

## **EIGHTEENTH ANNUAL REPORT 2003 - 2004**

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# **Reliance Capital Limited**



## Reliance Capital Limited

### EIGHTEENTH ANNUAL GENERAL MEETING

on Saturday, the 10th July, 2004, at 11:00 a.m., at Village Meghpar / Padana, Taluka Lalpur, Dist. Jamnagar - 361 280, Gujarat.

### CONTENTS

### Page No. (s)

Index and Company Information	2
Notice of Annual General Meeting	3 - 4
Directors' Report	5 - 7
Corporate Governance	8 - 12
Auditors' Certificate on Corporate Governance	12
Auditors' Report	13
Balance Sheet	14
Profit and Loss Account	15
Schedules forming part of Balance Sheet and Profit and Loss Account	16 - 23
Notes on Accounts	24 - 32
Cashflow Statement	33
Statement of Interest in Subsidiaries	34
Particulars as to Company's Subsidiaries	35 - 76
Auditors' Report on Consolidated Financial Statements	77
Consolidated Balance Sheet	78
Consolidated Profit and Loss Account	79
Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account	80 - 85
Notes on Consolidated Accounts	86 - 91
Consolidated Cash Flow Statement	92
List of Karvy Service Centres	93
ECS Mandate Format	94
Attendance Slip and Proxy Form	95

### REGISTERED OFFICE

Village Meghpar / Padana,  
Taluka Lalpur,  
Dist. Jamnagar - 361 280, Gujarat.  
Tel.: 91-288-3011556.  
Fax: 91-288-3011598.

### CORPORATE OFFICE

Fosbery Road,  
off Reay Road Station (East),  
Mumbai - 400 033.  
Tel.: 91-22-30411000.  
Fax : 91-22-30411067.

### BOARD OF DIRECTORS

Shri D. Chaturvedi	Chairman
Shri Anand Jain	Vice Chairman
Shri D. J. Kapadia	
Shri S. S. Thakur	
Shri Sandeep H. Junnarkar	
Shri Amitabh Jhunjunwala	
Shri Alok Agarwal	

### COMPANY SECRETARY & MANAGER

Shri V. R. Mohan

### SOLICITORS & ADVOCATES

Bhasin & Co.

### AUDITORS

Pathak H. D. & Associates

### BANKERS

Allahabad Bank	Syndicate Bank
Canara Bank	Union Bank of India
HDFC Bank Limited	UTI Bank Limited
ICICI Bank Limited	
IDBI Bank Limited	
Punjab National Bank	

### SUBSIDIARIES

Reliance Capital Asset Management Limited  
Reliance Capital Trustee Co. Limited  
Reliance General Insurance Company Limited  
Reliance Life Insurance Company Limited

### REGISTRARS & TRANSFER AGENTS

Karvy Computershare Private Ltd.

<b>Hyderabad</b>	: 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034. ☎ 91-40-23320666, 23320711, 23323037 ☎ 91-40-23323058 Email: rclinvestor@karvy.com Website: www.karvy.com
<b>Mumbai</b>	: Tulsiani Chambers 10th Floor, Nariman Point Mumbai 400 021. ☎ 91-22-30325645, 30325624 ☎ 91-22-22855731
<b>Jamnagar</b>	: 241, City Arcade, Near DSP Building, Jamnagar - 361 001 ☎ 91-288-2557862-65 ☎ 91-288-2553106



## NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of the Members of Reliance Capital Limited will be held on Saturday, the 10<sup>th</sup> July, 2004 at 11:00 a.m., at the Registered Office of the Company, at Village Meghpar / Padana, Taluka Lalpur, Dist. Jamnagar - 361 280, Gujarat, to transact the following business:

### Ordinary Business:

1. To consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2004, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on Shares.
3. To appoint a Director in place of Shri S. S. Thakur, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Sandeep H. Junnarkar, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s Pathak H. D. & Associates, Chartered Accountants, the retiring Auditors, as the Auditors of the Company, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at a remuneration to be decided by the Board of Directors.

### Special Business:

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

"RESOLVED THAT pursuant to the applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003, (hereinafter referred to as the "Delisting Guidelines") (including any statutory modifications(s) or re-enactments thereof for the time being in force), the Companies Act, 1956, Securities

Contracts (Regulation) Act, 1956 and the rules framed thereunder, Listing Agreement(s), and all other applicable laws, rules, regulations, and guidelines and subject to approval(s), consent(s), permission(s) or sanction(s), of the Securities and Exchange Board of India, Stock Exchange(s) where the shares of the Company are listed and other appropriate authorities, institutions, or regulators as may be necessary and subject to such conditions and modifications, as may be prescribed or imposed by any authority while granting such approval(s), permission(s) and sanction(s), which may be agreed to by the Board of Directors of the Company, the consent of the Company be and is hereby accorded to the Board of Directors to delist the equity shares of the Company from the Stock Exchange, Ahmedabad.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to sign and submit all applications, forms, papers and other documents and to comply with all other formalities / procedures and to do all such acts, deeds and things as may be required by the above Stock Exchange, SEBI, and / or by any other statutory / regulatory authority(ies), in connection with delisting of the equity shares of the Company from the Stock Exchange, Ahmedabad."

By order of the Board of Directors

V. R. Mohan

Company Secretary & Manager

Mumbai

Dated: 27<sup>th</sup> April, 2004

Registered Office

Village Meghpar / Padana

Taluka Lalpur, Dist. Jamnagar - 361 280

## NOTES

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.
3. Shareholders are requested to bring their copy of Annual Report to the Meeting.
4. Members/Proxies should fill the Attendance Slip for attending the meeting.
5. In case of Joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.
7. All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days, except Saturdays between 11.00 a.m. to 1.00 p.m. upto the date of the Annual General Meeting.
8. (a) The Company has already notified closure of Register of Members and Transfer Books thereof from Saturday, the 26<sup>th</sup> June, 2004 to Saturday, the 3<sup>rd</sup> July, 2004 (both days inclusive) for determining the names of members eligible for dividend, if approved, on equity shares for the year ended 31<sup>st</sup> March, 2004. In respect of shares held in electronic form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by the Depositories for this purpose.  
(b) The dividend on Equity Shares, as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid on or after 12<sup>th</sup> July, 2004.  
(c) Members may please note that the Dividend Warrants are payable at par at the designated branches of the Bank printed on reverse of the Dividend Warrant for an initial period of three months only. Thereafter, the Dividend Warrant on revalidation is payable only at limited centres/branches of the said Bank. The members are therefore, advised to encash Dividend Warrants within the initial validity period.
9. (a) In order to provide protection against fraudulent encashment of the warrants, shareholders holding shares in physical form are requested to intimate the Company under the signature of the Sole/First joint holder, the following information to be incorporated on the Dividend Warrants:  
(i) Name of the Sole/First joint holder and the Folio Number.  
(ii) Particulars of Bank Account, viz.: (a) Name of the Bank (b) Name of Branch (c) Complete address of the Bank with Pin Code Number (d) Account type, whether Savings (SB) or Current Account (CA) (e) Bank Account number allotted by the Bank  
(b) Shareholders holding shares in electronic form may kindly note that their Bank account details as furnished by their Depositories to the Company will be printed on their Dividend Warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion/change in such Bank details: Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode. **Shareholders who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change, with complete details of Bank Account.**
10. Shareholders are requested to note that pursuant to the approval granted by the Securities and Exchange Board of India, the license of the Registrars and Share Transfer Agents of the Company has been changed from Karvy Consultants Limited to Karvy Computershare Private Limited. Accordingly Karvy Computershare Private Limited, having their address at : 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500034, are the Registrars & Transfer Agents of the Company.



# Reliance Capital Limited

## NOTES - CONTD...

### 11. Electronic Clearing Service (ECS) Facility

With respect to payment of dividend, the Company provides the facility of ECS to all shareholders, holding shares in electronic and physical forms, residing in the following cities:

**Ahmedabad, Bangalore, Bhubhaneshwar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram.**

Shareholders holding shares in the physical form who wish to avail ECS facility, may authorise the Company with their ECS mandate in the prescribed form which can be obtained from the Registrars and Transfer Agents, Karvy Computershare Private Limited. The requests for payment of dividend through ECS for the year 2003-2004 should be lodged with Karvy Computershare Private Limited on or before 5<sup>th</sup> July, 2004.

12. The Company has already transferred all unclaimed dividends declared upto the financial year ended 31st March, 1995 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Shareholders who have so far not claimed or collected their dividends up to the aforesaid financial year are requested to claim their dividend from the Registrar of Companies, Gujarat, Jivabhai Chambers, ROC Bhavan, Opp. Rupal Park, Behind Ankur Bus Stop, Ahmedabad - 380009, Tel. No. 27437597 / 27438531, Fax No. 27428785 in the prescribed form, which will be furnished on receipt of request by the Registrars and Transfer Agents, Karvy Computershare Private Limited.

13. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31st March, 1997 and thereafter, which remain unclaimed for a period of 7 years will be transferred by the Company to the **Investor Education and Protection Fund (IEPF)** established by the Central Government pursuant to Section 205C of the Companies Act, 1956. The Company has already transferred the unclaimed dividend for the year ended 31<sup>st</sup> March, 1996 to the IEPF.

Information in respect of such unclaimed dividend when due for transfer to the said Fund is given below:-

Financial year ended	Date of declaration of Dividend	Last date for claiming unpaid Dividend	Due date for transfer to IEP Fund
31.03.1997	15.09.1997	14.09.2004	01.11.2004
31.03.1998	30.09.1998	29.09.2005	16.11.2005
31.03.1999	21.09.1999	20.09.2006	07.11.2006
31.03.2000	24.06.2000	23.06.2007	10.08.2007
31.03.2001	16.06.2001	15.06.2008	22.07.2008
31.03.2002	06.07.2002	05.07.2009	05.08.2009
31.03.2003	28.06.2003	27.06.2010	28.07.2010

Shareholders who have not encashed the dividend warrant(s) so far, are requested to seek issue of duplicate warrant(s) by writing to the Company's Registrars and Transfer Agents, Karvy Computershare Private Limited immediately. **Shareholders are requested to note that no claims shall lie against the Company or the said Fund in respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.**

14. Non-Resident Indian Shareholders are requested to inform Karvy Computershare Private Limited immediately:

- The change in the Residential status on return to India for permanent settlement.
- The particulars of the Bank Account maintained in India with complete name, branch, account type, account number and address of the Bank, if not furnished earlier.

15. Corporate Members intending to send their authorised representatives to attend the Annual General Meeting are requested to send a

duly certified copy of the Board Resolution authorising their representatives to attend and vote at the Meeting.

16. Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the Registrars and Transfer Agents, Karvy Computershare Private Limited.

### 17. Re-appointment of Directors:

At the ensuing Annual General Meeting, Shri S.S.Thakur and Shri Sandeep H Junnarkar, Directors of the Company retire by rotation and being eligible offer themselves for re-appointment. The information or details pertaining to these Directors, to be provided in terms of Clause 49 of the Listing Agreement are furnished in the Statement on Corporate Governance published elsewhere in this Annual Report.

**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, setting out all material facts relating to the special business.**

#### Item No. 6

The Company's equity shares are listed on three Stock Exchanges in India, namely, at Ahmedabad, Mumbai and the National Stock Exchange. With the extensive networking of The Stock Exchange, Mumbai (BSE) and The National Stock Exchange of India Limited (NSE), and the extension of the BSE/NSE terminals to other cities as well, investors have access to online dealings in the Company's equity shares across the country. The bulk of the trading in the Company's equity shares in any case takes place on the BSE and the NSE, and the depth and liquidity of trading in the Company's equity shares on the other Stock Exchanges are lower.

The Company's equity shares are one of the scrips which the Securities and Exchange Board of India (SEBI) has specified for settlement only in dematerialised form by all investors, since April 5, 1999. It is observed that the listing fees paid to the Stock Exchange, Ahmedabad (ASE) is disproportionately higher compared to the extremely low trading volumes of the Company's shares with the said Stock Exchange of the company's equity shares.

During the financial year 2003-2004, the average daily trading volume on the Stock Exchanges were as follows:-

	ASE	BSE	NSE
Shares (in lakhs)	0.188	10.98	16.68
Shares (Rs. in crores)	0.118	11.53	17.42

Further, there has been no trading of company's equity shares on the Stock Exchange, Ahmedabad for the period January - March, 2004.

From the above, it would be clear that trading volume does not justify the listing fees paid to the Stock Exchange, Ahmedabad and it is therefore proposed to get the shares delisted from the Stock Exchange, Ahmedabad.

The Company also satisfies the requirement / criteria for delisting the equity shares, pursuant to Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and therefore it is proposed to get the equity shares delisted from the Stock Exchange, Ahmedabad.

Your Directors, therefore, recommend the Special Resolution for the approval of members.

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

**By order of the Board of Directors**

**V. R. Mohan**  
Company Secretary & Manager

Mumbai  
Dated: 27th April, 2004

Registered Office  
Village Meghpar / Padana  
Taluka Lalpur, Dist. Jamnagar - 361 280

**DIRECTORS' REPORT**

To the Members,

Your Directors have pleasure in presenting the 18th Annual Report, together with the audited statement of accounts of the Company for the year ended 31st March 2004.

**Financial Results:**

(Rs in crore)

	Year ended 31-3-2004	Year ended 31-3-2003
Gross Income	356.79	458.78
Gross Profit	147.88	194.28
Less: Depreciation	42.09	91.65
Profit Before Tax	105.79	102.63
Provision for Taxation	-	-
Net Profit	105.79	102.63
Add: Profit brought forward from the previous year	166.81	136.73
Profit available for Appropriation	272.60	239.36
Dividend including Dividend Tax	41.65	41.65
Transfer to General Reserve	21.31	10.30
Transfer to Statutory Reserve Fund	21.15	20.60
Balance carried forward	188.49	166.81

**Dividend:**

Your Directors have recommended a dividend of Rs 2.90 per Equity Share on 12,73,06,244 equity shares of Rs 10 each aggregating to Rs 36.92 crore for the financial year ended March 31, 2004 which if approved at the ensuing Annual General Meeting, will be paid to (i) all those Equity Shareholders whose names appear in the Register of Members as on June 26, 2004 and (ii) to those whose names as beneficial owners, are furnished by the National Securities Depository Limited and Central Depository Services (India) Limited.

Your Directors have also recommended a pro-rata dividend of Rs 5 per Preference Share on 12,500 Preference Shares of Rs 100 each aggregating to Rs 42,179 for the financial year ended March 31, 2004.

**MANAGEMENT DISCUSSION AND ANALYSIS****Financial Review:**

Reliance Capital Ltd.'s (RCL) gross income for the financial year ended March 31, 2004 was Rs 356.79 crore, compared to Rs 458.78 crore in the previous year. The decline was on account of one-time receipt of arrears of dividend on preference shares aggregating Rs. 90.22 crore in the previous year.

As a result, operating profit (PBDIT) during the year was also lower at Rs 348.27 crore, compared to Rs 447.09 crore in the previous year.

Interest expenses for the year under review declined to Rs 200.39 crore, compared to Rs 252.81 crore in the previous year, primarily on account of substitution of higher cost borrowings with lower cost debt.

Depreciation during the year was lower at Rs 42.09 crore compared to Rs 91.65 crore in the previous year. This difference is primarily on account of a one-time additional charge of Rs. 37.38 crore last year, towards depreciation on assets for own use.

Provision for taxation during the year continued to be nil.

Net profit increased to Rs 105.79 crore from Rs 102.63 crore in the previous year.

An amount of Rs 21.15 crore was transferred to Statutory Reserve Fund pursuant to Section 45IC of the Reserve Bank of India Act, 1934, and an amount of Rs 21.31 crore has been transferred to General Reserve during the year under review.

The Company's Net worth as on March 31, 2004 stood at Rs 1,399.81 crore, as against Rs 1,336.33 crore last year, an increase of 5%. This ranks RCL as the largest private sector Non Banking Financial Company (NBFC) in India, in terms of net worth.

**Resources and Liquidity:**

RCL's long-term debt equity ratio as on March 31, 2004 was 0.42:1, which is well below comparable levels in the industry. Credit Analysis and Research Ltd. (CARE) had rated RCLs' outstanding long term borrowings at AA+, indicating that the instruments carrying this rating are of high quality by all standards, and are of high investment grade. Consequent upon the rated debt being repaid in full, no ratings were obtained during the year.

RCL did not accept any fixed deposits from the public during the year 2003-2004.

**Industry Structure and Developments:**

The NBFC sector in India is represented by a mix of a few large companies with nationwide presence and a large number of small and medium sized companies with regional focus. The Reserve Bank of India regulates the operations of NBFCs.

In recent years, NBFCs are witnessing strong competition in their traditional areas of retail lending from Banks and Financial Institutions. Banks, which have innate advantage of lower cost of funds, are taking an increasing share in retail financing and providing strong competition to NBFCs.

In this scenario, NBFCs are now under pressure to cut costs and to develop a focussed marketing approach on selected customer segments by offering more personalized services. The entry of strong NBFCs in insurance and banking have been some of the major developments in this sector.

**Business Review:**

RCL's operations continue to be mainly focused on the areas of funding of projects in the infrastructure sector, contributing to the country's overall economic growth and development. The investment portfolio of the Company is structured in a manner to realize the highest post tax returns on investments. As on March 31, 2004, your company's investment in infrastructure projects stood at Rs 954 crore.

**Opportunities:**

The economy is expected to achieve a 6% - 7% GDP growth rate this year. The increased thrust on the infrastructure sector, including power, roads, ports, telecom and other urban infrastructure projects, will continue to provide excellent investment opportunities in the future.

In addition, the growth of the services sector presents new opportunities for the financial services industry in India.



## Reliance Capital Limited

### DIRECTORS' REPORT - CONTD...

NBFCs registered with Reserve Bank of India have also now been allowed to take up insurance agency business on fee basis and without risk participation, without the approval of Reserve Bank of India.

#### Challenges:

The NBFC sector continues to face competitive pressures from the banking sector and financial institutions, due to their increased penetration in the consumer financing market, with comparatively low cost of funds at their disposal. The spreads in the lending business have also narrowed considerably, bringing risk-adjusted margins to generally unviable levels.

RCL's strong financial position, reflected by its low debt:equity ratio and adoption of prudent business strategies, have enabled it to consistently post satisfactory performance despite these difficult conditions.

#### Outlook:

RCL intends to maintain its focus on investments in the infrastructure sector, while supporting the growth of its subsidiary companies in the areas of insurance, asset management, etc.

#### Risks and Concerns:

RCL is exposed to specific risks that are particular to its businesses and the environment within which it operates, including interest rate volatility, economic cycle, market risk, and credit risk. RCL manages these risks by maintaining a conservative financial profile and by following prudent business and risk management practices.

#### Adequacy of Internal Control:

An extensive system of internal controls is practiced by RCL to ensure that all its assets are safeguarded and protected against loss from unauthorized use or disposition of assets and that the transactions are authorised, recorded and reported correctly.

RCL ensures adherence to all internal control policies and procedures as well as compliance with all regulatory guidelines.

The Audit Committee of Directors reviews the adequacy of internal control.

#### Human Resource Development :

RCL has a team of able and experienced professionals. The number of employees as on March 31, 2004 stood at 27, comprising of an adequate number of professionals from all levels.

#### Subsidiaries:

As required under Section 212 of the Companies Act, 1956, the audited statements of accounts, along with the report of the Board of Directors and the respective Auditors' Report thereon of all the subsidiaries for the year ended March 31, 2004 are annexed together with the statement relating to Company's Interest in the Subsidiary Companies.

During the year under review, Reliance General Insurance Company Ltd. (RGICL) has booked gross direct premium of Rs 161.05 crore, as against Rs 185.67 crore in the previous year. RGICL has earned a net profit after tax of Rs 8.99 crore as against Rs 14.34 crore during the previous year.

Reliance Capital Asset Management Ltd. (RCAM) had total assets under management of Rs 7,240 crore as on March 31, 2004 an increase of more than 200% compared to Rs 2,419 crore in the previous year. RCAM earned a profit after tax of Rs 7.46 crore for the year under review, compared to Rs 1.47 crore in the previous year.

#### Fixed Deposits:

During the year, RCL has not accepted or renewed any fixed deposits.

At the end of the financial year, 103 deposits aggregating Rs 0.16 crore remained unclaimed on the due dates.

RCL has intimated the deposit holders individually of their unclaimed amount with a request to return the Fixed Deposit Receipts duly discharged to enable the Company to repay the amount.

RCL has complied with various requirements in terms of capital adequacy under the guidelines issued by the Reserve Bank of India for Non Banking Financial Companies.

#### Directors:

Shri S.S.Thakur and Shri Sandeep H. Junnarkar - Directors of the Company are retiring by rotation and being eligible offer themselves for re-appointment. The Board of Directors recommends their re-appointment as Directors.

A brief resume of the Directors retiring by rotation at the ensuing Annual General Meeting, nature of their expertise in specific functional areas, and names of companies in which they hold the directorship and the membership/chairmanship of Committees of the Board, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are given in the section on Corporate Governance elsewhere in the Annual Report.

#### Directors' Responsibility Statement:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- (i) in the preparation of the accounts for the financial year ended March 31, 2004, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2004 and of the profit of the Company for the year under review;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors have prepared the annual accounts of the company on a 'going concern' basis.

**DIRECTORS' REPORT - CONTD...****Consolidated Financial Statements:**

In accordance with Accounting Standard -21 (AS 21) on Consolidated Financial Statements read with Accounting Standard -23 (AS-23) on Accounting for Investments in Associates, your Directors have pleasure in attaching the Consolidated Financial Statements, which form part of this Report and Accounts. These statements have been prepared on the basis of audited financial statements received from subsidiary companies, as approved by their respective Boards.

**Auditors & Auditor's Report:**

M/s Pathak H. D. & Associates, Chartered Accountants, Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from them to the effect that their appointment, if made, would be within the prescribed limits under section 224(1-B) of the Companies Act, 1956. They are not otherwise disqualified within the meaning of sub-section (3) of Section 226 of the Companies Act, 1956, for such appointment.

The notes to the accounts referred to in the Auditor's Report are self-explanatory and therefore do not call for any further comments.

**Personnel:**

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act 1956, the report and the accounts are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company at its Registered Office.

**Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo:**

Particulars required to be furnished under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are as under: -

- (1) Part A and B pertaining to conservation of energy and technology absorption are not applicable to the Company.
- (2) Foreign Exchange earnings and outgo:

Earnings	-	Nil
Outgo	-	Rs 0.37 crore

**Corporate Governance:**

A separate section on Corporate Governance and a certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, forms part of the Annual Report.

**Acknowledgements:**

Your Directors would like to express their sincere appreciation of the co-operation and assistance received from shareholders, bankers, regulatory bodies and other business constituents during the year under review.

Your Directors also wish to place on record their deep sense of appreciation for the commitment displayed by all executives, officers and staff, resulting in the successful performance during the year.

**For and on behalf of the Board of Directors**

**D. Chaturvedi**  
Chairman

Mumbai

Dated : 27th April, 2004



## Reliance Capital Limited

### CORPORATE GOVERNANCE

The Company pursuant to Clause 49 of the listing agreement with the Stock Exchanges furnishes its report on the code on Corporate Governance.

#### 1. Company's Philosophy on Code of Governance

The Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and equity, in all facets of its operations, and in all its interactions with its stakeholders, including shareholders, employees, the government and lenders.

The Company is committed to achieve the highest international standards of Corporate Governance.

The Company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholder value, over a sustained period of time.

#### 2. Board of Directors

The Board consists of seven Directors, all Non-Executive, of which three are Independent Directors.

##### (a) Attendance of each Director at the Board meetings, last Annual General Meeting and Number of other Directorship and Chairmanship/Membership of Committee of each Director in various companies

Name of the Director	Attendance Particulars		No. of other directorships and committee member/chairmanship		
	Board Meetings	Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
Shri D. Chaturvedi - (C) - I	6	Y	1	2	2
Shri Anand Jain - (VC)	5	N	10	4	1
Shri D. J. Kapadia	6	Y	1	3	1
Shri S. S. Thakur - I	6	Y	10	10	2
Shri S. H. Junnarkar - I	5	Y	14	10	1
Shri Amitabh Jhunjhunwala	4	N	5	8	5
Shri Alok Agarwal	5	N	4	3	1
Shri U. Mahesh Rao*	1	-	-	-	-

C - Chairman, VC - Vice Chairman, I - Independent

\* resigned from the directorship w.e.f. 28<sup>th</sup> April, 2003

##### (b) Information on Directors Re-appointment

Brief resume of Directors being re-appointed at the ensuing Annual General Meeting, nature of their expertise in specific functional areas and names of the companies in which they hold directorship and the membership of committees of the Board are furnished hereunder :

(i) **Shri S.S.Thakur**, aged 75 years, has a wide and varied experience in the field of foreign exchange, finance, banking, infrastructure and capital market. He was controller in the Exchange Control Department of Reserve Bank of India. He was advisor to the Zambian Government on behalf of United Nations. He was till recently Chairman of HDFC Bank. He is a member of Audit and Remuneration Committee of Directors of the Company.

Currently, Shri Thakur is Director on the Board of Lafarge India Pvt. Ltd., Shrenuj & Co. Ltd., DSP Merrill Lynch Trustee Co. (Pvt.) Ltd., Quantum Information Services Ltd., OM Kotak Mahindra Life Insurance Co. Ltd, KEC International Ltd., IBS Forex Private Limited, Central Depository Services (India) Ltd., HDFC Securities Ltd., and Kamat Hotels (India) Ltd. He is the Chairman of Audit Committee of Shrenuj & Co. Ltd., and of Remuneration Committee of Central Depository Services (India) Ltd. He is also a member of Audit Committee of Om Kotak Mahindra Life Insurance Co. Ltd., HDFC Securities Ltd., and Kamat Hotels Ltd., and of Remuneration Committee of Shrenuj & Co. Ltd., HDFC Securities Ltd., and Kamat Hotels (India) Ltd.

(ii) **Shri Sandeep H. Junnarkar**, aged 53 years is a science graduate with a degree in Law. He qualified as a Solicitor in the year 1977. Shri Junnarkar has had a brilliant academic career and is Partner in the law firm M/s. Junnarkar & Associates. He is the member of the Audit Committee and the Finance Committee of Directors of the Company. He is also on the Board of Ambuja Cement India Limited, Ambuja Cement Rajasthan Ltd., Excel Crop Care Ltd., Sunshield Chemicals Ltd., IL & FS Infrastructure Development Corporation Ltd., Indian Petrochemicals Corporation Ltd., Jai Corp Ltd., Reliance Ports & Terminals Limited, Reliance Life Insurance Company Ltd., Reliance Industrial Infrastructure Limited, Reliance Industrial Investments & Holdings Ltd., Sterlite Industries (India) Ltd., Tilaknagar Industries Ltd., and Bombay Incorporated Law Society (Sec. 25 Co.). He is the Chairman of Shareholders' / Investors' Grievances Committee of Sterlite Industries (India) Ltd., and member of Shareholders' / Investors' Grievances Committee of Reliance Industrial Infrastructure Limited. He is a member of Audit Committee of Reliance Industrial Infrastructure Limited, Sterlite Industries (India) Ltd., Indian Petrochemicals Corporation Ltd., Ambuja Cement Rajasthan Ltd., and Tilaknagar Industries Ltd., and a member of Remuneration Committee of Reliance Industrial Infrastructure Limited and Excel Crop Care Ltd.

##### (c) Number of Board Meetings held and the dates on which held

During the year ended 31<sup>st</sup> March, 2004, Six Board Meetings were held as against the minimum requirement of four meetings. The meetings were held on April 21, 2003, April 28, 2003, June 28, 2003, July 29, 2003, October 15, 2003, and January 28, 2004.

The Company has held at least one meeting in every three months and the maximum time gap between any two Board Meetings was not more than four months. None of the Directors of the Company was a member of more than ten committees nor was the Chairman of more than five committees across all public limited companies in which he was a Director.

For the purpose of considering the limit of the Committees as stated above, only Audit Committee, Shareholders' / Investors' Grievances Committee and the Remuneration Committee across all public limited companies has been considered in accordance with Clause 49 of the Listing Agreement.

#### 3. Board Committees

##### A. Audit Committee

The Board of Directors of the Company has constituted an Audit Committee, comprising of four non-executive Directors, majority being independent viz. Shri D.Chaturvedi, Chairman, (having financial and accounting knowledge), Shri D.J.Kapadia, Shri S. S. Thakur and Shri Sandeep H. Junnarkar. The constitution of Audit Committee also meets with the requirements under Section 292A of the Companies Act, 1956 and para 9A of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.

The terms of reference of the Audit Committee, as contained under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, are as follows:

- Oversight of the Company's financial reporting process and the disclosure of its financial information.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.

**CORPORATE GOVERNANCE - CONTD...**

- c. Reviewing with management the annual financial statements before submission to the board, focusing primarily on (i) any changes in accounting policies and practices, (ii) major accounting entries based on exercise of judgment by management, (iii) qualifications in draft audit report, (iv) significant adjustments arising out of audit, (v) the going concern assumption, (vi) compliance with accounting standards, (vii) compliance with Stock Exchange and legal requirements concerning financial statements and (viii) any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.
- d. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- e. Reviewing the adequacy of internal audit functions.
- f. Discussion with internal auditors any significant findings and follow up there on.
- g. Reviewing the findings of any internal investigations 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.
- h. Discussion with external auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- i. Reviewing the Company's financial and risk management policies.
- j. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

During the year ended 31<sup>st</sup> March, 2004, the Committee has met four times as against the minimum requirement of three meetings. The meetings were held on 21<sup>st</sup> April, 2003, 29<sup>th</sup> July, 2003, 15<sup>th</sup> October, 2003 and 28<sup>th</sup> January, 2004. All the committee members were present at all the above meetings except Shri Sandeep H. Junnarkar who was granted leave of absence from attending the Audit Committee Meeting dated 28<sup>th</sup> January, 2004. Representatives of Internal Auditors and Statutory Auditors were invited to be present at the Audit Committee meetings.

**B. Remuneration Committee**

The Board of the Company has constituted a Remuneration Committee comprising of three Non-Executive Directors, majority being independent viz. Shri D. Chaturvedi - Chairman, Shri Anand Jain, Vice Chairman and Shri S. S. Thakur, to determine the remuneration package of Directors and other managerial personnel of the company.

The remuneration policy is directed towards rewarding performance, based on review of achievements on a periodical basis. The remuneration policy is in consonance with the existing Industry practice.

**a. Details of remuneration paid to Manager for the year**

The Company has appointed Shri V. R. Mohan as Manager designated as Company Secretary and Manager under the Companies Act, 1956 w.e.f. 7<sup>th</sup> March 2003 for a period of 3 years. The aggregate value of salary, allowances and perquisites paid to Shri V.R.Mohan, Manager for the year ended 31<sup>st</sup> March, 2004 was Rs. 9,28,476/-.

The above amount is inclusive of Company's contribution to Provident Fund, Superannuation and Gratuity at the end of tenure, as per the rules of the Company.

**b. Sitting fees paid to Directors**

The Company paid sitting fees to all the Non-Executive Directors at the rate of Rs. 1000 upto 30<sup>th</sup> September, 2003 and at the rate of Rs. 10,000 from 1<sup>st</sup> October, 2003 for attending each meeting of the Board and / or Committee thereof. The sitting fees paid to the Non-Executive Directors for the year ended 31<sup>st</sup> March, 2004 were as follows:- Shri D. Chaturvedi - Rs.46,000/-; Shri Anand Jain- Rs.57,000/-; Shri D.J.Kapadia - Rs.81,000/-; Shri S.S.Thakur- Rs.46,000/-; Shri Sandeep H. Junnarkar - Rs.39,000/-; Shri U.Mahesh Rao\*\* - Rs.1000/-; Shri Amitabh Jhunjhunwala - Rs. 43,000/-; Shri Alok Agarwal Rs. 23,000/-.

During the year ended 31<sup>st</sup> March, 2004, the Company has paid Rs. 21,000/- as professional fees to M/s Junnarkar & Associates, a firm in which Shri Sandeep H. Junnarkar, Director of the Company is a partner.

No stock options were granted to the directors during the year.

*\*\* resigned from the directorship w.e.f. 28<sup>th</sup> April, 2003*

**C. Shareholders' / Investors' Grievance Committee**

The Board of the Company has constituted a Shareholders' / Investors' Grievance Committee comprising of three non-executive directors viz. Shri D.J.Kapadia, Shri Anand Jain and Shri Amitabh Jhunjhunwala.

The Committee oversees the performance of the Registrars and Transfer Agents and recommends measures to improve the level of investor services.

The Company has authorised Directors and Shri V.R.Mohan - Company Secretary & Manager, severally to approve the share transfers.

In pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (duly amended), the Board has approved the "Code of Conduct for Prevention of Insider Trading" and authorised the Committee to implement and monitor the various requirements as set out in the Code.

The Board has designated Shri V.R.Mohan, Company Secretary & Manager, as the compliance officer.

The total number of complaints received and replied to the satisfaction of the shareholders during the year under review was 1886. Outstanding complaints as on 31<sup>st</sup> March, 2004 were nil.

69 requests for transfer and 172 requests for dematerialisation were pending for approval as on 31<sup>st</sup> March, 2004 which were approved, processed and dispatched on or before 2<sup>nd</sup> April, 2004 & 3<sup>rd</sup> April, 2004 respectively.

**D. Finance Committee**

A Finance Committee of Directors has been constituted by the Board of the Company, comprising of Shri Anand Jain, Shri D.J.Kapadia, and Shri Sandeep H. Junnarkar, Directors as its members. The terms of reference of the Finance Committee includes borrowing monies, investment of funds, making of loans/ advances/ guarantee, purchase of capital goods / properties etc., and other financial transaction for the Company's business.



## Reliance Capital Limited

### CORPORATE GOVERNANCE - CONTD...

#### 4. General Body Meetings

Location and time for the last three Annual General Meetings were as follows:-

Year	Location	Date	Time
2000-2001	Thakorebhai Desai Hall, Ahmedabad	16 <sup>th</sup> June, 2001	11:30 a.m.
2001-2002	Thakorebhai Desai Hall, Ahmedabad	6 <sup>th</sup> July, 2002	12:15 p.m.
2002-2003	Thakorebhai Desai Hall, Ahmedabad	28 <sup>th</sup> June, 2003	2:30 p.m.

#### POSTAL BALLOT

During the year ended 31st March, 2004, the Company passed one resolution through Postal Ballot as required under Companies (passing of resolution by Postal Ballot) Rules, 2001 for shifting of the Registered Office of the Company from Avdesh House, 2nd Floor, Pritam Nagar, 1st Slope, Ellisbridge, Ahmedabad - 380006 to Village Meghpar / Padana, Taluka Lalpur, Distt. Jamnagar-361280. Shri Anil Lohia, Chartered Accountant was appointed as the scrutinizer to conduct the postal ballot. The resolution through postal Ballot was passed by the requisite majority with 99.02% of the total paid up equity capital polled were in favour of the resolution. The results of the postal ballot were announced on 21st October, 2003.

At the ensuing Annual General Meeting there is no resolution proposed to be passed by postal ballot.

#### 5 (a). Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management,

their subsidiaries or relatives, etc. that may have potential conflict with the interests of the company at large.

None of the transactions with any of the related parties were in conflict with the interest of the Company.

#### 5 (b). Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI, or any statutory authority, on any matter related to capital markets, during the last three years.

None

#### 6. Means of Communication

- Half yearly report sent to each household of shareholders.  
Half yearly report for the half year ended 30th September, 2003 were duly sent to the shareholders.
- Quarterly results:  
Quarterly results were published in "The Business Standard" (English) and "Jai Hind" (Vernacular), at Ahmedabad and in "The Times of India" (English) and "Naubat" (Vernacular) at Jamnagar.
- The Company does not have a website. The Company however posts its financial results on SEBI website sebidifir.nic.in for all the quarters.
- Management Discussion and Analysis forms part of the Directors' Report which is posted to the shareholders of the Company.

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#### 7. General Shareholder Information

##### 1. Annual General Meeting

- |               |   |  |
|---------------|---|--|
| Date and Time | : | Saturday, the 10 <sup>th</sup> July, 2004 at 11:00 A.M.  |
| Venue         | : | Registered Office of the Company at Village Meghpar /Padana Taluka Lalpur, Dist. Jamnagar – 361280, Gujarat. |

##### 2. Financial Calendar 2004-05 (tentative)

- |   |   |                            |
|---|---|----------------------------|
| Results for the quarter ending 30th June, 2004      | : | Last week of July 2004.    |
| Results for the quarter ending 30th September, 2004 | : | Last week of October 2004. |
| Results for the quarter ending 31st December, 2004. | : | Last week of January 2005. |
| Results for the year ending 31st March, 2005.       | : | Last week of April 2005.   |
| Annual General Meeting                              | : | June / July, 2005.         |

##### 3. Book closure date

- |   |  |
|---|--|
| : | Saturday, 26 <sup>th</sup> June, 2004 to Saturday, 3 <sup>rd</sup> July, 2004 (both days inclusive) for payment of dividend. |
|---|--|

##### 4. Dividend payment date

- |   |   |
|---|---|
| : | On or after 12 <sup>th</sup> July, 2004 |
|---|---|

##### 5. (a) Listing of Equity Shares on Stock Exchanges at

1. The Stock Exchange, Ahmedabad, (ASE)  
Kamdhenu Complex, near Polytechnic, Ambawadi, Ahmedabad 380015
2. The Stock Exchange, Mumbai (BSE)  
Phiroze Jeejeebhoy Towers  
Dalal Street, Mumbai – 400001
3. National Stock Exchange of India Limited (NSE)  
"Exchange Plaza"  
Bandra – Kurla Complex  
Bandra (E), Mumbai – 400051.

##### 5. (b) Annual listing fees

- |   |   |
|---|---|
| : | Duly paid to all the above Stock Exchanges for the year 2004-05 |
|---|---|