

**AMG**  
ARVIND MAFATLAL GROUP



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**MAFATLAL FINANCE COMPANY LIMITED**

15th

ANNUAL REPORT 2001-02

**MAFATLAL  
FINANCE****BOARD OF DIRECTORS**

SHRI J. A. PATEL  
 SHRI P. R. MERCHANT  
 SHRI V. J. OJHA  
 SHRI R. R. PATEL

**MANAGEMENT TEAM**

SHRI J. A. PATEL Chairman  
 SHRI N. R. DIVATE President & CEO  
 SHRI K. CHANDRAMOULI Vice President - Resources  
 & Company Secretary

**VICE PRESIDENT - RESOURCES AND  
COMPANY SECRETARY**

SHRI K. CHANDRAMOULI

**AUDITORS**

C. C. CHOKSHI & CO.  
 Chartered Accountants

**BANKERS**

DENA BANK  
 STATE BANK OF INDIA  
 CENTRAL BANK OF INDIA  
 UNION BANK OF INDIA  
 BANK OF BARODA  
 BANK OF INDIA  
 STATE BANK OF INDORE  
 STATE BANK OF HYDERABAD  
 DHANALAXMI BANK LTD.  
 SUMITOMO MITSUI BANKING CORPORATION LTD.  
 BANK OF PUNJAB LTD.  
 SOUTH INDIAN BANK LTD.  
 ICICI BANK LTD.  
 FEDERAL BANK LTD.  
 UNITED BANK OF INDIA  
 ORIENTAL BANK OF COMMERCE

**SOLICITORS & ADVOCATES**

MANILAL KHER AMBALAL & CO.

**REGISTERED OFFICE**

407, DIMPLE ARCADE, ASHA NAGAR,  
 OFF WESTERN EXPRESS HIGHWAY,  
 THAKUR COMPLEX, KANDIVLI (E),  
 MUMBAI - 400 101.

**REGISTRARS & SHARE TRANSFER AGENTS**

BIG SHARE SERVICES PRIVATE LTD.  
 E-2, Ansa Industrial Estate,  
 Saki Vihar Road, Sakinaka,  
 Andheri (E), Mumbai 400 072.

**MAFATLAL  
SECURITIES****BOARD OF DIRECTORS**

SHRI H.A. MAFATLAL Chairman  
 SHRI N. R. DIVATE Director  
 SHRI BIPIN K. GHIYA Director  
 SHRI P. KARUNAKAR RAO Wholetime Director

**AUDITORS**

C. C. CHOKSHI & CO.  
 Chartered Accountants

**REGISTERED OFFICE**

RUSTOM BUILDING,  
 4TH FLOOR,  
 29, VEER NARIMAN ROAD,  
 MUMBAI - 400 023.

**NOTICE**

Notice is hereby given that the FIFTEENTH ANNUAL GENERAL MEETING of the Members of MAFATLAL FINANCE COMPANY LIMITED will be held at "Babasaheb Dehankar Sahasrastra" Maharashtra Chamber Of Commerce & Industry, Oricon House, 12, K. Dabhash Marg, Fort, Mumbai - 400001, on Thursday, 26th September, 2002 at 2.30 p.m. to transact the following business:

**ORDINARY BUSINESS:**

1. To consider and adopt the Directors Report and the Audited Profit and Loss account of the company for the year ended March 31, 2002 and the Balance Sheet as at that date and the Auditors Report thereon.
2. To appoint a Director in place of Mr. P.R. Merchant who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. R.R. Patel who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

By Order of the Board  
MAFATLAL FINANCE COMPANY LIMITED

K. CHANDRAMOULI  
Company Secretary

Registered Office :  
407 Dimple Arcade  
Asha Nagar, Off. Western Express Highway  
Thakur Complex, Kandivli (E)  
Mumbai - 400 101  
Date : 27th June, 2002.

**Notes:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. The proxy form duly completed and signed should be deposited at the registered office of the Company atleast 48 hours before the commencement of the meeting.

3. The Register of Members and Share Transfer Books of the Company shall remain closed from Thursday, September 19, 2002 to Thursday, September 26, 2002 (both days inclusive).
4. Shareholders/Proxy holders are requested to produce at the entrance, the attached admission slip duly completed and signed, for admission at the meeting.
5. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company during the office hours on all working days except holidays between 9.00 A.M. and 5.00 P.M. upto the date of the Annual General Meeting.
6. Reappointment of Director : At the ensuing Annual General Meeting, Mr. Ramakant .R. Patel & Mr. Padmanabh .R. Merchant, retire by rotation, being eligible, offer themselves for reappointment. As per Clause 49 of the Listing Agreement dealing with Corporate Governance, the Company is required to provide a brief resume, expertise and names of the companies in which the proposed Directors hold the directorship and Membership of Committees of Directors, accordingly the said information is given hereinbelow.

**Information about the appointees :**

Name of Director	Mr. R. R. Patel	Mr. P. R. Merchant
Date of Birth	17.10.1936	10.06.1936
Expertise in specific functional areas	Company law matters Practising Company Secretary	Commercial & Legal matters
List of Companies in which the person holds the Directorship, Committee membership	Nil	Nil

In accordance with the provisions of the Articles of Association of your Company, Mr. P.R. Merchant and Mr. R.R. Patel are retiring by rotation and being eligible, have offered themselves for reappointment.

## Annual Report 2001-2002

## DIRECTORS' REPORT

To,

## The Members

## Mafatlal Finance Company Limited

Your Directors present the Fifteenth Annual Report with the Audited Statement of Accounts of the Company for the year ended 31st March, 2002.

## 1. FINANCIAL RESULTS

The Financial results of the company for the year under review as compared to the previous year are summarised below for your consideration:

	Year ended 31.03.2002 (Rs. in lacs)	Year ended 31.03.2001 (Rs. in lacs)
Gross Income	1380.75	2220.35
Gross Profit before depreciation and income tax	(4513.16)	(5030.34)
Depreciation	926.26	1513.73
Provision for Tax	-	-
Net Profit After Tax (Loss)	(5439.42)	(6544.07)
Add : Amount brought forward from previous year	(14288.18)	(7744.11)
Amount available for appropriation	-	-
Transferred to Debenture Redemption Reserve	-	-
Transferred to Statutory Reserve under RBI Act	-	-
Balance carried forward	(19727.60)	(14288.18)

## 2. OPERATIONS

The financial year 2001-2002 has ended with the Company declaring a loss of Rs. 5439.42 lacs.

The company is presently concentrating its efforts in restructuring its Balance Sheet with the objective of reducing its liabilities, controlling the cost of operation and recovering its dues from various customers. In the process of winding down its Balance Sheet, the company has repaid most of its fixed deposits so as to minimise the effects of company's operations on the retail sector. To shore up its revenues and also to ensure continuity of operations while at the same time ensure aggressive recovery of its receivables, the company has pursued fee based activities.

For the current financial year the Company has ended up with a loss (after provision) of Rs. 5439.42 crores mainly on account of requirement of provisions. In order to ensure that the company is in a position to regain its viability, discussions were initiated with the lenders to provide appropriate reliefs and concessions to the company and stagger the repayments which would ensure continuity of the company's operations besides enabling sustained recovery for the banks and institutions. Some of the banks have initiated proceedings under the Debt Recovery Tribunal. Ongoing negotiations however are being pursued for an amicable settlement.

The efforts to recover from the defaulting borrowers however was stymied by the following:

1. Recession in the Indian economy which showed no signs of abatement affecting the ability of the borrowers to repay their debts.
2. Inability of the legal system to cope with the magnitude of the work involved and non-delivery of speedy justice even in transparent and open cases.
3. Many of the corporate borrowers on account of taking refuge under the provisions of sick company by referring their case to BIFR hampering the recovery of the dues.

## 3. LITIGATIONS AGAINST THE COMPANY

On account of the default in covenants and also on account of the banks and institutions taking aggressive steps for recovery from non performing assets, cases have been initiated against the company in the Debt Recovery Tribunal by Bank of Baroda, Federal Bank, Union Bank of India, Bank of Punjab, Dena Bank and few of the banks have sent legal notices recalling their outstandings. The company has continued its negotiations and is finalising its restructuring plan so as to strengthen its Balance Sheet.

Bank of India who are the trustees for the debenture holders have also filed a civil suit in the High Court, Mumbai seeking appropriate reliefs. The company is however contesting the same as the claim amount has been wrongly made.

## 4. COMMENTS ON AUDITOR'S OBSERVATIONS

The qualifications in the auditor's report comprises under-provisioning of certain bad and doubtful debts, reconciliation differences and non-provisioning of certain liabilities. The management is of the view that having regard to the totality of the scheme of reconstruction envisaged as also the underlying securities available, the provisions made reflect a realistic position of the account inter-alia also factoring the expected recoveries, the one-time settlements likely to be made and the possibility of waiver of interest & principal on certain liabilities. It is accordingly felt by the management that at this point of time, no further provisions are necessary and a view thereon can be taken at a later stage. The qualification of the auditors in respect of reconciliations is being attended but is constrained by frequent changes in staff members.

## 5. PUBLIC FIXED DEPOSITS

At the end of the financial year, 949 depositors have not claimed their deposits aggregating to Rs. 98.56 lacs. Except this, your company does not have any unclaimed

or unpaid deposits. The company has sent appropriate communication to the depositors and the said process shall be continued for significant reduction in the unclaimed deposits.

The company has applied to the RBI as per the new RBI directives u/s. 45(1A) of RBI Act, 1934 for registration as an NBFC. The approval of the RBI is awaited.

## 6. MAFATLAL SECURITIES LIMITED (MSL) - SUBSIDIARY COMPANY

The depressed stock market conditions continued and notwithstanding the same, the company posted a net profit of Rs. 24.20 lacs for the financial year ended 31st March, 2002, after writing off Rs. 16.47 lacs towards bad debts. The company is in the process of setting up its derivative desk and is expected to further augment its revenues by expanding their clientele and aggressive marketing. Statement pursuant to Section 212 of the Companies Act, 1956 in respect of Mafatlal Securities Limited are separately given in this Report.

## 7. OUTLOOK

The outlook continues to be uncertain in view of the slow process of recovery and difficult economic environment further compounded by border hostilities. The focus of the company is to ensure control of costs and maximisation of revenue from the assets deployed earlier.

While the process of aggressive recovery continues on one hand, generation of revenues through fee based activities are being undertaken.

## 8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGOING

The Company is not engaged in manufacturing activities therefore there is no information to submit in respect of conservation of energy and absorption of technology.

Foreign exchange earnings: Nil Foreign exchange outgoings: Nil

## 9. DIRECTORATE

In accordance with the provisions of the Articles of Association of your Company, Mr. P.R. Merchant and Mr. R.R. Patel are retiring by rotation and being eligible, have offered themselves for reappointment. The Board of Directors recommend their reappointment.

## 10. DEPOSITORIES

Effective October 30, 2000, the equity shares of your Company have been mandated by Securities and Exchange Board of India for delivery only in dematerialised form for all investors.

Your Company has already entered into arrangements with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) for custody and dematerialisation of shares in accordance with the Depositories Act, 1996.

## 11. PARTICULARS OF EMPLOYEES

There are no employees covered by Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

## 12. DIRECTOR'S RESPONSIBILITY STATEMENT

As required under section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- i. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii. the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the period;
- iii. the Directors had 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. the Directors had prepared the annual accounts on a going concern basis.

## 13. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the listing agreement with the stock exchanges, management discussions and analysis, corporate governance report are made a part of annual report.

## 14. AUDITORS

The Company's Auditors M/s. C.C. Chokshi & Co., Chartered Accountants retire at the ensuing Annual General Meeting. They being eligible have given their consent to act as Auditors of the Company if reappointed. Members are requested to consider their reappointment as Auditors of the Company for the current year and fix their remuneration.

## 15. ACKNOWLEDGEMENTS

Your Directors wish to thank and place on record their appreciation of the valuable support given by Company's Customers, Shareholders, Bankers, Depositholders, Financial Institutions, Mutual Funds and Debentureholders.

The Directors would also like to thank the employees for their contribution to the Company's operations.

For and on behalf of the Board

J.A. PATEL  
Chairman

Place : Mumbai  
Date : 27th June, 2002

**MANAGEMENT DISCUSSION ANALYSIS - OVERALL REVIEW**

The company is in the business of financial services and is awaiting registration from the Reserve Bank of India.

Non Banking Finance Companies had to undergo substantial stress in the past four years arising on account of default in the repayment of public deposits by a leading financial services company. In the year 1996, the regulations relating to equipment leasing and finance companies had undergone a change on account of relaxations in the quantum of deposits that can be taken by a registered financial services company. With the failure of one of the company in the year 1997, stringent regulations were imposed with a need to re-register all the financial services companies. The ability of the financial services company to borrow by way of public deposit was restricted to the relative credit rating and networth. This resulted in serious mismatch in the tenure of asset liability of financial services companies with assets blocked in long term maturities supported by liabilities of short term maturities. Bridging the said mismatch resulted in enhancing the cost of operations. In addition most of the banks, financial institutions levied a steep interest rates on the NBFCs resulting in enhanced cost of funds. The lending rates charged were accordingly higher resulting in increased risk exposure. The down turn in the Indian economy caused unmitigated hardship to the financial services companies which were on one hand were forced to repay their liabilities and adjust themselves to the new norms, while on the other hand recoveries from the assets was substantially affected causing defaults in the sector. In addition to the operational difficulties, the performance of the NBFCs were further compounded by the Income Tax department which disallowed the depreciation entitlements of NBFCs thereby raising unjustified and disputed demands. Most of the second generation NBFCs wilted under this onslaught and had to shut down.

Your company's management consciously withdrew itself from lending operations and as a measure for sustained growth and continuity and also as a measure of social responsibility, addressed the issues of the retail sector and ensured repayment of deposits. Simultaneously your company also initiated dialogues with the banks and financial institutions so that necessary remedial measures as are needed can be undertaken.

**FINANCIAL REVIEW**

As the company discontinued its lending operations, most of the revenues arose from past lending and disbursements. The company's income was Rs. 1380.75 Lacs and loss was Rs. 5439.42 Lacs.

Income from operations contracted by 37.81% due to winding down of the operations. The company continued to make losses after provision of interest. During the year the company provided Rs. 3119.31 Lacs towards bad and doubtful debts and diminution in the value of investments.

**BUSINESS ANALYSIS - OUTLOOK**

Most NBFCs who were operating in the corporate leasing and the consumer finance were unable to compete with the low interest rates as banks became aggressive in this portfolio. In order to sustain their operations, NBFCs undertook fee based activities and took the role of service providers. Very few NBFCs were left in the business of lending.

The Company has accordingly modified its business plans and is focusing on related areas arising out of the earlier operations. The Company embarked on acting as Sales Associates to banks and also commenced distribution of financial products. It has further plans to activate its broking business. The possibility of entering into real estate development should a need arise, is also being considered.

**RISK AND CONCERNS**

The Company is currently saddled with litigations filed against it on account of defaults in payments to banks, debenture holders etc. While it is difficult to predict the outcome at this point of time, the Company is confident that it shall

be possible for it to mutually work out a satisfactory arrangement in this regard.

The Company is proposing to financially restructure itself by which it can improve its financial position by seeking appropriate reliefs from its lenders and also converting the debts into a long-term debt. This will enable the Company to aggressively pursue its recovery while keeping the difficulties on account of litigations at bay.

The Company is confident of weathering the storm and stay unscathed.

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has appropriate and adequate internal control system which are sufficient for the level of activities carried by it. The internal audit is being carried out by an external firm of Chartered Accountants and their findings are reviewed at reasonable intervals. The Board is of the opinion that the internal control system is adequate to size of the Company's business.

The Company has fully computerized and integrated financial and accounting function.

**INDUSTRIAL RELATIONS**

The Company as on 31/03/2002 had 43 employees on its payroll. The relationship were cordial and the Company has performance based incentive scheme for all its management and officer cadres.

**CAUTIONARY STATEMENTS**

Statements in the Management Discussion and Analysis describing the Company's position and expectations may be "forward-looking statements" within the meaning of applicable securities laws & regulation. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand/supply and price conditions in the market in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.

*Annual Report 2001-2002***CORPORATE GOVERNANCE REPORT**

The detailed report on Corporate Governance as per the format prescribed by SEBI and incorporated in Clause 49 of the Listing Agreement is set out below:

**1. CORPORATE GOVERNANCE PHILOSOPHY**

The Company's philosophy of Corporate Governance is based on the principals enabling in efficient conduct of its business and meeting the obligations to its shareholders, creditors, state and its employees.

**2. BOARD OF DIRECTORS**

The Company has a non-executive Chairman and the number of independent directors are more than one-third of the number of directors. The number of non-executive directors are more than 50% of the total number of Directors.

During the financial year under review, six Board Meetings were held. The dates on which meetings were held were as follows :  
8th June, 27th June, 31st July, 8th September, 31st October in 2001 and 31st January in 2002.

The last Annual General Meeting of the Company was held on 21st December, 2001.

Attendance of each Director at the Board Meetings and last Annual general Meeting and the number of companies and Committees where he is Director/ Member/Chairman (as on 27/6/2002):

Name of the Director	Category	Attendance- Particulars	No. of other Directorships and Committee Memberships/Chairmanships			
		Board Meetings	Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
Mr. H.A. Mafattal *	Not Independent, Non-Executive	1	No	-	-	-
Mr. N.G. Patel *	Independent, Non-Executive	0	No	-	-	-
Mr. N.M. Dhuldhoya*	Not Independent, Non-Executive	0	No	-	-	-
Mr. N.R. Divate *	Wholetime Director	1	Yes	2	2	-
Mr. J.A. Patel **	Not Independent, Non-Executive	4	Yes	6	-	-
Mr. R.R. Patel **	Not Independent, Non-Executive	5	Yes	-	-	-
Mr. P.R. Merchant **	Independent, Non-Executive	5	Yes	-	-	-
Mr. Vinod J. Ojha **	Independent, Non-Executive	5	Yes	-	-	-

\* Mr. H. A. Mafattal, resigned from the Board with effect from 11/6/2001 while Mr. N.G. Patel and Mr. N.M. Dhuldhoya resigned with effect from 26/06/2001. Mr. N.R. Divate resigned as Wholetime Director with effect from 31/7/2001.

\*\* Mr. J.A. Patel, Mr. R.R. Patel, Mr. P. R. Merchant and Mr. Vinod J. Ojha were appointed as additional Directors with effect from 8/6/2001.

As required under Clause 49 VI A of the Listing Agreement, particulars of Directors seeking reappointment are given in the notes to the notice of the Annual General Meeting to be held on Thursday, 26th September, 2002.

**3. AUDIT COMMITTEE**

Mr. R.R. Patel ... Chairman  
Mr. P.R. Merchant ... Director  
Mr. Vinod J. Ojha ... Director  
Mr. N.R. Divate ... President & Chief Executive Officer

The terms of reference stipulated by the Board to the Audit Committee, as contained in Clause 49 of the Listing Agreement as well as Section 292A of the Companies Act, 1956 are as follows:

- To over see of the Company's financial reporting process and the disclosure of its financial information.
- Recommending the appointment/removal of external auditor, internal auditor and branch auditors and fixing of audit fee.
- Reviewing with management the annual financial statements before submission to the board, focusing primarily on :
  - Any changes in accounting policies and practices,
  - Major accounting entries based on exercise of judgement by management,
  - Qualifications in draft audit report,
  - Significant adjustments arising out of audit,
  - The going concern assumption,
  - Compliance with accounting standards,
  - Compliance with Stock Exchange and legal requirements concerning financial statements.
- Reviewing the adequacy of Internal Audit, reporting structure coverage and frequency of Internal Audit.
- Reviewing the finding of any Internal Investigation by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- Reviewing the Company's financial and risk management policies.

One meeting was held during the year and Three members were present at the meeting

**4. REMUNERATION OF DIRECTORS**

The company does not have formal Remuneration Committee. No remuneration is paid to Non-Executive Directors including sitting fees for attending the meetings of the Board of Directors or Committees thereof.

Managerial Remuneration paid to Wholetime Director during the year ended 31st March, 2002 :

i) Salary	Rs. 2,40,000
ii) Contribution to PF & Others	Rs. 76,338
iii) Perquisites in Cash or in kind	Rs. 60,000
<b>Total</b>	<b>Rs. 3,76,338</b>

**5. SHARE/DEBENTURE TRANSFER-CUM-INVESTOR'S GRIEVANCE COMMITTEE**

The company has a Share/Debenture Transfer Committee, constituting the following members:

Mr. R.R. Patel ... Chairman  
Mr. P.R. Merchant ... Director  
Mr. N.R. Divate ... President & Chief Executive Officer

The Committee oversees and approves transfer/transmission of equity shares and debentures. The Committee also oversees complaints received from investors for appropriate redressal. The minutes of the Committee meeting are placed at the Board Meeting from time to time.

The Board has designated Mr. K. Chandramouli, Vice President & Secretary of the company as the Compliance Officer.

During the year, 494 complaints were received from the shareholders and debentureholders, directly or through regulatory authorities. All the complaints have generally been solved to the satisfaction of complainants except for redemption of debentures for which appropriate actions are being contemplated. This matter also is sub-judice and shall be resolved on disposal by the judicial authorities. Total 308 requests for transfers were pending for approval as on 31st March, 2002 which were approved and dealt with in 1st week of June, 2002.

#### 6. GENERAL BODY MEETINGS

Venue and time where the last three Annual General Meetings were held are given below:

Date	Venue	Time
10th August, 1999	M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dabhash Marg, Fort, Mumbai 400 001	4.00 P.M.
18th August, 2000	M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dabhash Marg, Fort, Mumbai 400 001	4.00 P.M.
21st December, 2001	"Sasmira", Sasmira Marg, Worli, Mumbai 400 025	4.00 P.M.

There were no special resolutions passed by the company through postal ballot in any of the above meetings. In the ensuing Annual General Meeting, there is no resolution required to be passed through postal ballot.

#### 7. DISCLOSURE

- The details of related party transactions are given in annexure 1 to the Notes to the Accounts.
- There were instances of non-compliance with the listing agreement due to which the Company's shares at NSE has been suspended with effect from 3/9/2001. The suspension still continues primarily on account of non-redressal of investor complaints regarding redemption of public issue of non convertible debentures. Apart from the above, there were no instances of non-compliance nor have any penalties or strictures imposed by Stock Exchanges or SEBI of any other statutory authority during the last three years on any matters related to capital market.

#### 8. MEANS OF COMMUNICATION

- Half-yearly Report sent to each household of shareholders : No
- Quarterly Results : Quarterly results are taken on record by the Board of Directors and submitted to the Stock Exchanges as per requirements of the Listing Agreements.
  - In which newspapers normally published in : Navshakti and Free Press Journal
  - Websites where displayed : No
  - Whether it also displays official news releases and press statements made to institutional investors/analysts : No
- Whether Management Discussion and Analysis is a part of the Annual Report : Yes

#### 9. GENERAL SHAREHOLDER INFORMATION

- Annual General Meeting : Thursday, 28th September, 2002 at 2.30 p.m. at "Babasaheb Dahanukar Sabartha" Maratha Chamber of Commerce & Industry, Orion House, 12, K. Dabhash Marg, Fort, Mumbai - 400001.
- Financial Calendar (2002-2003) (tentative)
  - Annual General Meeting : Thursday, 28th September, 2002 at 2.30 p.m.
  - Quarterly Results -
    - Quarter ending June 30, 2002 : Last week of July, 2002
    - Quarter ending Sept. 30, 2002 : Last week of October, 2002
    - Quarter ending Dec. 31, 2002 : Last week of January, 2003
    - Quarter ending March 31, 2003 : Last week of April, 2003
- Book Closure date (s) : Between Thursday, September 19, 2002 to Thursday, September 26, 2002 (both days inclusive)
- Dividend Payment date : Not applicable
- Listing of Equity Shares/Debentures on Stock Exchanges : The Stock Exchange, Mumbai  
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 023  
National Stock Exchange of India Ltd.  
Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai 400 051  
Currently the listing at NSE is under suspension  
The Company has not paid the listing fees for the Stock Exchanges at Ahmedabad and Delhi where too the shares of the company are listed.

#### 9.6 Stock Codes :

Physical Segment - BSE	262
Demat Segment - BSE	INE965B01014

#### 9.7 Market Price Data :

Monthly high and low quotations of shares and Volume of Equity Shares traded in The Stock Exchange, Mumbai (BSE) and the National of India (NSE) are as follows:

Month	April 2001	May 2001	Jun 2001	July 2001	Aug 2001	Sept. 2001	Oct. 2001	Nov. 2001	Dec. 2001	Jan. 2002
High (Rs.)	2.50	2.10	1.90	1.55	1.50	1.25	1.20	1.80	1.25	1.25
Low (Rs.)	1.75	1.80	1.40	1.00	1.15	0.80	0.90	0.80	0.90	0.75

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- 9.8 Registrar and Transfer Agents : M/s. Big Share Services Pvt. Ltd.  
E-2 Ansa Industrial Estate, Sakinaka, Andheri (E), Mumbai 400 072  
Tel : 8523474/8560652 Fax : 8525207
- 9.9 Share Transfer Agents  
(for Electronic Transfers) : M/s. Big Share Services Pvt. Ltd.  
E-2 Ansa Industrial Estate, Sakinaka, Andheri (E), Mumbai 400 072  
Tel : 8523474/8560652 Fax : 8525207

## 9.10 Share Transfer System :

The power to approve transfer upto 1,00,000 shares purchased by one individual at a time has been delegated by the Board of Directors to the Share Transfer Committee.

## 9.11 (a) Distribution of Shareholding as on 31st March, 2002

No. of Equity Shares held (Rs.)	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Upto - 5000	51,772	96.16	5,91,31,190.00	14.84
5001 - 10000	951	1.77	80,21,250.00	2.01
10001 - 20000	467	0.87	72,67,100.00	1.82
20001 - 30000	188	0.35	48,39,820.00	1.21
30001 - 40000	97	0.18	35,17,210.00	0.88
40001 - 50000	78	0.14	37,25,300.00	0.93
50001 - 100000	145	0.27	1,02,92,460.00	2.58
100001 and above	139	0.26	30,20,22,670.00	75.73
<b>GRAND TOTAL</b>	<b>53,837</b>	<b>100.00</b>	<b>39,88,17,600.00</b>	<b>100.00</b>
Shares in transit (NSDL/CDSL)	7	0.01	72,300.00	0.02
Physical Mode				
Electronic Mode				

## (b) Category of Shareholders as on 31st March, 2002

Sr. No.	Category	Shareholding	Percentage
1.	Promoters	15920000	39.92
2.	Financial Institutions	6046500	15.16
3.	Banks	3001888	7.53
4.	Bodies Corporate	5297812	13.28
5.	Directors & their relatives	25900	00.06
6.	Non-Resident Individuals	126400	00.32
7.	General Public	9463200	23.73
	<b>Total</b>	<b>39881700</b>	<b>100.00</b>

- 9.12 Dematerialisation of Shares : The Company has arrangements with NSDL and CDSL for demat facility.
- 9.13 Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on equity : NIL
- 9.14 Registered office & Address for Correspondence : 407 Dimple Arcade, Asha Nagar, Off. Western Express Highway, Thakur Complex, Kandivli (E), Mumbai - 400 101. Tel No. : 8542812/47

**AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S)**

To the Members of

**Mafatlal Finance Company Ltd.**

We have examined the compliance of the conditions of Corporate Governance by Mafatlal Finance Company Ltd. for the year ended 31st March 2002 as stipulated in clause 49 of the Listing agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination 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 an opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanation given to us, subject to the following,

1. The audit committee was constituted in October 2001 and accordingly it has met only once.
2. No Audit Committee meeting was held before finalisation of the annual accounts.

We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We are unable to express an opinion on the status of pending Investor Grievances for the period 01.04.2001 to 31.03.2001, since the previous Registrar and Transfer Agent has ceased operations, and no records were made available to the Company.

Subject to above, as required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Investors Grievance Committee.

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

For M/s. C. C. Chokshi & Co.  
Chartered Accountants

R. Salivati  
Partner

Place : Mumbai  
Dated : 27th June, 2002.

## AUDITORS' REPORT TO THE SHAREHOLDERS

1. We have audited the attached Balance Sheet of MAFATLAL FINANCE COMPANY LIMITED, as at 31st March 2002, and the Profit and Loss Account of the Company 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.
2. 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 misstatement. An audit includes examining, on 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure a Statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 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 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 the books; except for non-provision of interest expense of Rs. 16,85,98,107/- (including Rs. 7,83,32,855/- for the year) and non provision of leave encashment of an unascertained amount as explained in the Note No. 9(b), 12(a), 12(b) and 14 of Schedule 17.
  - 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 Profit and Loss account comply with accounting standards referred to in sub-section 3 (e) of Section 211 of the Companies Act, 1956 subject to Note Nos. 9(b), 12(b), 12(b) and 14 of Schedule 17 for non-provisioning of interest of Rs. 16,85,98,107/- (including Rs. 7,83,32,855/- for the year) on borrowings and non provision of an unascertained amount for leave encashment, which is not in compliance with Accounting Standard - 1.
  - e) On the basis of written representations received from the Directors as on 31st March 2002, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March 2002, from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 by virtue of being a Director in any other public company. The Company has failed to redeem its debentures as on 31st March 2002. The Company has obtained a legal opinion to the effect that provisions of Sections 274(1)(g) does not prohibit re-appointment of a Director in a public company which has defaulted as per Section 274(1)(g).
  - f) Attention is invited to the following notes in Schedule No. 17 :
    - i. Note No. 2 (b) regarding managerial remuneration of Rs. 1,87,500/- subject to approval from Central Government.
    - ii. Note No. 5 regarding the unaccounted difference of Rs. 3,73,98,000/- between public deposit as per General ledger and as per subsidiary register and the provision of interest on the lower balance. The impact of the reconciliation on the accounts is not ascertainable at present.
    - iii. Note No. 6(a) regarding the unprovided diminution of Rs. 6,61,36,158/- in investment in equity shares of NOCIL including share of diminution in the market value of equity shares held by a partnership firm where Company is the partner. We are unable to express an opinion on the shortfall likely on realisation of these investments.
    - iv. Note No. 7 regarding treatment of difference of Issue Price and Redemption Value of Deep Discount Debentures resulting in lower charge of Rs. 1,32,37,212/-. Consequently loss for the year is lower by Rs. 1,32,37,212/- and accumulated losses are lower by Rs. 12,27,73,177/-.
    - v. Note No. 8 regarding application for registration u/s. 45 IA of RBI Act, 1934, which is awaiting the formal approval of RBI.
    - vi. Note No. 9(a) regarding loans of Rs. 20,65,69,717/- given to two companies in 1995-96. As against the provision of Rs. 20,65,69,717/- required to be made

as per the prudential norms, the Company has made provision of Rs. 6,70,91,818/-. Consequently there is under-provisioning of Rs. 13,94,77,899/- and loss for the year is lower by Rs. 13,94,77,899/- and loans & advances to Companies are higher by the like amount.

vii. Note No. 9(b) for non-provisioning of interest on NCD taken from a company for reasons stated in the note. Consequently loss for the year is understated by Rs. 2,08,28,000/- and debt balance of profit and loss account in the balance sheet as well as current liabilities are understated by Rs. 11,08,85,173/- each.

viii. Note No. 10 regarding short provision of Rs. 14,30,88,000/- as per RBI prudential norms. Consequently loss for the year is under-stated by Rs. 14,30,88,000/- and current assets and loans and advances are overstated by the same amount.

ix. Note No. 11 regarding statement of accounts / settlements awaited for balances of secured loans from banks, financial institutions and current accounts with banks and reconciliation pending for several current accounts with banks. Necessary adjustment to interest expense & other accounts would be effected on rectification of the balances.

x. Note No. 12(a) and 12(b) regarding non provisioning of interest of Rs. 5,77,12,834/- on term debentures NCDs for the reasons explained in the note. Consequently loss for the year, debit balance in the profit and loss account and current liabilities are understated by Rs. 4,14,04,655/-, Rs. 5,77,12,834/- and Rs. 5,77,12,834/- respectively.

xi. Note No. 12 (c) regarding non provision for penal interest (amount unascertained) on cash credit from banks and term loans from financial institutions.

xii. Note No. 14 regarding non provision for liability of leave encashment (amount unascertained).

xiii. Note No. 15 regarding non receipt of confirmation from debtors and creditors in the majority of the cases.

xiv. Note No. 17 regarding accounts being prepared on going concern basis. In view of the continued losses for the year and the substantial negative networth of Rs. 86,06,13,449/- (Rs. 141,48,17,938/- if our qualifications are considered, excluding items, the impact of which could not be determined) the ability of the company to continue as a going concern is dependent on the outcome of the negotiations with its lenders and recoveries from borrowers.

We further report that, without considering the items mentioned in paragraphs i, ii, iii, iv, v, vi, vii, viii, ix, x, xi, xii, xiii and xiv) above the effect of which could not be determined, had the observations made by paragraphs iv, vii, viii, xiii and x) above been considered, the loss for the year would have been Rs. 31,84,77,758/- (against reported loss of Rs. 64,39,44,985/-), and accumulated losses would have been Rs. 234,06,06,000/- (against reported figure of Rs. 197,27,58,000/- current assets and loan and advances would have been Rs. 64,36,50,006/- (as against reported figure of Rs. 92,62,15,904/-) current liabilities would have been Rs. 43,14,17,307/- (as against reported figure of Rs. 26,28,13,200/-) Secured loans would have been Rs. 189,32,04,132/- (as against reported figure of Rs. 189,58,85,254/-) and Reserves & Surplus would have been Rs. 89,85,54,761/- (as against reported figure of Rs. 56,30,21,861/-).

g) Subject to the foregoing in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the other notes thereon 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 31st March, 2002 and

(ii) In the case of the Profit and Loss Account of the loss of the Company for the year ended on that date.

For C.C. CHOKSHI & CO.  
Chartered Accountants

Place : Mumbai  
Date : 27th June, 2002

R. SALIVATI  
Partner

## Annual Report 2001-2002

## ANNEXURE TO THE AUDITORS' REPORT

Referred to in Paragraph 1 of our report of even date on the accounts of **MAFATLAL FINANCE COMPANY LIMITED** for the year ended 31st March 2002.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets except that accumulated depreciation is being reconciled. The fixed assets of the company, other than those leased out, have been physically verified by the management during the year. In our opinion the company ought to carry out verification of assets leased out in accordance with the program for verification; further confirmations from lessees are awaited. Reconciliation of some of the assets verified with book records is in progress.
2. None of the Fixed Assets have been revalued during the year.
3. The nature of the Companies activities is such that the requirements of items (xii), (xiv) and (xvi) of Clause A and item (i) of Clause C of paragraph 4 of the Order are not applicable to the Company.
4. The stocks on hire have been physically verified by the management during the year. In our opinion the frequency of verification is reasonable.
5. The procedures of physical verification of stocks on hire followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
6. We are informed that no material discrepancies have been noticed on physical verification of stocks on hire as compared to the book records.
7. On the basis of our examination of stock records, we are of the opinion that the valuation of stock on hire is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the previous year.
8. In our opinion, the rate of interest and other terms and conditions on which loans have been taken from companies considered as being parties covered under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the company. As informed to us there are no Companies under the same management, within the meaning of Section 370(1B) of the Companies Act, 1956.
9. In respect of the rate of interest and other terms and conditions on which loans and advances, aggregating to Rs.33,06,39,794/- (including Rs.2,77,50,000/- written off during the year), granted to the companies considered as being parties covered under Section 301 of the Companies Act, 1956, we are unable to express our opinion whether the terms and conditions are not prima facie prejudicial to the interest of the Company, as the same have become Non Performing Assets in terms of RBI guidelines. As informed to us there are no companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956.
10. The parties (including employees other than an employee loan including interest of Rs. 11,96,754/- which has been written-off during the year) to whom loans or advances in the nature of loans have been given by the company, are repaying the principal amounts as stipulated and are also regular in payment of interest where applicable except, in respect of certain non-performing loans as explained in Note No.9(a) and 10 of Schedule 17.  
Steps are being taken to recover the outstanding amounts.  
In respect of loans aggregating to Rs.16,10,11,000/- made during the year, the terms and conditions including charging of interest are being drawn up. Pending the same, no credit from interest has been taken.
11. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of plant and machinery, equipment and other assets and for sale of services.
12. Transactions of sale of services have been 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 more than Rs.50,000/- in respect of each party. As explained to us, no similar services were rendered to other parties and hence the prices at which services have been rendered are not available.
13. In our opinion and according to the information and explanations given to us, the company has generally complied with the provisions of Section 58A of the Companies Act, 1956 and the directions issued by the Reserve Bank of India in respect of deposits received from the public except for the following:
  - a) The company has stopped accepting/renewing deposits after it was downgraded below the investment grading in 1998-99 and is repaying the maturing deposits as and when they fall due. However, the company has not attained the capital adequacy of 15%.
  - b) Attention is invited in Note No. 5 of Schedule 17 regarding the fixed deposit and interest payable on fixed deposits being subject to reconciliation and consequent adjustment and non filing of annual return on deposits.
14. The company has an internal audit system, operated by a firm of Chartered Accountants. While the system is commensurate to a degree, in our opinion, the scope and coverage needs to be enhanced.
15. According to the records of the company, Provident fund and Employee State Insurance dues have been generally regularly deposited with the appropriate authorities within due dates.
16. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty as on 31st March, 2002 were outstanding for a period of six months from the date they became payable.
17. According to the information and explanations given to us, no personal expenses of the employees or directors have been charged to the revenue account, other than those payable under the contractual obligations or in accordance with the generally accepted business practice.
18. The provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the company being a finance company.
19. The nature of the service activities carried on by the company does not require a system of recording receipts, issues and consumption of materials and allocation thereof and labour to jobs. Further, the question of having a system of authorisation and internal control on issue of stores and allocation of stores and labour does not arise.
20. In our opinion, adequate documents and records are maintained by the company in respect of loans and advances on the basis of security by way of pledge of shares.
21. We are informed that the provisions of any special statute applicable to Chit Fund, Nidhi or Mutual benefit Society are not applicable to the Company.
22. The Company has maintained records of the transactions and contracts of dealing or trading in shares and timely entries have been made therein. The shares, securities, debentures and other investments are in the name of the Company.

For C.C. CHOKSHI & CO.  
Chartered Accountants

R. SALIVATI  
Partner

Place : Mumbai  
Date : 27th June, 2002