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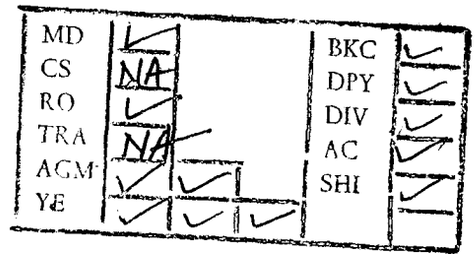

10th Annual Report
1997-98

KJMC

FINANCIAL SERVICES LIMITED

Performing to Grow
Growing to Excel

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KJMC FINANCIAL SERVICES LIMITED

BOARD OF DIRECTORS

Mr. I.C. Jain (Chairman)
Mr. J.S. Bhatnagar
Mr. V.N. Dhoot
Mr. Sunil Gandhi
Mr. Akshay Jain
Mr. Girish Jain
Mr. R.R. Kumar
Mr. Sanjay Maloo
Mr. Rajendra Somani
Mr. S.J. Taparia
Vice Admiral Raviprakash Sahwney (Retd.)
Mr. Babasaheb D. Dabhade
Mr. Rajnesh Jain (Alternate Director to Mr. Sunil Gandhi)
Mr. Pankaj Jain (Alternate Director to Mr. Sanjay Maloo)

AUDITORS

Batliboi and Purohit
Chartered Accountants
National Insurance Building
204, D.N. Road, Fort,
Mumbai 400001.

ADVOCATES AND SOLICITORS

Malvi Ranchhodas & Co.
Yusuf Building, 3rd Floor,
Mahatma Gandhi Road
Mumbai 400 023.

BANKERS

UTI Bank Ltd.
Union Bank of India
Canara Bank
State Bank of India
United Commercial Bank

REGISTERED OFFICE

168, Atlanta, 16th Floor,
Nariman Point,
Mumbai 400 021.

BRANCH OFFICES

NEW DELHI
221, Hans Bhavan,
Bahadur Shah Zafar Marg,
New Delhi 110 002.

CALCUTTA
16, Netaji Subash Road,
4th Floor, Calcutta 700 001.

JAIPUR
C-94, Lal Kothi Scheme,
Jaipur 302 015.

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NOTICE

NOTICE is hereby given that the Tenth Annual General Meeting of the Members of KJMC Financial Services Limited will be held on Saturday, 26th September 1998 at 4.00 P.M. at S. K. Somani Memorial Hall, Hindi Vidya Bhawan, 79-Marine Drive, F Road, Mumbai - 400 020 to transact the following business :-

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 1998 and the Balance Sheet as at that date, and the Report of the Auditors thereon and the Directors' Report.
2. To declare Dividend.
3. To appoint a Director in place of Mr. Venugopal. N. Dhoot, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Sunil K. Gandhi, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Raghunath Rai Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS :

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

   "RESOLVED THAT Vice Admiral Raviprakash Sawhney (Retd.) who was appointed as an Additional Director of the Company w.e.f. 21st March, 1998 pursuant to Section 260 of the Company's Act, 1956 and Article 130 of the Articles of Association of the Company and who holds such office upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company."

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

   "RESOLVED THAT Mr. Babasaheb Dattoba Dabhade who was appointed as an Additional Director of the Company w.e.f. 29th July, 1998 pursuant to Section 260 of the Company's Act, 1956 and Article 130 of the Articles of Association of the Company and who holds such office upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company."

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

   "RESOLVED THAT in accordance with the provisions of Section 81 and other applicable provisions, if any, of The Companies Act, 1956 and subject to such consents and such other approvals as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors (hereinafter referred to as "The Board" which term shall be deemed to include any committee thereof for the time being exercising the powers conferred on the Board by this Resolution) or as may be prescribed or made in granting such consents and approvals and which may be agreed to by the Board, the Company through the Board do issue, in one or more tranches, in the International Market, to Foreign Financial Institutions/ Foreign Investors / Non Resident Indians whether Institutions or Incorporated Bodies and/or Individuals / Overseas Corporate Bodies (OCBs) and / or otherwise / Companies / Insurance Company - Funds covering inter alia Providend Funds, Venture Funds, Pension Funds or any other Special Funds Sponsored by Investements / Asset Management Companies / Multilateral Agencies and / or to any Investment Institutions, whether shareholders of the Company or not (hereinafter collectively referred to as "Investors") through a public issue and/or on private placement basis and / or preferential allotment basis, Equity Shares and / or Equity Shares in the form of Depository Receipts and / or Securities convertible into Equity Shares and / or Securities linked to Equity Shares and / or any other Share related instruments, including convertible bonds (hereinafter collectively referred to as "Securities") as may be thought fit, upto an amount not exceeding US $ 50 Million (rupee equivalent depending on exchange rate prevailing at the time of remittance of funds-presently equivalent to about Rs. 210 Crores) inclusive of such premium as may be payable on the Equity Shares, at such time or times, on such terms and at such price or prices as the Board in its absolute discretion deems fit."

   "RESOLVED FURTHER THAT the Company may enter into any arrangement with any agency and other intermediaries or body authorised by the Company for the issue of 'Securities' as mentioned / defined earlier, issued by the Company with such features and attributes as are prevalent in the International Capital Market and to provide for the tradeability or free transferability thereof as per International practices and regulations and under the forms and practices prevalent in the International market."

   "RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of additional Equity Shares as may be required in pursuance of the above issue, and that the Equity Shares so allotted shall rank pari passu with the existing Equity Shares of the Company in all respects, save and except that :-

   (i) if prior to the issue of any of the Securities hereinabove mentioned, the Company is enabled, as a result of any legislative changes or enactments in India, to issue Equity Shares without voting rights attached to them (such shares hereinafter being referred to as the "Non -Voting Shares"), the Board may, at its absolute discretion issue the whole or any part of such Shares without voting rights upon such terms and conditions and with such rights and privileges annexed thereto as may be permitted by the relevant law and

   (ii) such Equity Shares, which may be with or without voting rights, shall carry the right to receive either the full dividend or a pro-rata dividend from the date of allotment, as may be decided by the Board, declared for the financial year in which the allotment of the Shares shall become effective."

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"RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board of Directors or a Committee thereof be and is hereby authorised to determine the form and terms of the Issue, the Issue price, offer or allotment of securities and utilisation of the issue proceeds or in the borrowing of the loans as it may in its absolute discretion deemed fit and all other terms and matters connected therewith including the creation of mortgages and / or charges and to make and accept any modifications in the proposal as may be required by the authorities involved in such issue in India and abroad and to settle any questions or difficulties that may arise in regard to the Issue ; and that no further consent or approval of the Members or otherwise shall be necessary and that the Members shall be deemed to have given their approval thereto expressly by the authority of this Resolution."

"RESOLVED FURTHER THAT the consent of the Company be and is hereby granted in terms of Sections 293(1)(a), 293(1)(d) and other applicable provisions, if any, of The Companies Act, 1956 and subject to all necessary approvals to the Board to secure, if necessary, all or any of the abovementioned securities to be issued, by the creation of a mortgage and / or charge on all or any of the Company's immovable and / or movable assets, both present and future in such form and manner and on such terms as may be deemed fit and appropriate by the Board."

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

"RESOLVED THAT as per the relevant provisions of the Company's Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force) and subject to such consents and such other approvals as may be necessary, including Central Government, Reserve Bank of India and or Securities and Exchange Board of India, or any other Regulatory / other appropriate authorities if any, consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as " The Board" which term shall be deemed to include any committee thereof for the time being exercising the powers conferred on the Board by this Resolution) to apply and invest in the proposed offshore subsidiary / company, upto a maximum investment of 51 % of the total Issued, Subscribed and Paid - up capital (which will include, inter-alia, debt instruments, fully convertible into equity at a determinable future date) of this proposed offshore Company / venture and as the case may be applicable from time to time , in association with an International Outfit of repute as decided and approved by " The Board", however the maximum amount of such proposed investments shall not exceed US $ One Million;"

"RESOLVED FURTHER THAT any questions or difficulties that may arise in regard to formation / set up of such venture and/or any applications and/ or investments in such venture from time to time, " The Board" be and is hereby authorised to do all such acts, deeds and things and to comply with any formalities if need be and that no further consent or approval of members or otherwise shall be necessary for the purpose and that the members shall be deemed to have given the approval thereto expressly by the authority of this Resolution".

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

"RESOLVED THAT subject to all applicable provisions of the Company's Act, 1956 (including any statutory modification (s) or re-enactment thereof and any Ordinance promulgated in this regard for the time being in force and as maybe enacted / promulgated from time to time) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (herein after referred to as the "Board"), the consent of the Company be and is hereby accorded to the Board to buy-back, from the existing holders of shares and / or other securities giving right to subscribe for shares of the Company, on a proportionate basis and / or from the open market and / or from the lots smaller than the market lots of the securities (odd lots) and / or by purchasing the securities issued to the employees pursuant to a scheme of stock option, the shares or such other securities or securities having such underlying voting rights as may hereafter be notified by the Central Government or any other regulatory authority, from time to time (herein for brevity's sake referred to as "the Securities"), of the Company, from out of its free reserves or out of the securities premium account of the Company or out of the proceeds of any issue made by the Company specifically for the purpose, or form such other sources as may be permitted by Law, on such terms and conditions and in such manner as may be prescribed by law from time to time; provided that the aggregate of the securities so bought back shall not exceed 15% of the respective Securities of the Company subject to the maximum limits that may be permissable under any Rules, Acts, Laws, Bills, as may be passed from time to time."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do and act on all such things and deal with all such matters and take all such steps in this regard as it may, in its absolute discretion, deem necessary, fit or proper and no further consent or approval of the Members shall be necessary and that the Members shall be deemed to have given the approval thereto expressly by the authority of this resolution"

MUMBAI :
29th July, 1998

By Order of the Board of Directors
For **KJMC FINANCIAL SERVICES LTD.**

REGISTERED OFFICE:
168, ATLANTA,
NARIMAN POINT,
MUMBAI 400021.

GIRISH JAIN
EXECUTIVE DIRECTOR

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.

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The Instrument of Proxy should be deposited at the Registered Office of the Company not less than 48 hours before the meeting.

B) An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of business under Items No. 7 to 10 set out above, is annexed hereto.

C) The Register of Members and Share Transfer Books of the Company will be closed from 15th September 1998 to 26th September 1998 both days inclusive, for the purpose of payment of Dividend.

D) The dividend on shares as recommended by the Directors for the year ended 31st March, 1998, if declared at the meeting, will be payable on or before 6th November 1998 to the eligible members.

E) With a view to provide protection against fraudulent encashment of Dividend Warrants, Members are requested to immediately inform the Company of their Bank Account No., Name and Address of the Bank , for incorporating of the same in the Dividend Warrant. Members will appreciate that the Company and the Bankers will not be responsible for any loss in any way, arising out of fraudulent encashment of Dividend Warrants or Warrants falling into improper hands or theft etc.

F) Members are requested to :

i) Quote their Folio No. in all correspondence with the Company.

ii) Notify immediately to the Company any change in their address and their mandates, if any. Pin Code Nos. at the end of address should positively be mentioned in order to ensure that postal authorities deliver the envelopes easily and on time.

iii) Any members requiring further information on accounts at the meeting are requested to send queries in writing by 12th September 1998, so that information required may be made readily available at the meeting.

iv) Handover the enclosed attendance slip, duly signed in accordance with their specimen signature registered with the Company, for admission to the meeting hall.

v) Those members who have so far not encashed their Dividend Warrants for the Financial Year ended 31st March 1995 may immediately claim or approach the Company for the payment, as the same will be transferred to The General Revenue Account of the Central Government on or before 22nd September 1998.

MUMBAI
29th July, 1998

By Order of the Board of Directors
For **KJMC FINANCIAL SERVICES LTD.**

REGISTERED OFFICE:
168, ATLANTA,
NARIMAN POINT,
MUMBAI 400021.

GIRISH JAIN
EXECUTIVE DIRECTOR

ANNEXURE TO THE NOTICE

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

The following Explanatory Statement sets out material facts relating to item of Special Business mentioned in the accompanying Notice dated 29th July, 1998 conveying the Annual General Meeting of the Company.

Item No. 7

Vice Admiral Raviprakash Sawhney (Retd.) was appointed as Additional Director on the Board of Directors of the Company w.e.f. 21st March, 1998 under Section 260 of the Company's Act, 1956 and under Article 130 of the Articles of Association of the Company and he holds the office only upto the date of this Annual General Meeting of the Company. Notice together with the requisite deposit under Section 257 of the Company's Act, 1956 has been received by the Company from a member for the appointment of Vice Admiral Raviprakash Sawhney (Retd.) as Director of the Company. He shall be liable to retire by rotation till he continues as a Director.

None of the Directors except Vice Admiral Raviprakash Sawhney (Retd.) is concerned or interested in this resolution.

The Directors recommend passing of this Resolution.

Item No. 8

Mr. Babasaheb Dattoba Dabhade was appointed as Additional Director on the Board of Directors of the Company w.e.f. 29th July, 1998 under Section 260 of the Company's Act, 1956 and under Article 130 of the Articles of Association of the Company and he holds the office only upto the date of this Annual General Meeting of the Company. Notice together with the requisite deposit under Section 257 of the Company's Act, 1956 has been received by the Company from a member for the appointment of Mr. Babasaheb Dattoba Dabhade as Director of the Company. He shall be liable to retire by rotation till he continues as a Director.

None of the Directors except Mr. Babasaheb Dattoba Dabhade is concerned or interested in this resolution.

The Directors recommend passing of this Resolution.

Item No. 9

In the 9th Annual General Meeting members had approved /passed the said Resolution, the validity period of which ceased 3 months from the date of passing the said Resolution. In view of the depressed market conditions through out the last year it was not possible to raise funds from International market. The members are again approached to pass the said Resolution. The Special Resolution set out as Item No. 9 of this Notice concerns a proposal by the Company to issue Equity Shares / Equity Shares in the form of Depository Receipts / Preference Shares and / or convertible securities and / or other instruments or Securities representing the same, by way of an offering denominated in foreign currency to investors outside India (the "International Offer"). The purpose of the International Offer is to raise foreign exchange to finance the Working Capital requirements of the Company and capital goods imports, domestic purchases / installation of Plant / Machinery, if any, Equipment and Building, making strategic investments where these have been approved by competent authorities and other general corporate uses and for such other purposes as the Board may in the best interest of the Company decide at its sole discretion. The detailed terms and conditions for the International Offer will be determined in consultation with the Lead Managers, Advisors and underwriters to be appointed by the Company. Shares issued pursuant to the International Offer will not exceed an aggregate face value of 51% of the Share Capital of the Company or such percentages as may be approved by the Government and the Competent Authorities. Since the pricing of the Offering

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cannot be decided except at a later stage, it is not possible to state the price or the exact number of Securities or shares to be issued and hence an enabling Resolution in wide terms is proposed to give adequate flexibility and discretion to the Board / Committee to finalise the terms in consultation with the lead managers and underwriters or such other authority or authorities as need to be consulted including in relation to the pricing of the issue which will be a free market pricing and may be at a premium or discount to market price in accordance with the international practice.

The issue price of Securities issued pursuant to the International Offer will be determined at the time of the offering depending on the then prevailing market conditions.

Securities issued pursuant to the International Offer would be listed on the Luxembourg Stock Exchange and / or London Stock Exchange or any other Exchange(s) outside India and may be represented by Depository Receipts or other securities outside India.

The Special Resolution seeks to give the Board / Committee powers to issue and market any Securities issued pursuant to the International Offer, including for instance the power to issue such Securities in one or more tranche or tranches, at such time or times and at such price or prices as the Board may in its absolute discretion deem fit.

Section 81 of The Companies Act, 1956, provide , inter alia, that when it is proposed to increase the issued capital of a Company by allotment of further shares, such further shares shall be offered to the existing shareholders of the Company in the manner laid down in Section 81, unless the shareholders in a General Meeting decide otherwise.

The Listing Agreements with the Stock Exchanges provide, inter alia, that the Company, in the first instance, should offer all shares and the debentures to be issued by the Company for subscription, pro rata, to the Equity Shareholders unless the shareholders decide otherwise in a General Meeting.

Under the said Special Resolution, consent of the shareholders is being sought pursuant to the provisions of Section 81 and all other applicable provisions of The Companies Act, 1956 and in terms of the provisions of the Listing Agreements executed by the Company with various Stock Exchanges in India where the Company's Securities are listed.

The said Special Resolution will, if passed, will enable the Board on behalf of the Company to issue and allot Securities otherwise than on a pro rata basis to the existing shareholders, as permitted by Section 81 of The Companies Act, 1956.

The Board of Directors believes that the proposed International Offer will be in the best interest of the Company.

None of the Directors is in any way concerned or interested in the Resolution.

Directors therefore recommend the Resolution for approval of the shareholders.

Item No. 10

To give a boost to the Company's future income streams and to take adequate advantage of emerging business opportunities in Indian Capital Market, your company has decided to float an offshore subsidiary / Company, in association with an International outfit of repute.

The proposed subsidiary / Company after it's commencement would invest and/or trade in Indian Capital Markets in both Debt and Equity instruments. Substantial progress has been achieved in Identifying a suitable business partner for the proposed venture as also identification of Sources of funding the venture.

Item No. 11

The Companies Act 1956 at the moment does not allow / permit buy-back of own shares or other securities convertible into equity shares. The Company's Bill 1997 had proposed to lay down the provisions to regulate the buy-back of equity shares and / or securities by Companies. The Company's Bill 1997 has not been passed in the Parliament as to become a law but, it is expected that the necessary laws will be amended to allow such buy-backs very soon. It is proposed to buy-back upto and including 15% subject to the maximum limits that may be permissable under rules, acts, laws, bills, may allowed from time to time, of the total voting powers relating to the shares or other securities giving right to subscribe for shares of the Company from the present security holders on a proportionate basis and / or from the open market and / or from the lots smaller than the market lots of securities and / or by purchasing the securities which may be issued to the employees of the Company at any time pursuant to the Scheme of Stock Option, and subject to necessary enactment in this regard.

The buy-back of shares would entail investing of an amount which would be equivalent to the market value of the such shares or other securities giving the right to subscribe for the shares of the Company and shall be met out of the free reserves and / or out of the proceeds of an issue specifically made for the purpose and / or securities premium account and / or from any other sources as may be permitted by law, from time to time and further the shares so bought back would be dealt according to the laws, rules and regulations prevailing at that time and from time to time. The resolution if passed by the members becomes operative from such applicable date as may be stated in this regard.

It will be in the interest of the members if they approve the said resolutions or buy-back as the Company may be able to implement the said resolution as and when the law is amended. It is felt that as per the provisions of the Company's Bill 1997, the proposed resolution to be passed at the ensuing Annual General Meeting may be valid till 25th December, 1999. It may also be noted that a Resolution to purchase / buy-back preference and /or Equity Shares was passed earlier in the 9th Annual General Meeting and this proposed Resolution if passed will supercede the previous Resolution. It is felt that the Company's bill which may be passed in the Parliament very shortly may have provisions that buy-back Resolution passed by the Members of the Company would have a validity period of approximately 15 months. The proposed resolution is an enabling provision meant for facilitating the Company to buy-back its shares after laws have been passed.

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

The Directors recommend passing of this resolution.

MUMBAI :
29th July, 1998

By Order of the Board of Directors
For **KJMC FINANCIAL SERVICES LTD.**

REGISTERED OFFICE:
168, ATLANTA,
NARIMAN POINT,
MUMBAI 400021.

GIRISH JAIN
EXECUTIVE DIRECTOR

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DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Tenth Annual Report of the Company and the Audited Statements of Accounts for the year ended 31st March, 1998.

FINANCIAL RESULTS

	Year ended 31.03.1998 (Rs. in lakhs)	Year ended 31.03.1997 (Rs. in lakhs)
Total Income	1954.85	1641.89
Total Expenditure	779.24	628.51
Profit Before Depreciation and Tax	1175.61	1013.38
Less : Depreciation	561.15	281.88
Provision for Tax	125.00	96.30
Profit After Tax	489.46	635.20
Add : Balance brought forward from the previous year	718.15	571.29
Add : Prior period item	26.05	NIL
DISPOSABLE PROFITS	1233.66	1206.49
Appropriations toward Interim Dividend on Cumulative Redeemable Preference Shares.	49.00	25.50
That the Directors recommend for appropriation as under :		
Proposed Dividend on Equity Shares	116.61	233.22
2% Non-Cumulative Redeemable Preference Shares	1.00	3.00
	166.61	261.72
Tax on Proposed Dividend	16.66	23.62
Transfer to Special Reserve (in accordance with RBI Amendment Act 1997)	98.00	128.00
Transfer to General Reserve	49.00	75.00
Balance carried to Balance Sheet	903.39	718.15
	1233.66	1206.49

DIVIDEND

The Directors are pleased to recommend the payment of dividend of Rs. 2.00 per Equity share. The dividend on Equity Shares, if approved, would absorb Rs. 116.61 lakhs and will be paid to those members whose name appear on the Register of Members as on 26th September, 1998.

PERFORMANCE REVIEW

During the year under review the total income of the Company was Rs. 1954.85 Lakhs compared to Rs. 1641.89 Lakhs of the previous year. The financial charges and depreciation amounts were relatively higher than the previous year. The Net Profit for the year was Rs. 489.46 lakhs compared to Rs. 635.20 lakhs of the previous year. The members are fully aware of the adverse business conditions and situations that are existing in the country for well over the last two years. Inspite of recession in the Financial Sector, your Company because of its strong base could mobilise adequate business during the year. Many Non-Banking Financial Companies are in dire straits and quite of them have wound up their business. The Capital Market in India continue to have its downtrend, which has affected not only the business related thereto but also the market sentiments badly. However in face of such heavy odds your Company has fared relatively well vis-à-vis other NBFC's.

CAPITAL ADEQUACY

The Directors are pleased to report that as on 31st March, 1998 the capital adequacy stood at 52%, well over 10%, the minimum stipulated by the Reserve Bank of India.

FUTURE OUTLOOK OF THE COMPANY

In the wake of segregation of the non-fund based business to KJMC Global Market (India) Limited, the scope of activity for KJMC Financial Services Limited has been restricted to the traditional business of an NBFC viz. Leasing and Hire Purchase . In this category of business your Company's strength lies in scanning for good quality corporates for possible business avenues, strict credit appraisal, a prompt sanction and disbursement, and rigorous monitoring. The net upshot of all this is a virtually default free asset portfolio. However, in the context of a general demand recession and consequent depressed credit off take, the scope of such business that too of the right quality is getting severely restricted. Coupled with the loss of a cushion from fee - based income it is doubly imperative that we implement a stringent risk management package. As a part of this package we propose to stick to corporates with existing track record of repayment for targeting for this category of business. Your company plans to follow this approach for the next year. Expectedly, this line of strategy is going to steer the company clear from out of the present bearish market scenario and embolden it to chart out new vistas at more appropriate times , by evolving a basket of fund - based products to suit emerging needs of the market.

While the exact range of these products would depend on the evolving market scenario at the relevant juncture, broadly your company would focus on the following (i) Bills discounting (ii) Factoring (iii) Short and medium term funding (iv) Leasing and hire purchase of consumer durables, especially for those employed in the corporate sector. Needless to say, before embarking on the product diversification exercise, adequate steps for addressing the mismatch of the sources of funds and the disposition thereof would be initiated, and fool-proof risk management measures put in place.To give a further boost to its future income streams, your company has initiated concrete measures to set up an offshore private investment vehicle / subsidiary in association with a large International outfit.

CORPORATE GOVERNANCE

Your Company has set adequate store by good corporate governance. This is exemplified by it's approach to following transparent policies, and their implementation, in letter and spirits across the entire gamut of corporate practices, healthy business policies, recruitment of employees of right credentials and background, and above all, top flight services to the customers. Your Company proposes to continue with these practices with greater zeal, during the course of the coming year.

SHAREHOLDER VALUE

Your Company has always given adequate importance to creating value for its shareholders. The principal strategy for achieving this is to

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ensure continued accretion to its bottomline, even in the face of daunting challenges. Your Company believes that with all the proactive measures initiated by it in the areas of business development, and income generation, there would be substantial gain to the shareholder's values in the years to come.

CONTRIBUTIONS / DONATIONS

During the year under review a sum of Rs. 27,002/- was paid as donation.

FIXED DEPOSITS

The Company has stopped accepting Fixed Deposits from Public since 26th September, 1997.
During the Financial Year, the Company has repaid a sum of Rs. 8571 lakhs on maturity of Fixed Deposit Receipts and a sum of Rs. 776 lakhs as payment of Premature Fixed Deposits at the request of the Deposit Holders. 15 depositors had not claimed their deposits worth Rs. 148 lakhs as on 31st March, 1998. However the same has been claimed and paid to the deposit holders since then.

AUDITORS' OBSERVATIONS

The observations of the auditors with the notes on the accounts are self-explanatory and does not require any elucidation.

PARTICULARS OF EMPLOYEES

As required under the Provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the name and other particulars of the Employee is as under :

Name of Employee/ Age	Designation	Qualification	Date of joining	Experience	Gross Remuneration Rs.	Previous Employment
Mr. D.K.Goswami/ 52	President	B.E. M.B.A., C.A.I.I.B.	01/12/96	26 Yrs.	16.02.260	SREI International Finance Ltd.
Mr. Girish Jain/ 27	Executive Director	B.E., PGDBM	31/07/96	4 Yrs.	3.60.000	—
Mr. Pushkar Misra/ 33	Vice President	B.Tech (IIT), PGDM (IIM)	01/12/96	9 Yrs.	5.41.040	SREI International Finance Ltd
Mr. S. N. Palakodeti/ 34	Vice President	B.Tech (IIT), PGDM (IIM)	01/12/96	8 Yrs.	5.25.792	SREI International Finance Ltd
Mr. Suresh Karthikeyan/ 33	Asst. Vice President	B.E. (Hons), PGDM (IIM).	01/12/96	8 Yrs.	4.40.544	SREI International Finance Ltd

Note :

1. Gross remuneration includes Salary, House Rent Allowances, Company's contribution to Provident Fund, Leave Travel Assistance, other facilities of perquisites as per Income Tax Rules, Leave encashment.
2. All appointments are contractual and are subject to the rules and regulations of the company in force from time to time.
3. The abovesaid Employees except Mr. Girish Jain are not relatives of any Directors of the Company. Mr. Girish Jain is related to some of the Directors of the Company.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION

Since the Company is a Financial Services Company, the details required under Section 217(1)(e) of the Companies Act, 1956 are not applicable.

FOREIGN EXCHANGE EARNINGS AND OUTGO

There was no earnings in foreign exchange however the outflow was Rs. 6.15 Lacs.

DIRECTORS

Mr. Venugopal N. Dhoot, Mr. Sunil K. Gandhi and Mr. Raghunath Rai Kumar retire by rotation and being eligible offer themselves for reappointment. Vice Admiral Mr. Raviprakash Sawhney (Retd.) was appointed as an Additional Director of the Company w.e.f. 21st March, 1998 and holds office till the conclusion of the ensuing Annual General Meeting. Mr. Babasaheb Dattoba Dabhade was appointed as an Additional Director of the Company w.e.f. 29th July, 1998 and holds office till the conclusion of the ensuing Annual General Meeting. Notice has been received from a Member for the Appointment of the Director. Necessary Resolutions are placed for your approval.

AUDITORS

M/s. Batliboi & Purohit, Chartered Accountants, the Auditors of the Company are due to retire and being eligible offer themselves for re-appointment.

EMPLOYEES RELATIONS

We wish to place on record our deep appreciation of the devoted services of the staff and executives of the Company in extremely difficult and adverse situations which has largely contributed to the Company's performance.

ACKNOWLEDGMENTS

The Board sincerely appreciates the good wishes and support that the Company has received continuously from Clients, Bankers and last but not the least the esteemed Shareholders. We sincerely thank well-wishers of the Company and acknowledge the co-operation from all with gratitude.

DISCLOSURE AS PER CLAUSE 43 OF LISTING AGREEMENTS WITH THE STOCK EXCHANGES

COMPARISON OF PROJECTIONS AND PERFORMANCE

The required comparison of the projections made for the financial year 1997-98 in the Company's Prospectus dated 7th February 1995 with actual performance is as under :

(Rs. in lakhs)

	Projections	Performance
Total Income	6943.20	1954.85
Profit Before Tax	1755.46	614.46
Profit After Tax	1755.46	489.46
EPS (Rs.)	30.01	7.53
Book Value (Rs.)	119.79	74.55
Dividend (%)	30%	20%

The detailed break-up of total income is as follows:

(Rs. in lakhs)

	Projections	Actuals
Fund based income	5893.20	996.70
Non fund based activities	1050.00	958.15
Total	6943.20	1954.85

On behalf of the Board of Directors

Mumbai
Dated : 29th July, 1998

I. C. JAIN
Chairman

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AUDITORS' REPORT

The Shareholders,

KJMC FINANCIAL SERVICES LIMITED

We have audited the attached Balance Sheet of KJMC FINANCIAL SERVICES LIMITED as at 31st March 1998 and also the Profit and Loss Account for the year ended on that date annexed thereto.

We report as follows :

1. As required by the Manufacturing and Other Companies (Auditors Report) Order, 1988 issued by the Company Law Board, in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraph 4 & 5 of the said order on the basis of the information and explanations received by us.
2. Further to our comments in the annexure referred to in Paragraphs 1 above,
   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 these books.
   c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
   d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
      i) In the case of the Balance Sheet, of the state of the affairs of the Company as at 31st March 1998 and
      ii) In the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date.

FOR AND ON BEHALF OF
BATLIBOI & PUROHIT
Chartered Accountants

Place : Mumbai
Dated : 16th July, 1998

R.D.Hangekar
Partner

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of the report of even date of the Auditors' Report to the shareholders of KJMC FINANCIAL SERVICES LIMITED of the accounts for the year ended 31st March, 1998)

1. The Company has maintained proper records showing full particulars including quantitative details and situation of the fixed assets. The fixed assets of the Company have been physically verified by the Management periodically at reasonable intervals and no material discrepancies have been noticed on such verification. In respect of Leased assets, confirmations are being obtained by the company for the physical existence of assets from the respective Lessees.
2. None of the fixed assets were revalued.
3. The stock-in-trade of shares has been physically verified by the Management as at the end of the financial year.
4. According to the information and explanations given to us, in our opinion the procedures of physical verification of stock followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. No discrepancies have been noticed on physical verification of stocks as compared to book records.
6. In our opinion, and on the basis of our examination of stock records, the valuation of stock is fair and proper in accordance with normally accepted accounting principles.
7. The Company has not taken Secured and Unsecured Loans from Companies, Firms or other parties as listed in the register maintained u/s 301 of the Companies Act, 1956, and from the Companies under the same Management as defined under Sub-section (1B) of Section 370 of the Companies Act, 1956, where the rate of interest and other terms and conditions are prima-facie prejudicial to the interest of the Company.
8. The Company has not granted any loans, secured or unsecured to Companies, Firms or other parties listed in the register maintained Under Section 301 of the Companies Act, 1956 and/or to the Companies under the same Management as defined under Sub-Section (1B) of Section 370 of the Companies Act, 1956.
9. The parties, including employees, to whom loans or advances in the nature of loans have been given are repaying the principal amounts as stipulated and also are regular in payment of interest wherever applicable.
10. In our opinion and according to the information and explanations given to us, it appears that there are adequate internal control procedures which are commensurate with the size of the company and the nature of its business with regard to purchase of plant & machinery, equipments and other assets and also for sale of shares.
11. In our opinion and according to the information and explanations given to us, there are transactions of purchase and sale of shares 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 Rs.50,000 or more in respect of each party and have been made at prices which are reasonable having regard to prevailing market prices of such shares. There are no such transactions of purchase of goods and sale of goods and materials.
12. The Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the provisions of the Non-Banking Financial Companies (Reserve Bank) Directions 1977 as amended.
13. In our opinion the Company has an internal audit system which is commensurate with the size of the Company and nature of its business.
14. According to the records of the Company, Provident Fund dues and Employee's State Insurance dues have been regularly deposited with appropriate authorities.
15. The Company does not have any undisputed amounts outstanding in respect of Income Tax, Wealth Tax, Sales Tax and Lease Tax for a period more than six months from the date they became payable except for Sales Tax of Rs. 2,842/-
16. No personal expenses have been charged to the Revenue Account other than those payable under contractual obligations or in accordance with generally accepted business practices.
17. According to the information and explanations given to us, the Company has maintained adequate records and documents in cases where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and any other similar securities.
18. We have been informed that the provision of any special statute applicable to Chit Funds, Nidhi or Mutual Benefit Society do not apply to the Company.
19. In our opinion and according to the explanations given to us, the Company has maintained proper records of transactions and contracts as to dealing in shares, debentures and other investments and timely entries have been made therein. The same have been held by the Company in its own name, except to the extent of exemption, if any, granted u/s 49 of the Companies Act, 1956 and in case of short delivery of shares and in view of the objections raised in the course of transfer of shares.
20. In view of the nature of the Company's business, the other clauses of para 4(A), 4(B) & 4(C) of the aforesaid order are not applicable.

FOR AND ON BEHALF OF
BATLIBOI & PUROHIT
Chartered Accountants

Place : Mumbai
Dated : 16th July, 1998

R.D. Hangekar
Partner

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BALANCE SHEET AS AT 31st MARCH 1998

	Schedules		As at 31.03.98 (Rs.)	As at 31.03.97 (Rs.)
SOURCES OF FUNDS				
Shareholders' Funds				
a) Share Capital	1		**11,13,04,800**	9,03,04,800
b) Reserves and Surplus	2		**41,08,69,824**	37,76,45,326
Loan Funds				
a) Secured Loans	3		**11,58,95,577**	14,58,73,283
b) Unsecured Loans	4		**16,74,00,107**	11,27,15,980
Deferred Payment Liabilities	5		**4,90,00,000**	4,90,00,000
T O T A L			**85,44,70,307**	77,55,39,389
APPLICATION OF FUNDS				
Fixed Assets:	6			
a) Gross Block			**51,48,60,000**	43,26,70,296
b) Less: Depreciation			**9,50,31,306**	4,56,87,211
c) Net Block			**41,98,28,694**	38,69,83,085
Add : Accumulated Lease Adjustment			**(1,27,65,203)**	98,65,984
			40,70,63,491	39,68,49,069
Investments	7		**18,57,05,559**	19,29,51,762
Current Assets , Loans & Advances				
a) Current Assets	8	12,26,83,222		11,60,38,840
b) Loans & Advances	9	20,85,08,066		19,11,36,807
		33,11,91,288		30,71,75,648
Less : Current Liabilities & Provisions				
a) Current Liabilities	10	6,18,95,909		10,71,83,140
b) Provisions	11	4,19,99,741		4,19,74,953
		10,38,95,650		14,91,58,093
Net Current Assets			**22,72,95,638**	15,80,17,554
Miscellaneous Expenditure (To the extent not written off or adjusted)	12		**3,44,05,619**	2,77,21,004
T O T A L			**85,44,70,307**	77,55,39,389
SIGNIFICANT ACCOUNTING POLICIES	20			
NOTES FORMING PART OF THE ACCOUNTS	21			

As per our report of even date
For and on behalf of

BATLIBOI & PUROHIT
Chartered Accountants

R.D.Hangekar
Partner

Place : Mumbai
Dated : 16th July, 1998

For and on behalf of the Board of Directors

Girish Jain *Executive Director*

Rajnesh Jain *Director*

Akshay Jain *Director*

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