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STANROSE MAFATLAL
INVESTMENTS AND FINANCE LIMITED

21ST
ANNUAL REPORT 2000-2001

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STANROSE MAFATLAL
INVESTMENTS AND FINANCE LIMITED

TWENTY-FIRST Annual General Meeting

DATE : 21st September, 2001

DAY : Friday

TIME : 10.30 A.M.

**VENUE : Thakorbhai Desai Hall,
Near Law Garden,
Ellisbridge,
Ahmedabad - 380 006.**

BOARD OF DIRECTORS

SHRI RASESH N. MAFATLAL, *Chairman*
SHRI RUSSI JAL TARAPOREVALA
SHRI ARUN P. PATEL
SHRI RAJESH JAYKRISHNA
SHRI JAMSHED B. DADACHANJI
SHRI ROZAL J. MEHTA
SHRI JAYWANTSINH M. CHUDASAMA
SHRI PRADEEP R. MAFATLAL
SHRI CHETAN J. PARIKH

CHIEF EXECUTIVE OFFICER

SHRI BHARAT N. DAVE

COMPANY SECRETARY

SHRI GIRISH R. SHAH

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BANKERS

HDFC BANK LTD.
THE KARUR VYSYA BANK LTD.
IDBI BANK LTD.

AUDITORS

MESSRS C. C. CHOKSHI & COMPANY
Chartered Accountants

HEAD OFFICE

MAFATLAL CENTRE
NARIMAN POINT
MUMBAI-400 021

REGISTERED OFFICE

POPULAR HOUSE
ASHRAM ROAD
AHMEDABAD-380 009

Shareholders intending to require any information about accounts to be explained in the Meeting are requested to inform the Company at least ten days in advance of the Annual General Meeting.

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NOTICE

NOTICE IS HEREBY GIVEN THAT the Twenty-first Annual General Meeting of the Members of the Company will be held on Friday, the 21st day of September, 2001 at 10.30 A.M. at Thakorbhai Desai Hall, Near Law Garden, Ellisbridge, Ahmedabad - 380 006, to transact the following business:

1. To receive, consider and adopt the Directors' Report and the Audited Profit and Loss Account of the Company for the Financial Year ended on 31st March, 2001 and the Balance Sheet of the Company as on that date.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Shri Jamshed B. Dadachanji, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Shri Jaywantsinh M. Chudasama, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Shri Pradeep R. Mafatlal, who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

7. To consider and, if thought fit, to pass with or without modifications, the following:

   AS A SPECIAL RESOLUTION:

   "RESOLVED THAT pursuant to the provisions of Section 309 and any other applicable provisions of the Companies Act, 1956 or any amendment or modification thereof, the Company be and is hereby authorised to pay to its Directors remuneration by way of commission of an amount not exceeding 3% of the net profits of the Company (computed in the manner provided in Section 198(1) of the Companies Act, 1956) or Rs.7.50 Lacs in aggregate whichever is lower for each Financial Year or a part thereof for a period of five years with effect from the Financial Year commencing on 1st April, 2001 to be paid and distributed amongst the Directors or some or any of them in such manner and such proportion and in all respects as the Board of Directors of the Company may, from time to time, determine and in default of such determination equally."

   "RESOLVED FURTHER THAT the aforesaid remuneration shall be exclusive of any fees payable to a Director for each Meeting of the Board or of a Committee of the Board attended by him."

NOTES:

(a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL AND THAT A PROXY NEED NOT BE A MEMBER. The proxy form, in order to be valid and effective, must be delivered at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.

(b) The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of Item No. 7 of the above Notice is annexed.

(c) The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, the 13th August, 2001 to Friday, the 24th August, 2001 (both days inclusive) for the purpose of Annual General Meeting to be held on 21st September, 2001 and payment of Dividend for the financial year ended on 31st March, 2001.

(d) Dividend as recommended by the Board of Directors, if declared, at the Annual General Meeting, will be paid from 19th October, 2001, to those members, whose names stand on the Register of Members of the Company on 24th August, 2001.

(e) The Company has transferred unclaimed dividends for and upto the Financial Year ended on 30th September, 1994, to the General Revenue Account of the Central Government as required under Section 205A(5) of the Companies Act, 1956, within the prescribed time limit. The Members, therefore, may submit their claims, if any, in this regard to the Registrar of Companies, Gujarat, at C.G.O. Complex, Opp. Rupal Park, Behind Ankur Bus Stand, Naranpura, AHMEDABAD - 380 013.

(f) Pursuant to the provisions of Section 205A and 205C of the Companies Act, 1956, dividend for the financial year ended on 30th September, 1995 and thereafter which remains unpaid or unclaimed for a period of 7 years will be transferred to the 'Investor Education and Protection Fund' of the Central Government.

   Members who have not encashed/received their Dividend Warrants so far for the Financial Year ended on 30th September, 1995, or any subsequent years are requested to make their claim to the Company for revalidation/obtaining duplicate Dividend Warrants.

   It may be noted that once the unclaimed dividend is transferred to the prescribed fund as above, no claim shall lie in respect thereof.

(g) The Equity Shares of the Company are listed at The Stock Exchange, Ahmedabad (ASE), Kamdhenu Complex, Opp. Sahajanand College, Panjara Pole, Ambawadi, Ahmedabad - 380 015, traded under Stock Code No. 51710 and The Stock Exchange, Mumbai (BSE), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 vide Stock Code No. 6105, traded under BSE/B2 Group. The Company has paid the Annual Listing fees for the financial year 2001-02 to these Stock Exchanges.

(h) As most of the members are holding shares of the Company in odd lots, the Company shall endeavour to assist them either in disposal of such odd lots or forming a lot by acquiring the balance number of shares at or near the full market value; even by absorbing some costs associated with its administration. Members desirous of availing the assistance may write to or contact Shri H.K.Dave, Share Superintendent of the Company at the Registered Office at Ahmedabad. Members having multiple folios either in identical name(s) or in different pattern of name(s) at common address or otherwise may also approach him for transfer/ consolidation of all such shareholding into one folio to facilitate better service.

(i) Members are requested to notify to the Company any change in their address.

(j) Members/Proxies should bring the Attendance Slip duly filled in for attending the meeting.

(k) Members can avail the "Nomination Facility" by filling Form 2-B, in duplicate, with the Company. Blank forms will be supplied on request.

(l) Members are requested to send his/her Bank Account details to ensure safe and prompt receipt of Dividend Warrants. This is in view of the fraudulent encashment of such warrants.

(m) At the Annual General Meeting, Shri Jamshed B. Dadachanji, Shri Jaywantsinh M. Chudasama and Shri Pradeep R. Mafatlal retire by rotation and being eligible offer themselves for re-appointment. Pursuant to Clause No. 49 of the Listing Agreement relating to Code of Corporate Governance, the particulars of the aforesaid Directors are given below:

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Shri Jamshed B. Dadachanji, aged 79 years, is an eminent Advocate. He is a Bachelor of Arts (B.A. Hons.) and a Bachelor of Law (LL.B.) from Bombay University, having long experience in the field of Law and practicing in the Supreme Court, High Courts and other legal foras. He is associated with the Company as a Director for over last 17 years. He is a Member of the Expert Group of the United Nations Commission For International Law since 1983. He was a Member of the Advisory Committee of the Controller of Capital Issues, Ministry of Finance, Government of India from 1973 to 1975. He was also on the Advisory Board of the CITIBANK NA from 1977 to 1983. He was the President of the Indo-American Chamber of Commerce (Northern Council) from 1983 to 1984.

He is a partner in M/s. J. B. Dadachanji & Co. and M/s. J. B. Dadachanji Ravindra Narain Mathur & Co., New Delhi.

He is a Director in a number of public limited companies viz. Carrier Aircon Ltd., Goetze (India) Ltd., Groz-Beckert-Asia Ltd., IDL Industries Ltd., Nagarjuna Fertilisers & Chemicals Ltd., Pearless General Finance & Investment Co. Ltd., Perfetti India Ltd., Purolator India Ltd., Shri Ram Fibres Ltd., Tamilnadu Petroproducts Ltd., The Waterbase Ltd., Triveni Engineering & Industries Ltd., Vam Organic Chemicals Ltd. and Venkatesh Coke & Power Ltd. He is an Alternate Director in Bausch & Lomb India Ltd., Bihar Sponge Iron Ltd., International Research Park Laboratories Ltd., Menarani Raunaq Pharma Ltd., Tata Timken Ltd., Usha Ispat Ltd. and WTI Advance Technology Ltd. He is the Chairman of Talfica Pvt. Ltd. and Director of Arab Gulf Investment Pvt. Ltd., Avis India Pvt. Ltd., Panalfa Dongwon India Pvt.Ltd., and Technolab Services (I) Pvt. Ltd.

He is a member of Share Transfer Committee of Bausch & Lomb India Ltd., Shareholders Grievance Committee of Carrier Aircon Ltd., Audit Committee of Goetze (India) Ltd., Recovery Committee of Peerless General Finance & Investment Co. Ltd. and Investors Grievance Committee (Share Transfer Committee), Finance Committee, Remuneration Committee and Audit Committee of Vam Organic Chemicals Ltd.

Shri Jaywantsinh M. Chudasama, aged 71 years is qualified with B.Sc. and B.Sc. (Tech). He is an eminent Businessman. He has been associated with the Company as a Director for over last 9 years. He has wide knowledge and long experience in various types of business for over 20 years.

He was the Managing Director of Bombay Paints Ltd. He is a Director of Oricon Pvt. Ltd., Super Services Station Pvt. Ltd. and The Drawing Room Pvt. Ltd. He is the Chairman of Universal Express Travels and Tours Pvt. Ltd.

Shri Pradeep R. Mafatlal, aged 36 years, has obtained Davar's Diploma in Commerce (D.D.Com.) and has also completed a Diploma Course in Business Management. He belongs to the Industrial House of Mafatlals. He is associated with the Company as a Director for over last 9 years. He is a member of Shareholders/ Investors' Grievance Committee of the Company.

He actively participates in managing the affairs of the concerns belonging to STANROSE MAFATLAL GROUP. Apart from his business acumen he is also actively interested in sports activities. Shri Mafatlal has extensively travelled abroad. He has wide experience in running industry and business.

He is the Chairman in certain companies of the Stanrose-Mafatlal Group viz. Mafatlal Enterprises Ltd., Sandeep Traders & Investments Ltd. and Stanrose Holdings Ltd., Vice Chairman and Managing Director of Shanudeep Pvt. Ltd., Vice Chairman of Sheiladeep Investments Pvt. Ltd. and Vinadeep Investments Pvt. Ltd. In addition he is a Director of Standard Industries Ltd., Mafatlal Lubricants Ltd. and I.I.T. Corporate Services Ltd. and a Director of an overseas Company viz. Mafatlal AG, Zurich. He is also a Director on the Management Committee of Indian Merchants Chamber and a Co-Chair Person of Industry and Environment Committee of that Chamber. He is a Member of the Shareholders/Investors' Grievance Committee of Standard Industries Ltd..

Registered Office:
Popular House,
Ashram Road,
Ahmedabad 380 009.

By Order of the Board
G. R. SHAH
Secretary

Mumbai,
Dated: 27th June, 2001.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956.

In respect of Item No. 7

As the Members are aware, the Company was incorporated in the year 1980. Since inception the Company has been a Board-managed Company. The Company owes its present image, stature and the good performance largely due to the role of the Board of Directors of the Company.

As approved by the Members at the Annual General Meeting held on 14th March, 1997, the Directors are presently eligible for remuneration by way of commission @ 3% of net profits as determined under the provisions of the Companies Act, 1956, besides the payment of sitting fees for attending the Meetings of the Board or Committees thereof. The earlier sanction of the Members was for a period of 5 years from the then financial year commencing on 1st October, 1996. The validity of the said approval expires on 30th September, 2001. The Company changed its financial year from October-September to April-March from March, 1999. Accordingly for making any payment of such commission to the Directors for the financial year ending 31st March, 2002, the Company would require the permission of the members as contemplated under Section 309 of the Companies Act, 1956.

In view of the above, while looking to the present-day complex business environment and the increased responsibilities either statutory or otherwise being shouldered by the Directors, it is considered reasonable, fair and justifiable to pay to the Directors of the Company remuneration by way of commission of a sum not exceeding 3% of the net profit of the Company computed in the manner laid down under Section 198(1) of the Companies Act, 1956 or Rs.7.50 Lacs in aggregate, whichever is lower. This remuneration would be paid to the Directors either wholly or in part or in such proportion or manner as may be decided by the Board of Directors from time to time and in default of such determination equally.

In accordance with the provisions of Section 309 of the Companies Act, 1956, it is proposed to pay the said remuneration for a further period of 5 years with effect from the financial year beginning 1st April, 2001.

All the Directors may be deemed to be interested in the said Resolution to the extent they are entitled to receive the commission.

Registered Office:
Popular House, Ashram Road,
Ahmedabad 380 009.

By Order of the Board
G. R. SHAH
Secretary

Mumbai,
Dated: 27th June, 2001.

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DIRECTORS' REPORT

To The Members,
STANROSE MAFATLAL INVESTMENTS AND FINANCE LIMITED

Your Directors have pleasure in presenting the Twenty-first Annual Report together with the Audited Statements of Account of the Company for the financial year ended 31st March, 2001.

FINANCIAL RESULTS:

	Current Year Rupees	*Previous Year Rupees*
Total Income	**2,12,74,720**	*2,62,41,928*
Gross Profit	**1,43,47,448**	*1,81,30,367*
Less: Depreciation	**36,04,908**	*51,02,292*
Profit before Tax	**1,07,42,540**	*1,30,28,075*
Less: Provision for Taxation	**7,00,000**	*22,00,000*
Profit after Tax	**1,00,42,540**	*1,08,28,075*
Add: Balance in Profit brought forward from Previous Year	**1,70,19,298**	*1,80,55,167*
	2,70,61,838	*2,88,83,242*
Less : Prior year's income no longer recoverable	**4,18,634**	—
Short Provision for taxation in respect of earlier years (Net)	—	*3,45,162*
Available for Appropriation	**2,66,43,204**	*2,85,38,080*
Transferred to Reserve u/s. 45 IC of RBI Act, 1934	**20,10,000**	*22,10,000*
Interim Dividend	—	*79,35,840*
Proposed Dividend	**79,35,840**	—
Tax on Dividend	**8,09,456**	*8,72,942*
Transferred to General Reserve No. I	—	*5,00,000*
Surplus carried to Balance Sheet	**1,58,87,908**	*1,70,19,298*

DIVIDEND

Your Directors recommend a Dividend of 20% (Rs.2/- per share) on 39,67,920 Equity Shares of Rs.10 each free of tax in the hands of Shareholders for the financial year ended on 31st March, 2001 which, if approved by the Shareholders at the forthcoming Annual General Meeting to be held on 21st September, 2001, will be paid to those Shareholders whose names appear on the Register of Members of the Company on 24th August, 2001, in due course.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

Financial Review

Stanrose Mafatlal Investments and Finance Limited, one of the medium sized private sector Non-Banking Finance Company (NBFC) has reported satisfactory financial and operating performance during the year ended 31st March, 2001.

The gross income for the year decreased by about 19% to Rs.212.75 Lacs compared to Rs.262.42 Lacs in the previous year. Profit after tax has also marginally decreased from Rs.108.28 lacs to Rs.100.43 Lacs.

Depreciation was lower at Rs.36.05 Lacs (Previous Year Rs.51.02 Lacs) and the tax provision decreased to Rs.7.00 Lacs (Previous Year Rs.22.00 Lacs). The gross profit for the year was lower at Rs.143.47 Lacs against Rs. 181.30 Lacs in the previous year, mainly due to low interest/badla rates, uncertain capital market and repayment of public deposits.

Industry structure and developments

The Non-Banking Financial Services (NBFC) industry in private sector in India is represented by a mix of few large and national level companies and a large number of small and medium sized, regional and local companies. These NBFCs provide a variety of services including fund-based and fee-based activities as well as cater to retail and non-retail markets and niche segments.

The imposition of stricter registration and other regulatory compliance requirements over the years has led to better investor protection and an improved overall industry environment.

Business Review

The business of the Company, interalia, consists of Intercorporate Investments, Leasing and Hire Purchase, Trading in Shares & Securities, Finance and Property Development. Segmentwise brief outline of financial and operational performance is as under:

(I) Intercorporate Investments

The Company's investment portfolio is reviewed from time to time. Details of the Company's investments are given in Schedule 5 of the Balance Sheet of the Company as at 31st March, 2001. The total worth of Company's Quoted and Unquoted Investments (including Stock-in-trade) as at 31st March, 2001 is Rs.2123.76 Lacs, which reflects a general decline in the market capitalisation in the prevailing Capital Market conditions.

During the year under report, the Company has deployed additional funds of Rs.48.04 Lacs in investment in equity shares besides net increase in equity under Stock-in-trade by Rs.21.59 Lacs, whereas it realised investments of the aggregate book-value of Rs.107.48 Lacs.

During the year under report, the Company has made a net profit on sale of long-term investments of Rs.100.66 Lacs against Rs.2.46 Lacs during the previous year.

Towards the close of year, looking to the fragile capital market conditions, the entire amount deployed in Badla Finance was withdrawn and parked in the units of debt-oriented liquid schemes of certain reputed mutual funds, which increased the total exposure at the year end in debt funds to Rs.349.71 Lacs.

The Company earned income by way of Dividend of Rs. 30.52 Lacs against Rs.100.77 Lacs in the previous

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year. The reduction is mainly on account of absence of Dividend from HDFC and the two wholly owned subsidiary companies against Rs. 33.22 Lacs and Rs. 24.01 Lacs respectively received from them in the previous year and drop in dividend from Book Bandh Badla business by Rs. 6.90 Lacs.

(II) Leasing and Hire Purchase

As reported earlier, in view of increasing defaults due to recession, stiff competition posed by the banks, financial institutions and multinationals having access to low cost finance and stringent regulatory norms, the company has stopped further funding for industrial and car finance under lease and hire purchase business. Consequently, the income from these sources keeps on decreasing year after year which stood at Rs.50.87 Lacs as compared to Rs.70.24 Lacs in the previous year.

(III) Trading in Shares and Securities

During the year under review the Company kept on concentrating its focus on trading in equity and has made a profit of Rs.16.30 Lacs from these activities. However, with the abnormal fall in share prices at the end of the year the value of the closing stock (valued at lower of the cost or market value) decreased by Rs.21.50 Lacs to Rs.247.08 Lacs, resulting in a net loss of Rs.5.20 Lacs from these activities.

(iv) Finance

During the year under review the surplus funds were mainly deployed in Badla Finance on the recognised Stock Exchanges. However, as mentioned hereinabove, in view of the fragile Capital Market conditions the entire amount deployed in Badla Finance was withdrawn towards the close of the year and parked elsewhere. The income from Interest and Bills Discounting Charges has reduced to Rs.34.95 Lacs from Rs.64.97 Lacs. This decrease is mainly on account of fall in the Badla rates which were hovering around an average rate of 10% against 17% during the previous year.

(v) Property Development

As regards the joint venture project of property development undertaken by the Company at Ahmedabad, the continued recession in the real estate market and revised regulations regarding payment of impact fees resulted into lower demand and value of the property. The Company has partly written off the income to the extent of Rs.4.19 Lacs booked from this project in the initial years of its commencement as it now seems difficult to be realised.

Outlook

The Company is likely to maintain its focus on capital market activities including trading in securities and emerging products in derivatives.

The Company will also look for any attractive opportunities in other growth areas in the financial services sector.

Risk and concern

The Company is exposed to the normal industry risk factors of interest rate volatility, credit risk, market risk and operational risk. It manages these risks by maintaining a conservative financial profile and by following prudent business and risk management practices.

Adequacy of Internal Control

The Company has proper and adequate system of internal control to ensure that all activities are monitored and controlled against any unauthorised use or disposition of assets and that the transactions are authorised, recorded and reported correctly.

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

The Board has recently formed an Audit Committee of the Board of Directors which will also keep on reviewing the adequacy of internal controls.

Human Resource Development (HRD)

The Company has able and experienced industry professionals and employees. During the year, two employees have ceased to be in the employment, decreasing the total number from 23 to 21.

Opportunities

The services sectors in India are generally expected to grow at a faster pace compared to overall economy in the future. This is likely to create a positive environment for the financial services industry in India. The Company shall endeavour to take advantage of the emerging growth opportunities in Indian economy.

Threats

The Company faces normal market competition in its business. The working of the NBFCs continue to be adversely affected by defaults due to recession, stringent regulatory norms and stiff competition posed by banks, financial institutions and multinationals having access to low cost finance. In view of such adverse scenario the Company has almost stopped funding activities for industrial and car finance under Lease and Hire Purchase as also Bills Discounting Services. The Company's healthy financial position and adoption of suitable business strategies have enabled it to consistently post satisfactory performance despite difficult conditions, when a number of other companies in the sector are finding it difficult to survive.

The continuance of slow down in economy coupled with the reduction in the interest rates would continue to affect the income level of your Company in the current year. However, with the effective control over the expenses and prudent deployment of available resources, the Management is hopeful of maintaining satisfactory results.

CORPORATE GOVERNANCE

As per the amended provisions of the Listing Agreements with the Stock Exchanges your Company is required to comply with the requirements of Corporate Governance by 31st March, 2002. The Company has already started putting in place the SEBI's guidelines in this respect and constituted an Audit Committee and the Investors' Grievance Committee as envisaged under the Code. It will be fully in line with the Code before the stipulated deadline.

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FIXED DEPOSITS

During the year under review, the Company has not accepted or renewed any public deposits. Public Deposits at the end of the Financial Year stood at Rs.0.54 Lac against Rs.2.70 Lacs as at 31st March, 2000. These Rs.0.54 Lac relating to 12 depositors remained as unclaimed though due for repayment as at 31st March, 2001. Since then deposit amounting to Rs.0.14 Lac have been repaid relating to 4 depositors.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2000, the Directors confirm that :

1. In the preparation of the annual accounts for the Financial Year ended 31st March, 2001, the applicable accounting standards have been followed.
2. Appropriate accounting standards have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2001 and of the profit for the period 1st April, 2000 to 31st March, 2001.
3. Proper and sufficient care has been taken 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.
4. The annual accounts for the Financial Year ended 31st March, 2001 have been prepared on a 'going concern' basis.

SUBSIDIARIES

In compliance with the provisions of Section 212 of the Companies Act, 1956, the Audited Statements of Account alongwith the Directors' Report for the financial year ended on 31st March, 2001, of the two wholly-owned subsidiaries of the Company, namely Sandeep Traders and Investments Ltd. and Stanrose Holdings Ltd., are annexed hereto.

DIRECTORATE

Pursuant to Article 155 of the Articles of Association of the Company read with Section 256 of the Companies Act, 1956, Shri Jamshed B. Dadachanji, Shri Jaywantsinh M. Chudasama and Shri Pradeep R. Mafatlal, Directors of the Company, are due to retire at the ensuing Annual General Meeting and are eligible for re-appointment.

AUDITORS

You are requested to appoint Auditors for the current year to hold office from the conclusion of the Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. The notes forming part of the Accounts referred to in the Auditors' Report are self-explanatory and give complete information.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Your Company is not engaged in any manufacturing activity and as such has no particulars to disclose under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, as regards conservation of energy or technology absorption. Further, during the year under review, your Company has neither earned nor made any payment in foreign exchange.

PARTICULARS OF EMPLOYEES

The Company has not paid any remuneration attracting the provisions of Companies (Particulars of Employees) Rules, 1975 read with Section 217 (2A) of the Companies Act, 1956 as amended todate. Hence, no information is required to be appended to the report in this regard.

EARTHQUAKE

The Directors record their sense of sorrow at the suffering experienced by the loss of life and property caused by the recent earthquake in the State of Gujarat. Though the employees working at the Registered Office at Ahmedabad, suffered minor damages to their property, there was no fatality. It was indeed a good fortune of the Company and the staff members that they were not severely affected by the earthquake. Your Company together with its two wholly owned subsidiaries have donated a total sum of Rs.6.50 Lacs for the earthquake relief work in the State of Gujarat.

ACKNOWLEDGEMENTS

The Directors sincerely express their deep appreciation to Employees at all levels, Bankers, Customers and Shareholders for their sustained support and co-operation and hope that the same will continue in future.

For and on behalf of the Board
RASESH N. MAFATLAL
Chairman

Mumbai,
Dated : 27th June, 2001

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AUDITORS' REPORT

TO THE SHAREHOLDERS OF
STANROSE MAFATLAL INVESTMENTS AND FINANCE LIMITED

We have audited the attached Balance Sheet of Stanrose Mafatlal Investments and Finance Limited as at 31st March, 2001 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that :

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
2. *Further to our comments in the Annexure referred to* in paragraph (1) above, we report that :
   a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
   b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of the books;
   c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
   (d) In our opinion, the Balance Sheet and Profit and Loss Account comply with the Accounting *Standards referred to in sub-section 3(C) of* Section 211 of the Companies Act, 1956;
   (e) On the basis of written representations received from the directors as on 31st March, 2001 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2001 from being appointed as a director in terms of Clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
   (f) In our opinion and to the best of our information and according to the explanations given to us, the accounts read with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
      (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2001 and
      (b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

*For **C. C. CHOKSHI & CO.***
Chartered Accountants

Ahmedabad,
Dated : 27th June, 2001

V. J. SHAH
Partner

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph(1) of our Report of even date on the accounts of Stanrose Mafatlal Investments and Finance Limited for the year ended 31st March, 2001).

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets of the Company, other than those leased out, have been physically verified by the management during the year. No material discrepancies were noticed on verification.
2. None of the fixed assets have been revalued during the year.
3. The stock of shares have been physically verified by the management during the year. In our opinion the frequency of verification is reasonable.
4. The procedures of physical verification of stocks of shares followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. We are informed that no material discrepancies have been noticed on physical verification of stocks of shares as compared to the book records.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks of shares is fair and proper and in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken any loans secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. We are informed that there is no company under the same management within the meaning of Section 370(1B) of the Companies Act, 1956.
8. The Company has not granted any loans, secured or unsecured to the companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. We are informed that there is no company under the same management within the meaning of Section 370(1B) of the Companies Act, 1956.
9. *The parties (including employees) to whom loans or* advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also regular in payment of interest *where applicable.*
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of plant and machinery, equipment and other assets.

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11. There were no transactions of sale of services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party.

12. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956. The Company has not accepted further deposits from Public and its members as defined under Section 58A of the Companies Act, 1956, during the year under review. The Company has complied with the relevant directions issued by the Reserve Bank of India except in respect of concentration of investments and credit rating as disclosed in Note No. 4 and 5 of Schedule 17.

13. The Company has appointed a firm of Chartered Accountants as its Internal Auditors for the year under review. The Internal Audit for the year is therefore carried out by the said firm. On the basis of the reports made by the Internal Auditors to the management, in our opinion, the Internal Audit System is commensurate with the size of the Company and nature of its business.

14. According to the records of the Company, Provident Fund dues have been regularly deposited with the appropriate authorities. We are informed that provisions of Employees' State Insurance Act, 1948 are not applicable to the Company.

15. According to the information and explanations given to us, no undisputed amounts payable in respect of Income-Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty as on 31st March, 2001, were outstanding for a period of more than six months from the date they became payable.

16. According to the information and explanations given to us, no personal expenses of the employees or directors have been charged to the revenue account, other than those payable under the contractual obligations or in accordance with the generally accepted business practices.

17. The provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the Company being a finance company.

18. The nature of the service activities carried on by the Company does not require a system of recording receipts, issues and consumption of materials and allocation thereof and labour to jobs. Further, the question of having a system of authorisation and internal control on issue of stores and allocation of stores and labour does not arise.

19. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

20. We are informed that the provisions of any special statutes applicable to Chit Fund, Nidhi or Mutual Benefit Society are not applicable to the Company.

21. The Company has maintained records of the transactions and contracts of dealing or trading in shares and timely entries have been made therein. The shares, securities and other investments are in the name of the Company, except to the extent of exemption granted under Section 49 of the Companies Act, 1956.

The nature of the Company's activities is such that the requirements of items (xii), (xiv) and (xvi) of Clause A and item (ii) of Clause C of Paragraph 4 of the Order are not applicable to the Company.

For ***C. C. CHOKSHI & CO.***
Chartered Accountants

Ahmedabad,
Dated : 27th June, 2001

V. J. SHAH
Partner

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BALANCE SHEET AS AT 31ST MARCH, 2001

	Schedule No.	Rupees	Rupees	Rupees	As at 31-3-2000 Rupees
I SOURCES OF FUNDS :					
Shareholders' Funds :					
(a) Share Capital	1		3,96,79,200		3,96,79,200
(b) Reserves and Surplus	2		21,66,05,908		21,57,27,298
				25,62,85,108	25,54,06,498
Loan Funds :					
Unsecured Loans	3			57,09,832	62,47,313
Total				26,19,94,940	26,16,53,811
II APPLICATION OF FUNDS :					
Fixed Assets :					
Gross Block	4		5,66,77,837		5,67,51,117
Less: Depreciation			4,38,75,763		4,12,34,686
			1,28,02,074		1,55,16,431
Add : Lease Terminal Adjustment Account			30,99,704		47,37,601
				1,59,01,778	2,02,54,032
Investments	5			20,25,83,099	18,45,27,849
Current Assets, Loans and Advances :					
(a) Current Assets	6	3,80,88,417			2,62,51,947
(b) Loans and Advances	7	2,78,48,117			5,08,67,954
			6,59,36,534		7,71,19,901
***Less :* Current Liabilities and Provisions :**					
(a) Liabilities	8	58,33,845			1,31,00,641
(b) Provisions	9	1,65,92,626			71,47,330
			2,24,26,471		2,02,47,971
Net Current Assets				4,35,10,063	5,68,71,930
Total				26,19,94,940	26,16,53,811
Notes forming part of the Balance Sheet and Profit and Loss Account and Significant Accounting Policies	17				

As per our separate Report of even date attached.

For C.C. CHOKSHI & CO.
Chartered Accountants
V. J. SHAH
Partner

Ahmedabad, Dated : 27th June, 2001

RASESH N. MAFATLAL
Chairman

B. N. DAVE
Chief Executive Officer

G. R. SHAH
Secretary

ARUN P. PATEL
RAJESH JAYKRISHNA
ROZAL J. MEHTA
J. M. CHUDASAMA
PRADEEP R. MAFATLAL
CHETAN J. PARIKH
Directors

Mumbai, Dated : 27th June, 2001

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