

SHARAT INDUSTRIES LIMITED



17th Annual Report 2006-2007

BOARD OF DIRECTORS

- | | | |
|----|--------------------------|------------------------------|
| 1. | Mr. S. Prasad Reddy | Chairman & Managing Director |
| 2. | Mr. A. Ramakrishna Reddy | Director |
| 3. | Mr. N. Suresh | Director |
| 4. | Mr. T. Valasraj | Director |

BANKERS

ORIENTAL BANK OF COMMERCE

AUDITORS

M/s. P.A. REDDY & CO.,
Chartered Accountants,
2411/422 A, Saraswathi Nagar,
Dargamitta,
Nellore -524 003.

REGISTERED OFFICE & FARM

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

CORPORATE OFFICE

No. 17 (old No. 30)
Luz Avenue,
Mylapore,
CHENNAI - 600 004.

NOTICE

NOTICE is hereby given that the **Seventeenth Annual General Meeting** of the Members of the Company will be held on **Saturday, the 29th September, 2007**, at 10 a.m. at the Registered Office at Venkannapalem Village, T.P. Gudur Mandal, Nellore District to consider the following Ordinary business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2007 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in the place of Mr. A.Ramakrishna Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration.

BY THE ORDER OF BOARD OF DIRECTORS
For SHARAT INDUSTRIES LIMITED

PLACE : VENKANNAPELEM
DATE : 01.09.2007

{SD}
S. PRASAD REDDY
CHAIRMAN & MANAGING DIRECTOR

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. PROXIES, TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LATER THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.
3. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED ON 29TH SEPTEMBER, 2007.

DIRECTORS' REPORT

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

The Directors have pleasure in presenting the Seventeenth Annual Report of the Company together with Audited Accounts for the year ended 31st March, 2007.

FINANCIAL RESULTS

Particulars	YEAR ENDED	YEAR ENDED
	31-03-2007	31-03-2006
	(Rs. In lakhs)	(Rs. In lakhs)
Total Sales	2049.95	2180.48
Profit (+) / Loss (-)	(+)430.37	(+)4268.45
Deferred tax adjustments	(-)55.47	(+)359.79
Balance Brought forward	(-)76.96	(-)4704.77
Balance Carried forward	(+)297.55	(-)76.96

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

RETIREMENT BENEFITS : We are in the process of ascertaining the actuarial liability for gratuity and the requisite provision will be made in the Current Year.

FIXED ASSETS : We are in the process of updating the fixed asset register.

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

OPERATIONS: Your Company has completed payment of all amounts due under OTS to the Institutions. We are in the process of obtaining working capital facilities. Your directors are confident that the performance of the company will improve in the years to come.

SICKNESS: The Rehabilitation Scheme sanctioned by BIFR has been completely implemented.

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

PARTICULARS OF EMPLOYEES: During the year, there were no employees drawing remuneration as per limits specified under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

DIRECTORS' RESPONSIBILITY STATEMENT:

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

- (i) That in the preparation of the accounts for the financial year ended 31st March 2007, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company of the end of the financial year and of the profit of the company for the year under review.
- (iii) That the Directors have taken proper care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2007 on a going concern basis.

ADDITIONAL INFORMATION AS REQUIRED U/S 217(1) (e) OF THE COMPANIES ACT, 1956

- (a) Conservation of Energy: The Company is monitoring the consumption of energy and is identifying the areas for conservation of energy.
- (b) (i) Technology Absorption, adaptation and Innovation:
(1) The Company has entered into Technical Collaboration Agreement with M/s HIGH WON FISHERY DEVELOPMENT CORPORATION, SINGAPORE for the transfer of Technical know-how and Training the production personnel of the organization.
(2) Buy-back Agreement: The Company has entered into Buy-back Agreement for its products with M/s High Won Fishery Development Corporation, Singapore.
- (ii) Research and Development (R&D): The Company is in the process of identifying areas in which R & D can be carried out.
- (c) **Foreign Exchange Earnings and out go:**
(i) Foreign exchange earnings Us \$ 3258977.15 equivalent to Rs. 147515898 (PY Us \$ 3816154.45 equivalent to Rs. 167881485.86 /-
(ii) Foreign exchange outflow on account of import of Capital goods & Raw Materials US \$ 55886 equivalent to RS. 2587809/- (PY. US \$ 621271.40 equivalent to Rs. 23738035/-).

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

The Audit committee consists of three independent directors viz., Mr. A. Rama Krishna Reddy, N. Suresh and T. Valasraj. The Committee met on 22.04.2006, 23.07.2006, 26.08.2006, 23.10.2006 and 22.01.2007 at which all the members were present.

DIRECTORS

Mr. A. Ramakrishna Reddy retires by rotation and being eligible, offers himself for re-appointment.

AUDITORS

M/s P.A. Reddy & Co., Chartered Accountants, retiring auditors of the Company, being eligible, offer themselves for re-appointment as auditors of the company. They have furnished a certificate of their eligibility U/S 224(1B) of the Companies Act, 1956. The members are requested to re-appoint the auditors and authorize the Managing Director to fix their remuneration.

PERSONNEL

The relations between the management and the staff were very cordial throughout the year. Your Directors take this opportunity to record their appreciation for the co-operation and loyal services rendered by the employees.

DEPOSITS

The Company has not accepted any deposits during the year.

ACKNOWLEDGEMENTS

Your Directors gratefully acknowledge with thanks the constructive guidance and co-operation extended by IFCI, IDBI, IIBI, ICICI, Bank of Baroda, MPEDA and other Government Agencies.

BY THE ORDER OF BOARD OF DIRECTORS
for SHARAT INDUSTRIES LIMITED

Sd/-

S. PRASAD REDDY

CHAIRMAN & MANAGING DIRECTOR

PLACE : VENKANNAPALEM

DATE : 01-09-2007

AUDITOR'S REPORT TO THE MEMBERS OF SHARAT INDUSTRIES LIMITED

To

The Members of Sharat Industries Limited,

- 1) We have audited the attached Balance Sheet of **SHARAT INDUSTRIES LTD** as at March 31, 2007, and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
 - 2) We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 - 3) As required by the Companies (Auditor's Report) Order, 2003 (CARO, 2003) issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, we annex here to a statement on the matters specified in paragraphs 4 and 5 of the said Order.
 - 4) Further to our comments in the annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit ;
 - b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books ;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account ;
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub section 3 (c) of Section 211 of the Companies Act, 1956 and subject to:
 - i) *Non provision for retirement benefits to the employees as required by the Accounting Standard -15 issued by the Institute of Chartered Accountants of India;*
 - e) On the basis of written declaration received from the directors, as on March 31, 2007 and taken on record by the board of directors of the Company, none of the directors is disqualified from being appointed as a director in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the schedules and notes thereon give the information required by the Companies Act, 1956, in the manner so required and subject to:
 - i) *Non-provision for retirement benefits to the employees as required by the accounting standard - 15 issued by the institute of chartered accountants of India. In the absence of information, the effect of such non provision on the profit for the year and Reserves of the company, could not be quantified;*
 - ii) *Non availability of confirmation of balances from the trade creditors and advances recoverable and the effect of such non reconciliation of balance if any, on the accounts of the Company, could not be quantified;*
 - iii) *With reference to para 4(b) of schedule-R to the Balance Sheet, in the absence of conclusive order from the CBDT regarding the exemptions under the Income Tax Act granted to the Company in the scheme of BIFR, we are unable to express opinion on the non provision of income Tax and the calculation of Deferred tax for the current year on the strength of such scheme;*
- give a true and fair view in conformity with the accounting principles generally accepted in India;
- (I) In the case of Balance Sheet, of the state of affairs of the Company as at March 31st 2007;
 - (II) In the case of Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (III) In the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

for M/s. P.A. REDDY & CO.,
CHARTERED ACCOUNTANTS

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

PLACE : NELLORE
DATE : 01-09-2007

ANNEXURE TO THE AUDITOR'S REPORT OF SHARAT INDUSTRIES LIMITED

(Referred to in paragraph 3 of our report of even date)

Based on the information and explanations furnished to us and the books and records examined by us in the normal course of our audit, we report that to the best of our knowledge and behalf:

- i) In respect of it's Fixed Assets:
 - a) *The maintenance of proper records showing full particulars including quantitative details and situation of fixed assets, is inadequate and needs to be improved substantially.*
 - b) We are informed that during the year, the fixed assets have been physically verified by the management and that there are no discrepancies between the physical stocks and the book records. *However, in the absence of proper records, we are unable to comment on such physical verification.*
 - c) The fixed assets disposed off during the year are not substantial and therefore do not affect the going concern status of the Company.
- ii) In respect of Inventories of finished goods, work in process, raw materials and stores and spares:
 - a) Physical verification of inventory has been conducted at various intervals by the management during the year.
 - b) The procedures of physical verification of inventories followed by the management are by and large adequate in relation to the size of the Company and the nature of its business.
 - c) The Company has maintained proper records of inventory. The discrepancies noticed on verification between physical stocks and book records are not material and the same have been properly dealt with in the book of account.
- iii) In respect of loans, secured or unsecured, from/to from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
 - a) The Company has not granted/taken any loans to/from any companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of paragraph 4 (iii) of the Order are not applicable to the Company.
- iv) In respect of internal control procedures:
 - a) There are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and with regard to the sale of goods. No services were rendered during this year by the Company. We have not observed any major weakness in the internal controls during the course of audit.
- v) In respect of transactions that need to be entered into a register in pursuance of section 301 of the Companies Act:
 - a) There are no transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of paragraph 4 (v) of the Order, are not applicable to the Company.
- vi) In respect of public deposits:
 - a) The Company has not accepted any deposits from the public. Therefore, the provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 and the provisions of paragraph 4(vi) of the Order, are not applicable to the Company.
- vii) In respect of internal audit system:
 - a) In our opinion, the company has an internal audit system commensurate with its size and the nature of its business.
- viii) In respect of cost records:
 - a) The Central Government has not prescribed for the Company the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956. Therefore, the provisions of paragraph 4(viii) of the order are not applicable to the company.
- ix) In respect of statutory dues:
 - a) The Company has been generally regular in depositing with appropriate authorities, undisputed statutory dues including provident fund, employees' state insurance, Income tax, sales tax, customs duty, excise duty and other statutory dues applicable. No undisputed dues payable in respect of Income tax, sales tax, customs duty and excise duty were in arrears, as at March 31, 2007 for more than six months from the date they became payable except fringe benefit tax of Rs.38,974/- and service tax of Rs 63,589/-

- b) There are no dues of sales tax, Income tax, customs duty, and excise duty as at March 31, 2007 which have not been deposited on account of a dispute.
- X) In respect of its losses:
- a) The Company does not have any accumulated losses as at March 31, 2007 and has not incurred Cash losses during the financial year ended on that date or in the immediately preceding financial year.
- XI) In respect of repayment of dues to Banks, Financial Institutions and Debenture holders:
- a) The Company is regular in adhering to the terms of OTS in respect of dues to banks and financial institutions.
- XII) In respect of loans on the basis of security by way of pledge of shares, debentures and other securities:
- a) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of paragraph 4 (XII) of the Order are not applicable to the Company.
- XIII) In respect of applicability of any special statutes:
- a) The Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of paragraph 4 (XIII) of the Order are not applicable to the Company.
- XIV) In respect of dealing in shares, securities, debentures and other investments:
- a) The Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of paragraph 4 (XIV) of the Order are not applicable to the Company.
- XV) In respect of guarantees given for loans taken by others from banks or financial institutions:
- a) The Company has not given any guarantees for loans taken by others from banks or financial institutions. Therefore, the provisions of paragraph 4 (XV) of the Order are not applicable to the Company.
- XVI) In respect of utilization of term loans:
- a) The Company has not obtained any term loans during the year. Therefore, the provisions of paragraph (XVI) of the order are not applicable to the Company for the year under audit.
- XVII) In respect of utilization of funds raised on short term basis:
- a) On the basis of overall examination of the Balance Sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short term basis which have been used for long term investment.
- XVIII) In respect of preferential allotment of shares:
- a) The Company has not issued any preferential allotment of shares during the year other than the application money received from a group of investors.
- XIX) In respect of issue of debentures:
- a) The Company has not issued any debentures during the year nor any debentures are outstanding at the end of the year. Hence, the matters to be reported as per paragraph 4(XIX) of the Order are not applicable to the Company.
- XX) In respect of public issues:
- a) The Company has not raised any money by way of public issues during the year by way of public issue. Hence, the matters to be reported as per paragraph 4(XX) of the Order are not applicable to the Company.
- XXI) In respect of frauds:
- a) In our opinion and according to the information and explanation given to us, no fraud on or by the Company has been noticed or reported during the year that causes the financial statements to be materially misstated.

for M/s. P.A. REDDY & CO.,
CHARTERED ACCOUNTANTS

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

PLACE : NELLORE
DATE : 01-09-2007

BALANCE SHEET AS AT 31-03-2007

PARTICULARS	SCHEDULE No.	AS AT 31-03-2007	AS AT 31-03-2006
I. SOURCES OF FUNDS		Rs.	Rs.
1. SHAREHOLDERS FUNDS			
a. Capital	A	220125000	220125000
b. Reserves & surplus	B	171197462	111109000
c. Preference Share Application Money		131901617	127688487
2. LOAN FUNDS			
a. Secured Loans	C	0	74533615
TOTAL		523224079	533456102
II. APPLICATION OF FUNDS			
1. FIXED ASSETS	D		
a. Gross Block		620984410	620149426
b. Less Depreciation		239510164	213026884*
c. Net Block		<u>381474246</u>	<u>407122542</u>
d. Capital work in progress		13721674	9037890
2. CURRENT ASSETS, LOANS & ADVANCES			
a. Inventories	E	33340747	54635376
b. Sundry Debtors	F	11785350	13745011
c. Cash & Bank Balances	G	9098010	10589814
d. Loans, Advances & Deposits	H	<u>43433189</u>	<u>29419070</u>
		97657296	108389271
Less : Current Liabilities and Provisions	I	<u>50997439</u>	<u>85705836</u>
NET CURRENT ASSETS		46659857	22683436
DEFERRED TAX ASSET		81368303	86915420
3. PROFIT & LOSS Account		0	-7696815
TOTAL		523224079	533456102

NOTES ON ACCOUNTS

R

The Schedules referred to above form part of the accounts.

This is the Balance Sheet referred to in our report of even date.

for P. A. REDDY & CO.,
CHARTERED ACCOUNTANTS(Sd)
P. ASHOK REDDY
Partner
Membership No. 023202

ON BEHALF OF THE BOARD

(Sd/-)
S. PRASAD REDDY
CHAIRMAN & MANAGING DIRECTOR(Sd)
A. RAMAKRISHNA REDDY
DIRECTORPLACE : VENKANNAPELEM
DATE : 01-09-2007

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

PARTICULARS	SCHEDULE No.	For the Year Ending 31-03-2007	For the Year Ending 31-03-2006
I. INCOME		Rs.	Rs.
Operating Revenue	J	204995433	218048532
Other Income	K	17834211	25961779
	TOTAL	<u>222829644</u>	<u>244010311</u>
II. EXPENDITURE			
Materials	L	94211940	81475422
Personnel	M	9331759	10608000
Over heads	N	70951857	88532027
Finance	O	877123	871455
Variance in Stock	P	4903000	21220665
Depreciation	D	26483280	26464584
	TOTAL	<u>206758958</u>	<u>229172153</u>
PROFIT BEFORE TAX & EXCEPTIONAL ITEMS		16070686	14838157
EXCEPTIONAL ITEMS	Q	26967246	412006688
PROFIT BEFORE TAX		<u>43037932</u>	<u>426844845</u>
LESS : PROVISION FOR TAX			
CURRENT TAX	—	NIL	
DEFERRED TAX	—	5547117	
FRINGE BENEFIT TAX	—	38974	
PROFIT AFTER TAX		<u>37451840</u>	<u>462780290</u>
DEFICIT BROUGHT FORWARD		(7696815)	(470477105)
		<u>29755025</u>	<u>(7696815)</u>
SURPLUS/(DEFICIT) CARRIED TO BALANCE SHEET		<u>29755025</u>	<u>(7696815)</u>
Basic and Diluted Earnings per Equity Share			
After Extraordinary Items		1.96	21.02
Before Extraordinary Items		0.73	2.31

NOTES ON ACCOUNTS

R

The Schedules referred to above form part of the accounts.

This is the Profit and Loss Account referred to in our report of even date.

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

ON BEHALF OF THE BOARD

(Sd)
P. ASHOK REDDY
PARTNER
Membership No. 023202

(Sd)
S. PRASAD REDDY
CHAIRMAN & MANAGING DIRECTOR

PLACE : VENKANNAPELEM
DATE : 01-09-2007

(Sd)
A. RAMAKRISHNA REDDY
DIRECTOR

SCHEDULE - A

SHARE CAPITAL

PARTICULARS	AS AT	AS AT
	31-03-2007	31-03-2006
	Rs.	Rs.
AUTHORISED CAPITAL		
30000000 (30000000) Equity Shares of Rs. 10/- each	300000000	300000000
2000000 (2000000) Redeemable preference shares of Rs. 100/- each	200000000	200000000
	<u>500000000</u>	<u>500000000</u>
ISSUED, SUBSCRIBED & PAID-UP :		
22012500 (22012500) Equity Shares of Rs. 10/- Each	220125000	220125000
	<u>220125000</u>	<u>220125000</u>

SCHEDULE - B

RESERVES & SURPLUS

PARTICULARS	AS AT	AS AT
	31-03-2007	31-03-2006
<u>CAPITAL RESERVE :</u>		
Opening Balance	110438437	
Add : Waiver of principal portion of Secured Loans settled through OTS : <u>30393999</u>	40832436	110438437
<u>Capital Subsidy</u>		
Opening Balance	670563	
Less Transferred to P & L A/c <u>60562</u>	610001	670563
SURPLUS IN PROFIT AND LOSS A/C	<u>29755025</u>	---
	<u>171197462</u>	<u>111109000</u>

SCHEDULE - C

SECURED LOANS

PARTICULARS	AS AT	AS AT
	31-03-2007	31-03-2006
FROM INSTITUTIONS	---	42621270
FUNDED INTEREST	---	12054126
INTEREST ACCRUED AND DUE	---	19858219
(Secured by way of first charge against mortgage of all future and present immovable properties and by hypothecation of all future and present movable properties)		
	<u>---</u>	<u>74533615</u>

SCHEDULE - D

FIXED ASSETS

ASSETS	GROSS BLOCK			DEPRECIATION					NET BLOCK	
	As at 01-04-2006	Addition During the year	Deletion During the year	As at 31-03-2007	upto 31-03-2006	For the year	Deletions	Upto 31-03-2007	As on 31-03-2007	As on 31-03-2006
Land	37236372	-	-	37236372	-	-	-	-	37236372	37236372
Plant & Machinery	203418093	-	-	203418096	63859090	9662360	-	73521450	129896646	139559006
Building	114547674	-	-	114547674	34508279	3825892	-	38334171	76213503	80039395
Electrical Equipment	17414670	682760	-	18097430	8048931	838481	-	8887412	9210018	9365739
Vehicles	6516111	117024	-	6633135	4902229	625085	-	5527314	1105821	1613882
Pond construction	199402250	-	-	199402250	82100942	9471607	-	91572549	107829701	117301308
Furniture & Fixtures	4040470	-	-	4040470	2722496	255762	-	2978258	1062212	1317974
Office Equipment	2229265	3400	-	2232665	1008990	105949	-	1114939	1117726	1220275
Computers	156900	31800	-	188700	126160	26732	-	152892	35808	30740
Jetty	35187618	-	-	35187618	15749767	1671412	-	17421179	17766439	19437851
	620149426	834984	-	620984410	213026884	26483280	-	239510164	381474246	407122542
Capital WIP	9037890	4683748	-	13721674	-	-	-	-	13721674	9037890
Current Year Total	629187316	5518768	-	634706084	213026884	26483280	-	239510164	395195921	416160432
Previous Year	639787393	2797835	13397912	629187316	189525796	26464584	2963496	213026884	416160432	449028567

SCHEDULE - E

INVENTORIES

PARTICULARS	AS AT 31-03-2007 Rs.	AS AT 31-03-2006 Rs.
Raw materials	11622860	28014489
Finished goods	21717887	26620887
	<u>33340747</u>	<u>54635376</u>

SCHEDULE - F

SUNDRY DEBTORS (Considered Good)

PARTICULARS	AS AT 31-03-2007	AS AT 31-03-2006
More than six months	1144015	9125556
Others	10641335	4619455
	<u>11785350</u>	<u>13745011</u>

SCHEDULE - G

CASH & BANK BALANCES

PARTICULARS	AS AT 31-03-2007 Rs.	AS AT 31-03-2006 Rs.
Cash on Hand	1315610	1125318
Cash at Bank		
<u>With Scheduled Banks :</u>		
On Current Accounts	2544423	4037502
On Deposit Accounts	5237977	5426994
	<u>9098010</u>	<u>10589814</u>

SCHEDULE - H

LOANS, ADVANCES & DEPOSITS

PARTICULARS	AS AT 31-03-2007	AS AT 31-03-2006
(Recoverable in cash or in kind or for value to be received) un-secured, considered good		
Loans & Advances	25472873	16572076
Deposits	16385067	10466961
Other Current Assets	1575249	2380033
	<u>43433189</u>	<u>29419070</u>

SCHEDULE - I

CURRENT LIABILITIES & PROVISIONS

PARTICULARS	AS AT 31-03-2007	AS AT 31-03-2006
Creditors for Suppliers	28741720	49650473
Creditors for Expenses	6014931	7821427
Creditors for Others	16240789	28233936
	<u>50997439</u>	<u>85705836</u>

SCHEDULE - J

OPERATING REVENUE

PARTICULARS	Current Year 2006-07 Rs.	Previous Year 2005-06 Rs.
Sale of Shrimp (Export)	147515898	167881486
Sale of Seed	6911260	19090196
Sale of Feed	40184975	31076850
Local sale of shrimp	10383300	---
	<u>204995433</u>	<u>218048532</u>

SCHEDULE - K

OTHER INCOME

PARTICULARS	Current Year 2006-07	Previous Year 2005-06
Interest on F.D. / Bank Guarantee / TDS	411350	514059
Miscellaneous sales	250719	353865
Job work charges	6477398	18026683*
Cash subsidy N/w off previous year	60562	60562
Foreign Exchange Fluctuation	---	1084421
Excess provision written back	296452	---
Interest received on HT line Electricity deposit	351770	326158
Sale of DEPB	8643334	5587421
Interest on I.T. Refund	---	8610
Insurance Claim	1342626	---
	<u>17834211</u>	<u>25961779</u>

SCHEDULE - L

MATERIALS

PARTICULARS	Current Year 2006-07	Previous Year 2005-06
Opening Stock	28014489	4119658
Add: Purchases	77820311	105370253
	<u>105834800</u>	<u>109489911</u>
Less: Closing Stock	11622860	28014489
	<u>94211940</u>	<u>81475422</u>

SCHEDULE - M

PERSONNEL

PARTICULARS	Current Year	Previous Year
	2006-07	2005-06
	Rs.	Rs.
Salaries & Wages	7201280	8011069
Staff Welfare	332093	242712
Provident Fund & Security charges	1198386	1035223
Bonus & HRA	600000	1318996
	<u>9331759</u>	<u>10608000</u>

SCHEDULE - N

OVERHEADS
(A) FACTORY & FARM

PARTICULARS	Current Year	Previous Year
	2006-07	2005-06
Power & Fuel	32702510	38142412
Processing Labour Charges	3933636	4303146
Repairs & Maintenance	7188569	6364394
Technical Fees	905100	1953130
Hatchery & Culture Expenses	1432101	2747812
Other Expenses	995334	571718
Insurance	680570	663679
TOTAL (A)	<u>47837821</u>	<u>54746291</u>

(B) ADMINISTRATION

PARTICULARS	Current Year	Previous Year
	2006-07	2005-06
Travelling & Conveyance	322303	61736
Telephone & Postage	492743	611501
Audit Fees	156389	166937
Rent, Rates & Taxes	423690	432332
Litigating & Legal Expenses	67250	108718
A.G.M. Expenses	61865	113838
Other Expenses	1141802	1196227
Customs & Excise duty/Expenses	44764	8420048
TOTAL (B)	<u>2710806</u>	<u>11111337</u>

(C) SELLING EXPENSES

PARTICULARS	Current Year	Previous Year
	2006-07	2005-06
	Rs.	Rs.
AMC & Sales Tax	650641	93519
Clearing & Forwarding	82414	69296
Custom & Excise Duty	1619411	1300132
Freight & Transportation	8749094	9670737
Packing Materials	5299636	9470885
Foreign exchange fluctuation	24444	---
Other Expenses	3977589	2069831
TOTAL (C)	20403230	22674400
GRAND TOTAL (A + B + C)	70951857	88532027

SCHEDULE - O

FINANCE CHARGES

PARTICULARS	Current Year	Previous Year
	2006-07	2005-06
Interest & Bank Charges	877123	871455
TOTAL	877123	871455

SCHEDULE - P

VARIANCE IN STOCK

PARTICULARS	Current Year	Previous Year
	2006-07	2005-06
Closing Stock of Finished Goods	21717887	26620887
Opening Stock of Finished Goods	26620887	47841552
	(4903000)	(21220665)

SCHEDULE - Q

EXCEPTIONAL ITEMS

PARTICULARS	Current Year	Previous Year
	2006-07	2005-06
Excess Provision written back	(346099)	2963496
Interest written back	27313345	411727691
Management fees	---	(2000000)
Excess Foreign Exchange Provision written back	---	(684499)
Total	26967246	412006688

**ADDITIONAL INFORMATION PURSUANT TO PROVISIONS OF PART-II OF
SCHEDULE VI OF THE COMPANIES ACT, 1956**

	Year ended 31-03-2007		Year ended 31-03-2006	
	Quantity	Amount (In Lakhs)	Quantity	Amount (In Lakhs)
A. Turnover				
Frozen Shrimp (Export) (MT)	658.512	1475.16	655.820	1678.81
Seed (Mill)	39.371	69.11	150.490	190.90
Feed (MT)	1095.975	401.85	910.580	310.77
Local Sale of Shrimp (MT)	47.717	103.83		
B. Details of Raw Material Consumed				
Shrimp Seed, Others		71.51		72.69
Shrimp		362.58		308.38
Feed		508.03		433.68
Total		942.12		814.75
Details of Captive Consumption				
Seed (Mill)	205.648		116.270	
Feed (MT)	1197.475		1629.950	
C. Capacity & Production				
Installed Capacity				
Farm (TPA)	1300.000		1300.000	
Seed (Millions)	400.000		400.000	
Feed Mill (MT)	9600.00		9600.000	
Processing Plant (MT)	3000.000		3000.000	
Actual Production				
Shrimp				
Own (MT)	790.890		457.490	
less: Local sale (Raw)	47.717			
Total	743.173			
Purchases (MT)	196.523		287.520	
	939.696		745.010	
Less: Westage	282.111	657.585	169.920	575.090
Seed (Millions)		244.252		267.020
Feed Mill (MT)		2285.825		2526.950
D. Opening Stock				
Shrimp - Farm (MT)	0.000	0.00	0.000	0.00
Seed (Millions)	2.220	2.22	1.960	1.09
Feed Mill (MT)	43.450	10.48	57.030	14.82
Frozen Shrimp (MT)	100.700	255.73	181.430	463.59
Closing Stock				
Shrimp - Farm (MT)	0.000	0.00	0.000	0.00
Seed (Millions)	1.453	1.16	2.220	2.22
Feed Mill (MT)	35.825	8.92	43.450	10.48
Frozen Shrimp (MT)	99.773	208.26	100.700	255.73

SCHEDULE - R

NOTES ON ACCOUNTS**1. SIGNIFICANT ACCOUNTING POLICIES****a. General**

- i) The accounts are prepared on the historical cost basis, as a going concern and in accordance with normally accepted accounting standards.
- ii) Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

b. Revenue Recognition

The company follows the mercantile system of accounting and recognises income and expenditure on accrual basis. In the case of Export benefits, DEPB License and Duty Draw back are accounted on accrual basis.

c. Fixed Assets

Fixed Assets are recorded at the cost of acquisition inclusive of freight, duties, taxes and other incidental charges related to acquisition. Grants / subsidies received relating to specific fixed assets are deducted from the gross value of the asset concerned.

d. Foreign Currency Transactions

- i) Transactions denominated in foreign currency are normally recorded at the exchange rate prevailing at the time of transaction.
- ii) The monetary items denominated in foreign currencies (such as cash, receivables, payables etc.) outstanding at the year-end, are translated at the exchange rates applicable as of the date.
- iii) Any gain or loss arising due to exchange differences at the time of translation or settlement are accounted for in the profit & loss account under the head foreign exchange fluctuation a/c except those relating to acquisition of fixed assets which are adjusted in the carrying cost.

e. Depreciation

The Depreciation on the fixed assets is calculated on Straight-line method at the rates given in the Schedule XIV of the companies Act, 1956.

f. Current and Deferred Tax

Tax on Income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of Income Tax Act 1961.

Deferred Tax is recognized on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws prevailing as on the Balance Sheet date. Deferred tax asset is created in respect of carry forward losses, only if the same is virtually certain.

g. Contingent Liabilities :

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be outflow resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither disclosed nor disclosed in the Financial Statements.

h. Inventories

Finished goods and raw materials are valued at lower of cost and market price. Cost for this purpose includes material and related Factory, Farm and administrative overheads. Stores, spares and consumables are charged to profit and loss account in the year of purchase.

i. Sales

Sales are inclusive of sales tax.

j. Retirement benefits

Contribution to defined contribution schemes such as provident fund and family pension funds are charged to profit and loss account as incurred. In respect of gratuity, no provision has been made in the accounts for the actuarial liability for future payment of gratuity. Gratuity payments are charged to profit and loss account in the year in which payments are made.

k. Impairment of Assets

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine:

- a) the provision for impairment loss, if any, required; or
- b) the reversal, if any, required of impairment loss recognized in previous periods.

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount.

Recoverable amount is determined:

- a) in the case of an individual asset, at higher of the net selling price and the value in use;
- b) in the case of a cash generating unit (a group of assets that generates identified, independent cash flows), at higher of the cash generating unit's net selling price and the value in use.

(Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life)

NOTES TO ACCOUNTS:**2. ACCOUNTING YEAR**

The current accounting year consists of 12 months from April 1,2006 to March 31,2007.

3. OTS with Banks/Financial Institutions :-

During the year , the Company paid off the whole of the agreed amount in compliance to the terms of the OTS with Banks and Financial Institutions . There were no outstanding dues to any Banks and Financial Institutions at the end of the Year.

a) Loan from ICICI bank: During the year , the Company paid off the whole of the agreed amount in compliance to the terms of the OTS. Consequently,an aggregate sum of waiver of principal portion of Rs 229.94 Lakhs has been taken to the Capital Reserve.

b) Loan from IBI: During the year , the Company paid off the whole of the agreed amount in compliance to the terms of the OTS. Consequently, an aggregate sum of interest Rs.319.12 Lakhs has been taken to the P & L a/c as an exceptional items and waiver of principal portion of Rs 73.99 Lakhs has been taken to the Capital Reserve.

4. Taxes & Duties :

a. Income Tax: The assessments for and up to the assessment year 2005-06 have been completed.

b. Current year tax : BIFR in its sanctioned scheme directed CBDT to consider exempting the company from the provisions of sections 41(1), 41(2),and 155(5) of the Income Tax 1961 in respect of remissions arising out of sacrifices allowed by the bank and other agencies under the scheme and also from the provisions of Sections 72(3) and 115JB of the Income Tax Act ,1961.The Company's application to CBDT is under consideration .Based on the strength of the BIFR's order and the facts of the Company's case, no provision is deemed necessary towards income tax liability on current Year's income.

5. Excise duty on closing inventory of feed:

The company has opted out of 100% EOU, under the EPCG scheme. All the customs and excise duties resulting after the debonding have been paid in full. Henceforth, there is no liability on feed manufactured by the company and hence no provision is made for excise duty on inventory of shrimp feed.

6. **Impairment of assets** : The Company is confident that the assets are in good condition. It may not be possible to quantify exactly the net realizable value of the above assets. Net impact of loss due to the impairment of assets, if any, would be accounted in the year in which the assets are revalued .

7. **Particulars of employees in accordance with sub section (2A) of section 217 of the Companies Act, 1956 read with companies (Particulars of Employees) Rule 1975.**

-Nil-

8. Auditor's Remuneration:

	Current Year Rs.	Previous Year Rs.
Audit Fees	50000.00	32500.00
Tax audit	25000.00	30000.00
Tax representation	50000.00	50000.00
Service Tax	15450.00	11475.00

9. Foreign Currency :**Inflow:**

Foreign exchange inflow on account of Export of sales US \$ 32,58,977.15 equivalent to Rs.14,75,15,898/- (PY US \$ 38,16,154.45 equivalent to Rs. 16,78,81,485.86).

Outflow:

Foreign exchange outflow on account of import of Capital goods & Raw materials US \$ 55886 equivalent to Rs.2587809 /- (PY. US \$ 6,21,271.40 Equivalent to Rs 2,37,38,035)

10. Contingent Liabilities:

Claims against the company not acknowledged as debts

	C.Y. (Rs. in Lakhs)	P.Y (Rs. in Lakhs)
i) Claims on account of contractual Obligations in connection with Construction at site	179.56	179.56
ii) Customs Duty and Excise Duty	76.31	76.31
iii) Income tax assessments relating to the a.y. 93-94 to 95-96 for which the dept has gone in appeal before ITAT ,Hyd.	645.00	645.00

11. As no commission has been paid to the directors, the computation of net profit for the purpose of directors' remuneration u/s 349 of the Companies Act 1956 is not enumerated. Fixed monthly remuneration has been paid to the Managing Director as per schedule XIII of the Companies Act, 1956.

Details	Current year	Previous year
	Rs.	Rs.
Salary	60,000.00	60,000-00
Perquisites	60,000.00	60,000-00

12. **Deferred Tax:**

	31 st March 2007	31 st March 2006
	Rs.	Rs.
a. Deferred tax Assets		
Arising on Account of timing Differences.	143163401	150139623
b. Deferred tax liabilities		
Arising on Account of timing Differences	61795098	63224203
c. Net Deferred Tax Assets	<u>81368303</u>	<u>86915420</u>

13. **Segment reporting:**

The Company deals exclusively in aqua culture related activities. Therefore the accounting standard in respect of segment reporting is not applicable to the company as the operations of the company are on the basis of integrated system of shrimp culture.

14. **Related party disclosures :**

Information relating to related party transactions as per Accounting Standard 18 issued by the Institute of Chartered Accountants of India is given below:

Name of the related party

Sl. No.	Party	Relationship
1.	Sri S. Prasad Reddy	Chairman & Managing Director
2.	Cee Impex -Chennai	Associate Concern

Key management personnel

Sri S. Prasad Reddy Chairman & Managing Director

Transactions with related parties during the Year :

Party	Nature of Transaction	Amount in Rs.
S.Prasad Reddy	Purchase of Shrimp	82,28,308/-
	Purchase of Seed & Feed	85,19,950/-
	Preference Share application	53,00,000/-
Cee Impex	Purchase of Shrimp	62,97,733/-
	Purchase of Seed & Feed	66,90,500/-

15. **Basic and Diluted Earning per share**

	C.Y.	P.Y.
After Exceptional Items	1.96	21.02
Before Exceptional Items	0.73	2.31

16. **Previous year figures have been regrouped, reclassified wherever necessary to conform to the current year's presentation.**

17. **There were no dues to SSI Units.**

18. **Figures have been rounded off to the nearest rupee.**

Signatures to Schedules A to R

As per our report of even date

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

(Sd)

P. ASHOK REDDY

Partner

Membership No. 023202

ON BEHALF OF THE BOARD

(Sd/-)

S. PRASAD REDDY

CHAIRMAN & MANAGING DIRECTOR

(Sd)

A. RAMAKRISHNA REDDY

DIRECTOR

DATE : 01-09-2007

PLACE : NELLORE

CASH FLOW STATEMENT FOR THE YEAR ENDED 31-03-2007

	Current Year (Rs. in Lakhs) 2006-2007	Previous Year (Rs. in Lakhs) 2005-2006
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit / Loss before tax and Exceptional Items	430.38	4268.45
Less: Exceptional Items	269.67	4120.07
	<u>269.67</u>	<u>4120.07</u>
Net profit before tax and Exceptional Items	160.71	148.38
ADJUSTMENTS FOR :		
Depreciation	264.83	264.65
Interest / Financial Charges	8.77	8.71
Subsidy written off during the year	(0.61)	(0.61)
	<u>273.00</u>	<u>272.75</u>
Operating Profit before working Capital changes	433.71	421.14
Adjustment for :		
Trade and other receivables	(120.54)	(222.41)
Inventories	212.95	(26.74)
Trade payables	(350.54)	(32.26)
	<u>(258.14)</u>	<u>(281.41)</u>
Cash generated from operations	175.56	139.73
Interest / Financial Charges	(8.77)	(8.71)
Fringe Benefit Tax Paid	(0.39)	(0.44)
	<u>(9.16)</u>	<u>(9.16)</u>
Cash flow from operating activities	166.40	130.57
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	<u>166.40</u>	<u>130.57</u>
B CASH FLOW FROM INVESTING ACTIVITIES :		
Adjustment towards Fixed Assets		(29.64)
Deletion of amount from fixed assets block due to excess provision made for previously due to foreign exchange fluctuation		
Purchase of Assets	(55.19)	(27.98)
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	<u>(55.19)</u>	<u>(57.62)</u>
C CASH FLOW FROM FINANCING ACTIVITIES :		
Net Borrowings	(168.26)	(686.80)
Share application money received	42.13	656.53
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	<u>(126.13)</u>	<u>(30.26)</u>
Net Increase/(decrease) in cash and cash equivalents (A+B+C)	<u>(14.92)</u>	<u>42.69</u>
Cash and Cash equivalents at the beginning of the year	105.90	8.93
Cash and Cash equivalents at the close of the year	90.98	51.63
Net Increase / (decrease) in cash and cash equivalents	<u>(14.92)</u>	<u>42.69</u>

for and on behalf of the board
(Sd/-)

S.PRASAD REDDY
CHAIRMAN & MANAGING DIRECTOR
for **PA.REDDY & CO.,**
CHARTERED ACCOUNTANTS
(Sd/-)

PASHOK REDDY
Partner
Membership No.023202

PLACE : VENKANNAPALEM
DATE : 01-09-2007

Statement Pursuant to part IV of Schedule VI to Companies Act, 1956 :

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. 0 1 1 2 7 6 State Code 0 1
 Balance Sheet 3 1 0 3 2 0 0 7
 Date Date Month Year

II. Capital Raised during the Year (Amount in Rs. Thousands)

Public Issue NIL Rights Issue NIL
 Bonus Issue NIL Private Placement NIL

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities 0 0 0 0 5 2 3 2 2 4 Total Assets 0 0 0 0 5 2 3 2 2 4

Sources of Funds

Paid-Up Capital 0 0 0 2 2 0 1 2 5 Reserves & Surplus 0 0 0 1 7 1 1 9 7
 Secured Loans NIL Unsecured Loans NIL

Application of Funds

Net Fixed Assets 0 0 0 3 8 1 4 7 4 Investments NIL
 Net Current Assets 0 0 0 0 4 6 6 5 9 Mis. Expenditure NIL
 Accumulated Losses NIL

IV. Performance of Company (Amount in Rs. Thousands)

Turnover 0 0 0 2 0 4 9 9 5 Total Expenditure 0 0 0 2 0 6 7 5 8
 Profit / Loss Before Tax + - Profit / Loss After Tax + -
 0 0 0 0 4 3 0 3 7 0 0 0 0 3 7 4 5 1
 Earning Per Share in Rs. Dividend rate %
 0 0 0 1 . 9 6 N A

V. Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Item Code No. (ITC Code) 0 0 0 0 0 3 0 6 1 3
 Product Description P R A W N S

ON BEHALF OF THE BOARD
 (Sd)
 S. PRASAD REDDY
 MANAGING DIRECTOR

(Sd)
 A. RAMA KRISHNA REDDY
 DIRECTOR

PLACE : VENKANNAPELEM
 DATE : 01-09-2007

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SHARAT INDUSTRIES LIMITED

Venkannapalem Village,

T.P. Gudur Mandal,

Nellore - 524 002.