
19th Annual Report 2003-04

BOARD OF DIRECTORS

Mr. Nimesh N. Kampani — Chairman

Mr. Arunkumar R. Gandhi (Resigned vide letter dated 30-03-04)

Mr. M. R. Mondkar

Mr. Ashith N. Kampani

Mr. Anant V. Setalvad (From May 10, 2004)

Mr. E. A. Kshirsagar (From May 28, 2004)

REGISTERED OFFICE

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

SOLICITORS

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

BANKERS

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

REGISTRARS AND SHARE TRANSFER AGENTS

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

AUDITORS

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



J. M. Share & Stock Brokers Ltd.

NOTICE

NOTICE IS HEREBY GIVEN THAT THE NINETEENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF J. M. SHARE & STOCK BROKERS LIMITED WILL BE HELD ON MONDAY, AUGUST 2, 2004 AT 3.30 P.M. AT KAMALNAYAN BAJAJ HALL, 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, 2004, 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. Ashith N Kampani, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint the Statutory Auditors and authorise the Board to fix their remunerations.

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modification(s), the following resolution.

5. As an Ordinary Resolution:

“RESOLVED THAT Mr. E A Kshirsagar be and is hereby appointed as a Director of the Company liable to retire by rotation.”

6. As a Special Resolution:

“RESOLVED THAT pursuant to Section 21 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, the consent of the Company be and is hereby accorded for changing the name of the

Company from ‘J. M. Share & Stock Brokers Limited’ to ‘JM Financial Limited’ AND THAT the new name of the Company shall be effective from the date of issue of certificate of incorporation by the Registrar of Companies, Maharashtra.”

“RESOLVED FURTHER THAT the name of the Company wherever appearing in the Memorandum and Articles of Association, books, records, documents, registers, letter-heads and sign boards of the Company be substituted by the new name, viz., ‘JM Financial Limited’ upon the approval of the Central Government.”

“RESOLVED FURTHER THAT the Board of Directors (“the Board”) of the Company or any other person or persons authorized by the Board in that behalf be and are hereby authorized to do all such acts, deeds, matters and things as may be necessary for the purpose of effecting the change in the name of the Company.”

7. As an Ordinary Resolution:

“RESOLVED THAT in supersession of the resolution passed at the Extra Ordinary General Meeting of the Company held on March, 11, 1994, the consent of the Company be and is hereby accorded under Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company for borrowing from time to time, as they may think fit, any sum or sums of monies, notwithstanding that the monies so borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose PROVIDED HOWEVER THAT the aggregate of the

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monies so borrowed shall not at any time exceed Rs.500 crore (Rupees Five Hundred Crore Only).”

By Order of the Board

NIMESH N KAMPANI
Chairman

Date: May 28, 2004

Registered Office:

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

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 of the Company will remain closed from Friday, July 23, 2004 to Monday, August 2, 2004 (both days inclusive).
- c. Members while corresponding with the Company or its Registrars & Share Transfer Agents viz., M/s Sharepro Services, are requested to quote their respective Folio Nos./Client IDs.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENTS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

In respect of Item No. 5

Mr. E A Kshirsagar was appointed as an Additional Director of the Company by the Board of Directors at their meeting held on May 28, 2004. In accordance with the provisions of Section 260 of the Companies Act, 1956 read with Article 117 of the Articles of Association of the Company, he holds office of director up to the date of the ensuing Annual General Meeting. It is proposed to appoint Mr. Kshirsagar as a director of the Company liable to retire by rotation at the forthcoming Annual General Meeting. The Company has received a notice proposing his candidature as a director from one of the members along with a deposit of Rs. 500/- pursuant to Section 257 of the Companies Act, 1956.

Mr. Kshirsagar is an eminent Chartered Accountant and has been associated with A. F. Ferguson, Mumbai, Management Consultancy Division since over three decades. He was Director-in-charge until his retirement this year. He has specialized in the areas of Corporate Strategy and Structure, Disinvestments, Feasibility studies for variety of industries and impact of legislations on business. Your Directors feel that it would be in the best interest of the Company to have Mr. Kshirsagar on its Board and accordingly recommend passing of the resolution at Item No. 5 of the accompanying Notice.

Except Mr. E A Kshirsagar, no other Director is concerned or interested in the resolution.

In respect of Item No. 6

As the members are aware, the Company had ceased to carry on the business as a trading member of The Stock Exchange, Mumbai (BSE) and the National Stock Exchange



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of India Ltd. (NSE) consequent upon the sale/transfer of the Membership Rights of the BSE and NSE in the year 1999. Since then, the Company has been engaged in the securities business activities.

Further, it is proposed by the Board to surrender the dealer membership of the OTC Exchange of India. With this, the Company will no longer have any direct share and stock broking activities under its fold. It is also proposed to alter the main object clause of the Memorandum of Association of the Company so as to cover all the financial and related activities. To reflect this shift in the business activities, it is proposed to change the name of the Company from 'J. M. Share & Stock Brokers Ltd.' to 'JM Financial Ltd.' The Registrar of Companies (ROC), Maharashtra, vide his letter dated May 26, 2004, has made the said new name available to the Company. The said change in the name is subject to the approval of the Central Government as specified in Section 21 of the Companies Act, 1956.

Your Directors recommend passing of the resolution proposed at Item No. 6 of the accompanying Notice.

None of the Directors of the Company is in any way concerned or interested in the said resolution.

In respect of Item No. 7

At the Extra Ordinary General Meeting of the Company held on March 11, 1994, the Members had accorded their consent under Section 293(1)(d) of the Companies Act,

1956 to the Board of Directors to borrow monies for an amount aggregating up to Rs. 150 crore.

Having regard to the proposal seeking the Members' approval to make loans and investments up to Rs. 500 crore, your Directors are of the view that the limit of aggregate borrowing be similarly raised from Rs.150 crore to Rs. 500 crore. The use of the increased borrowing limit would be made depending upon the business exigencies and in accordance with sound financial policies. The resolution at item no. 7 of the accompanying notice is of an enabling nature and consent of the Members thereto is being sought pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956.

Your Directors recommend passing of the resolution proposed at Item No.7 of the accompanying Notice.

None of the Directors of the Company is in any way concerned or interested in the said resolution.

By Order of the Board

NIMESH N KAMPANI
Chairman

Date: May 28, 2004

Registered Office:

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

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DIRECTORS' REPORT

TO THE MEMBERS,

Your Directors have pleasure in presenting their Nineteenth Annual Report of the Company together with the Audited Accounts for the year ended March 31, 2004.

FINANCIAL HIGHLIGHTS

	For the year ended	
	March 31, 2004	March 31, 2003
	(Rs. in Lacs)	(Rs. in Lacs)
Gross Income	428.83	77.93
Profit before Interest, Depreciation, Diminution in value of Investment and Tax	402.09	51.29
Interest	—	0.81
Gross Profit after Interest	402.09	50.48
Depreciation	1.77	1.77
Provision for diminution in value of Investments	140.00	45.00
Profit before Tax	260.32	3.70
Provision for current Tax	—	0.30
Provision for Deferred Tax	(0.64)	0.24
Short provision for tax of earlier years (Net)	—	0.36
Profit after Tax	260.96	2.80
Balance Profit brought forward from previous year	178.73	301.33
Write back of excess provision for Dividend of earlier years	—	1.48
Profit available for Appropriation	439.69	305.61

For the year ended
March 31, 2004 **March 31, 2003**
(Rs. in Lacs) **(Rs. in Lacs)**

APPROPRIATIONS

Proposed Dividend (Subject to dividend tax)	179.97	112.47
Dividend Tax	23.06	14.41
General Reserve	20.00	—
Balance Carried to Balance Sheet	216.66	178.73
	439.69	305.61

DIVIDEND:

Your Directors are pleased to recommend a dividend of 16% (Rs. 1.60 per share) (Previous year 10% - subject to dividend tax) for the year ended March 31, 2004. The dividend, if declared, by the members at the ensuing Annual General Meeting, will be paid on or after August 5, 2004. The payment of dividend together with tax thereon will absorb Rs. 203.03 lacs.

FINANCIAL HIGHLIGHTS:

Your Company has earned a higher Gross Income of Rs. 428.83 lacs during the year under review as against Rs. 77.93 lacs earned in the previous year. After accounting for expenses of Rs. 26.74 lacs (Previous year - Rs. 26.65 lacs), the profit before interest and depreciation and other provisions is Rs. 402.09 lacs as against Rs. 51.29 lacs in the previous year. The profit before tax of the Company is Rs. 260.31 lacs as against Rs. 2.80 lacs in the previous year. The higher income is attributable to the higher dividend income earned by the Company during the year under review.

DELISTING OF SHARES

Your Company has received the approval from The Stock Exchange, Ahmedabad (ASE) and The Delhi Stock



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Exchange Association Limited (DSE) to delist its Equity Shares with effect from December 8, 2003 and December 10, 2003 respectively.

CHANGE OF NAME:

It is proposed to change the name of your Company from 'J. M. Share & Stock Brokers Ltd.' to 'JM Financial Ltd.' subject to necessary approvals. The Registrar of Companies (ROC), Maharashtra, vide his letter dated May 26, 2004, has made the proposed new name available to the Company. The said change in the name is subject to the approval of the Central Government pursuant to Section 21 of the Companies Act, 1956.

FIXED DEPOSITS:

Your Company has not accepted any deposits from shareholders/public during the year under review.

COMPLIANCE CERTIFICATE FROM 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.

DIRECTORS' RESPONSIBILITY STATEMENT:

The Board of Directors of your Company confirms 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 read with the provisions of the Companies Act, 1956, Mr. Ashith Kampani, a director of the Company, retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for reappointment. Accordingly an ordinary resolution reappointing him as a director of the Company form part of the Notice convening the ensuing Annual General Meeting.

The Board of Directors of your Company, at its meeting held on May 10, 2004, appointed Mr. Anant V. Setalvad as a Director of the Company, to fill the Casual Vacancy caused by the resignation of Mr. Arunkumar R Gandhi. Mr. Arunkumar R. Gandhi, vide letter dated March 30, 2004, tendered his resignation from the directorship of the Company. The Board placed on record its sincere appreciation for the valuable contribution made by Mr. Gandhi during his tenure as a director of the Company.

Further, Mr. E A Kshirsagar joined the Board as an Additional Director of the Company effective from May 28, 2004. Mr. Kshirsagar holds the office of Director up to the date of the ensuing Annual General Meeting. A notice has been received pursuant to Section 257 of the Companies Act, 1956 proposing Mr. Kshirsagar as a Director of the Company and an ordinary resolution recommending his appointment as a Director liable to retire by rotation forms part of the Notice convening the Nineteenth Annual General Meeting.

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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, Mumbai, hold office until the conclusion of the ensuing Annual General Meeting and are seeking their re-appointment. Members are requested to consider their appointment and authorise the Board to fix their remuneration for the year 2004-05.

PARTICULARS OF EMPLOYEES:

The information required under Section 217(2A) of the Companies Act, 1956 and the rules made thereunder is

not required to be furnished as your Company did not have any employee during the year under review.

ACKNOWLEDGEMENT:

Your Directors wish to thank the shareholders for their continued support and confidence reposed by them in the Company.

On Behalf of the Board of Directors

NIMESH N KAMPANI
Chairman

Date: May 28, 2004

Registered Office:

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



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REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2003-04

I COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Board of Directors of your Company is extremely conscious about the need of good Corporate Governance and has accordingly adopted the best practices and procedures to achieve the same. The Board follows the principles of full transparency and accountability, thereby making efforts to protect the interests of the Shareholders of the Company.

The Directors consider themselves as trustees of the Shareholders and acknowledge their responsibilities to them. The Directors strive to create and safeguard the wealth of the Shareholders. During the Financial Year 2003-04, your Company has duly complied with the requirements of guidelines pertaining to the Corporate Governance as stipulated under the Listing Agreement executed with The Stock Exchange, Mumbai (BSE).

II. BOARD OF DIRECTORS

a. Composition of the Board:

The Board is headed by the Non-Executive Chairman, Mr. Nimesh N Kampani, and four other Directors. Out of five Directors, four Directors are independent. Hence the Company complies with the Listing Agreement norms for independent directors. The Board acts with autonomy and independence in exercising strategic supervision, discharging its responsibilities and in ensuring that the Company observes high standards of ethics, transparency and disclosure. The Independent Directors have no material pecuniary relationship with the Company, which may affect the independence of their judgement.

The Directors have confirmed that they are not on the Board of any public companies, which have committed default under Section 274(1)(g) of the Companies Act, 1956. None of the Directors is a member of more than 10 committees of the public companies or is the Chairman of more than 5 such committees.

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors for the Financial Year ended March 31, 2004 that may have potential conflict with the interests of your Company at large.

The names of the Directors, their attendance at Board Meetings during the Financial Year and at the last Annual General Meeting, number of other Directorships held by them, Board Committee memberships and/or chairmanships in Public Companies (excluding the Company) held by them as at March 31, 2004 are given below:

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Name of Director	Category	No. of Board Meetings attended during the year 2003-04	Whether attended the last AGM held on September 10, 2003	No. of other Directorships		No. of other Committees on which Member/Chairman \$	
				Public	Private	Chairman	Member
Mr. Nimesh N Kampani	Non Executive Chairman	5	Yes	10*	7	2	4
Mr. Arunkumar R Gandhi#	Independent and Non Executive Director	4	No	—	—	—	—
Mr. M R Mondkar	Independent and Non Executive Director	6	Yes	—	2	—	—
Mr. Ashith N Kampani	Independent and Non Executive Director	6	Yes	—	1	—	—
Mr. Anant V. Setalvad (Effective from May 10, 2004)	Independent and Non Executive Director	NA	NA	3	1	—	—
Mr. E. A. Kshirsagar (Effective from May 28, 2004)	Independent and Non Executive Director	NA	NA	2	—	—	—

* Includes Foreign Company.

\$ The Committees considered for the purpose of arriving at the numbers are; Audit, Remuneration and Shareholders' Grievance Committee.

Tendered resignation on March 30, 2004.

b. Board Meetings:

During the year under review, the Board of Directors met 6 times on May 21, 2003, June 23, 2003, July 29, 2003, September 10, 2003, October 27, 2003 and January 14, 2004. The time interval between the two Board Meetings did not exceed the stipulated four months period specified under the Listing Agreement.

Mr. Ashith N Kampani retires by rotation at the ensuing Annual General Meeting. He offers himself for reappointment.

Mr. Ashith Kampani holds a Bachelors degree in Commerce. He has been one of the Non-Executive Directors since 1998. Mr. Kampani has been associated with the Company since many years. Mr. Kampani is presently working as Vice President-Equity Sales & Trading in JM Morgan Stanley Securities Private Limited. He is a Director of Ashith N Kampani Securities Private Limited.



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Mr. Anant V. Setalvad has been appointed as a Director to fill the casual vacancy caused by resignation of Mr. Arunkumar R. Gandhi at the Board Meeting held on May 10, 2004.

Mr. Setalvad holds a degree in commerce and law. He is also a qualified company secretary. He is the Executive Chairman of KSB Pumps Limited. He has been associated with KSB Pumps Limited since its inception. He has wide experience in the field of finance and legal matters. He is also on the Boards of Industrial & Prudential Investment Company Limited, J. M. Trustee Co. Private Limited, New Holding & Trading Co. Limited and a member of executive committee of The Cricket Club of India Ltd.

Mr. E. A. Ksrhisagar has been appointed as an Additional Director at the Board Meeting held on May 28, 2004.

Mr. Kshirsagar holds a degree in Science and is a qualified Chartered Accountant (India as well as England & Wales). He has been associated with A. F. Ferguson Management Consultancy Division for over three decades. He was Director-in-charge until his retirement this year. He has specialised in the areas of Corporate Strategy and Structure, Disinvestments, Feasibility studies for variety of industries and impact of legislations on business. He is also on the Boards of Ashok Leyland Limited and HCL Infosystems Limited.

III. COMMITTEES OF DIRECTORS

a. Audit Committee

During the year under review, the following Directors were members of the Audit Committee:

Members: Mr. M R Mondkar - Chairman, Mr. Nimesh N Kampani and Mr. Ashith N Kampani.

Except Mr. Nimesh N Kampani, all other members of the Committee are Independent Directors. The role, powers and functions of the Audit Committee are given on the basis of Clause No. 49 of the Listing Agreement as also the provisions of Section 292A of the Companies Act, 1956.

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 includes overseeing the financial reporting process to ensure proper disclosure in financial statements, recommending the appointment or 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, if any, in the draft audit report, review of any significant adjustments arising out of audit, the going concern assumption, compliance with accounting standards, stock exchange and legal requirements concerning financial statements, related party transactions that may have potential conflict of interest, review of adequacy of internal control systems, review of the findings and observations 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.