



SHRIRAM ASSET MANAGEMENT COMPANY LIMITED

EIGHTH ANNUAL REPORT

2001-2002

SHRIRAM ASSET MANAGEMENT COMPANY LIMITED

BOARD OF DIRECTORS

MR. R. NARAYANAN – Chairman
MR. S. RAJARATNAM
MR. K.R. RAJAGOPALAN
MR. R. SRIDHAR – Managing Director
MR. LALIT P. MEHTA

AUDITORS

M/S. K.S. AIYAR & CO.
CHARTERED ACCOUNTANTS
MUMBAI

SHARE TRANSFER AGENTS

M/S. R & D CONSULTANTS LTD.
610, DALAMAL TOWERS,
NARIMAN POINT,
MUMBAI - 400 021

SHRIRAM ASSET MANAGEMENT COMPANY LIMITED

NOTICE

NOTICE is hereby given that the Eighth Annual General Meeting of the Members of the Company will be held at the Conference Hall of Hotel Parle International, Agarwal Market, Vile Parle (East), Mumbai 400 057 on Monday, the 30th December, 2002 at 3.30 p.m. to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 30th June 2002 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Lalit P. Mehta, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modifications, if any, the following resolution as an Ordinary Resolution:

"RESOLVED THAT on conversion of 4,00,000 12.5% Optionally Convertible Preference Shares of Rs. 100/- each to 40,00,000 Equity Shares of Rs. 10/- each, the Authorised Capital of the Company be altered and reclassified and that the existing clause V of the Memorandum of Association of the Company be altered by inserting the following new Clause and the existing Capital Clause be substituted as follows:

Clause V

The Authorised Share Capital of the Company is Rs 11,00,00,000 (Rupees Eleven Crores only) divided into 100,00,000 Equity Shares of Rs 10/- each, (Rupees Ten each) and 10,00,000 unclassified shares of Rs 10/- each (Rupees Ten each) with powers to convert the same into Equity Shares at any time and from time to time to increase, reduce or modify its capital and to divide all or any of the shares in the capital of the Company, for the time being, classify and reclassify such shares from shares of one class into shares of other class or classes and to attach thereto respectively such preferential, deferred, qualified, or other special rights, privileges, conditions or restrictions as may be determined by the Company in accordance with the Articles of Association of the Company, and to vary, modify or abrogate any such rights, privileges, conditions or restrictions in such manner and by such persons as may, for the time being, be permitted under the provisions of the Articles of Association of the Company or legislative provisions, for the time being in force in that behalf.

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

"RESOLVED THAT on conversion of 4,00,000 12.5% Optionally Convertible Preference Shares of Rs. 100/- each to 40,00,000 Equity Shares of Rs. 10 each, the existing Article 4 of the Articles of Association of the Company be altered by inserting the following new Article and the existing Article No. 4 be substituted as follows:

The Authorised Share Capital of the Company is Rs 11,00,00,000/- (Rupees Eleven Crores) divided into 100,00,000 Equity Shares of Rs 10/- each, (Rupees Ten each) and 10,00,000 unclassified shares of Rs 10/- each (Rupees Ten each)."

By Order of the Board of Directors

CHENNAI,
NOVEMBER 27, 2002

R.Sridhar
Managing Director

Registered Office:

117/118, Dalamal Towers,
Nariman Point,
Mumbai - 400 021.

SHRIRAM ASSET MANAGEMENT COMPANY LIMITED

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. THE PROXY TO BE VALID MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE TIME OF THE MEETING.**
 2. The relevant Explanatory Statement Pursuant to section 173(2) of the Companies Act, 1956 in respect of the special business at Item nos. 5 is annexed hereto.
 3. The Register of Members and the Share Transfer Books of the Company will remain closed for 4 days from 27th December, 2002 to 30th December 2002 (both days inclusive).
 4. Members / Proxies are requested to bring the Attendance slip sent herewith duly filled in for attending the Meeting.
 5. Members desiring any information on Accounts are requested to write to the Company at an early date so as to enable the Management to furnish the same.
 6. Members are requested to intimate the Company regarding any change in their address.
 7. Members are requested to bring with them a copy of Annual Accounts dispatched to them by the Company.
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EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACTS, 1956, ANNEXED TO NOTICE DATED 27th NOVEMBER, 2002**Item No. 4 and 5**

The Members are aware that the 4,00,000 12.5% Optionally Convertible Preference Shares (OCPS) of Rs.100/- each aggregating to Rs. 400 lacs are due for conversion as per the offer document issued by the Company in connection issue of OCPS. The holders of OCPS have already opted for conversion of the OCPS into equity shares. However, as the existing authorized equity capital of the Company was not sufficient to accommodate the equity shares arising out of the conversion of the OCPS the conversion of the OCPS had to be postponed till the existing authorized capital of the company is reclassified and the authorized equity capital is increased to take care of the increase in equity capital on conversion. Hence, it would be necessary to alter the Authorised Capital by reclassifying the share capital. The alteration and reclassification of the Authorised Capital would involve alteration of the Clause V of the Memorandum of Association and Clause 4 of the Articles of Association of the Company.

In accordance with the provisions of Section 94 of the Companies Act, 1956 the alteration of Memorandum of Association can only be effected by an Ordinary Resolution and as per Section 31 of the Act, the alteration of the Articles of the Association can only be effected by way of a Special Resolution.

None of the directors is interested or concerned in the resolution.

A copy of the Memorandum and Articles of Association of the Company as well as the offer document issued by the Company in connection with the issue of OCPS are available for inspection at the Registered Office of the Company on working days during the business hours.

By Order of the Board of Directors

CHENNAI,
NOVEMBER 27, 2002

R. Sridhar
Managing Director

Registered Office:

117/118, Dalamal Towers,
Nariman Point,
Mumbai – 400 021.

SHRIRAM ASSET MANAGEMENT COMPANY LIMITED

DIRECTORS' REPORT TO THE MEMBERS

Your Directors present their Eighth Annual Report together with the Audited Statements of Accounts for the year ended 30th June 2002.

Financial Results:

The Salient features of the Financial Results of the Company for the year ended 30th June 2002 are as under:

	Year ended 30-06-2002 (Rs.)	Year ended 30-06-2001 (Rs.)
Gross Income for the year	10,420,690	8,495,543
Total Expenditure before Depreciation & Tax	3,045,746	11,222,869
Profit/(Loss) before Depreciation and Tax	7,374,944	(2,727,326)
Depreciation	(593,539)	(782,346)
Provision for tax	250,000	-
Profit/(Loss) after Depreciation and Tax	6,531,405	(3,509,672)
Prior period adjustment	4,328	539,137
Provision for taxation written back	223,185	-
Balance brought forward from previous year	(7,691,522)	(4,720,987)
Balance carried to Balance Sheet	(9,32,604)	(7,691,522)

Dividend:

On account of the carried forward losses, your Directors do not recommend any dividend for the year ended 30th June 2002.

Operations and Outlook:

During the year under report, the operations of the Company were limited to the extent of attending to the unclaimed redemption amount on the schemes wound up. As Shriram Mutual Fund did not launch any new schemes, there was no corpus presently under management with the Company.

Board is examining various alternative long term strategies for future.

Corporate Governance:

The Company has in place a system of Corporate Governance. A separate report on Corporate Governance forms part of the Annual Report and a Management's Discussion and Analysis report forms part of this report.

A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to the report on Corporate Governance.

Directors' Responsibility Statement:

In compliance with section 217 (2AA) of the Companies Act, 1956, the Directors confirm that -

- In the preparation of annual accounts, the applicable accounting standards have been followed.
- The accountings policies selected and applied on a consistent basis give true and fair views of the affairs of the Company and of the profit for the financial year.
- Proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the aforesaid Act for safeguarding the assets of the Company and for prevention and detection of fraud and other irregularities.
- The annual accounts have been prepared on a going concern basis.

Cash Flow Statement:

The cash flow statement for the year 2001-2002 is attached to the Balance Sheet.

SHRIRAM ASSET MANAGEMENT COMPANY LIMITED

Directors:

In accordance with the provisions of the Companies act, 1956 and the Articles of Association of the Company, Mr. Lalit P Mehta would retire by rotation and is eligible for reappointment.

Fixed Deposit:

Your Company has not accepted any fixed deposits.

Personnel:

During the year under report, the Company has not employed any person who was in receipt of remuneration in excess of the limits specified under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Information as per section 217 (1) (e) read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.**1 Conservation of Energy**

Your Company being an Asset Management Company, acting as an investment manager, has not consumed energy of any significant level.

2 Technology Absorption

Considering the nature of business, there is no technology absorption for the year under review.

3 Foreign Exchange Earning and outgo

During the year under report, the Company has neither earned nor expended any foreign exchange.

Auditors:

M/s .K.S. Aiyar and Co., the Statutory Auditors, will retire at the ensuing Annual General Meeting of the Company and are eligible for reappointment.

Appreciation:

Your Directors take this opportunity to place on record their appreciation for the continued support from the Company's bankers, Stock Exchange Authorities, Securities and Exchange Board of India and by the employees of the Company at all levels.

For and On Behalf of the Board of Directors

R. Narayanan
Chairman

Chennai,
27th November, 2002

Registered Office :

117/118 Dalamal Towers
Nariman Point
Mumbai – 400 021

SHRIRAM ASSET MANAGEMENT COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

Business Environment:

The Mutual Fund Industry, in which the Company operates, has been growing at a consistent pace. It is reported that the total assets being managed by the Industry exceeds at Rs. 1,00,000 crores and the assets managed by private players exceeds Rs. 60,000 crores.

With the industrial growth poised to cross the 6% level and the corporates reporting improved results for the year in progress, the Mutual Fund Industry is expected to achieve sustained growth in the near future as well. The falling interest regime is also expected to enhance the future prospects of the Mutual Fund Industry still further.

As regards the performance of the Company, all the schemes of Shriram Mutual Fund which were under management with Company have been wound up and there are no schemes presently under management with the Company. Board is examining various alternative long term strategies for future.

Performance:

Particulars	Year ended 30.06.02	Year ended 30.06.01
INCOME		
Asset Management Fees	148,462	1,218,043
Interest income	3,394,577	4,417,646
Dividend Income	3,916,396	2,659,840
Profit on sale of shares	2,955,983	21,167
Other Income	5,272	178,847
TOTAL INCOME	10,420,690	8,495,543
EXPENDITURE		
Administrative & Other Expenses	2,380,277	4,421,651
Scheme Launching Expenses Written off	611,366	6,751,994
(Profit)/Loss on sale of Fixed Assets- (Net)	54,103	24,726
Depreciation	593,539	782,346
Interest	—	24,498
TOTAL EXPENDITURE	3,639,285	12,005,215
Profit/ (Loss) Before Tax	6,781,405	(3,509,672)
Provision for Tax	250,000	—
Profit after Tax	6,531,405	(3,509,672)
Prior period adjustment	4,328	539,137
Provision for Taxation written back	223,185	—
Balance brought forward from previous year	(7,691,522)	(4,720,987)
Balance carried to Balance Sheet	(932,604)	(7,691,522)

Risks and concern:

As the Company would be engaged in asset management business, the income generation will depend upon the size of the corpus under management and the capital market conditions prevalent at the relevant time.

Internal control system:

The Company has adequate system of internal controls commensurate with its size and level of operations to ensure that all assets of the Company are safe guarded and protected and that transactions of the Company are authorised, recorded and reported correctly.

The internal control systems are supplemented by internal audits and reviews by management. The internal control systems are designed to ensure that the financial and other records are reliable, for preparing financial statements and other data, and for maintaining accountability of assets.

Human Resources:

The Human resources available with the Company are sufficient to take care of the present level of operations. As and when the operations are enlarged, appropriate personnel will be inducted to deal with the size of operations.

During the financial year ended 31st June 2002, there has been no material development in the human resources aspect including number of people employed.

SHRIRAM ASSET MANAGEMENT COMPANY LIMITED

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH JUNE, 2002

1. Philosophy on code of Governance:

Your Company's policy on Corporate Governance is

1. To enhance the long term interest of its shareholders and to provide good management, the adoption of prudent risk management techniques with the statutory requirements and thereby safeguarding the interest of shareholders, creditors, investors and employees.
2. To identify and recognize the Board of Directors and the Management of your Company as the principal instrument through which good corporate governance principles are articulated and implemented. Further, to identify and recognize accountability, transparency and equality of treatment for stakeholders, as central tenets of good corporate governance.

2. Board of Directors:

There were 5 Directors on the Board with the Managing Director managing the Company's business in consultation with the Board of Directors. The detailed reports of the Company's performance are periodically placed before the Board.

During the period under review, 8 Board meetings were held namely, on 30.7.2001, 12.9.2001, 29.10.2001, 4.1.2002, 31.1.2002, 27.2.2002, 27.4.2002 and 14.5.2002. The Annual General Meeting of the Company was held on 18th December 2001.

Structure of the Board for the year ended 30th June, 2002

Name of the Director	Category	Designation	No. of other Directorships held	Membership/ Chairmanship held in Committees of other Companies	No. of Board Meetings Attended	Attendance at Last AGM
Mr. R. Narayanan	Non- executive and independent	Chairman	11	6	2	No
Mr. S. Rajaratnam	Non- executive and independent	Director	9	Nil	2	No
Mr. Lalit P Mehta	Non- executive and independent	Director	7	Nil	8	Yes
Mr. K. R. Rajagopalan	Non- executive and independent	Director	Nil	Nil	5	No
Mr. R. Sridhar	Executive	Managing Director	6	Nil	8	Yes

3. Committees of the Board:

1) Audit Committee

a) Terms of reference:

- 1) To provide direction and to oversee the operations of the audit functions in the Company.
- 2) To review the internal audit systems with special emphasis on their quality and effectiveness.
- 3) To review half yearly and annual financial results before submission to the Board.
- 4) To investigate into any matter in relation to the items specified in Section 292A of the Companies Act, 1956 or referred to by the Board.
- 5) To have full access to information contained in the records of the Company and external professional advice, if necessary.

b) Composition

1. Mr. Lalit P Mehta — Chairman
2. Mr. K.R.Rajagopalan — Member
3. Mr. S.Rajaratnam — Member