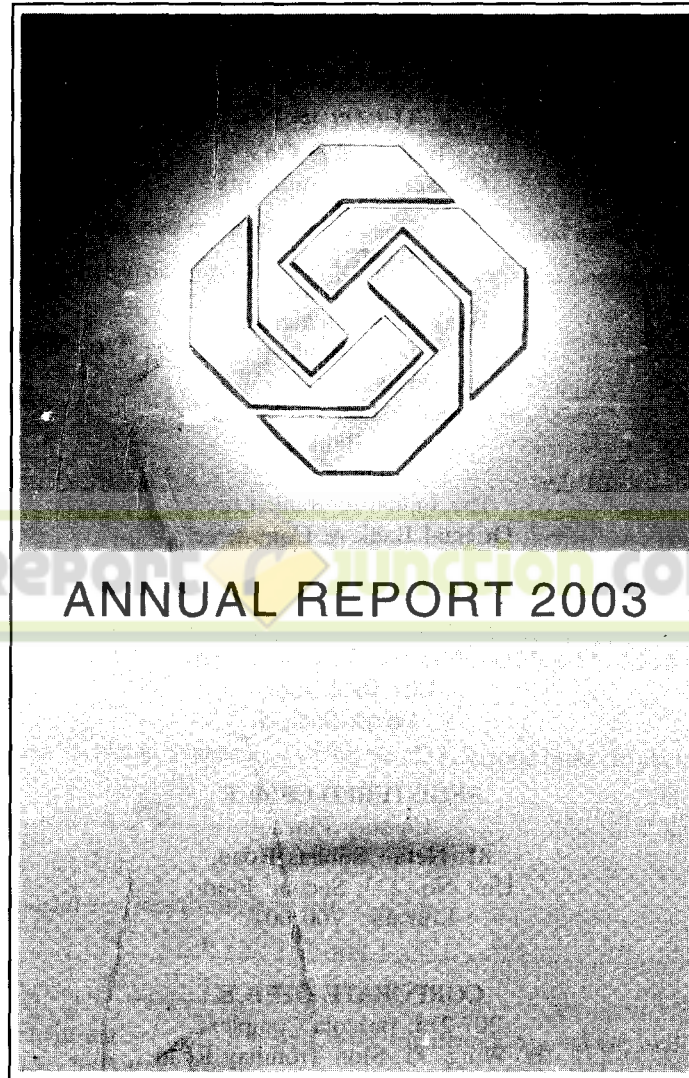


CFL CAPITAL FINANCIAL SERVICES LTD.



BOARD OF DIRECTORS

H.C. Mathur (Managing Director)
Sujit Dutta
B.N. Tripathi
Sudhamoy Chatterjee

COMPANY SECRETARY

R. C. Kurup

AUDITORS

Tarmaster & Co.
Chartered Accountants

BANKERS

Bank of Baroda
Bank of Rajasthan Ltd.
Dena Bank
Deutsche Bank
Dhanalakshmi Bank Ltd.
Federal Bank Ltd.
Indian Bank
The IndusInd Bank Ltd.
Oriental Bank of Commerce
State Bank of India
State Bank of Travancore
The Catholic Syrian Bank Ltd.
The South Indian Bank Ltd.
UTI Bank Ltd.
Vijaya Bank

REGISTERED OFFICE

Century Plaza
81, Netaji Subhas Road,
Unit No. 233, Second Floor,
Kolkata - 700 001.

CORPORATE OFFICE

207-215, Bezzola Complex,
'B' Wing, 71, Sion Trombay Road,
Chembur, Mumbai - 400 071.

REGISTRARS & SHARE TRANSFER AGENTS

Intime Spectrum Registry Limited
1/17, Prince Ghulam Mohammed Road,
Flat No. 7, 3rd Floor, Kolkata - 700 026.
Phone : 033-24647895, Telefax : 033-24645145
E-mail : kolkata@intimespectrum.com

CFL CAPITAL FINANCIAL SERVICES LTD.**NOTICE**

NOTICE is hereby given that the Eighteenth Annual General Meeting of the members of CFL Capital Financial Services Limited will be held at the Mini Auditorium, Science City, JBS Haldane Avenue, Kolkata-700 046 on Wednesday, the 17th day of September, 2003 at 10.30A.M to transact, with or without modifications, as may be permissible, the following business: -

Ordinary Business :

1. To receive, consider and adopt the audited Profit and Loss Account for the financial year ended 31st March 2003, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Sujit Datta who retires by rotation and is eligible for reappointment.
3. To appoint auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to authorize the Board to fix their remuneration.

Special Business:

To consider, and if thought fit, to pass the following as Special Resolutions :

4. "RESOLVED THAT in accordance with the applicable provisions of the Companies Act, 1956 and subject to the approval of the Central Government and such other approvals as may be necessary, this meeting hereby approves the re-appointment of and the remuneration payable to Mr. H.C. Mathur as Managing Director of the Company for a period of two years with effect from 1st May, 2003 as set out in the draft Agreement to be entered into between the Company and Mr. Mathur, a copy whereof is laid on the table and for the purpose of identification initialled by the Chairman hereof, with liberty to the Board of Directors to alter or vary the remuneration as may be agreed to between the Board of Directors and Mr. Mathur even if the remuneration exceeds the limits specified in Schedule XIII to the Companies Act, 1956 or any amendment thereto."
5. "RESOLVED THAT approval of the Company be and is hereby accorded for delisting the Equity Shares of the Company voluntarily from the Calcutta Stock Exchange and the National Stock Exchange in terms of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and other applicable Guidelines, if any, and the Board of Directors of the Company be and is hereby authorised to do the needful in this regard including delegating authority to such persons as they deem fit for this purpose."
6. "RESOLVED THAT pursuant to the provisions of Section 163 (1) of the Companies Act, 1956 (the Act), the Register of Members and Index of Members be kept and maintained at the office of the Company's Registrars and Share Transfer Agents, Intime Spectrum Registry Limited at 1/17 Prince Ghulam Mohammed Road, Kolkata - 700 026 or such other office of the said Registrar and Share Transfer Agents within the city of Kolkata as may be decided by them in future."

By Order of the Board

R.C.KURUP
Company Secretary

Kolkata : Dated 31st July, 2003

Registered Office:

Century Plaza
81, Netaji Subhas Road
Unit No.233, Second Floor
Kolkata-700 001

**NOTES**

1. The Register of Members of the Company will remain closed from 10th September, 2003 to 17th September, 2003 both days inclusive.
2. A member entitled to attend and vote at the meeting may appoint a proxy to attend and, on a poll, to vote on his behalf. A proxy need not be a member of the Company. Proxies in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
3. An Explanatory Statement pursuant to Section 173 and an Abstract of the Terms and Memorandum of Interest under Section 302 of the Companies Act, 1956 are annexed to this Notice.
4. Shareholders desiring any information as regards the Accounts are requested to write to the Company at least seven days in advance of the date of the Meeting so as to enable the information to be kept ready.
5. Due to the prohibitive cost of paper and printing, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are, therefore, requested to bring their copies of the Annual Report with them for the meeting.
6. Pursuant to Section 205A of the Companies Act, 1956 dividends for the financial year ended 31st March 1996 and thereafter which remain unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund of the Central Government. Members who have not encashed their dividend warrant(s) for the financial year ended 31st March 1996, 31st March 1997 and 31st March, 1998 are requested to make their claim to the Registered Office of the Company. All unpaid /unclaimed dividends paid upto the financial year ended 31.03.1995 have been transferred to the General Revenue Account of the Central Government.
7. The Equity Shares of the Company have already come under compulsory dematerialised trading with effect from 28th August 2000. Members are, therefore, at liberty to dematerialise their holdings in the Company through a Depository Participant.

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956

Item 4

Mr. H.C. Mathur was appointed as the Managing Director of the Company for a period of three years with effect from 1st May, 2000 to look after the day to day affairs of the Company. The Board of Directors of the Company at its meeting held on 17th April, 2003 has re-appointed Mr. Mathur as the Managing Director of the Company for a further period of two years with effect from 1st May, 2003, subject to the approval of the shareholders and the Central Government, on remuneration as set out in the draft Agreement to be entered into between the Company and Mr. Mathur, an abstract of which is given below :

- | | | |
|----------------------------|---|--|
| I. Salary | : | Rs. 39,900/- per month |
| II. Consolidated Allowance | : | Rs. 36,750/- per month |
| III. Perquisites | : | Perquisites are classified into the following categories : |

CFL CAPITAL FINANCIAL SERVICES LTD.

Category A

- a) Housing - House Rent Allowance equivalent to 60% of Basic Salary per month
- b) Other perquisites :-
 - i. Medical Benefits : Medical expenses for self, wife and dependent children subject to ceiling of one month's basic salary in a year.
 - ii. Leave Travel concession: For Mr.Mathur, his wife and dependent children subject to a ceiling of Rs.20,000/- per annum
 - iii. Club Fees: Subscription for one club, which will not include admission and Life Membership Fees.
 - iv. Membership of professional body: Membership fees to be paid annually for one professional body.

CATEGORY B

- a) Contribution to Provident Fund, Superannuation Fund or Annuity Fund in accordance with the Rules of the Company in force from time to time
- b) Gratuity : As per rules of the Company in force from time to time.
- c) Earned Privilege Leave on full pay and allowance as per rules of the Company. Leave accumulated but not availed of will be allowed to be encashed as per rules of the Company.

The perquisites mentioned in a) and b) above and encashment of leave at the end of tenure as mentioned in c) above will not be included in the computation of the ceiling on remuneration specified in Schedule XIII Part II in the event of absence or inadequacy of profits.

CATEGORY C

CAR AND TELEPHONE:

The Company will provide him with a car to be maintained by the Company and telephone at his residence. However, provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to him.

Notwithstanding anything mentioned above, where in any financial year during the currency of his tenure as Managing Director, the Company has no profits or its profits are inadequate, the remuneration payable to him in that financial year will be within the limits mentioned in Part II of Schedule XIII to the Companies Act, 1956 and with the approval of the Central Government if it exceeds the said limits.

In the opinion of the Board of Directors of your Company, the remuneration payable to Mr.Mathur is commensurate with his ability, qualification, experience and past performance. The resolution set out at item 4 of the annexed Notice is intended to obtain approval of the Shareholders to the appointment of Mr.H.C.Mathur and payment of remuneration as mentioned above to him as Managing Director of the Company with liberty to the Board of Directors to vary the terms, as mentioned in the Resolution.

Mr.Mathur possesses over 42 years of commercial experience related to various aspects of management including legal, administration, finance, etc. Your Directors feel that it will be advantageous to appoint him as the Managing Director and make use of his vast experience for the benefit of the Company and recommend that the said resolution be passed.

Copy of the draft agreement to be entered into between the Company and Mr.Mathur will be available for inspection of members at the Registered Office of the Company on any working day during the hours of 10.00 A.M. and Noon and will also be available at the meeting.

MEMORANDUM OF INTEREST

None of the Directors of the Company other than Mr.Mathur is concerned with or interested in this resolution. The above should be considered as an Abstract of the Terms of re-appointment of Mr.Mathur as Managing Director of the Company and a Memorandum as to the nature of his interest in his re-appointment as required under Section 302 of the Companies Act, 1956.

Item 5

The Equity Shares of the Company are presently listed on the Calcutta, Mumbai and the National Stock Exchanges and the Preference Shares on the National Stock Exchange. The Stock Exchange, Mumbai and the National Stock Exchange are based in Mumbai with nationwide trading terminals. The number of shares of the Company transacted on the Calcutta Stock Exchange is negligible and does not warrant the expenses incurred by the Company for payment of listing fees. The interest of the Shareholders will be amply served by keeping the Equity Shares listed on any one of the Exchanges in Mumbai with nationwide trading terminals. It is therefore proposed to delist the Equity Shares of the Company from the Calcutta and the National Stock Exchanges and continue listing with The Stock Exchange, Mumbai. Such voluntary delisting is justified to avoid unnecessary expenses without compromising with the interest of the shareholders and is in accordance with Clause 5.2 of the Securities and Exchange Board of India (De-listing of Securities) Guidelines, 2003.

The resolution set out at item 5 of the annexed Notice is intended to obtain approval of the Shareholders for the proposed delisting and as per the requirement of the aforesaid SEBI Guidelines. The Directors, therefore, recommend this resolution for your approval.

None of the directors of the Company is concerned with or interested in this resolution.

Item 6

The Securities and Exchange Board of India ("SEBI") has directed that all work related to share registry in terms of both physical and electronic should be maintained at a single point i.e., either in-house by the Company or by a SEBI registered R & T Agent with effect from 1st, April, 2003. Your Directors considered that it will be uneconomical if the share registry work of both the modes are maintained by the Company. Work related to electronic mode was already being handled by Intime Spectrum Registry Limited and it was decided to shift the share registry work pertaining to physical mode also to them in the capacity of Registrars and Share Transfer Agents. In view thereof, it is proposed that the Register of Members and Index of Members be maintained at their office at 1/17, Prince Ghulam Mohammed Road, Kolkata - 700 026 or their such other office as they consider expedient for rendering satisfactory service to the shareholders.

The resolution set out at item 6 of the annexed Notice is intended to obtain your approval to the said proposal and your Directors recommend that the resolution be passed.

None of the Directors of the Company is concerned with or interested in this resolution.



DIRECTORS' REPORT

Your Directors hereby present their Eighteenth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March 2003.

FINANCIAL RESULTS

	For the year ended 31-3-2003	(Rs. In Lakhs) For the period ended 31-3-2002
Gross Income	656	4,656
Less: Expenditure	1,935	10,070
Depreciation	1,194	1,929
Write off/Provision against doubtful and irrecoverable		
Debts and diminution/loss in value of Investments	3,150	17,237
Gross Profit/(Loss)	(5,623)	(24,580)
Provision for expenses / NPA no longer required		
Bad debts recovered etc	2,060	-
Profit/(Loss) before Tax	(3,563)	(24,580)
Prior period adjustments for Income tax	-	(36)
Profit/(Loss) before tax	(3,563)	(24,616)
Provision for Tax	-	-
Profit/(Loss) after Tax	(3,563)	(24,616)
Add : Balance brought forward from earlier years	(35,875)	(13,935)
Less : Amount transferred from General Reserve	-	2,676
Loss carried to Balance Sheet	(39,438)	(35,875)

DIVIDEND

In view of the loss for the year, your Directors have not recommended any dividend on the Preference or the Equity Shares.

ENVIRONMENT

There was no change in the environmental conditions facing non-banking finance companies like your Company which continued to be difficult and extremely tough. Barring a handful of companies which had exposure in sectors not affected by the sluggish economic conditions, most of the companies found it difficult to balance its inability to do business due to liquidity constraints on the one hand and the difficulties faced by them in managing their liabilities. Relief from courts for recovery of dues continues to be slow and this has affected further the health of this sector which is gasping for funds denied by its debtors.

The credibility of this industry has continued to be dismal largely due to the negative legacy of a few rogue NBFCs and this has affected its ability to raise resources from both the banking/institutional sector and the retail sector. This lack of resources too has severely affected the sector.

The impact of multiple point taxation of lease/hire purchase transactions has also done its bit to make the products offered by the industry non-competitive.

OPERATIONS

Your Company could not recover from the adverse impact of the decision of the Reserve Bank of India in not renewing its licence for the business of Primary Dealership. In the absence of sufficient liquidity even its liabilities could not be serviced and there was no scope for undertaking its lines of businesses or any new finance business. However the Company could earn some surplus on trading of government securities based on the carried over stocks lying in the erstwhile Primary Dealership business. With the pressure on meeting the liabilities to the depositors and to Banks and financial institutions, this stock has also depleted.

The recoveries of dues from clients continued to be a principal focus of activity during the period, using all available means such as persuasion, negotiation and legal action. Your Company was successful in recovering significant sums from parties to whom it had advanced funds, which were utilised for servicing your Company's dues to banks and financial institutions as well as for meeting operational expenses and payments to other creditors and depositors. Your Company has made write-off/provisions for doubtful and irrecoverable debts and diminution/loss in value of investments of Rs. 3150 lakhs (previous year Rs. 17237 lakhs) in compliance with prudential norms.

RESOURCES RAISING

Your Company is facing extremely adverse conditions in raising resources. In view of this your Company was compelled to approach the Hon'ble Company Law Board for further reschedulement of its outstanding deposits. The Company's plea was partially allowed by the CLB with some further relief in terms of the period of repayment and the rate of delayed payment interest. Despite the resources constraint, your Company managed to adhere to the Scheme sanctioned by the CLB during this year and reduced its fixed deposit liability from Rs. 9228 lakhs to Rs. 7594 lakhs. 9415 deposits amounting to Rs. 981.35 lakhs have matured and remained unclaimed as on the date of the Balance Sheet.

The 13% Cumulative Redeemable Preference Shares of the Company which were privately placed and which were due for redemption on 19th January, 2003 could not be redeemed due to the losses suffered and the inability of the Company to raise further capital for redemption of these Shares. The term of these Shares was extended for a further period to five years with effect from 20th January, 2003 by a Special Resolution passed by the holders of these Shares by a Postal Ballot conducted as per the requirement of the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 read with Section 192A of the Companies Act, 1956.

CORPORATE GOVERNANCE

As per the listing agreement with the Stock Exchanges a Management Discussion and Analysis Report and Auditors' Certificate regarding the compliance of conditions of Corporate Governance forms part of this Report.

DIRECTORS

The Board of Directors has re-appointed Mr. H. C. Mathur as the Managing Director of the Company for a further period of two years with effect from 1st May, 2003 on the expiry of his term on 30th April, 2003 subject to the approval of the Shareholders and the Central Government. Necessary resolution has been proposed in the Notice convening the Annual General Meeting accompanying this Report seeking your approval.

Mr. Sujit Dutta retires by rotation and, being eligible, offers himself for re-appointment.

PARTICULARS OF EMPLOYEES

Particulars of employee under Section 217(2A) of the Companies Act, 1956 are enclosed.

CFL CAPITAL FINANCIAL SERVICES LTD.

SUBSIDIARY

Ceat Finance (Mauritius) Limited, the erstwhile subsidiary of the Company, was wound with the permission of the Reserve Bank of India and as such this Company ceased to be a subsidiary of the Company during the year under review.

The Directors' Report along with the Auditors' Report, Balance Sheet and Profit and Loss Account of Ceat Gilts and Bonds Private Limited are annexed to the Annual Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO

Your Company, being a finance company, does not consume energy of any significant level and, therefore, there is no significant scope for taking any measures for energy conservation or making any additional investment for reduction of energy consumption. Further there being no involvement of any technology in the Company's activities during the year under review, no comments are made in this regard as well.

There was an outgo of Rs. 0.01 crores (previous period Rs 5.18 crores) in foreign exchange during the year under review. The Company had no earnings in foreign exchange.

AUDITORS AND AUDIT REPORT

Messers Tarmaster & Co. Chartered Accountants, the Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for re-appointment. As regards the comments in the Auditors' Report, the relevant notes in the Accounts are self explanatory and may be treated as information/explanation submitted by the Board as contemplated under Section 217(3) of the Companies Act, 1956

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) in the preparation of Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures in the financial statement;
- (ii) the accounting policies have been selected and applied consistently and judgement and estimates have been reasonably and prudently made when required 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 loss of the Company for that period;
- (iii) proper and sufficient care has been taken for 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 frauds and other irregularities; and
- (iv) annual Accounts for the financial year have been prepared on a going concern basis.

ACKNOWLEDGMENT

The Directors wish to thank the Company's stakeholders for the support extended to it.

For and on behalf of the Board

H. C. MATHUR
Chairman

Kolkata

Date: 31st July, 2003

MANAGEMENT DISCUSSION AND ANALYSIS

The business of the Company is that of a non-banking finance company.

INDUSTRY STRUCTURE AND DEVELOPMENTS

The non-banking financial segment in general continued to reel under the impact of massive NPAs, its inability to raise resources due to a problem of credibility from the investors and lenders and management of high cost loans and liabilities in the falling interest rate scenario. The resultant asset liability mismatch led to a severe cash crunch not only to do fresh business but also to meet its liabilities. Your Company had to approach the Hon'ble Company Law Board regarding its Fixed Deposit dues and its creditors for rescheduling of its other liabilities. The results were mixed as the Company's plea was partially allowed by the Hon'ble Company Law Board and the Company could meet its obligations during the year under the fresh Scheme sanctioned by the Hon'ble Company Law Board for repayment of fixed deposits. However, the situation with the banks and institutions was very unfavourable and the Company is facing extremely adverse liquidity conditions. However, a few finance companies, which had exposures in healthy sectors, continued to consolidate their operations.

OPPORTUNITIES, THREATS, RISKS, CONCERNS, PERFORMANCE AND OUTLOOK

Your Company's expertise gained in the erstwhile Primary Dealership division which was almost an assured avenue of good return could not be utilized due to the massive liquidity crunch. There is a definite opportunity available for this business if funds are available. The Company's huge liabilities and the massive NPAs due to the recovery efforts not yielding the desired results consequent to the overburdened legal system and the financial condition of the borrowers have been a huge drag on its ability to stabilize operations. Secured creditors have started pressurizing the Company. The future of the Company depends upon a restructuring exercise including concessions that may be granted by its creditors and recovery of its NPA's leading to strong liquidity position which is the back bone of the finance companies. This could lead to income generation in the long run.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has an effective system of accounting and administrative controls supported by an internal audit system with proper and adequate system of internal check and controls to ensure safety and proper recording of all assets of the Company and their proper and authorised utilisation.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Your attention is drawn to the report of the Directors and more specifically to the issues mentioned under the head Operations and to the aforesaid comments under the head Opportunities, Threats, Risks, Concerns, Performances and Outlook. The Company's financial position is under stress and needs a concerted effort from creditors, and shareholders for any significant result to emerge in the long run.

HUMAN RESOURCES

The Company has 30 employees.

Your Company lays emphasis on building a motivated work force, which can participate constructively for the betterment of the organization. During the year innovative ideas were received from staff of the Company, many of which were implemented for improvement in cost control and for achieving greater efficiency.

For and on behalf of the Board

H. C. MATHUR
Chairman

Kolkata

Date: 31st July, 2003



CORPORATE GOVERNANCE

Your Company endeavors to practise transparency in its dealings with emphasis on integrity and regulatory compliance. Your Company attaches great importance to practice of Corporate Governance for meeting the interest and aspirations of the stakeholders. Your Company has implemented the mandatory requirements regarding Corporate Governance as mentioned in Clause 49 of the Listing Agreement.

BOARD OF DIRECTORS

The composition of the Board of Directors and other details as on 31st March, 2003 are given below :

Name of the Director	Executive / Independent/ Non-executive	No. of Board Meetings attended	Attendance at previous AGM on 26th Sept. 2002	No. of Other directorships held	No. of other Committee Chairmanship/ membership
Mr. H.C. Mathur	Managing Director	7	Yes	2	NIL
Mr. B.N. Tripathi	Independent non-executive	6	Yes	NIL	NIL
Mr. Sujit Dutta	Independent non-executive	6	Yes	NIL	NIL
Mr. Sudhamoy Chatterjee	Independent non-executive	6	Yes	NIL	NIL

The Board of Directors has re-appointed Mr. H.C. Mathur as the Managing Director of the Company for a further period of two years with effect from 1st May, 2003 on the expiry of his term on 30th April, 2003 subject to the approval of the Shareholders and the Central Government. Necessary resolution has been proposed in the Notice convening the Annual General Meeting accompanying this Report seeking your approval for the same and the Company has already made an application to the Central Government for this purpose. Mr. Mathur is a post graduate from Lucknow University and possesses over 42 years of commercial experience related to various aspects of management including legal, secretarial, administration, finance etc.

Mr. Sujit Dutta retires by rotation and, being eligible, offers himself for re-appointment. Mr. Sujit Dutta is 42 years of age and had graduated in Commerce and Law from Calcutta University. He has about 20 years experience in Accounts, Finance and corporate management.

During the period under review, 7 Board meetings were held on 7th May, 2002, 10th June, 2002, 29th July, 2002, 31st October, 2002, 7th December, 2002, 31st January, 2003 and 19th February, 2003.

AUDIT COMMITTEE

The Company has a qualified Audit Committee comprising of three non-executive independent Directors. The terms of reference of the Committee are in accordance with the provisions of the Companies Act, 1956, requirements of the Reserve Bank of India and of the Listing Agreements with Stock Exchanges. The present members of the Audit Committee are Messers Sujit Dutta, B.N. Tripathi and Sudhamoy Chatterjee. There were three meetings of the Audit Committee on 29th July, 2002, 31st October, 2002 and 31st January, 2003. The attendance at the meetings was as follows :

Name of the Members	No. of Meetings attended
Mr. Sujit Dutta	Chairman 3
Mr. B.N. Tripathi	Member 3
Mr. Sudhamoy Chatterjee	Member 3

All the members are Independent and Non Executive Directors.

REMUNERATION COMMITTEE

The Company has a Remuneration Committee to recommend/review the remuneration package of the Managing/Wholtime Directors. Mr. B. N. Tripathi is the Chairman of the Committee with Messers Sujit Dutta and Sudhamoy Chatterjee being the other members. The Committee met once during the year on 29th July, 2002 which was attended by all the Directors.

Remuneration Policy

Payment of remuneration to the Managing Director is governed by the terms and conditions contained in the Agreement entered into with him. The terms have been approved by the Board and the Shareholders. The remuneration structure comprises of salary, consolidated allowance and other perquisites such as, medical benefits, leave travel concession, club subscription, membership of professional body, contribution to provident, superannuation and gratuity fund, car and telephone. There is no separate provision for payment of severance fee. However, the statutory provisions will apply.

The details of remuneration paid to Mr. H.C. Mathur during the year ended 31st March, 2003 who was appointed as Managing Director of the Company with effect from 1st May, 2000 for a term of 3 years are Basic Salary Rs. 448560, Consolidated Allowance Rs. 412560 and Perquisites including Provident Fund, Personal Accident Insurance etc. Rs. 513,067/- aggregating Rs. 1,374,187/-. Either party to the Agreement is entitled to terminate the Agreement by giving not less than six calendar months prior notice in writing to the other party. The Company shall also be entitled to terminate the incumbent's appointment at any time by payment of six months' salary in lieu of notice. The Board of Directors has re-appointed Mr. H.C. Mathur as the Managing Director of the Company for a further period of two years with effect from 1st May, 2003 on the expiry of his term on 30th April, 2003 subject to the approval of the Shareholders and the Central Government. Necessary resolution has been proposed in the Notice convening the ensuing Annual General Meeting accompanying this Report seeking your approval for the same. The Company has already made an application to the Central Government seeking its approval.

Non-executive directors are entitled to receive sitting fees for attending meetings of the Board of Directors.

CFL CAPITAL FINANCIAL SERVICES LTD.

Details of sitting fees paid to Non-Executive Directors during the year ended 31st March, 2003 are as follows :

Mr. B.C. Malu - Rs. 5,000/-, Mr. O.P. Malhotra - Rs. 5,000/-, Mr. S. Chakraborti - Rs. 5,000/-, Mr. Sujit Dutta - Rs. 6,000/-, Mr. B.N. Tripathi - Rs. 6,000/- and Mr. Sudhamoy Chatterjee - Rs. 6,000/-.

INVESTORS' / SHAREHOLDERS' GRIEVANCE COMMITTEE

The Company has a Shareholders'/Investors' Grievance Committee of the Board of Directors under the Chairmanship of Mr. B.N. Tripathi, Non-executive Director, to look into the redressal of investors' grievances with Messers H. C. Mathur and Sujit Dutta as the other members. The Board of Directors has delegated power of approving transfer / transmission of shares to senior executives of the Company. During the year the Committee met five times with all the members attending the meetings.

Mr. R.C. Kurup, Company Secretary, is the Compliance Officer of the Company.

During the year under review, the total number of grievances received and replied to the satisfaction of the shareholders was 59. No share transfers / transmissions / issue of duplicate share certificates were pending as on 31st March, 2003. There were 5 grievances received from the shareholders received towards the end of the year which were redressed after the end of the financial year.

GENERAL BODY MEETINGS

Details of location and time of last three Annual General Meetings are as follows:

Year	Venue	Date	Time
1998-99	Mini Auditorium, Science City JBS Haldane Avenue Kolkata - 700 046	10.03.2000	4.45 P.M.
1999-00	- Do -	23.03.2001	3.30 P.M.
2000-02	- Do -	26.09.2002	10.30 A.M.

All resolutions placed before the Members at the last Annual General Meeting were passed unanimously.

The term of the 13% Cumulative Redeemable Preference Shares of the Company which were privately placed and which were due for redemption on 19th January, 2003 was extended for a further period of five years with effect from 20th January, 2003 by a Special Resolution passed by the holders of these Shares by a Postal Ballot conducted as per the requirement of the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 read with Section 192A of the Companies Act, 1956. The results of the Postal Ballot were announced at an Extra-ordinary General Meeting of the holders of these Shares held on 17th January, 2003.

DISCLOSURES

- The Company did not enter into any materially significant related party transactions with its promoters, directors or the management, their subsidiaries, relatives etc, that may have a potential conflict with the interests of the Company at large.
- The Equity Shares of the Company were suspended for trading by the National Stock Exchange for non-compliance of certain provisions of the Listing Agreement. The matter is still pending. Except as aforesaid there were no non-compliance, penalties, strictures by stock Exchange, SEBI or any statutory authority on any matter related to capital markets during the last three years.
- There was no pecuniary relationship or transactions with Non-Executive Directors.

MEANS OF COMMUNICATION

Quarterly results are published in renowned daily publications such as Asian Age (English) and Khoboror Khagaz (Vernacular).

The Company presently has no official website. Individual communication of the half yearly results is not made to the shareholders. The Company has not made any presentation to institutional investors or analysts.

Management Discussion and Analysis Report forms part of the Annual Report.

GENERAL SHAREHOLDER INFORMATION

- Annual General Meeting :
Date and Time : 17th September, 2003 (Wednesday) at 10.30 a.m.
Venue : Mini Auditorium, Science City
JBS Haldane Avenue
Kolkata-700 046
- Financial Calendar (tentative and subject to change)
Financial results for quarter ending 30th September, 2003 : End of October, 2003
Financial results for quarter ending 31st December, 2003 : End of January, 2004
Financial results for quarter ending 31st March, 2004 : End of June, 2004
Annual General Meeting for the year ending 31st March, 2004 : End of September, 2004
- Book Closure Date : 10.09.2003 to 17.09.2003 (both days inclusive)
- List of Stock Exchange where shares are listed
The Calcutta Stock Exchange : 7, Lyons Range, Kolkata-700 001.
Association Ltd.
The Stock Exchange, Mumbai : Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 023.
The National Stock Exchange : Exchange Plaza, Plot C-1,
of India Ltd. : IFB Center, G Block,
Bandra Kurla Complex (BKC),
Bandra (East), Mumbai - 400 051.

Listing fee in respect of all the above Stock Exchanges have been paid for the year 2003-2004.

e. **Stock Code**

Calcutta Stock Exchange (The Regional Exchange)
The Stock Exchange, Mumbai
National Stock Exchange

13042
511272
CEATFIN

f. **Market Price Data**

Monthly High and Low of Company's Equity Shares (Rs. 10 per share) for the year ended March 2003 at the Stock Exchange, Mumbai.

Months	Company's Share		BSE Sensex	
	High (Rs.)	Low (Rs.)	High	Low
April, 2002	2.20	1.55	3538	3297
May, 2002	2.40	1.70	3478	3098
June, 2002	6.85	2.30	3378	3149
July, 2002	6.55	3.00	3367	2932
August, 2002	3.50	2.70	3185	2932
September, 2002	3.25	2.05	3228	2974
October, 2002	2.50	1.95	3039	2828
November, 2002	2.45	1.50	3246	2929
December, 2002	2.80	1.65	3414	3187
January, 2003	2.00	1.50	3417	3199
February, 2003	1.60	1.15	3342	3218
March, 2003	1.45	0.70	3312	3040

g. **Address for correspondence for Share Transfer and Related Matters**

INTIME SPECTRUM REGISTRY LIMITED has been appointed as Registrar and Share Transfer Agent for both physical and electronic with effect from 1st April, 2003. Hence application for transfer of shares, dematerialisation of shares and other related matters may be sent to them at the following address :

Intime Spectrum Registry Limited
1/17, Prince Ghulam Mohammed Road,
Flat No. 7, 3rd Floor, Kolkata - 700 026.
Phone : 033-24647895, Telefax : 033-24645145
E-mail : kolkata@intimespectrum.com

h. **Share Transfer System**

The physical transfer received upto 31.03.2003 were processed in-house by the Secretarial Department. Senior Executives of the Company were authorised to process and approve transfer and transmission of shares. The physical shares lodged with the Company for transfer were processed and returned to the shareholders within the stipulated period. In case of bad deliveries relevant documents were returned promptly.

The new Registrar and Share Transfer Agent of the Company, Intime Spectrum Registry Limited, is following the same system from 1st April, 2003.

i. **Dematerialisation of shares**

18.16% of total Equity Share Capital is held in dematerialised form with NSDL and CDSL as at 31st March 2003.

Members can hold shares in electronic form and trade the same in Depository system. However, they may hold the same in physical form also.

International Securities Identification Number INE 481A01014

j. **Shareholding Pattern (as at 31st March, 2003)**

Category	No. of Shares held	Percentage of Shareholding
Promoters	13,01,23,903	93.83
Mutual Funds & UTI	1,400	0.00
Banks, Financial Institutions & Insurance Companies	1,200	0.00
Private Corporate Bodies	8,55,129	0.62
Indian Public	76,80,768	5.54
NRIs / OCBs	12,600	0.01
Total	13,86,75,000	100.00

CFL CAPITAL FINANCIAL SERVICES LTD.**k. Distribution of shareholding (as at 31st March, 2003)**

Shareholding of nominal value of Rs.		No. of Holders	%	No. of Shares	%
Upto	5000	34016	95.53	5257700	3.79
5001	to 10000	998	2.80	806856	0.58
10001	to 20000	339	0.95	508980	0.37
20001	to 30000	112	0.32	284766	0.21
30001	to 40000	43	0.12	151456	0.11
40001	to 50000	29	0.08	139300	0.10
50001	to 100000	29	0.08	198900	0.14
100001	and above	41	0.12	131327042	94.70
Total		35607	100.00	138675000	100.00

l. Plant location-Not applicable**m. Address for correspondence**

CFL Capital Financial Services Limited
Century Plaza
81, Netaji Subhas Road, Unit No. 233,
Second Floor, Kolkata-700 001.

n. E-mail cfl@er.ceatfin.com

Phone No. : 033-2243 9332, 033-2243 9334
Fax : 033-2243 9340

For and on behalf of the Board

Kolkata
Date: 31st July, 2003



H. C. MATHUR
Chairman

AUDITORS CERTIFICATE**AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE AS STIPULATED IN CLAUSE 49 OF THE LISTING AGREEMENT**

To the Members of

CFL Capital Financial Services Limited

We have examined the compliance of the conditions of Corporate Governance by CFL Capital Financial Services Limited for the year ended on 31st March, 2003 with the relevant records and documents maintained by the Company, furnished to us for our review and the Report on Corporate Governance as approved by the Board of Directors.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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.

In our opinion and to the best of our information and according to the explanations given to us we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement(s) with the stock exchanges and no investor grievance(s) are pending for a period exceeding one month against the Company as per the records maintained by the Investor's Grievance Committee.

for TARMASER & CO.
Chartered Accountants

Place : Kolkata
Date : 31st July, 2003

R.P. NANDY
Partner