



SHARAT INDUSTRIES LIMITED

30th Annual Report
2019-20

**ANCHORED IN
VALUES
PROPELLED BY
VISION**



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FY 2019-20 was a watershed year for Sharat Industries Limited, as we delivered a resilient performance despite challenges and undertook strategic decisions to drive sustainable value creation. We have sharpened our focus on leveraging our core strengths, building capacities and competencies, and fortifying risk management and governance. We strongly believe that profitability is an outcome of sustainable practices and thus we remain committed to it alongside setting ourselves realistic goals. This sets us on a clear path for a long-term sustainable growth, while helping us remain firm and unshaken and focussed on our goals irrespective of varying external conditions.

Corporate Information

Board of Directors

1. **Mr. S. Prasad Reddy**
Managing Director
2. **Mr. S. Sharat Reddy**
Whole-Time Director (Executive Director)
3. **Mr. Veerraju Manda** – Up to 29th September, 2019
Independent Director
4. **Mr. M.B.R. Prasad** – Up to 29th September, 2019
Independent Director
5. **Mrs. Durga Thota**
Independent Director
6. **Mr. Ch. Kishore Kumar** – From 12th November, 2019
Additional Director – Non-Executive & Independent Director
7. **Mr. K. Sreeram Reddy** – From 12th November, 2019 to 12th November, 2020
Additional Director – Non-Executive & Independent Director
8. **Mr. Harihar Venkata Muthyam** – From 28th September, 2020
Additional Director – Non-Executive & Independent Director
9. **Mr. P. Shanmugam** – From 12th November, 2020
Additional Director – Non-Executive & Non-Independent Director



Statutory Auditors

M/s A.R. Krishnan & Associates,
Chartered Accountants

Internal Auditors

SSRG & Associates, Chartered Accountants

Secretarial Auditors

Mr. D.S. Venkatanarasimhan – Practising Company Secretary

Chief Financial Officer

Mr. Vivekanada Gupta – Up to 20th February, 2020
Mr. B. Durga Prasad – From 26th June, 2020

Company Secretary and Compliance Officer

Mrs. C. Rubavathy – Up to 30th September, 2020
Mr. B. Vignesh Ram – From 1st October, 2020

Bankers

The Federal Bank Limited
Axis Bank Limited

Registered Office

Venkannapalem Village, T.P. Gudur Mandal
SPSR Nellore District
Andhra Pradesh - 524 002

Corporate Office

Flat No. 4, Third Floor, Pallavi Apartments
No. 57/11 HDFC Bank Compound
First Main Road, R.A. Puram
Chennai - 600 028

Feed Marketing Office

Flat 2B, 2nd Floor, Block -B,
Sea Doll Apartments, Nowroji road,
Vishakapatnam - 530 002

Registrar and Share Transfer Agent

M/s Cameo Corporate Service Limited
Subramanian Building,
No. 1 Club House Road,
Chennai - 600 002

We Are An Integrated Aquaculture Company

Sharat Industries Limited is one of India's oldest vertically integrated aquaculture companies with operations across shrimp hatchery, farming, shrimp feed manufacturing, shrimp processing and cold storage.

We are the pioneers in Vannamei (white shrimp) culture in India and have played a critical role in the revival of the shrimp industry in India. This was the result of tremendous amount of effort in this direction over a period of 4 years.

We offer a wide range of frozen shrimp products that meet stringent quality standards to leading food services clientele across the globe.

Through supply of good quality feed and seed, we have a symbiotic relationship with our network of farmers, who are an integral part of our supply chain.

Our Competitive Advantage

Strong brand recall

Our products (feed and processed shrimps) have a strong brand recall due to the high-quality standards and supply reliability. Our feed has high nutritional value facilitating cost-effective shrimp growth. Our processed shrimps are antibiotic-free.

Wide product range

We offer a wide range of processed shrimps that meet the diverse requirements of customers globally.

Strategically located

Close proximity of our Processing plant to the farm and our network of farmers ensures freshest quality shrimp for processing.

Our Global Presence



Map not to scale. For illustrative purpose only.

30+

Years of experience

20+

International Customers

30+

Domestic Customers

225

Employees

50

Farmer Relationships

10+

Countries of export

13

Product varieties
(10 raw and 3 cooked)

Favourable business environment

Located in Andhra Pradesh which has policies & regulations promoting the growth of aquaculture.

Well-integrated farmer network

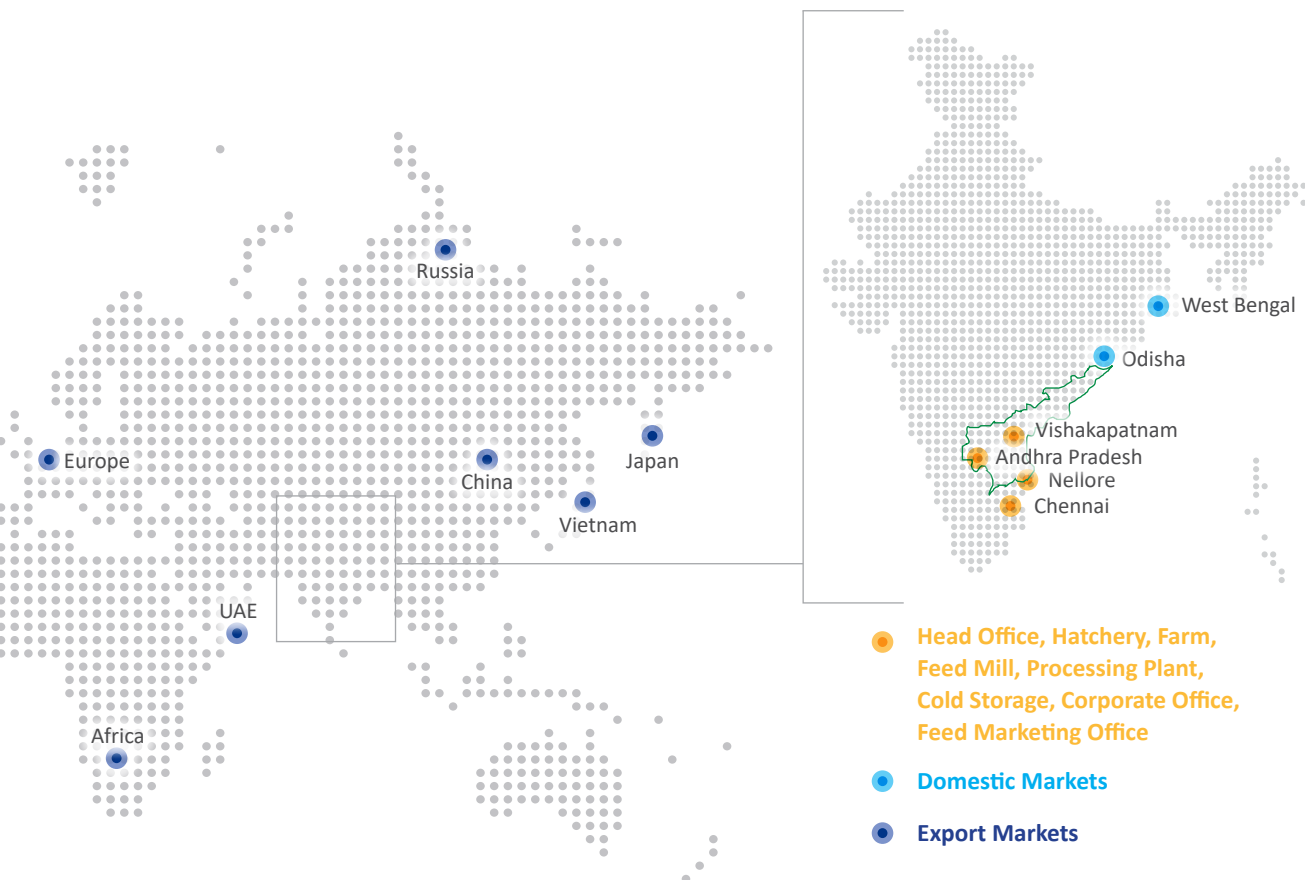
Our robust farmer network ensures accurate product traceability and the procurement of healthy, antibiotic-free shrimp.

Vertically integrated

Our presence across the shrimp value chain enables quality control and cost effective operations across every stage.

Large farm area

We have one of the largest shrimp farms in India that has the capacity to farm over 2000 tonnes of shrimp annually.



Business Verticals Across the Value Chain

Hatchery



Capacity: 400 million seedlings per annum

- Produces Vannamei seedlings
- Long-term association with SIS, Florida
- Uses only specific pathogen-free (SPF) broodstock to ensure stringent quality and disease-resistant seedlings

Key developments FY 2019-20

- Strengthened broodstock selection process during imports to reduce operational issues
- Made capex investments to improve biosecurity and reduce risk of disease transmission
- Developed efficient nursery system to aid in faster shrimp growth as well as farming cycles through the year (up to 3 cycles per year as opposed to industry average of 2 cycles)

Farm



Capacity: 2,000 tonne shrimp per annum

- 500 acres of land located on the coast of the Bay of Bengal facilitating use of seawater for the farming operations
- Well-planned interlocking concrete canals for uninterrupted supply of seawater

Key developments FY 2019-20

- Took measures to improve the biosecurity at the farm. This reduces risk of disease transmission and shrimp mortality in farm operations

Our extensive product range



Raw White Shrimp

- Raw Head-On Shell-On (HOSO)
- Raw Headless Shell-On (HLSO)
- Raw Headless Easy Peeled
- Peeled and De-veined Tail-On (PDTO)
- Peeled and De-veined Tail-Off (PD)
- Peeled and Un-De-veined (PUD)

Cooked White Shrimp

- Cooked Headless Shell-On
- Cooked Peeled and De-veined Tail-On
- Cooked Peeled and De-veined Tail-Off
- Cooked Peeled and Un-De-veined (PUD)
- Cooked Head-On

Feed Mill



Capacity: 20,000 tonnes per annum

- Produces high-quality and nutritional shrimp feed marketed under VANNASTAR brand and widely accepted by farmers

Key developments FY 2019-20

- Entered the market of Karnataka
- Strengthened customer selection process, majority of whom are from unorganised sector, to reduce instances of default
- Undertook focussed approach to ensure higher recovery of dues

Processing Plant



Capacity: 7,500 tonnes frozen shrimps per annum

- State-of-the-art infrastructure and ultra-modern processing equipment for high quality processing operations

Key developments FY 2019-20

- Ensured higher capacity utilisation by exporting a variety of processed shrimp products as per market demand
- Increased value of exports to lucrative markets
- Invested in upgrading the plant and machinery to enhance operational efficiency of operations and production volume
- Set up auxiliary centres to increase pre-processing facilities / capacities through long-term agreements with third parties

Product quality certifications



EIC
 HACCP
 ISO 22000 : 2005
 BRC - A Grade
 FDA
 BSCI
 BAP 4 Star
 EU approved

Letter from the Managing Director



Dear Shareholders,

I am pleased to present to you our annual report for FY 2019-20. Before I take you through our performance and where the Company is headed, it would be important to understand where Sharat Industries Limited comes from.

Amidst this challenging background, I am happy to state that your Company delivered a resilient performance.

We started with the business of shrimp farming and eventually created a presence across the value chain over a period of 10 years. Today, we are an integrated aquaculture company engaged in hatchery operations, shrimp farming, shrimp feed manufacturing and shrimp processing operations. Innovation has been our forte. We pride ourselves in rejuvenating the shrimp industry in India by pioneering Vannamei (white shrimp) culture which is the most produced shrimp variety in India today. Our strong knowledge of the industry, long standing relationships with vendors and customers, experienced team and state-of-the-art facilities position us attractively in the industry.

The year in retrospect

The year gone by has been one of the most challenging in recent times. The fiscal started with a contraction in shrimp demand which led to lower production and decline in international prices. As the year progressed the markets witnessed recovery, thus bringing stability to demand and international prices. The onset of COVID-19 pandemic eventually brought a halt to the momentum gained as the lockdown severely disrupted the supply chain. Ordering remained weak as demand from the primary consumers i.e. the

foodservices industry, was low due to the shutdown.

The year ended with a decline in shrimp exports from 667,879 million tonnes in FY 2018-19 to 652,253 million tonnes in FY 2019-20, the first ever decline after an exponential growth in the last decade.

Amidst this challenging background, I am happy to state that your Company delivered a resilient performance. Our total income increased by ~3% from ₹ 195.66 lakh in FY 2018-19 to ₹ 201.70 lakh in FY 2019-20. The growth was largely driven by our focus on specific varieties of processed shrimp which were in demand and exporting to more lucrative markets, thus ensuring higher capacity utilisation. Further, despite certain countries barring imports from India during the pandemic, we were able to divert exports to other destinations thus mitigating its impact.

Coming to profitability, our EBITDA grew 5.97% to ₹ 1,248.42 lakh. PAT, however, declined by 38.94% to ₹ 177.11 lakh. This was due to the impact of higher base in the previous year where the Company received tax credit along with a rise in interest and manpower costs.

Poised for growth

Alongside focussing on sustaining our performance, we used this challenging year to build competencies and prepare ourselves for the future. We undertook the following initiatives:

Invested in upgrading the plant and machinery

to enhance operational efficiency and production volume in anticipation of rising demand in the coming years

Recruited 20 additional manpower

to support the rising scale of operations

Further diversified geographical presence

by increasing the volume of exports of processed shrimps to certain destinations and launching our shrimp feed in new markets

Adopted focussed approach of collections

resulting in higher recovery of dues for feed sales which will help in improving the working capital position

Apart from this, we undertook efforts to reach out to other seafood companies to ensure a mutually supportive and beneficial relationship, as cooperation and not competition is the need of the hour. We believe that the sustenance of every individual company will ensure the sustenance of the industry.

We are optimistic of the Government's Pradhan Mantri Matsya Sampada Yojana aimed at bringing Blue Revolution 2.0 through a proposed investment of ₹ 20,000 crore over the next five years. The scheme focusses on sustainable and responsible development of fisheries sector as well as increasing production, productivity and quality through leveraging technology and developing robust logistics infrastructure. We believe that the various efforts by the Government brings hope for renewed growth in the sector.

Message to the shareholders

As you are all aware, your Company is a recognised brand in the Indian shrimp industry and has come a long way since inception. We have a proven track record of weathering several storms without losing sight of our goal. We are equipped with technical expertise, capacity and manpower. Alongside this, our geographical spread and

deep relations with farmers and foodservice companies position us attractively to capitalise on the growth opportunity in the industry. We are also relatively well-placed in terms of financial position with a debt:equity of 1.01 which provides us enough headroom to invest in growth capex.

Glancing back at the year gone by, I can say with reasonable confidence that we have successfully countered every challenge to emerge steadier and stronger. I thank all our stakeholders who have supported us in achieving this. I extend my deepest appreciation to our supply chain partners and committed employees who displayed immense resilience in these testing times. Finally, I am grateful to all our shareholders for their faith and patience, and for continuing to send positive vibes that have enabled the Company to resume the trading of shares after a hiatus of nearly 21 years. With your continued support, we seek to reach greater heights sustainably and profitably.

Warm regards,

S. Prasad Reddy
Managing Director

Letter from the Executive Director



Today, Sharat Industries Limited has become a household name. Our products are liked and demanded by individual and institutional customers alike across 10+ countries. We have capabilities to serve premium customers.

Dear Shareholders,

Sharat Industries Limited has become a brand to reckon within the global shrimp market. For a span of three decades, we have had an unwavering focus on shrimp products. We scaled capacities and extended our presence across the value chain to become vertically integrated. We ensured uncompromised focus on quality and innovation to deliver the best products to our customers. We have also been instrumental in undertaking decisive actions that contributed to the development of the aquaculture industry.

Today, Sharat Industries Limited has become a household name. Our products are liked and demanded by individual and institutional customers alike across 10+ countries. We have capabilities to serve premium customers.

We recognise that while the seafood industry is expected to grow steadily at 2.5% CAGR during 2019 to 2027, there are certain trends that are shaping the industry. One, the demand for value-added frozen shrimp products, both cooked and raw frozen form, is growing substantially. Two, there is a growing popularity for retail products due to packaging convenience and developments

in cold chain technology. Three, demand for ready-to-eat products is gaining traction due to taste and consumer convenience.

As India's oldest integrated aquaculture player, our scale, integrated operations and strong products quality to cater premium customers do give us a competitive advantage. However, the need of the hour for us will be to step up the efforts to ensure long-term sustainable growth while ensuring value creation for shareholders.

Technology up-gradation is an area of high focus for the Company. We have made substantial investments in creating a digital platform for exchange of operational information which has facilitated dynamic decision-making. This is supported by access to real-time data across several aspects of the operation. This system has also significantly enhanced the efficiency of our integrated supply chain, which in turn ensures timely sourcing of highest quality shrimps to ensure freshness and timely delivery of products to customers.

We are working closely with technology providers to implement customised ERP solutions and develop applications for feed marketing and raw material (shrimp) sourcing channels. We also have a plan on the anvil to