

# **ANNUAL REPORT**

## **2002-2003**



Shervani Industrial Syndicate Limited  
Formerly Geep Industrial Syndicate Limited

**BOARD OF DIRECTORS**

Mr. Saleem Iqbal Shervani  
*Chairman cum Managing Director*

Mr. Aslam Qadar Khan  
*Joint Managing Director*

Mr. Tahir Hasan  
Mr. Refaat Ullah Khan  
*Executive Directors*

Mr. Saeed Mustafa Shervani  
Ms. Salma Hasan  
Mr. Kush Bhargava  
Mr. Gopal Swaroop Chaturvedi  
Mr. Azhar Nisar Shervani

**EXECUTIVES**

Mr. Raju Verghese  
G.M. (Commercial)

Mr. Sadiq Husain Siddiqui  
G.M. (Corporate Affairs)

Mr. Kaleem Ahmad Khan  
G.M. (Works)

**COMPANY SECRETARY**  
Mr. I. A. Khan

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

**BANKERS**  
Central Bank of India  
State Bank of India  
ICICI Bank Ltd.

**REGISTERED OFFICE :**

28, South Road,  
ALLAHABAD-211 001 (U.P.)

## SHERVANI INDUSTRIAL SYNDICATE LIMITED

### ANNUAL REPORT 2002-2003

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**55<sup>TH</sup> ANNUAL REPORT (2002-2003)****DIRECTORS' REPORT**

Your Directors take pleasure in presenting the 55<sup>th</sup> Annual Report together with the audited Statements of Accounts for the year ended 31<sup>st</sup> March 2003.

**FINANCIAL RESULTS:**

	(Rs in Lacs)
Operating Loss before Depreciation	97
Depreciation	59
Operating Loss	156
Net Income over Exceptional items	63
Loss before Tax	93
Tax for the year	(1)
Deferred Tax Credit	(11)
Net Loss for the year after Tax	105
Transfer from General Reserve	125
Add Balance brought forward from last year	22
Surplus Available for Appropriation	42
Appropriation:	
Dividend including tax on dividend	37
Balance Carried Forward	5

**DIVIDEND:**

Directors recommend retaining the dividend of 10% for the year 2002-03 payable as under:

	(Rs. in Lacs)
(1) Ordinary Shares @ Re.1.00 per share	32.60
(2) Deferred Shares @ Rs.2.50 per share	0.20
<b>TOTAL</b>	<b>32.80</b>

**OPERATIONS REVIEW:**

During the year flashlight manufacturing volumes were down to almost 50% of last year's levels. Production would have been even lower if the company had not made flashlights for the Salora Brand and some for Eveready during the fag end of the year. The major reason for lower production was drastically poor orders for the Geep Brand from the company's principle contract buyer Gillette India Private Limited. The total production during the year was 1.38 million pieces as opposed to 2.68 million pieces during the previous year.

With the Geep Brand reportedly changing hands, the company is eager to both achieve a fresh understanding with Gillette on its current year plans as well as stream line contracts to better reflect the changed business scenario.

**SUBSIDIARY COMPANY—SHERVANI SUGAR SYNDICATE LIMITED**

In the reporting period, the working of the Subsidiary Company showed some improvement in operations. However, due to huge accumulated losses incurred by this company, it was decided to provide for the diminution in the investment made by the Company. Accordingly provision for Rs.15.30 crore is made in the year. Further, the Company divested 23% of the investment made in this subsidiary as a strategic decision.

The audited statements of accounts of the Subsidiary Company for the year ended on 30<sup>th</sup> September 2002 is attached. The statement pursuant to Section 212 of the Companies Act, 1956 is also enclosed. However, the consolidated financial statements incorporating the accounts of SSSL has not been prepared.

**DIRECTORS**

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

**AUDITORS**

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

M/s P. L. Tandon & Co., Chartered Accountants retire at the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received confirmation that their appointment, if made, will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

**CORPORATE GOVERNANCE**

Report on Corporate governance along with Auditors' statement on its compliance is annexed to this Annual Report.

**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 and Outgo are given in the Annexure 'A' to this Report.

**55<sup>TH</sup> ANNUAL REPORT (2002-2003)****DIRECTORS' 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—(NIL)

**DIRECTORS' RESPONSIBILITY STATEMENT:**

As required under Section 217(2AA) of the Companies Act, 1956, your Directors state as under :

- (i) That in the preparation of the Annual Accounts, the applicable accounting standards had been followed and there is no material departure;
- (ii) That the accounting policies selected and applied are consistent and the judgements and estimates made are 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 or Loss of the Company for that period;
- (iii) That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That the Annual Accounts have been prepared on a going concern basis.

**DEPOSITS:**

During the year fixed deposits amounting to Rs.19.77 lacs were paid. 53 Deposits amounting to Rs.3.33 lacs due for payment on or before 31<sup>st</sup> March, 2003 were not claimed by the depositors till 31<sup>st</sup> March, 2003. Depositors were intimated well in advance regarding the maturity of deposits with requests to claim their deposits on maturity.

**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 the 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

**Saleem I. Shervani**  
Chairman cum Managing Director

Place: New Delhi  
Date: June 30, 2003

**ANNEXURE 'A' TO THE DIRECTOR'S REPORT**

Information 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, 2003.

**A. CONSERVATION OF ENERGY**

- |   |            |
|---|------------|
| a) ENERGY CONSERVATION MEASURES TAKEN                 | <b>NIL</b> |
| b) ADDITIONAL INVESTMENTS & SCHEMES BEING IMPLEMENTED | <b>NIL</b> |
| c) IMPACT OF MEASURE (a) & (b) ABOVE                  | <b>NIL</b> |

**B. TECHNOLOGY ABSORPTION RESEARCH AND DEVELOPMENT**

**NIL**

**C. FOREIGN EXCHANGE EARNINGS AND OUTGOING**

Foreign Exchange used equivalent to Rs. 6.78 Lacs and Foreign Exchange earned **NIL**

For and on behalf of the Board

**Saleem I. Shervani**  
Chairman cum Managing Director

Place : New Delhi  
Date : June 30, 2003

**55<sup>TH</sup> ANNUAL REPORT (2002-2003)****CORPORATE GOVERNANCE****(Pursuant to clause 49 of the Listing Agreement)****1. COMPANY'S PHILOSOPHY**

The Company's philosophy on Corporate Governance is to enhance the long term economic value of the Company, its stake holders and the society at large by adopting better corporate practices in fair and transparent manner. Your Company continues to follow procedures and practices in conformity with the code of corporate governance outlined in the listing agreement.

**2. BOARD OF DIRECTORS**

The Board comprises of Chairman cum Managing Director, Joint Managing Director, two Whole-time Directors and five Non-executive Directors of whom two are Independent Directors.

During the Financial Year ending 31<sup>st</sup> March, 2003, six Board Meetings were held on 27<sup>th</sup> April, 2002, 13<sup>th</sup> July, 2002, 27<sup>th</sup> July, 2002, 23<sup>rd</sup> October, 2002, 23<sup>rd</sup> January, 2003, and 7<sup>th</sup> March, 2003. The details of attendance of each Director at said meetings, at Annual General Meeting. Number of Companies and other Board Committees where he/she is a director/member or chairman as at 31<sup>st</sup> March 2003 are given below:

Director	Category	Attendance		No. of outside Directorship *	No. of Other Board Committees	
		Board Meeting	AGM		Member	Chairman
Mr. S. I. Shervani	C.M.D, Executive	5	✓	4	1	Nil
Mr. A. Q. Khan	Jt. M.D, Executive	3	X	3	Nil	Nil
Mr. Tahir Hasan	WTD, Executive	4	✓	3	1	Nil
Mr. S. M. Shervani	Non Executive	3	X	1	Nil	Nil
Mr. R. R. Kumar #	Independent	2	X	10	Nil	Nil
Mrs. Salma Hasan	Non Executive	X	X	Nil	2	Nil
Mr. Kush Bhargava	Independent	X	X	Nil	2	Nil
Mr. G.S.Chaturvedi	Independent	3	✓	Nil	Nil	3
Mr. R. U. Khan	WTD Executive	3	X	1	1+	Nil
Mr. A. N. Shervani	Non Executive	4	X	2	Nil	Nil

# Mr. R. R. Kumar has resigned from 1<sup>st</sup> August 2002.

\* This excludes directorships held in Private Limited Companies.

Particulars of the directors being re-appointed are given in Notice of Annual General Meeting.

**3. AUDIT COMMITTEE**

- a. Mr. G. S. Chaturvedi, Chairman Independent Non-executive
  - b. Mrs. Salma Hasan, Member Non-executive
  - c. Mr. Kush Bhargava, Member Independent Non-executive
  - d. Mr. R. U. Khan, Member + Non-executive
- + Mrs. Salma Hasan in Audit Committee from 27.04.2002 has replaced Mr. R. U. Khan.

The Company Secretary of the company also acts as Secretary to the Committee.

The Board of Directors set up the Audit Committee on 27<sup>th</sup> Oct. 2001. The terms of reference of this Committee cover the matters specified for Audit Committee under Clause 49 of the listing agreement as well as in Section 292 A of the Companies Act, 1956. The Committee had met on 12<sup>th</sup> July, 2002, 20<sup>th</sup> October, 2002 and 2<sup>nd</sup> January, 2003, attended by all members.

**4. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE**

Mr. G. S. Chaturvedi is heading the Committee. The other members of the Committee are Mr. S. I. Shervani and Mr. Tahir Hasan.

During the year the Company has not received any complaints regarding non-receipt of Annual Report and / or Dividend from the investors.



**55<sup>TH</sup> ANNUAL REPORT (2002-2003)****CORPORATE GOVERNANCE****5. REMUNERATION COMMITTEE**

The Board has constituted Remuneration Committee on 13<sup>th</sup> July, 2002 comprising following members in compliance of Schedule XIII of the Companies Act, 1956 and Clause 49 of the listing agreement with the Stock Exchanges.

a. Mr. G. S. Chaturvedi, Chairman	Independent Non-executive
b. Mrs. Salma Hasan, Member	Non-executive
c. Mr. Kush Bhargava, Member	Independent Non-executive

The Company Secretary of the company also acts as Secretary to the Committee.  
The Committee had met on 2<sup>nd</sup> January, 2003 attended by all members.

Director's remuneration details for the year ended 31<sup>st</sup> March, 2003 are as under:

Name of Directors	Salary	Perquisites (including Retirement benefits)	Total
Mr. S. I. Shervani	7,20,000	2,24,400	9,44,400
Mr. Aslam Qadar Khan	1,80,000	2,40,600	4,20,600
Mr. R. U. Khan	1,65,000	8,800	1,73,800
Mr. Tahir Hasan	84,000	47,180	1,31,180

**6. GENERAL BODY MEETINGS**

AGM / EGM	Date	Time	Venue
AGM (for 1999-2000)	06/09/2000	11.30 A. M.	Registered Office: 28, South Road, Allahabad-211001
AGM (for 2000-2001)	12/09/2001	11.30 A. M.	Same as above
AGM (for 2001-2002)	25/09/2002	11.30 A. M.	Same as above

Some Special Resolutions were proposed in the above meetings and were duly passed by show of hands. No special resolution was put through postal ballot last year nor it is proposed this year.

**7. DISCLOSURES**

There was no transaction of material nature with the directors or management or their relatives during the year. There was no non-compliance by the Company on any matter related to Capital Market. Consequently, there were no penalties imposed nor strictures passed on the Company by Stock Exchanges, SEBI or any Statutory Authority.

**8. MEANS OF COMMUNICATIONS**

Quarterly/half yearly Financial Results of the Company are published in Aaj (Hindi) & Financial Express. The Company has not made any presentations to any Institutional Investors/Analyst. The Company does not have a web site.

**9. SHAREHOLDERS INFORMATION****Annual General Meeting:**

DATE	:	September 24, 2003
DAY	:	Wednesday
TIME	:	11.30 A. M.
VENUE	:	28, South Road, Allahabad-211001, U. P.

**Financial Calendar**

Financial reporting for the

Financial year	April to March
Quarter ending June 30, 2003	End of July 2003
Half year ending September 30, 2003	End of October 2003
Quarter ending December 31, 2003	End of January 2004
Quarter ending March 31, 2004	End of April 2004/June 2004

**55<sup>TH</sup> ANNUAL REPORT (2002-2003)****CORPORATE GOVERNANCE****Date of Book Closure**16<sup>th</sup> September, 2003 to 24<sup>th</sup> September, 2003 (both days inclusive)**Date of Dividend Payment**On or after 24<sup>th</sup> September, 2003, within statutory time limit**Listing on Stock Exchanges**

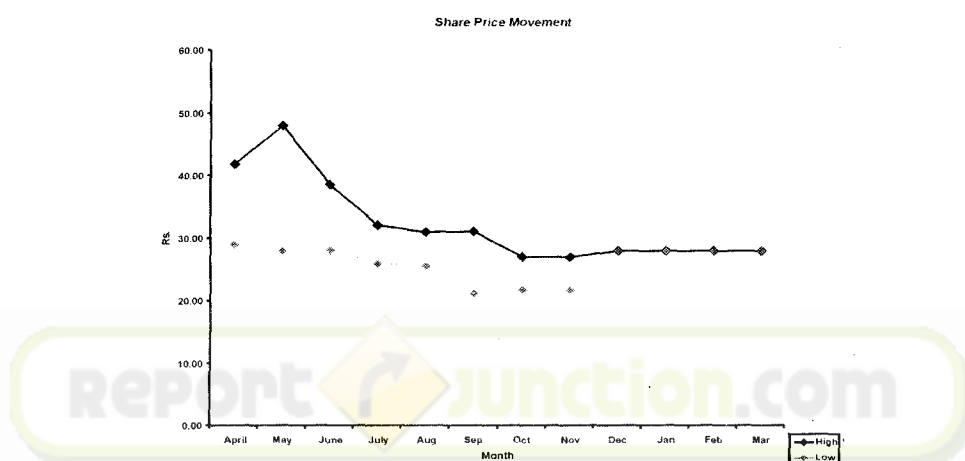
1. The Stock Exchange, Mumbai
2. The Delhi Stock Exchange Association Ltd. New Delhi
3. The U. P. Stock Exchange Association Ltd. Kanpur

**Stock Code**

26117(BSE) / 3079(DSE)

**Market Price Data (Financial Year 2002-2003)**

	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
High	41.75	48.00	38.50	32.00	30.95	31.00	26.95	26.95	28.00	28.00	28.00	28.00
Low	29.00	28.00	28.10	26.00	25.60	21.05	21.65	21.65	28.00	28.00	28.00	28.00

**REGISTRAR:**

Intime Spectrum Registry Limited  
 260, Shanti Industrial Estate  
 Sarojini Naidu Road,  
 Mulund(W), Mumbai- 400 080

**Share Transfer System**

The company has appointed M/s Intime Spectrum Registry Ltd. having its office as above as Registrar for demat segment. For physical segment, the Company has in-house share department at its Registered Office at 28, South Road, Allahabad, which provides all related services within the prescribed period under law, and the Listing Agreements with the Stock Exchanges. All share transfers etc. are approved by a Committee of Directors, which meets periodically.

**SHAREHOLDING PATTERN AND DISTRIBUTION OF SHARES AS ON 31<sup>ST</sup> MARCH, 2003**

SHAREHOLDING PATTERN			DISTRIBUTION OF SHAREHOLDING		
Category	No. of Shares	%	No. of Shares	No. of Shareholders	Shares
Promoters, Directors & Relatives	13,69,695	42.01	1-500	1111	1,42,864
Public Financial Institution	4,10,550	12.59	501-1000	105	84,530
Nationalised Bank	6,040	0.19	1001-2000	57	82,325
Geep Welfare Fund Trust	2,68,950	8.25	2001-3000	21	51,290
Bodies Corporate	3,05,454	9.37	3001-4000	11	39,070
Public	8,94,681	27.44	4001-5000	8	35,875
Others (Foreign Nationals)	920	0.03	5001-10000	25	1,86,331
NRIs/OCBs	3,960	0.12	10001 and above	41	26,37,965
Total	32,60,250	100.00		1379	32,60,250



**Dematerialisation of Shares**

The shares of the Company are fully under the category of compulsory delivery in dematerialised mode by all categories of investors. The Company has signed agreements with both the depositories i.e. National Securities Depository Ltd. and Central Depository Services (India) Ltd. As on March 31, 2003 over 61.03% of the share of the Company are dematerialised.

**Plant Location** : Shervani Nagar, Harwara, Allahabad

**Address for Correspondence** : **SHERVANI INDUSTRIAL SYNDICATE LIMITED**  
Registered Office: 28, South Road, Allahabad-211001, U.P.  
Phone: 0532-2560680, 2636779  
Fax: 0532-2560675, 2637300  
Email: geepcorp@sancharnet.in

**MANAGEMENT DISCUSSION AND ANALYSIS****Industry Structure and Development**

Flashlight Industry comprises mainly of three segments: Brass, Aluminium and Plastic. Brass is the largest segment. The size of the market is about 16-18 million pieces. Growth of the market was modest during the last couple of years. The industry suffered on account of dumping activities of poor quality products from China. However, anti-dumping action taken by Government should yield some growth of quality domestic products. The traditional usage of batteries & flashlights is also bound to increase with the growing purchasing power of the rural agriculture based society. Erratic power supply position generates the need for the urban class also to keep handy portable lighting source like flashlights and lanterns.

**Outlook on Opportunities, Threats, Risks and Concern**

The Company has stabilized its Brass & Aluminium flashlight manufacturing capabilities with low cost automation and process reengineering. The restructuring undertaken earlier will also help. The renovated plating plant is ready to cope up with the enhanced production capacity and consistent quality. However, the additional production capabilities have not yet been put to comprehensive tests due to lack of orders received. Since the Company is undertaking only 'contract manufacturing', the capacity utilization is wholly dependent on the job-work orders, which have been low.

The Company is exploring the feasibility of launching new Brand products in the market at an opportune

time, if 'contract manufacturing' volumes continue to be inadequate to meet costs.

The battery manufacturing is limited for Defence supply only. However, the factory is equipped for production for Trade as well. The Company is continuing with its Research and Development on 'mercury free' battery with encouraging results.

**Financial Performance**

The Job Charges have reduced in comparison to previous years mainly due to erratic and inconsistent ordering pattern of the principal purchaser. Austerity measures taken by the Company have shown results and operating losses have been reduced in comparison to earlier year. The company is exploring possibilities of increasing volumes by entering into the market with its own product or / and increasing contract manufacturing volumes.

**Subsidiary Company**

Company has substantial exposure in its subsidiary company Shervani Sugar Syndicate Limited. Though the operations of the current season have shown remarkable improvement, the company is still incurring huge losses. This is mainly on account of external factors like 'cane price' and movement of 'sugar price', both being controlled by Government. Since improvement in margins remain unlikely, the Company's aggregate investment in the subsidiary company remains a highly risky proposition. Therefore, the Company as per the advice of its statutory Auditors provided Rs.15.30 crore as diminution value in investment, in its accounts. Further, the Company divested a part of its holding

**55<sup>TH</sup> ANNUAL REPORT (2002-2003)****CORPORATE GOVERNANCE**

to the Managing Director of the subsidiary entrusting with him the responsibility of turning around the company. It is hoped that with this strategic move the Company's stake in SSSL would be saved from further erosion and even prove beneficial in adding shareholders' value.

**Internal Control Systems and Adequacy**

The Company has adequate internal control procedures commensurate with its size and nature of business. These business control procedures ensure efficient use and protection of statutes. The Company have appointed internal auditors who carry out audit extensively through out the year.

**Human Resources**

It is the Company's belief that people are the core corporate asset and constitute the primary source of sustainable competitive advantage. The Company reviews and evolves policies and processes to attract and retain technical & managerial personnel through a work environment that encourages initiatives, provides challenges and opportunities, and recognizes performance.

To

**The Members of**

SHERVANI INDUSTRIAL SYNDICATE LIMITED.

We have examined the compliance of conditions of Corporate Governance by Shervani Industrial Syndicate Limited, for the year ended 31st March, 2003, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of the certificate of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and management subject to the following:

The Company is having Executive Chairman. Combination of independent directors is not in accordance with Clause 49 of the Listing Agreement.

We certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state no investor grievance (s) is/are pending for a period exceeding one month against the company as per the records maintained by the shareholders/Investors grievance committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

**For P.L. TANDON & CO.,**  
CHARTERED ACCOUNTANTS.

PLACE : New Delhi  
DATED : June 30, 2003

**(ANIL AGARWAL)**  
PARTNER