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SHRIRAM ASSET MANAGEMENT COMPANY LIMITED

ELEVENTH ANNUAL REPORT

2004-2005

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

PURVA SHARE REGISTRY (INDIA) PVT. LTD.
33, PRINTING HOUSE
28-D POLICE COURT LANE
BEHIND OLD HANDLOOM HOUSE
FORT, MUMBAI - 400 001

SHRIRAM ASSET MANAGEMENT COMPANY LIMITED**NOTICE**

NOTICE is hereby given that the Eleventh Annual General Meeting of the Members of the Company will be held at Hotel Parle International, Agarwal Market, Vile Parle (East), Mumbai 400 057 on Friday, the 30th December, 2005 at 3.30 p.m. to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 30th June 2005 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. K.R. Rajagopalan, 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 a Special Resolution.

"RESOLVED THAT pursuant to sections 198, 269, 309, 314 and other applicable provisions, if any, and schedule XIII of the Companies Act, 1956, approval of the company be and is hereby accorded to the appointment of Mr R Sridhar as the Managing Director of the company for a period of two years commencing from 1st July, 2005 without any remuneration payable"

By Order of the Board of Directors

MUMBAI,
NOVEMBER 30, 2005

Lalit P. Mehta
Director

Registered Office:

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

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.4 is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed on 28th to 30th December 2005 (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.

SHRIRAM ASSET MANAGEMENT COMPANY LIMITED

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**ITEM NO. 4**

Subject to the approval of the shareholders, and the applicable provisions of the Companies Act, 1956, the Board of Directors at their meeting held on 31st October, 2005 reappointed Mr R Sridhar as the Managing Director of the company for a further period of 2 years commencing from 1st July, 2005 without any remuneration payable.

Mr R. Sridhar is a Chartered Accountant and Managing Director of Shriram Transport Finance Co. Ltd. He has about 20 years experience in Financial Services Industry. His vast experience and business acumen would help the growth of the company. The Board, therefore, recommend his reappointment as the Managing Director of the company for a further period of 2 years without any remuneration payable.

None of the other Directors other than Mr R. Sridhar is interested in the resolution

By Order of the Board of Directors

MUMBAI,
NOVEMBER 30, 2005

Lalit P. Mehta
Director

Registered Office:

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

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SHRIRAM ASSET MANAGEMENT COMPANY LIMITED

DIRECTORS' REPORT TO THE MEMBERS

Your Directors present their Eleventh Annual Report together with the Audited Statements of Accounts for the year ended 30th June 2005.

Financial Results:

The Salient features of the Financial Results of the Company for the year ended 30th June 2005 are as under:

| | Year ended 30-06-2005 (Rs.) | Year ended 30-06-2004 (Rs.) |
|---|--------------------------------|--------------------------------|
| Gross Income for the year | 7,322,187 | 8,362,811 |
| Total Expenditure before Depreciation & Tax | 5,312,927 | 3,667,680 |
| Profit before Depreciation and Tax | 2,009,260 | 4,695,131 |
| Depreciation | (370,339) | (386,103) |
| Provision for tax | (212,782) | (734,000) |
| Profit after Depreciation and Tax | 1,426,139 | 3,575,028 |
| Prior period adjustment | 76925 | - |
| Provision for taxation written back | - | 250,000 |
| Balance brought forward from previous year | (353,526) | (4,178,554) |
| Balance carried to Balance Sheet | 1,149,538 | (353,526) |

Dividend:

On account of insufficient profits, your Directors do not recommend any dividend for the year ended 30th June 2005.

Operations and Outlook:

The Trustees of Shriram Mutual Fund did not launch any new scheme during the year under report. As all the earlier schemes of the Fund have been wound up, the operations of the Company were limited only to attending to the outstanding unclaimed redemption amounts of the schemes wound up.

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 the 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 accounting policies selected and applied on a consistent basis give true and fair view of the state of affairs of the Company and of the profit for the financial year.
- Proper and sufficient care has 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 an ongoing concern basis.

Cash Flow Statement:

The cash flow statement for the year 2004-2005 is attached to the Balance Sheet.

Directors:

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

Subject to the approval of the shareholders and the applicable provisions of the Companies Act, 1956, the Board of Directors reappointed Mr R. Sridhar as the Managing Director of the company for a further period of two years commencing from 1st July, 2005 without any remuneration. A suitable resolution in this regard is proposed for adoption by the members at the ensuing Annual General Meeting.

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Fixed Deposits:

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, Securities and Exchange Board of India, Stock Exchange Authorities and by the employees of the Company at all levels.

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For and On Behalf of the Board of Directors

MUMBAI

November 30, 2005

Managing Director

Director

Regd. 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 continued to grow during the year inspite of a turmoil in the capital market brought about by a change in the political scenario in the country. The total asset under management as of 30th June, 2005 was reported to be about Rs.164,546/- crores. An expected GDP growth of about 7% coupled with encouraging results from the corporates would drive the industry to further heights.

Performance:

| Particulars | Year ended 30.06.05 | Year ended 30.06.04 |
|--|---------------------|---------------------|
| INCOME | | |
| Asset Management Fees | -- | 31,143 |
| Interest income | 2,088,512 | 2,408,434 |
| Dividend Income - Equity | 1,202,747 | 787,592 |
| Dividend Income - Preferential | 855,840 | 540,000 |
| Profit on sale of shares | 2,819,483 | 4,483,703 |
| Profit on sale of fixed Assets | 1,86,317 | 445 |
| Other Income | 1,69,288 | 111,494 |
| TOTAL INCOME | 7,322,187 | 8,362,811 |
| EXPENDITURE | | |
| Administrative & Other Expenses | 4,772,870 | 3,365,918 |
| Loss on sale of Shares | 540,057 | 301,762 |
| Depreciation | 370,339 | 386,103 |
| TOTAL EXPENDITURE | 5,683,266 | 4,053,783 |
| Profit/ (Loss) Before Tax | 1,638,921 | 4,309,028 |
| Provision for Tax | 212,782 | 734,000 |
| Profit after Tax | 1,426,139 | 3,575,028 |
| Prior Period Adjustment | 76,925 | --- |
| Provision for taxation written back | --- | 250,000 |
| Balance brought forward from previous year | (353,526) | (4,178,554) |
| Balance carried to balance sheet | 1,149,538 | (353,526) |

The income has fallen from Rs.83.63 lacs in 2004 to Rs.73.22 lacs in 2005 representing a decrease of Rs.12.44%. Also the profit after tax has fallen from Rs.35.75 lacs in 2004 to Rs.14.26 lacs in 2005.

Risks and concern:

As the company, is an asset management company, the future income generation from asset management business will depend upon the decision of the Trustees of Shriram Mutual Fund to float new schemes 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 audit 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 30th June 2005, there has been no material development in the human resources aspect including number of people employed.

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REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH JUNE, 2005

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 year under review, 8 Board meetings were held namely, July 30, 2004, September 30, 2004, October 30, 2004, November 30, 2004, January 31, 2005, April 29, 2005, May 31, 2005 and June 30, 2005. The Annual General Meeting of the Company was held on 31.12.2004.

Structure of the Board for the year ended 30th June, 2005

| 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 | 9 | — | — | No |
| Mr. S. Rajaratnam | Non- executive and independent | Director | 7 | 1 | — | No |
| Mr. Lalit P Mehta | Non- executive and independent | Director | 6 | Nil | 8 | No |
| Mr. K. R. Rajagopalan | Non- executive and independent | Director | Nil | Nil | 8 | Yes |
| Mr. R. Sridhar | Executive | Managing Director | 5 | 2 | 7 | 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 quarterly, half yearly and yearly 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

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c) Meetings and Attendance

Five meetings have been held during the year ended 30th June 2005 on 30.07.2004, 30.09.2004, 30.10.2004, 31.01.2005 and 30.04.2005

| Names of Directors | No. of meetings attended |
|---------------------|--------------------------|
| Mr. Lalit P Mehta | 5 |
| Mr. K.R.Rajagopalan | 5 |
| Mr. S.Rajaratnam | Nil |

2) Remuneration Committee

a) Terms of reference:

To decide the amount of remuneration to be paid to any Director based on the overall performance and financial results of the Company during the relevant financial year.

b) Composition

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

c) The Committee did not meet during the period under consideration as no remuneration has been paid to any of the directors other than sitting fee during the financial year ended 30th June, 2005.

3) Shareholders' / Investors' Grievances Committee

a) Terms of reference:

To look into redressal of Shareholders'/investors grievances relating to non-receipt of Balance sheet, transfers, transmission, issue of duplicate certificates etc.,
The Committee periodically review the investors' complaints received and redressed

b) Composition

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

c) There were no complaints received from the investors during the year.

4. General Body Meetings

The last three Annual General Meetings were held as under:

| Financial Year | Date | Time | Venue |
|----------------|------------|----------|---|
| 2003-2004 | 31.12.2004 | 3.30 p.m | Hotel Parle International, Mumbai - 400 057 |
| 2002-2003 | 31.12.2003 | 3.30 p.m | Hotel Parle International, Mumbai - 400 057 |
| 2001-2002 | 30.12.2002 | 3.30 p.m | Hotel Parle International, Mumbai - 400 057 |

5. Disclosures:

- The transactions with the related parties are given in Note No.13 of Notes to the Accounts in the Annual Report.
- A penalty of Rs 5 lacs was imposed by the Adjudicating Officer-SEBI by his order dated 23.06.2002 alleging deviations from the broker exposure limit prescribed under the SEBI (Mutual Funds) Regulations, 1996 in certain quarters during the period from June 1998 to December 1999. It was difficult to adhere to the prescribed norms of broker exposure on account of —
 - 1) Small size of the Fund and/or
 - 2) Low volume of transactions effected consequent upon the small size of the Fund and/or

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- 3) The securities involved in the transactions being thinly traded securities or securities not having large volume in the market and/or
- 4) When the Fund performance had to rely on the services of only small number of brokers for the quarter and/or
- 5) Administrative and operational exigencies due to the small size of the Fund and obligation for meeting redemption/repurchases promptly

Hence, aggrieved by the Order, the Company challenged the Order and filed an appeal with Securities Appellate Tribunal. The Securities Appellate Tribunal by its order dated 21/08/2003 set aside the order of the Adjudicating Officer. However, SEBI has challenged the order of the Appellate Tribunal in the Supreme Court.

6. Means of Communication:

- 1) Quarterly/Half yearly & Annual results are communicated through newspaper advertisements.
- 2) The results are generally published in English in Free Press Journal, Mumbai and Navshakti in Mumbai.

7. General Shareholders Information:

1. AGM: Date, time and venue 30th December 2005, 3.30 P.M. at the Conference Hall of Hotel Parle International, Vile Parle (East), Mumbai – 400 057

2. Financial Calendar

Financial Reporting for the 1st Quarter — Last week of October 2005

Financial Reporting for the 2nd Quarter — Last week of January 2006

Financial Reporting for the 3rd Quarter — Last week of April 2006

Financial Reporting for the 4th Quarter — Last week of July 2006

3. Date of Book Closure 28/12/2005 to 30/12/2005 (both days inclusive)

4. Dividend payment date No dividend is declared

5. The Company's Shares are listed
 - a. The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001
 - b. Madras Stock Exchange Limited
Exchange Building, P.B.No. 183,
11, II Line Beach, Chennai – 600 001

6. Stock Code

| Name of the Exchange | Stock Code |
|-------------------------------|-------------------|
| The Stock Exchange, Mumbai | 531359 |
| Madras Stock Exchange Limited | SSMN |

7. Stock Market data

No transactions in shares of the company were reported in the stock exchanges during the financial year ended 30th June, 2005. Hence, the monthly high and low of quotations as well as the volumes of shares traded in the stock exchange are not given.

8. Registrar and Share Transfer Agents

Purva Shareregistry (India) Pvt. Ltd is the Registrar and Share Transfer Agents of the company. Their address is as follows:-

Purva Shareregistry (India) Pvt Ltd

33, Printing House, 28-D, Police Court Lane,
Behind Old Handloom House, Fort, Mumbai - 400 001