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**2006-2007**

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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. Raju Verghese  
***Whole-time 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**

Union Bank of India

ICICI Bank Ltd.

HDFC Bank Ltd.

Central Bank of India

State Bank of India

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

# SHERVANI INDUSTRIAL SYNDICATE LIMITED

## ANNUAL REPORT 2006-2007

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**59<sup>TH</sup> ANNUAL REPORT (2006-2007)****DIRECTORS' REPORT**

Your Directors take pleasure in presenting the 59<sup>th</sup> Annual Report together with the audited Statements of Accounts for the year ended 31<sup>st</sup> March, 2007.

**FINANCIAL RESULTS**

	(Rs. in Lacs)
Profit before Depreciation	191
Depreciation	57
Profit before Exceptional Items	134
Net Income on Exceptional items	(90)
Profit before Tax	44
Income Tax adjustments (Net) & FBT	17
Net Profit for the year after tax adj.	61
Add Balance brought forward from last year	101

**Surplus Available for Appropriation** **162**

Appropriation:

Dividend including tax on dividend	38
Balance Carried Forward	124

**DIVIDEND:**

Your Directors recommend dividend @ 10% for the year 2006-07 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 under review the production of Torches reduced drastically from 3.10 million to 1.26 million causing 51% reduction in income. Your Company continued the contract manufacturing of 'Eveready' and 'Salora' brand Torches. Requirement of both these brands reduced significantly due to steep decline in demand of expensive and conventional Brass Torches in Indian market. In fact the Indian Metal Flashlight Industry as a whole suffered a setback as cheap and energy saving LED (Light Emitting Diode) Torches largely occupied the place.

**SUBSIDIARY COMPANIES****SHERVANI SUGAR SYNDICATE LIMITED**

In the reporting period, the subsidiary company has utilised its capacity very well. However the productivity improvement could not convert to profitability due to sugar price crash in the market saddled with sugarcane price hike declared by the Government. The subsidiary company is expected to suffer cash loss during the sugar season 2006-2007 in line with sugar industry in the country.

**SHERVANI HOSPITALITIES LIMITED**

The Company has invested Rs.3 Crores in the Equity Shares of the subsidiary Company for opening of new restaurants and refurbishing of existing hotels. Unfortunately, the business of Café Masala and Base Kitchen the new restaurants for which the investment were mainly made has not been successful and closed down by the subsidiary company. The Accumulated losses as on 31<sup>st</sup> March 2006 were increased to Rs.447.86 lacs against paid up capital of Rs.416.67 lacs. In view of the losses the Board decided for sale of the 15,00,000 Equity Shares at par to minimise its exposure in subsidiary company without incurring any loss. After the transfer of these Shares M/s Shervani Hospitalities Limited ceased to be subsidiary of the company.

**TARA SNACKS & FOODS LIMITED**

The Board has deferred its earlier decision of amalgamation of the subsidiary company for one year from 01.04.2006 to 01.04.2007 to survey the market and also negotiate with various companies who are producing and marketing the Biscuits, for 'Contract manufacturing'.

**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 shareholders 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, Mr. Azhar Nisar Shervani, Mr. Saeed Mustafa Shervani and Dr. Kamal Kumar, Directors of the Company retire by rotation at this Annual General Meeting and are eligible for re-appointment.

Mr. Raju Verghese, who was General Manager (Finance) of the company was appointed as an Additional Director and subsequently as a Whole-time Director for a period of three years w.e.f. 27.01.2007 in accordance with the provisions of the Companies Act, 1956. Mr. Verghese in his capacity as Additional Director, will cease to hold office at the forthcoming Annual General Meeting and is eligible for appointment.

**AUDITORS**

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

**59<sup>TH</sup> ANNUAL REPORT (2006-2007)****DIRECTORS' REPORT**

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.

**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—Not Applicable

**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.1.58 lacs were paid. No Deposit was due for payment on or before 31<sup>st</sup> March 2007. 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 wish to place on record their deep sense of appreciation for the devoted services of all the employees of the Company and assistance and co-operation received from all stakeholders.

For and on behalf of the Board

**Saleem I. Shervani**  
Managing Director

**Raju Verghese**  
Whole-time Director

Place : Allahabad

Date : May 24, 2007

**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 31<sup>st</sup> March 2007.

**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.0.04 Lac and Foreign Exchange earned Rs.Nil.

For and on behalf of the Board

**Saleem I. Shervani**  
Managing Director

**Raju Verghese**  
Whole-time Director

Place : Allahabad

Date : May 24, 2007

**59<sup>TH</sup> ANNUAL REPORT (2006-2007)****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 Chairman, Managing Director, two Whole-time Directors and Five Non-executive Directors of whom three are Independent Directors.

During the Financial Year ending 31<sup>st</sup> March 2007, four Board Meetings were held on 5<sup>th</sup> June 2006, 22<sup>nd</sup> July 2006, 21<sup>st</sup> October 2006 and 27<sup>th</sup> January 2007. 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 2007 are given below:

Director	Category	Attendance Board Meeting	AGM	No. of outside Directorship *	No. of other Board Committees	
					Member	Chairman
Mr. A. N. Shervani	Chairman, Non Executive	1	X	2	Nil	Nil
Mr. Tahir Hasan	Vice Chairman, Executive	4	✓	5	1	Nil
Mr. S. I. Shervani	M.D., Executive	4	✓	7	Nil	Nil
Mr. S. M. Shervani	Non Executive	X	X	1	Nil	Nil
Dr. Kamal Kumar	Independent	4	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	2	✓	1	Nil	Nil
Mr. Raju Verghese**	Executive	1.	N.A.	Nil	Nil	Nil

\* This excludes directorships held in Private Limited Companies.

\*\* Mr. Raju Verghese has been Co-opted on Board w.e.f. 27<sup>th</sup> January 2007.

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.) Mr. Kush Bhargava, Member Independent Non-executive
- c.) Dr. Kamal Kumar, 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 21<sup>st</sup> July 2006, 20<sup>th</sup> October 2006 and 25<sup>th</sup> January 2007 attended by all members.

**4. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE**

The Committee is being headed by Mr. G. S. Chaturvedi. 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.

- a.) Mr. G. S. Chaturvedi, Chairman Independent Non-executive
- b.) Dr. Kamal Kumar, Member Independent Non-executive
- c.) Mr. Kush Bhargava, Member Independent Non-executive



**59<sup>TH</sup> ANNUAL REPORT (2006-2007)****CORPORATE GOVERNANCE**

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

The Committee had met on 27<sup>th</sup> January 2007 and attended by all members.

Directors' remuneration details for the year ended 31<sup>st</sup> March 2007 are as under:

Name of Directors	Salary retirement benefits)	Perquisites (including	Total
Mr. S. I. Shervani	12,00,000	4,10,380	16,10,380
Mr. Tahir Hasan	1,44,000	NIL	1,44,000
Mr. Raju Verghese	32,419	NIL	32,419

**6. GENERAL BODY MEETINGS**

AGM/EGM	Date	Time	Venue
AGM (for 2003-2004)	22/09/2004	11.30 A. M.	Registered Office:28, South Road, Allahabad-211001
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
AGM (For 2005-2006)	27/09/2006	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 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 COMMUNICATION**

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 12, 2007
DAY	: Wednesday
TIME	: 11.30 A. M.
VENUE	: 2, New Cantonment, Kanpur Road, Allahabad-211001, U.P.

**Financial Calendar**

Financial reporting for the

Financial year	: 1 <sup>st</sup> April to 31 <sup>st</sup> March
Quarter ending June 30, 2007	: End of July 2007
Half year ending September 30, 2007	: End of October 2007
Quarter ending December 31, 2007	: End of January 2008
Quarter ending March 31, 2008	: End of April 2008/June 2008

**Date of Book Closure** : 1<sup>st</sup> September 2007 to 12<sup>th</sup> September 2007 (both days inclusive)

**Date of Dividend Payment** : On or after 12<sup>th</sup> September 2007, within statutory time limit

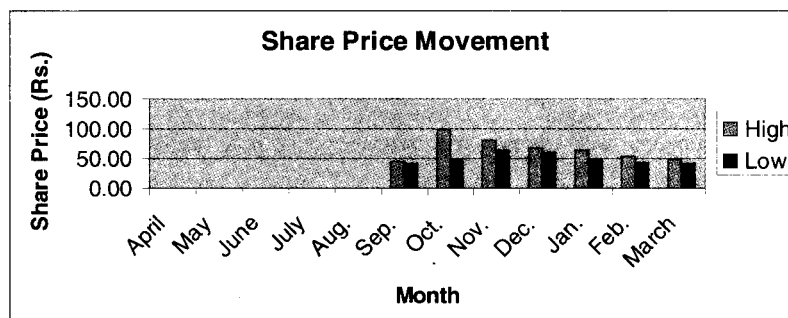
**Listing on Stock Exchanges** : 1. The Bombay Stock Exchange Limited, Mumbai  
2. The Delhi Stock Exchange Association Ltd. New Delhi  
3. The U. P. Stock Exchange Association Ltd. Kanpur

**Stock Code** : 526117(BSE) / 3079(DSE)

**59<sup>TH</sup> ANNUAL REPORT (2006-2007)****CORPORATE GOVERNANCE****Market Price Data** (Financial Year 2006-2007)

Trading of Company's Share on Bombay Stock Exchange was recommenced on 28<sup>th</sup> September 2006. The detail of share price movement is as under;

	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
High						44.10	99.00	81.00	68.00	63.00	53.15	48.30
Low						42.00	46.30	63.70	60.00	48.10	43.35	41.70

**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 & transmissions etc. are being approved by a Committee of Directors, which meets periodically.

**Shareholding Pattern and Share Distribution as on 31<sup>st</sup> March 2007**

SHAREHOLDING PATTERN			DISTRIBUTION OF SHAREHOLDING		
Category	No. of Shares	%	No. of Shares	No. of Shareholders	Shares
Promoters, Directors & Relatives	1634200	50.12	1-500	1013	130431
Public Financial Institution	400602	12.29	501-1000	80	62778
Nationalised Bank	6040	0.19	1001-2000	49	72743
Bodies Corporate	66769	2.05	2001-3000	21	50641
Public	1147689	35.20	3001-4000	14	49434
NRIs/OCBs	4030	0.12	4001-5000	13	58105
Others (Foreign Nationals)	920	0.03	5001-10000	22	166482
			10001 and above	40	2669636
Total	3260250	100.00		1252	3260250

**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 Limited and Central Depository Services (India) Limited. As on March 31, 2007 over 75.53% of the shares of the Company are dematerialised.

**Plant Location** : Shervani Nagar, Harwara, Allahabad (U.P.)

**Address for Correspondence** : **SHERVANI INDUSTRIAL SYNDICATE LIMITED**  
Registered Office: Shervani Nagar, Sulem Sarai  
Allahabad-211011 (U.P.)  
Phones : 0532-2636772, 2637296 Fax -0532-2637300, 2436928  
Email: [shervaniind@rediffmail.com](mailto:shervaniind@rediffmail.com)



**59<sup>TH</sup> ANNUAL REPORT (2006-2007)****CORPORATE GOVERNANCE****MANAGEMENT DISCUSSION AND ANALYSIS****Industry Structure and Development**

Brass Flashlight was the largest segment of Indian Flashlight Industry. It suffered a set-back in the market because of tremendous increase in product cost, and wide range acceptance of low priced and energy saving LED (Light Emitting Diode) Torches by the consumers. Growth of the market for conventional Brass Flashlights is not expected in the near future.

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

The Company is undertaking only 'contract manufacturing' and as such the capacity utilization is dependent on Job Work Orders which are presently not adequate due to adverse market conditions. Presently the LED Torches available in the market are not of superior quality and these are either imported from China or produced locally by un-organized sector. The Company has taken-up designing and development of LED version of Brass Flashlights for their major customer Eveready. It is expected that the introduction of quality LED models at competitive price may revive the Brass Flashlight market.

**Financial Performance**

The income from Job charges has reduced in comparison to previous years due to erratic and inconsistent ordering pattern of the principal purchasers. The substantial interest income and profit on sale of investment together with other income improved the profit before exceptional items by 6.67% compared to previous year.

**Subsidiary Companies**

Company has very high exposure in its subsidiary company Shervani Sugar Syndicate Limited. The productivity has shown significant improvement during the year in this subsidiary. However sharp decline in the prices of sugar coupled with increase in cane prices has spoiled the profitability of the industry. According to industry reports the profitability will be under stress for at least next 2-3 years.

Tara Snacks & Foods Limited, a Wholly Owned Subsidiary of your Company has not performed well. The management has deferred its decision to amalgamate the subsidiary company for one year to survey the viability of this subsidiary.

**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 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.

**59<sup>TH</sup> ANNUAL REPORT (2006-2007)****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 31<sup>st</sup> March 2007, 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

S.K. SRIVASTAVA  
Partner  
Membership No.70455

Place : Allahabad  
Date : May 24, 2007

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