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SHRIRAM ASSET MANAGEMENT COMPANY LIMITED

NINTH ANNUAL REPORT

2002-2003

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

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NOTICE

NOTICE is hereby given that the Ninth 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 Wednesday, the 31st December, 2003 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 2003 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. R.Narayanan, who retires by rotation and being eligible, offers himself for reappointment.

3. To appoint Auditors and fix their remuneration.

By Order of the Board of Directors

MUMBAI,
NOVEMBER 29, 2003

R.Sridhar
Managing 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 Register of Members and the Share Transfer Books of the Company will remain closed for 2 days on 30th December 2003 and 31st December 2003.
3. Members / Proxies are requested to bring the Attendance slip sent herewith duly filled in for attending the Meeting.
4. 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.
5. Members are requested to intimate the Company regarding any change in their address.
6. Members are requested to bring with them a copy of Annual Accounts dispatched to them by the Company.

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DIRECTORS' REPORT TO THE MEMBERS

Your Directors present their Ninth Annual Report together with the Audited Statements of Accounts for the year ended 30th June 2003.

Financial Results:

The Salient features of the Financial Results of the Company for the year ended 30th June 2003 are as under:

	Year ended 30-06-2003 (Rs.)	Year ended 30-06-2002 (Rs.)
Gross Income for the year	**4,858,238**	10,420,690
Total Expenditure before Depreciation & Tax	**7,622,503**	3,045,746
Profit/(Loss) before Depreciation and Tax	**(2,764,265)**	7,374,944
Depreciation	**(481,685)**	(593,539)
Provision for tax	—	(250,000)
Profit/(Loss) after Depreciation and Tax	**(3,245,950)**	6,531,405
Prior period adjustment	—	4,328
Provision for taxation written back	—	223,185
Balance brought forward from previous year	**(932,604)**	(7,691,522)
Balance carried to Balance Sheet	**(4,178,554)**	(932,604)

Dividend:

On account of the losses for the year, your Directors do not recommend any dividend for the year ended 30th June 2003.

Operations and Outlook:

As mentioned in our Report for the previous year all the schemes of the Fund have been wound up. No new scheme during the year was launched under report. Consequently, the operations of the Company were limited to attending only to the outstanding unclaimed redemption amount of the schemes already 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 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 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 2002-2003 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.R.Narayanan would retire by rotation and is eligible for reappointment.

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

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For and On Behalf of the Board of Directors

MUMBAI
29th November 2003

Managing Director Director

Regd.Office:
117/118 Dalamal Towers
Nariman Point
Mumbai – 400 021

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MANAGEMENT DISCUSSION AND ANALYSIS

Business Environment:

The Mutual Fund industry in India witnessed tremendous growth in the last year. The total assets under management with the industry are reported to have crossed the Rs. 125000 Crore mark. The industry is currently in a phase of consolidation and growth. The encouraging results announced for the previous two quarters by the corporate sector shows an, all round economic growth and falling interest rates are expected to further boost the growth of the industry.

Performance:

Particulars	Year ended 30.06.03	Year ended 30.06.02
INCOME		
Asset Management Fees	**60,013**	148,462
Interest income	**3,860,146**	3,394,577
Dividend Income	**760,895**	3,916,396
Profit on sale of shares	**31,400**	2,955,983
Profit on sale of Fixed Assets	**29,715**	—
Other Income	**116,069**	5,272
TOTAL INCOME	**4,858,238**	10,420,690
EXPENDITURE		
Administrative & Other Expenses	**2,267,688**	2,380,277
Scheme Launching Expenses Written off	**—**	611,366
(Profit)/Loss on sale of Fixed Assets- (Net)	**—**	54,103
Loss on sale of shares	**5,354,815**	—
Depreciation	**481,685**	593,539
Interest	**—**	—
TOTAL EXPENDITURE	**8,104,188**	3,639,285
Profit/ (Loss) Before Tax	**(3,245,950)**	6,781,405
Provision for Tax	**—**	250,000
Profit after Tax	**(3,245,950)**	6,531,405
Prior period adjustment	**—**	4,328
Provision for Taxation written back	**—**	223,185
Balance brought forward from previous year	**(932,604)**	(7,691,522)
Balance carried to Balance Sheet	**(4,178,554)**	(932,604)

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 30th June, 2003, 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, 2003

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, 7 Board meetings were held namely, on 29.07.2002, 30.10.2002, 27.11.2002, 24.02.2003, 28.04.2003, 23.05.2003 and 27.06.2003. The Annual General Meeting of the Company was held on 30th December 2002.

Structure of the Board for the year ended 30th June, 2003

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	12	6	2	No
Mr. S. Rajaratnam	Non- executive and independent	Director	9	Nil	3	No
Mr. Lalit P Mehta	Non- executive and independent	Director	9	Nil	7	Yes
Mr. K. R. Rajagopalan	Non- executive and independent	Director	Nil	Nil	6	No
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 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

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c) Meetings and Attendance

Three meetings have been held during the year ended 30th June 2003 on 29.07.2002, 27.11.2002 and 28.04.2003

Names of Directors	No. of meetings attended
Mr. Lalit P Mehta	3
Mr. K.R.Rajagopalan	3
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, 2003.

3) Shareholders / Investors Grievance 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) Deputy Company Secretary has been designated as compliance officer.

d) 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
2001-2002	30.12.2002	3.30 p.m	Hotel Parle International, Mumbai – 400 057
2000-2001	18.12.2001	3.30 p.m.	Hotel Parle International, Mumbai – 400 057
1999-2000	19.12.2000	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 23.09.2002 alleging deviations from the broker exposure limit prescribed under the SEBI (Mutual Funds) Regulations 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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