

JM FINANCIAL

Trust is always the answer

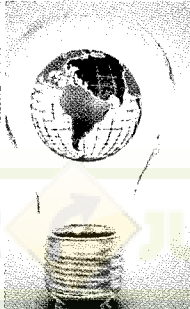
integrity



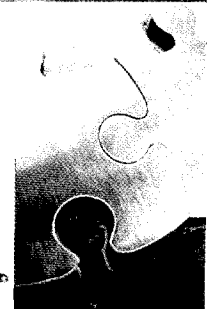
innovation



teamwork



partnership



implementation

client focus

performance

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The cover of this annual report represents the seven values that guide us at JM Financial.

It is our belief in these values that binds us together as a team; prompts us as we strive to build stronger relationships with all our clients and shareholders; inspires us as we achieve newer standards of performance in our work; and motivates us as we move ahead.

Our values provide us perspective and enable us to continue to stand strong.



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TWENTY FOURTH ANNUAL GENERAL MEETING

Day and Date : Thursday, September 10, 2009
Time : 3.30 P.M.
Venue : Rama Watumull Auditorium
 Kishinchand Chellaram College
 Dinshaw Wacha Road, Churchgate
 Mumbai - 400 020

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BOARD OF DIRECTORS

Mr. Nimesh N Kampani - Chairman & Managing Director
Mr. M R Mondkar
Mr. Ashith N Kampani
Mr. E A Kshirsagar
Mr. D E Udwadia
Dr. Pravin P Shah
Mr. Paul Zuckerman

GROUP CHIEF OPERATING OFFICER

Ms. Dipti Neelakantan

GROUP HEAD - COMPLIANCE, LEGAL & COMPANY SECRETARY

Mr. P K Choksi

CHIEF FINANCIAL OFFICER

Mr. Manish Sheth

STATUTORY AUDITORS

M/s. Khimji Kunverji & Co.

PRINCIPAL BANKERS

HDFC Bank Limited

REGISTRARS & SHARE TRANSFER AGENTS

Sharepro Services (India) Private Limited
2nd Floor, Samhita Warehousing Complex
Gala No-52 to 56, Bldg No.13 A-B
Near Sakinaka Telephone Exchange
Andheri - Kurla Road, Sakinaka, Andheri (East)
Mumbai - 400 072

REGISTERED OFFICE

141, Maker Chambers III
Nariman Point
Mumbai - 400 021
Tel.: 91-22-6630 3030
Fax: 91-22-2202 8224

Notice

NOTICE IS HEREBY GIVEN THAT THE TWENTY FOURTH ANNUAL GENERAL MEETING OF THE MEMBERS OF JM FINANCIAL LIMITED (THE COMPANY) WILL BE HELD ON THURSDAY, SEPTEMBER 10, 2009 AT 3.30 P.M. AT RAMA WATUMULL AUDITORIUM, KISHINCHAND CHELLARAM COLLEGE, DINSHAW WACHA ROAD, CHURCHGATE, MUMBAI - 400 020 TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2009 and the Profit & Loss Account for the year ended on that date together with the reports of the Board of Directors and the Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. M R Mondkar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Pravin P Shah, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. Khimji Kunverji & Co., as the Statutory Auditors of the Company and to authorise the Board of Directors to fix their remuneration.

By Order of the Board

P K Choksi

Group Head - Compliance, Legal
& Company Secretary

Date: July 21, 2009

Registered Office:

141, Maker Chambers III
Nariman Point
Mumbai - 400 021

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NOTES:

- a. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY IN ORDER TO BE VALID, MUST BE DULY FILLED IN ALL RESPECTS AND SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY **NOT LATER THAN 48 HOURS** BEFORE THE COMMENCEMENT OF THE MEETING.
- b. Members who hold shares in dematerialised form are requested to get their DP ID and Client ID numbers for easy identification of attendance at the meeting.
- c. Brief profiles of each of the Directors, who are proposed to be re-appointed, are furnished in the Corporate Governance Report, which forms part of the Annual Report.
- d. The Register of Members of the Company will remain closed from Thursday, September 3, 2009 to Thursday, September 10, 2009 (both days inclusive).
- e. Members while corresponding with the Company or its Registrars & Share Transfer Agents (RTA) viz., M/s. Sharepro Services (India) Private Limited, are requested to quote their respective Register Folio Numbers or DP ID and Client ID numbers of their beneficiary accounts, as the case may be.
- f. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, the amount of dividend which remain unclaimed or unpaid for a period of seven years from the date of transfer of such amount to the Unpaid Dividend Account opened in pursuance of sub-section (1) of the said Section, will be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government. The Members who have not yet encashed their dividend cheques for the financial year 2001-02 or any subsequent financial years are requested to make their claim to the Company. Further, please note that unclaimed dividend in respect of the financial year 2001-02 is due for transfer to the IEPF in September 2009. No claims shall lie against the said Fund or the Company in respect of the amounts remaining unclaimed or unpaid after the said transfer to IEPF.
- g. Members are entitled to make nomination in respect of shares held by them in physical form. Members desirous of making nominations may send their requests in Form 2B in duplicate (which will be made available on request) to the RTA of the Company.
- h. The Company has made necessary arrangements for the Members to hold their shares in dematerialised form. Those Members who are holding shares in physical form are requested to dematerialise the same by approaching any of the Depository Participants (DPs) In case any Member wishes to dematerialise his/her shares and need any assistance, he/she may write to the Company Secretary at the registered office of the Company.
- i. Members are requested to notify any change in their address immediately to their respective DPs or the RTA or the Company, as the case may be so as to enable us to dispatch the dividend pay orders/ECS intimation at the correct address.

j. Payment of dividend through Electronic Clearing Service (ECS):

All companies are mandatorily required to use ECS facility wherever available for distributing dividends, wherein the dividend amount would be directly credited to the Members' respective bank accounts.

The Members, holding shares in dematerialised form are advised to intimate the bank details/change in bank details to their respective Dps. Those Members who are holding their shares in physical form are advised to send bank details/changes therein, if any, to the RTA or to the Company. In case of absence of ECS facility, the Company will send the dividend pay orders to the registered address of the Members.

To enable the Company to print the bank account details on the dividend pay orders as a security measure for the credit to the correct recipient, Members are required to update their bank account details with their respective Dps, RTA or the Company.



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Directors' Report

To the Members,

The Directors of your Company present the Twenty Fourth Annual Report together with the audited annual accounts for the financial year ended March 31, 2009.

FINANCIAL RESULTS

(Rs. in crore)

Particulars	For the year ended			
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
	Consolidated		Standalone	
Gross income	425.83	742.29	24.54	36.70
Profit before depreciation, interest & tax	126.71	334.81	15.28	28.93
Less: Depreciation	12.11	9.79	0.27	0.10
Interest	20.39	32.83	0.03	0.06
Provision for diminution in value of investments	136.72	-	1.83	-
Provision for mark-to-market loss on securities held as a result of underwriting	17.18	-	-	-
Provision on standard assets	18.79	12.04	-	-
Add: Exceptional item (net)	-	1509.60	-	1723.02
Profit/(Loss) before tax	(78.48)	1789.75	13.15	1751.79
Provision for tax	28.32	454.11	5.13	391.55
Provision for fringe benefit tax	1.18	1.42	0.05	0.07
Profit/(Loss) after tax but before minority interest and share in associate companies	(107.98)	1334.22	7.97	1360.17
Less: Share of minority interest (net)	(0.19)	9.84	-	-
Add: Share of Profit/(Loss) in associate companies	2.58	(17.32)	-	-
Net Profit/(Loss)	(105.21)	1307.06	7.97	1360.17
Add: Profit brought forward from earlier years	1225.40	165.30	1160.39	37.97
Less: Adjustments as per AS 15 and others	-	0.83	-	-
Profit available for appropriation	1120.19	1471.53	1168.36	1398.14
Appropriations				
Proposed dividend				
Normal	15.00	15.00	15.00	15.00
Special	-	60.00	-	60.00
Dividend distribution tax	2.55	12.83	0.05	12.75
General reserve	1.00	150.00	1.00	150.00
Statutory reserve	11.09	13.15	-	-
Debenture redemption reserve	-	(4.85)	-	-
Surplus carried to balance sheet	1090.55	1225.40	1152.31	1160.39
	1120.19	1471.53	1168.36	1398.14

DIVIDEND

Your Directors are pleased to recommend the payment of a dividend of Re. 0.20 per share for the year ended March 31, 2009. The payment of dividend together with tax thereon will absorb Rs. 15.05 crore. The dividend, if declared at the forthcoming Annual General Meeting, will be paid on or after September 12, 2009 to those Members whose names appear in the Register of Members at the close of the business hours on September 2, 2009. In respect of shares held in dematerialised form, it will be paid to those Members whose names are furnished by the Depositories as beneficial owners as on the said date.

FINANCIAL HIGHLIGHTS

The global financial crisis and the consequent bearish market conditions during the financial year 2008-09 have taken a severe toll on the business operations of the Indian corporate sector. Your Company, being no exception, could not remain insulated from the resulting fall-out of the financial turmoil. Hence, it has posted, on a consolidated basis, a lower gross income of Rs. 425.83 crore during the year under review as against Rs. 742.29 crore in the previous year and incurred a loss before tax of Rs. 78.48 crore as against profit before tax of Rs. 280.15 crore (before exceptional item) earned during the previous year.

As a matter of abundant caution and to factor in the possibility that the Indian capital markets may continue to remain bearish, your Company and its subsidiaries have made a provision for diminution in the value of shares in listed companies held as long term investments. The amount of loss incurred, on a consolidated basis, as stated above is after considering such provision for diminution in the value of shares aggregating Rs. 136.72 crore.

On a standalone basis, your Company earned a lower gross income of Rs. 24.54 crore during the year under review as against Rs. 36.70 crore in the previous year and earned a profit before tax of Rs. 13.15 crore as against profit before tax of Rs. 28.77 crore (before exceptional item) earned during previous year. The net worth of your Company at the year end stands at Rs. 1,646.37 crore which translates to a book value of Rs. 21.96 per share.

SHARE CAPITAL

Consequent upon the approval of Members at the previous Annual General Meeting, the equity shares of the face value of Rs. 10/- each in the share capital of your Company were sub-divided into 10 equity shares of the face value of Re. 1/- each; and fully paid-up bonus shares were issued in the ratio of 3 equity shares for every 2 equity shares held by the Members. The record date for the above corporate actions by your Company was fixed as September 15, 2008.

To reflect the change in face value of the equity shares due to sub-division and to facilitate the issue of additional equity shares resulting from the bonus issue, the Authorised Share Capital of your Company was increased from Rs. 50 crore to Rs. 100 crore consisting of 100 crore equity shares of face value of Re. 1/- each. The paid-up capital of your Company increased from Rs. 29.98 crore to Rs. 74.97 crore due to the issue of bonus equity shares after the forfeiture of 8,700 partly paid-up equity shares in respect of which the calls were in arrears.

The liquidity in the shares of your Company on the Stock Exchanges has increased considerably subsequent to the sub-division and issue of bonus equity shares. It has also helped your Company in widening its shareholder base which is evident from the fact that the number of shareholders has increased to 15,416 as on March 31, 2009 as compared to 7,375 as on March 31, 2008.

EMPLOYEE STOCK OPTION SCHEME

Your Company has instituted an Employee Stock Option Scheme (ESOS) to reward and retain the key talent within your Company and its subsidiary(ies). The ESOS is framed and adopted by the Compensation Committee of the Board of your Company. A total of 445,500 stock options were granted at an exercise price of Rs. 1,370/- per option to the employees/Directors of your Company and its subsidiary(ies) under the ESOS of your Company. The vesting schedule of these options is in three equal tranches at the end of third, fourth and fifth year from the date of their grant.

Consequent upon the sub-division of equity shares and the issue of bonus shares, the Compensation Committee, at its meeting held on October 27, 2008, made the proportionate adjustment to the number of options granted and their exercise price. After the said adjustment, the number of adjusted options are 11,137,500 and the adjusted exercise price is Rs. 54.80 per option. The details of ESOS as stipulated under Clause 12.1 of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are given in Annexure I to this Report.

SUBSIDIARY COMPANIES

JM Financial Consultants Pvt. Ltd. (JM Financial Consultants), a wholly owned subsidiary of your Company completed the acquisition of the balance 40% equity stake in its subsidiary JM Financial Institutional Securities Pvt. Ltd. (formerly JM Financial ASK Securities Pvt. Ltd.) on May 9, 2008 pursuant to which JM Financial Institutional Securities Pvt. Ltd. became a wholly owned subsidiary of your Company.

During the year, JM Financial Insurance Broking Pvt. Ltd., JM Financial Overseas Holdings Pvt. Ltd. (incorporated under the laws of Republic of Mauritius) and Oracle Enterprises Pvt. Ltd. became subsidiaries of your Company.

JM Financial Asset Management Pvt. Ltd. (JM Financial Asset Management), a subsidiary of your Company and the asset management company of JM Financial Mutual Fund, raised Rs. 63.86 crore by issuing total 4,695,652 equity shares to overseas institutional investors. As a result, your Company's stake in JM Financial Asset Management got diluted from 58.26 % to 53.60 % after the allotment of the said shares on January 23, 2009. Simultaneously with the placement of shares to the overseas institutional investors, JM Financial Asset Management issued 5,287,897 warrants to your Company which carry the right to apply for and get allotted equivalent number of equity shares any time during the period of three years from the date of allotment of the equity shares to the aforesaid investors at the same price as offered to these investors. On your Company exercising such right, its holding would stand increased to 57.44%.

The Ministry of Corporate Affairs has granted exemption to your Company under Section 212(8) of the Companies Act, 1956 with regard to attaching the Balance Sheet, Profit & Loss Account and other documents of the subsidiaries for the year ended March 31, 2009. However, the annual accounts of the subsidiaries are available for inspection to any Member of the Company at its registered office and also at the registered office of the respective subsidiaries and a copy of the same will be made available to the Members on receipt of a request from them. The financial information of subsidiary companies is disclosed along with the consolidated financial statements. In accordance with the requirements of the Listing Agreement with Stock Exchange(s), the consolidated financial statements of the Company forms part of the Annual Report.