

SHARAT INDUSTRIES LIMITED



14th Annual Report 2003-2004

SHARAT INDUSTRIES LIMITED

BOARD OF DIRECTORS

- | | | |
|----|--------------------------|------------------------------|
| 1. | Mr. S. Prasad Reddy | Chairman & Managing Director |
| 2. | Mr. A. Ramakrishna Reddy | Director |
| 3. | Mr. N. Suresh | Director |
| 4. | Mr. T. Valasraj | Director |

BANKERS

CORPORATION BANK

AUDITORS

M/s. P.A. REDDY & CO.,

Chartered Accountants,

2411/422 A, Saraswathi Nagar,

Dargamitta,

Nellore - 524 003.

REGISTERED OFFICE & FARM

VENKANNA PALEM VILLAGE

T.P. Gudur Mandal,

Nellore District,

Andhra Pradesh.

CORPORATE OFFICE

No. 17 (old No. 30)

Luz Avenue,

Mylapore,

CHENNAI - 600 004.

NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of the Members of the Company will be held on Monday, the 6th December, 2004, at 10 a.m. at the Registered Office at Venkannapalem Village, T.P. Gudur Mandal, Nellore District to consider the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2004 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in the place of Mr. S. Prasad Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit to pass with or without modification the following Resolution as an Ordinary Resolution:
"Resolved that pursuant to Sections 269, 198, 309 and Schedule XIII and all other applicable provisions if any, of the Companies Act 1956, the consent of the members be and is hereby given to the reappointment of Mr. S. Prasad Reddy as Managing Director for a period of two years w.e.f. 30th November 2004 on the following terms and conditions:
(i) Salary Rs. 5,000/- per month.
(ii) Furnished accommodation, the expenditure on which shall not exceed Rs. 5,000/- per month.
(iii) "Provision of car for official business and telephone at residence for official purpose".

BY THE ORDER OF BOARD OF DIRECTORS
for SHARAT INDUSTRIES LIMITED

PLACE : VENKANNAPELEM
DATE : 08-10-2004

(Sd)
S. PRASAD REDDY
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 THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LATER THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.
2. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED ON 6th DECEMBER, 2004.
3. THE EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT., 1956, IN RESPECT OF SPECIAL BUSINESS IS ANNEXED HERETO.

ANNEXURE TO THE NOTICE EXPLANATORY STATEMENT

(Pursuant to Section 173 (2) of the Companies Act, 1956)

Item No. 4

Mr. S. Prasad Reddy was re-appointed as Managing Director of the company for a period of three years w.e.f. 30th November 2001. The re-appointment is valid upto **29th November 2004**.

The Board of Directors at their meeting held on 8th October 2004 have re-appointed Mr. S. Prasad Reddy as Managing Director for a further period of two years w.e.f. 30th November 2004 on the terms and conditions mentioned in the proposed resolution. This was also approved by the Remuneration Committee constituted pursuant to Schedule XIII to the Companies Act, 1956. The Board recommends the passing of the resolution.

Except Mr. S. Prasad Reddy, no other director is either interested or concerned in the resolution.

The above may be considered as an 'Abstract of the terms and conditions of the appointment' for the purpose of section 302 of the companies Act, 1956.

BY THE ORDER OF BOARD OF DIRECTORS
for SHARAT INDUSTRIES LIMITED

PLACE : VENKANNAPELEM
DATE : 08-10-2004

(Sd)
S. PRASAD REDDY
CHAIRMAN & MANAGING DIRECTOR

DIRECTORS' REPORT

To
The Members of Sharat Industries Limited,
Venkannapalem, Nellore Dt.

The Directors have pleasure in presenting the Fourteenth Annual Report of the Company together with Audited Accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS

Particulars	YEAR ENDED 31-03-2004 (Rs. in lakhs)	YEAR ENDED 31-03-2003 (Rs. in lakhs)
Total Sales	1750.13	1421.07
Profit (+)/ Loss (-)	(+) 515.57	(-) 523.16
Deferred tax adjustments	(+) 481.69	(+) 544.41
Balance Brought Forward	(-) 5317.69	(-) 5840.84
Balance Carried forward	(-) 4802.12	(-) 5317.69

OPERATIONS

There is a marginal increase in the turn over. It is hoped that your company would make a steady progress and achieve desired results in the years to come.

SICKNESS

The BIFR at its hearing held on 08.10.2003 declared the Company as 'Sick' and appointed IFCI as Operating Agency. The Company submitted a proposal for One Time Settlement to rehabilitate the Company. At the Joint meeting convened by the Operating Agency, the Institutions namely IFCI, IDBI and IIBI have agreed in principle to waive 50% of the principal and total interest outstanding. IDBI has already approved the OTS proposal. The written approvals from IFCI and IIBI are awaited. In the meantime, the amounts due to BOB & ICICI under the OTS have been paid in full.

In order to meet the requirement of funds for OTS, the company proposes to issue Redeemable Preference Shares. During the year a sum of Rs. 2,92,96,807/- is received as Preference Share Application Money.

FUTURE OUTLOOK:

In the present marine product market, Shrimp is playing a vital role. Our product has been well received and accepted abroad. It is hoped that the performance will further improve in the years to come.

PARTICULARS OF EMPLOYEES

During the year, there were no employees drawing remuneration as per limits specified under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

DIRECTOR'S RESPONSIBILITY STATEMENT:

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956, with respect to Director's Responsibility Statement, it is hereby confirmed:

- (i) That in the preparation of the accounts for the financial year ended 31st March 2004, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 profits of the company for the year under review.
- (iii) That the Directors have taken proper care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities ; and
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2004 on a going concern basis.

SHARAT INDUSTRIES LIMITED

ADDITIONAL INFORMATION AS REQUIRED U/S 217(1) (e) OF THE COMPANIES ACT, 1956

- (a) **Conservation of Energy** : The Company is monitoring the consumption of energy and is identifying the areas for conservation of energy.
- (b) **(i) Technology Absorption, adaptation and innovation :**
- (1) The company has entered into Technical Collaboration Agreement with M/s. HIGH WON FISHERY DEVELOPMENT CORPORATION, SINGAPORE for the transfer of Technical Know-how and Training the production personnel of the organisation.
 - (2) **Buy-back Agreement** : The Company has entered into Buy-back Agreement for its products with M/s. High Won Fishery Development Corporation, Singapore.
- (ii) Research and Development (R & D)** : The Company is in the process of identifying areas in which R & D can be carried out.
- (c) **Foreign Exchange earnings and out go :**
- ① Foreign Exchange earnings : US \$ 33,87,359.00 equivalent to Rs.15,58,48,044.00 (P.Y. US \$ 26,76,595.64 equivalent to Rs. 12,82,68,631.00)
 - ② Foreign Exchange outflow during the year on account of Import of Capital Goods and Raw Materials : US \$ 5,50,394.00 equivalent to Rs. 2,43,96,982.00 (P.Y. US \$ 607946.33 and DKK 3200 equivalent to Rs. 29758953 and Rs. 18944 respectively.)

CORPORATE GOVERNANCE

As your company has become sick, it could not comply with the requirements on Corporate Governance. However, steps are being taken to comply with the same.

AUDIT COMMITTEE

The Board has constituted an Audit Committee with three independent directors viz., Mr. A.Ramakrishna Reddy, N.Suresh and T.Valasaraj. The committee met on 23-10-2003, 24-01-2004 and 21-04-2004 at which all the members were present.

DIRECTORS

Mr. S. Prasad Reddy retires by rotation and being eligible, offers himself for re-appointment.

AUDITORS

M/s. P.A. Reddy & Co., Chartered Accountants, retiring auditors of the company, being eligible, offer themselves for reappointment as auditors of the company. They have furnished a certificate of their eligibility u/s 224(1B) of the Companies Act, 1956. The members are requested to reappoint the auditors and authorise the Managing Director to fix their remuneration.

PERSONNEL

The relations between the management and the staff were very cordial throughout the year. Your Directors take this opportunity to record their appreciation for the co-operation and loyal services rendered by the employees.

DEPOSITS

The Company has not accepted any deposits during the year.

ACKNOWLEDGEMENTS

Your Directors gratefully acknowledge with thanks the constructive guidance and co-operation extended by IFCI, IDBI, IIBI, ICICI, Bank of Baroda, MPEDA and other Government Agencies.

By the order of Board of Directors
for SHARAT INDUSTRIES LIMITED

PLACE : VENKANNA PALEM
DATE : 08-10-2004

(Sd)
S. PRASAD REDDY
CHAIRMAN & MANAGING DIRECTOR

SHARAT INDUSTRIES LIMITED

AUDITOR'S REPORT TO THE MEMBERS OF SHARAT INDUSTRIES LIMITED

To

The Members of Sharat Industries Limited.

- 1) We have audited the attached Balance Sheet of **SHARAT INDUSTRIES LIMITED** as at March 31, 2004 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed there to. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We have conducted our audit in accordance with auditing standards generally accepted in India. These 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 a reasonable basis for our opinion.
- 3) As required by the Companies (Auditor's Report) Order, 2003 (CARO, 2003), issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4) Further to our comments in the annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in subsection 3 (c) of section 211 of the Companies Act, 1956 and subject to:
 - i) *Non provision for retirement benefits to the employees as required by the Accounting Standard - 15 issued by the Institute of Chartered Accountants of India;*
 - e) On the basis of written representations received from the directors, as on March 31, 2004 and taken on record by the board of directors of the Company, none of the directors is disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the schedules and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and subject to:
 - i) *Non provision for interest, liquidated damages, penal interest and compound interest as per the terms of agreement and the effect of such non provision could not be quantified due to non reconciliation of the loan accounts with the financial institutions;*
 - ii) *Non provision for retirement benefits to the employees as required by the Accounting Standard 15 issued by the Institute of Chartered Accountants of India. In the absence of full details, the effect of such non provision on the profit for the year and the deficit in the profit and loss account of the company, could not be quantified;*
 - iii) *Non availability of confirmation of balances from banks, financial institutions and trade creditors;*
 - iv) *Non provision for excise duty liability of Rs. 77.15 lakhs, as a result of which the profit for the year is overstated and the deficit in the profit and loss account and the current liabilities are understated by the like amount;*
 - v) *Recognition of Rs. 8,52,89,906/- and Rs. 31,71,244/- as income in the profit and loss account for the year, by writing back the interest and foreign currency fluctuation respectively, provided in the earlier years on the loan from M/s ICICI BANK (erstwhile M/s ICICI LTD), as provision no longer required, even before the final clearance from M/s ICICI BANK regarding the OTS (one time settlement);*
 - give a true and fair view in conformity with the accounting principles generally accepted in India:
 - ① In the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2004;
 - ② In the case of Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - ③ In the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

for M/s. P.A. REDDY & CO.,
 CHARTERED ACCOUNTANTS

(Sd)

P. ASHOK REDDY

(Proprietor)

PLACE : NELLORE
 DATE : 08-10-2004

ANNEXURE TO THE AUDITOR'S REPORT OF SHART INDUSTRIES LIMITED

(Referred to in paragraph 3 of our report of even date)

Based on the information and explanations furnished to us and the books and records examined by us in the normal course of our audit, we report that to the best of our knowledge and belief:

- i) In respect of its fixed assets:
 - a) *The maintenance of proper records showing full particulars including quantitative details and situation of fixed assets, is inadequate and needs to be improved substantially*
 - b) We are informed that during the year, the fixed assets have been physically verified by the management and that there are no discrepancies between the physical stocks and the book records. However, in the absence of proper records, we are unable to comment on such physical verification.
 - c) Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern status of the Company.
- ii) In respect of inventories of finished goods, work in process, raw materials, stores and spares:
 - a) Physical verification of inventory has been conducted at various intervals by the management during the year.
 - b) The procedures of physical verification of inventories followed by the management are by and large adequate in relation to the size of the Company and the nature of its business.
 - c) The Company has maintained proper records of inventory. The discrepancies noticed on verification between physical stocks and book records are not material and the same have been properly dealt with in the books of account.
- iii) The Company has not granted/taken any loans to/from any companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of paragraph 4 (iii) of the Order, are not applicable to the Company.
- iv) There are adequate internal control procedures commensurate with the size of the Company and the nature of the business for the purchase of inventory and fixed assets and with regard to the stock of goods. We have not observed any major weakness in the internal controls during the course of audit.
- v) According to the information and explanations provided by the management, we are of the opinion that there are no transactions that need to be entered into the register maintained under section 301 of the companies act, 1956. Therefore, the provisions of paragraph 4 (v) of the Order, are not applicable to the Company.
- vi) The Company has not accepted any deposits from the public. Therefore, the provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 and the provisions of paragraph 4 (vi) of the Order, are not applicable to the Company.
- vii) In our opinion, the company has an internal audit system commensurate with its size and the nature of its business.
- viii) The Central Government has not prescribed for the Company the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956. Therefore, the provisions of paragraph 4 (viii) of the Order are not applicable to the Company.
- ix) In respect of statutory dues according to the information and explanations given to us:
 - a) The Company has been generally regular in depositing with appropriate authorities, undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, customs duty, excise duty and other statutory dues applicable to it except TDS where remittances have been made with delay. No undisputed dues payable in respect of income tax, sales tax, customs duty and excise duty were in arrears, as at March 31, 2004 for more than six months from the date they became payable.
 - b) *The particulars of dues of sales tax, income tax, customs duty, and excise duty as at March 31, 2004 which have not been deposited on account of a dispute are as follows:*