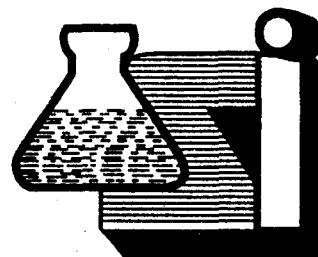


17TH ANNUAL REPORT 2005-2006

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SHREYAS INTERMEDIATES LTD

122-125, Solaries II, Saki-Vihar Road, Powai, Andheri (E), Mumbai - 400 072. (India)

17TH ANNUAL REPORT 2005 - 2006**BOARD OF DIRECTORS**

Shri Dinesh Sharma	Chairman
Shri Bramhanand Dabas	Director
Prof. (Smt.) Neelam Arora	Director
Shri N. M. S. Sayyad	Wholetime Director

REGISTERED OFFICE

122-125 Solaris II, Opp. L & T Gate No.6
Saki Vihar Road, Powai, Andheri (E)
Mumbai – 400 072.

STATUTORY AUDITORS

M/s. Sayeed Khan & Associates
Chartered Accountants

BANKERS

Bank of Baroda
State Bank of India

FACTORY

D-21, D-22, D-23, M.I.D.C.
Lote Parshuram, Taluka Khed
Dist. : Ratnagiri - 415 722.
Maharashtra

REGISTRARS & SHARE TRANSFER AGENTS

M/s. System Support Services
209, Shivai Indl. Estate
Near Parke Davis
Andheri Kurla Road
Saki Naka,
Mumbai – 400 072

17th ANNUAL GENERAL MEETING

Date : 31st March, 2007
Day : Saturday
Time : 11.30 a.m.
Place : 122-125, Solaris – II, Opp. L & T Gate
No. 6, Saki Vihar Road, Powai
Andheri (E), Mumbai – 400 072

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SHREYAS INTERMEDIATES LTD.**NOTICE**

NOTICE is hereby given that the Seventeenth Annual General Meeting of Shreyas Intermediates Limited will be held at 11.30 A.M. on Saturday, 31st March, 2007 at the registered office of the Company at 122-125, 1st Floor, 'Solaris - II', Opp. L&T Gate No. 6, Saki-Vihar Road, Powai, Andheri (East), Mumbai 400 072, to transact the following business:

ORDINARY BUSINESS :

- 1) To receive and adopt the Directors' Report and the audited Balance Sheet as at 30th September 2006 and the audited Profit and Loss Account for the period ended on that date.
- 2) To appoint a Director in place of Prof.(Mrs.) Neelam Arora who retires by rotation and being eligible offers herself for re-appointment.
- 3) To appoint the Statutory Auditors and to fix their remuneration.

**By Order of the Board
for SHREYAS INTERMEDIATES LTD**

Mumbai

Date : 29th January 2007

**DINESH SHARMA
CHAIRMAN**

NOTES :

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company. The proxy form to be effective, must be duly executed and signed and must be lodged at the company's registered office at least 48 hours before the time of the meeting.
2. The Register of Members and the Share Transfer Books of the Company were closed from Tuesday, 6th February, 2007 to Tuesday, 20th February, 2007 (both days inclusive).
3. All matters in connection with the Shares of the Company may be addressed to the Company's Registrars & Transfer Agents viz. M/s. System Support Services, 209, Shivai Industrial Estate, Near Parke Davis, Andheri - Kurla Road, Andheri (East), Mumbai 400 072. Members are requested to quote their respective folio numbers / D.P / I.D. numbers and also notify the change of address, if any, to the Company's Registrars & Transfer Agents.
4. Shareholders desiring information as regards the accounts are requested to write to the Company at least 10 days before the Annual General Meeting to enable the Management to keep the information ready.
5. **ADDITIONAL INFORMATION AS REQUIRED UNDER CLAUSE 49 F THE LISTING AGREEMENT :**

Professor (Mrs.) Neelam Arora, aged 47 years, is an M.Com, M. Phil. and has more than 20 years varied experience in the teaching and research faculties and has been associated with a number of companies for advising them on the management aspects of their business. Mrs. Arora is not a Director of any other Company and is not a Partner of any Firm.

17TH ANNUAL REPORT 2005 - 2006**DIRECTORS' REPORT**

To,
The Shareholders,

Your Directors have pleasure in presenting their 17th Annual Report and the audited accounts for the financial year ended on 30th September 2006.

FINANCIAL RESULTS

	2005-2006 (Rs. In Lacs)	2004-2005 (Rs. In Lacs)
Gross Income	6,391.77	5,421.44
Profit before Interest And Depreciation	892.60	591.52
Less : Interest	190.19	111.80
Profit before Depreciation	702.41	479.72
Less : Depreciation	85.43	82.38
Profit Before Tax	616.98	397.34
Less : Provision for tax	82.28	5.19
Profit After Tax for the year	534.70	392.15
Balance brought forward	955.98	563.83
Profit available for Appropriation	1,490.68	955.98

DIVIDEND

Your Director proposed to retain the profit of the Company for the internal use and therefore do not recommend payment of Dividend during the year.

REVIEW OF OPERATIONS

The year under review continued to be a year of exponential growth in the country's GDP and other macro-economic parameters notwithstanding the inflationary impact on the cost of living and the costs of inputs impacting the Indian economy. Your Company continues its aggressive export marketing strategies - the Gross Income was higher by 21.20% as compared to the previous year and the profit after tax for the year registered a growth of about 36.35%. The healthy demand for the Company's products resulted in increased sales both in terms of volumes and value. The implementation of the strategic cost management initiatives has resulted in improving productivity significantly. The Company's new export oriented production facility (designated as an EOU) at Plot No. D-21, adjacent to the factories of the Company at Lote Parshuram, Taluka Khed, District Ratnagiri in the State of Maharashtra, is nearing completion and the commercial production is expected to commence by the third week of February, 2007. The Company has tied up and availed its debt requirements of about Rs.35 Crores from its Bankers. Production of the new capacities of CPC Blue and CPC Green, are scheduled to be on stream by March, 2007. This new unit has been designated as an Export Oriented Unit (EOU) and the entire production from this unit would be deemed exports entitling the Company to claim all the export benefits.

PRODUCTION AND PERFORMANCE

The Company has produced CPC to match international quality. The production achieved during the year was 2,133 tons of CPC Crude. The Capacity utilization in this product was 71.60%. However in the Pigments, capacity utilization was low on account of severe competition in the field. The Company hopes to achieve full capacity utilization in the coming years.

SHREYAS INTERMEDIATES LTD.

MARKET

The Company's products are in continuous demand and are positioned to take advantage of the scarcity in the market; the products are the sellers' market, with the market driven prices and volumes bringing in a bigger market share. The Company is exploring the possibility of setting up two more manufacturing facilities and expand the base and market penetration. The enhanced facilities would become operational in about 6 months' time and leverage the Company's position in the market substantially.

EXPORTS

The Company's exports to countries in Europe, Latin America and the Asian Far East were of the value of Rs. 1,321 Lacs. The Company expects to enhance exports to these countries and also explore the possibility of setting up manufacturing facilities in USA and Germany by the process of Joint Ventures / Business Partnerships.

RESEARCH AND DEVELOPMENT

The Company is making continuous efforts to develop new products of international quality, which would cater to the industry specific demands of its buyers and has earmarked a substantial financial outlay for the purpose in the current year.

LISTING

The Company's Equity Shares continue to be listed on the Bombay Stock Exchange Limited, Mumbai (BSE). The Company has paid the requisite Annual Listing Fees for the years 2005-06 and 2006-07, to the above Exchange. The Company's Shares are now regularly traded on the exchange on a daily basis.

COMPULSORY DEMATERIALISATION OF COMPANY'S SHARES

The Company's Equity Shares were compulsorily Dematerialized and as such the Company's Shares continue to be traded in the electronic form as per the relevant SEBI guidelines.

DIRECTORS

Prof. (Mrs.) Neelam Arora retires by rotation at the ensuing Annual General Meeting (AGM) and being eligible, offers herself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA), which was introduced by the Companies (Amendment) Act, 2000 your Directors' confirm:

- a) that in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed.
- b) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the State of affairs of the Company as on 30th September 2006, and of the profit of the Company for the said twelve months period ended 30th September 2006.
- c) that the Directors have taken proper and sufficient 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.
- d) that The Directors have prepared the annual accounts on the going concern basis.

17TH ANNUAL REPORT 2005 - 2006**CORPORATE GOVERNANCE**

The Company has complied with the requirements of Corporate Governance, as applicable to the Company, during the period under report, as per the amended Listing Agreement with Bombay Stock Exchange Limited. The Report on Corporate Governance together with the Auditor's Report thereon, is annexed hereto in accordance with Clause 49 of the Listing Agreement with Bombay Stock Exchange Limited.

AUDITORS

M/s. Sayeed Khan & Associates, Chartered Accountants, Mumbai, the Statutory Auditors of the Company, retire at ensuing Annual General Meeting and are eligible for re-appointment.

EMPLOYEES

Relations between the management and its employees have been cordial. Your Directors place on record their appreciation of the efficient and loyal services rendered by the employees of the Company at all levels.

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees, is given in Annexure 'A' to the Report.

ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

The information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, with respect to conservation of energy, technology absorption and foreign exchange earnings and outgo is appended hereto as Annexure 'B' and forms Part of this Report.

AUDITORS REPORT

The observation made by the auditors in their report do not require any comments as the same are either self-explanatory or have been fully explained in the notes attached to the accounts.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation of the support received from the Company's Bankers and Shareholders and look forward to their continued support and goodwill.

By Order of the Board
for SHREYAS INTERMEDIATES LTD

Mumbai
Date : 29th January, 2007

DINESH SHARMA
CHAIRMAN

SHREYAS INTERMEDIATES LTD.**ANNEXURE "A" - EMPLOYEES' REMUNERATION**

Additional Information given as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors), Rules 1988.

Information as per section 217(2A) (B)(II) Read with Companies (Particulars of Employees), Rules 1975, and forming part of the Directors Report for the year ended 30th September 2006.

Sr. No.	Name	Age	Designation	Remuneration	Qualification	Experience	Date of Commencement of Employment	Last Employment
1	N.M Sayyad	41	Wholetime Director	Rs. 2.69 Lacs	B.Sc.	18 Years	30-09-2003	Factory Manager

ANNEXURE "B" - COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE THE BOARD OF DIRECTORS) RULES, 1988

Information required under the Companies (Disclosure of Particulars in the Report of the Board of Directors), Rules 1988.

CONSERVATION OF ENERGY

- By detecting energy waste on the shop floor, furnace and implement remedial measures the energy was saved. Inefficient use of energy in utilities items like Pumps and Compressors etc. was checked.
- Total energy consumption per Kilogram of products was 0.64 units that amounted to Rs. 2.44 per kilogram and 0.71 Units of Furnace Oil / Briquet/LDO/Coal amounted to Rs. 2.81 per kilogram.

TECHNOLOGY ABSORPTION :

Continuous efforts are on to produce materials more efficiently. Efforts are being made for semi-automation of some of the machines. Continuous efforts are on to produce products creating less effluent and getting product of higher quality. New methods of drying have been installed in the factory resulting in the final products being of superior quality whereby the products of the Company enjoy a better image over other available products in the market. Further efforts are on to minimize the levels of effluent and to get better & superior quality.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

	(Rs. in Lacs) 2005 - 06	(Rs. in lacs) 2004 - 05
1. Total Foreign Exchange earned	816.00	408.74
2. Total Foreign Exchange used	491.15	93.61

FORM A (See Rule 2)

Form for disclosure of particulars with respect to conservation of energy etc.

Power and fuel consumption

	2005 - 06	2004 - 05
Electricity:		
Unit Amount (in Lacs)	24.41	22.89
Total Amount (Rs. in Lacs)	93.26	87.02
Rate / Unit	3.82	3.80
Furnace Oil / Briquettes / LDO/ Coal :		
Quantity	27.06	22.77
Total Amount	107.16	131.25
Rate / Unit	3.96	5.76

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Consumption per unit of Production	2005 - 06	2004 - 05
1. Electricity Unit/Kg	0.64	0.40
2. Furnace Oil ltrs per kg.	0.71	0.40

FORM B (See Rule 2)**TECHNOLOGY ABSORPTION :**

Please see point B above

By Order of the Board
for **SHREYAS INTERMEDIATES LTD**

Mumbai
Date : 29th January 2007

DINESH SHARMA
CHAIRMAN

ANNEXURE 'C'**CORPORATE GOVERNANCE**

The Board of Directors of the Company supports the broad principles of Corporate Governance. Given below is the Report on Corporate Governance in respect of the year ended 30th September 2006.

1. Company's Philosophy on Code of Governance

The Company's philosophy on Corporate Governance lays strong emphasis on transparency, accountability and integrity. All employees are guided by the Company's policies on important issues, including our relationship with consumers, shareholders and Government.

2. Composition of Board

The Board of Directors has a mix of Executive and Non-executive Directors. The Board comprises of the Whole-time Director and three other Non-executive Directors. Accordingly, the composition of the Board is in conformity with the Listing Agreement with the Stock Exchange. Mr. Dinesh Sharma a Director is the non-executive Chairman of the Board. Except the Whole-time Director, all other Directors retire by rotation as per the provisions of the Companies Act, 1956.

The composition of the Board and other relevant details relating to Directors are given below:

Sr. No.	Name of Director	Category	No. of Other Directorship	No. of Memberships of Board Committes	No. of Board Committees of which the Director is a Chairperson
1.	Mr. N.M. Sayyad	Executive	Nil	Nil	Nil
2.	Mr. Dinesh Sharma (Chairman of the Board)	Non-Executive	Nil	4	1
3.	Mr.B.N.Dabas	Non-Executive	Nil	4	2
4.	Prof. (Mrs.) Neelam Arora	Non-Executive	Nil	4	1

SHREYAS INTERMEDIATES LTD.

3. Board Meetings, Committee meetings and the Annual General Meeting :

During the year 2005-2006, 6 Board Meetings and 4 Meetings of the Audit Committee and 4 meetings of the Investors' Grievances Committee were held; no meeting of the Remuneration Committee was held as there was no agenda for the Committee. The last Annual General Meeting of the Company (16th AGM) was held on March 17, 2006 and four Special Resolutions were passed thereat.

ATTENDANCE OF DIRECTORS AT MEETINGS OF THE BOARD AND OF COMMITTEES OF THE BOARD AND AT THE 16th ANNUAL GENERAL MEETING (AGM)

Name	Category	Particulars of Meetings of the Board and of the Committees of the Board																Last A.G. M held on 17.03.2006
		Board Meetings 1. 29.12.2005 2. 28.01.2006 3. 14.02.2006 4. 17.03.2006 5. 28.04.2006 6. 28.07.2006						Audit Committee Meetings 1. 29.12.2005 2. 28.01.2006 3. 28.04.2006 4. 28.07.2006				Investors' Grievances Meetings 1. 29.12.2005 2. 17.03.2006 3. 29.06.2006 4. 30.09.2006						
		1	2	3	4	5	6	1	2	3	4	1	2	3	4			
Shri Dinesh Sharma	Director	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y		
Shri B.N. Dabas	Director	Y	Y	Y	N	N	N	Y	N	N	N	Y	Y	N	N	N		
Shri N.M. Sayyed	Whole-time Director	Y	Y	Y	Y	Y	Y	NA	NA	NA	NA	NA	NA	NA	NA	Y		
Prof. (Mrs.) Neelam Arora	Director	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y		

NOTE : Attended (Y) ; Not Attended (N) ; Not Applicable (N.A.)

A. AUDIT COMMITTEE

The Audit Committee constituted by the Board of Directors consists of three Directors namely Shri B.N. Dabas, Prof. (Mrs.) Neelam Arora and Shri Dinesh Sharma. The constitution of the Audit Committee meets with the requirements of the Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement; Mr. Dabas and Mrs. Arora are independent, non-executive Directors.

The terms of reference of the Audit Committee include :

- reviewing financial statements and pre-publication announcements before submission to the Board.
- ensuring compliance of internal control systems and follow-up action on internal audit reports.
- apprising the Board on the impact of accounting policies, auditing standards and legislation
- holding periodical discussions with Statutory Auditors on the scope and content of the audit.
- reviewing the Company's financial and risk management policies.

During the financial year 2005-06, 4 Audit Committee Meetings were held on 29.12.2005, 28.01.2006, 28.04.2006 and 28.07.2006.

B. Remuneration Committee

The Committee did not hold any meeting as there was no agenda for the Committee.

The remuneration policy is directed towards rewarding performance. It is aimed at attracting and retaining talent. The Company's incentive plan is linked to performance and achievement of the Company's objectives. The details of remuneration paid/payable to Directors of the Company during the year ended September 30, 2006 are given below: