

# ANNUAL REPORT 1998-99

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**SHERVANI INDUSTRIAL SYNDICATE LIMITED**  
FORMERLY **GEEP INDUSTRIAL SYNDICATE LIMITED**

## **CHAIRPERSON EMERITUS**

Mrs. T. R. Shervani

## **BOARD OF DIRECTORS**

Mr. Saleem Iqbal Shervani  
Managing Director

Mr. Tahir Hasan  
Whole-time Director

Mr. Saeed Mustafa Shervani

Mrs. Salma Hasan

Mr. R. R. Kumar

Mr. Kush Bhargava

Mr. Mohd. Fazal

## **COMPANY SECRETARY**

Mr. R. J. MALIK

## **AUDITORS**

M/s. P. L. Tandon & Co.  
Chartered Accountants,  
M. G. Marg, The Mall,  
Kanpur - 208001

## **BANKERS**

Central Bank of India  
State Bank of India

## ***SHERVANI INDUSTRIAL SYNDICATE LIMITED***

REGISTERED OFFICE

28, SOUTH ROAD, ALLAHABAD - 211001 (UP)

# 51<sup>ST</sup> ANNUAL REPORT (1998-99)

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**51<sup>ST</sup> ANNUAL REPORT (1998-99)****Director's Report**

Your Directors take pleasure in presenting the 51<sup>st</sup> Annual Report together with the audited Statements of Accounts for the year ended 31<sup>st</sup> March, 1999

**FINANCIAL RESULTS**

	(Rs. In Lacs)		(Rs. In Lacs)
Profit before Depreciation and Interest	91	<b>Appropriation</b>	
a) Depreciation	81	Proposed Dividend	82
b) Interest	159	Tax on Dividend	9
Exceptional Items	6483	Transfer to Capital Redemption Reserve	20
Profit Before Tax	6334	Transfer to the General Reserve	5500
Tax	650	Balance Carried Forward	62
Profit After Tax	5684		
Tax Adjustment for earlier years	11		
<b>Surplus Available for Appropriation</b>	<b>5673</b>		

**DIVIDEND**

Your Directors take pleasure in recommending dividend for the year as under:

	(Rs. In Lacs)
i) Ordinary Shares @ Rs. 2.50 per share	81.51
ii) Deferred Shares @ Rs. 6.25 per share	0.50
<b>TOTAL</b>	<b>82.01</b>

**FINANCE**

20,000 Cumulative Redeemable Preference Shares aggregating Rs. 20 lacs were redeemed during the year and an equivalent amount was transferred to Capital Redemption Reserve.

**51<sup>ST</sup> ANNUAL REPORT (1998-99)****Directors' Report.**

Debentures of IV issue due for redemption were paid in time. All term loans from Financial Institutions and Banks as well as Working Capital Facilities were repaid.

The fixed deposits aggregating Rs. 278.53 lacs matured during the year were also paid on due dates.

**OPERATIONS REVIEW**

During the year under review, your Company achieved a turnover of Rs. 10192 lacs, marginally lower than last year. The production of Flashlights was higher by 6% and Dry Cell batteries lower by 5%. This performance is not exactly comparable to the previous year's figures because during the second half of the year the Company effected the sale of its brand to Gillette. The Directors are of the view that the results of your Company for the current year are likely to be substantially better barring unforeseen circumstances.

**TRANSACTION WITH GILLETTE**

The policy of economic reforms pursued by the Indian Government alongwith the rapid globalisation of businesses presented an opportunity to your Company for restructuring the business for a more efficient utilisation of it's assets. The Directors strongly felt that in the increasingly competitive business scenario dominated by multinational companies, in order to enhance and protect the shareholders' value as well as the long term prospects of the Company, divesting it's brand and restructuring manufacturing was the best option. Accordingly, your Company entered into an agreement with M/s Gillette, through it's Indian subsidiaries viz. Wilkinson Sword India Limited and Gillette Diversified Operations Limited by which the GEEP brand, Company's distribution network and it's manufacturing facilities at Mysore were transferred to them. The Company also entered into an agreement for contract manufacturing from it's Allahabad manufacturing facilities at full capacity for an initial period of three years to be renewed subsequently on mutual basis. This major transaction provides the Company with funds not only to modernise it's Allahabad manufacturing facilities but also makes it debt free during the period of rapid economic changes.

**SUBSIDIARY COMPANY- SHERVANI SUGAR SYNDICATE LIMITED**

The Audited Statements of Accounts for the year ended 30th September, 1998, of the Company's subsidiary 'Shervani Sugar Syndicate Limited' are attached together with the Statement pursuant to Section 212 of the Companies Act, 1956

**DIRECTORS**

Mrs. T. R. Shervani resigned from the Directorship and Chairpersonship of the Company during the year. The Board of Directors expresses appreciation for valuable services rendered by her during her tenure as Director, Managing Director and Chairperson of the Company.

Mr. Saeed Mustafa Shervani has resigned from the post of Joint Managing Director of the Company with effect from January 1, 1999. The Board of Directors expresses appreciation for the valuable services rendered by him during his tenure as Joint Managing Director of the Company.

**51<sup>ST</sup> ANNUAL REPORT (1998-99)****Directors' Report**

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company, Mr. Saeed Mustafa Shervani and Mrs. Salma Hasan, Directors of the Company retire by rotation at the Annual General Meeting and are eligible for re-appointment.

**CHAIRPERSON EMERITUS**

In recognition of the long-standing association of Mrs. T. R. Shervani with the Company and her meritorious contribution towards its growth, the Board of Directors has conferred her with the title Chairperson Emeritus, for life.

**CHANGE OF NAME OF THE COMPANY**

Consequent to the deal with Gillette and pursuant to the special resolution passed in the Extra-ordinary General Meeting of the company held on January 6, 1999 and the approval of the Central Government thereon, the name of the Company has been changed from 'Geep Industrial Syndicate Limited' to 'Shervani Industrial Syndicate Limited' with effect from March 17, 1999 vide the Fresh Certificate of Incorporation issued by the Registrar of Companies, U P.

**AUDITORS**

The observations of the Auditors in their report are appropriately dealt with in the Schedule of Notes forming part of Accounts.

The shareholders are requested to appoint Auditors for the current year till the conclusion of the next Annual General Meeting and to fix their remuneration. The retiring auditors of your Company M/s P. L. Tandon & Co. Chartered Accountants, are eligible for re-appointment.

**LISTING OF SHARES & PAYMENT OF FEES**

The Ordinary Shares of your Company are listed at three Stock Exchanges named as under:

The Stock Exchange, Kanpur  
The Stock Exchange, Mumbai  
The Stock Exchange, Delhi

The listing fee for the financial year 1999-2000 has been paid to Kanpur & Mumbai Stock Exchanges. The Delhi Stock Exchange has not raised its bill so far.

**Y 2 K COMPLIANCE**

The Company does not foresee any major problems associated with Y2K issue. The computer facilities utilised for office services are being upgraded to be Y2K compliant and total compliance will be achieved by the end of October, 1999. The cost associated with this issue is likely to be insignificant.

**CONSERVATION OF ENERGY, TECHNICAL ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

As required under Section 217(1) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, information regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo are given in the Annexure 'A' to this report.

**PARTICULARS OF EMPLOYEES**

Information in accordance with Sub Section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended from time to time and forming part of Directors' Report are given as Annexure 'B' to this report.

**INDUSTRIAL RELATIONS**

Industrial relations remained satisfactory during the period under review.

**ACKNOWLEDGEMENT**

Your Directors would like to express their appreciation for assistance and co-operation received from Banks and Financial Institutions during the year.

Your Directors also wish to place on record their deep sense of appreciation for the devoted services of all the employees of the Company.

For and on behalf of the Board

Place: Allahabad

Tahir Hasan  
Whole-time Director

S. I. Shervani  
Managing Director

Date: July 30, 1999

Informations under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 as amended from time to time and forming part of Directors' Report for the year ended 31st March, 1999.

#### A. CONSERVATION OF ENERGY

The Company has been making continuous efforts to optimise energy use.

##### a)- ENERGY CONSERVATION MEASURE TAKEN

The energy conservation steps taken during previous years are being strictly followed to ensure recurring saving in energy consumption.

Besides, we have inducted the Temperature Controllers for pot furnaces of C/A lines and heaters of gas plant this year. By using these controllers we have reduced the running hours of the furnaces and heaters which resulted direct saving of energy by more than 25%.

##### b)- ADDITIONAL INVESTMENTS & SCHEMES BEING IMPLEMENTED

i) We have plan to introduce further power Capacitors in our vital machines such as new compressors and dust extractor motors.

ii) We have further plan to introduce 'Automatic Voltage Controller' in light and fans feeders of battery and torch factory.

##### C)- IMPACT OF MEASURE (a) & (b) ABOVE

Energy conservation steps taken resulted improvement in energy efficiency.

#### B. TECHNOLOGY ABSORPTION

##### RESEARCH AND DEVELOPMENT

##### 1-Specific area in which R&D is carried out by the Company

Batteries, Flashlights & Lamps production and developments.

#### ANNEXURE 'A' TO THE DIRECTORS' REPORT

##### 2-Benefits derived as a result of above R & D

i)- Worked out prototype for development of activated manganese dioxide from low grade Indian Manganese Ores. Project is yet to be fully implemented.

ii)- Intensive work was done to smoothen the production of Zinc Carbon R-6 Zinc Chloride batteries and as a result the formulation and production became more stable and reliable.

##### 3-Expenditure on R&D - (Rupees in Lacs)

i) Capital	Nil
ii) Recurring	Rs. 34.49
iii) Total	Rs. 34.49
iv) Total R & D expenditure as percentage of total turnover	0.34%

##### TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

As a result of study and experimental work, we could increase the life of batteries.

##### C. FOREIGN EXCHANGE EARNING AND OUTGOING

Foreign Exchange used equivalent to Rs. 3.63 lacs and Foreign Exchange earned NIL

For and on behalf of the Board

Mr. Tahir Hasan  
Whole-time Director

S. I. Shervani  
Managing Director

Place: Allahabad

Dated: July 30, 1999

**51<sup>ST</sup> ANNUAL REPORT (1998-99)****Directors' Report****ANNEXURE 'B' TO THE DIRECTORS' REPORT**

**STATEMENT UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES  
(PARTICULARS OF EMPLOYEES) RULES, 1975 FORMING PART OF THE DIRECTORS' REPORT  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 1999**

A. Employed through out the year - N A

B. Employed for part of the year and were in receipt of remuneration not less than Rs. 50,000/- per month.

Sl. No.	Name	Designation/ Nature of Duties	Total Remuneration (Rs.)	Qualifications	Experience (Years)	Date of Commencement of Employment	Age (Years)	Particulars of Previous Employment (Figures in bracket represent period of service)
1.	Mr. S. I. Shervani	Managing Director	9,39,320	B. A. (Hons) AMIMA	23	03.04.1998	46	Ex-Managing Director of the Company.
2.	Mr. Aslam Qadar Khan	President	7,29,897	B. Com., B.A. (Hons) M.B.A. (Mktg & Business Economics), M.B.A. (Finance & Op. Management)	10	01.06.1990	36	Assistant Manager, Citi Bank, N A Bombay (1 Year)
3.	Mr. Nikhil Ajinkya	General Manager (Sales & Marketing)	14,55,200	M.M.S.	12	11.10.1993	42	Zonal Manager, Blow Plast Ltd Bombay (2 Years)

**Notes**

1. Nature of employment in all cases is regular except the Managing Director whose employment is contractual.
2. Besides salary and allowances, the remuneration shown above includes Company's contribution to Superannuation Fund, Gratuity, Provident Fund and benefits like Housing, Medical etc.
3. Remuneration to Managing Director is as per the provisions of Schedule XIII of the Companies Act, 1956.
4. Mr. S. I. Shervani is related to Mr. S. M. Shervani, Mr. Tahir Hasan and Mrs. Salma Hasan who are the Directors of the Company.

This management report first discusses the Gillette transaction which the Company affected during the later half of 1998-99, and then presents an operations review of this eventful year.

### Restructuring of the Business

The globalisation of markets along with the gradual reforms of the Indian economy is offering Indian businesses challenges and opportunities not even thinkable a decade ago. The battery business in India is a good example of how these changes are affecting the traditional markets. The entry of Duracell initially was limited to the high end alkaline segment. However with the corporate influence of its parent company Gillette, Duracell began to actively seek entry into the traditional zinc carbon business. In India this increased competitive pressures dramatically, and along with the gradual entry of some other companies like BPL, became a major source of threat to the incumbent players. But as is often the case, the changed environment presented a great opportunity to the industry for exploring mergers and acquisitions, and creating new combinations of partnerships.

We took this opportunity to strike an unique business arrangement with the Gillette Company. The details of the transaction have been outlined in the Directors' Report. The sale of the brand and Mysore battery factory have made the Company cash surplus. As a result, the Company has become virtually debt free. The table below shows some select financial and solvency indicators before and after the Gillette transaction:

	94-95	95-96	96-97	97-98	98-99
	(Rs. in Lacs)				
<b>Equity</b>	326	326	326	326	326
<b>Free Reserves</b>	523	569	676	695	6277
<b>Debts</b>	725	903	921	972	247*
<b>Debt Equity Ratio</b>	0.85	1.01	0.92	0.95	0.04

The Gillette transaction was also accepted favourably by the stock market. Within a few days of announcement, the Company's share price shot up from a level of Rs. 28 per share to Rs. 79 per share.

\*The debt of Rs. 247 Lac shown above represent mainly unmatured fixed term deposits of public and debentures remaining unredeemed as on March 31st as per the terms of issue. These debts will be completely redeemed during the year ending March 31, 2000