

SHARAT INDUSTRIES LIMITED



25th Annual Report 2014-2015

BOARD OF DIRECTORS

- | | | |
|----|-----------------------|---|
| 1. | Mr. S. Prasad Reddy | Chairman & Managing Director (CMD) |
| 2. | Mr. Veerraju Manda | Independent Director |
| 3. | Mr. M.B.R.Prasad | Independent Director |
| 4. | Mr. T. Valsaraj | Independent Director |
| 5. | Mr. S. Sharat Reddy | Whole Time Director (ED) |
| 6. | Mrs. S. Charita Reddy | Woman Additional Director
w.e.f. 30th March 2015 |

BANKERS

THE FEDERAL BANK LIMITED

AUDITORS

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

INTERNAL AUDITORS

M/s A R Krishnan & Associates,
Chartered Accountants

REGISTERED OFFICE & FARM

VENKANNAPEM VILLAGE,
T.P. Gudur Mandal,
Nellore District,
Andhra Pradesh.

CORPORATE OFFICE

Flat No. 4, Third Floor, Pallavi Apartments,
No.57/11, HDFC Bank Compound,
First Main Road. R.A. Puram,
CHENNAI – 600 028.
Web Site: sharatindustries.com

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SHARAT INDUSTRIES LIMITED
(CIN: L05005AP1990PLC011276)

Regd Office: Venkannapalem Village,T.P. Gudur Mandal, Nellore District, Andhra Pradesh

NOTICE

NOTICE is hereby given that the **Twenty Fifth Annual General Meeting** of the Members of the Company will be held on **Wednesday, the 30th September, 2015**, at 10.00 a.m. at the Registered Office of the Company at Venkannapalem Village, T.P. Gudur Mandal, Nellore District, Andhra Pradesh, to transact the following business;

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2015 and the Statement of Profit and Loss for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. S. Sharat Reddy (DIN: 02929724), who retires by rotation at this Annual General Meeting and being eligible, offers himself for re-appointment.
3. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT the appointment of, M/s. P.A.REDDY & CO, Chartered Accountants, (Firm Registration No: 007368S) made by Shareholders of the Company pursuant to the provisions of section 139 and all other applicable provisions of the Companies Act, 2013) as Statutory Auditors of the Company to hold office from the conclusion of the 24th Annual General Meeting for a period of three years till 27th Annual General Meeting be and is hereby ratified.

SPECIAL BUSINESS

4. **To Consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution.**

"RESOLVED THAT pursuant to Sections 149, 152, 164 and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualifications of Directors) Rules 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mrs. S. Charita Reddy (DIN:02930302), who was appointed as an Additional Director pursuant to the provisions of Section 161 of the Companies Act, 2013 and the Articles of Association of the Company and who hold office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing her candidature for the office of Women Director, be and is hereby appointed as Director of the Company and liable to retire by rotation."

5. **REAPPOINTMENT AND REVISION OF REMUNERATION OF MR. S. PRASAD REDDY AS MANAGING DIRECTOR:**

To Consider and if thought fit, to pass with or without modifications, the following

resolution as a Special Resolution.

"RESOLVED THAT Pursuant to provisions of Sections 196 and 197 read with Schedule V and all other applicable provisions if any, of the Companies Act 2013 and the Companies (Appointment and Remuneration Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and as recommended by Nomination and Remuneration Committee, consent of the members be and is hereby accorded for appointment of Mr. S. Prasad Reddy (DIN: 00069094) as Managing Director of the Company for a period of Three (3) years from 1st April, 2015 on the following terms and conditions mentioned below.

- (a) Salary : Rs.6,00,000 -Rs.50,000- Rs.7,00,000 per month.

Other Perquisites :

1. Leave travel concession: For self and family, once in a year incurred in accordance with the rules specified by the company.
2. Payment of provident fund on salary
3. Provision for payment of Gratuity as per the rules of the company.
4. Encashment of leave at the end of the tenure

Reimbursement of actual entertainment, travelling, boarding and lodging expenses incurred by him in connection with the Company's business and such other benefits/amenities and other privileges if any from time to time as available to other Sr. Executives of the Company.

"FURTHER RESOLVED THAT in the event of loss or inadequacy of profits in any financial year, during his tenure as Managing Director, minimum remuneration shall alone be paid as prescribed under provisions of the Companies Act, 2013 and Schedule V.

"RESOLVED FURTHER THAT the board of directors of the company be and are hereby authorised to do all such act and deeds as may be necessary to give effect to this resolution"

6. **To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution:**

RESOLVED THAT the consent of the Company be and is hereby accorded under the provisions of Section 180 and other applicable provisions, if any, of the Companies Act 2013 to the Board of Directors to borrow from time to time all such sums of monies as it may deem requisite for the purpose of business of the Company, notwithstanding that monies to borrow together with the monies already borrowed (apart from temporary loan obtained from bankers in the ordinary course of business) will exceed in the aggregate paid-up capital and free reserves, i.e. to say reserves not set apart for any specific purpose, provided however, that the total amount up to which monies may be borrowed by the Directors shall not exceed the sum of Rs.150 Crores (Rupees One hundred and Fifty Crores only)

BY THE ORDER OF BOARD OF DIRECTORS
For SHARAT INDUSTRIES LIMITED

{SD}

S. PRASAD REDDY
CHAIRMAN & MANAGING DIRECTOR

PLACE: VENKANNAPELEM
DATE: 5th September 2015

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on poll instead of himself/herself and a proxy need not be a member of the company. The instrument of Proxy in order to be effective should be deposited at its Registered Office of the Company not later than forty eight hours before the commencement of the Meeting.

A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholders.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 27th September 2015 to 30th September 2015.(both days inclusive)
3. An explanatory statement pursuant to section 102(1) of the companies act, 2013 in respect of special business is annexed hereto.
4. Members are requested to immediately intimate any change in their address registered with the company.
5. The company's equity shares are listed with Bombay stock exchange Ltd.
6. Members holding shares in identical order of names in more than one folio are requested to write to the Company enclosing their share certificates to enable consolidation of their shareholdings in one folio.
7. Members who have not registered their e-mail addresses so far are requested to register their e-mail address for receiving all communication including Annual Report, Notices, Circulars, etc from the Company electronically.
8. Members are requested to affix their signatures at the space provided on the attendance slip annexed to proxy form and handover the slip at the entrance of the meeting hall. Corporate members are requested to send a duly certified copy of the board resolution / power of attorney authorizing their representatives to attend and vote at the Annual General Meeting.
9. Members may also note that the notice of the Annual General Meeting and the Annual Report will also be available on the Company's website for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office at Venkannapalem Village, T.P. Gudur Mandal, Nellore District, Andhra Pradesh, for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost.
10. Voting through Electronic means:
 - (i) In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies(Management and Administration) Amendment Rules, 2015 and clause 35B of the Listing Agreement, the company is pleased to provide members facility to exercise their right to vote on resolutions proposed to be

considered at the twenty fifth Annual General Meeting (AGM) by electronic means and the business may be transacted through e- voting services provided by CSDL.

- (ii) The voting period begins on 27-09-2015 at 9.00 a.m. and ends on 29-09-2015 at 5.00 p.m,. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 26-09-2015, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (iii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iv) Click on Shareholders.
- (v) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (vi) Next enter the Image Verification as displayed and Click on Login.
- (vii) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (viii) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN	<p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> ◆ Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.(Sequence number has been provided as Serial Number (SL NO.) in the Address Label ◆ In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
DOB	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.

Dividend Bank Details	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.
	<ul style="list-style-type: none"> ◆ Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

- (ix) After entering these details appropriately, click on "SUBMIT" tab.
- (x) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (xi) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xii) Click on the EVSN for the relevant <Company Name> on which you choose to vote.
- (xiii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiv) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xvi) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvii) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xviii) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password& enter the details as prompted by the system.

(xix) Note for Non - Individual Shareholders and Custodians

- ♦ Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
- ♦ A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- ♦ After receiving the login details they have to create a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
- ♦ The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- ♦ A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

(xx) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

Explanatory Statement

(Pursuant to Section 102(1) of the Companies Act, 2013)

ITEM Nos.:4

The Company has received a notice from a shareholder proposing the candidature of Mrs. S. Charita Reddy (DIN : 02930302) as a Women Director to be appointed under the provisions of Section 149 and 152 of the Companies Act, 2013, Mrs. S. Charita Reddy is Bachelor of Business Administration (BBA) and she is having good experience and managing the Administrative and finance functions of similar organization.

The Company has received from Mrs. S. Charita Reddy (i) consent in writing to act as Women Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment & Qualification of Directors) Rules 2014 (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014 to the effect that she is not disqualified under sub-section (2) of Section 164 of the Companies Act, 2013

The Nomination and Remuneration Committee, at its meeting held on 30.03.2015 has considered the appointment of Mrs. S. Charita Reddy as woman Director and after considering her qualification and experience they have recommended to the Board for her appointment. The Board has considered the matter in detail and recommended the resolution for the approval of members.

In the opinion of the Board of Directors, Mrs. S. Charita Reddy proposed to be appointed, as a Women Director, fulfill the conditions specified in the Companies Act, 2013 and the

Rules made hereunder. A copy of the draft letter for the appointment of Mrs. S. Charita Reddy as a Women Director is available for inspection without any fee by the members at the Company's Registered Office during normal business hours on working days up to the date of the Annual General Meeting.

None of the Directors, Key Managerial Personnel or their relatives, except Mrs. S. Charita Reddy for whom the Resolution relates, Mr. S. Prasad Reddy and Mr. S. Sharat Reddy are interested or concerned in the Resolution.

The Board seeks approval of the members for the appointment of Mrs. S. Charita Reddy as Women Director of the Company for five consecutive years for a term upto 31.03.2019 pursuant to applicable provisions of the Act, Rules made there under and that she shall be liable to retire by rotation

Item No.5

The share holders of the company have approved the appointment of Mr. S. Prasad Reddy as Managing Director, for a period of 3 years from 1st April, 2013 in the AGM held on 30.09.2013. The Board of Directors of the Company (the 'Board'), at its meeting held on 5th September, 2015 based on the recommendations of the Nomination and Remuneration Committee approved the reappointment and remuneration subject to approval of shareholders as detailed below.

It is proposed to seek the members' approval for the appointment of and fixation of remuneration payable to Mr. S. Prasad Reddy as Managing Director in terms of Sections 196 and 197 read with Schedule V and other applicable provisions of the Companies Act, 2013 and rules made there under.

Mr. S. Prasad Reddy satisfies all the conditions set out in Part-I of Schedule V to the Act as also conditions set out under sub-section (3) of Section 196 of the Act for being eligible for his appointment. He is not disqualified from being appointed as Director in terms of Section 164 of the Act.

As required under clause (iv) of second proviso to clause (B) of Section II of Part-II of Schedule V of the Companies Act, 2013 the relevant details to be sent along with the Notice calling the general meeting are as under:

Item No.6

With the expansion of the business, for its working capital and other financial requirements the company has to borrow money from the Banks. As per the provisions of the Section 180 of the Companies Act, 2013, the company has to obtain the approval of shareholders in the general meeting by way of special resolution, if the borrowings made by the company exceeds the paid up share capital and free reserves. Hence Board recommends the above resolution to the members for their approval.

None of the Directors, Key Managerial Personnel or their relatives are interested or concerned in the Resolution.

I. GENERAL INFORMATION :

1	Nature of Industry	Integrated Aqua Industry															
2	Date of commencement of commercial production	07-05-1990															
3	In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus	Not Applicable															
4	Financial Performance	<div>(Rs. In 'Lakhs)</div> <table> <tr> <th></th><th>2014-15</th><th>2013-14</th></tr> <tr> <td>Gross Revenue</td><td>20660.61</td><td>14108.97</td></tr> <tr> <td>Total Expenditure</td><td>20040.92</td><td>13659.94</td></tr> <tr> <td>Financial Expenses</td><td>227.87</td><td>55.62</td></tr> <tr> <td>Operating Profit</td><td>391.81</td><td>393.41</td></tr> </table>		2014-15	2013-14	Gross Revenue	20660.61	14108.97	Total Expenditure	20040.92	13659.94	Financial Expenses	227.87	55.62	Operating Profit	391.81	393.41
	2014-15	2013-14															
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Total Expenditure	20040.92	13659.94															
Financial Expenses	227.87	55.62															
Operating Profit	391.81	393.41															
5	Foreign Investments or collaborators, If any	Nil															

II. INFORMATION ABOUT THE APPOINTEE:

Background details	Mr. S Prasad Reddy is Managing Director of the company from its inception and he was devoting entire time for the development of the company and instrumental for survival & success of the company.
Past remuneration	Mr. S. Prasad Reddy was earlier drawing a salary of Rs. 2,75,000 per month when the company was passing through difficult times
Recognition or awards	Nil
Job profile and his suitability	He is discharging the duties of the Managing director of the company and is playing an important role in the official discharge of the duties in the company. He is also taking care of entire domestic & overseas marketing led to the higher turnover during the year.
Remuneration proposed	Rs. 6, 00,000 - Rs. 50,000- Rs. 7, 00,000 per month.
Comparative remuneration profile with respect to industry size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of origin)	The remuneration proposed is comparable with respect of the Industry Profile, size of the company, position of the person and his past experience.

Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any	He is having 40% shareholding. Relatives Mr. S Sharat Reddy & Mrs. Charita are fellow directors.
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III. Other Information:

1. Reasons for inadequacy of Profits:

The company is in the process of consolidation of its operations and the company expects to make adequate profits in the years to come.

2. Steps taken or proposed to be taken for improvement:

Expanding its operations to optimize cost, expenses and improve revenues was undertaken during current financial year.

3. Expected increase in productivity and profits in measurable terms expecting revenues to improve in the current financial year.

IV. Disclosures:

(1) The shareholders of the Company shall be informed of the remuneration package to the Mr. S. Prasad Reddy in Annual Report 2014-2015. The above may be treated as a written memorandum setting out the terms of appointment of Mr. S. Prasad Reddy under section 190 of the Act.

Mr. S. Prasad Reddy may be deemed to be concerned or interested, financially or otherwise, to the extent of the aforesaid shareholding in respect of his appointment as Managing Director and his other relatives, to the extent of their shareholding interest and Directorship in the Company, may be deemed to be concerned or interested in the appointment of Mr. S. Prasad Reddy.

Save and except the above, none of other Director/Key Managerial personnel of the Company/ their relatives are, in any way, concerned or interested, financially or otherwise in the resolution set out at item no 5 of the Notice.

The Board of Directors recommends the special resolution set out at item No. 5 of the Notice for approval by the shareholders.

DETAILS OF DIRECTORS SEEKING REAPPOINTMENT AT THE ANNUAL GENERAL MEETING

Particulars	Mr. S. Sharat Reddy
DIN	02929724
Date of Birth	10/07/1989
Date of Appointment	31/01/2013

Qualifications & Expertise	Post Graduate in Industrial Engineering and Operations Research Technical Capabilities for developing Systems to implement the traceability which is essential for export markets.
Directorship / Shares held in other Public Companies	Nil
Memberships/ Chairmanships of committees of other public companies (including only Audit and Shareholders Grievance Committee)	Nil
Number of shares held in the Company	8000

DETAILS OF DIRECTORS SEEKING APPOINTMENT AS WOMEN DIRECTOR AT THE ANNUAL GENERAL MEETING

Particulars	Mrs. S. Charita Reddy
DIN	02930302
Date of Birth	03/06/1986
Date of Appointment	30/03/2015
Qualifications & Expertise	Bachelor of Business Administration Experience in Administrative and Finance Functions
Directorship / Shares held in other Public Companies	Nil
Memberships/ Chairmanships of committees of other public companies (including only Audit and Shareholders Grievance Committee)	Nil
Number of shares held in the Company	8000

BY THE ORDER OF BOARD OF DIRECTORS
For SHARAT INDUSTRIES LIMITED

{SD}

PLACE: VENKANNAPELEM
DATE: 5th September 2015

S. PRASAD REDDY
CHAIRMAN & MANAGING DIRECTOR

DIRECTORS' REPORT

Dear Members of Sharat Industries Limited,

Your Directors have pleasure in presenting the Twenty Fifth Annual Report of the Company together with Audited Accounts for the year ended 31st March, 2015

1. FINANCIAL HIGHLIGHTS

Particulars	Year ending 31.03.2015 (Rs.in lakhs)	Year ending 31.03.2014 (Rs.in lakhs)
Total Turnover	20,660.61	14,108.97
Profit before Depreciation and Interest	1,353.33	752.02
Less: Interest - finance cost	227.88	55.62
Depreciation	522.08	302.99
Profit Before Exceptional items and Tax	603.37	393.41
Exceptional items	211.56	-
Provision for Tax	135.28	136.68
Profit after Tax	256.53	256.73
Profit brought forward from the previous year	644.40	387.67
Profit carried over to Balance Sheet	900.93	644.40

2. **SUMMARY OF OPERATIONS & STATE OF COMPANY AFFAIRS :** The turnover of the company for the year ended 31st March, 2015 was Rs.20,660.61 lakhs against Rs.14,108.97 lakhs in the previous year. During the year the company made sales of Rs. Rs. 19,218.83 lakhs against Rs.13,541.48 lakhs in the previous year Job work receipts of Rs. 454.69 lakhs against Rs. 415.75 lakhs in the previous year and during the year the company has made an operating profit of Rs.391.81 lakhs against Rs. 393.41 lakhs in the previous year.

During the year, the company's shrimp exports grew up by 81% and domestic feeds sales grew up by 29% as compared to the previous financial year

Your directors are confident that the performance of the company will improve in the years to come.

3. **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. The outlook and future plans of the Company have been mentioned in detail under the "Management Discussion and Analysis" section that forms part of this report.
4. **SHARE CAPITAL :** As on 31st March 2015, the issued, subscribed and paid up capital of your company stood at Rs.22,01,25,000/- comprising of 2,20,12,500/- equity shares of Rs.10/-each.
5. **DIVIDEND :** In order to retain the profits to strengthen the capital base, no dividend has been recommended by the Board for the year under review.

6. **RESERVES , IF ANY**

The Company has not transferred any amount to reserves during the financial year.

7. **LISTING OF SHARES :**

The equity shares of the Company have been listed on the Bombay Stock Exchange at Mumbai. The company confirms that it has paid Annual Listing Fees due to the Bombay Stock Exchange for the year 2015-2016.

The Bombay Stock exchange suspended the trading of Company's Shares. Your Company could not establish connectivity with both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the company is in the process to establish connectivity and dematerialize the shares.

8. **CHANGE IN NATURE OF BUSINESS**

The company continues to be an integrated Aqua Culture company with Hatchery, Culture, and Feed and Shrimp Processing & Exports business and during the year, the company has not changed its business.

9. **MATERIAL CHANGES AND COMMITMENTS**

No material changes and commitments affecting the financial position of the company have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report

10. **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The company has in placed adequate financial controls commensurate with size and operations.

11. **ADEQUACY OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS**

The company has Internal Audit and the Audit Committee is in place to take care of the same.

12. **EXTRACT OF ANNUAL RETURN :**

As required pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the companies (Management and Administration) Rules, 2014, an extract of annual return in MGT 9 as a part of this Annual Report as ANNEXURE II.

13. **DETAILS OF SUBSIDIARY/JOINT VENTURES/ASSOCIATE COMPANIES**

There are no Subsidiary/ Joint venture/ Associate companies

14. **PERFORMANCE AND FINANCIAL POSITION OF EACH OF THE SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENT**

Not applicable as there are no Subsidiary/ Joint venture/ Associate companies

15. **STATUTORY AUDITORS**

The Auditors M/s P.A. Reddy & Co., Chartered Accountants, retiring auditors of the Company, were appointed as Statutory Auditors to hold office for a period of three

years from conclusion of 24th Annual General meeting till the conclusion of 27th Annual General Meeting. The resolution relating to ratification of the appointment is put to ratification by members in the ensuing Annual General Meeting.

16. **AUDITORS' REPORT, OBSERVATIONS AND REPLIES**

The Auditors' Report was qualified and Notes to Accounts and some of the Auditors remarks in their report are self-explanatory and do not call for any further comments. However with specific reference to Para IV of the said report, items wise it is clarified as under

In respect of Post Retirement Benefits viz. Gratuity, as per Accounting Standard-15 issued by the Institute of Chartered Accountants of India, the Company should make provision on actuarial basis every year towards liability for future payment of gratuity. However during the year, provision for gratuity has been made on adhoc basis. Such creation of provision is not in accordance with the Accounting Standard referred above. In the absence of details we are unable to comment on the effect of such provision on the profits for the year, gratuity liability and net worth of the Company

The report of the Insurance Company on actuarial liability for gratuity is awaited. We shall make the requisite provision in the current year.

In respect of a few creditors and advances recoverable, there are neither confirmations of the year-end balances nor reconciliation of the accounts. In the absence of such confirmations / reconciliations, we are unable to comment on the effect of such accounts on the profit of the Company for the year, year-end balances of trade creditors and advances recoverable and on the net worth of the Company.

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.

17. **DIRECTORS AND KEY MANAGERIAL PERSONNEL**

Mr. S Sharat Reddy, Director retire by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for reappointment.

During the year, Mrs. S. Charita Reddy has been appointed as an Additional Director under the category of Woman Director on the Board of the company.

During the year Mr. V C Ramakrishna Kumar has been appointed as Chief Financial Officer of the company.

18. **DECLARATION FROM INDEPENDENT DIRECTORS**

The Company has received necessary declaration from each Independent Director under section 149(7) of the Act that they meet with the criteria of their independence laid down in Section 149(6) of the Act.

19. **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors' Responsibility Statement referred to in clause (c) of sub-section (3) of Section 134 & 134 (5) of the Companies Act, 2013, shall state that-

in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

the directors had selected such accounting policies and applied them consistently and made judgments 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 and loss of the company for that period;

the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

the directors had prepared the annual accounts on a going concern basis; and

The directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

20. MEETINGS:

A calendar of Meetings is prepared and circulated in advance to the Directors. During the year Nine Board Meetings and Five Audit Committee Meetings, 6 share transfer committee meetings and 2 nomination & remuneration committee meetings were convened and held. The details of which are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

21. VIGIL MECHANISM :

In pursuant to the provisions of section 177(9) & (10) of the Companies Act, 2013, a Vigil Mechanism for directors and employees to report genuine concerns has been established. The Vigil Mechanism Policy has been uploaded on the website of the Company at www.sharatindustries.com.

22. RISK MANAGEMENT:

The Company has policy for identifying risk and established controls to effectively manage the risk. Further the Company has laid down various steps to mitigate the identified risk.

23. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The details of conservation of energy, technology absorption, foreign exchange earnings and outgo are as follows:

a) Conservation of energy

(i)	the steps taken or impact on conservation of energy	The suggestions made by consultants, regarding the energy systems are under implementation
(ii)	the steps taken by the company for utilizing alternate sources of energy	PF Correction capacitors installed to stabilize power factor in the Electricity Supply. The management is taking steps to install solar lights wherever possible.

(iii)	the capital investment on energy conservation equipment's	---
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b) Technology absorption

N A

(i)	the efforts made towards technology absorption
(ii)	the benefits derived like product improvement, cost reduction, product development or import substitution
(iii)	in case of imported technology (imported during the last three years reckoned from the beginning of the financial year)
	(a) the details of technology imported
	(b) the year of import;
	(c) whether the technology been fully absorbed
	(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof
(iv)	the expenditure incurred on Research and Development

(c) FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, the total foreign exchange used was Rs. 5,35,81,839/- and the total foreign exchange earned was Rs. 1,08,66,83,345/-24.

24. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company is not required to constitute a Corporate Social Responsibility Committee as it does not fall within purview of Section 135(1) of the Companies Act, 2013 and hence it is not required to formulate policy on corporate social responsibility.

25. CORPORATE GOVERNANCE

The Corporate Governance Report as stipulated in Clause 49 of the Listing agreement shall be annexed with the report. ANNEXURE-VII

26. PARTICULARS OF EMPLOYEES :

Statement showing the details of employees who are in receipt of remuneration of Rs. 5, 00,000/- or more per month are given in the annexure - IV forming part of this report.

27. MANAGERIAL REMUNERATION

Details of the ratio of the remuneration of each director to the median employee's remuneration and other details as required pursuant to Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (ANNEXURE V)

28. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186 DETAILS OF LOANS:

SL No	Date of making loan	Details of Borrower	Amount	Purpose for which the loan is to be utilized by the recipient	Time period for which it is given	Date of BR	Date of SR (if reqd)	Rate of Interest	Security
				NIL					

DETAILS OF INVESTMENTS:-

SL No	Date of making loan	Details of Investee	Amount	Purpose for which the loan is to be utilized by the recipient	Date of BR	Date of SR (if reqd)	Security
				NIL			

DETAILS OF GUARANTEE / SECURITY PROVIDED :

SL No	Date of providing security / guarantee	Details of recipient	Amount	Purpose for which the loan is to be utilized by the recipient	Date of BR	Date of SR (if reqd)	Security
				NIL			

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES :

The particulars of every contract or arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto shall be disclosed in Form No. AOC-2. As ANNEXURE III

30. SECRETARIAL AUDIT REPORT

A Secretarial Audit Report given by Sri. D.S. Venkata Narasimhan, Company secretaries is annexed with the report. With reference to the observations made, we state that The unintended delays in filings were due to the secretarial staff. The Company Secretary (CS) selected has not joined as the Registered Office is at a rural place. However, the company is making use of the practicing Company Secretary to ensure compliances. The company proposes to initiate the process for dematerialization during the year. (Annexure -I)

Comments in Directors report:

The Company is in the process of dematerializing the shares and also getting the connectivity from NSDL and CDSL. The Company is taking effective steps to comply with listing agreement and filing of forms with MCA in time. The Company has taken steps to appointing Company Secretary. According to the section 135 of Companies Act, 2013, CSR is not applicable for this Company since the net profit does not exceed Rs.5.00 crores.

31. INTERNAL AUDIT

In terms of sec 138 of the companies' act 2013 and the relevant rules the company appointed M/s A R Krishnan & Associates, Chartered Accountants as the internal

auditors of the company. The internal auditor directly reports to the audit committee.

32. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report as required under 49 of the listing agreement with Stock Exchange, is annexed hereto ANNEXURE - VI

33. NO SIGNIFICANT AND MATERIAL ORDERS WERE PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE

34. OBLIGATION OF COMPANY UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

To prevent sexual harassment of women at work place, a new act the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 has been notified on 9th December, 2013 and every company is required to set up an Internal Complaints Committee to look into complaints relating to sexual harassment at work place of any women employee.

Your Company has adopted a policy for prevention of Sexual Harassment of Women at workplace and has set up Committee for implementation of said policy. During the year Company has not received any complaint of harassment.

35. MECHANISM FOR BOARD EVALUATION

Clause 49 of the Listing Agreement states that the board shall monitor and review the board evaluation framework. The Companies Act, 2013 states that a formal annual evaluation needs to be made by the Board of its own performance and that of its committees and individual directors.

Schedule IV of the Companies Act, 2013 states that the performance evaluation of the independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.

The Directors evaluation was broadly based on the parameters such as understanding of the Company's vision and objective, skills, knowledge and experience, participation and attendance in Board/Committee meetings; governance and contribution to strategy; interpersonal skills etc.

The Board has carried out the annual performance evaluation of its own performance, the Directors individually as well as evaluation of the working of

its Board Committees. A structured questionnaire was prepared covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board Culture, execution and performance of specific duties, obligations and governance.

A meeting of the Independent Directors was also held which reviewed the performance of Non-Independent Directors, Chairman and the quality, quantity and timelines of flow of information between the Company management and Board.

36. 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.