

SHARAT INDUSTRIES LIMITED



18th Annual Report 2007-2008

BOARD OF DIRECTORS

- | | | |
|----|---------------------------|------------------------------|
| 1. | Mr. S. Prasad Reddy | Chairman & Managing Director |
| 2. | Mr. A. Rama Krishna Reddy | Director |
| 3. | Mr. N. Suresh | Director |
| 4. | Mr. T. Valsaraj | Director |

BANKERS

ORIENTAL BANK OF COMMERCE

AUDITORS

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

Chartered Accountants,

2411/422 A, Saraswathi Nagar,

Dargamitta,

Nellore - 524 003.

REGISTERED OFFICE & FARM

VENKANNAPELEM 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 **Eighteenth Annual General Meeting** of the Members of the Company will be held on **Monday, the 29th September, 2008**, 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 on 31st March 2008 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. Prasada 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 2008 on the following terms and conditions :

- (i) Salary Rs. 20,000/- per month
- (ii) Furnished accommodation, the expenditure on which shall not exceed Rs. 20,000/- 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 : 01.09.2008

{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.
2. PROXIES, TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LATER THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.
3. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED ON 29th SEPTEMBER, 2008.
4. 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 two years w.e.f. 30th November, 2006. The re-appointment is valid upto 29th November 2008.

The Board of Directors at their meeting held on 30th July, 2008 have re-appointed Mr. S. Prasad Reddy as Managing Director for a further period of two years w.e.f. 30th November, 2008 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 : 01.09.2008

{SD}
S. PRASAD REDDY
CHAIRMAN & MANAGING DIRECTOR

SHARAT INDUSTRIES LIMITED

DIRECTORS' REPORT

To
The Members of Sharat Industries Limited,
Venkannapalem Village, Nellore Dist.

The Directors have pleasure in presenting the Eighteenth Annual Report of the Company together with Audited Accounts for the year ended 31st March, 2008.

FINANCIAL RESULTS

Particulars	YEAR ENDED 31-03-2008 (Rs. In lakhs)	YEAR ENDED 31-03-2007 (Rs. In lakhs)
Total Sales	2445.20	2049.95
Profit (+) / Loss (-)	(+)174.50	(+)430.37
Deferred tax adjustments	(-)65.73	(-)55.47
Balance Brought forward	(+)297.55	(-)76.96
Balance Carried forward	(+)405.83	(+)297.55

CURRENT YEAR TAX AND DEFERRED TAX: On the basis of BIFR Recommendations to CBDT, an application was made to consider exempting the company from the provisions of sections 41(1), 41(2) and 155 (5) of the Income Tax 1961 in respect of remissions arising out of sacrifices allowed by the bank and other agencies under the scheme and also from the provisions of Sections 72(3) and 115JB of the Income Tax Act, 1961. We are awaiting the approval. In view of this there is no tax liability on the current year's income and deferred tax has been considered accordingly.

RETIREMENT BENEFITS: The report of the insurance company on actuarial liability for gratuity is awaited. We shall make the requisite provision in the current year. We are also taking steps to cover all the employees under ESI Scheme in the current year.

CONFIRMATION OF BALANCES: Confirmation of balances from some of the creditors who are illiterate farmers could not be obtained. However we are following up the matter to obtain the confirmations. We do not foresee any discrepancies in the balances and hence there will not be any effect on the Accounts.

OPERATIONS: We are in the process of obtaining working capital facilities. Your directors are confident that the performance of the company will improve in the years to come.

FUTURE OUTLOOK: Our product is well received in the international market as well as domestic market. We are hopeful of achieving much better results 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.

DIRECTORS' RESPONSIBILITY STATEMENT:

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

- (i) That in the preparation of the accounts for the financial year ended 31st March 2008, 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 judgments 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 profit 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, 2008 on a going concern basis.

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 organization.
- (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:**
- (i) Foreign exchange earnings Us \$ 4690621 equivalent to Rs. 18,90,75,096 (P.Y Us \$ 32,58,977.15 equivalent to Rs. 14,75,15,898 /-
- (ii) Foreign exchange outflow on account of import of Capital goods & Raw Materials US \$ 702325.90 equivalent to RS. 2,80,04,823/- (P.Y. US \$ 55886 equivalent to Rs. 25,87,809/-).

CORPORATE GOVERNANCE

As your company has become sick, it could not comply with the requirements of Corporate Governance. However, the company is take necessary steps to comply with the same.

AUDIT COMMITTEE

The Audit committee consists of three independent directors viz., Mr. A. Rama Krishna Reddy, Mr. N. Suresh and Mr. T. Valasraj. The Committee met on 20.07.2007, 25.08.2007, 23.10.2007 and 22.01.2008 at which all the members were present.

DIRECTORS

Mr. S. Prasada 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 re-appointment 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 re-appoint the auditors and authorize 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 MPEDA and other Government Agencies.

BY THE ORDER OF BOARD OF DIRECTORS
for SHARAT INDUSTRIES LIMITED

Sd/-

S. PRASAD REDDY

CHAIRMAN & MANAGING DIRECTOR

PLACE : VENKANNAPELEM

DATE : 01-09-2008

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 LTD** as at March 31st, 2008, and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. 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 here to 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 accounts 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 sub section 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 declaration received from the directors, as on March 31st, 2008 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 subsection (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 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 information, the effect of such non provision on the profit for the year and Reserves of the company, could not be quantified;*
 - ii) *Non availability of confirmation of balances from the trade creditors and advances recoverable and the effect of such non reconciliation of balance if any, on the accounts of the Company, could not be quantified;*
 - iii) *With reference to para 4(b) of schedule-R to the Balance Sheet, in the absence of conclusive order from the CBDT regarding the exemptions under the Income Tax Act granted to the Company in the scheme of BIFR, we are unable to express opinion on the non provision of Income Tax and the calculation of Deferred tax for the current year on the strength of such scheme;*
- give a true and fair view in conformity with the accounting principles generally accepted in India;
- (I) In the case of Balance Sheet, of the state of affairs of the Company as at March 31st 2008;
 - (II) In the case of Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (III) In the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

for P.A. REDDY & CO.,
CHARTERED ACCOUNTANTS

P. ASHOK REDDY
(Partner)
M. No. 23202

PLACE : NELLORE
DATE : 01-09-2008