

SARUP TANNERIES LIMITED

ANNUAL REPORT AND ACCOUNTS 2010-2011

P.O. Ramdaspora, JALANDHAR - 144 003, PUNJAB, (INDIA)

Table of Contents

	Page No.
Corporate Information	4
Notice of Annual General Meeting	5
Director's Report	10
Compliance Certificate	15
Management Discussion & Analysis Report	19
Auditor's Report	23
Corporate Governance	26
Balance Sheet	34
Profit & Loss Account	35
Schedules	36
Balance Sheet Abstract	44
Cash Flow Statement	45

COMPANY INFORMATION

MANAGING DIRECTOR

Mr. ATAMJIT SINGH BAWA

CHAIRPERSON

Mrs. MANJIT BAWA

CHIEF FINANCIAL OFFICER

Mr. ASHWANI KUMAR ARORA

AUDIT COMMITTEE

COL. GURCHARAN SINGH Chairman

Mr. G.S. BEDI

Mr. ASHWANI KUMAR ARORA

REMUNERATION COMMITTEE

COL. GURCHARN SINGH Chairman

COL. SURAT SINGH BAWA

Mr. G.S. BEDI

INVESTOR'S GRIEVANCE COMMITTEE

COL. GURCHARAN SINGH Chairman

Mr. ATAMJIT SINGH BAWA

Mr. SIMERJIT SINGH BAWA

AUDITORS

M/S Y.K. SUD & CO.

DURGA NIWAS, CIVIL LINES

JALANDHAR-144001

LEGAL ADVISOR

Mr. V.K. SAREEN

7-NEW RAJENDRA NAGAR

POLICE LINES ROAD, JALANDHAR.

BANKERS

(1) STATE BANK OF INDIA

SCB, CIVIL LINES,

JALANDHAR-144001

(2) STATE BANK OF INDIA

MEHATPUR BRANCH, UNA. H.P.

REGISTRAR & TRANSFER AGENTS

SKY LINE FINANCIAL SERVICES PVT. LTD.

123-VINOBA PURI, LAJPAT NAGAR-II

NEW DELHI-110024

REGISTERED OFFICE

P.O. RAMDASPURA

JALANDHAR-144003

PLANT LOCATIONS

(1) UNIT AT P.O. RAMDASPURA,

JALANDHAR

(2) PLOT NO. 141, LEATHER COMPLEX,

KAPURTHALA ROAD, JALANDHAR.

(3) VILL SHYAMPUR,

TAHLIWAL, UNA, (H.P.)

(4) AGRA MATHURA ROAD

RUNKUTA, AGRA (U.P.)

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the **THIRTY SECOND ANNUAL GENERAL MEETING** of **SARUP TANNERIES LIMITED** will be held at the Registered Office of the Company at P.O. Ramdaspora, Jalandhar on **September 29, 2011** at 10:30 AM to transact the following business:

ORDINARY BUSINESS

- 1 To receive, consider and adopt the Audited Balance Sheet as at March 31, 2011, the Profit & Loss Account for the year ended on that date and the Report of the Auditors and Directors thereon alongwith the Compliance Certificate.
- 2 To declare dividend for the year 2010-11.
- 3 To appoint a Director in place of Mr. G.S. Bedi, who retires by rotation and, being eligible, offers him self for re-appointment.
- 4 To appoint a Director in place of Col.. Gurcharan Singh, who retires by rotation and, being eligible, offers him self for re-appointment.
- 5 To appoint a Director in place of Col. Surat Singh Bajwa, who retires by rotation and, being eligible, offers him self for re-appointment.
- 6 To appoint M/s. Y.K. Sud & Co. Chartered Accountants, the retiring Auditors as Statutory Auditors of the Company to hold the office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and authorize the Board to fix their remuneration.

SPECIAL BUSINESS

1. **To Consider and if thought fit to pass with or without modification the following resolution as special resolution:**

"Resolved that subject to the provisions of Section 17 of the Companies Act, 1956, the Object Clause of the Memorandum of Association of Company be and is hereby altered as follows:

a. Deleting existing sub Clause 3,4,5,6 & 7 in other Objects Clause III(C) and inserting the same as new sub Clause 4,5,6,7&8 respectively after existing sub clause 3 of III(A) and consequently renumbering the existing sub clause 8 of clause III(c) as sub Clause 3,of Clause III(C)

(4) To carry on all or any of the business of hotel, restaurant, refreshment, beer-house and lodging-house keepers, milk and snack bar keepers, bakers, confectioners, polters, manufacturers of mineral and other drinks and wine, beer and spirit merchants.

(5) To carry on all of the business of civil and structural engineers, builders and contractors, decorators, electricians and cabinet makers, merchants and dealers in timber, hardware and other building requisites.

- (6) To carry on all the business of manufacturing, producing, procuring, marketing, buying, selling, converting and otherwise dealing in alloy steel of all kinds and to set up works for precisions and continuous castings with the help of are or induction, furnaces, rerollers of ferrous and non ferrous metals and traders in scrap of iron and steel and other ferrous and non ferrous metals.
- (7) To carry on the business of Builders, colonizers, real estate developers and to set up Special Economic Zone, Industrial and Technological Parks, Multiplexes, Shopping Malls, Hotels, Banquets Restaurants, Bars, Fast Food Centers and deals in all kinds of infrastructure development.
- (8) To carry on the business of Contractors, sub- contractors, civil and mechanical engineers, structural designers , consultant, construction supervisors, interior decorators, furnishers sanitary and wood workers in all types works connected with lands, building and road for railways, P.W.D, or municipal Committees and corporation or any other mode from any other mode from any other contractor or builder for any type of construction activity electrification and wiring and to compose building plants, prepare construction estimates ,projects and projects reports and to carry on the business of real estate deal in all kinds of movable and immovable properties.
- b. Inserting following new sub clauses 9 and 10 in clause III (A) of the Memorandum of Association as main objects:
 9. To carry on the business of export & import and to act as agent, trader or otherwise deal in all kinds of merchandise, edible oils, de-oiled and oiled cakes, Soya bean, ground nut oil seeds, other oil bearing sub-stances, steel, cotton yarn, synthetic yarn, blended yarn, chemicals, metals, textiles, capital goods, automobiles, consumer durables, commodities, agro products, precious metals, electronic goods, machines, paper, cement, building and construction material, fibers, leather articles, garments, foot wear, watches, furniture, electrical goods and accessories, foods, hydrocarbons, oil derivatives and other articles, goods capable of being imported, exported and traded.
 10. To set up, run, develop, sponsor, manage or otherwise undertake various activities in relation to special economic zones, science and technology parks, industry parks, IT parks, business parks and such other establishments or organizations as are currently geographically defined enclaves established for the purpose of promoting exports or technical know-how or for any other purposes, in designated areas defined by the government at national and state level or otherwise in any place.
- c. by insertion of following new sub clauses 4 and 5 to Other Object Clause III(C) of Memorandum of Association as 'Other Objects'
 4. To promote, form, incorporate, establish or otherwise procure or concur or sponsor or aid in promoting, constituting, extension of, forming and likewise any entity including but not limited to firms, funds, associations, institutions, ventures, trust, entrepreneurial development projects, business ventures or partnerships or companies (ancillary, subsidiaries, holding, associate or group companies, parent, joint stock or other form of company), cooperative and other societies

universities, educational and training institutions, schools and hospitals or any other entities as deemed desirable, for the purpose of carrying out any business or for acquiring or undertaking all or any of the property, rights and liabilities of the company or of the entities as specified above, and for prosecution of execution of undertakings, works, projects or enterprises of any description, in India or elsewhere, or for any other purpose which is directly or indirectly intended to benefit the company and to place guarantee, underwrite, subscribe for or otherwise acquire or dispose off all or any part of the shares, debentures or other securities or interest etc. in such companies or associations or firms or funds or partnerships or in any other company or association.

5. To acquire, establish, construct, run, manage, set up, sponsor or run schools, colleges, training and/or coaching and/or guidance sectors, institutions, universities, research centres, music and/or dance and/or art centres, hobby classes and such other establishments in relation to education, research, training and allied purposes in India or else where in all modes and in all the fields as deem suitable and to provide such facilities thereat as deemed expedient.

Resolved Further That Mr. Bawa Atamjit Singh, Managing Director of the Company be and is hereby authorized to do all such acts, deeds and other steps as may be necessary to give effect to the above resolution."

2. **To Consider and if thought fit to pass with or without modifications the following as a special resolution.**

"RESOLVED THAT pursuant to the provisions of Section 21 of the Companies Act, 1956 and other applicable provisions of the Companies Act, 1956, if any, and subject to approval of Central Government the name of the Company be changed from "Sarup Tanneries Limited" to "Sarup Industries Limited" and accordingly the name 'Sarup Industries Limited', wherever it appears in the Memorandum of Association, Articles of Association, Documents, letter heads etc. of the Company, be substituted by the new name Sarup Industries Limited.

RESOLVED FURTHER THAT Mr. Bawa Atamjit Singh, Managing Director be and is hereby authorized to do all such acts, deeds and such other steps as may be thought necessary to give effect to the above resolution."

3. **To Consider and if thought fit to pass with or without modification the following resolution as ordinary resolution:**

"RESOLVED THAT pursuant to the provisions of Section 383A of the Companies Act, 1956 read with the Companies (Compliance Certificate) Rules, 2001 and other applicable provisions, if any, M/s Dinesh Gupta & Co., Company Secretaries, Jalandhar, be and are hereby reappointed for the purpose of issuance of Compliance Certificate, to hold office from date of this meeting until the conclusion of next Annual General Meeting of the Company and the Board of Directors of the Company be and is hereby authorized to fix their remuneration."

For and On behalf of Board

Place: Jalandhar

Date: September 2, 2011

BAWA ATAMJIT SINGH
Managing Director

NOTES

- I A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on a poll on his/her behalf and such proxy need not be a member of the Company. A proxy may be sent in the form enclosed and in order to be effective must reach the registered office of the Company not less than 48 hours before the commencement of the meeting.
- II Balance Sheet as at March 31, 2011 and the Profit & Loss Account for the year ended on that date together with the Directors' & Auditors Report are enclosed.
- III Members are requested to notify changes in their address, if any, quoting their folio number to the Registered Office of the Company.
- IV Members are requested to bring the copy of their Annual Report with them at the Annual General Meeting.
- V Shareholders desiring any information as regards the Accounts are requested to write to the Company at least seven working days prior to the meeting so as to enable the management to keep the information ready.
- VI The Register of Members and share transfer books of the Company shall remain closed from September 25, 2011 to September 29, 2011 (both days inclusive) for the purpose of determining entitlement of dividend as may be declared by the Company.
- VII Pursuant to sections 205A to 205C of the Companies Act, 1956, any money transferred to the unpaid dividend account which remains unpaid or unclaimed for a period 7 years from the date of such transfer shall be transferred by the Company to the fund called "**Investor Education and Protection Fund**" to be set up by the Central Government. Accordingly, the unpaid/ unclaimed dividend for the years 2003-04 onwards will become transferable at the end of seven years respectively, to the said Investor Education and Protection Fund and no claims shall stand against the fund or the Company in respect of individual amounts thereafter. Shareholders are, therefore, requested to check up and send their claims, if any, for the relevant years from 2003-04 onwards before the respective amounts become due for transfer to the above fund.
- VIII The provisions of section 109 A and 109 B of the Companies Act, 1956 have extended the nomination and transmission facility to the shareholders of a Company. The shareholders can avail the above facility by furnishing to the Company the particulars of the nominee(s). Every person who becomes the nominee, by virtue of section 109 A, may upon the production of such evidence, as may be required by the Board, elect either to get himself registered as the holder of securities or to make such transfer as the case may be, as the deceased holder could have made.
- IX Information under clause 49 of listing agreement with the stock exchange, Mumbai in respect of Directors seeking appointment/ reappointment at the annual general meeting is given hereunder:
 - a) Sh. G.S Bedi retires by rotation in the forthcoming Annual General Meeting and being eligible offers himself for reappointment that has been appointed as independent non executive director of the Company.
 - b) Col. Gurcharan Singh retires by rotation in the forthcoming Annual General Meeting and being eligible offers himself for reappointment that has been appointed as independent non-executive director of the Company.

- c) Col. Surat Singh Bajwa retires by rotation in the forthcoming Annual General Meeting and being eligible offers himself for reappointment that has been appointed as independent non executive director of the Company.

Explanatory Statement pursuant to Section 173(2) of the Companies Act 1956:

ITEM NO. 7 and 8

Your Company is planning to diversify from its existing activities by entering into joint venture with EMAAR MGF Land Limited for setting up of the biggest Malls at Jalandhar .It is planning to further expand its business by entering into new sectors. Therefore your Company proposes to delete the mentioned clauses from its "other objects" and to include them in the "main objects" and to insert new sub clause 9 and 10 to the main object in order to enable the Company to explore its new proposed sectors. The Board of Directors in their meeting approved the insertion of the proposed objects in its Memorandum of Association. The company is also inserting clause 4 & 5 in the other object clause. The amendment is now put forward for your approval.

Further the existing name 'Sarup Tanneries Limited' does not reflect the true nature of proposed activities of the Company. Thus, your Company proposes the new name "Sarup Industries Limited" as it is more conducive to the present and future objects. The Company has received the approval from Registrar of Companies for the availability of the proposed new name vide letter dated September 2, 2011. Now it is put forth for approval of your good self at the annual general meeting.

None of the directors are interested in the resolutions.

ITEM NO. 9

In terms of the provisions of section 383A of the Companies Act, 1956, M/s Dinesh Gupta & Co., Company Secretaries, are proposed to be reappointed for the purpose of issuance of Compliance Certificate for the financial year ended on March 31, 2012.

None of the Directors are interested in this resolution.

For and On behalf of Board

Place: Jalandhar
Date: September 2, 2011

BAWA ATAMJIT SINGH
Managing Director

DIRECTORS REPORT

Dear Shareholders,

Your Directors are pleased to present the 32nd Annual Report together with the Audited Accounts for the year ending March 31, 2011.

FINANCIAL RESULTS

	Current Year ending 31.3.2011	Previous Year ending 31.3.2010 (Fig. in Lacs)
INCOME & PROFITS		
Sales & Other Income	6259.90	3766.25
Profit before Interest	570.29	303.77
Interest	146.39	99.93
Depreciation	173.38	95.68
Profit before tax	250.52	108.16
Provision for Taxation - Current	(49.95)	(18.35)
- Deferred	8.61	(4.40)
Profit after tax	209.23	85.41
Surplus b/d	486.62	477.16
Others	0.00	0.00
Balance of P&L B/F	695.85	562.57
Proposed Dividend	48.78	39.03
Dividend Tax on Proposed Dividend	8.28	6.63
Transfer to General Reserve	50.00	30.00
Income Tax & Tds Adj/ Wealth Tax Prov.	0.14	0.29
SURPLUS CARRIED TO BALANCE SHEET	588.65	486.62
	695.85	562.57

OPERATING PERFORMANCE

The Company has established new units which are equipped with latest technology and with the introduction of these new units the Company has achieved a significant growth in its sales. The Una unit of the company which came into operations at the fag end of the last year achieved more than 50% capacity after initial hiccups and would achieve more than 80% capacity during the current year. The total sales of the Company during the year ending March 31, 2011 were Rs. Rs.59.46 crores as compared to the total sales of Rs 36.14 crores for the year ending March 31, 2010 registering a growth of 64.54%. Domestic sales increased by 39.52% and overseas sales increased by 173.61%. The overseas sales have shown a remarkable growth during the last year and the Company hopes to keep the pace during the current year also.

The operating performance and profitability of the Company has shown significant increase over the last year. the Company has earned a Profit before Tax of Rs. 250.52 Lacs during the year ending on March 31, 2011 as against Rs. 108.16 Lacs in the previous year registering a growth of 131.63%. The Net Profit of the company has in chorus increased to Rs. 209.23 lacs as against Rs. 85.41 lacs a tremendous increase of 144.97%. The rise in depreciation is consequent to the operation of the Una Unit. The Earning per share as on March 31, 2011 is Rs. 6.43.

Due to the continuous and ongoing process of improving business practices being adopted by your Company in all areas of its operations, there has been improvement in manufacturing, credit management, retail, labour - management relationship, training and development, team building,

on comfort and choice of our valued customers. The Company continues to focus on improving its collections by introducing a fresh range regularly and outsourcing some parts to get better margins. In order to improve quality, our factories have been specialized to make footwear of particular quality and Brand. We are known for its durability and comfort.

Your Directors feels pleasure in announcing that overall turnover of the Company has increased by 64.54% and the credit for this goes to every employee who has worked so hard in reaching this milestone. Your Company has been consistently showing improved results in each quarter and we are now in a position to take calculated business risks to focus on volume growth and to make a deeper penetration in the market place and to diversify business in other sectors also.

DIVIDEND

Due to the significant performance, the Board of Directors are pleased to proposed a dividend at Rs.1.50 per share (15%) for the year 2010-11 as against 12% in the year 2009-10.

DIRECTORS

Mr. G S Bedi, Col. Gurcharan Singh and Col. Surat Singh Bajwa retire by rotation and being eligible offer themselves for reappointment.

ENERGY CONSERVATION

Energy conservation has remained an area of high priority for the Company. Your Company uses the latest technology in the manufacturing process which helps in the saving in the consumption of energy which will ultimately help in reducing the cost to some extent. The Company is also taking steps for the awareness among the employees through training sessions regarding energy saving. A separate explanation under this section has been annexed to this report.

AUDITORS

The Auditors of the Company M/s Y.K. Sud & Co., retires at the forth-coming annual general meeting and offer themselves for re-appointment. The Board recommends their reappointment. The Auditors have not found any material deviation in operations and accounting records. The Notes to Accounts forming part of the financial statements are self explanatory and need no further explanation.

STATUTORY INFORMATION:

There is no employee whose particulars are required to be given under section 217(2A) of the Companies Act, 1956 and the Companies (particulars of employees) Rules, 1975.

Information pursuant to Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosures of particulars in the Report of Board of Directors) Rules, 1988, is given in **Annexure-A** annexed hereto, forms part of this Report.

PUBLIC DEPOSITS

During the year under review, your company has neither invited nor accepted any fixed deposits from the public.

APPOINTMENT OF COST AUDITOR

The Board has appointed M/s Khushwinder Kumar & Associates as Cost Auditor for the year 2011-12 in pursuance of sections 233-B of the Companies Act, 1956.