

SEVENTEENTH  
ANNUAL REPORT  
2005-2006

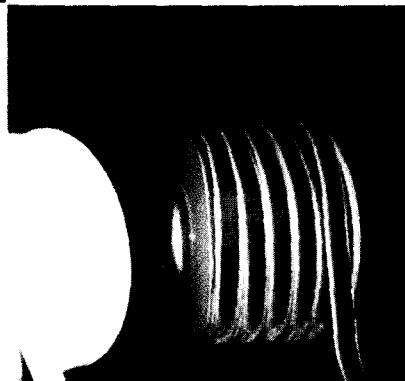
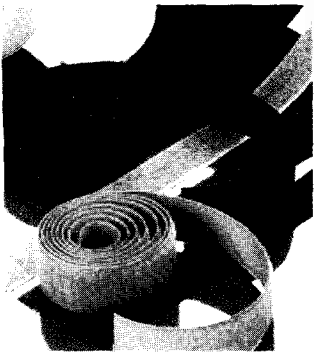


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success is  
growing  
consistently



SKY INDUSTRIES LTD

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**BOARD OF DIRECTORS**Mr. Nitin Motani (*Chairman*)Mr. Shailesh Shah (*Managing Director*)

Mr. Sharad Shah

Mr. Saurabh Motani

Mr. Maikal Raorani

Mr. Mahadeo Puranik

Mr. Hemant Thakur

Mr. Jayaraman G.

Mr. Mahesh Shiroadkar

**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**

HDFC Bank Ltd.

EXIM Bank

Oriental Bank of Commerce

The Karur Vysya Bank Ltd.

The South Indian Bank Ltd.

**SHARE TRANSFER AGENTS**

Intime Spectrum Registry Ltd.

C-13, Pannalal Silk Mills Compound

L. B. S. Marg, Bhandup (W)

Mumbai - 400 078.

**SYNOPSIS**

BOARD OF DIRECTORS & INDEX	1
NOTICE	2
DIRECTORS' REPORT	6
CORPORATE GOVERNANCE	11
REPORT OF THE AUDITORS	19
BALANCE SHEET	22
PROFIT AND LOSS ACCOUNT	23
SCHEDULES	24
BALANCE SHEET ABSTRACT	37
CASH FLOW STATEMENT	38
STATEMENT REGARDING SUBSIDIARY CO.	39
<b>CONSOLIDATED DETAILS</b>	
AUDITORS' REPORT	40
BALANCE SHEET	41
PROFIT AND LOSS ACCOUNT	42
<b>SUBSIDIARY-SKAY INC.</b>	56-60

**SKY INDUSTRIES LIMITED****NOTICE**

NOTICE is hereby given that the Seventeenth Annual General Meeting of the members of SKY INDUSTRIES LIMITED will be held on Saturday the 23<sup>rd</sup> day of September, 2006 at 11.00 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 31<sup>st</sup> March, 2006 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 dividend on Equity shares.
3. To appoint a Director in place of Mr. Saurabh Motani, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.
5. 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 re-appoint Mr. Maikal Raorani as a Wholtime Director of the Company for a period commencing from 1<sup>st</sup> October, 2006 to 30<sup>th</sup> September, 2007 (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 re-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 is 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.”
6. To consider and if thought fit to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:  

“**RESOLVED THAT** subject to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mr. Mahadeo Puranik who has been appointed as an Additional Director and who ceases to hold office as per the provisions of Section 260 of the Companies Act, 1956 at this Annual General Meeting and in respect of whom the Company has received a notice from a Member in writing proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”
7. To consider and if thought fit to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:  

“**RESOLVED THAT** subject to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mr. Hemant Thakur who has been appointed as an Additional Director and who ceases to hold office as per the provisions of Section 260 of the Companies Act, 1956 at this Annual General Meeting and in respect of whom the Company has received a notice from a Member in writing proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”
8. To consider and if thought fit to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:  

“**RESOLVED THAT** subject to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mr. G. Jayaraman who has been appointed as an Additional Director and who ceases to hold office as per the provisions of Section 260 of the Companies Act, 1956 at this Annual General Meeting and in respect of whom the Company has received a notice from a Member in writing proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”
9. To consider and if thought fit to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:  

“**RESOLVED THAT** subject to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mr. Mahesh Shirodkar who has been appointed as an Additional Director and who ceases to hold office as per the provisions of Section 260 of the Companies Act, 1956 at this Annual General Meeting and in respect of whom the Company has received a notice from a Member in writing proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”
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 Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other consents as may be required from Banks, Financial Institutions, Bodies Corporate and such other bodies etc the Company hereby gives its consent to the Board of Directors of the Company, to borrow any sum or sum of money (not being temporary loans borrowed in the ordinary course of business) from time to time in excess of the aggregate paid up Capital and the free reserves of the Company (not set apart for any specific purpose) provided however, the total amount so borrowed shall not exceed Rs.100 Crore (Rupees Hundred Crore Only).

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper, or desirable and to settle any question, difficulty, doubt that may arise in respect of the borrowing(s) aforesaid and execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution.”

By Order of the Board of Directors

Mumbai, 29<sup>th</sup> July, 2006

Muthiah Ganapathy  
Company Secretary

## **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 Nos. 5-10 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 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 16<sup>th</sup> September, 2006, to 23<sup>rd</sup> September, 2006 (both days inclusive).
- f) All the dividends, declared for the financial year 1998-99, remaining unclaimed on 20<sup>th</sup> October, 2006 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 Director liable to retire by rotation :**

### **Mr. Saurabh Motani**

Mr. Saurabh Motani, aged 40, has tremendous experience and knowledge in the Technical field, he has been associated with the Company for the past 11-12 years. His insight knowledge and experience about the sources and availability of technical matters around the world has made the company technically sound. His contribution towards the Company throughout has been very useful.

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

### **Item No. 5**

Mr. Raorani, aged 33, B.E. (Electronics & Communications), MBA (Finance) has rich and vast experience of around 10 years in finance, accounts, legal and commercial functions.

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

1. The appointment of Mr. Maikal Raorani as a Wholetime Director of the Company shall be for a period commencing from 1<sup>st</sup> October, 2006 to 30<sup>th</sup> September, 2007, (both days inclusive)

**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 does not vest in him.
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 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 in accordance with the provisions of the Companies Act, 1956.
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 three months' salary in lieu 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.

Explanatory Statement together with the accompanying notice can be considered as an abstract of the terms under section 302 of the Companies Act.



**Item No. 6**

Mr. Mahadeo Puranik, who was appointed as an Additional Director of the Company at the Board meeting held on 30<sup>th</sup> January, 2006, ceases to hold office on the date of the ensuing Annual General Meeting. One of the Members of the Company proposed his candidature for the appointment as a Director liable to retire by rotation.

Mr. Puranik, aged 51, is a Chartered Accountant by profession. Currently he is working with Grindwell Norton Limited as Vice-President – Corporate Finance & Taxation. He has been in the field of Finance and Taxation for the past 25 years. His rich and vast experience in the field of finance will be a boost to the Company. He does not hold any shares in the Company.

He is a Director in the following Companies.

1. Conmix India P. Ltd.
2. Saint-Gobain Norpro India P. Ltd.
3. Saint-Gobain India Foundation (Section 25 Company)

**Item No. 7**

Mr. Hemant Thakur, who was appointed as an Additional Director of the Company at the Board meeting held on 30<sup>th</sup> January, 2006, ceases to hold office on the date of the ensuing Annual General Meeting. One of the Members of the Company proposed his candidature for the appointment as a Director liable to retire by rotation.

Mr. Thakur, aged 56, is a practicing Company Secretary by profession. He had worked with various Companies and has vast experience in the field of Company Secretary, Legal, accounts and admin for around 24 years. He does not hold any shares in the Company and is not a Director of any other Company.

**Item No. 8**

Mr. G. Jayaraman, who was appointed as an Additional Director of the Company at the Board meeting held on 29<sup>th</sup> July, 2006, ceases to hold office on the date of the ensuing Annual General Meeting. One of the Members of the Company proposed his candidature for the appointment as a Director liable to retire by rotation.

Mr. Jayaraman, aged 45, has done his graduation in B.A. (Economics) and is a BGL (LLB) from Mumbai University. He has specialized in Personnel Management from TISS. He has been working for the past 20 years in Companies like Mafatlal Industries, Patni Computers in all the facets of Human Resources. Currently he is working with Famy Care Ltd. He does not hold any shares in the Company and is not a Director of any other Company.

**Item No. 9**

Mr. Mahesh Shirodkar, who was appointed as an Additional Director of the Company at the Board meeting held on 29<sup>th</sup> July, 2006, ceases to hold office on the date of the ensuing Annual General Meeting. One of the Members of the Company proposed his candidature for the appointment as a Director liable to retire by rotation.

Mr. Shirodkar, aged 46, has spent the last 25 years in travel destination management, in India as well as overseas. He started his career with Cox & Kings then had his own entrepreneurial venture which was later on sold to Kuoni a major Swiss conglomerate. He was inducted in the Executive Board of Kuoni India. Currently, he is on his own & exploring new business opportunities.

He does not hold any shares in the Company and is not a Director of any other Company.

**Item No. 10**

In view of the expanding business activities, the Company may have to revise its growth plans and requirements. The Company in order to capitalize the potential may require additional funds and hence it may have to increase the borrowing limits. The provisions of section 293(1)(d) of the Companies Act, 1956 does not allow the Board of Directors of the Company to borrow monies beyond paid up capital and its free reserves except with the approval of the Shareholders.

Hence your Directors request you to pass the resolution as Special Resolution

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

By Order of the Board of Directors

Mumbai, 29<sup>th</sup> July, 2006

Muthiah Ganapathy  
Company Secretary

**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 31<sup>st</sup> March 2006.**Financial Results**

Figures in Rs Lacs

**AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31<sup>st</sup> March 2006**

Particulars	CurrentYear ended 31.03.2006	PreviousYear ended 31.03.2005
Sales and other income	5437	4829
Profit before Depreciation, Interest Tax and Appropriation	809	494
Less : Interest	239	158
Depreciation	247	235
Profit / (Loss) before tax	323	101
Provision for Taxation	(63)	(7)
Deferred Taxation	(33)	(7)
Profit / (Loss) after taxation	227	87
Add : Prior Period Adjustments	0	(18)
Excess provision for tax adjusted	0	-
Balance brought forward	869	800
Balance available for Appropriation	1096	869
Proposed Dividend	60	-
Dividend Distribution tax	8	-
General Reserve	15	-
Balance retained in Profit and Loss account	1013	869

**Dividend**

Your Directors recommend a dividend of 15% for the year under review. The Dividend tax on the proposed dividend will be Rs.8 Lakh. A sum of Rs.15 lakh has been transferred to General Reserve.

**Operations:**

The turnover during the year was Rs. 5375 Lacs as compared to previous years Rs.4699 Lacs. The increase of 14.40 % was mainly on account of good market conditions and introduction of new products and tapping of new markets. Although the Turnover during the year increased by mere 14% the profit before tax (PBT) jumped up to Rs.323 lacs, an increase of 221% over the previous year and accordingly the net profit too increased by 164%. However because of higher tax provisioning the net profit increased at a rate lower than that of PBT.

The expense ratio has decreased to 35.29% from 36.61% of the previous year, in spite of higher manufacturing expenses by 10%, which indicates that the Company could maintain and implement its cost control measures. The depreciation has increased on account of additional machinery purchased. The drop in raw material consumption is due to improved sales mix / higher realisations.

After couple of years of ploughing back the funds, the Board has recommended dividend this year. The company aims to maintain this and endeavours all its efforts towards achieving the same. One of its endeavours is developing newer applications for the existing products and upgrading its existing products to the satisfaction of the clients.

**Exports:**

During the year under review the Exports were Rs. 1514 Lacs lower than the previous year's figure by 6.71%. The Company is exploring more countries and trying to establish itself as a major international player.

The coming years could 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 Synthetic & Rayon Textiles Export Promotion Council (SRTEPC) under the aegis of Ministry of Textiles for the Fourth consecutive year.



**SKY INDUSTRIES LIMITED****Subsidiary Company**

The performance of the subsidiary company, SKAY INC for the year ended 31<sup>st</sup> March, 2006 was not satisfactory as compared to the previous year .

As required under Section 212 of the Companies Act, 1956, the audited statement of accounts, along with the reports of the Directors and the Auditors of the subsidiary is annexed herewith.

**Fixed Deposits**

The Company has not accepted any deposits during the year.

**Directors:**

Mr. Saurabh Motani retires by rotation and being eligible, offers himself for reappointment.

Mr. Maikal Raorani's term of appointment as a Wholetime Director expires on 30<sup>th</sup> September, 2006. 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.

Mr. Mahadeo Puranik, Mr. Hemant Thakur, Mr. G. Jayaraman and Mr. Mahesh Shirodkar were appointed as additional directors. They hold the office of directorship till the date of the AGM. The company has received proposals for their candidature to hold office of directorship.

Your Directors recommend the appointment and re-appointment of the aforesaid directors.

**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 31<sup>st</sup> March, 2006, 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 profit 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 31<sup>st</sup> March 2006 on a 'going concern' basis.

**Auditors:**

M/s Kalyaniwalla & Mistry, Chartered Accountants, Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting. 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. The Board recommends their re-appointment

**Auditors Report:**

The Auditors have in their report pointed out that the Company has paid remuneration to the Directors in excess of the limits under the Companies Act, 1956 also that its in the process of updating Fixed Assets records.

The Company has already made an application seeking approval of Central Government for the excess remuneration paid to the Directors and we are hopeful of receiving the approval shortly at the earliest.

The company has already in place a fixed asset register, however it needs to be refined in accordance with the Companies Act which will be completed at the earliest.

**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.

**SKY INDUSTRIES LIMITED****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 is awaiting approval of The Calcutta Stock Exchange Association Limited and The Jaipur Stock Exchange Limited, for De-Listing of shares from these Stock Exchanges.

The Stock Exchange, Ahmedabad vide their letter dated 31<sup>st</sup> March, 2004 have De-listed the Company's securities from their Stock Exchange.

**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, 29<sup>th</sup> July, 2006