

SHARAT INDUSTRIES LIMITED



15th Annual Report 2004-2005

- ## BANKERS

AUTOS

REGISTERED OFFICE & FARM

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 **Fifteenth Annual General Meeting** of the Members of the Company will be held on **Thursday, the 29th September 2005** 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 2005 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. N. Suresh 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

Sd/-

S. PRASAD REDDY
CHAIRMAN & MANAGING DIRECTOR

DATE : 31-08-2005

PLACE : VENKANNAPELEM

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.

PROXIES, TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LATER THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.

2. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED ON **29TH SEPTEMBER, 2005**.

DIRECTORS' REPORT

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

The Directors have pleasure in presenting the Fifteenth Annual Report of the Company together with Audited Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS

Particulars	YEAR ENDED 31-03-2005 (Rs. in lakhs)	YEAR ENDED 31-03-2004 (Rs. in lakhs)
Total Sales	1368.34	1750.13
Profit (+) / Loss (-)	(+) 97.35	(+) 515.57
Deferred tax adjustments	(+) 46.17	(+) 481.69
Balance Brought Forward	(-) 4802.12	(-) 5317.69
Balance Carried forward	(-) 4704.77	(-) 4802.12

OPERATIONS

As the company is not having working capital facility, the turnover is lower than that of the previous year. More over at the request of the buyer's exports of Rs. 150 Lacs were effected in April & May 2005 instead of March, 2005. After the completion of OTS with the institutions we are confident that Banks will sanction working capital facilities, which will definitely help the company in improving the operations in the years to come.

SICKNESS

The proposal of One Time Settlement submitted by the company has been approved by IFCI & IDBI. The approval of IIBI is awaited. All the installments aggregating to Rs. 356.66 Lacs due to IDBI have been paid in full. Out of Rs. 663.80 due to IFCI, 4 installments aggregating to Rs. 217.24 Lacs will be paid by Dec' 2005.

The BIFR has circulated and notified the Draft Rehabilitation Scheme for consideration of all concerned and for obtaining their constants. The board will hear the objections/suggestions at the hearing scheduled to be held on 14th September 2005 and pass suitable orders.

After the completion of the OTS, the company's net worth will become positive.

FUTURE OUTLOOK

As our processing plant is built according to EU standards, we concentrated more on European Market. With our efforts, we could identify buyers in France, Spain, Belgium, UK and Germany. Our product is well received in the international market. We are also experimenting to develop bio-shrimp, which will have excellent market in the years to come. We are also concentrating on domestic market which has good potential. In this direction, we have obtained permission for debonding from the Central Excise department.

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.

DIRECTOR'S RESPONSIBILITY STATEMENT:

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

- (I) That in the preparation of the accounts for the financial year ended 31st March 2005, 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 judgements and estimates that were 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 loss 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, 2005 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:
- (1) Foreign exchange earnings US \$ 2671175.80 equivalent to Rs.121569292/- (PY US \$ 3387359 equivalent to Rs.155848044/-).
 - (ii) Foreign exchange outflow on account of import of Capital goods & Raw materials US \$ 203171 equivalent to Rs. 2,90,90,786/- (P.Y. US\$ 550394 Equivalent to Rs 2,43,96,982/-).

CORPORATE GOVERNANCE

As your company has become sick, it could not comply with the requirements on 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. Valasaraj. The Committee met on 23.07.2004, 01.10.2004, 23.10.2004 and 24.01.2005 at which all the members were present.

DIRECTORS

Mr. N. Suresh 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 reappointment 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 reappoint the auditors and authorise 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, IBI, ICICI, Bank of Baroda, MPEDA and other Government Agencies.

BY THE ORDER OF BOARD OF DIRECTORS
for SHARAT INDUSTRIES LIMITED

Sd/-

PLACE : VENKANNAPELEM
DATE : 31-8-2005

S. PRASAD REDDY
CHAIRMAN & MANAGING DIRECTOR

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 LIMITED as at March 31, 2005 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed there to. 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 hereto 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 account 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 subsection 3 (c) of section 211 of the Companies Act, 1956, 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;
 - ii) Non ascertainment of loss, if any, due to impairment of assets, as required by the Accounting Standard - 28 issued by the Institute of Chartered Accountants of India;
 - e) On the basis of written representations received from the directors, as on March 31, 2005 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 sub-section (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 liquidated damages, penal interest and compound interest as per the terms of agreement in respect of a loan availed from a financial institution and the effect of such non provision could not be quantified due to non reconciliation of the loan accounts with the financial institution;
 - ii) 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 the deficit in the profit and loss account of the Company, could not be quantified;
 - iii) Non availability of confirmation of balances from banks, financial institutions and the trade creditors ;
 - iv) Non provision for excise duty liability of Rs. 77.15 lakhs, as a result of which the profit for the year is overstated and the deficit in the profit and loss account and the current liabilities are understated by the like amount ;
 - v) Non provision for loss due to impairment of assets if any, and in the absence of details regarding the recoverable amounts of the assets, we are unable to quantify the effect of such non provision if any, on the profit for the year, fixed assets and net worth of the Company;
- 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 31, 2005.
 - (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

PLACE : NELLORE
DATE : 31-8-2005

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

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 its 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, 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) Fixed assets disposed off during the year were 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, 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 books of account.
- iii) 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) There are adequate internal control procedures- commensurate with the size of the Company and the nature of the business for the purchase of inventory and fixed assets and with regard to the sale of goods. We have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v) According to the information and explanations provided by the management, we are of the opinion that 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) 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 our opinion, the company has no internal audit system commensurate with its size and nature of its business.
- viii) 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, according to the information and explanations given to us:
 - 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, service tax, excise duty and other applicable statutory dues. No undisputed dues payable in respect of Income tax, sales tax, customs duty, service tax and excise duty were in arrears, as at March 31, 2005 for more than six months from the date they became payable.
 - b) The particulars of dues of sales tax, Income tax, customs duty, and excise duty as at March 31, 2005 which have not been deposited on account of a dispute are as follows:

Name of the statute	Period to which the dues relate	Amount (Rs. in Lakhs)	Forum where the dispute is pending
Excise duty	Assessment 93 - 94 to 02 - 03	77.15	CESEAT

- x) The Company's accumulated losses as at March 31, 2005 are more than 50% of its net worth and the company has incurred cash losses during the financial year ended on that date as well as in the immediately preceding financial year.
- xi) The company has defaulted in repayment of dues to four financial institutions. However, in respect of three financial institutions, the company has reached OTS and during the year, payments have been made in accordance with the settlement. In respect of the other financial institution, the company has defaulted in repayment of dues as under: (Rupees in Lakhs)

Principal	Funded interest	Interest accrued and due	Total	Period of default
148.00	120.54	198.58	467.12	From F.Y. 1999-2000

- xii) 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) 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) 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) 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) 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) 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) The Company has not issued any preferential allotment of shares during the year.
- xix) The Company has not issued any debentures during the year nor any debentures are outstanding at the end of the year.
- xx) The Company has not raised any money by way of public issues during the year.
- xxi) As represented to us by the management and based on our examination in the normal course of audit, no material frauds on or by the Company have been noticed or reported during the year.

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

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

PLACE : NELLORE
DATE : 31-8-2005

BALANCE SHEET AS AT 31-03-2005

PARTICULARS	SCHEDULE No.	AS AT 31-03-2005	AS AT 31-03-2004
I. SOURCES OF FUNDS		Rs.	Rs.
1. SHAREHOLDERS FUNDS			
a. Capital	A	220125000	220125000
b. Reserves & surplus	B	731125	791687
c. Preference Share Application Money	B-1	62035234	29296807
2. LOAN FUNDS			
a. Secured Loans	C	667704331	707043609
TOTAL		950595690	957257103
II. APPLICATION OF FUNDS			
1. FIXED ASSETS	D		
a. Gross Block		633547338	632259980
b. Less Depreciation		189525796	162518506
c. Net Block		444021542	469741474
d. Capital work in progress		6240055	5007034
2. CURRENT ASSETS, LOANS & ADVANCES			
a. Inventories	E	51961210	42458382
b. Sundry Debtors	F	2080242	4073324
c. Cash & Bank Balances	G	893441	6581877
d. Loans, Advances & Deposits	H	24270247	16169699
		79205140	69283282
Less : Current Liabilities and Provisions	I	100283806	113305610
NET CURRENT ASSETS		-21078666	-44022327
DEFERRED TAX ASSET		50935655	46318735
3. PROFIT & LOSS Account		470477105	480212188
TOTAL		950595690	957257103

NOTES ON ACCOUNTS

Q

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

ON BEHALF OF THE BOARD

(Sd/-)
S. PRASAD REDDY
CHAIRMAN & MANAGING DIRECTOR(Sd)
A. RAMAKRISHNA REDDY
DIRECTOR

PLACE : VENKANNAPELEM

DATE : 31-08-2005

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

PARTICULARS	SCHEDULE No.	For the Year Ending 31-03-2005	For the Year Ending 31-03-2004
I. INCOME		Rs.	Rs.
Operating Revenue	J	136834305	175013470
Other Income	K	7729327	98138208
Variance in Stock	L	24548437	(20912752)
	TOTAL	169112069	252238926
II. EXPENDITURE			
Materials	M	61220632	53777334
Personnel	N	11474739	11276410
Over heads	O	63632440	59655184
Finance	P	612296	795903
Depreciation	D	27053800	27007916
	TOTAL	163993906	152512747
PROFIT / (LOSS) BEFORE TAX		5118163	99726178
LESS PROVISION FOR TAX			
CURRENT TAX	NIL		
DEFERRED TAX	(4616920)	(4616920)	48169024
PROFIT / (LOSS) AFTER TAX		9735083	51557154
PRIOR PERIOD ADJUSTMENTS			
DEFICIT BROUGHT FORWARD		-480212188	-531769342
		-470477105	-480212188
DEFICIT CARRIED TO BALANCE SHEET		-470477105	-480212188
EARNINGS PER SHARE (Before Extraordinary Item)		0.44	(1.44)
EARNINGS PER SHARE (After Extraordinary Item)		0.44	2.43

NOTES ON ACCOUNTS

Q

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

(Sd)
S. PRASAD REDDY
CHAIRMAN & MANAGING DIRECTOR

PLACE : VENKANNAPELEM
DATE : 31-08-2005

(Sd)
A. RAMAKRISHNA REDDY
DIRECTOR

SCHEDULE - A

SHARE CAPITAL

PARTICULARS	AS AT 31-03-2005 Rs.	AS AT 31-03-2004 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 :	220125000	220125000
22012500 (22012500) Equity Shares of Rs. 10/- Each	<u>220125000</u>	<u>220125000</u>

SCHEDULE - B

RESERVES & SURPLUS

PARTICULARS	AS AT 31-03-2005	AS AT 31-03-2004
CAPITAL RESERVE :		
Capital Subsidy	791687	852250
Less Transferred to P & L A/c	<u>60562</u>	<u>60563</u>
	<u>731125</u>	<u>791687</u>

SCHEDULE - B1

Preference Share Application Money	62035234	29296807
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SCHEDULE - C

SECURED LOANS

PARTICULARS	AS AT 31-03-2005	AS AT 31-03-2004
FROM INSTITUTIONS	249887192	263403573
FUNDED INTEREST	158727666	168556873
INTEREST ACCRUED AND DUE	259089473	275083163
(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>667704331</u>	<u>707043609</u>

SCHEDULE - D

FIXED ASSETS

ASSETS	GROSS BLOCK			DEPRECIATION					NET BLOCK	
	As at 01-04-2004	Addition During the year	Deletion During the year	As at 31-03-2005	upto 01-04-2004	Deletions	For the year	upto 31-03-2005	As at 31-03-2005	As at 31-03-2004
Land	37236372			37236372	—	—	—	—	37236372	37236372
Plant & Machinery	216134094	107948	—	216242042	46825104	—	10268945	57094049	159147993	169303990
Building	115121640	—	—	115121640	26903501	—	3845063	30748564	84373076	88216139
Electrical Equipment	16451170	963500	—	17414670	6422340	—	799394	7221734	10192336	10026830
Vehicles	6300011	216100	—	6516111	3675641	—	607557	4283198	2232913	2524370
Pond construction	199402250	—	—	199402250	63157728	—	9471607	72629335	126772915	132244522
Furniture & Fixtures	4040470	—	—	4040470	2210972	—	255762	2466734	1573736	1829498
Office Equipment	2235155	88110	94000	2229265	840918	46510	108692	903100	1326165	1394237
Computers	151200	5700	—	156900	75359	—	25368	100727	56173	75841
Jetty	35187618	—	—	35187618	12406943	—	1671412	14078355	21109263	22780675
	632259980	1381358	94000	633547338	162518506	46510	27053800	189525796	444021542	469741474
Capital WIP	5007034	1233021	—	6240055			—	—	6240055	5007034
Current Year Total	637267014	2614379	94000	639787393	162518506	46510	27053800	189525796	450261597	474748508
Previous Year	643377653	1963509	8074148	637267014	136382417	871827	27007916	162518506	474748508	506995236

SCHEDULE - E

INVENTORIES

PARTICULARS	AS AT 31-03-2005 Rs.	AS AT 31-03-2004 Rs.
Raw materials	4119658	19165267
Finished goods	47841552	23293115
	<u>51961210</u>	<u>42458382</u>

SCHEDULE - F

SUNDRY DEBTORS (Considered Good)

PARTICULARS	AS AT 31-03-2005	AS AT 31-03-2004
More than six months	NIL	NIL
Others	<u>2080242</u>	<u>4073324</u>
	<u>2080242</u>	<u>4073324</u>

SCHEDULE - G

CASH & BANK BALANCES

PARTICULARS	AS AT 31-03-2005 Rs.	AS AT 31-03-2004 Rs.
Cash on Hand	548174	813005
Cash at Bank	345267	5768872
	<u>893441</u>	<u>6581877</u>

SCHEDULE - H

LOANS, ADVANCES & DEPOSITS

PARTICULARS	AS AT 31-03-2005	AS AT 31-03-2004
(Recoverable in cash or in kind or for value to be received) un-secured, considered good		
Loans & Advances	9168548	8575257
Deposits	14374359	7022738
Other Current Assets	727340	571704
	<u>24270247</u>	<u>16169699</u>

SCHEDULE - I

CURRENT LIABILITIES & PROVISIONS

PARTICULARS	AS AT 31-03-2005	AS AT 31-03-2004
Creditors for Suppliers	74299288	95326086
Creditors for Expenses	6638143	5523190
Creditors for Others	19346375	12456334
	<u>100283806</u>	<u>113305610</u>

SCHEDULE - J

OPERATING REVENUE

PARTICULARS	Current Year 2004-05 Rs.	Previous Year 2003-04 Rs.
Sale of Shrimp (Export)	121569292	155848044
Sale of Seed	12074657	19165426
Sale of Feed	3190356	-
	<u>136834305</u>	<u>175013470</u>

SCHEDULE - K

OTHER INCOME

PARTICULARS	Current Year 2004-05	Previous Year 2003-04
Interest on F.D. / Bank Guarantee / TDS	210710	216686
Sale of paper etc.	18950	420
Job work charges & Discount received	6847698	1985407
Cash subsidy N/w off previous year	60562	60563
Foreign Exchange Fluctuation	-	7296556
Excess provision written back	-	3171244
Interest written back	-	85289906
Interest received on HT line Electricity deposit	185486	117426
CST claim	402770	-
Provision written off	3151	-
	<u>7729327</u>	<u>98138208</u>

SCHEDULE - L

VARIANCE IN STOCK

PARTICULARS	Current Year 2004-05	Previous Year 2003-04
Closing Stock of Finished Goods	47841552	23293115
Opening Stock of Finished Goods	23293115	44205867
	<u>24548437</u>	<u>-20912752</u>

SCHEDULE - M

MATERIALS

PARTICULARS	Current Year 2004-05	Previous Year 2003-04
Opening Stock	19165267	19784838
Add: Purchases	46175023	53157763
	<u>65340290</u>	<u>72942601</u>
Less: Closing Stock	4119658	19165267
	<u>61220632</u>	<u>53777334</u>

SCHEDULE - N

PERSONNEL

PARTICULARS	Current Year	Previous Year
	2004-05	2003-04
	Rs.	Rs.
Salaries & Wages	9550253	9304047
Staff Welfare	368521	444464
Provident Fund & Security charges	899890	779675
Bonus & HRA	656075	748225
	<u>11474739</u>	<u>11276410</u>

SCHEDULE - O

OVERHEADS

(A) FACTORY & FARM

PARTICULARS	Current Year	Previous Year
	2004-05	2003-04
Power & Fuel	32608345	31977658
Processing Labour Charges	4960290	3848592
Repairs & Maintenance	3632230	1459874
Technical Fees	1390000	1500000
Hatchery & Culture Expenses	1845631	931662
Other Expenses	409583	506984
Insurance	845063	975359
TOTAL (A)	<u>45691141</u>	<u>41200129</u>

(B) ADMINISTRATION

PARTICULARS	Current Year	Previous Year
	2004-05	2003-04
Travelling & Conveyance	71954	306715
Telephone & Postage	577394	734954
Audit Fees	175441	193200
Rent, Rates & Taxes	326523	549141
Lisiting & Legal Expenses	79750	831447
A.G.M. Expenses	58267	58987
Other Expenses	1787882	775870
Miscelleneous Exp. written off	—	754178
TOTAL (B)	<u>3077211</u>	<u>4204493</u>

(C) SELLING EXPENSES

PARTICULARS	Current Year	Previous Year
	2004-05	2003-04
	Rs.	Rs.
AMC & Sales Tax	649696	1370130
Clearing & Forwarding	702395	986671
Custom & Excise Duty	4048926	280378
Freight & Transportation	4968887	6427428
Packing Materials	3212312	2848081
Foreign exchange fluctuation	621490	1452483
Other Expenses	660382	885392
TOTAL (C)	14864088	14250563
GRAND TOTAL (A + B + C)	63632440	59655184

SCHEDULE - P

FINANCE CHARGES

PARTICULARS	Current Year	Previous Year
	2004-05	2003-04
Interest & Bank Charges	612296	795903
TOTAL	612296	795903

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

	Year ended 31-03-2005			Year ended 31-03-2004	
	Quantity	Amount (In Lakhs)		Quantity	Amount (In Lakhs)
A. Turnover					
Frozen Shrimp (Export) (MT)	369.180	1215.69		417.327	1554.48
Seed (Mill)	101.802	120.74		131.344	191.65
Feed (MT)	90.230	31.90		-	-
B. Details of Raw Material Consumed					
Shrimp Seed, Others		34.835			65.34
Shrimp		88.291			87.90
Feed		489.080			384.53
Total		612.206			537.77
Details of Captive Consumption					
Seed (Mill)	60.995			36.027	
Feed (MT)	1445.470			1326.275	
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)	710.716		525.126		
Purchases (MT)	40.620		40.902		
	751.336		566.028		
Less: Wastage	256.928	494.408	189.014	377.014	
Seed (Millions)		164.756		166.801	
Feed Mill (MT)		1523.000		1356.955	
D. Opening Stock					
Shrimp - Farm (MT)	0.000	0.00			56.69
Seed (Millions)	0.000	0.00		0.570	0.57
Feed Mill (MT)	69.725	18.82		39.045	12.48
Frozen Shrimp (MT)	56.197	214.10		96.510	372.31
Closing Stock					
Shrimp - Farm (MT)	0.000	0.00		0.000	0.00
Seed (Millions)	1.959	1.09		0.000	0.00
Feed Mill (MT)	57.025	14.82		69.725	18.82
Frozen Shrimp (MT)	181.425	463.59		56.197	214.10

SCHEDULE - Q

NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

a. General

i) The accounts are prepared on the historical cost basis and 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 recognizes income and expenditure 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 Transaction

i) Transaction 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 and loss account under the head foreign exchange fluctuation account except those relating to acquisition of fixed assets, which are adjusted in the carrying cost.

e. Depreciation : The Depreciation on the fixed assets has been calculated on Straight Line method at the rates given in the Schedule XIV of the Companies Act, 1956.

f. Inventories : Finished goods and raw materials are valued at lower of cost or 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.

g. Sales : Sales are inclusive of excise duty and sales tax.

h. Retirement benefits : Contribution to defined contribution schemes such as provident fund and family pension fund 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 years in which payments are made.

2. OTS with Banks / Financial Institutions:

a. Loan from Bank of Baroda : In respect of the loan with Bank of Baroda, as per the agreed one time settlement, a sum of Rs. 78.00 lakhs has been paid and the balance of Rs. 414.25 lakhs has been recognized in the P & L a/c for the year ending 31.03.2003 as remissions in the liability. While the bank has categorically stated that all the dues to it have been settled in full, Procedural formalities regarding withdrawal of securities offered, are yet to be completed.

b. Loan from ICICI Bank : As per the terms OTS (one time settlement) reached with ICICI Bank, a sum of Rs. 138.00 lakhs has been paid to the Bank and adjusted against their loan account shall be reversed after receiving acknowledgement from the Bank that their dues have been settled in full. The accumulated interest and excess provision created for foreign currency fluctuation aggregating to 884.61 lakhs has been written back to the profit and loss account as provision no longer required

c. Loan from IDBI : During the year, OTS has been reached in respect of the rupee term loan and the foreign currency loan availed. As at the end of the year, in accordance with the terms of OTS, an aggregate of sum of Rs. 213.39 lakhs has been paid periodically and the same has been adjusted proportionately against foreign currency and rupee term loans. In view of the OTS, foreign currency loan is not repayable in foreign currency and therefore this loan has not restated at rates of exchange prevailing as at 31.3.2005. Had the loan been restated, the profit for the year would have been lower by Rs. 1,95,693/- due to loss in foreign currency fluctuation.

d. Loan from IFCI : During the year, OTS has been reached in respect of the rupee term loan and the foreign currency loan availed. As at the end of the year, in accordance with the terms of OTS, an aggregate sum of Rs. 180.00 lakhs has been paid periodically and the same has been adjusted proportionately against Foreign Currency and Rupee Term Loans. In view of the OTS, foreign currency loan is not repayable in foreign currency and therefore this loan has not restated at rates of exchange prevailing as at 31.3.2005. Had the loan been restated, the profit for the year would have been lower by Rs. 4, 17,046/- due to loss in foreign currency fluctuation.

e. Loan from IIBI : Negotiations are in progress with IIBI for one time settlement. In view of this no provision considered necessary for accrued interest, damages other than interest.

3. Taxes & Duties : Customs & Excise Duty :

- a. Customs and Central Excise authorities have issued a show cause notice by invoking the notification 196/94 dt. 08.12.94, raising a cumulative demand of Rs. 629.03 lakhs, on the ground that shrimp seed production is liable for excise duty. The company has appealed against the demand and during the year, a revised demand notice for Rs. 77.15 lakhs has been served on the company. The company has appealed against the same. The industry as a whole has taken up the issue with the government. In the meanwhile, the company has received the stay order (No. 111,112 dated 08.02.05) from CESEAT.
- b. Income Tax : All the assessments for and up to the assessment year 2002-03 have been completed. In respect of assessment year 1996-97 & 1997-98, on certain disallowances made by the assessing officer, the company's appeal has been upheld by the first appellate authority and the department has gone in appeal to ITAT. However such assessment had not resulted in any tax demand on the company.

4. Excise duty on closing inventory of feed:

The company has opted out of 100% EOU, under the EPCG scheme during the year on 16.11.04. All the customs and exciseduties 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.

5. AUDITORS REMUNERATION

	Current Year Rs.	Previous Year Rs.
Audit Fees	30,000-00	30,000-00
Tax Audit Fees	20,000-00	20,000-00
Tax representation Fees	40,000-00	40,000-00
Service Tax	5,100-00	5,100-00
Tax Appeal Fees	70,000-00	75,000-00
Sales Tax Rep. Fees	8,100-00	8,100-00

6. 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 -

7. Foreign currency :

Inflow : Foreign exchange inflow on account of Export of sales US \$ 2671175.80 equivalent to Rs. 121569292/- (PY. US \$ 3387359 Equivalent to Rs. 155848044/-)

Out flow : Foreign exchange outflow on account of import of Capital goods & Raw materials US \$ 203171 equivalent to Rs. 2,90,90786/- (PY. US \$ 550394 Equivalent to Rs. 2,43,96,982/-)

8. Contingent Liabilities :

Claims against the company not acknowledged as debts

	<u>Current year</u> (Rs. in Lakhs)	<u>Previous year</u> (Rs. in Lakhs)
a) Claims on account of contractual obligations inconnection with construction at site	179.56	179.56
b) Custom & Excise duty on prawn seed & related Imported equipment	77.15	77.15

9. 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 Rs.	Previous Year Rs.
Salary	60,000-00	60,000-00
Perquisites	60,000-00	60,000-00

10. Deferred Tax:

	31st March 2005 Rs.	31st March 2004 Rs.
a. Deferred tax Assets	112630005	112614480
Arising on Account of timing differences expenditure under section 43 B of the income tax act 1961		
b. Deferred tax Liabilities	61694350	66295745
Arising on Account of timing differences		
c. Net Deferred Tax Assets	<u>50935655</u>	<u>46318735</u>

11. 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.

12. 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:

<u>Name of the related party</u>	<u>Relationship</u>
Sri S. Prasad Reddy	Chairman & Managing Director
key management personnel	
Sri S. Prasad Reddy	Chairman & Managing Director
Transaction with related parties during the year	
	NIL

	<u>Current Year</u>	<u>Previous Year</u>
13. Earning per share (Before extraordinary items)	0.44	(1.44)
Earning per share (After extraordinary items)	0.44	2.43

14. The balances of secured loans, sundry creditors and advances recoverable are subject to confirmation/ reconciliation.

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

15. Figures have been rounded off to the nearest rupee.

Signatures to Schedules A to Q

As per our report of even date

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

ON BEHALF OF THE BOARD

(Sd)
P. ASHOK REDDY
Partner

(Sd)
S. PRASAD REDDY
CHAIRMAN & MANAGING DIRECTOR

(Sd)
A. RAMAKRISHNA REDDY
DIRECTOR

PLACE : VENKANNAPELEM
DATE : 31-08-2005

CASH FLOW STATEMENT FOR THE YEAR ENDED 31-03-2005

	Current Year (Rs. in Lakhs) 2004-2005	Previous Year (Rs. in Lakhs) 2003-2004
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit / Loss before tax and Extraordinary items	51.18	112.65
ADJUSTMENTS FOR :		
Depreciation	270.54	270.08
Misc. Expenses written off	-	7.54
Interest	6.12	1.81
Loss on sale of Assets	0.23	1.50
Subsidy written off during the year	(0.61)	(0.61)
Foreign Exchange Fluctuation	-	(72.96)
	<u>276.28</u>	<u>207.36</u>
Operating Profit before working capital changes	327.46	320.01
Adjustment for :		
Trade and other receivables	(61.07)	(10.93)
Inventories	(95.03)	215.33
Trade payables	(130.22)	(599.08)
	<u>286.32</u>	<u>-394.68</u>
Cash generated from operations	41.14	(74.67)
Interest / Financial charges	(6.12)	(1.81)
Income Tax paid		
Cash flow before extraordinary items		<u>(76.48)</u>
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	<u>35.02</u>	<u>(76.48)</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :		
<u>Adjustment towards Fixed Assets</u>		
Deletion of amount from fixed assets block due to Excess provision made for previously due to foreign exchange fluctuation wrongly debited to asset A/c	-	69.08
Sale of Assets	-0.24	1.45
Purchase of Assets	(26.14)	(19.63)
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	<u>9.12</u>	<u>(25.58)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Net Borrowings	(393.39)	(285.10)
Share application money received	327.38	292.97
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	<u>(66.01)</u>	<u>7.87</u>
Net Increase / (decrease) in cash and cash equivalents (A+B+C)	<u>(56.89)</u>	<u>(17.71)</u>
Cash and Cash equivalents at the beginning of the year	65.82	83.52
Cash and cash equivalents at the close of the year	<u>8.93</u>	<u>65.81</u>
Net Increase / (Decrease) in cash and cash equivalents	<u>(56.89)</u>	<u>(17.71)</u>

for and on behalf of the Board

(Sd)

S. PRASAD REDDY
CHAIRMAN & MANAGING DIRECTORfor P.A. REDDY & CO
CHARTERED ACCOUNTANTS

(Sd/-)

P. ASHOK REDDY
PartnerPLACE : VENKANNAPELEM
DATE : 31-08-2005

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 5

Date

Date

Month

Year

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

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

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

Total Liabilities

0 0 0 0 9 5 0 5 9 6

Total Assets

0 0 0 0 9 5 0 5 9 6

Sources of Funds

Paid-Up Capital

0 0 0 2 2 0 1 2 5

Reserves & Surplus

0 0 0 0 0 0 7 3 1

Secured Loans

0 0 0 6 6 7 7 0 4

Unsecured Loans

N I L

Application of Funds

Net Fixed Assets

0 0 0 4 4 4 0 2 2

Investments

N I L

Net Current Assets

0 0 0 0 2 1 0 7 9

Mis. Expenditure

N I L

Accumulated Losses

0 0 0 4 7 0 4 7 7

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

Turnover

0 0 0 1 3 6 8 3 4

Total Expenditure

0 0 0 1 6 3 9 9 4

+ -

+

Profit / Loss Before Tax

0 0 0 0 0 5 1 1 8

+ -

+

Profit / Loss After Tax

0 0 0 0 0 9 7 3 5

+ -

+

Earning Per Share in Rs.

0 0 0 0 . 4 4

Dividend rate %

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 : 31-08-2005

SHARAT INDUSTRIES LIMITED

Venkannapalem Village
T.P. Gudur Mandal
Nellore - 524 002.

ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the meeting hall. Joint shareholders desiring to attend the meeting may obtain additional Attendance Slips on request provided such request is received by the Company before 29th September, 2005.

I hereby record my presence at 15th Annual General Meeting of the Company on Friday the 29th September, 2005 at 10.00 A.M. at the Company's Registered Office at Venkannapalem Village, T.P. Gudur Mandal, Nellore - 524 002.

Name(s) of the Shareholder(s) / Proxy (IN BLOCK LETTERS)

Folio No.

Signature (s) of the Shareholder(s) or Proxy

NOTE: No duplicate Attendance Slip will be issued at the Meeting Hall.
You are requested to bring your copy of the Annual Report to the Meeting.

✂ ----- ✂

SHARAT INDUSTRIES LIMITED

Venkannapalem Village
T.P. Gudur Mandal
Nellore - 524 002.

PROXY

I / We _____
of _____ being a Member/Members of SHARAT
INDUSTRIES LIMITED, Venkannapalem, T.P. Gudur Mandal, Nellore - 524 002, do hereby appoint

_____ of _____ or failing him
_____ of _____ as my / our proxy in my / our
absence to attend and vote for me / us, and on my / our behalf at the 15th Annual General Meeting of the
Company, to be held on Thursday the 29th September, 2005 at 10.00 A.M. at the Company's Registered
Office at Venkannapalem Village, T.P. Gudur, Nellore, or at any adjournment thereof.

Signed this _____ day of _____ 2005.

Signature
(on Re.1
Revenue Stamp)

NOTE: Proxy must be deposited at the Registered Office of the Company not later than 48 hours
before the time for holding the meeting. The Proxy need not be a member of the company.

PRINTED MATTER

BOOK - POST

IF UNDELIVERED, PLEASE RETURN TO:



SHARAT INDUSTRIES LIMITED

Venkannapalem Village,
T.P. Gudur Mandal,
Nellore - 524 002.