



MAFATLAL FINANCE COMPANY LIMITED

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BOARD OF DIRECTORS

SHRI H.A. MAFATLAL
SHRI N.G. PATEL
SHRI Y.C. AMIN
DR. A.C. SHAH
SHRI B.R. SHAH
DR. N.M. DHULHOYA
SHRI N.R. DIVATE

Chairman

(upto 25-05-2000)

Wholetime Director

VICE PRESIDENT - RESOURCES AND COMPANY SECRETARY

SHRI K. CHANDRAMOULI

BANKERS

DENA BANK
STATE BANK OF INDIA
CENTRAL BANK OF INDIA
UNION BANK OF INDIA
BANK OF BARODA
BANK OF INDIA
STATE BANK OF INDORE
STATE BANK OF HYDERABAD
DHANALAKSHMI BANK LTD.
THE SAKURA BANK LTD.
BANK OF PUNJAB LTD.
THE SOUTH INDIAN BANK LTD.
ICICI BANKING CORPORATION LTD.
THE FEDERAL BANK LTD.
UNITED BANK OF INDIA
ORIENTAL BANK OF COMMERCE

AUDITORS

C.C. CHOKSHI & CO.
Chartered Accountants

SOLICITORS & ADVOCATES
MANILAL KHER AMBALAL & CO.

REGISTERED OFFICE
MAFATLAL HOUSE
BACKBAY RECLAMATION
MUMBAI 400 020

REGISTRARS & SHARE TRANSFER AGENTS

MCS SOFTWARE SOLUTIONS LTD.
Formerly known as :
Mafatlal Consultancy Services (India) Ltd.
Jukaso House, Jukaso Silk Mills Compound,
Near Sakinaka Telephone Exchange,
Andheri Kurla Road, Andheri (E),
Mumbai 400 072

MANAGEMENT TEAM

SHRI H.A. MAFATLAL
Chairman

SHRI N.R. DIVATE
Whole Time Director

SHRI K. CHANDRAMOULI
Vice President - Resources and
Company Secretary

SHRI A.L. SHETTY
Whole-time Director - Mafatlal Securities Ltd.

NOTICE

Notice is hereby given that the THIRTEENTH ANNUAL GENERAL MEETING of the Members of MAFATLAL FINANCE COMPANY LIMITED will be held at 4.00 p.m. on Friday, 18th August, 2000 at M. C. Chia Hall, Bhogilal Hargovindas Building, 18/20 K. Dubash Marg, (Rampart Road), Mumbai 400 001 to transact the following business :

ORDINARY BUSINESS

1. To receive and adopt the Directors Report and the Audited Profit and Loss account of the company for the year ended March 31, 2000 and the Balance Sheet as at that date and the Auditors Report thereon.
2. To appoint a Director in place of Mr. N.G.Patel 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 and fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

RESOLVED THAT in accordance with the provisions of Section 256 and any other applicable provisions of the Companies Act, 1956 read with the Articles of Association of the Company, the vacancy in the Board of Directors of the Company on Mr. B.R.Shah, not offering himself for re-appointment as a director liable to retire by rotation on expiry of the term at this Annual General Meeting be not filled up.

5. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

RESOLVED THAT in accordance with the provisions of Section 256 and any other applicable provisions of the Companies Act, 1956 read with the Articles of Association of the Company, the vacancy in the Board of Directors of the Company on Mr. Y.C.Amin, not offering himself for re-appointment as a director liable to retire by rotation on expiry of the term at this Annual General Meeting be not filled up.

6. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution :

RESOLVED THAT pursuant to the provisions of Section 94 and other applicable provisions if any of the Companies Act, 1956 paragraph V of the Company's Memorandum of Association be and is hereby substituted by the following new paragraph V.

"V. The authorized Share Capital of the Company is Rs.100,00,00,000 (Rupees One Hundred Crores only) divided into 7,00,00,000 (Seven Crores only) Equity Shares of Rs. 10 each (Rupees Ten only), 3,00,00,000 (Three Crores only) Redeemable Preference Shares of Rs. 10 each (Rupees Ten only) each with power, from time to time, to increase or reduce its capital and to divide the shares in the capital for the time being into other classes and to attach thereto respectively

such preferential, deferred, qualified or special rights, privileges, conditions or restrictions as may be determined by or in accordance with the Articles of Association of the Company and to vary modify or abrogate any such rights, privileges or conditions or restrictions in such manner as may be for the time being permitted by the Articles of Association of the Company or the Legislative provisions for the time being in force in that behalf."

7. To consider and if thought fit, to pass with or without modification the following Resolution as a Special Resolution :

RESOLVED THAT pursuant to the provisions of Sections 16, 17 and other applicable provisions, if any, of the Companies act, 1956, the Memorandum of Association of the Company be and is hereby altered and extended by addition thereto of the following objects immediately after the existing clause 156 of the Memorandum of Association of the Company :

"157. To establish, promote, sponsor, run, own, control, operate, conduct, equip and maintain schools/institutes/academies for the purpose of imparting, spreading and promoting knowledge, learning and education including but not limited to electronic commerce, computers, information technology, data communication including software, programs, systems, hardware, peripherals and equipment related thereto, by any means whatsoever whether on its own or through franchise and for that purpose :

- (a) give financial assistance to students including loan,
- (b) undertake, provide facilities, carry on, promote, develop, organize, supervise, co-ordinate, control, support, encourage, guide, maintain, and/or reward, research activities and studies .
- (c) organize, develop, hold and conduct training and study courses, classes, lectures, study tours, and programs for students and establish and award prizes, grants, scholarships, studentships and fellowships.
- (d) convene, promote and organize lectures, meetings, workshops, seminars, conferences, forums and symposia.
- (e) prepare, print and publish and/or cause preparation, printing and publishing of, papers, periodicals, magazines, books, journals and other publications and to compile, disseminate and publish data and information.
- (f) establish, maintain and run library services reading and writing rooms and furnish the same with journals, magazines, periodicals, newspapers and other publications.
- (g) provide on hire software and hardware and equipment.
- (h) to obtain registration, licenses, permits, recognition, accreditation, from Government, University, Local authority, persons whether in India or abroad and renewal thereof from time to time for conducting, operating and carrying on the business of education.

(ii) to issue certificate of completion, of merit, to confer degrees relating to education.

- *158. To carry on the business of purchasers, manufacturers, designers, developers, assemblers, installers, repairers, importers, exporters, marketers, distributors, sellers, dealers or traders in computer hardware and computer software programs, systems, and to undertake, prosecute, provide facilities for prosecuting, carry on, promote, develop, organize, supervise, co-ordinate, control, support, encourage, guide, reward and control research and development activities related to and in the fields of computer software, programs, systems, and also to purchase, manufacture, develop, sell, import, export or otherwise deal in all goods, products, articles, things, apparatus, equipment and appliances and services related thereto.

8. To consider and if thought fit to pass with or without modification, the following Resolution as a Special Resolution.

RESOLVED THAT pursuant to the provisions of Section 149(2A) of the Companies Act, 1956 approval of the members be and is hereby accorded to the company commencing the business proposed for inclusion as clauses 157 and 158 of the Memorandum of Association of the company.

9. To consider and if thought fit, to pass with or without modification/ s the following resolution as a Special Resolution :-

RESOLVED THAT pursuant to the provisions of Section 81(1A) and any other applicable provisions, if any of the Companies Act, 1956 (including any statutory reenactment or modification thereof), and subject to the requisite approvals, permissions, consents and sanctions from appropriate authorities, as may be necessary and subject to such terms, conditions, alterations, modifications as may be prescribed and specified by them while granting such approvals and which may be agreed to by the Board of Directors of the Company, (hereinafter referred to as the "Board") the Company do issue and allot for cash aggregating to 1,00,00,000 Equity Shares of the face value of Rs.10/- each of the Company at Rs. 10 each to the promoters of the Company and/or their associates whether or not they are members of the Company on preferential allotment basis to the extent and in one or more tranches and in such manner and on such other terms as the Board may in its absolute discretion to be most beneficial to the Company.

RESOLVED FURTHER THAT the Equity Shares to be so issued and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company and shall rank pari passu with the existing Equity Shares of the Company except that for the financial year in which they are issued and allotted they shall rank only for pro rata dividend declared if any for the period during which such capital is so paid up.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board be and is hereby authorized to do all acts, deeds and things as the Board may in its absolute discretion consider necessary, proper, desirable or appropriate for making the said issue as aforesaid and to settle any question, difficulty or doubt that may arise in this regard including the power to allot over

subscribed/under subscribed portion if any, in such manner and to such persons(s) as the Board may deem fit and proper in its absolute discretion to be most beneficial to the Company.

10. To consider and if thought fit, to pass with or without modification/ s the following resolution as a Special Resolution:-

RESOLVED THAT pursuant to the provisions of Section 81(1A) and any other applicable provisions, if any of the Companies Act, 1956 (including any statutory reenactment or modification thereof), and subject to the requisite approvals, permissions, consents and sanctions from appropriate authorities, as may be necessary and subject to such terms, conditions, alterations, modifications as may be prescribed and specified by them while granting such approvals and which may be agreed to by the Board of Directors of the Company, (hereinafter referred to as the "Board") the Company do issue and allot for cash 1,50,00,000 Equity Shares of the face value of Rs. 10/- each of the Company to the Company's Bankers, financial institutions and such other persons whether or not they are members of the Company on preferential allotment basis to the extent and in one or more tranches and in such manner and on such other terms as the Board may in its absolute discretion to be most beneficial to the Company.

RESOLVED FURTHER THAT the Equity Shares to be so issued and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company and shall rank pari passu with the existing Equity Shares of the Company except that for the financial year in which they are issued and allotted they shall rank only for pro rata dividend declared if any for the period during which such capital is so paid up.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board be and is hereby authorized to do all acts, deeds and things as the Board may in its absolute discretion consider necessary, proper, desirable or appropriate for making the said issue as aforesaid and to settle any question, difficulty or doubt that may arise in this regard including the power to allot over subscribed/under subscribed portion if any, in such manner and to such persons(s) as the Board may deem fit and proper in its absolute discretion to be most beneficial to the Company.

By Order of the Board
MAFATIAL FINANCE COMPANY LIMITED

K. CHANDRAMOULI
Company Secretary

Registered Office :

Mafatlat House
Backbay Reclamation
Mumbai - 400 020

Date : 28th June, 2000

Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY AND VOTE INSTEAD OF HIMSELF AND

THE PROXY NEED NOT BE A MEMBER.

2. The proxy form duly completed and signed should be deposited at the registered office of the Company atleast 48 hours before the commencing of the meeting.
3. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of resolutions set out in this Notice is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from 11.08.2000 to 18.08.2000 (both days inclusive)
5. Shareholders/Proxy holders are requested to produce at the entrance, the attached admission slip duly completed and signed, for admission at the meeting.
6. All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company during the office hours on all working days except holidays between 9.00 a.m. and 5.00 p.m. upto the date of the Annual general Meeting.

ANNEXURE TO THE NOTICE

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

Following explanatory statement as required by Section 173 of the Companies Act, 1956 set out all material facts relating to the business under items 4 to 9 mentioned in the accompanying Notice dated 28th June, 2000.

For item No. 4

Mr. B.R.Shah, the Director of the Company was appointed as the Director of the Company, liable to retire by rotation at the 11th Annual General Meeting of the Company held on 04.09.1998. In accordance with the provisions of section 256 of the Companies Act, Mr. B.R.Shah would retire at the ensuing Thirteenth Annual General Meeting of the Company. Mr. B.R. Shah has informed the Company the desire not to be re appointed as the Director of the Company though eligible for re appointment.

It has been decided not to fill up the vacancy. Hence the resolution.

None of the Directors of the Company are deemed to be interested or concerned in the resolution.

The Directors commend the resolution for approval.

For item No. 5

Mr. Y.C.Amin, the Director of the Company was appointed as the Director of the Company, liable to retire by rotation at the 11th Annual General Meeting of the Company held on 04.09.1998. In accordance with the provisions of section 256 of the Companies Act, Mr. Y.C. Amin would retire at the ensuing Thirteenth Annual General Meeting of the Company. Mr. Amin has informed the Company the desire not to be re appointed as the Director of the Company though eligible for re appointment.

It has been decided not to fill up the vacancy. Hence the resolution.

None of the Directors of the Company are deemed to be interested or concerned in the resolution.

The Directors commend the resolution for approval.

For item No. 6

The Company at present has 3,50,00,000 Unclassified shares of Rs. 10 each. The Company is proposing to issue and allot Equity shares to the promoters and certain other parties. In view of the same, it is proposed to amend the Capital Clause of the Memorandum of Association of the Company to convert the Unclassified shares into Equity shares.

None of the Directors are concerned or interested in the Resolution.

For item No. 7

The Company is presently envisaging various diversification projects for implementation. This includes imparting education in various fields including computers, internet technology, development of hardware and software etc. The Company contemplates that and when the opportunity arises, it could undertake such business activities.

Approval of the members of the Company is being obtained to alter the Memorandum of Association of the Company to include therein objects for this new business.

As per section 17 of the Companies Act, an alteration of the Memorandum of Association of the Company requires an approval of the shareholders of the Companies Act, 1956. Hence the resolution.

The Directors recommend the proposal for approval by the shareholders. None of the Directors is in any way concerned or interested in the said resolution.

For item No. 8

As mentioned above, the company desires to carry on the business of Computer Education and information technology and development of software. These activities are covered by the proposed new clauses 157 and 158 of the Memorandum of Association. As mentioned earlier, the Company contemplates that if the opportunity arises it could undertake the aforesaid activities. In view of the fact that the Company is at present in the business of a non banking financial company, the business of Computer education, information technology and development of software may be considered as new business and not germane to the existing business of the Company.

In view of Section 149(2A) of the Companies Act, 1956, any business which is not germane to the business of the Company, cannot be commenced by the Company until, inter alia, such commencement has been approved by the Company in a General Meeting by a Special Resolution.

The resolution set out in Item 8 of the accompanying Notice has to be considered accordingly and the Board recommends the passing of this resolution.

No Director of the Company is concerned or interested in the resolution.

For item No. 9

The Company's financial position has been deteriorating on account of

accumulated losses during the last 2 years. The Company has drawn up a restructuring plan which includes infusion of additional funds.

Keeping in view the funds required to meet the additional cost, it is proposed to issue further Equity Shares of Rs. 10 each aggregating to Rs. 10 crores for cash at par on a preferential allotment basis to some of the promoters i.e Ensen Holdings Ltd. The Company is a part of the AMG group. Ensen Holding is a wholly owned subsidiary of Nocil - also a part of the AMG group. As the holding company of Ensen, NOCIL has indicated its willingness to subscribe to the shares of the Company.

The promoters of your Company viz. MIL & Ensen Holdings Ltd. presently hold an aggregate of 45.41 % of the subscribed Equity Capital of Rs.3500 lacs which after the proposed preferential allotment to the lenders of the Company specified at item 9 of the accompanying Notice and to the promoters will aggregate to 43.40% of the enhanced subscribed Equity Capital of the Company.

The preferential issue and allotment of equity proposed to be made as mentioned above, is to be made for cash at par value of Rs. 10 each. This price is higher than the minimum price arrived at pursuant to the SEBI Disclosure and Investors Protection Guidelines, 2000 issued by the Securities and Exchange Board of India (SEBI). The computation regarding the minimum price is certified by the Statutory auditors of the Company.

The proposed preferential allotment to any of the promoters and/or their associates as aforesaid would not result in any change in the control over your Company.

The relevant clause of the Listing Agreements executed by the Company with the various Stock Exchanges in India where the Company's securities are listed and the provisions of Section 81(1A) provides inter-alia that when it is proposed to increase the issued capital of the Company by allotment of further shares, such shares shall be first offered to the existing shareholders of the Company for subscription in proportion unless the shareholders decide in General Meeting otherwise.

The said Special Resolution will enable the Board to issue and allot Equity shares on a preferential basis to promoters and/or their associates.

The Directors recommend the resolution for your approval.

The Directors of your Company may be deemed to be concerned or interested to the extent of the shares that may be offered by them or their relatives or by the Companies in which they or their relatives are directors.

For item No.10

The Company's financial position has been deteriorating on account of accumulated losses during the last 2 years. The Company has drawn up a restructuring plan which includes infusion of additional funds.

As a measure of the financial restructuring, the Company is in dialogue with its lender to convert their loans and interest outstanding aggregating to Rs.1500 lacs into equity shares of the Company on a preferential allotment basis.

The price at which the loan and the accumulated interest thereon is to be converted into equity shares will be at a price not less than minimum as computed pursuant to the SEBI Disclosure and Investors Protection Guidelines, 2000 issued by the Securities and Exchange Board of India (SEBI). The computation regarding the minimum price is certified by the Statutory auditors of the Company.

The shareholding pattern of the lenders of the Company as on the date of the accompanying Notice is as under :

Name of the lender	Shareholding	% of capital of the Company as on 31.03.2000
ICICI	3768300	10.71
Unit Trust of India	75500	0.125
Gujarat State Financial Services Ltd.	11000	.02
Gujarat Gas Company Ltd.	8000	.06
United Western Bank Ltd.	22000	21.36
Bank of Baroda	5500	
Bank of India	21500	

After the proposed preferential issue, the shareholding pattern of the lenders of the Company would change depending on the lender to whom the aforesaid 1,50,00,000 shares will be issued.

The proposed preferential allotment to the said lenders as aforesaid would not result in any change in the control over your Company.

The relevant clause of the Listing Agreements executed by the Company with the various Stock Exchanges in India where the Company's securities are listed and the provisions of Section 81(1A) provides inter-alia that when it is proposed to increase the issued capital of the Company by allotment of further shares, such shares shall be first offered to the existing shareholders of the Company for subscription in proportion unless the shareholders decide in General Meeting otherwise.

The said Special Resolution will enable the Board to issue and allot Equity shares on a preferential basis to promoters and/or their associates.

The Directors recommend the resolution for your approval.

None of the Directors of your Company may be deemed to be concerned or interested in the above resolution.

By Order of the Board
MAFATLAL FINANCE COMPANY LIMITED

K. CHANDRAMOULI
Company Secretary

Registered Office :

Mafatlal House
Backbay Reclamation
Mumbai - 400 020

Date : 28th June, 2000

DIRECTORS' REPORT

To,

The Members,
Mafatlal Finance Company Limited

Your Directors present the Thirteenth Annual Report with the Audited Statement of Accounts of the Company for the year ended 31st March, 2000.

FINANCIAL RESULTS

The Financial results of the company for the year under review as compared to the previous year are summarised below for your consideration:

	Year ended 31.03.2000 (Rs. In lacs)	Year Ended 31.03.1999 (Rs. in lacs)
Gross Income	3936.53	6626.28
Gross Profit before depreciation and Income tax	(2139.07)	(265.44)
Depreciation	2498.93	3096.78
Provision for Tax	-	10.21
Net Profit After Tax (Loss)	(4638.00)	(3372.43)
Add : Amount brought forward from previous year	(3372.43)	-
Amount available for appropriation	-	-
Transferred to Debenture Redemption Reserve	266.32	-
Transferred to Statutory Reserve under RBI Act	-	-
Balance carried forward	(7744.11)	(3372.43)

DIVIDEND

In view of the reported loss, the Directors' are unable to recommend payment of dividend for the year ended 31.3.2000 on the paid-up equity and preference shares capital.

OPERATIONS

The financial year 1999-2000 has ended with the Company declaring a loss of Rs. 46.38 crores.

The focus of the Company continues to be that of reducing its liabilities, controlling costs of operations and maximising revenue from assets deployed in the earlier years. During the year, we have reduced our liabilities by Rs. 78.79 crores and brought down the cost of operations by 39.47%. While the Company is taking every effort to recover all its dues from the market place, it has not been very successful in doing so because of two main reasons:

- The operations of some of the units that we have financed have been seriously affected due to the changed economic climate eroding the ability to repay us in the current environment.
- The legal framework of the country has not been very helpful to the finance companies in delivering the speedy justice to the aggrieved, especially in transparent cases like money lending.

COMMENTS ON AUDITOR'S OBSERVATIONS

The Company has during the year reversed income to the extent of Rs. 10.89 crores, provided for NPAs to the extent of Rs. 18.18 crores and has booked an amount of Rs. 0.40 crores towards loss on sale of assets. As regards the auditor's observations in respect of under provisioning for NPAs and also non provisioning for interest of certain liabilities, the management is of the view that the same reflects a realistic position on account of the expected recoveries to be made, the likelihood of one-time settlements, waiver of interests on certain liabilities and certain other factors in view of which a decision in respect of the same can be made at the later stage.

PUBLIC FIXED DEPOSITS

At the end of the financial year, 2355 depositors have not claimed their deposits aggregating to Rs. 2.73 crores. Except this, your company does not have any unclaimed or unpaid deposits. The company has sent appropriate communication to the depositors and expects to significantly reduce the outstanding undaimed deposits.

The company has applied to RBI as per the new RBI directives u/s. 451A of RBI Act, 1934 for registration as an NBFC. The approval of the RBI is awaited.

MUTUAL FUND

In view of the losses being incurred by the Company, it has been decided not to pursue the setting up of the Mutual Fund business. The process of divestment of its equity in the company has been initiated.

MAFATLAL SECURITIES LIMITED (MSL)

The Company has posted a net profit of Rs. 7.32 lacs for the financial year ended 31st March, 2000, after writing off Rs. 43 lacs towards bad debts. The Subsidiary Company is expected to do better in the coming financial year on account of improved market conditions.

OUTLOOK

Though the economic slowdown has been reversed, the financial services market continued to be severely affected on account of the entry of Banks and Financial institutions in this business. We do not visualise any significant improvement in the coming year.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGOINGS

The Company is not engaged in manufacturing activities therefore there is no information to submit in respect of conservation of energy and absorption of technology.

Foreign Exchange earnings	Nil
Foreign Exchange outgoings	Nil

DIRECTORATE

Dr. A. C. Shah resigned from the Board on 25th May, 2000. Your Directors would like to record their sincere appreciation of the valuable services rendered by him.

Shri B. R. Shah and Shri Y. C. Amin retire by rotation at the ensuing Annual General Meeting. However, they have not offered them selves

for reappointment. Your Directors would like to record their sincere appreciation of the valuable services rendered by them during their long association with us. Your Directors would also not like to fill these vacancies.

PARTICULARS OF EMPLOYEES

The particulars of employees as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 forms a part of this Report.

However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and accounts are being sent excluding this information. Those members who are interested in obtaining such particulars may write to Company Secretary at the Registered Office.

AUDITORS

The Company's Auditors M/s. C. C. Choksi & Co., Chartered Accountants retire at the ensuing Annual General Meeting. They being eligible have given their consent to act as Auditors of the Company if reappointed. Members are requested to consider their reappointment as Auditors of the Company for the current year and fix their remuneration.

ACKNOWLEDGEMENTS

Your Directors wish to thank and place on record their appreciation of the valuable support given by Company's Customers, Shareholders, Bankers, Depositholders, Financial Institutions, Mutual Funds and Debentureholders.

The Directors would also like to thank the employees for their contribution to the Company's operations.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

The composition of the Board consists of Executive and Non-Executive Directors bringing a wide range of skill and experience to the Board.

TENURE

As per the provisions of the Companies Act, 1956, two-thirds of the Board of Directors (excluding the Whole-time Director or Managing Director) should be retiring by rotation. One-third of these Directors are required to retire every year and if eligible, these Directors qualify for reappointment. The minimum number of Directors is three.

The Whole-time Director is appointed by the Shareholders for a

maximum period of five years and is eligible for reappointment on completion of his term. The tenure of the current Wholetime Director is upto 30th June, 2003.

BOARD MEETINGS

The Board meets from time to time to review the quarterly performance and approval of the financial results, besides deliberating periodically all important matters and issues affecting the Company. The Agenda for the meeting is prepared and circulated in advance by the Company Secretary. The members of the Board have access to all relevant information and the Company derives significant benefit out of the experience of the Board members.

COMMITTEES

Appropriate delegation to focus attention on the affairs of the Company is being exercised through the Committee of Directors.

AUDIT COMMITTEE

The members of the audit committee are :

1. Shri H. A. Mafatlal
2. Shri N. R. Divate
3. Shri N. G. Patel

Comprehensive review of the system, financial reporting, compliances are the terms of reference of the Committee. The Committee reviews the reports of the internal auditors, statutory auditors and the action taken reports of the management.

SHARE TRANSFER COMMITTEE

The members of the committee are :

1. Shri H. A. Mafatlal
2. Shri N. R. Divate

The committee ensures that transfer processes are done quickly and efficiently and also investor grievances are attended promptly.

For and on behalf of the Board

H. A. MAFATLAL
Chairman

Place : Mumbai
Dated : 28th June, 2000

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of MAFATLAL FINANCE COMPANY LIMITED, as at 31st March, 2000 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that :

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in the said order.
2. Further to our comments in the Annexure referred to in Paragraph 1 above, we report that :
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books except for non-provision of interest expense of Rs.3,70,29,173/- as explained in the Note No. 11 [b] of Schedule 16.
 - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - d) The Profit & Loss Account and Balance Sheet comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956. Attention is invited to Note No. 7 (a) of Schedule 16 regarding non-provision for diminution in value of certain investments.
 - e) Attention is also invited to the following notes in Schedule No. 16 :
 - i. Note No.6 regarding reconciliation of Interest payable on fixed deposits and fixed deposits from public being subject to reconciliation and adjustments. The impact of the reconciliation on the account is not ascertainable at present.
 - ii. Note No. 7 (a) regarding shortfall in the value of investments. In our opinion the shares with the shortfall of Rs. 90,04,126/- on certain quoted investments in equity shares, included in the amount of Rs. 5,38,55,821/- needs to be provided, being the decline in value other than temporary. Consequently, loss for the year is under-stated by Rs. 90,04,126/- and investments are over-stated by the same amount.
 - iii. Note No. 8 regarding treatment of difference of Issue Price and Redemption Value of Deep Discount Debentures resulting in lower charge of Rs. 2,43,20,484/-. Consequently loss for the year is lower by Rs.2,43,20,484/- and reserves and surplus are lower by like amount.
 - iv. Note No.9 regarding application for registration u/s. 45 IA of RBI Act, 1934 which is awaiting the formal approval of RBI.
 - v. Note No.10 regarding provision of Rs.14,72,00,050/- for non-performing assets as required by the prudential norms prescribed by Reserve Bank of India not being made by the Company. Consequently loss for the year is

lower by Rs.1,47,20,005/-, sundry debtors higher by like amount.

- vi. Note No. 11(a) regarding loans of Rs. 27,72,69,517/- given to certain companies. We are unable to express our opinion on the shortfall in the realisability of these loans which is dependent on the negotiations with the company's lender and the realisation of the securities.
- vii. Note No. 11 (b) regarding non-provisioning of interest on loan taken from a company for reasons stated in the note. Consequently loss for the year and current liabilities are understated by Rs. 3,70,29,173/-.
- viii. Note No. 12 regarding short provision of Rs.15,72,48,000/- and non reversal of finance income of Rs. 3,68,55,000 as per RBI prudential norms. Consequently, loss for the year is under-stated by Rs.19,41,03,000/- and current assets and loans and advances are over-stated by the same amount.
- ix. Note No. 13 regarding an amount of Rs. 6,43,37,702/- due from Mafatlal Industries Ltd., a sick industrial company. We are unable to express our opinion on the recoverability or otherwise of the said amount.
- x. Note No. 14 regarding some of the Secured Loans from Banks and Financial Institutions and interest thereon being subject to confirmation, reconciliation and consequential adjustments.

We further report that, without considering the items mentioned in paragraphs i), iv), vi), ix) and x) above the effect of which could not be determined, had the observations made by us in paragraphs ii), iii), v), vii) and viii) above been considered, the loss for the year would have been Rs.74,29,76,788/- (as against the reported figure of Rs. 46,38,00,000/-), Reserves & Surplus would have been Rs. 58,03,27,484/- (as against the reported figure of Rs.55,60,07,000/-), investments would have been Rs. 56,48,48,874/- (as against the reported figure of Rs. 57,38,53,000/-), current assets and loans & advances would have been Rs.1,30,84,87,995/- (as against the reported figure of Rs.1,51,73,11,000/-) and current liabilities would have been Rs.48,59,69,173/- (as against the reported figure of Rs. 44,89,40,000/-).

f) Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the other notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :

- a) In the case of the Balance Sheet of the state of affairs of the company as at 31st March, 2000; and
- b) In the case of the Profit and Loss Account of the loss for the year ended on that date.

For C.C. CHOKSHI & CO.
Chartered Accountants

R. LAXMINARAYAN
PARTNER

Place : Mumbai
Date : 28th June, 2000

ANNEXURE TO THE AUDITORS' REPORT

Referred to in Paragraph 1 of our report of even date on the accounts of MAFATLAL FINANCE COMPANY LIMITED for the year ended 31st March, 2000.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets of the company, other than those leased out, have been physically verified by the management during the year. Leased assets have been physically verified by the management during the year in accordance with the regular programme which in our opinion is reasonable having regard to the size of the company and the nature of its assets. Reconciliation of some of the assets verified with book records is in progress. In addition confirmations have also been received from few lessees in respect of leased assets, and are awaited from the remaining lessees.
2. None of the Fixed Assets have been revalued during the year.
3. The nature of the Company's activities is such that the requirements of items (xii), (xiv) and (xv) of Clause A and item (i) of Clause C of paragraph 4 of the Order are not applicable to the company.
4. The stocks of shares have been physically verified by the management during the year. In our opinion the frequency of verification is reasonable.
5. The procedures of physical verification of stocks of shares followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
6. We are informed that no material discrepancies have been noticed on physical verification of stocks of shares as compared to the book records.
7. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks of shares is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the previous year. The stock of shares has been fully written off as at the end of the year.
8. In our opinion, the rate of interest and other terms and conditions on which loans have been taken from companies listed in the register maintained under Section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the company. The Company has not taken any loans from firms or other parties listed in the registers maintained under Section 301 of the Companies Act, 1956 and / or from Companies under the same management as this Company within the meaning of Section 370(1B) of the Companies Act, 1956.
9. In our opinion, the rate of interest and other terms and conditions on which loans have been granted to the companies listed in the register maintained under Section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company except in respect of an interest free loan of Rs.3,01,50,000/- given during the previous year. As the terms and conditions of this loan are being negotiated, we are unable to express our opinion on the same. The Company has not given any loans to the Companies under the same management as this company within the meaning of Section 370(1B) of the Companies Act, 1956.
10. The parties (including employees) to whom loans or advances in the nature of loans have been given by the company are repaying the principal amounts as stipulated and are also regular in payment of interest where applicable except, in respect of certain non-performing /other loans as explained in Note No. 11 (a) and 12 of Schedule 16 and also in respect of an ex-employee from whom an amount of Rs. 34,96,755/- is outstanding. Steps are being taken to recover the outstanding amounts.
11. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of plant and machinery, equipment and other assets and for sale of services.
12. Transactions of sale of services have been made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to more than Rs. 50,000/- in respect of each party. As explained to us, no similar services were rendered to other parties and hence the prices at which services have been rendered are not comparable.
13. In our opinion and according to the information and explanations given to us, the company has generally complied with the provisions of Section 58A of the Companies Act, 1956 and the directions issued by the Reserve Bank of India in respect of deposits received from the public except for the following :
 - a. The Company has stopped accepting / renewing deposits after it was downgraded below the investment grading in 1998-99 and is repaying the maturing deposits as and when they fall due ;
 - b. The Company has not attained the capital adequacy of 15 % at the end of the year.
 - c. Attention is invited in Note No. 6 of Schedule 16 regarding the fixed deposit and interest payable thereon being subject to reconciliation and adjustment.
14. In our opinion, the company's internal audit system, operated by firms of Chartered Accountants, is commensurate with the size and nature of its business.
15. According to the records of the company, provident fund and Employees' State Insurance dues have generally been regularly deposited with the appropriate authorities during the year.
16. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty and Excise Duty were outstanding as on 31st March, 2000 for a period of more than six months from the date they became payable.