



SIP INDUSTRIES LIMITED

Report  Junction.com

**17th
ANNUAL REPORT
2002-2003**

17th ANNUAL REPORT 2002-2003

ANNUAL GENERAL MEETING

On Wednesday the 31st December 2003

at

116, 3rd Floor, Dr. Radhakrishnan Salai,

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.

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

REGISTRAR & SHARE TRANSFER AGENTS

Cameo Corporate Services Ltd.,

Subramanian Building,

No. 1, Club House Road,

Mount Road,

Chennai-600 002.

CONTENTS

	Page
Notice and Notes	1
Directors' Report	1
Report on Corporate Governance	3
Auditor's Report	6
Annexure to the Auditors' Report	6
Balance Sheet	8
Profit and Loss Account	9
Schedules to the Accounts	10
Notes forming Part of Accounts	19

17th Annual Report**NOTICE**

Notice is hereby given that the 17th Annual General Meeting of the Members of **SIP INDUSTRIES LIMITED**, will be held at 116, 3rd Floor, Dr. Radhakrishnan Salai, Mylapore, Chennai 600 004, on Wednesday, the 31st December, 2003 at 10.00 A.M. to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 30th September 2003 and the Profit and Loss Account for the financial year ended on that date, together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. U Prabhakar Rao, 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
27.11.2003

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 24.12.2003 to 31.12.2003 (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.
6. Consequent upon the amendment to Section 205A of the Companies Act, 1956 and insertion of Section 205C by the Companies (Amendment) Act, 1999, the Dividend remaining unpaid/unclaimed in respect of dividend for 1995-96, have been transferred to the Investor Education and Protection (IEP) Fund set up by the Central Government.
7. Members are requested to claim from the Company their unclaimed dividends, if any, in respect of financial years 1996-97 and 1999-2000 at the earliest, as the same will be transferred to the credit of IEP Fund of the Central Government under the provisions of Section 205C of the Companies Act, 1956 after seven years. It may please be noted that no claims shall lie against the Company or IEP Fund in respect of the said amount.

DIRECTORS' REPORT

Your Directors present their 17th Annual Report to their Shareholders together with the Audited Accounts for the year ended 30th September 2003.

FINANCIAL RESULTS:

The financial year ended 30th September 2003 (12 months) resulted in a net loss of Rs.296.25 lacs as against the Net Loss of Rs.153.49 lacs during the previous year (18 months).

2002-03 2001-2002
(Rs. in lakhs)

Profit/Loss before depreciation,		
Interest and Tax	(188.17)	(16.69)
Profit/Loss before taxation	(296.25)	(153.49)
Net Profit/(Loss) after Tax	(296.25)	(153.49)
Balance brought forward	43.73	190.72
Balance Profit / (Loss) carried to Balance Sheet	(252.52)	37.23
Deferred Tax Liability reversal	10.70	6.50
Balance carried to Balance Sheet	(241.82)	43.73

DIVIDEND:

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

PERFORMANCE AND PROSPECTS:**Resin:**

The Company could not achieve revival of Resin Unit inspite of unstinted efforts by the Management. Therefore, it has been decided that it will be in the best interest of the company to

dispose off the said unit at the best possible consideration, instead of incurring further loss continuously.

Necessary steps are being taken to pass the resolution pursuant to Section 293(1)(a) of the Companies Act, 1956 for disposal of the Resin Unit by Postal Ballot under Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001.

Trading in Securities

The Company has recorded profit of Rs.13.21 lakhs in the segment of Trading.

Floriculture :

The lease of Floriculture Division at Berigai to M/s Sun Blossoms Florals Limited, was terminated with effect from 27.03.2003. Steps are being taken by the Company to reactivate operations including exports in the current year.

DIRECTORS:

Mr U Prabhakar Rao 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



SIP INDUSTRIES LIMITED

true and fair view of the state of affairs of the company at 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, vide their letter dated 28.04.2003, withdrawn the Cost Audit Order, issued on the Company under Section 233B of the Companies Act, 1956 relating to Resin Division.

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.

SIP FLORALS PRIVATE LIMITED

It ceased to be a subsidiary of your Company consequent on the increase in the paid up share capital of that Company during the year.

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:

Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, a report on Corporate Governance along with Auditors' Certificate of the compliance is included as part of the Annual Report.

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
27.11.2003

K.C. RAGHUNATHAN
Chairman & Managing Director

Report Junction.com

FORM - A

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

CONSERVATION OF ENERGY

The Resin Unit of the company remains closed, hence not given. 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.

17th Annual Report

REPORT ON CORPORATE GOVERNANCE

SIP INDUSTRIES LIMITED has implemented the Corporate Governance in terms of the listing Agreement with the Stock Exchanges. Corporate Governance is aimed at serving all the stakeholders and improving shareholders' value.

The following is a report on the status and progress on major aspects of Corporate Governance.

1. BOARD OF DIRECTORS

a) Composition

The Board comprises of 5 members from various disciplines like finance and business management.

b) Executive and Independent directors

The Board has been constituted in a manner, which will result in an appropriate mix of executive and independent directors.

Executive Directors:

1. Mr K C Raghunathan (Chairman & Managing Director)
2. Mr K C Sukumar (Joint Managing Director)

Independent non-executive directors.

1. Mr.T M Srinivasan
2. Mr. U Prabhakar Rao
3. Dr.J Venkataramana

The independent directors actively participate in the deliberations at the Board meetings and offer their ideas and share their experiences.

There has been no resignation / appointment of directors during the year 2002-2003.

c) Board Meetings

There were five Board Meetings during the financial year. The Board meetings were held on the following dates

1. 21.11.2002
2. 20.01.2003
3. 31.01.2003
4. 29.04.2003 and
5. 31.07.2003

The attendance of directors at the Board Meetings and last Annual General Meeting is as follows:

Director	Board meetings attended	Last AGM attendance Yes/No/NA
Mr. K C Raghunathan	5	Yes
Mr. K C Sukumar	4	Yes
Mr.T M Srinivasan	4	Yes
Mr. U Prabhakar Rao	4	No
Dr. J Venkataramana	1	No

2. BOARD COMMITTEES

In accordance with the code of corporate governance, the Board has set up the following Committees.

(I) AUDIT COMMITTEE

a) Composition

The Audit Committee presently consists of the following three non-executive independent directors.

1. Mr. T M Srinivasan (Chairman of the Committee)
2. Mr U Prabhakar Rao
3. Dr J Venkataramana

Mrs.Valliammai Muthiah, Company Secretary is the Secretary to the Committee.

b) Terms of reference

The terms of reference of the Audit Committee include review of Annual Financial Statements before submission to the Board, overseeing all financial reporting process, recommendation of appointment / removal of auditors and their remuneration.

c) Committee Meetings

The Committee was appointed at the Board Meeting held on January 31, 2003. The Committee met three times during the year under review i.e. on 31.01.2003, 29.04.2003 and 31.07.2003. The attendance of directors at the committee meetings is as follows:

Member	Committee meetings attended
Mr.T M Srinivasan	3
Dr. J Venkataramana	3
Mr. U Prabhakar Rao	3

(III) INVESTORS' GRIEVANCE COMMITTEE

a) Composition

The Committee comprises of the following Directors.

1. Dr. J Venkataramana (Chairman of the Committee)
2. Mr. K C Raghunathan
3. Mr. K C Sukumar

b) Terms of reference

1. Review of Investor complaints.
2. Review of complaints received from SEBI, Stock Exchanges, Department of Company Affairs
3. Considering improvements in Investor Servicing.

c) Committee meetings

The Committee was appointed at the Board Meeting held on January 31, 2003. The Committee met twice during the year under review i.e. on 29.04.2003 and 31.07.2003. The attendance of directors at the committee meetings is as follows:

Member	Committee meetings attended
Dr. J Venkataramana	2
Mr. K C Raghunathan	2
Mr. K C Sukumar	2



3. DETAILS OF REMUNERATION PAID TO DIRECTORS DURING 2002-03

S/No	Name	Sitting fees (Per Annum)	Salary/ Allowances (Per Annum)	Contribution to PF & other funds (Per Annum)	Money value of perquisites (Per Annum) (In Rs.)
1	Mr. K C Raghunathan	-	Rs.9,60,000/-	Rs.72,000/-	Rs.1,50,176/-
2	Mr. K C Sukumar	-	-	-	-
3	Mr. T M Srinivasan	Rs.4000/-	-	-	-
4	Mr. U Prabhakar Rao	Rs.4000/-	-	-	-
5	Dr. J Venkataramana	Rs.1000/-	-	-	-

4. Profile of Director retiring by rotation

Mr. U Prabhakar Rao is retiring by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

Mr. U Prabhakar Rao is a graduate of Economics and a Diploma Holder in Business Management. He joined as an officer in The Commercial Credit Corporation (1943) P Limited in 1955 and been a Director since November 1965.

Apart from being a Director in SIP Industries Limited, Mr. U. Prabhakar Rao is also on the Board of Consolidated Credit Co. Private Limited. He was Director of M/s. Enfield (India)

Limited, Kurlon Products Limited and Viswapriya Finance. He served as Chairman of South India Hire Purchase Association and Motor Vehicles & Allied Industries Association.

He is also a member of Audit Committee of the Company.

Mr. U. Prabhakar Rao served as Office Bearer of Tamil Nadu Cricket Association (TNCA), Madras Cricket Club & Madras Boat Club. He was also the President of Madras Cricket Club. At present, Mr. U. Prabhakar Rao is the Vice President of TNCA.

5. DISCLOSURES

As per the declarations given by the management to the Board, during the year 2002-03, there were no material, financial and commercial transactions which are in potential conflict with the interest of the Company at large.

6. GENERAL SHAREHOLDER INFORMATION

Forms part of this report.

By Order of the Board

Chennai
27.11.2003

K.C. RAGHUNATHAN
Chairman & Managing Director

GENERAL SHAREHOLDER INFORMATION

1. **Registered Office of the Company**
116 III Floor Dr.Radhakrishnan Salai
Mylapore Chennai 600 004

2. **Annual General Meetings**
Ensuing AGM:
Date & Time : 31.12.2003, 10 a.m.
Venue : 116 III Floor, Dr. Radhakrishnan Salai
Mylapore Chennai 600 004

Last 3 Annual General Meetings

Year	Date	Time	Venue
1999-2000	20.09.2000	10 a.m.	Bharatiya Vidya Bhavan, Mylapore, Chennai 600 004
2000-2001	24.09.2001	10 a.m.	Bharatiya Vidya Bhavan, Mylapore, Chennai 600 004
2001-2002	23.12.2002	10 a.m.	Bharatiya Vidya Bhavan, Mylapore, Chennai 600 004

3. **Financial Calendar (tentative and subject to change)**
Financial Reporting for

- Quarter ended December 31, 2003	31 st January 2004
- Half year ended March 31, 2004	30 th April 2004
- Quarter ended June 30, 2004	31 st July 2004
- Quarter and year ended September 30, 2004	30 th November 2004

4. **Book Closure Dates**

24th December 2003 to 31st December 2003.

5. **Dividend**

Your Directors have not recommended any Dividend for the Financial Year 2002-03.

6. Listing on stock exchanges & stock code

Stock Exchange	Stock Code
The Stock Exchange, Mumbai	523164
Madras Stock Exchange	SIPINDS
Demat ISIN Number for NSDL & CDSL in Equity Shares	INE186B01017

7. Market price data

Period	Mumbai Stock Exchange	
	High	Low
October 2002	2.95	1.25
November 2002	3.50	1.85
December 2002	3.75	2.60
January 2003	4.35	2.85
February 2003	3.55	2.35
March 2003	3.10	1.70
April 2003	1.70	1.10
May 2003	2.15	1.25
June 2003	3.80	1.93
July 2003	3.90	1.71
August 2003	4.29	2.29
September 2003	3.88	1.95

There was no trading in the Madras Stock Exchange during the financial year 2002-2003.

8. Share transfer system and Registrar & Transfer Agents

The share transfer committee met almost every fortnight during the year 2002-03. M/s. Cameo Corporate Services Limited is the Registrar and Share Transfer Agent including Electronic Connectivity Provider with effect from March 31, 2003.

17th Annual Report

9. Shareholding pattern/Distribution

Shareholding Pattern as on 30.09.2003.

Category	% to total capital
Promoter Group	62.59
Financial Institutions	-
Non-residents (NRIs/OCBs/FIIs)	2.08
Banks	0.01
Mutual Funds	0.01
Others	35.31
Total	100.00

Distribution of shareholding as on 30.09.2003

Category	No. of holders	% to total	No. of shares	% to total
Upto 5,000	4109	88.19	728048	15.57
5,001-10,000	319	6.85	243088	5.20
10,001- 20,000	123	2.64	184227	3.94
20,001- 30,000	52	1.12	126004	2.69
30,001- 40,000	16	0.34	56386	1.21
40,001- 50,000	9	0.19	41450	0.89
50,001-1,00,000	15	0.32	116725	2.49
1,00,001 and above	16	0.34	3180487	68.01
Total		100.00	4676415	100.00

10. Dematerialisation of shares

The Company's shares can be sold through stock exchanges only in dematerialised form. As on date, shares constituting 23.10 % of the total paid up capital of the Company have been dematerialised.

11. Means of communication

The quarterly, half yearly and yearly financial results are intimated to both the Stock Exchanges where the Company's shares are listed and also published in the English Newspaper "News Today" and Tamil Newspaper "Malai Chudal". The annual reports are sent by mail to all shareholders.

12. Compliance officer

Mrs Valliammai Muthiah, Company Secretary
Regd Office: 116, Dr Radhakrishnan Salai, III Floor,
Mylapore Chennai 600 004

13. Contact address for shareholders' assistance

M/s Cameo Corporate Services Limited.
"Subramanian Building, No.1 Club House Road,
Mount Road, Chennai 600 002.

By Order of the Board

Chennai
27.11.2003

K.C. RAGHUNATHAN
Chairman & Managing Director

AUDITORS' CERTIFICATE ON CLAUSE 49 COMPLIANCE CERTIFICATE

We have reviewed the implementation of the Corporate Governance procedure by SIP Industries Limited for the year ended 30th September, 2003 with the relevant records and documents maintained by the Company as furnished to us for our review.

Based on our verification and information and explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges.

For P B VIJAYARAGHAVAN & Co.
Chartered Accountants

P.B. SANTHANAKRISHNAN
Partner

Chennai
27.11.2003



SIP INDUSTRIES LIMITED

AUDITORS' REPORT

TO THE SHAREHOLDERS OF SIP INDUSTRIES LIMITED

We have audited the attached Balance Sheet of SIP Industries Limited, as at 30th September 2003 and also the Profit and Loss Account and the cash flow statement for the year 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 the 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.

As required by the Manufacturing and Other Companies (Auditors' Report) Order 1988 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that,

- i) 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;
- ii) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books.
- iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.

- iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

Attention is invited to Note No. 16 of Schedule 23 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.

- v) On the basis of written representation received from the directors, as on 30th September 2003 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 30th September 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 the balance Sheet, or the State of affairs of the Company as at 30th September 2003;
 - ii) In the case of the Profit and Loss account, of the LOSS for the year ended on that date and
 - iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

Chennai
27.11.2003

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 period.
2. None of the fixed assets have been revalued during the period.
3. As explained to us, the stocks of finished goods, spare parts and raw materials have been physically verified during the period.
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 period.
5. On the basis of our examination of stock records, we observe that stock of raw materials and finished goods have been valued after writing off a sum of Rs. 48 lacs towards their decline in value.
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 interest of the company. (Section 370 (1B) has since been deleted).

17th Annual Report

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 period has not been carried out even though required . We are informed by the management that there has been no manufacturing activities during the period 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. The department of company affairs has withdrawn the cost audit order issued u/s. 233 B of the Companies Act vide letter dated 28.04.2003.
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 30.9.2003 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

P.B. SANTHANAKRISHNAN
Partner.

Chennai
27.11.2003



SIP INDUSTRIES LIMITED

BALANCE SHEET AS ON 30TH SEPTEMBER, 2003

		30.09.03		For 18 Months ended 30.09.02	
A. SOURCES OF FUNDS	SCHEDULE	Rs.	Rs.	Rs.	Rs.
SHARE HOLDERS' FUNDS:					
1. Capital	1	46789360		46789360	
2. Reserves and Surplus	2	8047400		36602631	
			54836760		83391991
LOAN FUNDS:					
Secured Loans	3	15716000			35959704
Deferred Tax Liability	4	2277086			3347576
TOTAL		72829846			122699271
B. APPLICATION OF FUNDS					
FIXED ASSETS:					
1. Assets less depreciation	5	51526484		59303594	
			51526484		59303594
INVESTMENTS	6		45110		45110
CURRENT ASSETS, LOANS AND ADVANCES					
1. Inventories	7	399586		5467926	
2. Stock in Trade	8	22176257		40666000	
3. Trade Receivables	9	696681		2852411	
4. Cash and Bank Balances	10	613579		2291809	
5. Loans and advances	11	10657568		22790049	
		34543671		74068195	
LESS: CURRENT LIABILITIES AND PROVISIONS					
1. Current Liabilities	12	7400473		4531623	
2. Provisions	13	7026989		7026989	
		14427462		11558612	
NET CURRENT ASSETS			20116208		62509583
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)					
	14		1142044		840984
TOTAL		72829846			122699271
Notes to the Accounts	23				

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

Per our Report of even date annexed

For P.B.Vijayaraghavan & Co.,
Chartered Accountants

Chennai
27.11.2003

P.B.Santhanakrishnan
Partner

For and on behalf of the Board

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)