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2005-2006

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Shervani Industrial Syndicate Limited

BOARD OF DIRECTORS

Mr. Azhar Nisar Shervani
Chairman

Mr. Tahir Hasan
Vice Chairman

Mr. Saleem Iqbal Shervani
Managing Director

Mr. Saeed Mustafa Shervani

Ms. Salma Hasan

Mr. Kush Bhargava

Mr. Gopal Swaroop Chaturvedi

Dr. Kamal Kumar
Directors

COMPANY SECRETARY & ACCOUNTS MANAGER

Mr. B. K. Misra

AUDITORS

M/s. P.L. Tandon & Co.

BANKERS

Central Bank of India

Union Bank of India

State Bank of India

ICICI Bank Ltd.

HDFC Bank Ltd.

**REGISTERED OFFICE
SHERVANI NAGAR, SULEM SARAI
ALLAHABAD - 211011 (U.P.)**

SHERVANI INDUSTRIAL SYNDICATE LIMITED

ANNUAL REPORT 2005-2006

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58TH ANNUAL REPORT (2005-2006)**DIRECTORS' REPORT**

Your Directors present the 58th Annual Report together with the audited Statement of Accounts for the year ended 31st March, 2006.

FINANCIAL RESULTS:

	(Rs. in Lacs)
Profit before Depreciation	186
Depreciation	60
Profit before Exceptional Items	126
Net Income on Exceptional items	37
Profit before Tax	163
Income Tax adjustments (Net) & FBT	(111)
Net Profit for the year after Tax adj.	52
Add Balance brought forward from last year	86
Surplus Available for Appropriation	138
Appropriation:	
Dividend including tax on dividend	37
Balance Carried Forward	101

DIVIDEND:

Your Directors recommend dividend @ 10% for the year 2005-06 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
TOTAL	32.80

OPERATIONS REVIEW

During the year under review Torch production increased to 3.10 million from 2.96 million while Battery production for DGS&D reduced to 2.63 million from 15.64 million causing approximately 15% reduction in income. The company's agreement with Gillette for DGS&D supply of batteries expired on 31st March 2006; consequently battery manufacturing is since closed. Your Company continued contract manufacturing Eveready & Salora brand torches. The agreement for manufacturing Geep brand torches could not be renewed.

SUBSIDIARY COMPANIES:**SHERVANI SUGAR SYNDICATE LIMITED**

In the reporting period, the financials of this Subsidiary company showed some improvement. However due to reduced availability of sugarcane, the company was unable to capitalize its improved operational efficiency. It could crush 20% less cane compared to previous year's quantity and hence it lost another opportunity for making substantial financial gains. The shortfall in

sugarcane was mainly on account of reduction in sowing triggered by reduced cane price the farmers were paid in last two seasons.

SHERVANI HOSPITALITIES LIMITED

During the period under review the financial results of this Subsidiary company showed slight improvement in comparison to the previous year. The losses for the year were reduced to Rs.114 lacs against Rs. 205 lacs in the previous year. Renovation plans of its one unit at Delhi were accomplished during the year and the unit was reopened in November '05.

TARA SNACKS & FOODS LIMITED

During the year, the Board decided to acquire the total shares of this associate company keeping in view the large stake of the Company in it. This acquisition resulted in 'Tara Snacks & Foods Limited' becoming a wholly owned subsidiary of your Company. The Board also decided for amalgamation of the subsidiary with the Company w.e.f. 01.04.2006. Your Company is pleased to report that Bombay & Delhi Stock Exchanges have accorded its' approval for the draft scheme of above amalgamation.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the accounting standard AS-21 on consolidated financial statements read with accounting standard AS-23 on accounting for investments in associates, your company has prepared the consolidated financial statements and those share holders who desire to obtain these statements, would be provided the same upon receiving such request.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mrs. Salma Hasan, Mr. Gopal Swarup Chaturvedi and Mr. Kush Bhargava, 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.

58TH ANNUAL REPORT (2005-2006)**DIRECTORS' REPORT****CORPORATE GOVERNANCE**

Report on Corporate Governance along with Auditors' Statement on its compliance is annexed to this Annual Report.

CONSERVATION OF ENERGY, TECHNOLOGY 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.

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—No employee is drawing salary beyond the specified limit.

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 have 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. 18.05 lacs were paid. 2 Deposits amounting to Rs. 0.19 lacs due for payment on or before 31st March, 2006 were not claimed by the depositors till 31st March, 2006. 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 appreciation for the devoted services of all the employees of the Company.

For and on behalf of the Board

Saleem I. Shervani
Managing Director

G.S.Chaturvedi
Director

Place : Allahabad

Date : July 22, 2006

ANNEXURE 'A' TO THE DIRECTORS' 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, 2006.

A. CONSERVATION OF ENERGY

- a) Energy conservation measures taken—Nil
- b) Additional investments & schemes being implemented—Nil
- c) Impact of measure (a) & (b) above—Nil

B. TECHNOLOGY ABSORPTION RESEARCH AND DEVELOPMENT—Nil**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

Foreign Exchange used equivalent to Rs.Nil and Foreign Exchange earned Rs.Nil.

For and on behalf of the Board

Saleem I. Shervani
Managing Director

G.S.Chaturvedi
Director

Place : Allahabad

Date : July 22, 2006

58TH ANNUAL REPORT (2005-2006)**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 stakeholders 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 Non-executive Chairman, Managing Director, one Whole-time Director and Five Non-executive Directors of whom three are Independent Directors.

During the Financial Year ending 31st March, 2006, six Board Meetings were held on 25th April, 2005, 27th June, 2005, 29th July, 2005, 25th October, 2005, 24th January, 2006 and 24th February 2006. 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 31st March, 2006 are given below:

Director	Category	Attendance		No. of outside Directorship *	No. of Other Board Committees	
		Board Meeting	AGM		Member	Chairman
Mr. A. N. Shervani	Chairman, Non Executive	1	X	2	Nil	Nil
Mr. Tahir Hasan	Vice Chairman, Executive	6	✓	5	1	Nil
Mr. S. I. Shervani	M.D, Executive	6	X	7	Nil	Nil
Mr. S. M. Shervani	Non Executive	X	X	1	Nil	Nil
Dr. Kamal Kumar	Independent	6	X	1	Nil	Nil
Mrs. Salma Hasan	Non Executive	1	X	Nil	Nil	Nil
Mr. Kush Bhargava	Independent	X	X	Nil	Nil	Nil
Mr. G.S.Chaturvedi	Independent	5	✓	1	Nil	Nil

* 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 |

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

The Audit Committee was set up by the Board of Directors and the terms of reference of the Committee cover the matters specified for Audit Committee in compliance of Clause 49 of the listing agreement as well as of Section 292 A of the Companies Act, 1956.

The Committee had met on 26th June, 2005, 24th October, 2005 and 23rd January, 2006 attended by all members.

4. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

Mr. G. S. Chaturvedi heads 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 from the investors.

5. REMUNERATION COMMITTEE

The Board has constituted Remuneration Committee comprising following members in compliance of Schedule XIII of the Companies Act, 1956 and Clause 49 of the listing agreement with the Stock Exchanges.

58TH ANNUAL REPORT (2005-2006)**CORPORATE GOVERNANCE**

- 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 28th May, 2005 and 26th June 2005 attended by all members.

Directors remuneration details for the year ended 31 st March, 2006 are as under: (Amount in Rs.)			
Name of Directors	Salary	Perquisites (including retirement benefits)	Total
Mr. S. I. Shervani	10,80,000	3,38,441	14,18,441
Mr. Tahir Hasan	1,34,000	14,783	1,48,783

6. GENERAL BODY MEETINGS

AGM/EGM	Date	Time	Venue
AGM (for 2002-2003)	24/09/2003	11.30 A. M.	Registered Office:28, South Road, Allahabad-211001
AGM (for 2003-2004)	22/09/2004	11.30 A.M.	Same as above
EGM	08/12/2004	11.30 A. M.	Same as above
AGM (for 2004-2005)	28/09/2005	11.30 A.M.	2, New Cantonment, Kanpur Road, Allahabad-211001

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 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. Bombay Stock Exchange suspended trading of company's scrip w.e.f. 21st December, 2004, due to non registration under EDIFAR. The Company has complied with all the requirements and expects re-commencement of trading shortly.

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 has not got any web site.

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

DATE	: September 27, 2006
DAY	: Wednesday
TIME	: 11.30 A. M.
VENUE	: 2, New Cantonment, Kanpur Road, Allahabad-211001, U. P.

Financial Calender**Financial reporting for the**

Financial year	: April-March
Quarter ending June 30, 2006	: End of July 2006
Half year ending September 30, 2006	: End of October 2006
Quarter ending December 31, 2006	: End of January 2007
Quarter ending March 31, 2007	: End of April 2007/June 2007

58TH ANNUAL REPORT (2005-2006)**CORPORATE GOVERNANCE**

Date of Book Closure	: 16 th September, 2006 to 27 th September, 2006 (both days inclusive)
Date of Dividend Payment	: On or after 27 th September, 2006, within statutory time limit
Listing on Stock Exchanges	: 1. Bombay Stock Exchange Limited, Mumbai 2. The Delhi Stock Exchange Association Ltd. New Delhi 3. The U. P. Stock Exchange Association Ltd. Kanpur
Stock Code	: 526117(BSE) / 3079(DSE)

Market Price Data (Financial Year 2005-2006)

There was no trading in Bombay Stock Exchange during the year due to suspension imposed by the exchange. Last traded price Rs 40/- on 21/12/2004.

Registrar : Intime Spectrum Registry Limited,
C-13, Pannalal Silk Mills Compound,
L. B. S. Marg,
Bhandup (W),
Mumbai- 400 078

Share Transfer System

The company has appointed M/s Intime Spectrum Registry Ltd. having its office as above as Registrar for demat as well as for physical segment 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 Shares Distribution as on 31st March, 2006

SHAREHOLDING PATTERN			DISTRIBUTION OF SHAREHOLDING		
Category	No. of Shares	%	No. of Shares	No. of Shareholders	Shares
Promoters, Directors & Relatives	13,69,875	42.01	1-500	1,048	1,34,221
Public Financial Institution	4,10,550	12.59	501-1000	95	76,076
Nationalised Bank	6,040	0.19	1001-2000	58	84,180
Bodies Corporate	3,05,334	9.37	2001-3000	22	53,340
Public	11,63,611	35.69	3001-4000	11	38,194
Others (Foreign Nationals)	920	0.03	4001-5000	10	44,641
NRIs/OCBs	3,920	0.12	5001-10000	24	1,83,023
			10001 and above	39	26,46,575
Total	32,60,250	100.00		1,307	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, 2006 over 74.58% of the share of the Company are dematerialised.

Plant Locations : Shervani Nagar, Sulem Sarai, Allahabad (U.P.)

Address for Correspondance : **SHERVANI INDUSTRIAL SYNDICATE LIMITED**
Registered Office: Shervani Nagar, Sulem Sarai
Allahabad-211011 (U.P.)
Phone: 0532-2636772, 2637296 Fax: 0532-2436928, 2637300
Email: geepcorp@sancharnet.in

58TH ANNUAL REPORT (2005-2006)**CORPORATE GOVERNANCE****MANAGEMENT DISCUSSION AND ANALYSIS****Industry Structure and Development**

Flashlight Industry comprises mainly of Brass, Aluminium, Plastic and Steel segments. Brass is the largest segment. The size of the market is about 20 million pieces. Growth of the market continued modest during the last couple of years.

Outlook on Opportunities, Threats, Risks and Concern

The Company has stabilized its Brass & Aluminium flashlight manufacturing capabilities. Since the Company is undertaking only 'contract manufacturing', the capacity utilization is dependent on the job-work orders, which are yet to reach the optimum level.

The battery manufacturing suffered severe set back due to lack of orders from DGS & D during the year. Gillette did not renew its business contract with DGS & D resulting in closure of Company's Battery Manufacturing activity in the current year.

Financial Performance

The income from Job charges has reduced in comparison to previous year due to erratic and inconsistent ordering pattern of the principal purchasers. The substantial interest income together with other income improved the profit before exceptional items by 16% compared to previous year.

Subsidiary Companies

Company has very high exposure in its subsidiary company Shervani Sugar Syndicate Limited. Though the financials of the year have shown improvement of this subsidiary, it could not exploit its operational efficiency due to paucity of sugarcane availability for crushing during the reporting sugar season.

Shervani Hospitalities Limited, the other subsidiary company is taking steps to refurbish its existing properties which would improve its profitability in coming years. It has completed its renovation plan of Delhi Property and taken up the work of its Nainital unit.

Tara Snacks & Foods Pvt. Limited, an Associate Company has become wholly owned subsidiary of your Company during the year on subscribing seven lacs equity shares. The management has decided to amalgamate it with the Company to safeguard its large stake involved.

Internal Control Systems and Adequacy

The Company has adequate internal control procedures commensurate with its size and nature of business. The Company has appointed internal auditors who carry out the audit extensively through out the year.

Human Resource

The company maintains a very cordial relationship with its employees and they wholeheartedly support the management in its development activities.

58TH ANNUAL REPORT (2005-2006)**CORPORATE GOVERNANCE****To The Members of Shervani Industrial Syndicate Limited**

We have examined the compliance of conditions of Corporate Governance by Shervani Industrial Syndicate Limited as at 31st March, 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementations thereof, adopted by Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements 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 the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained by the Company, no investor Grievances pending for a period exceeding one month.

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

P.P. SINGH
Partner

Membership No.72754

Place : Kanpur
Date : 22nd July, 2006