



SHARAT INDUSTRIES LIMITED

31st Annual Report
2020-2021



**RESILIENCE
IN ACTION**

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FY 2020-21 was a landmark year for Sharat Industries Limited, as we delivered a resilient performance despite challenges caused by the pandemic. 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
3. **Mrs. Durga Thota**
Independent Director
4. **Mr. Ch. Kishore Kumar**
Independent Director
5. **Mr. Harihar Venkata Muthyam**
Independent Director
6. **Mr. P. Shanmugam**
Non-Executive Director

Statutory Auditors

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

Internal Auditors

SSRG & Associates, Chartered Accountants

Secretarial Auditors

Mr. Venkatraman Sundar – Practising Company
Secretary

Chief Financial Officer

Mr. B. Durga Prasad

Company Secretary & Compliance Officer

Mr. B. Vignesh Ram

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, shrimp farming, shrimp feed manufacturing, shrimp processing and cold storage.

We are the pioneers of 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. This critical contribution has played a pivotal role in transforming India into a leading producer of shrimp in the world.

We offer a wide range of frozen shrimp products that meet stringent quality standards to leading food services clientele across the globe. The vertically integrated supply chain ensures that premium quality products at every level are combined to generate shrimp of the highest quality.

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 and certified by leading global certification agencies.

Wide product range

We offer a wide range of processed shrimps that meet the diverse requirements of customers globally. With over 23 years of experience in the production of Shrimp feed, we offer shrimp feed in multiple sizes (for different stages of shrimp growth) under the brand VANNASTAR.

Strategically located

Close proximity of our Processing plant to our shrimp farms 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)

Well-integrated farmer network

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

Favourable business environment

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

Vertically integrated

Our presence across the shrimp value chain enables quality control and cost effective operations across every stage. With over 30 years of experience in the field, the company has strong relationships with its supply chain partners and customers.

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 2020-21

- Made capex investments to improve biosecurity and reduce risk of disease transmission
- Reduced scale of operations due to supply chain disruptions caused due to COVID-19. Cancellation of international flights resulted in less availability of broodstock for import.
- Improved the efficiency of existing nursery systems to subsequently boost farming operations

Farm



Capacity: 2,000 tonnes 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. Sufficient availability of bore water sources to provide optimal mix of salinity and other water parameters.

Key developments FY 2020-21

- Took measures to improve the biosecurity at the farm. This reduces risk of disease transmission and shrimp mortality in farm operations.
- Introduced automatic feeding machines to reduce the dependency on manpower and to improve the feeding efficiency.

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 (PDO)
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 that is widely recognised and accepted by farmers.

Key developments FY 2020-21

- Entered the market of Karnataka, which is expected to be an emerging market in terms of shrimp feed requirement.
- Strengthened customer selection process, majority of whom are from unorganised sector, to improve payment collections. This played a significant role in keeping collections in check, despite the impact of the pandemic.
- Ensured timely delivery of feed to our customers despite significant disruptions caused in the supply chain on account of COVID-19. This was possible through dynamic strategies and the support of the employees and vendors.

Capacity: 7,500 tonnes frozen shrimps per annum

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

Processing Unit



Key developments FY 2020-21

Despite the impact of COVID-19 on the supply chain and operations, the processing division registered a growth of more than 35% in terms of export volume/value.

Higher capacity utilisation lowered the impact of rise in operational expenditure on account of external circumstances (COVID-19) and ensured reasonable profitability.

- Increased value of exports to lucrative markets like USA and lowered sales to China to ensure that smooth operations took place despite the international crisis that prevailed during most of the financial year.
- Significant investment was made in upgradation of critical plant and machinery to enhance operational efficiency and lower running costs.
- Set up auxiliary centres to increase pre-processing facilities / capacities through long-term agreements with third parties. These arrangements helped in delivering required outputs while maintaining social distancing norms.

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 2020-21. Your company has withstood yet another difficult year amidst the bleak scenario worldwide, and shown a steady improvement in its performance. Our total profit increased by 45% and sales increased by 25.5% when compared to the previous year.

This has been possible with the support of our employees, our strong knowledge of the industry, long standing relationships with vendors and customers, and timely decision making.

I am thankful to God and all our well-wishers that nothing untoward has happened to any of the members of the SIL family at a time when we have been hearing of irreparable losses such as loss of lives. To protect our employees during the Pandemic, the company took all the necessary measures such as distributing immunity boosting medicines, sanitising all locations, maintaining social distancing and making the wearing of masks at the workplace compulsory. Some categories of staff were permitted to work from home, and some employees were instructed

to work on alternate days, to reduce crowding at the work premises. Vaccination camps were conducted in the company premises and an awareness was created about the pandemic and the preventive and therapeutic measures to be taken to safeguard their health.

Alongside focussing on protecting our workforce, and sustaining our performance, we have upgraded our plant and machinery with a view to varying our product range and tapping new markets. As a result of the unprecedented global situation and economic conditions, some countries and buyers closed their doors to products from India. The company identified new buyers and markets, and resumed business. The company has increased its production capacities and implemented several cost controlling measures in its daily operations. As in the case of any new and difficult situations, the company has reset its goals and priorities to overcome the challenges.

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 now and always. 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 your belief in us. With your continued support, we seek to scale greater heights.

Warm regards,

S. Prasad Reddy
Managing Director

Letter from the Executive Director

Dear Shareholders,

A year has gone by and what a year it's been! FY 20-21 saw the world witness a global pandemic (COVID-19) and with that came months of hardship and challenges for everyone. A vast majority of the Indian economy and several leading nations came to a virtual standstill for brief spells before eventually embarking on a journey to rebuild. The aquaculture and exports segment were impacted during parts of the year but saw a revival after the initial spell of lockdowns.

Despite the effects of the pandemic and significant uncertainty in many domains, I am happy to report that your company delivered a strong performance registering a growth of more than 25 percent when compared to the previous financial year! Dynamic decision making aided by support from the company's reliable work force and its supply chain partners enabled significant improvement in key areas to mitigate the impact of COVID in its operations. Your company's wealth of experience

in the field and its unwavering focus on delivering quality products enabled improved performance and also registered renewed demand from its customers, despite the prevailing circumstances. This is testament to the efforts and investment made, in this regard, over the years.

With the company's international customer base spread across the world, we were in a position to adapt to the volatilities of a price-sensitive market swiftly and circumvent potential congestions in our supply chain. When the first COVID-19 lockdown was imposed last year forcing everyone to stay at home, the demand for ready-to-cook and ready-to-eat segments grew by nearly 20% in many global markets. One of the positive changes that came about with the pandemic is a shift in consumers' perspective towards the concept of frozen food and we regard this a significant step towards the growth of a segment that hadn't received sufficient traction / attention in the past. Your company has foreseen this trend and has made substantial



progress by positioning itself to capitalise on the same over the next few years. Our ability to produce high quality, retail-packed frozen shrimp products that have gained international repute will give us an edge in the domestic market in the future.

As India's oldest integrated aquaculture player, our scale, integrated operations and superior product quality gives 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. The company intends to leverage information and technology to harness its potential in multiple parts of its supply chain. We are confident that these principles and strategies will give the company an edge over the competition during the short and long term. We will continue to explore opportunities for investment in



infrastructure and also develop strategic partnerships to further strengthen our supply chain.

Technology up-gradation has consistently been an area of high focus for the Company. In the recent past, your company had made substantial investments in creating a digital platform for exchange of operational information. This enabled access to real-time data across several verticals of the organisation, improving efficiency across the entire value chain. This broad framework played a crucial role in facilitating dynamic decision-making.

We recognise that the seafood industry is expected to grow steadily at 2.5% CAGR during 2020 to 2027. As a result of supply chain issues in several seafood producing nations and a global shift in consumers' mindset towards frozen products, the global demand for quality seafood is now expected to be higher than ever. Our company's goal is to capitalise on this demand by rapidly increasing the capacity utilisation of its resources across the supply chain, with a core

focus on operational profitability. Taking this into consideration, we look forward to a bright future.

On a closing note, I thank all our stakeholders for their unstinted support. Having completed 31 years in the aquaculture industry, we take pride in being a steady player in an industry that has otherwise seen volatility over the first few decades. We are grateful to our shareholders for their support and patience despite your Company's shares being suspended from trading for two decades. We had taken consistent efforts to revoke this suspension and in July of 2019, these efforts were successfully fructified. This comes at a time, when the Company is getting ready for its next phase of growth. Our focus now will be to live up to your expectations and deliver healthy and sustainable performance with aggressive growth strategies in the next few years.

I also thank our team who has worked hard in building a stable organisation; One that has exhibited the robustness in its operations by delivering steady

growth during a difficult period for the industry. Your Company is now well-poised for growth and we remain committed to the same.

Finally, I request the shareholders to follow the necessary procedures to dematerialise their shares and continue to trust us as we are confident of delivering growth despite the economic turmoil caused by the pandemic.

Warm regards,

S. Sharat Reddy
Executive Director