

# SHARAT INDUSTRIES LIMITED



**27<sup>th</sup> Annual Report 2016-2017**

## **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. S. Sharat Reddy | Whole Time Director (ED)                   |
| 5. | Mrs. S. Charita     | Woman Director - up to 30.05.2017          |
| 6. | Mrs. Durga Thota    | Woman Independent Director From 15.07.2016 |

## **BANKERS**

**THE FEDERAL BANK LIMITED**

## **AUDITORS**

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

## **INTERNAL AUDITORS**

M/s Rao & Sharma,  
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: [www.sharatindustries.com](http://www.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 Seventh Annual General Meeting** of the Members of the Company will be held on **Thursday, the 28th September, 2017**, 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, 2017 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 pursuant to Section 139, 142 and other applicable provisions, if any, of the Companies Act 2013 read with the Companies(Audit and Auditors) Rules 2014 made thereunder M/s A R Krishnan & Associates, Chartered Accountants, Chennai, (Firm Registration No: 009805S), be and is hereby appointed as Statutory Auditors of the Company to hold office for a period of five consecutive years commencing from the conclusion of Twenty Seventh Annual General Meeting till the conclusion of Thirty Second Annual General Meeting of the company, on such remuneration as may be agreed between the Board of Directors and Auditors of the company, in addition to applicable taxes, travelling and other out of pocket expenses actually incurred by them, subject to ratification of the appointment at every Annual General Meeting by the members.

#### **SPECIAL BUSINESS**

4. **REAPPOINTMENT AND REVISION OF REMUNERATION OF MR. S. SHARAT REDDY AS WHOLETIME 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 re-appointment of Mr. S. Sharat Reddy (DIN: 02929724) as Wholetime Director of the Company for a further period of Three (3) years from 1st April, 2017 on the following terms and conditions mentioned below.

(a) Salary : Rs.4,00,000 - Rs.50,000 - Rs.5,00,000 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 Wholetime Director, minimum remuneration shall alone be paid as prescribed under provisions of the Companies Act, 2013 and Schedule V.

**"RESOLVED THAT** the Board of Directors of the Company (on the recommendations of the Nomination and Remuneration Committee) be and is hereby authorised to revise, amend, alter, and vary the remuneration and other terms and conditions of the appointment of Mr. S. Sharat Reddy, in such manner as may be permissible in accordance with the Provisions of the Act or any modification or enactment thereto (which shall not exceed limits given above in a financial year) and as may be agreed to by and between the Board of Directors and Mr. S. Sharat Reddy, without any further reference to the shareholders in General Meeting.

THAT the Board of Directors of the Company be and is hereby authorised to take all actions and steps expedient or desirable to give effect to this resolution in conformity with the provisions of the Act as may be prevailing, and also to settle any question, difficulty or doubt that may arise in this regards without requiring to secure any further consent or approval of the shareholders of the company

BY THE ORDER OF BOARD OF DIRECTORS  
For SHARAT INDUSTRIES LIMITED

PLACE: VENKANNAPELEM  
DATE: 14th August 2017

S. PRASAD REDDY  
CHAIRMAN & MANAGING DIRECTOR

**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 it's 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 25th September 2017 to 28th September 2017.(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. Brief resume of all Directors proposed to be appointed/reappointed, nature of their expertise in specific functional areas, Names of Companies in which they hold Directorships as stipulated under Regulation 36(3) of the SEBI Listing Obligations and Disclosure Requirements Regulations,are annexed hereto. The concerned Directors have furnished the requisite declarations for their appointment/reappointment.
9. The Securities and exchange Board of India (SEBI) has mandated the submission of Income Tax Permanent Account Number (PAN) by every participant in securities market. Members are requested to submit their details to the company.
10. 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.
11. 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 [www.sharatindustries.com](http://www.sharatindustries.com) 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 Regulation 44 of the Listing regulations, 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 25-09-2017 at 9.00 a.m. and ends on 27-09-2017 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 24-09-2017, 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](http://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](http://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"> <li>♦ 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</li> <li>♦ 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.</li> </ul>
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	<p>Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.</p> <ul style="list-style-type: none"> <li>♦ 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).</li> </ul>

- (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](http://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](mailto: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](mailto: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](http://www.evotingindia.com), under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

### **Explanatory Statement**

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

#### **ITEM Nos.:4**

At the Annual General Meeting held on 30th September 2014, pursuant to provisions of Sections 196 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), appointed Mr. S. Sharat Reddy (DIN: 02929724) as a Whole-time Director designated as Executive Director of the company for a period of 3(Three) years with effect from 01.04.2014. Now the Board proposes to re-appoint Mr. S. Sharat Reddy as whole time Director for a further period of 3 years with effect from 01.04.2017.

Since his appointment, Mr. S. Sharat Reddy was fully involved in the operations of the company and putting all his time and efforts to improve the performance of the company. He has gained experience in all the key areas of management.

Mr. S. Sharat Reddy is Post Graduate in Industrial Engineering and Operations Research from Pen State University, U.S. A and his Technical Capabilities are very much useful for the development of the company.

Now the company is under progression and the Board of Directors of the company is utilizing his services at this crucial juncture by re-appoint him as Whole time Director of the company with effect from 01.04.2017 and pay him the remuneration as per the Schedule V of the Companies Act, 2013, and other applicable provisions.

The Nomination and Remuneration Committee and Board of Directors of the Company at their meetings held on 14.08.2017, subject to approval of the members in General Meeting, approved the appointment of Mr. S. Sharat Reddy as Whole time Director/ Executive Director of the Company for a period of three years w.e.f. 01.04.2017 and his remuneration

The Board recommends that the resolution being item No.4 of the convening notice for his reappointment be passed

#### **MEMORANDUM OF INTEREST:**

Mr.S. Sharat Reddy is interested or concerned in the resolution. Apart from him, Mr. S. Prasad Reddy, Managing Director, who is a relative is also deemed to be concerned in the resolution.

None of the other Directors, key managerial personnel and their relatives are interested or concerned, financially or otherwise, in the resolution.

BY THE ORDER OF BOARD OF DIRECTORS  
For SHARAT INDUSTRIES LIMITED

PLACE: VENKANNAPALEM  
DATE: 14th August 2017

S. PRASAD REDDY  
CHAIRMAN & MANAGING DIRECTOR

#### **I. General Information pursuant to the Second Proviso (iv) to Section II (B) of Part II of Schedule V**

The General Information to be given to the shareholders in connection with the appointment of Mr. S. Sharat Reddy as Whole time Director and the remuneration payable to him:

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 based on given indicators: Not applicable
5. Export performance and net foreign exchange: The Company makes an export turnover of Rs. 1,02,45,89,037/- during the year.
6. Foreign Investments or collaborations, if any: Nil

#### **II. Information about the Appointee:**

Appointment of Mr. S. Sharat Reddy as Whole-time Director:

1. Background details: Mr.S. Sharat Reddy was on the Company's Board of Directors from 31st January, 2013. He is a Post Graduate in Industrial Engineering and Operations Research from Pen State University, U.S.A and his Technical Capabilities are very much useful for the development of the company.
2. Past Remuneration: NIL
3. Recognition or awards: Mr.S. Sharat Reddy was appointed as Director of the company from on 31.01.2013 and appointed as Whole time Director from 01.04.2014. Since his appointment, Mr. S. Sharat Reddy was fully involved in the operations of the company and putting all his time and efforts to improve the performance of the company. He has gained experience in all the key areas of management. He is Instrumental in running the company efficiently
4. Job Profile and his suitability: Mr.S. Sharat Reddy is the Promoter Director of the Company for last Four years. In view of his qualification, dedication and involvement, Mr. S. Sharat Reddy is ideally suited to hold the position of Whole time Director.
5. Remuneration proposed: As set out in resolution No.4 of the Notice convening this Annual General Meeting.
6. Comparative remuneration profile with respect to industry, size of the Company, Profile of the position and person: There are very few companies which survived in the organized sector and comparable figures are difficult to ascertain and the proposed salary is reasonable.
7. Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any: Mr.S. Sharat Reddy has no direct or indirect pecuniary relationship with the Company excepting his remuneration and reimbursement of out of pocket expenses incurred wholly and exclusively

for the company's business. He is related to Mr. S. Prasad Reddy, Managing Director.

### III. Other Information:

1. Reasons for loss or inadequate profit: Losses incurred / inadequate profits during earlier years was due to close down of ponds to prevent virus inspection etc
2. Steps taken or proposed to be taken for improvement : Company proposes to expand the business by utilizing the unused capacity of Processing plant by procuring Raw material from the local market
3. Expected increase in productivity and profits in measurable terms: There may be around 20% increase in production and 5% increase in Profitability.

### IV. Disclosures:

1. Remuneration package of the managerial personnel: Remuneration paid to the managerial personnel for the financial year ended on 31.03.2017 is given vide item No. (iii)(2) of the Report on Corporate Governance.
2. Other Disclosures as per Second Proviso (iv) to Section II(B) of Part II of Schedule V of the Companies Act, 2013:
  - (i) Elements of Remuneration Package: The elements of remuneration package have been enumerated in the special resolution proposing the appointment and the remuneration payable to Managerial Personnel.
  - (ii) Details of fixed components and performance linked incentives along with the performance criteria: Fixed remuneration and perquisites including minimum remuneration in the event of loss or inadequacy of profits have been provided to the Managing Director/ Whole time Director and they are not entitled to any commission.
  - (iii) Service contracts, notice period, severance fees: Mr.S. Sharat Reddy, who is to be appointed as a whole time Director is a Promoter Director. Hence no service contract, notice period and severance fees have been stipulated for him.
  - (iv) Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable: None

### 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	21,63,600

BY THE ORDER OF BOARD OF DIRECTORS  
For SHARAT INDUSTRIES LIMITED

{SD}

S. PRASAD REDDY  
CHAIRMAN & MANAGING DIRECTOR

PLACE: VENKANNAPALEM  
DATE: 14th August 2017

### DIRECTORS' REPORT

Dear Members of Sharat Industries Limited,

Your Directors have pleasure in presenting the Twenty Sixth Annual Report of the Company together with Audited Accounts for the year ended 31st March, 2017

#### 1. FINANCIAL HIGHLIGHTS

Particulars	Year ending 31.03.2017 (Rs.in lakhs)	Year ending 31.03.2016 (Rs.in lakhs)
Total Turnover	16,542.49	14,985.68
Profit before Depreciation and Interest	1,009.66	1138.92
Less: Interest - finance cost	470.26	385.52
Depreciation	268.31	434.49
Profit Before Exceptional items and Tax	<b>271.09</b>	<b>318.91</b>
Exceptional items	-	-
Provision for Tax	88.30	109.57
Profit after Tax	<b>182.79</b>	<b>209.34</b>
Profit brought forward from the previous year	<b>1110.27</b>	<b>900.93</b>
Profit carried over to Balance Sheet	<b>1293.06</b>	<b>1110.27</b>

2. **SUMMARY OF OPERATIONS & STATE OF COMPANY AFFAIRS :** The turnover of the company for the year ended 31st March, 2017 was Rs.15,766.48 lakhs against Rs.14,779.01 lakhs in the previous year. During the year the company made sales of Rs. Rs. 14,917.37 lakhs against Rs.14,040.48 lakhs in the previous year, Job work receipts of Rs. 57.71 lakhs against Rs. 245.00 lakhs in the previous year and during the year the company has made an operating profit before tax of Rs.271.10 lakhs against Rs. 318.91 lakhs in the previous year.

During the year, the company's shrimp sales increased by 46.94% and domestic feeds sales come down by 36.20% 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 2017, 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 has to pay Annual Listing Fees due to the Bombay Stock Exchange for the year 2017-2018.

The Bombay Stock exchange suspended the trading of Company's Shares and the company is making efforts to revoke the suspension of trading and awaiting for the approval from the BSE. 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 term of present Auditors M/s P.A. Reddy & Co., Chartered Accountants, is expired and in their place M/s A R Krishnan & Associates, Chartered Accountants, Chennai, (Firm Registration No: 009805S), are to be appointed by Share holders in the Annual General Meeting for a period of 5 years from the conclusion of 27th Annual general Meeting to the conclusion of 32nd Annual General Meeting. The resolution relating to appointment is put to 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. We are taking steps to cover all the employees under ESI Scheme 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.

#### 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-

- a. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b. 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;
- c. 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;
- d. the directors had prepared the annual accounts on a going concern basis; and
- e. 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.
- f. 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 7 (Seven) Board Meetings and 5 (Five) Audit Committee Meetings, 11 (Eleven) Share holders' grievances and Share transfer committee meetings and 1(One) Nomination & Remuneration committee meeting 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. AUDIT COMMITTEE :

The Audit Committee of the Board consists of Independent Directors namely Mrs. Durga Thota, Chairman, Mr. Veerraju Manda and Mr. M.B.R. Prasad as members. During the year, all the recommendations made by the Audit Committee were accepted by the Board.

#### 22. 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.sharatindustires.com](http://www.sharatindustires.com).

#### 23. 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.



24. **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 place, and the reasons thereof	.....

**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. 1,43,27,048/- and the total foreign exchange earned was Rs. 101,89,30,781/-.

25. **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.

26. **CORPORATE GOVERNANCE**

In accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), a Compliance report on Corporate Governance as per Schedule V of the Listing Regulations, along with a Certificate of Compliance from the Practicing Company Secretary forms part of this report. ANNEXURE-VII

27. **DEPOSITS**

The Company has neither accepted nor renewed any deposits from the shareholders or public, during the year under review.

28. **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.

29. **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)

30. **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 investment	Details of Investee	Amount	Purpose for which the loan is to be utilized by the recipient	Date of BR	Date of SR (if reqd)	Expected rate of return
				**NIL**			

**DETAILS OF GUARANTEE / SECURITY PROVIDED :**

SL No	Date of providing security / guarantee	Details of recipient	Amount	Purpose security/ guarantee is proposed to be utilized by the recipient	Date of BR	Date of SR (if reqd)	Commission
				**NIL**			

29. **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**

Pursuant to the provisions of Section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors had appointed Sri. D.S. Venkata Narasimhan, Company secretaries and report given by them is annexed with the report as Annexure -I. With reference to the observations made, we state that The unintended delays in filings were due to over sight and Technical reasons. The Company Secretary (CS) was appointed from 15.07.2016. The company proposes to initiate the process for dematerialization during the year. The company has approached BSE for revocation of suspension of trading and awaiting for their response

31. **INTERNAL AUDIT**

In terms of sec 138 of the companies' act 2013 and the relevant rules the company appointed M/s Rao & Sharma, 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 Directors comments on Management Discussion and Analysis, which forms a part of this report, are restricted to the areas which are relevant to the current scenario of the Company and outlook 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**

Regulation 17(10) of SEBI(LODR) Regulations, 2015 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

andthat 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.

37. **ACKNOWLEDGEMENTS:**

Your Directors gratefully acknowledge with thanks the constructive guidance and co-operation extended by MPEDA, FEDERAL BANK LIMITED and other Government Agencies.

**FOR AND ON BEHALF OF THE BOARD**

PLACE: VENKANNAPELEM  
DATE: 14th August 2017

**S.SHARAT REDDY**  
DIRECTOR  
DIN: 02929724

**S.PRASAD REDDY**  
MANAGING DIRECTOR  
DIN:00069094