

SHARAT INDUSTRIES LIMITED



16th Annual Report 2005-2006

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,
Dargamittra,
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 **Sixteenth Annual General Meeting** of the Members of the Company will be held on **Saturday, the 30th September 2006** at 10 a.m. at the Registered Office at Venkannapalem Village, T.P. Gudur Mandal, Nellore District to consider the following Business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006 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. T. Valasraj who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit to pass with or without modification the following Resolution as an Ordinary Resolution :

"Resolved that pursuant to Sections 269, 198, 309 and Schedule XIII and all other applicable provisions if any, of the Companies Act, 1956, the consent of the members be and is hereby given to the re-appointment of Mr. S. Prasad Reddy as Managing Director for a period of two years w.e.f. 30th November 2006 on the following terms and conditions :

- (i) Salary Rs. 10,000/- per month
- (ii) Furnished accommodation, the expenditure on which shall not exceed Rs. 10,000/- per month.
- (iii) Provision of car for official business and telephone at residence for official purpose"

BY THE ORDER OF BOARD OF DIRECTORS
for SHARAT INDUSTRIES LIMITED

Sd/-

S. PRASAD REDDY
CHAIRMAN & MANAGING DIRECTOR

PLACE : VENKANNAPELEM

DATE : 02-09-2006

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 **30TH SEPTEMBER, 2006.**
3. THE EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT 1956, IN RESPECT OF SPECIAL BUSINESS IS ANNEXED HERE TO.

ANNEXURE TO THE NOTICE EXPLANATORY STATEMENT

(Pursuant to Section 173 (2) of the Companies Act, 1956)

Item No. 4

Mr. S. Prasad Reddy was re-appointed as Managing Director of the company for a period of two years w.e.f. 30th November, 2004. The re-appointment is valid upto 29th November, 2006.

The Board of Directors at their meeting held on 28th July, 2006 have re-appointed Mr. S. Prasad Reddy as Managing Director for a further period of two years w.e.f. 30th November, 2006 on the terms and conditions mentioned in the proposed resolution. This was also approved by the Remuneration Committee constituted pursuant to Schedule XIII to the Companies Act 1956. The Board recommends the passing of the resolution.

Except Mr. S. Prasad Reddy, no other director is either interested or concerned in the resolution.

The above may be considered as an 'Abstract of the terms and conditions of the appointment' for the purpose of section 302 of the Companies Act, 1956.

BY THE ORDER OF BOARD OF DIRECTORS
for SHARAT INDUSTRIES LIMITED

Sd/-

S. PRASAD REDDY
CHAIRMAN & MANAGING DIRECTOR

PLACE : VENKANNAPELEM

DATE : 02-09-2006

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 \$ 3816154.45 equivalent to Rs. 167881485.86 (PY US \$ 2671175.80 equivalent to Rs.121569292/-).
 - (ii) Foreign exchange outflow on account of import of Capital goods & Raw materials US \$ 621271.40 equivalent to Rs. 23738035/- (PY. US\$ 203171 equivalent to Rs 2,90,90,786/-).

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 23.04.2005, 22.07.2005, 24.08.2005, 24.10.2005 and 23.01.2006 at which all the members were present.

DIRECTORS

Mr. T. Valasraj 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 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, IIBI, ICICI, Bank of Baroda, MPEDA and other Government Agencies.

BY THE ORDER OF BOARD OF DIRECTORS
for SHARAT INDUSTRIES LIMITED

Sd/-

PLACE : VENKANNAPELEM

S. PRASAD REDDY

DATE : 02-09-2006

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, 2006 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 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;
 - ii) Non ascertainment of loss, if any, due to impairment of assets, as required by Accounting standards -28 Issued by Institute of Chartered Accountants of India;
 - e) On the basis of written representations received from the directors, as on March 31, 2006 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 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 deficit in Profit and loss a/c 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) Non provision of loss due to impairment of assets if any, and in the absence of information, 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;
 - iv) 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 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 31, 2006;
 - (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
M. No. 23202
(Partner)

PLACE : NELLORE
DATE : 02-09-2006

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 belief:

- 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, 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) 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) In respect of loans, secured or unsecured, from/to 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 58A 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 no 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, service tax, excise duty and other statutory dues applicable. 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, 2006 for more than six months from the date they became payable.
 - b. There are no dues of sales tax, Income tax, customs duty, and excise duty as at March 31, 2006 which have not been deposited on account of a dispute.

- x. In respect of its losses:
 - a. The accumulated losses of the Company as at March 31, 2006 have not exceeded 50% of its net worth and has not incurred any cash losses during the financial year ended on that date as well as 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

PLACE : NELLORE
DATE : 02-09-2006

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

BALANCE SHEET AS AT 31-03-2006

PARTICULARS	SCHEDULE No.	AS AT 31-03-2006	AS AT 31-03-2005
I. SOURCES OF FUNDS		Rs.	Rs.
1. SHAREHOLDERS FUNDS			
a. Capital	A	220125000	220125000
b. Reserves & surplus	B	111109000	731125
c. Preference Share Application Money		127688487	62035234
2. LOAN FUNDS			
a. Secured Loans	C	74533615	667704331
TOTAL		533456102	950595690
II. APPLICATION OF FUNDS			
1. FIXED ASSETS	D		
a. Gross Block		620149426	633547338
b. Less Depreciation		213026884	189525796
c. Net Block		407122542	444021542
d. Capital work in progress		9037890	6240055
2. CURRENT ASSETS, LOANS & ADVANCES			
a. Inventories	E	54635376	51961210
b. Sundry Debtors	F	13745011	2080242
c. Cash & Bank Balances	G	5162820	893441
d. Loans, Advances & Deposits	H	34846064	24270247
		108389271	79205140
Less : Current Liabilities and Provisions	I	85705836	100283806
NET CURRENT ASSETS		22683436	-21078666
DEFERRED TAX (ASSETS)		86915420	50935655
3. PROFIT & LOSS A/c		7696815	470477105
TOTAL		533456102	950595690

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 : 02-09-2006

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

PARTICULARS	SCHEDULE No.	For the Year Ending 31-03-2006	For the Year Ending 31-03-2005
I. INCOME		Rs.	Rs.
Operating Revenue	J	218048532	136834305
Other Income	K	25961779	7729327
Variance in Stock	L	- 21220665	24548437
TOTAL		222789646	169112069
II. EXPENDITURE			
Materials	M	81475422	61220632
Personnel	N	10608000	11474739
Over heads	O	88532028	63632440
Finance	P	871455	612296
Depreciation	D	26464584	27053800
TOTAL		207951489	163993906
PROFIT BEFORE TAX & EXCEPTIONAL ITEMS		14888157	5118163
EXCEPTIONAL ITEMS	Q	412006688	-
PROFIT BEFORE TAX		426844845	5118163
LESS PROVISION FOR TAX			
CURRENT TAX	NIL		
DEFERRED TAX	(35979765)		
FRINGE BENEFIT TAX	44320		
		(35935445)	(4616920)
PROFIT AFTER TAX		462780290	9735083
DEFICIT BROUGHT FORWARD		-470477105	-480212188
		-7696815	-470477105
DEFICIT CARRIED TO BALANCE SHEET		-7696815	-470477105
Basic and Diluted Earning per Equity Share			
After Exceptional Items		21.02	0.44
Before Exceptional Items		2.31	0.44

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 DIRECTORPLACE : VENKANNAPELEM
DATE : 02-09-2006(Sd)
A. RAMAKRISHNA REDDY
DIRECTOR

SCHEDULE - A

SHARE CAPITAL

PARTICULARS	AS AT 31-03-2006 Rs.	AS AT 31-03-2005 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 31-03-2006	AS AT 31-03-2005
CAPITAL RESERVE		
Opening Balance	NIL	
Add : Waiver of principle portion of secured loans settled through OTS. 102050032		
Unsecured Hire purchases loans creditors no longer payable	8388405	110438437
	<u>8388405</u>	<u>-</u>
CAPITAL SUBSIDY		
Opening Balance :	731125	791687
Less : Transferred to P & L A/c	60562	60562
	<u>670563</u>	<u>731125</u>
Total	<u>111109000</u>	<u>731125</u>

SCHEDULE - C

SECURED LOANS

PARTICULARS	AS AT 31-03-2006	AS AT 31-03-2005
FROM INSTITUTIONS	42621270	249887192
FUNDED INTEREST	12054126	158727666
INTEREST ACCRUED AND DUE	19858219	259089473
(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>74533615</u>	<u>667704331</u>

SCHEDULE - D

FIXED ASSETS

ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As ON 01-04-2005	Addition During the year	Deletion During the year	As on 31-03-2006	upto 31-03-2005	Deletions	For the year	Upto 31-03-2006	As on 31-03-2006	As on 31-03-2005
Land	37236372			37236372	—	—	—	—	37236372	37236372
Plant & Machinery	216242042	—	12823946	203418096	57094049	2897319	9662360	63859090	139559006	159147993
Building	115121640	—	573966	114547674	30748564	66177	3825892	34508279	80039395	84373076
Electrical Equipment	17414670	—	—	17414670	7221734	—	827197	8048931	9365739	10192936
Vehicles	6516111	—	—	6516111	4283198	—	619031	4902229	1613882	2232913
Pond construction	199402250	—	—	199402250	72629335	—	9471607	82100942	117301308	126772915
Furniture & Fixtures	4040470	—	—	4040470	2466734	—	255762	2722496	1317974	1573736
Office Equipment	2229265	—	—	2229265	903100	—	105890	1008990	1220275	1326165
Computers	156900	—	—	156900	100727	—	25433	126160	30740	56173
Jetty	35187618	—	—	35187618	14078355	—	1671412	15749767	19437851	21109263
	633547338	—	13397912	620149426	189525796	2963496	26464584	213026884	407122542	444021542
Capital WIP	6240055	2797835	—	9037890	—	—	—	—	9037890	5007034
Current Year Total	639787393	2797835	13397912	629187316	189525796	2963496	26464584	213026884	416160432	449028576
Previous Year	637267014	2614379	94000	639787393	162518506	46510	27053800	189525796	450261597	474748508

SCHEDULE - E

INVENTORIES

PARTICULARS	AS AT 31-03-2006 Rs.	AS AT 31-03-2005 Rs.
Raw materials	28014489	4119658
Finished goods	26620887	47841552
	<u>54635376</u>	<u>51961210</u>

SCHEDULE - F

SUNDRY DEBTORS (Considered Good)

PARTICULARS	AS AT 31-03-2006	AS AT 31-03-2005
More than six months	9125556	—
Less than six months	4619455	2080242
	<u>13745011</u>	<u>2080242</u>

SCHEDULE - G

CASH & BANK BALANCES

PARTICULARS	AS AT	AS AT
	31-03-2006 Rs.	31-03-2005 Rs.
Cash on Hand	1125318	548174
Cash at Bank	4037502	345267
	<u>5162820</u>	<u>893441</u>

SCHEDULE - H

LOANS, ADVANCES & DEPOSITS

PARTICULARS	AS AT	AS AT
	31-03-2006	31-03-2005
(Recoverable in cash or in kind or for value to be received) un-secured, considered good		
Loans & Advances	16572076	9168548
Deposits	15893955	14374359
Other Current Assets	2380033	727340
	<u>34846064</u>	<u>24270247</u>

SCHEDULE - I

CURRENT LIABILITIES & PROVISIONS

PARTICULARS	AS AT	AS AT
	31-03-2006	31-03-2005
Creditors for Supplier	49698035	74299288
Creditors for Expenses	7821427	6638143
Creditors for Others	28186374	19346375
	<u>85705836</u>	<u>100283806</u>

SCHEDULE - J

OPERATING REVENUE

PARTICULARS	Current Year 2005-06 Rs.	Previous Year 2004-05 Rs.
Sale of Shrimp (Export)	167881486	121569292
Sale of Seed	19090196	12074657
Sale of Feed	31076850	3190356
	<u>218048532</u>	<u>136834305</u>

SCHEDULE - K

OTHER INCOME

PARTICULARS	Current Year 2005-06	Previous Year 2004-05
Interest on F.D. / Bank Guarantee / TDS	514059	210710
Sale of scrap	353865	18950
Job work charges & Discount received	18026683	6847698
Cash subsidy N/w off previous year	60562	60562
Foreign Exchange Fluctuation	1084421	-
Interest received on HT line Electricity deposit	326158	185486
Sale of DEPB	5587421	-
CST claim	-	402770
Provision written off	-	3151
Interest received I.T. refund	8610	-
	<u>25961779</u>	<u>7729327</u>

SCHEDULE - L

VARIANCE IN STOCK

PARTICULARS	Current Year 2005-06	Previous Year 2004-05
Closing Stock of Finished Goods	26620887	47841552
Opening Stock of Finished Goods	47841552	23293115
	<u>-21220665</u>	<u>24548437</u>

SCHEDULE - M

MATERIALS

PARTICULARS	Current Year 2005-06	Previous Year 2004-05
Opening Stock	4119658	19165267
Add: Purchases	105370253	46175023
	<u>109489911</u>	<u>65340290</u>
Less: Closing Stock	28014489	4119658
	<u>81475422</u>	<u>61220632</u>

SCHEDULE - N

PERSONNEL

PARTICULARS	Current Year	Previous Year
	2005-06	2004-05
	Rs.	Rs.
Salaries & Wages	8011069	9550253
Staff Welfare	242712	368521
Provident Fund & Security charges	1035223	899890
Bonus & Compensation	1318996	656075
	<u>10608000</u>	<u>11474739</u>

SCHEDULE - O

OVERHEADS

(A) FACTORY & FARM

PARTICULARS	Current Year	Previous Year
	2005-06	2004-05
Power & Fuel	38142412	32608345
Processing Labour Charges	4303146	4960290
Repairs & Maintenance	6364394	3632230
Technical Fees	1953130	1390000
Hatchery & Culture Expenses	2747812	1845631
Other Expenses	571718	409583
Insurance	663679	845063
TOTAL (A)	<u>54746291</u>	<u>45691141</u>

(B) ADMINISTRATION

PARTICULARS	Current Year	Previous Year
	2005-06	2004-05
Travelling & Conveyance	61736	71954
Telephone & Postage	611501	577394
Audit Fees	166937	175441
Rent, Rates & Taxes	432332	326523
Lisiting & Legal Expenses	108718	79750
A.G.M. Expenses	113838	58267
Customs & Excise duty / Expenses	8420048	-
Other Expenses	1196227	1787882
TOTAL (B)	<u>1111337</u>	<u>3077211</u>

(C) SELLING EXPENSES

PARTICULARS	Current Year 2005-06 Rs.	Previous Year 2004-05 Rs.
AMC & Sales Tax	93519	649696
Clearing & Forwarding	69296	702395
Customcess	1300132	4048926
Freight & Transportation	9670737	4968887
Packing Materials	9470885	3212312
Foreign exchange fluctuation	-	621490
Other Expenses	2069831	660382
TOTAL (C)	22674400	14864088
GRAND TOTAL (A + B + C)	88532028	63632440

SCHEDULE - P

FINANCE CHARGES

PARTICULARS	Current Year 2005-06	Previous Year 2004-05
Interest & Bank Charges	871455	612296
TOTAL	871455	612296

SCHEDULE - Q

EXCEPTIONAL ITEMS

PARTICULARS	Current Year 2005-06	Previous Year 2004-05
Excess Provision written back	2963496	-
Interest written back	411727691	-
Management fees	(2000000)	-
Excess Foreign exchange provision written back	(684499)	-
TOTAL	412006688	-

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

	Year ended 31-03-2006			Year ended 31-03-2005	
	Quantity	Amount (In Lakhs)		Quantity	Amount (In Lakhs)
A. Turnover					
Frozen Shrimp (Export) (MT)	655.82	1678.81		369.18	1215.69
Seed (Mill)	150.49	190.90		101.80	120.74
Feed (MT)	910.58	310.77		90.23	31.90
B. Details of Raw Material Consumed					
Shrimp Seed, Others		72.69			34.84
Shrimp		308.38			88.29
Feed		433.68			489.08
Total		814.75			612.21
Details of Captive Consumption					
Seed (Mill)	116.27			61.00	
Feed (MT)	1629.95			1445.47	
C. Capacity & Production					
Installed Capacity					
Farm (TPA)	1300.000			1300.000	
Seed (Millions)	400.000			400.000	
Feed Mill (MT)	9600.000			9600.000	
Processing Plant (MT)	3000.000			3000.000	
Actual Production					
Shrimp					
Own (MT)	457.49		710.72		
Purchases (MT)	287.52		40.62		
	745.01		751.34		
Less: Westage	169.92	575.09	256.93	494.41	
Seed (Millions)		267.02		164.76	
Feed Mill (MT)		2526.95		1523.00	
D. Opening Stock					
Shrimp - Farm (MT)	0.000	0.00		0.00	0.00
Seed (Millions)	1.96	1.09		0.00	0.00
Feed Mill (MT)	57.03	18.82		69.73	18.82
Frozen Shrimp (MT)	181.43	214.10		56.20	214.10
Closing Stock					
Shrimp - Farm (MT)	0.000	0.00		0.000	0.00
Seed (Millions)	2.22	2.22		1.96	1.09
Feed Mill (MT)	43.45	10.48		57.03	14.82
Frozen Shrimp (MT)	100.70	255.73		181.43	463.59

SCHEDULE - R

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 recognises income and expenditure on accrual basis. In the case of Export benefits under 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.

At the Balance sheet date, an assesment is done to determine whether there is any indication of impairment in the carrying amount of the companies fixed assets if any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

d. Foreign Currency Transaction

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 losses 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 has been 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 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.

i. Sales

Sales are inclusive of excise duty and 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)

2. **ACCOUNTING YEAR**

The current accounting year consists of 12 months from April 1,2005 to March 31,2006.

3. **OTS with Banks/Financial Institutions:**

a) Loan from ICICI bank: As per the terms OTS reached with M/s.ICICI Bank, an aggregate sum of Rs.138.00lakhs has been paid in accordance with the terms of OTS and the balance amount will be paid after final payment to IIBI as per Rehabilitation scheme sanctioned by BIFR.

b) Loan from IDBI: 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 Rs1442.89 Lakhs has been taken to the P & L a/c as an exceptional items and waiver of principal portion of Rs 352.66 Lakhs has been taken to the Capital Reserve.

c) Loan from IFCI: 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 Rs2674.37 Lakhs has been taken to the P & L a/c as an exceptional items and waiver of principal portion of Rs 667.84 Lakhs has been taken to the Capital Reserve.

d) Loan from IIBI: During the year , the Company has entered into OTS in respect of the rupee term loan as per which the liability has been determined at 50% of the principal outstanding i.e.Rs 74 Lakhs to be paid in 11 equal installments after depositing 10% of the OTS agreed amount as margin money .The Company has adhered to the terms of the OTS and has paid an aggregate sum of Rs 43.72 Lakhs as at 31.03.2006 and the same has been adjusted against the principal outstanding.

4. **Taxes & Duties :**

a. Income Tax: All the assessments for and up to the assessment year 2004-05 have been completed. In respect of assessment years 1996-97 & 1997-98, on certain disallowances made by the assessing officer, the company's appeals have 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.

In respect of the assessment years 1993-94 to 95-96,the whole of the aggregate demand of Rs 645.03 lakhs made by the assessing officer has been deleted by the first appellate authority and the department has appealed to ITAT/Hyd and the appeal is pending disposal. Based on the facts of the case and as per the expert legal advice rendered to the Company ,no liability is foreseen on this issue.

b. Current year tax : BIFR in its sanctioned scheme recommended to 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.In view of these exemptions, there is no tax liability on the 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 and 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. Auditors Remuneration:

	<u>Current Year</u>	<u>Previous Year</u>
	Rs.	Rs.
Audit Fees	32,500-00	30,000-00
Tax Audit Fees	30,000-00	20,000-00
Tax Representation Fees	50,000-00	40,000-00
Service Tax	11,475-00	5,100-00
Tax Appeal Fees	-	70,000-00
Sales Tax Rep. Fees	8,265-00	8,100-00

8. 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-

9. Foreign Currency :**Inflow :**

Foreign exchange inflow on account of Export of sales US \$ 38,16,154.45 equivalent to Rs.16,78,81,485.86/- (PY US \$ 26,71,175.80 equivalent to Rs.12,15,69,292/-).

Outflow :

Foreign exchange outflow on account of import of Capital goods & Raw materials US \$ 6,21,271.40 equivalent to Rs.2,37,38,035 /- (PY. US\$2,03,171 Equivalent to Rs2,90,90,786 /-).

10. Contingent Liabilities:

Claims against the company not acknowledged as debts

	<u>C.Y.</u> (Rs. in Lakhs)	<u>P.Y.</u> (Rs. in Lakhs)
i) Claims on account of contractual Obligations in connection with Construction at site	179.56	179.56
ii) Customs duty claims	76.31	76.31

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.

<u>Details</u>	<u>Current year</u>	<u>Previous year</u>
	Rs.	Rs.
Salary	60,000.00	60,000-00
Perquisites	60,000.00	60,000-00

12. Deferred Tax:

	<u>31st March 2006</u>	<u>31st March 2005</u>
	Rs.	Rs.
a. Deferred tax Assets Arising on Account of timing Differences.	150139623	112630005
b. Deferred tax liabilities Arising on Account of timing Differences	63224203	61694350
c. Net Deferred Tax Assets	86915420	50935655

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:

Party	Nature of Transaction	Amount in (Rs.)
1. S. Prasad Reddy	1. Sale of Feed & Seed	Rs. 41,54,955/-
	2. Preference share application money	Rs. 1,65,50,000/-
2. Inko Fisheries (P) Ltd.	1. Sale of Feed, Seed & Job work	Rs. 1,42,61,890/-
	2. Preference share application money	Rs. 62,00,000/-
3. Cee Inpex - Chennai	1. Sale of Feed & Seed	Rs. 57,54,970/-
	2. Job work charges	Rs. 39,79,588/-

C.Y**P.Y****15. Basic and Diluted Earning per share**

After Exceptional Items	21.02	0.44
Before Exceptional Items	2.31	0.44

16. The balances of secured loans, sundry creditors and advances recoverable are subject to confirmation / reconciliation.
17. Previous year figures have been regrouped, reclassified wherever necessary to conform to the current year's presentation.
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

PLACE : VENKANNA PALEM

DATE : 02-09-2006

CASH FLOW STATEMENT FOR THE YEAR ENDED 31-03-2006

	Current Year (Rs. in Lakhs) <u>2005-2006</u>	Previous Year (Rs. in Lakhs) <u>2004-2005</u>
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit / Loss before tax and Exceptional items	4268.45	51.18
Less : Exceptional Items	4120.07	-
	<u>4120.07</u>	<u>-</u>
Net profit before tax and Exceptional items	148.38	51.18
ADJUSTMENTS FOR :		
Depreciation	264.65	270.54
Misc. Expenses written off		
Net prior year expenses	8.71	6.12
Loss on sale of Assets	-	0.23
Subsidy written off during the year	(0.61)	(0.61)
Foreign Exchange Fluctuation	-	-
	<u>272.75</u>	<u>276.28</u>
Operating Profit before working capital changes	421.14	327.46
Adjustment for :		
Trade and other receivables	(222.41)	(61.07)
Inventories	(26.74)	(95.03)
Trade payables	(32.26)	(130.22)
	<u>(281.41)</u>	<u>(286.32)</u>
Cash generated from operations	139.73	41.14
Interest / Financial charges	(8.71)	(6.12)
Fringe benefit tax paid	(0.44)	-
	<u>(9.16)</u>	<u>(6.12)</u>
Cash flow from operating activities	130.57	35.02
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	<u>130.57</u>	<u>35.02</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		
Sale of Assets	0.00	-0.24
Purchase of Assets	(27.98)	(26.14)
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	<u>(57.62)</u>	<u>9.12</u>
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Net Borrowings	(686.80)	(393.39)
Share application money received	656.53	327.38
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	<u>(30.26)</u>	<u>(66.01)</u>
Net Increase / (decrease) in cash and cash equivalents (A+B+C)	<u>42.69</u>	<u>(56.89)</u>
Cash and Cash equivalents at the beginning of the year	8.93	65.82
Cash and cash equivalents at the close of the year	<u>51.63</u>	<u>8.93</u>
Net Increase / (Decrease) in cash and cash equivalents	<u>42.69</u>	<u>(56.89)</u>

for and on behalf of the Board

(Sd)
S. PRASAD REDDY
CHAIRMAN & MANAGING DIRECTOR
for P.A. REDDY & CO
CHARTERED ACCOUNTANTS

(Sd/-)
P. ASHOK REDDY
Partner

PLACE : VENKANNAPELEM
DATE : 02-09-2006

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 6

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 5 3 3 4 5 6

Total Assets

0 0 0 0 5 3 3 4 5 6

Sources of Funds

Paid-Up Capital

0 0 0 2 2 0 1 2 5

Reserves & Surplus

0 0 0 1 1 1 1 0 9

Secured Loans

0 0 0 0 7 4 5 3 3

Unsecured Loans

N I L

Application of Funds

Net Fixed Assets

0 0 0 4 0 7 1 2 2

Investments

N I L

Net Current Assets

0 0 0 0 2 2 6 8 3

Mis. Expenditure

N I L

Accumulated Losses

- 7 6 9 6

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

Turnover

0 0 0 2 1 8 0 4 8

Total Expenditure

0 0 0 2 0 7 9 5 1

+ -

+ -

Profit / Loss Before Tax

0 0 0 4 2 6 8 4 4

+ -

+ -

Profit / Loss After Tax

0 0 0 4 6 2 7 8 0

+ -

+ -

Earning Per Share in Rs.

0 0 2 1 . 0 2

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 : 02-09-2006

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SHARAT INDUSTRIES LIMITED

Venkannapalem Village,

T.P. Gudur Mandal,

Nellore - 524 002.