



**SIP INDUSTRIES LIMITED**

Report  Junction.com

**20th  
ANNUAL REPORT  
2005-2006**

## 20th ANNUAL REPORT 2005-2006

### ANNUAL GENERAL MEETING

On Thursday, the 28<sup>th</sup> December 2006

at

A C Muthiah Conference Hall,  
ICSI - SIRC House, 3<sup>rd</sup> Floor,  
New No. 9, Wheatcrofts Road,  
Nungambakkam, Chennai - 600 034.

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

Mr. K.C. Raghunathan  
(Chairman & Managing Director)  
Mr. K.C. Sukumar (Director)  
Mr. T.M. Srinivasan (Director)  
Mr. U. Prabhakar Rao (Director)  
Mr. D. Ravi (Director)

### Company Secretary

Mrs. Valliammai Muthiah

### Registered Office

6th Floor, Crown Court,  
128, Cathedral Road,  
Chennai - 600 086.

### CONTENTS

	Page
Notice and Notes	1
Directors' Report	1
Report on Corporate Governance	3
Auditor's Report	7
Annexure to the Auditors' Report	7
Balance Sheet	9
Profit and Loss Account	10
Schedules to the Accounts	11
Notes forming Part of Accounts	17

### Floriculture Farm

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

### Auditors

P.B. Vijayaraghavan & Company  
*Chartered Accountants*  
14, (Old No. 27), Cathedral Garden Road,  
Nungambakkam, Chennai - 600 034.

### Registrar & Share Transfer Agents

Cameo Corporate Services Limited  
Subramanian Building,  
No. 1, Club House Road,  
Mount Road,  
Chennai-600 002.

## 20th Annual Report

### NOTICE

Notice is hereby given that the 20<sup>th</sup> Annual General Meeting of the Members of **SIP INDUSTRIES LIMITED**, will be held at A C Muthiah Conference Hall, ICSI - SIRC House, 3<sup>rd</sup> Floor, New No.9, Wheatcrofts Road, Nungambakkam, Chennai 600 034, on Thursday, the 28<sup>th</sup> December 2006 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<sup>th</sup> September 2006 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.

### SPECIAL BUSINESS

4. To consider and if thought fit to pass the following resolution as ORDINARY RESOLUTION:

"RESOLVED that pursuant to the provisions of Section 269, 198, 309, 310 and other applicable provisions, if any, and Schedule XIII of the Companies Act, 1956, approval of the Company be and is hereby accorded to the re-appointment of Mr. K C Raghunathan as Managing Director of the Company without remuneration for a further period of five years from 21.08.2006".

By Order of the Board

CHENNAI  
23.11.2006

**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.

### DIRECTORS' REPORT

Your Directors present their 20<sup>th</sup> Annual Report to their Shareholders together with the Audited Accounts for the year ended 30<sup>th</sup> September 2006.

### FINANCIAL RESULTS:

The financial year ended 30<sup>th</sup> September 2006 resulted in a net loss of Rs.37.37 lacs as against the Net Loss of Rs. 9.48 lacs during the previous year.

	2005-06 (Rs. in lakhs)	2004-05 (Rs. in lakhs)
Profit/(Loss) before depreciation,		
Interest and Tax	(3.95)	24.10
Depreciation	28.82	29.21
Interest	4.60	4.37
Profit/(Loss) before taxation	(37.37)	(9.48)
Net Profit/(Loss) after Tax	(37.37)	(9.48)
Balance brought forward	(303.71)	(302.92)

3. Register of Members and Share Transfer Books of the Company will remain closed from 21.12.2006 to 28.12.2006(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. Members are requested to claim from the Company their unclaimed dividends, if any, in respect of financial year 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.

### ANNEXURE TO THE NOTICE

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

##### Item No.4:

Mr. K.C. Raghunathan was reappointed as Managing Director for a period of five years with effect from 21.08.2001 at the Annual General Meeting held on 24.09.2001 and his tenure had come to an end on 20.08.2006. But he received remuneration only till 31.12.2005 as he offered and continued as Managing Director without remuneration for the rest of his tenure.

The Board is of the opinion, it is essential at this juncture, that he continues for a further period of five years in the interest of the Company. Therefore, the Board reappointed Mr. K.C. Raghunathan as Managing Director of the Company without remuneration at its meeting held on 31.07.2006 for a further period of five years with effect from 21.08.2006 subject to the approval of the members.

The Board recommends the resolution to the members for their approval.

None of the Directors except Mr K.C. Raghunathan, Managing Director and Mr. K.C. Sukumar, Director is interested in the resolution.

By Order of the Board

CHENNAI  
23.11.2006

**K. C. RAGHUNATHAN**  
Chairman & Managing Director

	(341.08)	(312.40)
Deferred Tax Liability reversal	-	8.69
Transfer from General Reserve	-	-
Balance carried to Balance Sheet	(341.08)	(303.71)

### DIVIDEND :

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

### PERFORMANCE AND PROSPECTS:

During the year under review, the Company's Floriculture Unit in Berigai, Dharmapuri Dist., Tamil Nadu has recorded a turnover of Rs. 71.93 lakhs (export turnover of Rs.15.40 lakhs and local sale of Rs.56.53 lakhs) as against Rs.93.49 lakhs in the previous year, which has yielded a cash profit Rs.18.33 Lakhs. The Company could not achieve the turnover as anticipated as the market was not very conducive. However, efforts are being taken to improve the performance.



# SIP INDUSTRIES LIMITED

## DIRECTORS:

Mr. U. Prabhakar Rao retires by rotation at the ensuing Annual General Meeting and is eligible for reappointment.

In January 2006, Mr. K.C. Sukumar resigned from the post of Joint Managing Director. However, he continues to be a Director on the Board.

The Board records its appreciation of services rendered and valuable contributions made by Mr. K C Sukumar during his tenure as Joint Managing Director of the Company.

## 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 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.

## 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.

## 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.

## MANAGEMENT DISCUSSION AND ANALYSIS:

(i) The Management Discussion & Analysis Report, as required in terms of Clause 49 (V) (A) of the Listing Agreement.

During the year under review, the Company's Floriculture Unit in Berigai, Dharmapuri Dist., Tamil Nadu has recorded a turnover of Rs.71.93 lakhs (export turnover of Rs15.40 lakhs and local sale of Rs.56.53 lakhs) as against Rs.93.49 lakhs in the previous year, which has yielded a cash profit Rs.18.33 lakhs. The Company could not achieve the Turnover as anticipated as the market was not very conducive. However, efforts are being taken to improve the performance.

Adequate internal control system is instituted in the Company. The Accounting records provide a true and fair view of the financial condition of the Company.

## 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  
23.11.2006

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 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.

## 20th Annual Report

### REPORT ON CORPORATE GOVERNANCE

SIP INDUSTRIES LIMITED has implemented the code of Corporate Governance in terms of the Listing Agreement with the Stock Exchange. Good governance ensures that the Company is managed in a responsible manner by monitoring the internal controls and external aspects such as 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 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 and Managing Director)
2. Mr K C Sukumar (Director)

Independent non-executive directors:

1. Mr. T. M. Srinivasan
2. Mr. U. Prabhakar Rao
3. Mr. D. Ravi

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

Appointment/Resignation/retirement of directors during the year 2005-2006:

During the year 2005-06, Mr. K.C. Sukumar resigned from the post of Joint Managing Director. However, he continues to be a Director on the Board.

##### c) Board Meetings

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

1. 23.11.2005
2. 30.01.2006
3. 28.04.2006 and
4. 31.07.2006

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	4	Yes
Mr. K.C. Sukumar	3	Yes
Mr. T.M. Srinivasan	2	Yes
Mr. U. Prabhakar Rao	3	Yes
Mr. D. Ravi	4	Yes

### DETAILS OF DIRECTORSHIPS AND COMMITTEE MEMBERSHIPS IN OTHER COMPANIES:

NAME OF THE DIRECTOR	OTHER DIRECTORSHIPS	MEMBERSHIP OF COMMITTEES
1. Mr.K.C. Raghunathan	- M/s. SIP Technologies and Exports Limited - M/s. Siptech Solutions Limited - M/s. Southern Industrial Polymers Private Limited - M/s. Bionics Equipment Private Limited - M/s. SIP Florals Private Limited	NIL
2. Mr.K.C. Sukumar	- M/s. SIP Technologies and Exports Limited - M/s. Siptech Solutions Limited - M/s. Southern Industrial Polymers Private Limited - M/s. Bionics Equipment Private Limited - M/s. SIP Florals Private Limited	NIL
3. Mr.T.M.Srinivasan	- M/s. Kasturi Drugs and Pharmaceuticals Limited	NIL
4. Mr.U.Prabhakar Rao	- M/s. The Commercial Credit Corporation (1943) Private Limited - M/s. Consolidated Credit Co. Private Limited (Resigned w.e.f. 16.10.2006) - M/s. SSF Limited	Motor Vehicles & Allied Industries Assn. Tamil Nadu Cricket Assn.
5. Mr.D. Ravi	NIL	NIL

### CODE OF CONDUCT:

The Company has adopted the Code of Conduct for Board members and senior management. All the Board Members and senior management personnel (as per clause 49 of the Listing Agreement) have affirmed compliance with the Code of Conduct. A declaration to that effect signed by the Managing Director forms part of this Report.

### 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 Committee presently consists of the following three non-executive independent directors

1. Mr. T.M. Srinivasan Rao (Chairman of the Committee)
2. Mr. U. Prabhakar Rao
3. Mr. D. Ravi

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

##### b) Terms of Reference

The Audit Committee plays a significant role in the reporting of financial performance and review of internal control procedures.

**c) Committee Meetings**

The Committee met four times during the year under review i.e. on 23.11.2005, 30.01.2006, 28.04.2006 and 31.07.2006. The attendance of directors at the committee meetings is as follows:

Member	Committee meetings attended
Mr. T.M. Srinivasan	2
Mr. U. Prabhakar Rao	3
Mr. D. Ravi	4

**(II) INVESTORS' GRIEVANCE COMMITTEE**

**a) Composition**

The Committee presently consists of the following three directors

1. Mr. D. Ravi (Chairman of the Committee)
2. Mr. K. C. Raghunathan
3. Mr. K.C. Sukumar

**b) Terms of Reference**

The Committee looks into various issues relating to shareholder/investors grievances.

**c) Committee Meetings**

The Committee met four times during the year under review i.e. on 23.11.2005, 30.01.2006, 28.04.2006 and 31.07.2006. The attendance of directors at the committee meetings is as follows:

Member	Committee meetings attended
Mr. K. C. Raghunathan	4
Mr. K.C. Sukumar	3
Mr. D. Ravi	4

**3. DETAILS OF REMUNERATION PAID TO DIRECTORS DURING 2005-06**

Sl No	Name	Sitting fees	Salary/Contribution		Money value of
			Allowances	to PF & other funds	perquisites
1	Mr. K.C. Raghunathan*	—	Rs.2,40,000/-	Rs.18,000/-	—
2	Mr. K.C. Sukumar	—	—	—	—
3	Mr. T.M. Srinivasan	Rs.2000/-	—	—	—
4	Mr. U. Prabhakar Rao	Rs.3000/-	—	—	—
5	Mr. D. Ravi	Rs.4000/-	—	—	—

\* Mr. K.C. Raghunathan continues as Managing Director without remuneration with effect from 01.01.2006

**4. Directors:**

**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. He was a Director of M/s. Consolidated Credit Co. Private Limited, 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. Mr. U. Prabhakar Rao also 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 and continues to be a member of Motor Vehicles & Allied Industries Association.

**5. DISCLOSURES**

1. As per the declarations given by the management to the Board, during the year 2005-06, there were no material, financial and commercial transactions which are in potential conflict with the interest of the Company at large.

List of related party disclosures:

The Company has outstanding loan amount of Rs. 98,00,000/- from M/s SIP Technologies & Exports Limited, an Associate Company and the same has been disclosed in the Notes on Accounts as per Accounting Standard - 18 issued by the Institute of Chartered Accountants of India.

2. There was no instance of non-compliance by the Company and no penalties or strictures were imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority, on any matter related to capital markets, during the last three years.

3. There were no instances of any pecuniary relationships and transactions of the Non-Executive Directors with the company.

**6. GENERAL SHAREHOLDER INFORMATION**

Forms part of this report.

On behalf of the Board

Chennai  
23.11.2006

**K.C. Raghunathan**  
Chairman & Managing Director

**GENERAL SHAREHOLDER INFORMATION**

**1. Registered Office of the Company**

6th Floor, Crown Court, 128, Cathedral Road  
Chennai - 600 086

**2. Annual General Meetings**

**Ensuing AGM**

Date & Time: 28.12.2006, 10.A.M.

Venue: A C Muthiah Conference Hall, ICSI-SIRC House, 3rd Floor, New No.9, Wheatcrofts Road, Nungambakkam, Chennai - 600 034

**Last 3 Annual General Meetings**

AGM for the year	Date	Time	Venue
2002-2003	31.12.2003	10 AM	No.116, III Floor, Radhakrishnan salai, Chennai - 600 004
2003-2004	30.12.2004	10 AM	Bharatiya Vidya Bhavan, Mylapore, Chennai - 600 004
2004-2005	29.12.2005	10 AM	A C Muthiah Conference Hall, ICSI - SIRC House, 3rd Floor, New No.9, Wheatcrofts Road, Nungambakkam, Chennai - 600034

## 20th Annual Report

### 3. Financial Calendar (tentative and subject to change)

Financial Reporting for	
- Quarter ended December 31, 2006	31 <sup>st</sup> January 2007
- Half year ended March 31, 2007	30 <sup>th</sup> April 2007
- Quarter ended June 30, 2007	31 <sup>st</sup> July 2007
- Quarter and year ended September 30, 2007	30 <sup>th</sup> November 2007

### 4. Book Closure Dates

21st December 2006 to 28th December 2006.

### 5. Dividend

Your Directors have not recommended any Dividend for the Financial Year 2005-06.

### 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 2005	12.40	6.95
November 2005	9.35	6.89
December 2005	11.55	6.95
January 2006	11.10	10.00
February 2006	11.13	9.51
March 2006	10.81	8.40
April 2006	8.40	7.25
May 2006	8.85	7.60
June 2006	7.25	6.65
July 2006	6.05	5.20
August 2006	5.00	3.81
September 2006	5.05	3.81

There was no trading in the Equity Shares of the Company in the Madras Stock Exchange for the period from October 1, 2005 to September 30, 2006.

### 8. Share transfer system and Registrar & Transfer Agents

The share transfer committee met almost twice every fortnight during the year 2005-06.

- |   |   |
|---|---|
| (i) Name and designation of Compliance Officer      | : Mrs. Valliammai Muthiah, Company Secretary. |
| (ii) No. of Shareholders complaints received so far | : 13  |
| (iii) No. not solved                                | : NIL   |
| (iv) No. of pending share transfers                 | : NIL   |

M/s. Cameo Corporate Services Limited, Chennai are the Registrar and Share Transfer Agent as also the registrar for electronic connectivity Agent.

### 9. Shareholding pattern/Distribution

Shareholding Pattern as on 30.09.2006

Category	% to total capital
Promoter Group	62.48
Financial Institutions	-
Non-residents (NRIs/OCBs/FIIs)	2.08
Banks	0.01
Mutual Funds	0.01
Others	35.42
<b>Total</b>	<b>100.00</b>

Distribution of shareholding as on 30.09.2006

Category (in Rs.)	No. of holders	% to total	No. of shares	% to total
Upto 5,000	3771	89.09	6195100	13.25
5,001-10,000	280	6.61	2135760	4.57
10,001- 20,000	91	2.15	1361840	2.91
20,001- 30,000	36	0.85	887430	1.89
30,001- 40,000	14	0.33	495530	1.06
40,001- 50,000	5	0.12	228500	0.49
50,001-1,00,000	16	0.38	1103910	2.36
1,00,001 and above	20	0.47	34356080	73.47
<b>Total</b>	<b>4233</b>	<b>100.00</b>	<b>46764150</b>	<b>100.00</b>

### 10. Dematerialisation of shares

The Company's shares can be sold through stock exchanges only in dematerialised form. As on date, shares constituting 26.69% of the total paid up capital of the Company have been dematerialised.

### 11. Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity - Not applicable.

### 12. 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 Chudra". The annual reports are sent by mail to all shareholders.

### 13. Compliance officer

Mrs Valliammai Muthiah, Company Secretary  
SIP Industries Limited  
Regd Office: 6th Floor, Crown Court,  
No. 128, Cathedral Road, Chennai - 600 086.

### 14. Contact address for shareholders' assistance

M/s Cameo Corporate Services Limited  
"Subramanian Building", No. 1, Club House Road,  
Mount Road, Chennai - 600 002.  
Telephone : (044) 2846 0390 - 94  
Fax : (004) 2846 0129  
E-Mail : cameo@cameoindia.com

On behalf of the Board

Chennai  
23.11.2006

**Mr. K.C. Raghunathan**  
Chairman & Managing Director





# **SIP INDUSTRIES LIMITED**

## **CERTIFICATION AND DECLARATION UNDER CLAUSE 49(V) AND CLAUSE 49(I)(D) OF THE LISTING AGREEMENT**

To

The Board of Directors  
SIP Industries Limited,  
Chennai.

This is to certify that:

- a) I have reviewed financial statement for the Financial Year ended on 30.09.2006 and the cash flow statement for the year and that to the best of my knowledge and behalf:
  - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii) these statements together present a true and fair copy of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations
- b) There are, to the best of my knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- c) I accept responsibility for establishing and maintaining internal controls. The effectiveness of the internal control systems of the company has been evaluated and deficiencies in the design or operation of internal controls, if any, of which I am aware and the steps taken or proposed to be taken to rectify these deficiencies have been disclosed to the auditors and the Audit Committee.
- d) I have indicated to the auditors and the Audit Committee:
  - i) significant changes in internal control during the year, whenever applicable;
  - ii) that there were no significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii) that there were no instances of significant fraud of which I have become aware and the involvement therein, if any, of the managements or an employee having such significant role in the company's internal control system.
- e) I further declare that all board members and senior managerial personnel have affirmed compliance with the code of conduct for the current year;

Chennai.  
23.11.2006

**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, 2006 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

Chennai  
23.11.2006

**P.B. Santhanakrishnan**  
Partner