

***PERFORMING TO GROW  
GROWING TO EXCEL***



**FINANCIAL SERVICES LIMITED**

Report  Junction.com

***14<sup>th</sup> Annual Report  
2001 - 2002***

**BOARD OF DIRECTORS**

Mr. I. C. Jain (Chairman)  
 Mr. J. S. Bhatnagar  
 Mr. V. N. Dhoot  
 Mr. R. R. Kumar  
 Vice Admiral Raviprakash Sahwney (Retd.)  
 Mr. Sanjay Maloo  
 Mr. Akshay Jain  
 Mr. Rajnesh Jain  
 Mr. Girish Jain  
 Mr. Manoj Daga  
 (w.e.f. 31<sup>st</sup> October, 2001)  
 Mr. Pankaj Jain  
 (Alternate Director to Mr. Sanjay Maloo)

**AUDITORS**

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

**ADVOCATES AND SOLICITORS**

Malvi Ranchoddas & Co.  
 Yusuf Building, 3<sup>rd</sup> Floor,  
 Mahatma Gandhi Road  
 Mumbai - 400023

**BANKERS**

UTI Bank Limited  
 Union Bank of India  
 Citi Bank  
 United Commercial Bank  
 Canara Bank  
 Standard Chartered Bank

**REGISTERED OFFICE**

168, Atlanta, 16<sup>th</sup> Floor  
 Nariman Point  
 Mumbai - 400021

**REGISTRAR & TRANSFER AGENTS**

IIT Corporate Services Limited  
 Protoprima Chambers  
 2<sup>nd</sup> Floor, Suren Road  
 Andheri (East)  
 Mumbai - 400 093  
 Tel. No. 8306790, 8306791 & 8349976  
 Fax Nos. 8215352  
 E-mail : iitcl@bom3.vsnl.net.in  
 Counter Timings : 10.30 a.m. to 12.30 p.m.  
 1.30 p.m. to 3.30 p.m.

**BRANCH OFFICES**

**NEW DELHI**  
 221, Hans Bhavan  
 Bahadur Shah Zafar Marg  
 New Delhi - 110002

**JAIPUR**  
 41, Jai Jawan Colony, II,  
 Tonk Road, Durgapur,  
 Jaipur - 302 018.

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## NOTICE

Notice is hereby given that Fourteenth Annual General Meeting of the Members of KJMC Financial Services Limited will be held on Saturday, 28th September 2002 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 2002 and the Balance Sheet as at that date, and the Report of the Auditors thereon and the Directors' Report thereon.
2. To confirm interim dividend paid on Preference Share Capital.
3. To appoint a Director in place of Mr. J. S. Bhatnagar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Akshay Jain, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Girish Jain, 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 modifications, the following Resolution as an Ordinary Resolution :  
"RESOLVED THAT Pursuant to Section 260 of the Companies Act, 1956 and Article 130 of the Articles of Association of the Company, Mr. Manoj Daga, who was appointed as an Additional Director in the meeting of Board of Directors of the Company held on 31st October 2001 and holds Office as such upto the date of Fourteenth Annual General Meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 have been received from some Member signifying his intention to propose Mr. Manoj Daga as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation.

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

"RESOLVED THAT Pursuant to Section 31 and other applicable provisions of any other applicable statutes, and subject to such approvals, consents, permissions and sanctions as may be necessary from the Appropriate Authorities or Bodies, the Articles of Association of the company, be and are hereby altered to the extent and in the manner as hereinafter stated :-

- (i) By inserting the following heading and replace Article 18 as follows:

**ISSUE OF EQUITY SHARES WITH DIFFERENTIAL RIGHTS Article 18**

Subject to the provisions of Section 86 of the Companies Act, 1956 and other applicable provisions, the company may issue Equity Shares, with differential rights as to dividend, voting or otherwise and the resolutions authorizing such issue shall prescribe the terms and conditions of the issue.

- (ii) By replacing Article 70 and inserting following heading :

**THE BOARD MAY DECLINE TO REGISTER TRANSFER Article 70**

Without in any way derogating from the power conferred on the Board, as herein above stated, the Board shall be entitled to refuse an application for transfer of less than 50 Equity Shares of the Company however subject to the following exceptions.

- i) Transfer of Equity Shares made in pursuance of any provisions of law or statutory order or an order of a competent court of law.
- ii) Transfer of the entire holding of Equity Shares by an existing Equity Shareholder of the Company holding less than 50 Equity Shares provided that the total holding of the transferee(s) will not be less than 50 Equity Shares after the said transfer.
- iii) Transfer of more than 50 Equity Shares in the aggregate in favour of the same transferee under two or more transfer deeds out of which one or more relate(s) to the transfer of less than 50 Equity Shares. Provided that where a person is holding Equity Shares in lots higher than the market trading unit and sells the market trading unit, the remaining Equity Shares even though less than 50 in number shall be permissible to stand in his own name.
- iv) Transfer of Equity Shares held by an equity shareholder, which are less than or more than 50 and a shareholder pleads a case of hardship. In such cases transfer may be effected at the discretion of the Board.

- (iii) By inserting the following heading and Article as Article 94A after Article 94

**PASSING OF RESOLUTIONS BY POSTAL BALLOTS Article 94A**

Notwithstanding anything contained in these Articles, pursuant to Section 192A of the companies act, 1956, the company may, and in the case of the resolution relating to such business as the Central Government may, by notification, declare, to be conducted only by postal ballot (including voting by electronic mode), shall, get any resolution passed by means of a postal ballot (including voting by electronic mode), instead of transacting the business in the General Meeting of the Company. Where the company decides to pass any resolution by postal ballot, it shall send a notice by registered post acknowledgement due, or by any other method as may be

prescribed by the Central Government in this behalf to all the shareholders, along with draft resolution explaining reasons thereof, and requesting them to send their assent or dissent in writing on a postal ballot, in postage pre-paid envelope to be provided by the company, within a period of 30 days from the date of posting of a letter.

If a resolution is assented to by a requisite majority of the shareholders by means of postal ballot (including voting by electronic mode), it shall be deemed to have been duly passed at a General Meeting convened in that behalf.

- (iv) By inserting the following heading and Article as Article 152A after Article 152

**SETTING UP OF AUDIT COMMITTEE Article 152A**

The Directors shall, subject to the provisions of the Act and in particular to Section 292A, constitute a committee of the Board known as "Audit Committee" which shall consist of not less than three Directors and such number of other Directors as the Board may determine of which two-third of total number of members shall be Directors, other than Managing, Wholtime or Executive Directors. The Audit Committee constituted under this Article shall act in accordance with terms of reference to be specified in writing by the Board.

- (v) To replace in Article 162(14) the word and figures "370" by the "372A"

- (vi) By inserting the following heading and Article as Article 191A after Article 191

**PAYMENT THROUGH ECS FACILITY Article 191A**

"Provided that the Company can also pay the dividend by crediting it directly to the Bank accounts of the shareholders through Electronic Clearing System of the Banks or any other mode which in the opinion of the Board of Directors is appropriate for the shareholders."

- (vii) By replacing Article 192 and inserting following heading :

**DIVIDEND TO BE PAID WITHIN THIRTY DAYS Article 192**

The Company shall pay dividend or send the warrant in respect thereof to the shareholder entitled to the payment of the dividend within thirty days from the date of the declaration of the dividend unless;

- a) The dividend could not be paid by reason of the operation of any law, or
- b) a shareholder has given directions to the Company regarding the payment of dividend and these directions cannot be complied with, or
- c) There is a dispute, regarding the right to receive dividend, or
- d) The dividend has been lawfully adjusted by the Company against any sum due to it from the shareholder; or
- e) For any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.

No unclaimed or unpaid dividend shall be forfeited by the Board and the Company shall comply with all the provisions of Section 205 A of the Act in respect of unclaimed or unpaid dividend.

- (viii) By replacing Article 192A and inserting following heading :

**TRANSFER OF DIVIDEND TO UNPAID DIVIDEND ACCOUNT Article 192A**

Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend" of "KJMC Financial Services Limited" and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.

Any money transferred to the Unpaid Dividend Account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the "Investor Education and Protection Fund" of Central Government. No claim shall lie in respect of Unclaimed Dividend transferred to "Investor Education and Protection Fund".

No unclaimed or unpaid dividend shall be forfeited by the Board.

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

"RESOLVED THAT approval of members of the Company, be and is hereby accorded to extend the period of redemption of 1,70,000 (Nos. of Shares) 12% Cumulative Redeemable Preference Shares of Rs. 100/- each, issued in the name of Bajaj Auto Limited (hereinafter referred to as "the Subscriber"), for the period of two years, on the existing terms and conditions with a put option for subscriber to exercise for redemption of 50% of the Preference Shares at the end of first year of extension and the balance 50% of redemption of the Preference Shares at the end of Second Year.

**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.

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

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- B) Members who hold Shares in dematerialized form are requested to bring their client ID and DP ID Number for easy identification of attendance in the meeting.
- C) The related explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of business under item Nos. 7 to 9 sets out above are annexed hereto.
- D) The information required to be provided under the listing agreement entered into with various stock exchanges, regarding the directors who are proposed to be appointed / re-appointed has given below.
- E) The Register of Members and Share Transfer Books of the Company will be closed from 16th September 2002 to 28th September 2002 both days inclusive, for the purpose of Annual General Meeting.
- F) As per the provisions of the Companies Act, 1956, facilities for making nomination is available for Shareholders in respect of their holdings. Nomination Form can be obtained from the Company's Registrar & Transfer Agents.
- G) Pursuant to the provision of Section 205A of the Companies Act, 1956, as amended, dividend for the Financial Year 31st March 1996 and thereafter, which remain unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund of the Central Government. Shareholders who have not encashed the dividend warrants so far, for the Financial Year ended 31st March 1996 or any subsequent financial years are requested to make their claim to the office of the Registrar and Transfer Agents, viz. IIT Corporate Services Limited, Regd. Office at 61, Bombay Samachar Marg, Mumbai - 400001 and Admn. Office at Protapra Chambers, 2nd Floor, Suren Road, Andheri (East), Mumbai - 400093. It may also be noted that once the unclaimed dividend is transferred to the Central Government, as above, no claim shall lie with the Company in respect thereof.
- | Date of Declaration | For the year ended | Due for transfer on |
|---------------------|--------------------|---------------------|
| 26/09/1996          | 1995-1996          | 13/11/2003          |
| 25/09/1997          | 1996-1997          | 12/11/2004          |
| 26/09/1998          | 1997-1998          | 13/11/2005          |
| 29/09/1999          | 1998-1999          | 16/11/2006          |
| 29/09/2000          | 1999-2000          | 16/11/2007          |

Members who have not encashed their dividend warrants pertaining to the aforesaid years may approach the Company's registered office or the registrar & transfer agent of the company for obtaining payment thereof.

- H) Members are requested to :
- To bring their copy of Annual Report to the meeting.
  - Quote their Folio No. in all correspondence with the Company.
  - 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.
  - Handover the enclosed attendance slip, duly signed in accordance with their specimen signature registered with the Company, for admission to the meeting hall.
- I) Any members requiring further information on accounts at the meeting are requested to send queries in writing before 12th September 2002, so that information required may be made readily available at the meeting.
- J) Information required to be furnished under the listing agreement : As required under the listing agreement, the particulars of directors who are proposed to be appointed / re-appointed are given below :-
- 1) **Name & Designation** : Mr. J. S. Bhatnagar, Director  
**Date of Birth** : 29th December 1928  
**Qualifications** : Chartered Accountant  
**Expertise** : He is a former Chairman of Union Bank of India, having very long association with KJMC Group.

Director of the Company since : 1st September 1994

**Other Directorships :**

| Name of the Company                 | Committee                   | Status : |
|-------------------------------------|-----------------------------|----------|
| KJMC Global Market (India) Ltd.     | Chairman of Audit Committee | Director |
| Bombay Mercantile Co. Op. Bank Ltd. | —                           | Director |

- 2) **Name & Designation** : Mr. Akshay Jain, Director  
**Date of Birth** : 4th March 1960  
**Qualifications** : B.Com., F.C.A.  
**Expertise** : Vast experience in the area of Company Law and Accountancy.

Director of the Company since : 1st March 1992

**Other Directorships :**

| Name of the Company               | Committee                 | Status : |
|-----------------------------------|---------------------------|----------|
| KJMC Capital Market Services Ltd. | Member of Audit Committee | Director |
| Planet Account.Com Ltd.           | —                         | Director |
| Jain Fabrica Pvt. Ltd.            | —                         | Director |
| Sayli Iron & Steel Co. Pvt. Ltd.  | —                         | Director |
| KJMG Consultancy Pvt. Ltd.        | —                         | Director |
| Delta Iron & Steel Co. Pvt. Ltd.  | —                         | Director |

- 3) **Name & Designation** : Mr. Girish Jain, Director

**Date of Birth** : 7th May 1971  
**Qualifications** : B.E. (Electronics), MBA (Finance)  
**Expertise** : Vast experience in the area of stock broking, trading in equity & debt-client portfolio, extensive research with sectoral focus, internet based stock trading.

Director of the Company since : 21st September 1994

**Other Directorships :**

| Name of the Company                         | Committee  | Status :           |
|---|--|--------------------|
| KJMC Global Market (India) Ltd.             | Member of Share Transfer/ Investor Grievance Committee | Executive Director |
| KJMC Capital Market Services Ltd.           | Member of Audit Committee                              | Executive Director |
| KJMC Technologies and Systems Ltd.          | —  | Director           |
| KJMC Asset Management Company Ltd.          | Member of Remuneration & Audit Committee               | Director           |
| KJMC Shares And Securities Ltd.             | —  | Director           |
| Euro Asia Investment Corporation Ltd.       | —  | Director           |
| Global Management Services (Mauritius) Ltd. | —  | Director           |

- 4) **Name & Designation** : Mr. Manoj Daga, Additional Director

**Date of Birth** : 18th April, 1969  
**Qualifications** : Chartered Accountant  
**Experience** : Mr. Manoj Daga is a Chartered Accountant and partner of a reputed firm M/s. Khandelwal Jain & Co. Chartered Accountants.

Director of the Company since : 31st October 2001

**Other Directorships :**

| Name of the Company | Committee | Status : |
|---------------------|-----------|----------|
| NIL                 | —         | —        |

By Order of the Board of Directors  
for KJMC FINANCIAL SERVICES LTD.

PLACE : MUMBAI  
DATE : 29TH JUNE 2002

GIRISH JAIN  
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 Nos. 7 to 9 of the accompanying Notice dated 29th June 2002 sets out hereinabove are as under :-

**ITEM NO. 7**

Mr. Manoj Daga was appointed as an Additional Director with effect from 31st October 2001. He is also a member of the Audit Committee.

Mr. Manoj Daga, is a Chartered Accountant and a Partner in M/s. Khandelwal Jain & Company Chartered Accountants.

As required under Section 257 of the Companies Act 1956, the Company has received a notice from a member signifying intention to propose him as a candidate for the office of the Director. The Company has also received deposit of Rs. 500/- as required under the said act.

The Board of Directors recommended his appointment as a Director of the Company. None of the Directors are concerned or interested in the said resolution other than himself.

**ITEM NO. 8**

I. Pursuant to Section 86 as amended by the Companies (Amendment) Act, 2000, the companies are now permitted to issue equity shares with differential rights as to dividend, voting and otherwise, Article 18 is proposed to be inserted being consequential alteration to the Articles of Association of the Company in line with the said provisions and amendment to the Companies Act, 1956.

II. As per Scheme of Arrangement of 1998 between KJMC Global Market (India) Limited and this Company, according to which, every equity shareholder of this company holding 100 equity shares will be entitled for

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50 shares in KJMC Global Market (India) Limited and 50 shares in KJMC Financial Services Limited. Therefore, Article 70 is proposed to be replaced being consequential alteration to the Articles of Association of the Company to comply with the relevant requirement of the Scheme of Arrangement.

III. Pursuant to section 192A as inserted by the Companies (Amendment) Act, 2000, the Companies are now required to pass certain resolutions by way of postal ballot to enable large number of shareholders' participation. Article 94A is proposed to be inserted being consequential alteration of the Articles of Association of the Company in line with the said provisions and amendment to the Companies Act, 1956.

IV. Pursuant to clause 49 of the listing agreement and section 292A as inserted by the Companies (Amendment) Act, 2000, all the Listed Companies and Public Limited Companies having a paid up Capital of Rs. 5 Crores or more are required to constitute a committee of the Board known as 'Audit Committee' consisting of at least three Directors. The Committee would be responsible primarily for interaction with the auditors, framing regulations of internal control systems, review of financial results of the company and to ensure compliance of the internal control systems. Article 152A is proposed to be inserted being consequential alteration to the Articles of Association of the company in line with the said provisions and amendment to the companies act, 1956.

V. Pursuant to the amendment to the provision of Sections 370 & 372 of the Companies Act, 1956, a new section 372A has been introduced. Therefore, in Article 162(14) the word and figure "370" by the "372A" is proposed to be replaced being consequential alteration of the Articles of Association of the Company in line with the said provisions and amendment to the Companies Act, 1956.

#### VI, VII & VIII

Pursuant to the Circular No. List/psr/cir-1/2002 dated 16th January, 2002 issued by Securities And Exchange Board of India, requires Companies compulsorily to pay the dividend by crediting it directly to the Bank account of shareholder through Electronic Clearing System. Article 191A is proposed to be inserted being consequential alteration to the Articles of Association of the company in line with the provisions of the said SEBI Circular.

Pursuant to section 205A as amended by the Companies (Amendment) Act, 2000, Companies are now required to pay dividend within thirty days from the date of its declaration at Annual General Meeting instead of earlier forty two days. Article 192 is proposed to be replaced being consequential alteration to the Articles of Association of the company in line with the said provisions and amendment to the companies act, 1956.

Further, as per amended Companies Act, 1956, Company is required to transfer dividend remains unpaid or unclaimed for seven years to "Investor Education And Protection Fund" of Central Government. Article 192A is proposed to be replaced being consequential alteration to the Articles of Association of the company in line with the said provisions and amendment to the Companies Act, 1956.

None of the Directors has any interest in the aforesaid resolution.

#### Item No. 9

The Company and the Preference Shareholder viz. Bajaj Auto Limited have mutually agreed to extend the period of redemption of 1,70,000 (No. of Shares) 12% Cumulative Redeemable Preference Shares of Rs.100/- each which were due for redemption on 30th April, 2002, for the further period of two years, on existing terms and conditions with a put option for subscriber to exercise for redemption of 50% of the Preference Shares at the end of First Year of extension and the balance 50% of redemption of Preference Shares at the end of Second Year. The approval of Shareholders is required for the same by passing the Special Resolution.

The Board of Directors recommends above said resolution for acceptance by the Members.

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

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

PLACE : MUMBAI  
DATE : 29th June 2002

**GIRISH JAIN**  
DIRECTOR

#### DIRECTORS' REPORT

##### The Members,

Your Directors present herewith the 14<sup>th</sup> Annual Report of the Company and the Audited Statements of Accounts for the year ended 31st March, 2002.

##### FINANCIAL RESULTS

|   | Year ended<br>31.03.2002<br>(Rs. in lakhs) | Year ended<br>31.03.2001<br>(Rs. in lakhs) |
|---|--|--|
| Total Income  | 447.69                                     | 727.62                                     |
| Total Expenditure   | 228.19                                     | 669.96                                     |
| Profit Before Depreciation and Tax  | 219.50                                     | 57.62                                      |
| Less : Depreciation   | 205.64                                     | 273.30                                     |
| Provision for Tax (current & deferred)  | 7.93                                       | —  |
| Profit / (Loss) After Tax   | 5.93                                       | (215.68)                                   |
| Add : Prior period item (net)   | (0.31)                                     | (2.02)                                     |
| Add : Transfer from General Reserve   | 15.00                                      | 100.00                                     |
| Add : Balance in Profit and Loss Account brought forward from the previous year     | 17.27                                      | 182.93                                     |
| <b>DISPOSABLE PROFITS</b>   | <b>37.89</b>                               | <b>65.23</b>                               |
| Appropriations towards Interim Dividend on Cumulative Redeemable Preference Shares. | 30.40                                      | 39.35                                      |
| Tax on Interim Dividend   | 3.41                                       | 8.61                                       |
| Transfer to Special Reserve under RBI Act   | —  | —  |
| Transfer to General Reserve   | —  | —  |
| Balance carried to Balance Sheet  | 4.08                                       | 17.27                                      |
|   | <b>37.89</b>                               | <b>65.23</b>                               |

##### PERFORMANCE REVIEW

During the year under report, revenue account shows a profit of Rs. 5.93 Lacs mainly because of increase in professional services fees by Rs. 1.14 crore and compensation of Rs. 42 Lakhs received towards using of infrastructure of the company by other companies. This is a transitory and cleansing phase after a prolonged recessionary economic cycle affecting the quality of assets. All these adversities being now behind, KJMC looks forward with optimism for a better working results.

##### DIVIDEND

As the Company has not made adequate profit to declare dividend, the Board has not recommended any dividend on the equity shares for the year under review.

The Directors also propose confirmation by the Members the interim payments of dividend Rs. 30.40 Lacs to the holders of Redeemable Cumulative Preference Shares as final. These payments alongwith tax thereon have absorbed Rs. 33.81 Lacs.

##### RBI PRUDENTIAL NORMS :

Since the Company does not accept and hold any public deposits, Non-Banking Financial Companies Prudential Norms (Reserve Bank of India) Directions 1998 are not applicable to the Company in regard to capital adequacy or in any other aspects.

##### ECONOMIC BACKGROUND AND ENVIRONMENT

The Indian economy experienced mixed trends during the year 2001-02. Overall GDP growth has been placed at 5.4% against the rise of 4.0% in 2000-01, driven largely by good performance of the agricultural sector. Foodgrains production is expected to go up and growth in agriculture is expected to touch 5.8% against the decline of 0.2% in 2000-01. Growth in the services sector at 6.2% was also higher than 5.0% in 2000-01, mainly on account of increase in trade and transport, finance and business services.

On the monetary front, liquidity conditions remained easy.

Liberalisation and deregulation have heightened competition among NBFC which will only intensify with financial liberalization under the WTO regime, NBFC in India will have to benchmark themselves against world class NBFCs. In this context, the way to boost profitability and stay ahead is by developing sophisticated and customized products, optimizing volumes, monitoring risks and reaching out to customers in diversified and distant markets by leveraging technology.

##### BUSINESS PROSPECTS :-

Your company strives to continually understand the implication to its business of the various changes, as also the impact of altered economic policies international developments.



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Your company has decided to divert its activities by spreading its wings and widening its business horizon and hence it has proposed to enter into doing business of marketing of various products of ICICI such as personal loans and credit cards to cover the professionals and CEO's of various corporates, marketing Life Insurance Policies of ICICI Prudentials through one of its wholly owned subsidiary viz. KJMC CREDIT MARKETING LIMITED.

Research Department with required infrastructure has been developed for the purpose of preparing reports on the following aspects on behalf of the Merchant Bankers Institutions and other interested parties :-

- (i) Investment Banking
- (ii) Project Advisory Services
- (iii) Corporate Advisory Services
- (iv) Corporate Finance
- (v) Project Financing
- (vi) Working Capital Management
- (vii) Placement of Equity
- (viii) Placement of Bonds
- (ix) Mergers and Acquisition Advisory Services
- (x) Valuation of Shares for divestment
- (xi) Valuation of Brand Equity
- (xii) Securitisation of future receivable
- (xiii) Restructuring of Debts on the basis of one time settlement or CDSR Route
- (xiv) Replacement of high cost debt by enhancing rating
- (xv) Takeover Bids - As per SEBI Regulations
- (xvi) Buy-back arrangements for corporates as per SEBI Regulations.
- (xvii) Project Financing of Entertainment Industries
- (xviii) Project Financing of Media Industries
- (xix) To assist the Bankers in preparing reports as per the requirements of (NPA - ordinance)
- (xx) To underwrite IPOs as per SEBI Norms.
- (xxi) To prepare reports for settlement before DRT

Your company is also interested in giving services of preparation of project reports for various infrastructure projects. The present thrust of economy on infrastructure activities which is an opening up area will be an advantage to the company.

#### CORPORATE GOVERNANCE :-

The company has complied with the conditions of Corporate Governance as stipulated under the Listing Agreement with the Stock Exchange. A separate section on Corporate Governance, along with a certificate from the Auditors for the compliance is annexed and forms part of this report.

A report on the management discussion and analysis for the financial year under review is annexed and forms part of this report.

#### PARTICULARS OF EMPLOYEES

Since there are no employees falling within the purview of the provisions of Section 217(2A) of the Companies Act, 1956 no such details, are required to be given.

#### 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 earning in Foreign Exchange nor was there any outflow.

#### SUBSIDIARY COMPANIES :

The accounts of the subsidiary companies for their respective year ends are attached to the accounts of the company along with a statement in terms of section 212 of the companies act, 1956.

KJMC Asset Management Company Limited and KJMC Investment Trust Company Limited's accounts for the year ended 31<sup>st</sup> March 2002 are enclosed.

KJMC Capital Market Services Limited has extended their year by 6 months in order to comply with the Stock Exchange requirement and the company has received the sanction from the Registrar of Companies, Maharashtra, Mumbai, for the same. The Accounts for the year ended 31<sup>st</sup> March 2002 (for 18 months period) are enclosed herewith.

KJMC Technologies and Systems Limited, KJMC Property Developers Limited and KJMC Credit Marketing Limited, subsidiaries of this company have closed their accounting years upto 31<sup>st</sup> March 2002 (i.e. from 1<sup>st</sup> October 2001 to 31<sup>st</sup> March 2002) for the purpose of consolidation of accounts with the principal company i.e. KJMC Financial Services Limited. Hence, the annual report for the periods 1<sup>st</sup> October 2000 to 30<sup>th</sup> September 2001 and 1<sup>st</sup> October 2001 to 31<sup>st</sup> March 2002 have been enclosed for the above companies.

The Annual report of Global Management Services (Mauritius) Ltd. (Subsidiary Company) could not be enclosed herewith, as the subsidiary company has not sent the annual report because it has to prepare accounts and get it audited for the extended period of 18 months i.e. to close the financial year on 31<sup>st</sup> March, 2002 for which it requires sufficient time. Hence, KJMC Financial Services Ltd. has decided to make an application to the 'Ministry of Law, Justice & Company Affairs New Delhi' under section 212(8) of the Companies Act, 1956, seeking permission for not enclosing the audited accounts as at 31<sup>st</sup> March, 2002, of its Subsidiary with the Annual Report of this Company. The audited accounts for the above said period of the said subsidiary company will be made available for inspection at the registered office of the Company and will be sent to every member on request at free of cost, when they will be made ready by the Subsidiary Company or as per the direction of the Ministry of Law, Justice & Company Affairs New Delhi, in due course.

#### FIXED DEPOSITS :

The Company has neither accepted nor renewed any fixed deposit from the public during the period and there was no outstanding deposit payable during the financial year.

#### DIRECTORS

Mr. J. S. Bhatnagar, Mr. Akshay Jain and Mr. Girish Jain retire by rotation and being eligible offer themselves for reappointment.

During the year Mr. Manoj Daga was appointed as an Additional Director with effect from 31<sup>st</sup> October 2001. He will hold the Office upto the date of ensuing Annual General Meeting and is eligible and offered himself for re-appointment as Director.

#### LISTING OF SHARES

The equity shares of the company are listed on the Mumbai, Ahmedabad, Bhubaneswar, Delhi, Kolkata and Jaipur Stock Exchanges, and the company has paid the Annual Listing Fees to the abovesaid Stock Exchanges upto 31<sup>st</sup> March 2003. In the last annual general meeting, the company has passed the resolution for delisting the shares from Ahmedabad, Bhubaneswar, Kolkata, Delhi and Jaipur, at the appropriate time. As the company observed that there is no improvement or change in the trading on these stock exchanges, which is negligible, the company has now decided to delist the shares in the current financial year.

#### AUDITORS

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

#### DIRECTORS' RESPONSIBILITY STATEMENT

- (i) In the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures ;
- (ii) We 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 Financial Year 2001-2002 and of the profit of the Company for that period ;
- (iii) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
- (iv) We have prepared the annual accounts on a going concern basis.

#### ACKNOWLEDGMENTS

The Directors wish to place on record their appreciation of the contribution made by the executives and employees at all levels for their dedication and commitment to the Company.

Your Directors also appreciate with gratitude the continuous support of clients, bankers, institutions, the shareholders and well wishers.

For and on behalf of the Board of Directors

Place : Mumbai  
Dated : 31<sup>st</sup> July, 2002

INDER CHAND JAIN  
CHAIRMAN

**MANAGEMENT DISCUSSION & ANALYSIS****1. BUSINESS AND MANAGEMENT :-****Industry Overview :-**

The Financial Sector has seen the turbulent time for last 5 years and to regulate the same the Reserve Bank of India introduced the concept of registrations of NBFC in the year 1997. To strengthen these regulations, RBI further introduced the measures by introducing wide ranging changes on deposit mobilisations, prudential norms, on sight and off sight monitoring mechanism. This is gradually showing effects in the NBFC Segment.

**2. BUSINESS OPERATIONS :-**

Your Company along with its Subsidiaries offering diverse finance solutions such as Corporate Finance, Investment Banking, Stock Broking, Mutual Funds, Credit Marketing and Life Insurance.

Your Company along with its Subsidiaries has adopted cost efficiencies, product differentiations, customer services and distribution networks, as their marketing strategies which help them to occupy enough space in the market of the Financial Sectors.

Your Company through its Subsidiaries i.e. :-

(i) **KJMC Capital Market Services Limited ;**

(ii) **KJMC Asset Management Company Limited ;**

(iii) **KJMC Credit Marketing Limited ; and**

along with other Subsidiaries has enlarged its sphere of activities in finance sector :-

**(i) KJMC CAPITAL MARKET SERVICES LIMITED :-**

This Company is a Subsidiary Company, having the BSE and NSE Cards, has made its presence in the market. Further, to tune with the present market scenario, it has also undertaken the activities rigorously in debt market segment.

**(ii) KJMC CREDIT MARKETING LIMITED :-**

This Company which was formerly known as KJMC Credit Rating Services Limited had changed its name to KJMC Credit Marketing Limited in order to take-up new activities such as credit marketing activities. This company has tied-up with ICICI Ltd. one of the leading and Premier Financial Institutions and engaged in the activities of credit marketing such as activities of Credit Cards, arranging Personal Loans and also Life Insurance, etc.

**(iii) KJMC ASSET MANAGEMENT COMPANY LIMITED :**

This subsidiary company is entering into Mutual Fund Segment.

**3. MANAGEMENT OUTLOOK :-**

To cope with the present and future market competitive threats and to live upto the expectations of the customers, your company has a sound management structure. Your Company have operating policies and procedures and well laid authority limits to ensure that the operational controls are maintained on the business. The policies and procedures are continuously reviewed through an interactive mechanism between the business heads and other support functional heads. Your Company also has an adequate internal control system to ensure feed back on adherence to the defined policies and procedures.

Your Company realised the importance of the use of the technologies in improving operational controls, analysis of informations to enable better credit decisions apart from enhancing the Company's ability to offer better services to its customers. Your Company proposes to implement state of the art technology for its operations in the ensuing year.

Your company is actively manages legal, statutory, regulatory, reputational risks, if any.

**CORPORATE GOVERNANCE FOR THE F.Y. 2001-2002**

Pursuant to Clause 49 of the Listing agreement, your company has complied fully with all the mandatory requirements of the Corporate Governance in all material aspects. As required by the Listing Agreement, a report on Corporate Governance is given below:

**1 Company's Philosophy on code of Governance :**

Your company is committed to bring about the good corporate governance practice. It strongly believes in attaining transparency, accountability and equity, in all its operations, and in its interactions with stakeholders including shareholders, employees, the government and the lenders.

**2 Board of Directors :**

During the Financial year 2001-2002, five Meetings of the Board were held on 30<sup>th</sup> June, 2001, 28<sup>th</sup> July, 2001, 22<sup>nd</sup> September, 2001, 31<sup>st</sup> October, 2001 & 31<sup>st</sup> January, 2002.

The particulars of Directors as on 31<sup>st</sup> March, 2002 are as follows :

| S. N. | Director                                 | Category of Directorship        | No. of BM Attended | Last AGM Attended | No. of other Directorships held | Committee Membership |          |
|-------|--|---------------------------------|--------------------|-------------------|---------------------------------|----------------------|----------|
|       |  |                                 |                    |                   |                                 | Member               | Chairman |
| 1     | Mr. I. C. Jain                           | Chairman-Promoter/Non-Executive | 4                  | Yes               | 10                              | 6                    | 1        |
| 2     | Mr. J. S. Bhatnagar                      | Non-Executive & Independent     | 5                  | Yes               | 2                               | 3                    | 2        |
| 3     | Mr. V. N. Dhoot                          | Non-Executive & Independent     | N/A                | No                | 11                              | 4                    | N/A      |
| 4     | Mr. Akshay Jain                          | Non-Executive                   | 4                  | Yes               | 2                               | 1                    | N/A      |
| 5     | Mr. Girish Jain                          | Non-Executive                   | 5                  | Yes               | 7                               | 5                    | 1        |
| 6     | Mr. R. R. Kumar                          | Non-Executive & Independent     | 4                  | Yes               | 10                              | 5                    | 2        |
| 7     | Mr. Sanjay Maloo                         | Non-Executive & Independent     | **                 | No                | 4                               | N/A                  | N/A      |
| 8     | Vice Admiral Raviprakash Sawhney (Retd.) | Non-Executive & Independent     | 3                  | No                | 1                               | N/A                  | N/A      |
| 9     | Mr. Rajnesh Jain                         | Non-Executive                   | 4                  | Yes               | 4                               | 2                    | 1        |
| 10    | Mr. Pankaj Jain **                       | Non-Executive                   | 1                  | Yes               | 4                               | 1                    | N/A      |
| 11    | Mr. Manoj Daga                           | Non-Executive & Independent     | 2                  | No                | N/A                             | 1                    | N/A      |

\* Mr. Manoj Daga was appointed as an Additional Director w.e.f. 31<sup>st</sup> October, 2001

\*\* Mr. Pankaj Jain has been appointed as an alternate Director to Mr. Sanjay Maloo

None of the Directors hold directorship in more than 15 companies, membership in committees of Board in more than 10 companies and chairmanship of committee of Board of more than 5 committees.

(BM = Board Meeting, AGM = Annual General Meeting)

**3. Audit Committee :****(a) Terms of References :**

The terms of reference and powers of the Audit Committee are as per Clause 49 of the Listing Agreement and also as per new Section 292A of the Companies Act, 1956. The functions of the Audit Committee are as per Company Law and Listing Agreement with the Stock Exchange/s. These include review of accounting and financial policies and procedures, review of financial reporting system, internal control procedures and risk management policies. The Committees met three times during the year i.e. on 30<sup>th</sup> June, 2001, 31<sup>st</sup> October, 2001 & 30<sup>th</sup> March, 2002.

**(b) Composition :**

The Audit Committee was formed on 25<sup>th</sup> January, 2001. As on 31<sup>st</sup> March, 2002, the audit committee consist of the following Directors :

| Name of Director    | Executive/Non-Executive/Independent | No. of meetings attended |
|---------------------|-------------------------------------|--------------------------|
| MR. J. S. BHATNAGAR | CHAIRMAN & INDEPENDENT              | 3                        |
| MR. MANOJ DAGA      | INDEPENDENT                         | 2                        |
| MR. R. R. KUMAR     | INDEPENDENT                         | 1                        |
| MR. I. C. JAIN      | NON EXECUTIVE                       | 2                        |

The Audit Committee was reconstituted on 31<sup>st</sup> October, 2001, by inducting Mr. Manoj Daga in place of Mr. R. R. Kumar.

**4. Remuneration Committee:**

The Company does not have a formal Remuneration Committee. As the Company does not have any employee Director, the necessary steps will be taken by the Board of Directors, whenever and wherever it will be required to carry out the functions/ activities of the Remuneration Committee.

**5. Share Transfer / Investor Grievance Committee:****(a) Terms of References:**

The role and functions of the Share Transfer / Investor's Grievances Committee are the effective redressal of the Complaints of the Shareholders regarding dematerialization, transfer, non-receipt of balance sheet/ dividend/ interest etc. The Committee overview the steps to be taken for further value addition in the quality of service to the investors.

**(b) Composition:**

Pursuant to Clause 49 of the Listing Agreement, the Company is required to have Share Transfer / Investor Grievance Committee. Accordingly, the Board of Directors formed a Share Transfer / Investor Grievance Committee, consisting of following Directors:

Mr. Girish Jain - Chairman

Mr. Inderchand Jain - Member

Mr. Rajnesh Jain - Member

Mr. Pankaj Jain - Member

During the year, the Company received 21 complaints and all were resolved within 30 days to the satisfaction of the Shareholders / investors. As on 31<sup>st</sup> March, 2002, not any transfer was pending.

The Board has delegated the powers to approve transfer of securities allotted by the Company to this Committee. The Committee held 19 meetings during the year and approved the transfer of shares lodged with the Company and attended the investor's queries & complaints.

**6. General Body Meetings :**

The particulars of last three Annual General Meetings of the Company held are as under :

| Year | AGM/EGM | Location  | Date      | Time   |
|------|---------|---|-----------|--------|
| 1999 | AGM     | S. K. Somani Memorial Hall, Hindi Vidya Bhavan, 'F' Road, Marine Lines, Mumbai. | 29/9/1999 | 4 P.M. |
| 2000 | AGM     | S. K. Somani Memorial Hall, Hindi Vidya Bhavan, 'F' Road, Marine Lines, Mumbai. | 29/9/2000 | 4 P.M. |
| 2001 | AGM     | S. K. Somani Memorial Hall, Hindi Vidya Bhavan, 'F' Road, Marine Lines, Mumbai. | 29/9/2001 | 4 P.M. |

No Special Resolution was put through Postal Ballot last year nor proposed in the ensuing Annual General Meeting.

**7. Disclosures :**

Regarding, related party transactions i.e. transactions of the Company with its Promoters, Directors or Management, their subsidiaries or relatives, not conflicting with Company's interest, the details of which have been shown in Schedule - 19 Notes to Accounts to the Annual Accounts for the year ended 31<sup>st</sup> March, 2002.

# 14th Annual Report

# KJMC Financial Services Limited

No penalties, strictures have been imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority, on any matter related to capital market, during the last three years.

## 8. Means of Communication :

The Company publishes its quarterly, half yearly, financial results in national and regional newspapers. The Company also sends the financial results to the Stock Exchanges immediately after its approval by the Board. The Company is displaying the financial Results on Website. The Company has not sent half yearly report to the shareholders. No presentations were made to the Institutional Investor's or analysts during the year under review. The management Discussions and Analysis (MD&A) Report is annexed and forms part of this Report.

## GENERAL SHAREHOLDER'S INFORMATION :

### 1. Annual General Meeting scheduled to be held :

Date : 28<sup>th</sup> September, 2002  
Time : 4.00 P.M.  
Venue : S. K. Somani Memorial Hall, Hindi Vidya Bhavan, 'F' Road, Marine Lines, Mumbai - 400 020.

### 2. Book Closure :

Monday, 16<sup>th</sup> September 2002 to Saturday, 28<sup>th</sup> September 2002.

### 3. Financial Calendar :

The financial calendar year of the Company was from 1<sup>st</sup> April, 2001 to 31<sup>st</sup> March 2002.

Financial reporting for :

|   |               |
|---|---------------|
| Unaudited Financial Results for the quarter ending 30 <sup>th</sup> June, 2002        | July, 2002    |
| Unaudited Financial Results for the half year ending 30 <sup>th</sup> September, 2002 | October, 2002 |
| Unaudited Financial Results for the quarter ending 31 <sup>st</sup> December, 2002    | January, 2003 |
| Audited Financial Results for the year ending 31 <sup>st</sup> March, 2003            | June, 2003    |

### 4. Listing of Equity Shares on Stock Exchanges:

Shares of KJMC Financial Services Limited are listed on the Stock Exchanges at Mumbai (The Stock Exchange, Mumbai), Ahmedabad, Bhubaneswar, Kolkata, Delhi and Jaipur. The Company has paid listing fees for the Current year to the The Stock Exchange, Mumbai, Ahmedabad, Bhubaneswar, Kolkata, Delhi and Jaipur. In the last Annual General Meeting, the resolution was passed to delist its shares from Ahmedabad, Bhubaneswar, Kolkata, Delhi and Jaipur Stock Exchanges at appropriate time. The Company is proposing to do the same in the current financial year as the trading on these Stock Exchanges have not been improved than the previous year's trading which was negligible.

### 5. Stock Code :

(i) The Stock Exchange, Mumbai (BSE) : B1 - 30235  
(ii) ISIN - INE533C01018

### 6. Stock Price Data

The high and low prices of the Company's shares at The Stock Exchange, Mumbai (BSE) and performance in relation to BSE :  
Sensx from April, 2001 to March, 2002:

| Month          | The Stock Exchange, Mumbai |           |
|----------------|----------------------------|-----------|
|                | High (Rs.)                 | Low (Rs.) |
| April 2001     | 8.75                       | 5         |
| May 2001       | 7.45                       | 5         |
| June 2001      | 6                          | 4.05      |
| July 2001      | 5                          | 3.8       |
| August 2001    | 4.1                        | 3.25      |
| September 2001 | 2.45                       | 1.85      |
| October 2001   | 1.45                       | 1.45      |
| November 2001  | 1.2                        | 1.2       |
| December 2001  | 1.85                       | 1.35      |
| January 2002   | 2.7                        | 1.55      |
| February 2002  | 3.75                       | 2.45      |
| March 2002     | 5                          | 3.05      |

### 7. Compliance Officer :

Mr. Dilip Shah - Head of Accounts  
168, 16<sup>th</sup> Floor, Nariman Point, Mumbai - 400 021.

### 8. Address for correspondence

Shareholders can correspond to :

#### Secretarial Department:

168, 16<sup>th</sup> Floor, Nariman Point, Mumbai - 400 021.  
Or

IIT Corporate Services Limited, R&T Agents,

Regd. Office : Rajabhadur Mansion, Bombay Samachar Marg,  
Mumbai - 400001 and

Admn. Office : Protoprma Chambers, 2<sup>nd</sup> Floor, Suren Road  
Andheri (East), Mumbai - 400093.

Tel. Nos. 8306790 / 8306791 & 8349976

Fax No. 91-22-8215352

E-mail address : iitcs@bom3.vsnl.net.in

Shareholders holding shares in electronic mode should address their Correspondence to their respective Depository Participants.

## 9. Share Transfer System

Shares sent for transfer in physical form to IIT Corporate Services Limited (R&T Agents), are registered and returned within a period of 30 days from the date of receipt, if the documents are in order. The Share Transfer Committee meets generally on a fortnightly basis to consider the transfer proposals. All requests for dematerialisation of shares are processed by IIT Corporate Services Limited within 15 days.

## 10. Dematerialisation of Shares

Trading in Equity Shares of the Company is permitted only in dematerialized form with effect from 29<sup>th</sup> January 2001 as per notification issued by the Securities & Exchange Board of India (SEBI). As on 31<sup>st</sup> March 2002, out of total Equity Capital 1656452 shares are held in dematerialized form with NSDL and CDSL.

Transfer cum demat facility is available to all shareholders of the Company, who request for such facility.

## 11. Distribution of shareholding as on 31<sup>st</sup> March 2002

| Number of shares held | Number of shareholders | No. of shares held | Shareholding % |
|-----------------------|------------------------|--------------------|----------------|
| 1 to 500              | 5707                   | 447735             | 15.36          |
| 501 to 1001           | 46                     | 35860              | 1.23           |
| 1001 to 2000          | 21                     | 29900              | 1.03           |
| 2001 to 3000          | 8                      | 19800              | 0.68           |
| 3001 to 4000          | 2                      | 7455               | 0.26           |
| 4001 to 5000          | 7                      | 33950              | 1.16           |
| 5001 to 10000         | 8                      | 58350              | 2.00           |
| 10001 to 30000        | 4                      | 65200              | 2.24           |
| 30001 to 50000        | 6                      | 252500             | 8.66           |
| 50001 to 100000       | 6                      | 429940             | 14.75          |
| 100001 and above      | 5                      | 1534550            | 52.64          |
|                       | 5820                   | 2915240            | 100%           |

## 12. SHAREHOLDING PATTERN AS ON 31<sup>ST</sup> MARCH, 2002

| Category   | No. of shares held | Percentage of shareholding |
|--|--------------------|----------------------------|
| <b>A. Promoter's holding</b>   |                    |                            |
| 1 Promoters  |                    |                            |
| - Indian Promoters   | 1298250            | 44.54                      |
| - Foreign Promoters  | —                  | —                          |
| 2 Persons acting in concert  | —                  | —                          |
| <b>Sub - Total....</b>   | <b>1298250</b>     | <b>44.54</b>               |
| <b>B. Non-Promoters holding</b>  |                    |                            |
| 3 Institutional investors  |                    |                            |
| a. Mutual Funds and UTI  | 125950             | 4.32                       |
| b. Banks, Financial Institutions, Insurance Companies (Central / state Government Institutions/ non-government Institutions) | 65400              | 2.24                       |
| c. FIs   | —                  | —                          |
| <b>Sub - Total....</b>   | <b>191350</b>      | <b>6.56</b>                |
| 4 Others   |                    |                            |
| a. Private Corporate Bodies  | 816040             | 27.99                      |
| b. Indian Public   | 609040             | 20.89                      |
| c. NRI / OCBs  | 550                | 0.02                       |
| d. Any other (please specify)  |                    |                            |
| Clearing Member  | 10                 | —                          |
| <b>Sub - Total....</b>   | <b>1425640</b>     | <b>48.90</b>               |
| <b>Grand Total....</b>   | <b>2915240</b>     | <b>100%</b>                |

### Note:

The total foreign shareholding for the quarter ended 31<sup>st</sup> March, 2002, is 550 shares which in percentage terms is 0.02% of the issued and subscribed capital.

The Company has adopted the following non-mandatory requirements on Corporate Governance recommended under Clause 49 of the Listing Agreement:

- A chairman's office with requisite facilities is being maintained by the Company for use by its Non-executive Chairman.
- As the financial performance of the Company is well publicised and also displayed on the Company's Website, individual communication of half yearly results is not sent to the shareholders.

## AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE

To the members of KJMC Financial Services Limited

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to the compliance of conditions of Corporate Governance by KJMC Financial Services Limited for the year ended on March 31, 2002 as stipulated in Clause 49 of the Listing Agreements of the Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was conducted in the manner described in the Guidance on certification of corporate guidance issued by the Institute of Chartered Accountant of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We further state that such compliance is neither an assurance as to the further viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For Batliboi & Purohit  
Chartered Accountants

R. D. Hangekar  
Partner

Place : Mumbai  
Dated : 31<sup>st</sup> July, 2002



**AUDITOR'S REPORT**

The Shareholders,  
**KJMC Financial Services Limited**

We have audited the attached Balance Sheet of **KJMC Financial Services Limited**, as at 31<sup>st</sup> March 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, We enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose 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 those 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, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - (e) On the basis of written representations received from the directors, we report that none of the directors is disqualified as on March 31, 2002 from being appointed as a director in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956.
  - (f) 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 in conformity with the accounting principles generally accepted in India:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2002 and
    - ii) in the case of Profit and Loss Account, of the profit for the year ended on that date.

For **BATLIBOI & PUROHIT**  
Chartered Accountants  
**R.D.Hangekar**  
Partner

Place: Mumbai  
Date: 29<sup>th</sup> June 2002

**ANNEXURE TO THE AUDITOR'S REPORT**

[Referred to in paragraph 1 of the report of even date of the Auditor's Report to shareholders of **KJMC Financial Services Limited** of the Accounts for the year ended 31<sup>st</sup> March, 2002]

1. The Company has maintained proper records showing full particulars including quantitative details and the situation of fixed assets. A major portion of the fixed assets have been physically verified by the Management during the year at reasonable intervals and no material discrepancies have been noticed on such verification between the book records and the assets physically verified. 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 during the year.
3. The stock-in-trade has been physically verified by the Management as at the end of the financial year.
4. In our opinion and according to the information and explanations given to us, the procedures for physical verification of stocks

followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.

5. No discrepancies have been noticed on the 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 and is on the same basis as in the preceding year.
7. The company has not taken Secured and Unsecured Loans from Companies, Firms or other parties as listed in the register maintained 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 prime-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 also, are regular in payment of interest wherever applicable.
10. In our opinion and according to the information and explanations provided to us, it appear that the Company has 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, equipment's 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 for the purchase and sale of shares made in pursuance of contracts or agreements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year 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 marketing.
12. The Company has not accepted deposit from the public within the meaning of provisions of section 58A of the Companies Act, 1956.
13. In our opinion the Company has internal audit system, which needs to further strengthen to commensurate with the size of the company and nature of its business.
14. According to the records of the company, Provident Funds dues and Employee's State Insurance dues have been regularly deposited with the appropriate authorities.
15. The Company does not have any undisputed amounts outstanding in respect of Income Tax, Wealth Tax, Sales Tax for a period more than six months from the date they became payable except for Vat Tax of Rs. 51019/-
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 paras 4(A), 4(B) & 4(C) of the aforesaid order are not applicable.

For and on behalf of  
**BATLIBOI & PUROHIT**  
Chartered Accountants

Place: Mumbai  
Date: 29<sup>th</sup> June 2002

**R.D.Hangekar**  
Partner

**BALANCE SHEET AS AT 31st MARCH, 2002**

|  | Schedules | As at<br>31.03.2002<br>(Rs.) | As at<br>31.03.2001<br>(Rs.) |
|--|-----------|------------------------------|------------------------------|
| <b>SOURCES OF FUNDS :</b>                          |           |                              |                              |
| <b>Shareholders' Funds</b>                         |           |                              |                              |
| i) Share Capital                                   | 1         | 56,152,400                   | 56,152,400                   |
| ii) Reserves and Surplus                           | 2         | 76,302,732                   | 161,467,772                  |
| <b>Loan Funds</b>                                  |           |                              |                              |
| i) Secured Loans                                   | 3         | 9,669,852                    | 21,432,924                   |
| ii) Unsecured Loans                                | 4         | 224,484,503                  | 266,144,088                  |
| <b>Deferred Tax Liabilities (Net)</b>              |           | 83,029,069                   | -                            |
| <b>TOTAL</b>                                       |           | <b>449,638,556</b>           | <b>505,197,184</b>           |
| <b>APPLICATION OF FUNDS:</b>                       |           |                              |                              |
| <b>Fixed Assets</b>                                | 5         |                              |                              |
| a) Gross Block                                     |           | 342,276,899                  | 400,603,087                  |
| b) Less: Depreciation                              |           | 174,060,976                  | 182,953,285                  |
| c) Net Block                                       |           | 168,215,923                  | 217,649,802                  |
| Add : Accumulated Lease Adjustment                 |           | 65,308,245                   | 28,112,103                   |
|  |           | 233,524,168                  | 245,761,905                  |
| <b>Investments</b>                                 | 6         | 190,233,296                  | 184,854,374                  |
| <b>Current Assets , Loans &amp; Advances</b>       |           |                              |                              |
| a) Current Assets                                  | 7         | 35,478,073                   | 28,499,797                   |
| b) Loans & Advances                                | 8         | 52,616,584                   | 102,090,371                  |
|  |           | 88,094,657                   | 130,590,168                  |
| <b>Less : Current Liabilities &amp; Provisions</b> |           |                              |                              |
| a) Current Liabilities                             | 9         | 88,150,724                   | 85,869,783                   |
| b) Provisions                                      | 10        | 520,178                      | 762,799                      |
|  |           | 88,670,902                   | 86,632,582                   |
| <b>Net Current Assets</b>                          |           | (576,245)                    | 43,957,586                   |
| <b>Miscellaneous Expenditure</b>                   | 11        | 26,457,337                   | 30,623,318                   |
| (To the extent not written off or adjusted)        |           |                              |                              |
| <b>TOTAL</b>                                       |           | <b>449,638,556</b>           | <b>505,197,184</b>           |
| <b>SIGNIFICANT ACCOUNTING POLICIES</b>             | 18        |                              |                              |
| <b>NOTES FORMING PART OF THE ACCOUNTS</b>          | 19        |                              |                              |

As per our report of even date attached

For and on behalf of the Board of Directors

**For BATLIBOI & PUROHIT**

Chartered Accountants

**R.D.Hangekar**

Partner

**Rajnish Jain**

Director

**Girish Jain**

Director

Place : Mumbai

Date : 29th June, 2002

Place : Mumbai

Date : 29th June, 2002