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**SHRIRAM ASSET MANAGEMENT COMPANY LIMITED**

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**TWELVETH ANNUAL REPORT**

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**2005-2006**

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**SHRIRAM ASSET MANAGEMENT COMPANY LIMITED**

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**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 SHAREGISTRY (INDIA) PVT LTD  
9, SHIV SHAKTI INDUSTRIAL ESTATE,  
GROUND FLOOR, SITARAM MILLS COMPOUND,  
J.R. BORICHA MARG, MUMBAI - 400 011.  
TEL NO.23016761/ 23018261 (TELEFAX)

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**SHRIRAM ASSET MANAGEMENT COMPANY LIMITED**

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**NOTICE**

NOTICE is hereby given that the Twelveth Annual General Meeting of the members of The Shriram Asset Management Company Limited will be held at Hotel Parle International, Agarwal Market, Vile Parle (East), Mumbai 400 057 on Wednesday, the 27th December, 2006 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 2006 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 Lalit P.Mehta, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors and fix their remuneration.

MUMBAI,  
September 30, 2006

**Registered Office:**

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

**By Order of the Board of Directors**

**R. Sridhar**  
Managing Director

**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 . The Register of Members and the Share Transfer Books of the Company will remain closed on 22nd to 27th December 2006 (both days inclusive).**
2. Members/ Proxies are requested to bring the attendance slip sent herewith duly filled in for attending the Meeting.
3. 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.
4. Members are requested to intimate the Company regarding any change in their address.
5. Members are requested to bring with them a copy of Annual Accounts dispatched to them by the Company.

MUMBAI,  
September 30, 2006

**Registered Office:**

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

**By Order of the Board of Directors**

**R. Sridhar**  
Managing Director

## SHRIRAM ASSET MANAGEMENT COMPANY LIMITED

**DIRECTORS' REPORT TO THE MEMBERS**

Your Directors present their Twelfth Annual Report together with the Audited Statements of Accounts for the year ended 30th June 2006.

**Financial Results:**

The Salient features of the Financial Results of the Company for the year ended 30th June 2006 are as under:

	Year ended 30-06-2006 (Rs.)	Year ended 30-06-2005 (Rs.)
Gross Income for the year	11,161,283	7,322,187
Total Expenditure before Depreciation & Tax	5,579,918	5,312,927
Profit before Depreciation and Tax	4,829,343	2,009,260
Depreciation	(376,011)	(370,339)
Provision for tax	(1,158,499)	(212,782)
Profit after Depreciation and Tax	4,046,855	1,426,139
Prior period adjustment	—	76,925
Provision for taxation written back	4,786	—
Balance brought forward from previous year	1,149,538	(353,526)
Balance carried to Balance Sheet	5,201,179	1,149,538

**Dividend:**

In order to augment the finances of the Company, your Directors do not recommend any dividend for the year ended 30th June 2006.

**Operations and Outlook:**

During the year under report, the Company did not launch any new scheme on behalf of Shriram Mutual Fund. As there were no mutual fund scheme under the management of the Company, the activities 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 2005-2006 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. Lalit P. Mehta would retire by rotation and is eligible for reappointment.

**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.

**SHRIRAM ASSET MANAGEMENT COMPANY LIMITED**

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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.

**For and On Behalf of the Board of Directors**

MUMBAI

September 30, 2006

**Regd.Office:**

117/118 Dalamal Towers  
Nariman Point  
Mumbai – 400 021

Managing Director

Director



**SHRIRAM ASSET MANAGEMENT COMPANY LIMITED**

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**Certificate by Chief Executive Officer**

I, R.Sridhar, Managing Director of Shriram Asset Management Company Ltd, certify that:

1. I have reviewed the financial statements and cash flow statement for the year ended 30<sup>th</sup> June, 2006 and to the best of my knowledge and belief;
  - These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading, and
  - These statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
2. To the best of my knowledge and belief, no transactions entered into by the Company during the year ended 30<sup>th</sup> June, 2006 are fraudulent, illegal or violative of the Company's code of conduct.
3. I accept responsibility for establishing and maintaining internal controls for financial reporting and I have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which I am aware have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
4.
  - a) there has not been any significant change in internal control over financial reporting during the year under reference;
  - b) there has not been any significant change in accounting policies during the year requiring disclosure in the notes to the financial statements; and
  - c) I am not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.



**For Shriram Asset Management Co Ltd;**

R.Sridhar  
Managing Director  
Mumbai

Date: September 30, 2006

## SHRIRAM ASSET MANAGEMENT COMPANY LIMITED

## MANAGEMENT DISCUSSION AND ANALYSIS

**Business Environment:**

The Mutual Fund industry continued to grow during the year in spite of the market crash witnessed due to massive sell off by foreign institutional investors during the month of May 2006 and stability in policy measures of the present government. Net investments by domestic mutual funds into equities in 2006 have surpassed those in the last year. Till November 3, 2006 Indian mutual funds have net poured Rs. 13,500 crores compared to Rs. 13,050 crores for the whole of last year. Higher new fund offerings (NFO) collections and buoyant equity market conditions have seen retail investors pumping money into stock markets through the mutual fund route.

In the last couple of years, domestic mutual funds have been gaining muscle with an increasing portion of retail investors channelising their investments into the booming equity markets through the mutual fund route. The outlook for the industry as a whole is bright especially in the light of booming capital market conditions.

**Performance:**

Particulars	Year ended 30.06.06	Year ended 30.06.05
<b>INCOME</b>		
Asset Management Fees	—	—
Interest income	2,656,507	2,088,512
Dividend Income - Equity	1,375,107	1,202,747
Dividend Income - Preference	394,251	855,840
Profit on sale of shares	5,966,509	2,819,483
Profit on sale of fixed Assets	3,385	186,317
Other Income	7,65,524	169,288
<b>TOTAL INCOME</b>	<b>11,161,283</b>	<b>7,322,187</b>
<b>EXPENDITURE</b>		
Administrative & Other Expenses	4,751,313	4,772,870
Loss on sale of Shares	828,605	540,057
Depreciation	376,011	370,339
<b>TOTAL EXPENDITURE</b>	<b>5,955,929</b>	<b>5,683,266</b>
<b>PROFIT/ (LOSS) BEFORE TAX</b>	<b>5,205,354</b>	<b>1,638,921</b>
Provision for tax	1,158,499	212,782
<b>PROFIT AFTER TAX</b>	<b>4,046,855</b>	<b>1,426,139</b>
Prior Period Adjustment	—	76,925
Provision for taxation written back	4,786	—
Balance brought forward from previous year	1,149,538	(353,526)
<b>Balance carried to balance sheet</b>	<b>5,201,179</b>	<b>1,149,538</b>

The income has enhanced from Rs. 73.22 lacs in 2005 to Rs.111.61 lacs in 2006 representing an increase of 52.43%. Also the profit after tax has jumped from Rs. 14.26 lacs in 2005 to Rs.40.46 lacs in 2006.

**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 safeguarded 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 2006, 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, 2006****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, 9 Board meetings were held namely, August 8, 2005, September 30, 2005, October 31, 2005, January 20, 2006, February 28, 2006, April 27, 2006, May 29, 2006. The Annual General Meeting of the Company was held on 30.12.2005.

Structure of the Board for the year ended 30th June, 2006

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	10	—	1	No
Mr. S. Rajaratnam	Non- executive and independent	Director	7	1	1	No
Mr. Lalit P Mehta	Non- executive and independent	Director	6	Nil	6	No
Mr. K. R. Rajagopalan	Non- executive and independent	Director	Nil	Nil	7	Yes
Mr. R. Sridhar	Executive	Managing Director	5	Nil	5	No

**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



## SHRIRAM ASSET MANAGEMENT COMPANY LIMITED

## c) Meetings and Attendance

Four meetings have been held during the year ended 30th June 2006 on 30.09.2005, 31.10.2005, 20.01.2006, and 27.04.2006

Names of Directors	No. of meetings attended
Mr. Lalit P Mehta	4
Mr. K.R.Rajagopalan	4
Mr. S.Rajaratnam	1

## 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, 2006.

## 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
2004-2005	30.12.2005	3.30 p.m	Hotel Parle International, Mumbai - 400 057
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

## 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 23/06/02 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
  - 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 perforce 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

## SHRIRAM ASSET MANAGEMENT COMPANY LIMITED

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 challenged the order of the Appellate Tribunal in the Supreme Court and the Supreme Court upheld the order passed by SEBI and the Company paid this penalty subsequently.

### 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  
27th December 2006, 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 2006  
Financial Reporting for the 2nd Quarter — Last week of January 2007  
Financial Reporting for the 3rd Quarter — Last week of April 2007
3. Date of Book Closure 22-12-2006 to 27-12-2006 (both days inclusive)
4. Dividend payment date No dividend is declared
5. The Company's Shares are listed
  - a. The Bombay Stock Exchange Ltd.,  
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

The high and low market price and volume of shares traded during each month of the financial year ended 30th June 2006. The Bombay Stock Exchange is given below

Month	Bombay Stock Exchange Limited	
	High (Rs.)	Low (Rs.)
July 2005	18.52	2.94
August 2005	28.05	15.00
September 2005	22.50	12.90
October 2005	13.50	7.69
November 2005	15.38	7.65
December 2005	17.70	12.30
January 2006	21.27	12.59
February 2006	22.30	15.50
March 2006	18.35	11.80
April 2006	15.09	9.08
May 2006	12.49	9.54
June 2006	11.97	8.56

No transaction has taken place in the equity shares of Shriram Asset Management Company Ltd. for the period from 1.7.2005 to 30.6.2006 in Madras Stock Exchange.

### 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**  
9, Shiv Shakti Industrial Estate,  
Ground Floor, Sitaram Mills Compound,  
J.R.Boricha Marg, Mumbai - 400 011.  
Tel No.23016761/ 23018261 (Telefax)