



SIP INDUSTRIES LIMITED

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**SIXTEENTH
ANNUAL REPORT
2001-2002**

Sixteenth Annual Report

SIXTEENTH ANNUAL REPORT 2001-2002

ANNUAL GENERAL MEETING

On Monday the 23rd December 2002

at

Bharatiya Vidya Bhavan
37-39, East Mada Street, Mylapore,
Chennai - 600 004.

at 10.00 A.M.

As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to kindly bring their copies to the Meeting.

BOARD OF DIRECTORS

K.C. Raghunathan
(Chairman & Managing Director)
K.C. Sukumar (Joint Managing Director)
T.M. Srinivasan (Director)
U. Prabhakar Rao (Director)
Dr. J. Venkataramana (Director)

Technical Director

D.K. Mukherjee

Company Secretary

Valliammai Muthiah

REGISTERED OFFICE

116, Dr. Radhakrishnan Salai,
III Floor, Chennai - 600 004.

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SUBSIDIARY COMPANY

SIP Florals Private Ltd.	32
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FACTORY

Plot No. 46
SIPCOT Industrial Complex
Ranipet, Tamil Nadu
Pin Code - 632 403

FLORICULTURE FARM

Suligunta Village
Berikai, Firka, Hosur Taluk,
Dharmapuri District, Tamil Nadu

AUDITORS

P.B. Vijayaraghavan & Company
Chartered Accountants

**NOTICE**

Notice is hereby given that the Sixteenth Annual General Meeting of the Members of SIP INDUSTRIES LIMITED, will be held at Bharatiya Vidya Bhavan, 37-39, East Mada Street, Mylapore, Chennai 600 004, on Monday, the 23rd December, 2002 at 10.00 A.M. to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 30.09.2002 and the Profit and Loss Account for the financial year (18 months) ended on that date, together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. T.M.Srinivasan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint and fix remuneration of Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting. The retiring auditors M/s P.B. Vijayaraghavan & Co., are eligible for re-appointment.

By Order of the Board

Chennai
21.11.2002

K.C. RAGHUNATHAN
Chairman & Managing Director

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Duly completed Proxy Form in order to be effective, should be deposited at the Registered Office of the Company not less than forty-eight hours before the time fixed for the commencement of meeting. Proxy Form is enclosed.
3. Register of Members and Share Transfer Books of the Company will remain closed from 20/12/2002 to 23/12/2002 (both days inclusive).
4. Members are requested to immediately inform the Company if there is any change in their addresses. Members whose shareholding are in the electronic mode are requested to send the intimation for change of address to their respective Depository Participant.
5. Members who hold shares in Dematerialised form, are requested to bring their Depository Account Number (Client ID Number) for easy identification and recording of attendance at the meeting.

DIRECTORS' REPORT

Your Directors present their Sixteenth Annual Report to their Share Holders together with the Audited Accounts for the financial year ended 30th, September, 2002.

FINANCIAL RESULTS:

The financial year (18 months) ended 30th September, 2002 resulted in a net loss of Rs. 153.49 lacs as against the Net Loss of Rs. 346.88 lacs during the previous year (12 months).

	2001-02 (18 months) (Rs. in lakhs)	2000-2001 (12 months) (Rs. in lakhs)
Profit/(Loss) before depreciation, Interest and Tax	(16.69)	(115.97)
Profit/(Loss) before taxation	(153.49)	(346.88)
Net Profit/(Loss) after Tax	(153.49)	(346.88)
Balance brought forward	190.72	537.60
Balance Profit/(Loss) carried to Balance Sheet	37.23	190.72
Amount available for appropriation	—	—
Deferred Tax Liability reversal	6.50	—
Balance carried to Balance Sheet	43.73	190.72

DIVIDEND :

In the absence of profit during the year, your Directors express their inability to recommend any dividend.

PERFORMANCE AND PROSPECTS :**RESIN:**

Efforts are being made to revive some activity in the Resin unit utilising the existing infrastructure available.

The Board was of the opinion that it is essential to diversify and hence decided to carry on the business of trading in stock and shares. Accordingly the investment in shares by the Company were converted into stock in trade.

INVESTMENTS: SIP TECHNOLOGIES AND EXPORTS LIMITED

SIP Technologies & Exports Limited brought out an offer for Buyback of 20% of its Paid up Equity Shares at a price of Rs.90/- per Equity share of Rs.10/- each (fully paid up). 3,89,900 Shares (ie full eligibility - 20% of your Company's holding in SIP Tech) was surrendered in response to the said offer resulting in an inflow of Rs. 3.5 Crores which is shown in sales revenue.

FLORICULTURE :

The Floriculture unit at Berigai registered a revenue of Rs. 89.86 Lakhs. This unit has been leased out in the current year.

OTS SCHEME:

The Company has signed an agreement with Indian Overseas Bank, under the One Time Settlement Scheme. This would result in a waiver of 2.51 Crores.

CHANGE OF FINANCIAL YEAR:

The Registrar of Companies, Tamilnadu, at our request, has approved the extension of financial year upto September 30th 2002 and accordingly the Annual Accounts have been prepared for a period of eighteen months commencing from 1.4.2001.

DIRECTORS:

Mr. T.M.Srinivasan retires by rotation at the ensuing Annual General Meeting, and is eligible for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000 the Directors confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at

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- the end of the financial year and of the profit or loss of the company for that period;
- iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
 - iv) the Directors had prepared the annual accounts on a going concern basis.

AUDITORS :

M/s. P.B.Vijayaraghavan & Company, Chartered Accountants retire at the ensuing Annual General Meeting and are eligible for reappointment.

COST AUDIT:

The Cost Audit Department, Department of Company Affairs, New Delhi has been informed of the closure of Resin Units at Ranipet and hence no cost audit report has been obtained.

FIXED DEPOSITS:

The Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under.

SUBSIDIARY: SIP FLORALS PRIVATE LIMITED

The company is yet to commence its activities.

EMPLOYEE PARTICULARS:

None of the personnel in the Company was in receipt of remuneration in excess of the limits prescribed in Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules 1975 as amended during the year under review.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

Particulars as to a) Conservation of Energy b) Technology Absorption c) Foreign Exchange Earnings and Outgo, as required

by Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988, are attached and form part of this report.

CORPORATE GOVERNANCE:

As per the Schedule of Implementation given by Stock Exchanges, Corporate Governance is applicable to your Company only in the financial year 2002-2003 but not later than 31st March 2003. Accordingly, the same will be complied in the current financial year but before 31st March 2003.

ACKNOWLEDGEMENTS:

Your Directors thank the Bankers for their continued support to the Company.

The Directors also wish to place on record their appreciation for the hard work put in by the employees at all levels.

By Order of the Board

Chennai
21.11.2002

K.C.RAGHUNATHAN
Chairman & Managing Director

ADDENDUM TO DIRECTORS' REPORT

With reference to the remarks made in clause 2(d) & clause 2(g)&h of the Auditors' Report, the Board of Directors hereby give the following explanation.

1. The Accounts of the Company's subsidiary SIP Florals Private Limited, has not been consolidated. The Directors are of the opinion that there is only one subsidiary and that subsidiary has not yet commenced any activity and consolidation will not enhance any information provided to the Shareholders of the Company as it will be very insignificant in terms of value.
2. Due to obsolescence of the materials and difficulties faced in realising the debts due to the closure of the Resin unit at Ranipet, the Board is of the opinion barring unforeseen circumstances, the provision made during the year under review are adequate.

By Order of the Board

Chennai
21.11.2002

K.C.RAGHUNATHAN
Chairman & Managing Director

FORM - A

Form of disclosure of particulars with respect to conservation of energy.

CONSERVATION OF ENERGY

The Resin Unit of the company is closed since 14.7.2001. The Floriculture Unit is an Agricultural Industry and not energy intensive.

FORM-B

(A) TECHNOLOGY ABSORPTION AND RESEARCH AND DEVELOPMENT

Not Applicable as Resin unit is closed.

(B) FOREIGN EXCHANGE EARNINGS AND OUTGO :

Foreign Exchange Earnings and Outgo are shown in Notes to the Accounts. Members are requested to refer to those Notes.

**AUDITORS' REPORT****TO THE SHAREHOLDERS OF SIP INDUSTRIES LIMITED**

We have audited the attached Balance Sheet of SIP Industries Limited as at 30th September 2002 and also the Profit and Loss Account for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on matters specified in paragraphs 4 & 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph 1 above,
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of accounts as required by law have been kept by the company in so far as appears from our examination of books.
 - c) The Company's Balance Sheet and Profit and Loss Account are in agreement with the books of accounts.
 - d) In our opinion the Profit & Loss Account and Balance Sheet comply with Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 except AS21 for reasons mentioned hereafter.

Clause 32 of the listing agreement requires preparation of Consolidated Financial Statements. The Company

has not prepared consolidated financial statements along with its subsidiary "SIP Florals Private Limited" as there was no activity during the year according to the Company and hence there are no comments.

- e) On the basis of written representation from the directors, taken on record by the Board of Directors, none of the Directors are disqualified as on 30.09.2002 from being appointed as a Director u/s.274 (1)(g) of Companies Act, 1956.
 - f) Attention is invited to Note No.19 of Schedule 22 for accounting of deferred tax asset, relating to unabsorbed depreciation and business loss, based on evidence supporting the recognition of the same. We have relied on representation provided by the management in this regard.
 - g) I. The Company has made a provision of sum of Rs.166 Lacs towards doubtful debts, Loans and advances on an estimated basis, the adequacy of, which is not ascertainable.
 - II. The Company has valued its raw materials, Finished Goods, Stores and spares at 60% of cost thus making a provision of Rs.35 Lacs, the adequacy of which, in our opinion is not ascertainable.
- In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes and schedules thereon subject to Clause I, II Para (g), the overall effect of which on the loss for the financial year is not ascertainable, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
- i) In the case of Balance Sheet, of the State of affairs of the Company as at 30th September 2002.
 - ii) In the case of Profit and Loss account, of the LOSS for the period ended on that date.

for P.B. VIJAYARAGHAVAN & CO
Chartered Accountants

Chennai
21.11.2002

P.B. SANTHANAKRISHNAN
Partner

ANNEXURE TO THE AUDITORS' REPORT**A. REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE**

1. The Company has maintained proper records showing full particulars including quantitative details of fixed assets. The record however are being updated with regard to location of assets. We are informed that the management has a reasonable system of physical verification at periodic intervals and no material discrepancies were observed during the year.
2. None of the fixed assets have been revalued during the year.
3. As explained to us, the stocks of finished goods, spare parts and raw materials have been physically verified during the year.
4. The procedures for physical verification of stocks followed by the management are reasonable and adequate in relation to the size and nature of business. No material discrepancies were observed during the year.

5. On the basis of our examination of stock records, we observe that stock of raw materials and finished goods have been valued after making provision of Rs. 35 Lacs on an estimated basis the adequacy of which is not ascertainable and are not on the same basis as in the previous year.
6. The Company has taken loans, secured or unsecured, from companies, firms or other parties listed in the register maintained U/s 301 and from the companies under the same management within the meaning of Section of 370 (1B) of the Companies Act, 1956 where the rate of interest and other terms and conditions are not prima facie prejudicial to the interests of the company. Section 370 (1B) has since been deleted.
7. The Company has not granted loans, Secured or unsecured, to companies, firms or other parties listed in the register maintained U/s 301 and to the companies under the same management within the meaning of Section of 370 (1B) of the Companies Act, 1956 where the rate of interest and other terms and conditions are prima facie prejudicial to the interests of the company. Section 370 (1B) has since been deleted.

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8. In respect of loans and advances in the nature of loans given by the company, staff have repaid the principal amount as stipulated and have also been regular in the payment of interest thereon, wherever applicable.
9. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regards purchase of stores, raw materials including components, plant and machinery, equipment and other assets and with regard to the sale of goods.
10. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50000/- or more in respect of each party have been made at prices which are reasonable having regard to the prices at which the transactions for similar goods, materials or services have been made with other parties.
11. A provision has been made in the accounts on an estimated basis for possible losses arising on account of unserviceable and damaged stores, raw materials and finished goods. We are informed that the unserviceable stores, raw materials and finished goods are insignificant.
12. The Company has not accepted deposits from the public.
13. As explained to us, the Company's operations do not generate any by-products and no realisable scrap is generated.
14. The Internal Audit for the year has not been carried out even though required. We are informed by the management that there has been no manufacturing activities during the year and other activities are not significant.
15. We have broadly reviewed the books of accounts maintained by the Company pursuant to order made by the central government for maintenance of cost records under section 209(1)(d) of Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been generally maintained. We have not however, made a detailed examination of the records with the view to determine whether they are accurate or complete.
16. The company has been regular in payment of Provident Fund and Employees State Insurance dues with the appropriate authorities.
17. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Customs Duty were outstanding as at 30.9.2002 for a period of more than six months from the date they became payable.
18. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account other than those payable under contractual obligations and are in accordance with generally accepted business practice.
19. The Sick Industrial Companies, (Special Provisions) Act, 1985 is not applicable to the Company, as the number of employees for the past twelve months is less than fifty.

for **P.B. VIJAYARAGHAVAN & CO**
Chartered Accountants

Chennai
21.11.2002

P.B. SANTHANAKRISHNAN
Partner.

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BALANCE SHEET AS ON 30TH SEPTEMBER, 2002

		For 18 Months ended 30.09.02		For 12 Months ended 31.03.01	
A. SOURCES OF FUNDS	SCHEDULE	Rs.	Rs.	Rs.	Rs.
SHARE HOLDERS' FUNDS:					
1. Capital	1	46789360		46789360	
2. Reserves and Surplus	2	<u>36602631</u>		<u>30143711</u>	
			83391991		76933071
LOAN FUNDS:					
Secured Loans	3	<u>35959704</u>		<u>69426390</u>	
TOTAL		<u>119351695</u>		<u>146359461</u>	
B. APPLICATION OF FUNDS					
FIXED ASSETS:					
1. Assets less depreciation	4	<u>59303594</u>		<u>70869812</u>	
			59303594		70869812
INVESTMENTS	5		45110		19612110
CURRENT ASSETS, LOANS AND ADVANCES					
1. Inventories	6	5467926		27542022	
2. Stock in Trade	7	40666000		-	
3. Trade Receivables	8	2852411		11757128	
4. Cash and Bank Balances	9	2291809		6264821	
5. Loans and advances	10	<u>22790049</u>		<u>40202732</u>	
		74068195		85766703	
LESS: CURRENT LIABILITIES AND PROVISIONS					
1. Current Liabilities	11	4531623		16236338	
2. Provisions	12	<u>7026989</u>		<u>15056362</u>	
		11558612		31292700	
NET CURRENT ASSETS			62509583		54474003
Deferred Tax Liability (Net)			(3347576)		-
MISCELLANEOUS EXPENDITURE					
(To the extent not written off or adjusted)	13		840984		1403536
TOTAL		<u>119351695</u>		<u>146359461</u>	
Notes to the Accounts	22				

The Schedules referred to above form an integral Part of the Balance Sheet

Per our Report of even date annexed		For and on behalf of the Board	
For P.B.Vijayaraghavan & Co., Chartered Accountants		K.C.Raghunathan (Chairman and Managing Director)	
		K.C.Sukumar (Joint Managing Director)	
		T.M. Srinivasan (Director)	
		U. Prabhakar Rao (Director)	
		Valliammai Muthiah (Company Secretary)	
Chennai 21.11.2002	P.B.Santhanakrishnan Partner		

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PROFIT AND LOSS ACCOUNT FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER, 2002

	SCHEDULE	For 18 Months ended 30.09.02 Rs.	For 12 Months ended 31.03.01 Rs.
INCOME :			
Sales	14	49883507	99977018
Income from Wind Farm		—	827279
Other Income	15	9269116	4865923
		<u>59152623</u>	<u>105670220</u>
EXPENDITURE :			
Raw materials consumed	16	659237	49736273
Excise Duty and sales tax	17	921216	15917246
Cost of Securities sold	18	3901000	—
Manufacturing, Selling and Other expenses	19	51870011	46018638
Interest	20	2192038	14105278
Depreciation		11487173	8985992
		<u>71030675</u>	<u>134763427</u>
(Increase)/Decrease in Inventory	21	3470474	5594997
		<u>74501149</u>	<u>140358424</u>
Profit / (Loss) before tax		(15348526)	(34688204)
Less: Provision for taxation		—	—
Profit / (Loss) after tax		(15348526)	(34688204)
Balance brought forward		19071724	53759928
		<u>3723198</u>	<u>19071724</u>
APPROPRIATION :			
Deferred Tax Liability reversal		649719	—
Balance carried forward		4372917	19071724
Basic and Diluted Earnings per Share		(3.28)	(7.41)

Notes to the Accounts 22

The Schedules referred to above form an integral Part of the Profit and Loss Account.

	Per our Report of even date annexed	For and on behalf of the Board
	For P.B.Vijayaraghavan & Co., Chartered Accountants	K.C.Raghunathan (Chairman and Managing Director) K.C.Sukumar (Joint Managing Director) T.M. Srinivasan (Director) U. Prabhakar Rao (Director) Valliammai Muthiah (Company Secretary)
Chennai 21.11.2002	P.B.Santhanakrishnan Partner	



**SCHEDULES FORMING PART OF THE BALANCE SHEET
AS AT 30TH SEPTEMBER, 2002**

	30.09.02		31.03.01
	Rs.	Rs.	Rs.
SCHEDULE 1			
SHARE CAPITAL			
Authorised :			
300000 Preference Shares of Rs. 100/- each.	30000000		30000000
7000000 Equity Shares of Rs. 10/- each.	70000000		70000000
	<u>100000000</u>		<u>100000000</u>
Issued : **			
4681457 Equity Shares of Rs.10/- each	<u>46814570</u>		<u>46814570</u>
Subscribed and Paid up:			
4676415 Equity Shares of Rs.10/- each			
fully paid up (previous year 4676415			
Equity Shares of Rs. 10/- each fully paid up)	<u>46764150</u>		<u>46764150</u>
	<u>46764150</u>		<u>46764150</u>
Less : Calls in Arrears	<u>-</u>		<u>-</u>
	46764150		46764150
Shares forfeited account	25210		25210
	<u>46789360</u>		<u>46789360</u>

** Of the above :

1753543 Equity Shares of Rs.10/- each were allotted as fully paid up by way of Bonus Shares from Securities Premium Account on 9th February 1998.

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	30.09.02		31.03.01
	Rs.	Rs.	Rs.
SCHEDULE 2			
RESERVES AND SURPLUS			
Capital Reserve :			
As per last Balance Sheet	1246762		1246762
Amt waived on IOB OTS	25155022		—
	26401784		1246762
Securities Premium Account :			
As per last Balance Sheet	383280		383280
Investment Allowance Reserve :			
As per last Balance Sheet	—		41945
Less : Transferred to General Reserve	—		41945
		—	—
General Reserve :			
As per last Balance Sheet	8811945		8770000
Add : Transfer from Invest. Allowance Reserve	—		41945
Transfer to Profit & Loss Account			—
Less: Transfer to Deferred Tax Liability (Net)	3997295		—
	4814650		8811945
SIPCOT State Subsidy :			
As per last Balance Sheet	630000		630000
Balance in Profit & Loss Account	4372917		19071724
	36602631		30143711