKY INDUSTRIES LIMITED**Auditors:**

M/s Kalyaniwalla & Mistry, Chartered Accountants, Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. 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.

Auditors Report:

With reference to the remarks made in no. (e) regarding no provision being made for investment made in wholly owned subsidiary we are of the opinion that the investment was made having in mind long term perspective. the management is positive of having a turn around in the future years with the increasing exports.

With reference to the remarks in no. 1(a) & (b) of the annexures to the auditors report relating to updation of records of fixed asset and physical verification the records are updated except for the quantitative details and location of the fixed asset which will be updated in due course. Physical verification of fixed asset will be carried on from now onwards on periodical basis.

With reference to clause no. 7. of the annexures to the auditors report relating to internal audit system, the company has an internal audit system and is in process of strengthening the same.

Personnel:

Particulars of employees as required under section 217 (2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975, as amended forms part of this Report. As per the provisions of Section 219 (iv) (b) of the Companies Act, 1956, the Report and accounts are being sent to the shareholders of the Company excluding the statement of particulars of employees under section 217 (2A) of the Companies Act, 1956. Any Shareholder interested in obtaining a copy of the said statement may write to the Company at its Registered Office.

Energy, Technology And Foreign Exchange:

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.

Corporate Governance:

A report on the Corporate Governance along with Auditor's certificate is attached to and forms a part of this report.

Audit Committee:

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

De-Listing of Shares :

The Company during the year 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 31st March, 2004 have De-listed the Company's securities from their Stock Exchange. The approval from other Stock Exchanges are awaited.

Acknowledgment:

Your Directors would like to express their grateful appreciation and sincere gratitude for valuable assistance and continued support received from the Banks, Financial Institutions, Securities and Exchange Board of India, Constituents and Shareholders. Your Directors also record their deep sense of appreciation of the devoted services of the Executives and Staff at the various levels of the Company.

For and on behalf of the Board of the Directors

NITIN K. MOTANI
Chairman

Mumbai, 30th June, 2004