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SIXTEENTH ANNUAL REPORT 2004-2005



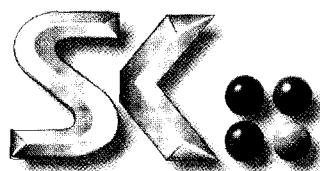
SKY INDUSTRIES LTD

THE LARGEST MANUFACTURER OF HOOK AND TAPE FASTENERS IN INDIA

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SKY INDUSTRIES LIMITED**BOARD OF DIRECTORS**

Mr. Nitin Motani (Chairman)
 Mr. Shailesh Shah (Managing Director)
 Mr. Sharad Shah
 Mr. Saurabh Motani
 Mr. Maikal Roarani
 Mr. Kamal Mehra
 Mr. Nikhil Mehra
 Mrs. Savita Motani
 Mr. P. Swamidass
 Mr. Sanjay Lad

COMPANY SECRETARY

Muthiah Ganapathy

REGISTERED OFFICE & WORKS

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

AUDITORS

KALYANIWALLA & MISTRY
 (Chartered Accountants)

BANKERS

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

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 Sixteenth Annual General Meeting of the members of SKY INDUSTRIES LIMITED will be held on the 15th day of September, 2005 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 2005 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. Kamal Mehra, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Nikhil Mehra, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Sharad Shah, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.
6. To consider and if thought fit to pass with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act and subject to the Central Government's approval and such other consents as may be required from various Bodies Corporate, the consent of the Company be and is hereby accorded to appoint Mr. Shailesh Shah as the Managing Director of the Company for a period commencing from 31st March, 2005 to 30th March, 2008 (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 placed before the meeting with sanction to the Board of Directors of the Company or the Committee to revise the terms of appointment and/or vary or increase the remuneration and perquisites payable within the limits as provided for in the Act and/or as may be approved by the Central Government."

"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(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act and subject to the Central Government's approval and such other consents as may be required from various Bodies Corporate, the consent of the Company be and is hereby accorded to appoint Mr. Nitin K Motani as the Chairman -Executive Director of the Company for a period commencing from 31st March, 2005 to 30th March, 2008 (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 placed before the meeting with sanction to the Board of Directors of the Company or the Committee to revise the terms of appointment and/or vary or increase the remuneration and perquisites payable within the limits as provided for in the Act and/or as may be approved by the Central Government."

"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."

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

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act and subject to the Central Government's approval and such other consents as may be required from various Bodies Corporate, the consent of the Company be and is hereby accorded to appoint Mr. Saurabh K Motani as the Executive Director of the Company for a period commencing from 31st March, 2005 to 30th March, 2008 (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 placed before the meeting with sanction to the Board of Directors of the Company or the Committee to revise the terms of appointment and/or vary or increase the remuneration and perquisites payable within the limits as provided for in the Act and/or as may be approved by the Central Government."

"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."

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

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 and other applicable provisions, if any, of the

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Companies Act, 1956, read with Schedule XIII to the said Act and subject to the Central Government's approval and such other consents as may be required from various Bodies Corporate, the consent of the Company be and is hereby accorded to appoint Mr. Sharad S Shah as the Executive Director of the Company for a period commencing from 31st March, 2005 to 30th March, 2008 (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 placed before the meeting with sanction to the Board of Directors of the Company or the Committee to revise the terms of appointment and/or vary or increase the remuneration and perquisites payable within the limits as provided for in the Act and/or as may be approved by the Central Government."

"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."

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

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, the consent of the Company be and is hereby accorded to appoint Mr. Maikal Raorani as a Wholtime Director of the Company for a period commencing from 1st October, 2005 to 30th September, 2006 (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 placed before the meeting with sanction to the Board of Directors of the Company or the Committee to revise the terms of appointment and/or vary or increase the remuneration and perquisites payable within the limits as provided for in the Act rules made thereunder."

"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."

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

"RESOLVED THAT pursuant to Section 94 and other applicable provisions, if any, of the Companies Act, 1956, the Authorised Share Capital of the Company be and is hereby increased from Rs.10,00,00,000/- (Rupees Ten Crore Only) divided into 1,00,00,000 (One Crore) Equity Shares of Rs. 10/- (Rupees Ten only) each to Rs.20,00,00,000/- (Rupees Twenty Crore Only) comprising of Rs.15,00,00,000/- (Rupees Fifteen Crore Only) divided into 15000000 (One Crore Fifty Lakh) Equity Shares of Rs.10/- (Rupees Ten Only) and Rs.5,00,00,000/- (Rupees Five Crore Only) divided into 500000 Redeemable Preference Share of Rs.100/- (Rupees Hundred only)."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to increase or reduce the capital of the Company, classify, vary, modify, attach special rights privileges, conditions or restrictions as regards to the dividend, voting, return of capital, distribution of assets or otherwise as may be permitted by the Act and/or the Articles of the Company for the time being."

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

"RESOLVED THAT subsequent to the increase of Authorised Share Capital of the Company, pursuant to Section 16 and other applicable provisions, if any, of the Companies Act, 1956, the existing Clause V of the Memorandum of Association of the Company be and is hereby altered and substituted by the following sentence and stand thereof:"

V. The Authorised Share Capital of the Company is Rs.20,00,00,000/- (Rupees Twenty Crore Only) comprising of Rs. 15,00,00,000/- (Rupees Fifteen Crore Only) divided into 15000000 (One Crore Fifty Lakh) Equity Shares of Rs.10/- (Rupees Ten Only) each and Rs.5,00,00,000/- (Rupees Five Crore Only) divided into 500000 Redeemable Preference Share of Rs.100/- each."

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

"RESOLVED THAT subsequent to the increase in the Authorised Share Capital of the Company and pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Articles of Association of the Company be and is hereby altered and substituted by a new set of Articles of Association."

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

"RESOLVED THAT pursuant to the provisions of the Section 293(1)(e) and other applicable provisions, if any, of the Companies Act, 1956 the consent of the Company be and is hereby accorded to the Board of Directors of the Company to contribute to charitable and other funds not directly related to the business of the Company or to the welfare of its employees such amounts from time to time which the Board of Directors in its discretion deem fit, in any financial year to the extent of Rs. 20 Lacs."

By Order of the Board of Directors

Mumbai, 10th August, 2005

Muthiah Ganapathy
Company Secretary

SKY INDUSTRIES LIMITED**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's. 6 - 14 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 8th September, 2005, to 15th September, 2005 (both days inclusive).
- f) All the dividends, declared for the financial year 1997-98, remaining unclaimed on 28th September, 2005 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. Kamal Mehra**

Mr. Kamal Mehra, aged 52, has been associated with the Textile Industry for lot many years. His rich and vast experience will be useful to the Company. He is a member of Audit and Remuneration Committee.

Mr. Nikhil Mehra

Mr. Nikhil Mehra, aged 31, is a Management expert. His knowledge and experience in developing marketing strategies should enable your Company to establish in the market both domestic and global.

Mr. Sharad Shah

Mr. Sharad Shah, aged 50, is a commerce graduate. He is one of the Promoters and has been taking care of administrative matters of the Company. His decade of experience in the field of textile has proved to be an asset to the Company.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 6 - 9

Appointment of Directors

Mr Nitin K. Motani, Mr. Shailesh Shah, Mr. Saurabh K Motani, Mr. Sharad Shah

The company is still in its initial years of its expansion programme and with such complexities and competitive environment it will be some time before the project actually starts yielding returns. The responsibilities and duties of the Directors have been increased and they have been made more accountable. However their zest to scale the top has enabled them to face new challenges, they have not been deterred by the initial failures and have accepted them as a source of motivation to come out with more vigour and spirit.

Hence the Board of Directors of the Company, upon the recommendations of the Remuneration Committee, have at their meeting passed resolution's for the appointment of the following Directors on the terms and conditions as mentioned herein :

- | | |
|-------------------------|--------------------|
| 1. Mr. Nitin K. Motani | Executive Chairman |
| 2. Mr. Shailesh Shah | Managing Director |
| 3. Mr. Sharad Shah | Executive Director |
| 4. Mr. Saurabh K Motani | Executive Director |

Terms of Appointment

Salary

Salary of Rs.3,00,000/- p.m. for each of the aforesaid Directors

Perquisites

Key man insurance policies taken for the Directors afore said by the Company have been assigned to them respectively.

Director	Insurance Policy No.	Amount in Rs.
Mr. Nitin K. Motani	880870525	19,31,213
Mr. Shailesh Shah	880870524	19,31,213
Mr. Sharad Shah	880874490	19,31,213
Mr. Saurabh K Motani	880869701	19,31,213

Additional Terms

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, leave travel concession for self and family, club fees, medical/ accident insurance, and such other perquisites and allowances 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, 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 Scheme, the Company's Pension/Superannuation Fund Scheme in accordance with the Company's rule 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.

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.

SKY INDUSTRIES LIMITED

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.

Your Directors recommends the Resolution for the approval of the members.

None of the Directors except the abovementioned ones and Mrs. Savita Motani are deemed to be concerned or interested in the said Resolutions.

Item No. 10

Mr. Raorani, aged 32, B.E. (Electronics & Communications), MBA (Finance) has rich and vast experience of around 9 years in finance, accounts, legal and commercial functions.

The main terms of the appointment of Mr. Maikal Raorani as Wholetime Director of the Company are given below:

1. The appointment will be for a period commencing from 1st October, 2005 to 30th September, 2006, (both days inclusive).
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. 40000/- 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 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.

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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. The arrangement 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 11 - 13

With the project being under implementation the Company still needs funds to meet its future requirements. The initial years of project being a lackluster and the finance being the need of the hour the Board of Directors of the Company after considering all the aspects of sources recommends to increase the Authorised Capital.

With the increase in the Authorised Capital the Memorandum of Association and the Articles of Association of the Company also needs to be altered. Hence your Directors request you to pass the above resolutions as Special Resolutions.

None of the Directors is concerned or interested in these resolutions.

Item 14

As per the provisions of the Companies Act, 1956, the Board of Directors of a Company cannot contribute any sum in excess of the limits prescribed to charitable and other funds not directly relating to the business of the company or the welfare of its employees. The Company in discharging its social responsibilities undertakes various development programmes like contributing and giving donations to various charitable organizations. In today's scenario when the nature's is striking in the form of earthquake, floods, droughts, cyclone and civil disturbances there are various funds/organizations formed for the purpose of providing immediate succour and relief to the victims of these natural calamities.

The company as good corporate citizen contributes and gives donations to such organization and hence requests you to pass the resolution as an Ordinary Resolution

None of the Directors are interested or concerned in the said resolution.

By Order of the Board of Directors

MUTHIAH GANAPATHY

Company Secretary

Mumbai, 10th August, 2005

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, 2005.

Financial Results

Figures in Rs Lacs

AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31st March 2005

Particulars	CurrentYear ended31.03.2005	PreviousYear ended31.03.2004
Profit before Depreciation, Interest		
Tax and Appropriation	494	252
Less : Interest	158	126
Depreciation	235	199
Profit / (Loss) before tax	101	(73)
Provision for Taxation	7	(7)
Deferred Taxation	7	(3)
Profit/ (Loss) after taxation	87	(83)
Add : Prior Period Adjustments	-	(13)
Excess provision for tax adjusted	(17)	3
Balance brought forward	800	867
Balance available for appropriation	868	800
Appropriations :		
Proposed Dividend (for the previous year subject to deduction of tax)	-	-
Corporate Distribution tax	-	-
General Reserve	-	-
Balance retained in Profit and Loss account	868	800

Dividend

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

Operations

During the year the Gross turnover and the other income increased by 29.43% to Rs.4830 Lac as compared to the previous years figures of Rs.3731 Lac and the company had earned profit of Rs.86.11 Lac as against the loss of last year mainly because the Company focused more on revamping and widening of the markets and also explored better ways and means to expand its market base. The Company's Research & Development team have carried out their studies on the products, its uses etc. and have come out with value added products viz. Jacquard Elastics, Printed elastics, Satin & Velvet Ribbons to serve and satisfy the consumer.

The Company's constant endeavour in penetrating newer markets globally has been fruitful as it could rope in few more Countries viz. Morocco, Tunisia, Greece, Brazil etc. In future years to come the company is expected to grow and establish their relationship with these countries. The Company is being able to consolidate its position abroad as seen from the export turnover of the previous three years being on an upward trend and putting the company on top of all the exporters in the narrow fabric segment.

The Company is in the initial years of expansion and hence it will take time to actually reap benefits from the same. Initially not only the company was incurring cost but also the demand for ribbons were sluggish however with persistent effort the company is now in a better position, the demand for ribbons have gone up. Moreover, the efforts taken by the Company in the previous year towards setting up the marketing base for its new products have paid off. The company has developed newer applications for the existing products which will help us in moving up the value chain towards better realization & better profitability.