

# **SHARAT INDUSTRIES LIMITED**



**13th Annual Report 2002-2003**

**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**

BANK OF BARODA

**AUDITORS**

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

**REGISTERED OFFICE & FARM**

VENKANNA PALEM 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 Thirteenth Annual General Meeting of the Members of the Company will be held on Tuesday, the 30<sup>th</sup> September, 2003, 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, 2003 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.

### SPECIAL BUSINESS

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

"RESOLVED THAT the existing clause V of the Memorandum of Association and Article No.4 of the Articles of Association of the company be and are hereby substituted with the following.

The Authorized Share Capital of the Company is Rs. 50 crores divided into 3,00,00,000 Equity Shares of Rs. 10/- each and 20,00,000 Redeemable preference Shares of Rs. 100/- each with power to increase, decrease, divide, sub-divide into various classes of shares and attach thereto such preferential, Special Rights / Privileges / Conditions as may be determined from time to time."

5. To consider and if thought fit, to pass with or without modification the following Resolution as a Special Resolution:

"RESOLVED that pursuant to the Articles of Association of the Company, Section 94 (1) (a) of the Companies Act, 1956 and subject to other statutory provisions, if any and further subject to approvals from any statutory authorities as may be necessary 20,00,000 Redeemable Preference Shares of Rs. 100/- each forming part of the authorised share capital of the company be issued at par on private placement on such terms as to dividend, preferential payment or return of the amount paid-up thereon and redemption as the Board of Directors may deem fit."

"RESOLVED further that notwithstanding anything contained in Section 81 and other applicable provisions, if any of the Act, the aforesaid preference shares may be offered by the Board of Directors of the Company to any person or persons whether or not such person or persons include the person or persons who at the date of the offer, are holders of the Equity Shares of the Company, in any manner whatsoever."

"FURTHER RESOLVED that the Board of Directors of the Company be and are hereby authorised to do all such acts, deeds, matters and things as may be necessary, usual, proper or expedient to give effect to this resolution."

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

"RESOLVED that Mr. T. Valasraj who was appointed as an Additional Director of the company by the Board of Directors and who ceases to hold office under section 260 of the Companies Act, 1956 and in respect of whom the company has received a Notice in writing proposing his candidature for the office of Director be and is hereby appointed as Director of the Company"

BY THE ORDER OF BOARD OF DIRECTORS  
for SHARAT INDUSTRIES LIMITED

PLACE : VENKANNAPELEM  
DATE : 11-08-2003

(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.  
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 30<sup>TH</sup> SEPTEMBER, 2003.
3. THE EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT., 1956, IN RESPECT OF SPECIAL BUSINESS IS ANNEXED HERETO.

**ANNEXURE TO THE NOTICE  
EXPLANATORY STATEMENT**

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

**Item No. 4**

The present Authorized Capital of the company is Rs. 50 crores divided into Rs. 5 crores Equity shares of Rs. 10/- each. Your company is planning to settle the dues of the Institutions and the Bank under One Time Settlement. In order to mobilize the funds for the same, it is proposed to issue 20,00,000 Redeemable Preference shares of Rs. 100/- each. As your company's present share capital consists of only equity shares, it is necessary to alter the same by dividing into 3 crores equity shares of Rs. 10/- each and 20,00,000 Redeemable preference shares of Rs. 100/- each. The alteration requires approval of members.

The Directors recommend the passing of the proposed Special Resolution.

None of the Directors are interested in the resolution.

**Item No. 5**

The company is planning to mobilize funds for settlement of dues to the Institutions and the Bank by issuing 20,00,000 Redeemable Preference Shares of Rs. 100/- each. Consent of the members is being sought by a special resolution pursuant to the provisions of section 81 and other applicable provisions of the Companies Act, 1956. Section 81 of the Act provides inter-alia that when the company proposes to increase its subscribed capital by allotment of further shares, such further shares shall be offered to the existing share holders of the company in the manner laid down in the section unless the share holders in General Meeting decide otherwise as provided under Sub-section (1-A) of the said section. The special resolution as set out at item 5 of the Notice if passed will have the effect of allowing the Board to issue and allot shares to the entitled / persons on the terms and conditions as may be decided by the Board. The Board may be authorized to take all steps necessary for implementing the resolution.

The Directors recommend the passing of the proposed Special Resolution.

None of the Directors are interested in the resolution.

**Item No. 6**

Shri T. Valasraj was co-opted as additional Director. Pursuant to section 260 of the Companies Act, 1956, he ceases to be Director at the ensuing Annual General Meeting. As required by section 257 of the said Act, notice along with a deposit of Rs. 500/- has been received from a member signifying his intention to propose the appointment of Shri T. Valasraj as Director of the Company.

The Board considers it desirable that the Company should continue to avail itself the services of Shri T. Valasraj.

BY THE ORDER OF BOARD OF DIRECTORS  
for SHARAT INDUSTRIES LIMITED

(Sd)

S. PRASAD REDDY

CHAIRMAN & MANAGING DIRECTOR

PLACE : VENKANNAPELEM

DATE : 11-08-2003

**DIRECTORS' REPORT**

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

The Directors have pleasure in presenting the Thirteenth Annual Report of the Company together with Audited Accounts for the year ended 31st March, 2003.

**FINANCIAL RESULTS**

Particulars	YEAR ENDED 31-03-2003 (Rs. In lakhs)	YEAR ENDED 31-03-2002 (Rs. In lakhs)
Total Sales	1432.70	680.51
Profit (+) / Loss (-)	(+) 523.16	(-) 1382.05
Deferred tax adjustments	(+) 544.13	(+) 412.69
Balance Brought Forward	(-) 5840.84	(-) 4871.48
Balance Carried forward	(-) 5317.69	(-) 5840.84

**OPERATIONS**

With the completion of the Processing Plant, the turnover of the company has been showing an upward trend for the last 2 years. It is hoped that your company would make a steady progress and achieve desired results in the years to come.

**SICKNESS**

The earlier reference filed by us with BIFR vide reference No. 342 / 2000 dated 25.10.2000 was rejected by the Board vide their letter dated 14.11.2002. Hence, a fresh reference was filed on 29th November 2002. The BIFR at its hearing held on 7th May 2003 appointed the IFCI as Operating Agency to verify the number of employees working in Feed plant and Processing Plant. The OA along with other Institutions after inspection submitted its report to the BIFR. The orders of the BIFR are awaited. In case, the reference is rejected by the BIFR, a fresh reference will be made on the basis of accounts for the year ended 31st March, 2003.

**FUTURE OUTLOOK :**

With the completion and running of all the units and the negotiations being held with the Institutions and the Bank for settlement of dues under OTS, it is hoped that your company's performance and profitability would improve further in the coming years.

**PARTICULARS OF EMPLOYEES**

In pursuance of the provisions of Section 217 (2A) of the companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, the Directors are to report that no employee was in receipt of remuneration of Rs.24,00,000/- or more per annum or Rs.2,00,000/- or more per month if employed for a part of the year.

**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 2003, 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 profit / 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, 2003 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 organisation.
- (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 \$ 2676595.64 (equivalent to Rs.12,82,68,631)
- (ii) Foreign Exchange outflow during the year on account of Capital Goods and Raw Materials US \$ 607946.33 and DKK 3200 (equivalent to Rs. 29758953 and Rs. 18944) respectively.

**CORPORATE GOVERNANCE**

As your company has become sick, it could not comply with the requirements on Corporate Governance. However, steps are being taken to comply with the same.

**AUDIT COMMITTEE**

Steps are being taken to constitute Audit Committee pursuant to Sec. 292 (A) of the Companies Act, 1956.

**DIRECTORS**

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

Mr. T. Valasraj, who was coopted as an Additional Director holds office upto the Annual General Meeting. He may be appointed as director by members

**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, IIBI, Bank of Baroda, MPEDA and other Government Agencies.

By order of Board  
for SHARAT INDUSTRIES LIMITED

(Sd)

S. PRASAD REDDY  
CHAIRMAN & MANAGING DIRECTOR

PLACE : NELLORE  
DATE : 11-08-2003

# 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 31st March, 2003 and also the annexed Profit and Loss Account for the year ended on that date and the Cash flow statement for the period ended on that date. 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. Those 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 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 manufacturing and other Companies (Auditor's Report) Order 1988, issued by the Government of India in terms of section 227 (4A) of the Companies Act, 1956 of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraph 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 purposes 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 and Profit and Loss Account and the Cash flow statement dealt with by this report are in agreement with the books of account ;
  - (d) In our opinion, the Balance Sheet and Profit and Loss account and the cash flow statements dealt with by this report, comply with the mandatory Accounting Standards referred to in sub-section 3 (c) of section 211 of the Companies Act, 1956. Subject to ;  
*Non provision of 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 representations received from the directors, as on 31st March, 2003, and taken on record by the Board of Directors of the Company, none of the Directors is dis-qualified as on 31st March, 2003 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 Balance Sheet and Profit and Loss Account, together with the notes thereon and subject to ;
  - i) *Non provision for Interest liquidated damages, penal interest and compound interest as per the terms of agreement, the effect of which could not be quantified due to non reconciliation of loans accounts with the financial institutions ;*
  - ii) *Non provision for retirement benefits to the employees as required by the Accounting standard 15 laid down by the Institute of Chartered Accountants of India. In the absence of information, the effect of such non provision on the Profit / Loss and the reserves of the company, could not be commented ;*
  - iii) *Non availability of confirmation of balances from banks, Financial Institutions and the Trade Creditors;*
  - iv) *Non provision for excise duty of Rs. 29.89 lakhs (previous year 105.83 lakhs) as a result of which the loss for the year is under stated by the like amount and the accumulated losses and the current liabilities are under stated by Rs. 629.03 lakhs (previous year 599.14 lakhs).*
  - give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India ;
  - 1) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2003 ; and
  - 2) In the case of the Profit and Loss Account, of the LOSS of the company for the year ended on that date.
  - 3) In the case of Cash flow statement, of the cash flows of the company for the year ended on that date.

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

PLACE : NELLORE  
DATE : 11-08-2003

P. ASHOK REDDY

**ANNEXURE REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE**

1. The company has generally maintained records showing full particulars including quantitative details and situation of fixed assets. However these records have not been updated. According to the information and explanations given to us, the fixed assets have been physically verified by the management during the year. In the absence of fully updated records. We are unable to comment if there were any discrepancies between physical verification and book records. In our opinion, the frequency of such verification is reasonable.
2. None of the Fixed Assets have been revalued during the financial year.
3. The stocks of finished goods, spare parts and raw materials have been physically verified by the management at regular intervals during the financial year. In our opinion, the frequency of such verification is reasonable.
4. In our opinion and according to information and explanation given to us, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
5. We are informed that no material discrepancies were noticed on physical verification of stocks as compared to book records.
6. According to the information and explanations given to us, the Company has maintained proper stock records.
7. The company has not taken any loans, secured and unsecured from companies, firms or other parties listed in the register maintained under section 301 of the companies Act 1956 or from companies under the same management within the meaning of Section 370 (1-8) of the Companies Act, 1956. In terms of sub-section (6) of section 370 of the Companies Act 1956, the provisions of the section are not applicable to a company after 31st October, 1998.
8. The Company has not granted any loans, secured or unsecured to Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956, or to Companies under the same management within the meaning of Section 370 (1-8) of the Companies Act, 1956. In terms of sub-section (6) of section 370 of the Companies Act 1956, the provisions of the section are not applicable to a company after 31st October, 1998.
9. As explained to us, the parties, including employees, to whom loans and advances in the nature of loans have been given by the company, are generally repaying the principal amount wherever stipulated and have also been generally regular in payment of interest, wherever applicable.
10. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of stores and spares, raw materials, plant and machinery, equipments and other assets and for the sale of goods.
11. In our opinion, and according to the information and explanations given to us, there were no transactions of purchase of goods and materials, services and sale of goods, materials and services made in pursuance of contracts and arrangements entered in the register maintained under section 301 and aggregating during the year to Rs. 50,000/- or more in respect of each party.
12. In our opinion, wherever un-serviceable or damaged stores, raw materials and finished goods are determined, provision for loss has been made in the accounts.
13. The internal audit system of the company is commensurate with the size and nature of business of the company.
14. The company has not accepted any Fixed Deposits from the public as defined under section 58-A of the Companies Act, 1956.
15. In our opinion, reasonable records have been maintained by the company for the sale of scrap and by products wherever significant.
16. The Central Government has not prescribed for the company the maintenance of the Cost records under section 209 (1) (d) of the Companies Act, 1956.
17. *The company is generally regular in depositing the Provident Fund dues except that such remittances are not always made within the statutory time.*
18. According to the information and explanations given to us, there are no undisputed amount payable in respect of Income Tax, Sales Tax, Customs duty and Excise duty, which were outstanding as at 31st March 2003, for a period of more than six months from the date they become payable.
19. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. In respect of the company's trading activities, there are no damaged stocks and therefore the question of providing for the loss does not arise.
21. The company is a Sick Industrial Company with in the meaning of Clause (O) of sub-section (1) of Section-3 of Sick Industrial Companies (Special Provisions) Act, 1985.

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

PLACE : NELLORE  
DATE : 11-08-2003

P. ASHOK REDDY



**BALANCE SHEET AS AT 31-03-2003**

PARTICULARS	SCHEDULE No.	AS AT 31-03-2003	AS AT 31-03-2002
I. SOURCES OF FUNDS		Rs.	Rs.
1. SHAREHOLDERS FUNDS			
a. Capital	A	220125000	220125000
b. Reserves & surplus	B	852250	912812
2. LOAN FUNDS			
a. Secured Loans	C	831309562	877360432
	TOTAL	<u>1052286812</u>	<u>1098398244</u>
II. APPLICATION OF FUNDS			
1. FIXED ASSETS			
a. Gross Block	D	639393436	631877626
b. Less Depreciation		<u>136382417</u>	<u>109099667</u>
c. Net Block		<u>503011019</u>	<u>522777959</u>
d. Capital work in progress		3984217	---
2. CURRENT ASSETS, LOANS & ADVANCES			
a. Inventories	E	63990705	44567552
b. Sundry Debtors	F	13951105	16459601
c. Cash & Bank Balances	G	8352981	1980010
d. Loans, Advances & Deposits	H	<u>5198819</u>	<u>2727045</u>
		91493610	65734208
Less : Current Liabilities and Provisions	I	<u>173213313</u>	<u>115799479</u>
NET CURRENT ASSETS		(81719703)	(50065271)
3. MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	J	754178	1555113
DEFERRED TAX (Assets)	K	94487759	40046458
4. PROFIT & LOSS Account		<u>531769342</u>	<u>584083985</u>
	TOTAL	<u>1052286812</u>	<u>1098398244</u>
NOTES ON ACCOUNTS	S		

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  
PROPRIETOR

ON BEHALF OF THE BOARD

(Sd)  
S. PRASAD REDDY  
CHAIRMAN & MANAGING DIRECTOR

(Sd)  
A. RAMAKRISHNA REDDY  
DIRECTOR

PLACE : VENKANNAIPALM  
DATE : 11-08-2003

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2003**

PARTICULARS	SCHEDULE No.	YEAR ENDING 31-03-2003	YEAR ENDING 31-03-2002
I. INCOME		Rs.	Rs.
Operating Revenue	L	142107218	67186441
Other Income	M	51238836	22077251
Variance in Stock	N	18350447	25105945
	TOTAL	211696501	114369637
II. EXPENDITURE			
Materials	O	122327113	46283705
Personnel	P	12094414	9424229
Over heads	Q	51599845	36092770
Finance	R	511534	135669414
Depreciation	D	27288118	23881271
	TOTAL	213821024	251351389
PROFIT / (LOSS) BEFORE TAX		(2124523)	(136981752)
DEFERRED TAX		54441301	1223431
PROFIT / (LOSS) AFTER TAX		52316778	138205183
INCOME TAX RELATED TO EARLIER YEAR		(2135)	
SURPLUS / (DEFICIT) FROM PREVIOUS YEAR		(584083985)	(487148691)
		(531769342)	(625353874)
LESS : DEFERRED TAX CREDIT ON INITIAL ADOPTION		---	41269889
LOSS CARRIED FORWARD TO BALANCE SHEET		(531769342)	(584083985)
EARNINGS PER SHARE (Before Extraordinary Item)		(1.98)	
EARNINGS PER SHARE (After Extraordinary Item)		(0.10)	

## NOTES ON ACCOUNTS

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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  
PROPRIETOR

(Sd)  
S. PRASAD REDDY  
CHAIRMAN & MANAGING DIRECTOR

PLACE : VENKANNAPELEM  
DATE : 11-08-2003

(Sd)  
A. RAMAKRISHNA REDDY  
DIRECTOR

## SCHEDULE - A

## SHARE CAPITAL

PARTICULARS	AS AT 31-03-2003	AS AT 31-03-2002
AUTHORISED CAPITAL 50000000 (50000000) Equity Shares of Rs. 10/- Each	500000000	500000000
ISSUED, SUBSCRIBED & PAID-UP :	220125000	220125000
22012500 (22012500) Equity Shares of Rs. 10/- Each	<u>220125000</u>	<u>220125000</u>

## SCHEDULE - B

## RESERVES &amp; SURPLUS

PARTICULARS	AS AT 31-03-2003	AS AT 31-03-2002
CAPITAL RESERVE :		
Capital Subsidy	912812	1275000
Add: Received during the year from MPEDA	250000	4469160
	<u>1162812</u>	<u>5744160</u>
Less Adjusted to the cost of the Asset during the year	<u>250000</u>	<u>4469160</u>
	912812	1275000
Less Transferred to P & L A/c	60562	362188
	<u>852250</u>	<u>912812</u>

## SCHEDULE - C

## SECURED LOANS

PARTICULARS	AS AT 31-03-2003	AS AT 31-03-2002
FROM INSTITUTIONS	294579620	297475458
FUNDED INTEREST	199886352	199886352
INTEREST ACCRUED AND DUE (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)	329043590	329273590
FROM BANKS	7800000	50725032
(Secured against documentary bills discounted for collection further secured against the first charge of hypothecation of stocks, debts, bills and personal guarantee of directors)	<u>831309562</u>	<u>877360432</u>

## SCHEDULE - D

## FIXED ASSETS

ASSETS	GROSS BLOCK			DEPRECIATION					NET BLOCK	
	As on 01-04-2002	Addition During the year	Deletion During the year	As on 31-03-2003	upto 31-03-2002	Deletions	For the year	Cumulative upto 31-03-2003	As on 31-03-2003	As on 31-03-2002
Land	37236372			37236372	—		—	—	37236372	37236372
Plant & Machinery	215254197	7470887	* 250000	222475084	26889357	5368	10493570	37377559	185097525	188364840
Building	115395142	176370		115571512	19222637		3857619	23080256	92491256	96172505
Electrical Equipment	16451170			16451170	4859478		781431	5640909	10810261	11591692
Vehicles	6578645	78403		6657048	2493815		627053	3120868	3536180	4084830
Pond construction	199402250			199402250	44214514		9471607	53686121	145716129	155187736
Furniture & Fixtures	4040470			4040470	1699448		255762	1955210	2085260	2341022
Office Equipment	2190462	30250		2220712	629920		105194	735114	1485598	1560542
Computers	141300	9900		151200	26379		24470	50849	100351	114921
Jetty	35187618			35187618	9064119		1671412	10735531	24452087	26123499
				639393436				136382417	503011019	
Capital WIP		3984217		3984217					3984217	
TOTAL	631877626	11750027	250000	643377653	109099667	5368	27288118	136382417	506995236	522777959
Previous Year	623276877	132526677	123925928	631877626	85504764	286368	23881271	109099667	522777959	

\* Represents Subsidy received from MPEDA during the year

## SCHEDULE - E

## INVENTORIES

PARTICULARS	AS AT 31-03-2003	AS AT 31-03-2002
Raw materials	19784838	18712132
Finished goods	44205867	25855420
	<u>63990705</u>	<u>44567552</u>

## SCHEDULE - F

## SUNDRY DEBTORS

PARTICULARS	AS AT 31-03-2003	AS AT 31-03-2002
Sundry Debtors (Considered good)	13951105	16459601
Less than six months	<u>13951105</u>	<u>16459601</u>

## SCHEDULE - G

## CASH &amp; BANK BALANCES

PARTICULARS	AS AT 31-03-2003	AS AT 31-03-2002
Cash on Hand	784384	758962
Cash at Bank	7568597	1221048
	<u>8352981</u>	<u>1980010</u>

## SCHEDULE - H

## LOANS, ADVANCES &amp; DEPOSITS

PARTICULARS	AS AT 31-03-2003	AS AT 31-03-2002
(Recoverable in cash or in kind or for value to be received ) un-secured considered good		
Loans & Advances	774972	796451
Deposits	3770693	1453643
Other Current Assets	653154	476951
	<u>5198819</u>	<u>2727045</u>

## SCHEDULE - I

## CURRENT LIABILITIES &amp; PROVISIONS

PARTICULARS	AS AT 31-03-2003	AS AT 31-03-2002
Creditors for Suppliers	87102950	24336263
Creditors for Expenses	6427574	3415381
Creditors for Others	79682790	88047835
	<u>173213313</u>	<u>115799479</u>

## SCHEDULE - J

MISCELLANEOUS EXPENDITURE  
(To the extent not written off or adjusted)

PARTICULARS	AS AT 31-03-2003	AS AT 31-03-2002
Miscellaneous expenses	754178	1555113
	<u>754178</u>	<u>1555113</u>

## SCHEDULE - K

## DEFERRED TAX ASSETS

PARTICULARS	AS AT 31-03-2003	AS AT 31-03-2002
DEFERRED TAX LIABILITIES		
1. Difference in Fixed Assets (A)	24132926	48458693
DEFERRED TAX ASSETS		
1. Unabsorbed losses	36826656	32487559
2. Unabsorbed depreciation	81794029	55462417
3. Misc. expenses written off		555175
	<u>118620685</u>	<u>88505151</u>
(B)		
NET DEFERRED ASSETS (B - A)	<u>94487759</u>	<u>40046458</u>

## SCHEDULE - L

## OPERATING REVENUE

PARTICULARS	AS AT 31-03-2003	AS AT 31-03-2002
Sale of Shrimp	128268631	47529340
Sale of Seed	13838587	16848025
Sale of Feed	0	2809076
	<u>142107218</u>	<u>67186441</u>

## SCHEDULE - M

## OTHER INCOME

PARTICULARS	AS AT 31-03-2003	AS AT 31-03-2002
Interest	150233	58028
Sale of Brooders	153454	331780
Job work charges & Discount received	799020	476318
Cash subsidy N/w off previous year	60562	362188
Foreign Exchange Fluctuation	2895838	
Interest Written Back	41425032	
Surplus Due to settlement with Creditors	5754697	20848937
	<u>51238836</u>	<u>22077251</u>

## SCHEDULE - N

## VARIANCE IN STOCK

PARTICULARS	AS AT 31-03-2003	AS AT 31-03-2002
Closing Stock of Finished Goods	44205867	25855420
Opening Stock of Finished Goods	25855420	749475
	<u>18350447</u>	<u>25105945</u>

## SCHEDULE - O

## MATERIALS

PARTICULARS	AS AT 31-03-2003	AS AT 31-03-2002
Opening Stock	18712132	11745855
Add: Purchases	<u>123399819</u>	<u>53249982</u>
	142111951	64995837
Less: Closing Stock	<u>19784838</u>	<u>18712132</u>
	<u>122327113</u>	<u>46283705</u>

## SCHEDULE - P

## PERSONNEL

PARTICULARS	AS AT 31-03-2003	AS AT 31-03-2002
Salaries & Wages	9850212	6610102
Staff Welfare	1000935	1571494
Provident Fund & Security charges	831941	682824
Bonus & HRA	<u>411326</u>	<u>559809</u>
	<u>12094414</u>	<u>9424229</u>

## SCHEDULE - Q

## OVERHEADS

## (A) FACTORY &amp; FARM

PARTICULARS	AS AT 31-03-2003	AS AT 31-03-2002
Power & Fuel	28509373	21521355
Processing Labour Charges	3787732	1939078
Repairs & Maintenance	3625505	308862
Technical Fees	3274012	2410653
Hatchery Expenses	831830	883493
Other Expenses	570090	1056270
Insurance	<u>833386</u>	<u>670279</u>
TOTAL (A)	<u>41431928</u>	<u>28789990</u>

**(B) ADMINISTRATION**

PARTICULARS	AS AT 31-03-2003	AS AT 31-03-2002
Travelling & Conveyance	341754	313706
Telephone & Postage	615267	702920
Audit Fees	79000	75000
Rent, Rates & Taxes	349891	291165
Lisitting & Legal Expenses	121250	166250
A.G.M. Expenses	61231	35566
Other Expenses	991713	1614449
Miscelleneous Exp. written off	800935	800936
<b>TOTAL (B)</b>	<b>3361041</b>	<b>3999992</b>

**(C) SELLING EXPENSES**

PARTICULARS	AS AT 31-03-2003	AS AT 31-03-2002
AMC & Sales Tax	1176982	1106086
Clearing & Forwarding	926145	1831884
Custom & Excise Duty	140449	58132
Freight & Transportation	3447246	30060
Packing & Other Expenses	1116054	276626
<b>TOTAL (C)</b>	<b>6806876</b>	<b>3302788</b>
<b>GRAND TOTAL (A + B + C)</b>	<b>51599845</b>	<b>36092770</b>

**SCHEDULE - R****FINANCE CHARGES**

PARTICULARS	AS AT 31-03-2003	AS AT 31-03-2002
Exchange Rate fluctuations	---	5887407
Interest & Bank Charges	511534	129782007
<b>TOTAL</b>	<b>511534</b>	<b>135669414</b>



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

	Year ended 31-03-2003			Year ended 31-03-2002	
	Quantity	Amount (In Lakhs)		Quantity	Amount (In Lakhs)
<b>A. Turnover</b>					
Shrimp (MT)	-	-		26.68	69.80
Frozen Shrimp (MT)	262.086	1282.68		87.79	405.48
Seed (Mill)	99.69	138.38		66.74	168.48
Feed (MT)	-	-		122.64	28.09
<b>B. Details of Raw Material Consumed</b>					
Shrimp Seed, Others		139.39			82.18
Shrimp		714.73			225.21
Feed		369.16			151.73
Total		1223.28			459.12
<b>Details of Captive Consumption</b>					
Seed (Mill)	36.670			15.19	
Feed (MT)	720.725			NIL	
<b>C. Capacity &amp; Production</b>					
<b>Installed Capacity</b>					
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	
<b>Actual Production</b>					
Shrimp					
Own (MT)	241.745		110.670		
Purchases (MT)	241.211		106.690		
	482.956		216.360		
Less: Process Loss (MT)	155.842	327.114	70.390	145.962	
Seed (Millions)		133.830		82.78	
Feed Mill (MT)		759.770		113.57	
<b>D. Opening Stock</b>					
Shrimp - Farm (MT)		100.00		NIL	
Seed (Millions)	3.100	4.65		2.250	4.50
Feed Mill (MT)	NIL			9.075	2.99
Frozen Shrimp (MT)	31.482	153.89		NIL	
<b>Closing Stock</b>					
Shrimp - Farm (MT)		56.69			100.00
Seed (Millions)	0.570	0.57		3.10	4.65
Feed Mill (MT)	39.045	12.48		NIL	
Frozen Shrimp (MT)	96.510	372.31		31.482	153.89
<b>TOTAL</b>		<b>442.05</b>			<b>258.54</b>

## SCHEDULE - S

NOTES ON ACCOUNTS

## 1. SIGNIFICANT ACCOUNTING POLICIES

a. General

- i) These 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 at the year end are translated at the year end rates.
- iii) Any income or expense on account of exchange difference or on translation is recognised in the profit and loss account except in cases where they relate to the acquisition of fixed assets, they are adjusted to the carrying cost of fixed assets.

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. 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. Excise Duty

Excise duty is accounted on the basis of both payments made in respect of goods cleared as also provision is made for goods lying as closing stock. However, such accounting treatment has no impact on the profit / loss of the company for the relevant year.

i. 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 actuarially liability for future payment of gratuity. Gratuity payments are charged to profit and loss account in the years in which payments are made.

j. The loan accounts are with secured creditor being reconciled and one time settlement is being negotiated with the institutions and hence no provision has been made for interest liquidated damages, penal interest and compound interest.

k. Since the company has not been able to repay its loan to the bank and to the financial institutions, the company has not been able to obtain confirmation of balances from them. As regards trade creditors, the amounts are received from numerous farmers towards advance for purchase of shrimp seed and feed. In view of the fact that the advances are being short term in nature and most of the farmers being illiterate, it is not possible to obtain confirmations for these advances. The receipt of such advances is a on going process.

l. Negotiations were made with Bank of Baroda for One Time Settlement during the year. Accordingly, the Bank of Baroda has in principle agreed for compromise for an amount of Rs. 78 lakhs as against outstanding balance of Rs. 492.25 lakhs subject to the conditions that such agreed amount shall be paid in three monthly installments from April 2003 to June 2003. The Company complied with the conditions and paid the installments. Accordingly, the difference of Rs. 414.25 lakhs representing accumulated interest over the period has been written back to the profit & loss account.

m. 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 the appeal is pending disposal. The industry as a whole has taken up the issue with the government. In the meanwhile, as per the expert legal opinion obtained by the company, such levy of duty will not stand. Hence no provision is considered necessary in the books. However, the same has been shown as a contingent liability.

## 2. 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	25,000-00	25,000-00
Service Tax	4,000-00	2,500-00

3. 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 -

## 4. Foreign currency :

Foreign exchange outflow on account of import of Capital goods & Raw materials US \$ 607946.33 (equivalent to Rs.29758953) and DKK 3200 (equivalent to Rs. 18944.00)

## 5. Contingent Liabilities

Claims against the company not acknowledged as debts

	Current year (Rs. in Lakhs)	Previous year (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	629.03	599.14
c) Guarantees given by the bankers on behalf of the company for which the company has given counter guarantee.	---	1.56

6. 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

## 7. Deferred Tax:

	31st March 2003 Rs.	1st April 2002 Rs.
a. Deferred tax Assets	118620685	88505151
Arising on Account of timing differences expenditure under section 43 B of the income tax act 1961		
b. Deferred tax Liabilities	24132926	48458693
Arising on Account of timing differences		
c. Net Deferred Tax Assets	94487759	40046458

8. 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.

9. Income Tax:

During the year, Income Tax demand of Rs. 645.03 lakhs had been raised on the company for the Asst. Year 1993-94, 1994-95 & 1995-96. As at the date of Balance Sheet, the company's appeal has been upheld by the first appellate authority. Hence no provision is made in the accounts for this liability.

10. 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
Sri A. Ramakrishna Reddy	Director
Sri N. Suresh	Director
Sri T. Valasraj	Director

Key management personnel

Sri S. Prasad Reddy	Chairman & Managing Director
---------------------	------------------------------

Transaction with related parties during the year Purchases - Rs. 3300000/-

11. Earning per share (Before extraordinary items)	(Rs. 1.98)
Earning per share (After extraordinary items)	(Rs. 0.10)

12. Foreign Exchange in flow on account of export of sales US \$ 2676595.64 (equivalent to Rs.128268631)
13. The balances of secured loans, sundry creditors and advances recoverable are subject to confirmation/reconciliation.
14. 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 S

As per our report of even date

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

(Sd)  
P. ASHOK REDDY  
Proprietor

ON BEHALF OF THE BOARD

(Sd)  
S. PRASAD REDDY  
CHAIRMAN & MANAGING DIRECTOR

(Sd)  
A. RAMAKRISHNA REDDY  
DIRECTOR

PLACE : VENKANNAPELEM  
DATE : 11-08-2003

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31-03-2003**

	Current Year (Rs. in Lakhs) <u>2002-2003</u>	Previous Year (Rs. in Lakhs) <u>2001-2002</u>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit / Loss before tax and Extraordinary Items	(435.50)	(1369.82)
ADJUSTMENTS FOR :		
Depreciation	272.88	238.81
Misc. Expenses written off	8.01	8.01
Interest	0.41	1356.69
Loss on sale of Assets		6.27
Subsidy written off during the year	(0.61)	(3.62)
Foreign Exchange Fluctuation	(28.96)	
	<u>251.73</u>	<u>1606.16</u>
Operating Profit before working capital changes	(183.76)	236.34
Adjustment for :		
Trade and other receivables	0.37	(50.75)
Inventories	(194.23)	(320.72)
Trade payables	<u>574.14</u>	<u>314.20</u>
	<u>380.27</u>	<u>(57.27)</u>
Cash generated from operations	196.51	179.07
Interest / Financial charges	(0.41)	(1356.69)
Income Tax paid	(0.02)	(0.43)
Cash flow before extraordinary Items	196.08	(1177.62)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	196.08	(1177.62)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
<u>Adjustment towards Fixed Assets</u>		
Sale of Assets	2.50	8.48
Purchase of Assets	<u>(117.50)</u>	<u>(103.62)</u>
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	(115.00)	(95.14)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Net Borrowings	(431.55)	
Extraordinary Items	<u>414.20</u>	
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	(17.35)	1284.13
Net Increase / (decrease) in cash and cash equivalents (A+B+C)	63.73	11.37
Cash and Cash equivalents at the beginning of the year	19.80	8.43
Cash and cash equivalents at the close of the year	<u>85.53</u>	<u>19.80</u>
Net Increase / (Decrease) in cash and cash equivalents	<u>63.73</u>	<u>11.37</u>

for and on behalf of the Board

(Sd)

S. PRASAD REDDY

CHAIRMAN &amp; MANAGING DIRECTOR

for P.A. REDDY &amp; CO

CHARTERED ACCOUNTANTS

(Sd/-)

P. ASHOK REDDY

PLACE : VENKANNAPELEM  
DATE : 11-08-2003

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 - 0 1 1 2 7 6

State Code

0 1

Balance Sheet

3 1 0 3 2 0 0 3

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

Total Liabilities

1 0 5 2 2 8 6 8 1 2

Total Assets

1 0 5 2 2 8 6 8 1 2

Sources of Funds

Paid-Up Capital

2 2 0 1 2 5 0 0 0

Reserves & Surplus

0 0 0 8 5 2 2 5 0

Secured Loans

8 3 1 3 0 9 5 6 2

Unsecured Loans

N I L

Application of Funds

Net Fixed Assets

5 0 3 0 1 1 0 1 9

Investments

N I L

Net Current Assets

- 8 1 7 1 9 7 0 3

Mis. Expenditure

7 5 4 1 7 8

Accumulated Losses

5 3 1 7 6 9 3 4 2

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

Turnover

1 4 2 1 0 7 2 1 8

Total Expenditure

2 1 3 8 2 1 0 2 4

+ -

-

Profit / Loss Before Tax

- 2 1 2 4 5 2 3

+ -

+

Profit / Loss After Tax

5 2 3 1 6 7 7 8

+ -

-

Earning Per Share in Rs.

0 0 0 1 . 9 8

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

PLACE : VENKANNAPELEM

DATE : 11-08-2003

ON BEHALF OF THE BOARD

(Sd)

S. PRASAD REDDY  
MANAGING DIRECTOR

(Sd)

A. RAMA KRISHNA REDDY  
DIRECTOR