



SIP INDUSTRIES LIMITED

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**21st
ANNUAL REPORT
2006-2007**

21st ANNUAL REPORT 2006-2007

ANNUAL GENERAL MEETING

On Monday, the 31ST December 2007

at

A C Muthiah Conference Hall,
ICSI- SIRC House, 3rd 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.

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.

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SIP INDUSTRIES LIMITED

NOTICE

Notice is hereby given that the 21st Annual General Meeting of the Members of **SIP INDUSTRIES LIMITED**, will be held at A C Muthiah Conference Hall, ICSI-SIRC House, 3rd Floor, New No.9, Wheatcrofts Road, Nungambakkam, Chennai - 600 034, on Monday, 31st December, 2007 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 2007 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. D Ravi, 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
23.11.2007

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 21.12.2007 to 31.12.2007(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 21st Annual Report together with the Audited Accounts for the year ended 30th September 2007.

FINANCIAL RESULTS:

The financial year ended 30th September 2007 resulted in a net loss of Rs. 36.62 lacs as against the net loss of Rs. 37.37 lacs during the previous year.

	2006-2007	2005-2006
	(Rs. in lakhs)	
Profit/(Loss) before Depreciation,		
Interest and Tax	(8.14)	(3.95)
Depreciation	28.48	28.82
Interest	NIL	4.60
Profit/(Loss) before taxation	(36.62)	(37.37)
Net Profit/(Loss) after Tax	(36.62)	(37.37)
Balance brought forward	(341.08)	(303.71)
	<u>(377.70)</u>	<u>(341.08)</u>
Transfer from General Reserve	—	—
Balance carried to Balance Sheet	<u>(377.70)</u>	<u>(341.08)</u>

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. 76.75 lakhs (export turnover of Rs.20.41 lakhs and local sale of Rs.56.34 lakhs) as against Rs.71.93 lakhs in the previous year. The Company could not achieve a better turnover because of the drought conditions prevailing due to failure of monsoon. However, herculean efforts are being taken to improve the performance.

As you may note from the audited accounts, the Company's accumulated losses(Rs. 377.70 lakhs) as at 30th September, 2007, have exceeded 50% of its net worth(Rs. 742.04 lakhs).

The Company has received Dividend of Rs. 23.39 lakhs from M/s SIP Technologies & Exports Limited (SIPTECH) in October 2007.

DIRECTORS:

There is no change in the Constitution of the Board.

Mr D Ravi 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 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.

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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 thereunder.

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

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. 76.75 lakhs (export turnover of Rs.20.41 lakhs and local sale of Rs.56.34 lakhs) as against Rs.71.93 lakhs in the previous year. The Company could not achieve a better turnover because of the drought conditions prevailing due to failure of monsoon. However, herculean efforts are being taken to improve the performance.

As you may note from the enclosed accounts, the Company's accumulated losses (Rs. 377.70 lakhs) as at 30th September, 2007, have exceeded 50% of its net worth (Rs. 742.04 lakhs).

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
23.11.2007

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.

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

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.



SIP INDUSTRIES LIMITED

c) Board Meetings

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

1. 23.11.2006
2. 31.01.2007
3. 30.04.2007 and
4. 30.07.2007

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	3	Yes
Mr U Prabhakar Rao	3	Yes
Mr D Ravi	3	Yes

DETAILS OF DIRECTORSHIPS AND COMMITTEE MEMBERSHIPS IN OTHER COMPANIES:

NAME OF THE DIRECTOR	OTHER DIRECTORSHIPS	MEMBERSHIP OF COMMITTEES
1. Mr K C Raghunathan	<ul style="list-style-type: none"> - SIP Technologies and Exports Limited (SIPTECH) - M/s Siptech Solutions Limited - M/s Southern Industrial Polymers Private Limited - M/s Bionics Equipment Private Limited - M/s SIP Florals Private Limited 	Share Transfer Committee of SIPTECH
2. Mr K C Sukumar	<ul style="list-style-type: none"> - SIP Technologies and Exports Limited (SIPTECH) - M/s Siptech Solutions Limited - M/s Southern Industrial Polymers Private Limited - M/s Bionics Equipment Private Limited - M/s SIP Florals Private Limited 	Share Transfer Committee of SIPTECH
3. Mr T M Srinivasan	<ul style="list-style-type: none"> - Kasturi Drugs and Pharmaceuticals Limited 	NIL
4. Mr U Prabhakar Rao	<ul style="list-style-type: none"> - The Commercial Credit Corporation (1943) Private Limited - SSF Limited 	NIL
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. D Ravi (Chairman) *
2. Mr. T M Srinivasan
3. Mr U Prabhakar Rao

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

* Mr T M Srinivasan's tenure as Chairman of the Audit Committee ended on 31.01.2007, and Mr D Ravi was appointed as the Chairman w.e.f 01.02.2007 for a period of 3 years.

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 23.11.2006, 31.01.2007, 30.04.2007 and 30.07.2007. The attendance of directors at the committee meetings is as follows:

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

(II) INVESTORS' GRIEVANCE COMMITTEE

a) Composition

The Committee presently consists of the following three directors

1. Mr. D Ravi (Chairman)
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 23.11.2006, 31.01.2007, 30.04.2007 and 30.07.2007. The attendance of directors at the committee meetings is as follows:

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

3. DETAILS OF REMUNERATION PAID TO DIRECTORS DURING 2006-07

Sl. No	Name	Sitting Fees	Salary/ Allowances	Contribution to PF & other funds	Money Value of perquisites
1	Mr. K C Raghunathan	—	—	—	—
2	Mr. K C Sukumar	—	—	—	—
3	Mr. T M Srinivasan	Rs.2250/-	—	—	—
4	Mr. U Prabhakar Rao	Rs.2250/-	—	—	—
5	Mr. D Ravi	Rs.2250/-	—	—	—

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4. Directors:

Profile of Director retiring by rotation

Mr. D Ravi, is retiring by rotation at the ensuing Annual General Meeting and is eligible for re-appointment. Mr. D Ravi, B.Sc., FCA, is a renowned Management Consultant. He has more than 28 years of experience at senior level in various industries. He was also a Director of SIP Technologies and Exports Limited. He is the Chairman of the Investor Grievance Committee and Audit Committee of the Company.

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.

5. DISCLOSURES

1. As per the declarations given by the management to the Board, during the year 2006-07, 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

6. GENERAL SHAREHOLDER INFORMATION

Forms part of this report.

On Behalf of the Board

Chennai
23.11.2007

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: 31.12.2007, 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
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, 3 rd Floor, New No.9, Wheatcrofts Road, Nungambakkam, Chennai-600034
2005-2006	28.12.2006	10 AM	A C Muthiah Conference Hall, ICSI-SIRC House, 3 rd Floor, New No.9, Wheatcrofts Road, Nungambakkam, Chennai-600034

3. Financial Calendar (tentative and subject to change)

Financial Reporting for	31 st January 2008
-Quarter ended December 31, 2007	30 th April 2008
-Half year ended March 31, 2008	31 st July 2008
-Quarter ended June 30, 2008	30 th November 2008
-Quarter and year ended September 30, 2008	

4. Book Closure Dates

21st December 2007 to 31st December 2007. (Both days inclusive)

5. Dividend

Your Directors have not recommended any Dividend for the Financial Year 2006-07.

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 2006	5.00	3.93
November 2006	5.50	3.81
December 2006	7.68	4.20
January 2007	13.99	7.05
February 2007	14.40	10.05
March 2007	9.90	9.25
April 2007	10.10	9.60
May 2007	9.95	9.75
June 2007	9.95	8.56
July 2007	9.60	5.33
August 2007	7.41	4.90
September 2007	8.31	6.65

There was no trading in the Equity Shares of the Company in the Madras Stock Exchange for the period from October 1, 2006 to September 30, 2007.

8. Share transfer system and Registrar & Transfer Agents

The share transfer committee met almost twice every fortnight during the year 2006-07.

- | | |
|---|--|
| (i) Name and designation of Compliance Officer | : Mrs. Valliammai Muthiah, Company Secretary |
| (ii) No. of Shareholders complaints received so far | : 6 |
| (iii) No. not solved | : NIL |
| (iv) No. of pending share transfers | : NIL |



SIP INDUSTRIES LIMITED

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 30.09.2007

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
Total	100.00

Distribution of shareholding as on 30.09.2007

Category (in Rs.)	No. of holders	% to total	Share Amount (in Rs.)	% to total
Upto 5,000	3623	88.65	5948350	12.72
5,001 - 10,000	280	6.85	2149800	4.59
10,001 - 20,000	87	2.13	1314280	2.81
20,001 - 30,000	34	0.83	860450	1.84
30,001 - 40,000	22	0.54	785090	1.68
40,001 - 50,000	5	0.12	227530	0.49
50,001 - 1,00,000	15	0.37	1008680	2.16
1,00,001 and above	21	0.51	34469970	73.71
Total	4087	100.00	46764150	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 27.00% 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 Chudra". The annual reports are sent by mail to all shareholders.

12. Compliance officer

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

13. 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) 28460390-94
Fax: (044) 28460129
E Mail: cameo@cameoindia.com

On Behalf of the Board

Chennai
23.11.2007

K.C. RAGHUNATHAN
Chairman & Managing Director

21st Annual Report

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 statements for the Financial Year 30.09.2007 and the cash flow statement for the year and that to the best of my knowledge and belief:
 - 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 view 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 was no instance of 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
23.11.2007

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, 2007 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.

Chennai
23.11.2007

FOR P B VIJAYARAGHAVAN & Co.
Chartered Accountants

P B Santhanakrishnan
Partner
Membership No. 020309