

SEVENTEENTH ANNUAL REPORT 2001-2002



J. M. Share & Stock Brokers Limited

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BOARD OF DIRECTORS

Mr. Nimesh N. Kampani — Chairman
Mr. M. C. Bhatt (up to 23-10-2001)
Mr. Arunkumar R. Gandhi
Mr. M. R. Mondkar
Mr. Ashith N. Kampani

REGISTERED OFFICE

141, Maker Chambers - III,
Nariman Point,
Mumbai-400 021.

AUDITORS

M/s. Khimji Kunverji & Co.,
Chartered Accountants,
Mumbai.

BANKERS

Indian Bank
Ground Floor,
Mittal Tower,
Nariman Point,
Mumbai-400 021.

SOLICITORS

M/s. Udwadia, Udeshi & Berjis (Regd.),
Mumbai.

REGISTRARS AND SHARE TRANSFER AGENTS

Sharepro Services
Satam Estate, 3rd Floor,
Above Bank of Baroda,
Chakala, Andheri (East),
Mumbai - 400 099.

HDFC Bank
Tulsiani Chambers,
Nariman Point,
Mumbai-400 021.



J. M. Share & Stock Brokers Ltd.

NOTICE

NOTICE IS HEREBY GIVEN THAT THE SEVENTEENTH ANNUAL GENERAL MEETING OF J. M. SHARE & STOCK BROKERS LIMITED WILL BE HELD ON FRIDAY, AUGUST 30, 2002 AT 3.30 P.M. AT KAMALNAYAN BAJAJ HALL & ART GALLERY, BAJAJ BHAVAN, GROUND FLOOR, NARIMAN POINT, MUMBAI - 400 021 TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended March 31, 2002, the Balance Sheet as at that date and the reports of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr Nimesh N Kampani, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint the Auditors at such remuneration fixed by the Board of Directors.

NOTES:

- a. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES, IN ORDER TO BE VALID MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- b. The Register of Members and Share Transfer books of the Company will remain closed from Friday , August 23, 2002 to Friday, August 30, 2002 (both days inclusive).
- c. Members while corresponding with the Company or its Registrars & Share Transfer Agents, M/s Sharepro Services are requested to quote their respective folio nos.
- d. Members desirous of getting their dividend without deduction of tax at source may file the declaration in form 15G, in duplicate, on or before August 23, 2002 with the Company's Registrars & Share Transfer Agents, M/s Sharepro Services.

By order of the Board

NIMESH N KAMPANI
CHAIRMAN

Date : June 26, 2002

Registered Office:

141, Maker Chambers III,
Nariman Point,
Mumbai 400 021

By Order of the Board

NIMESH N KAMPANI
CHAIRMAN

Date : June 26, 2002

Registered Office:

141, Maker Chambers III,
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DIRECTORS' REPORT

TO THE MEMBERS,

Your Directors have pleasure in presenting their Seventeenth Annual Report of the Company together with the Audited Accounts for the year ended March 31, 2002.

FINANCIAL HIGHLIGHTS

	For the year ended	
	March 31, 2002	March 31, 2001
	(Rs. in Lacs)	(Rs. in Lacs)
Income	251.26	273.96
Profit before Interest, Depreciation & tax	226.88	183.86
Interest	64.01	62.72
Gross Profit after Interest but before Depreciation & tax	162.87	121.14
Depreciation	1.97	1.98
Profit before tax	160.90	119.16
Deferred tax	(0.09)	—
Profit after tax	160.81	119.16
Transfer from Debenture Redemption Reserve	—	60.00
Balance Profit brought forward from previous year	240.92	61.76
Profit available for Appropriation	401.73	240.92
APPROPRIATIONS		
Proposed Dividend	101.92	—
Balance Carried to Balance Sheet	299.81	240.92
	401.73	240.92

DIVIDEND:

Your Directors are pleased to recommend a dividend of 9% (Rs. 0.90 per share) (subject to tax) for the year ended March 31, 2002. The dividend, if declared, by the members, at the ensuing Annual General Meeting will be paid on or after September 2, 2002.

FINANCIAL HIGHLIGHTS:

Your Company earned an Income of Rs. 251.26 lacs as against Rs. 273.96 lacs earned in the pervious year. The said income is after making provision for diminution in the value of investments of Rs. 284.76 lacs. During the year under review, your Company received the dividend income Rs. 436.77 lacs as against Rs. 161.28 lacs in the previous year. The sum of Rs. 74.96 lacs was realised on account of net capital gains on sale of investments. After accounting for an interest of Rs. 64.01 (Rs. 62.72 lacs) and the depreciation of Rs. 1.97 lacs (Previous year - Rs. 1.98 lacs), your Company's profit before tax works out to Rs. 160.90 lacs as against Rs. 119.16 lacs during the previous year. The net profit of your Company after deferred tax works out to Rs. 160.81 lacs.

Your Directors are pleased to report that your Company has achieved the status of zero debt Company during the year under review.

FIXED DEPOSITS:

Your Company has neither accepted nor renewed any deposits from shareholders/public during the year under review.

COMPLIANCE CERTIFICATE OF THE AUDITORS:

Your Company has obtained a certificate from the statutory auditors regarding compliance of conditions of Corporate Governance as stipulated in Clause 49 (VIII) of the listing agreement which along with the Corporate Governance Report is set out as an annexure to this Report.



J. M. Share & Stock Brokers Ltd.

DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts on a going concern basis.

DIRECTORS:

In accordance with Article 130 of the Articles of Association of the Company and the provisions of the Companies Act, 1956, Mr. Nimesh N Kampani, director of the Company, retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for reappointment and accordingly an ordinary resolution reappointing him as a director of the Company forms part of the Notice convening the Annual General Meeting.

During the year under review, Mr. M C Bhatt tendered his resignation from the directorship of the Company with effect from October 23, 2001. Your directors report, with regret, the sad demise of Mr. Bhatt subsequent to his resignation. The Board placed on record its sincere appreciation for the valuable services rendered by Mr. Bhatt during his tenure as a director of the Company.

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND EXPENDITURE:

The particulars as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 on Conservation of Energy and Technology Absorption are not applicable to your Company. Your Company has neither earned nor spent any amount in foreign exchange during the year under review.

AUDITORS:

The retiring Auditors, namely, M/s Khimji Kunverji & Co, Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and are seeking their reappointment. Members are requested to consider their reappointment at such remuneration fixed by the Board.

PARTICULARS OF EMPLOYEES:

The information required under section 217(2A) of the Companies Act, 1956 and the rules made thereunder is not furnished as your Company did not have any employee during the year under review.

ACKNOWLEDGEMENTS:

Your directors would like to place on record their gratitude to the shareholders for the confidence reposed in the Company and look forward to their continued support.

On Behalf of the Board of Directors

NIMESH N KAMPANI
Chairman

Date: June 26, 2002.

Registered Office:

141, Maker Chambers III,
Nariman point,
Mumbai 400 021.

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REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2001-02

PHILOSOPHY OF COMPANY ON CORPORATE GOVERNANCE

Good Corporate Governance means the adoption of best business practices which ensures that the Company operates not only within the regulatory framework, but is also guided by ethics. J. M. Share & Stock Brokers Limited ('the Company') has always believed that strong corporate governance is indispensable and is extremely important for investor protection. The adoption of good corporate practices benefits to the investors, creditors and the society at large.

The Securities and Exchange Board of India (SEBI) had introduced a comprehensive code on Corporate Governance and the Listing Agreement had been accordingly amended.

The Company was required to implement the code of Corporate Governance during the financial year 2001-02 but not later than March 31, 2002. As required by the said Clause no.49 of the Listing Agreement, the Company was in the process of implementing the code of Corporate Governance during 2001-02. The various aspects of Corporate Governance are listed below for the members' information.

BOARD OF DIRECTORS

The Board has a non-executive chairman and the number of Independent Directors is more than one-third of the total number of Directors. All the directors on the Board are Non-executive Directors (NEDs). The Board functions either as a full Board or through the Committees. The Board of Directors and its Committees meet at regular intervals. The Company believes that this structure has enhanced the Board's role in guiding it and has contributed to meeting the Company's objective of enhancing shareholder value.

All the Directors have confirmed that they are not on the Board of any public limited company which has committed default under Section 274(1)(g) of the Companies Act, 1956.

None of the Directors is a Member of more than 10 Committees and Chairman of more than 5 Committees across all the public limited companies in which he is a Director. For this purpose, only Audit Committee, Remuneration Committee and Shareholder Grievance Committee have been considered. The necessary disclosures regarding Committee positions have been made by the Directors.

The Composition of Board of Directors is in conformity with the Listing Agreement executed by the Company. The names and categories of the Directors on the Board, their other directorships and also the number of Committee memberships/ chairmanship held by them in other companies are given here under:



J. M. Share & Stock Brokers Ltd.

COMPOSITION OF BOARD

Sr. No.	Name of Director	Category	No of Directorships in other Companies		No of Committee Membership/ Chairmanship in other Companies	
			Public	Private	Chairman	Member
1.	Mr. Nimesh N Kampani	Non Executive Chairman	10	7	2	2
2.	Mr. Mulshanker C Bhatt*	Independent and Non - Executive Director	2	2	—	—
3.	Mr. Arunkumar R Gandhi	Independent and Non - Executive Director	13	2	3	5
4.	Mr. M R Mondkar	Independent and Non - Executive Director	—	2	—	—
5.	Mr. Ashith N Kampani	Independent and Non - Executive Director	—	1	—	—

* ceased to be a director w.e.f. October 23, 2001.

The Company did not have any pecuniary relationship or transactions with Non-Executive Directors during the Financial Year 2001-02 except payment of sitting Fees.

BOARD MEETINGS

During the Financial Year 2001-02, five Board Meetings were held on May 24, 2001, July 31, 2001, August 27, 2001, October 23, 2001 and January 31, 2002. The gap between two meetings did not exceed four months.

The Sixteenth Annual General Meeting (previous) was held on August 27, 2001. Following are the details of attendance of Directors at Board Meetings and at the Annual General Meeting held during the year.

Name of the Director	No of Board Meetings attended during the year	Attendance at the last Annual General Meeting
Mr. Nimesh N Kampani	5	Yes
Mr. Arunkumar R Gandhi	4	No
Mr. M R Mondkar	5	Yes
Mr. Ashith N Kampani	5	Yes
Mr. M C Bhatt	—	No

Mr. Nimesh N Kampani who retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

Mr. Nimesh N Kampani is a graduate from Sydenham College, and a qualified Chartered Accountant. Mr. Kampani has built a strong domestic franchise for JM Financial Group through promotion of companies providing services of Investment Banking, Stock Broking and Asset Management.

JM Financial Group has a joint venture with Morgan Stanley, a leading global financial services firm. Through this joint venture JM Morgan Stanley Group has been established in India. The Group's focus is in the areas of Investment Banking, Securities

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Trading, Retail distribution and Fixed Income Institutional business. Mr. Kampani is the Group Chairman of JM Morgan Stanley. Mr. Kampani is on the Board of several companies. Apart from this, he is a member of the SEBI Primary Market Advisory Committee and is also a member of the Bhagwati Committee on SEBI Regulations for Substantial Acquisition of Shares and Takeovers.

COMMITTEES OF DIRECTORS

Apart from the operational committees, the Board has constituted Audit Committee, and Shareholders' Grievance Committee, the details of which are given below. These Committees are chaired by independent professional directors.

• Audit Committee

The Board of Directors, at its meeting held on January 31, 2001 had constituted Audit Committee. The constitution of Audit Committee meets requirements of section 292A of the Companies Act, 1956. During the financial year 2001-02, two committee meeting were held on May 24, 2001, and October 23, 2001.

Terms of reference

The Audit Committee provides direction to the audit and risk management function in the Company and monitors the quality of external audit. The role of the Audit Committee include overseeing the financial reporting process to ensure proper disclosure in financial statements, recommending appointment/removal of external auditors and fixing their remuneration, reviewing the annual financial statements before submission to the Board, any changes in accounting policies and practices, major accounting entries, qualification in draft audit report, significant adjustment arising out of audit, the going concern assumption, compliance with accounting standards, stock exchange and legal requirements concerning financial statements, related party transaction that may have potential conflict of interest, reviewing adequacy of internal control systems, reviewing findings of internal investigations, discussing the scope of audit with external auditors, post audit discussion to ascertain any area of concern, reviewing the Company's financial and risk management policies and looking into reasons of substantial defaults, if any, for non-payment to shareholders, creditors, etc.

Composition

Sr. No.	Name of the Member	Category	Number of Meetings held during the year	Number of Meetings attended during the year
1.	Mr. M R Mondkar §	Independent Director	2	2
2.	Mr. Nimesh N. Kampani	Non-Executive Director	2	*
3.	Mr. Mulshanker C Bhatt	Independent Director	2	—
4.	Mr. Ashith N Kampani	Independent Director	2	2

§ Chairman of the Committee. * Appointed w.e.f May 30, 2002.

• Shareholders' Grievance Committee

The Company has constituted Shareholders' Grievance Committee on July 31, 2001 in accordance with the requirement of Clause no.49 of the Listing Agreement. The Committee has been constituted with the objective of attending to Shareholders' complaints pertaining to transfer/transmission of shares, non-receipt of dividend and other related matters. The Committee consists of two non-executive directors, Mr. M R Mondkar and Mr. Ashith N Kampani, Mr. Mondkar being the chairman of the Committee.



J. M. Share & Stock Brokers Ltd.

• Remuneration Committee

The Board has not constituted the Remuneration Committee, as there is no executive director in the Company. The Non-Executive Directors are paid sitting fees of Rs.500/- per Board Meeting attended. The details of the sitting fees paid to them during the year 2001-02 are as given below:

Name of the Director	Sitting Fees Paid during the year 2001-02 (Rs.)
Mr. Nimesh N Kampani	2500
Mr. Mulshanker C Bhatt	—
Mr. Arunkumar R Gandhi	2000
Mr. M R Mondkar	2500
Mr. Ashith N Kampani	2500

Status of Complaints for the year 2001-02

1. Number of Complaints received from the investors comprising of Non-receipt of Dividend/Interest/Redemption warrants, Non-receipt of Annual Report, Shares duly endorsed, Non-receipt of securities sent for transfer/transmission, complaints received from SEBI, etc. - 30
2. Number of Complaints resolved - 27
3. Number of Complaints pending- 7 received during the end of the year and subsequently resolved.
4. Number of Complaints not solved to the satisfaction of the investors - Nil
5. Number of share transfers pending for approval as on March 31, 2002 - Nil

Compliance Officer -

Mr. P. K. Choksi, 141, Maker Chambers III, Nariman Point, Mumbai - 400 021

GENERAL BODY MEETINGS

The details of Annual General Meeting held in the last three years are given below.

Year	Location	Date	Time	Resolution	Voting Pattern
1999	Kamalnayan Bajaj Hall, Bajaj Bhavan, Nariman Point, Mumbai	August 6, 1999	3.30 P.M.	—	—
2000	—do—	September 22, 2000	3.30 P.M.	Special	Show of hands
2001	—do—	August 27, 2001	3.30 P.M.	Special	Show of hands

- Whether Special Resolutions - Yes, during last two years.

1. Were put through postal ballot last year - Not Applicable, since not required.
2. Persons who conducted the postal ballot exercise - Not Applicable.
3. Are proposed to be conducted through postal ballot - Not Applicable.
4. Procedure for postal ballot - Not Applicable.

MANAGEMENT DISCUSSION & ANALYSIS

Industry structure and Developments

During the year under review, stock markets across the globe were highly volatile. The phased integration of the Indian economy with the global markets has accelerated the trend of increasing disintermediation and growing competition from