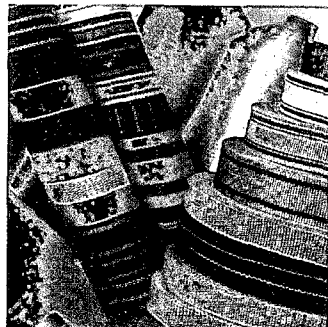
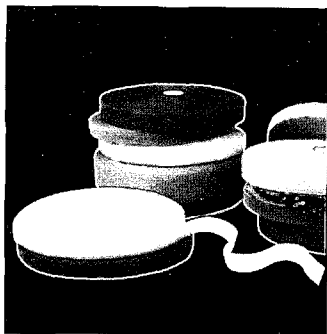


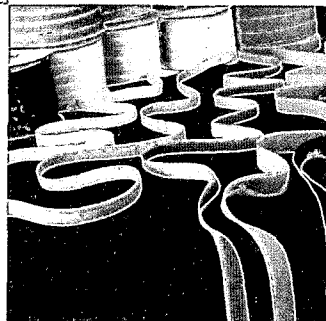
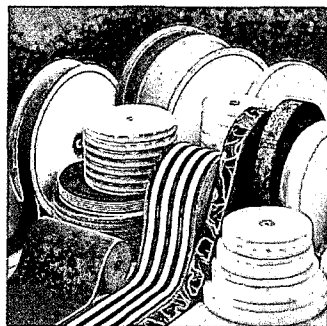
Eighteenth Annual Report 2006-2007



SKY INDUSTRIES LTD.



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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 Raorani
 Mr. Mahadeo Puranik
 Mr. Hemant Thakur.
 Mr. Mahesh Shirodkar
 Mr. Jayaraman G. (*Till 31st July, 2007*)
 Mr. Vijay Choraria (*From 31st July, 2007*)

COMPANY SECRETARY

Ms. Sujal Master

REGISTERED OFFICE & WORKS

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

SYNOPSIS**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.

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SKY INDUSTRIES LIMITED**NOTICE.**

NOTICE is hereby given that the Eighteenth Annual General Meeting of the members of SKY INDUSTRIES LIMITED will be held on the 27th day of October, 2007 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:

Ordinary Business

1. To receive, consider and adopt the Balance Sheet as at 31st March 2007 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. Nitin Motani, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Sharad Shah, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Shailesh Shah, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

Special Business

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, 2007 to 30th September, 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 re-appointment and/or vary or increase the remuneration and perquisites payable within the limits as provided for in the Act rules made there under.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized 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 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. Vijay Choraria 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 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, the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of section 309 of the Companies Act, 1956 the consent of the company be and is hereby accorded to the revised remuneration payable to Mr. Shailesh Shah, Managing Director of the Company for a period commencing from 1st April, 2007 to 31st March, 2008 as per terms and conditions of his remuneration approved by the Central Government vide their letter dated 2nd August, 2006.”

9. 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 309 of the Companies Act, 1956 the consent of the company be and is hereby accorded to the revised remuneration payable to Mr. Nitin Motani, Chairman of the Company for a period commencing from 1st April, 2007 to 31st March, 2008 as per terms and conditions of his remuneration approved by the Central Government vide their letter dated 2nd August, 2006.”

SKY INDUSTRIES LIMITED

10. 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 309 of the Companies Act, 1956 the consent of the company be and is hereby accorded to the revised remuneration payable to Mr. Sharad Shah, Executive Director of the Company for a period commencing from 1st April, 2007 to 31st March, 2008 as per terms and conditions of his remuneration approved by the Central Government vide their letter dated 2nd August, 2006."

11. 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 309 of the Companies Act, 1956 the consent of the company be and is hereby accorded to the revised remuneration payable to Mr. Saurabh Motani, Executive Director of the Company for a period commencing from 1st April, 2007 to 31st March, 2008 as per terms and conditions of his remuneration approved by the Central Government vide their letter dated 2nd August, 2006."

By Order of the Board of Directors

Sd/-

Place: Mumbai
Date: 31st July, 2007

Sujal Master
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 No. 7-11 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 remained closed from 10th September, 2007 to 17th September, 2007 (both days inclusive).
- f) All the dividends, declared for the financial year 1999-2000, remaining unclaimed on 28th October, 2007 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.

SKY INDUSTRIES LIMITED

Profile of the Directors liable to retire by rotation :

Mr. Nitin Motani

Mr. Nitin Motani, aged 51, has tremendous experience in a business. He is graduate with over 25 years of enriching experience in the textile industry. He is one of the promoter of the Company and taking care of finance and commercial matters of the Company. His contribution towards the Company throughout has been very useful.

Mr. Sharad Shah

Mr. Sharad Shah aged 52, 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.

Mr. Shailesh Shah

Mr. Shailesh Shah aged 43 well-groomed business man whose matured guidance is an source of inspiration to all of us. He is one of the promoter of the Company. He takes care of production and technical activities of the Company.

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

Item No.6

Mr. Raorani, aged 34, 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 Wholtime Director of the Company are given below:

1. The appointment of Mr. Maikal Raorani as a Wholtime Director of the Company shall be for a period commencing from 1st October, 2007 to 30th September, 2008, (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 wholtime, 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. 61,000/- per month(w.e.f. 1st April, 2007). 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.

SKY INDUSTRIES LIMITED

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 three 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.

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 7.

Mr. Vijay Choraria, was appointed as an Additional Director of the Company at the Board meeting held on 31st July, 2007, 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. Choraria, aged 43, is a Chartered Accountant and Bachelor in General Law. He has over 20 years of experience and been actively involved in Real Estate and financial Markets. His rich and vast experience in the field of finance will be a boost to the Company.

He doesn't hold any shares in the Company and is a Director in the following Companies.

1. Mukta Arts Limited
2. Siddhant Cinevision Limited
3. JMC Projects (India) Limited
4. Whilsting Woods International Limited
5. Sharyans Resources Limited
6. Intime Spectrum Securities Limited
7. Prebon Yamane (India) Limited

SKY INDUSTRIES LIMITED

8. Mukta Tele Media Limited
9. A.K. Equities Pvt. Ltd.
10. Fine Estates Pvt. Ltd.
11. Kirti Equities Pvt. Ltd.
12. Prokem Trade & Investment Pvt. Ltd.
13. V. J. Finsecurities Pvt. Ltd.
14. Neue Allianz Corporate Services Pvt. Ltd.
15. Tamrind Tours Pvt. Ltd.
16. Collins Stewart Inga Pvt. Ltd.
17. B. E. Billimoria & Co. Limited
18. Sai Consulting Engineers Pvt. Ltd.

Item No. 8 to 11.

Terms and Conditions of remuneration to Executive Directors was approved in the Annual General Meeting held on 15th September, 2005. Central Government approval was required for the same. Central Government has given their approval vide their letter dated 2nd August, 2006. As per that remuneration payable to these directors has been revised with effect from 1st April 2007. The detail of the same is as under. The Remuneration Committee in their meeting held on 31st July, 2007 has recommended the same to the Board of Directors.

Terms of Appointment

Salary

Name of Director	Salary month.
Mr. Nitin Motani	Rs.3,00,000/-
Mr. Shailesh Shah	Rs. 2,50,000/-
Mr. Sharad Shah	Rs. 2,50,000/-
Mr. Saurabh Motani	Rs. 2,00,000/-

Additional Terms

The remuneration is inclusive of Salary 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.

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 Resolutions for the approval of the members.

None of the Directors except the abovementioned are deemed to be concerned or interested in the said Resolutions.

By Order of the Board of Directors

Sd/-

Sujal Master
Company Secretary

Place: Mumbai
Date: 31st July, 2007

SKY INDUSTRIES LIMITED**DIRECTORS' REPORT**

The Members,
Sky Industries Limited,
Mumbai

The Directors take pleasure in submitting the 18th Annual Report and Accounts for the year ended 31st March, 2007.

FINANCIAL RESULTS AND OPERATIONS:**(Rs in Lacs)**

Particulars	Current Year ended 31.03.2007	Previous Year ended 31.03.2006
Sales and other income	6170	5375
Profit before Depreciation, Interest		
Tax and Appropriation	668	809
Less: Interest	291	239
Depreciation	235	247
Profit / (Loss) before tax	142	323
Provision for Taxation	(60)	(63)
Deferred Taxation	(14)	(33)
Profit / (Loss) after taxation	68	227
Add: Prior Period Adjustments	0	0
Excess provision for tax adjusted	0	0
Balance brought forward	1013	869
Balance available for Appropriation	1081	1096
Proposed Dividend (for the previous year)	0	60
Dividend Distribution tax	0	8
General Reserve	0	15
Balance retained in Profit and Loss account	1081	1013

RESULTS OF OPERATIONS

The turnover during the year was Rs. 6170 lacs as compared to previous years Rs.5375 Lacs. The increase of 14.79 % was mainly on account of introduction of new products and tapping of new markets. Although the Turnover during the year increased by 14.79% the profit before tax (PBT) reduced up to Rs.142 lacs, decrease of 56% over the previous year and accordingly the net profit too decreased by 70%. Decrease in Profit is mainly because of increase in raw material cost and interest on capacity creation.

The Company in the year under purview focused on increasing the share of the Value Added products. Though the Velvet segment suffered from consistent sales volume, the company has worked out the ways to utilize the surplus capacity prevalent in Velvet division by introducing several new product lines by minor modifications in the technology.

The Company was also rated by SMERA (Small and Medium Enterprises' Rating Agency) and was awarded a rating of SMERA B2 indicating high safety.

DIVIDEND

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

EXPORTS

During the year under review the Exports were at Rs.1735 lacs an increase of 14.60% 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.

INTERNATIONAL BUSINESS / SUBSIDIARY

Your Directors are pleased to inform that the performance of the subsidiary company, SKAY INC for the year ended 31st March, 2007 was satisfactory.



SKY INDUSTRIES LIMITED

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, 2007, is annexed herewith.

HUMAN RESOURCES

Your Company also ramped up its manpower resources during the year. At present we have 446 (Four Hundred Forty Six members) in our family globally and we expect stable growth in same in this financial year. Your company encourages teamwork, along with individual excellence, develop a sense of belonging amongst employees by caring attitude.

CORPORATE GOVERNANCE

A separate section on Corporate Governance forming part of the Director's report and the certificate from the Company's auditors confirming compliance of Corporate Governance norms as stipulated in Clause 49 of the Listing agreement with the Stock Exchanges is included in this report.

AUDIT COMMITTEE

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

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing agreement with the Stock Exchanges is presented as a separate section forming part of this Annual Report.

DIRECTORS

Mr. Nitin Motani, Mr. Sharad Shah and Mr. Shailesh Shah Directors of the Company, retires by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

Mr. Maikal Raorani's term of appointment as a Wholtime Director expires on 30th September, 2007. 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.

The Board of Directors at its meeting held on 31st July, 2007 elected Mr. Vijay Choraria as Additional Director of the Company. He holds the office of directorship till the date of the Annual General Meeting. 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.

AUDITORS

M/s Kalyaniwalla & Mistry, Chartered Accountants, Mumbai, hold office till the conclusion of the ensuing Annual General Meeting and have expressed their willingness and eligibility to continue, if re-appointed. 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.

You are requested to consider their re-appointment.

DEPOSITS

The Company has not accepted any deposits from the public within the meaning of Section 58A of the Companies Act, 1956 during the year under review.

EMPLOYEES

The Company has no employee drawing remuneration in excess of limits specified under Section 217(2A) of the Companies Act, 1956.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

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.