

# **STANROSE MAFATLAL INVESTMENTS AND FINANCE LIMITED**



**23<sup>RD</sup>**  
**ANNUAL REPORT 2002-2003**

# STANROSE MAFATLAL

## INVESTMENTS AND FINANCE LIMITED

### TWENTY-THIRD Annual General Meeting

**DATE** : 26th September, 2003  
**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 ROZAL J. MEHTA  
SHRI JAYWANTSINH M. CHUDASAMA  
SHRI PRADEEP R. MAFATLAL  
SHRI CHETAN J. PARIKH  
SHRI BHARAT N. DAVE from 25-06-03

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### CHIEF EXECUTIVE OFFICER

SHRI BHARAT N. DAVE

### COMPANY SECRETARY

SHRI GIRISH R. SHAH

### BANKERS

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

## NOTICE

NOTICE IS HEREBY GIVEN THAT the Twenty-third Annual General Meeting of the Members of the Company will be held on Friday, the 26th day of September, 2003 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, 2003 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 Russi Jal Taraporevala, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Shri Arun P. Patel, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Shri Rajesh Jaykrishna, 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 AN ORDINARY RESOLUTION

"RESOLVED THAT Shri Bharat N. Dave, who was appointed as an Additional Director of the Company by the Board of Directors on 25th June, 2003, pursuant to the provisions of Article 139 of the Articles of Association read with Section 260 of the Companies Act, 1956 and who holds office upto this Annual General Meeting be and is hereby appointed as a Director of the Company, not liable to retire by rotation."

8. 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 31 and other applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter) the Articles of Association of the Company be and are hereby altered as under :

- (a) From the existing Article 159(1) the words 'and to the approval of the Central Government' appearing in the second and third lines after the words '..... subject to the provisions of the Act' be deleted.
- (b) The existing Article 160 be deleted and the following be substituted for the same as Article 160 :

'Minimum Managerial Remuneration in the absence or inadequacy of profits :

160. If in any financial year the Company has no profits or its profits are inadequate, the Company may subject to the provisions of Sections 198, 269 and 309 read with Schedule XIII to the Act and subject to such approvals, as may be necessary under the said provisions, pay its Directors including the Managing or Whole-time Director or its Manager, if any, or if there are two or more of them holding office in the Company, to all of them together by way of minimum remuneration such sum (exclusive of any fees payable to Directors under Section 309(2) of the Act) as it considers reasonable.'

- (c) The existing Article 163 be deleted and the following be substituted for the same as Article 163 :

'Appointment or re-appointment of Managing or Whole-time Director.

163. Subject to the provisions of the Act, the appointment or re-appointment of a person as a Managing or Whole-time Director shall have effect only if such person fulfils the conditions of Schedule XIII of the Act, in the absence of which his appointment or re-appointment shall not be effective unless approved by the Central Government.'

- (d) In the existing Article 164, in the third last line after the words "..... its Board of Directors", the following words be added :

'and which is not in accordance with Schedule XIII of the Act'."

9. 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 Sections 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof for the time being in force), the Company in General Meeting hereby approves the appointment of Shri Bharat N. Dave as the Managing Director of the Company for a period of five years from 1st November, 2003, on the terms of appointment including remuneration, commission and perquisites as set out in the draft Letter of Appointment to be issued to him, placed before the Meeting and initialled by the Chairman for the purpose of identification, which Letter of Appointment is hereby specifically approved with the liberty to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of the Board) to alter and vary the said terms of appointment and remuneration in such manner as may be agreed to between the Board and Shri Bharat N. Dave, within

the limits specified in Schedule XIII to the Companies Act, 1956, or any amendments thereto."

"RESOLVED FURTHER THAT where in any Financial Year during the currency of Shri Bharat N. Dave's tenure as the Managing Director, the Company has no profits or its profits are inadequate, he shall be paid remuneration by way of salary, perquisites and retirement benefits, subject to the limits specified in Para (A) of Section II of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, in force from time to time as minimum remuneration."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary, expedient and desirable to give effect to this Resolution."

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

**By Order of the Board**  
**G. R. SHAH**  
 Company Secretary

Ahmedabad,  
 Dated: 12th August, 2003.

#### 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) Members are requested to notify to the Company any change in their address.
- (c) Members/Proxies should bring the Attendance Slip duly filled in for attending the meeting.
- (d) 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.

#### Electronic Clearing Service (ECS) Facility:

With reference to the payment of dividend the Company intends to introduce the facility of ECS from the current year.

Shareholders who wish to avail ECS facility, may authorise the Company with ECS mandate in the prescribed form printed elsewhere in this report. For payment through ECS for the year 2002-2003 the ECS mandate should be lodged with the Company on or before 1st October, 2003.

- (e) As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956 and in accordance with the Listing Agreement, abridged Annual Report containing the Directors' Report, Report on Corporate Governance, Auditors' Report, Statement containing salient features of Balance Sheet and Profit and Loss Account is sent to the shareholders having the same address. These shareholders will be furnished with a

copy of the unabridged Annual Report, on request.

- (f) In case of Joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- (g) Members may please note that the Dividend Warrants are payable at par at the designated branches of the Bank printed on the reverse of the Dividend Warrant for an initial period of 3 months only. **Thereafter, the Dividend Warrant on revaluation may become payable only at limited centres/branches. The members are, therefore, advised to encash Dividend Warrants within the initial validity period.**
- (h) Corporate Members intending to send their authorised representatives are requested to send a certified copy of the Board Resolution authorising their representatives to attend and vote at the Annual General Meeting.
- (i) As per the recent amendment to Section 194 of the Income-tax Act, 1961 no tax will be deducted from any dividends declared, distributed or paid on or after 1st April, 2003.
- (j) Details required to be furnished in terms of Clause No. 49 of the Listing Agreement with the Stock Exchanges relating to Corporate Governance, in respect of the Directors being proposed for appointment in the ensuing Annual General Meeting of the Company, are given hereunder :

#### (1) Shri Russi Jal Taraporevala

Shri Russi Jal Taraporevala, born in September, 1932, is an Economist and Specialist in Finance. He holds B.Com. degree from University of Bombay, degree of M.Sc. (Economics) from London School of Economics of the University of London and M.B.A. from the University of California at Berkeley. He possesses long and rich experience in Industry, Finance and Corporate Affairs.

Since 1955, Shri Taraporevala has been a Director of thirty large Public and three Private Companies. In addition, Shri Taraporevala was a Director in the Sixties of the Central Bank of India Ltd. He was the Chairman of the Advisory Board in India of Citibank N.A. from 1975 to 1981. Shri Taraporevala continues to be a Director of many Public and Private Limited Companies viz. Standard Industries Limited, Gabriel India Ltd., Rallis India Ltd., Vista Travels Private Ltd. and D.B. Taraporevala Sons & Co. Private Ltd.

He is the Chairman of the Shareholders'/Investors' Grievance Committee of the Company and a Member of such Committee in Gabriel India Ltd. and Standard Industries Limited.

He is also a Chairman of the Remuneration Committee of Rallis India Ltd. and Standard Industries Limited. He is the Chairman of the Audit Committee of Standard Industries Limited and a Member of the Audit Committee of Rallis India Ltd.

#### 2. Shri Arun P. Patel

Shri Arun P. Patel, aged 68 years, is a well known Industrialist. Soon after his graduation in Science

he joined in the running of a textile mill formerly known as The Bharat Vijay Mills Ltd., and now as Sintex Industries Limited.

Under the guidance and Stewardship of Shri Arunbhai as a Managing Director of Sintex Industries Limited, its Plastic Division has emerged as the world's largest manufacturer of plastic tanks besides expanding and strengthening of its original Textile Division.

He is a Director on the Board of Sintex Industries Limited, Barmagnet Investment Private Limited, Peass Industrial Engineers Ltd., BVM Finance Limited, Sintex International Limited and Fuji Finance Pvt. Ltd.

He is also the Chairman of the Audit Committee and Remuneration Committee of the Company.

### 3. Shri Rajesh Jaykrishna

Shri Rajesh Jaykrishna, aged 53 years, holds a degree of B.Sc., M.S. (U.S.A.) and is a well-known Industrialist. He has a very wide experience in industry, finance and corporate affairs.

He is on the Board of Sukrut Chemicals Pvt. Ltd, Deesa Stockholding Pvt. Ltd., H. K. Investment Co. Ltd., Jayavardhini Investment Pvt. Ltd. and Telegenic Productions Pvt. Ltd.

He is a member of the Audit Committee and Remuneration Committee of the Company.

### 4. Shri Bharat N. Dave

For details, please refer the annexed Explanatory Statement.

- (k) The draft Letter of Appointment of Shri Bharat N. Dave and a copy of the existing Memorandum and Articles of Association of the Company are open for inspection for the Members at the Registered Office of the Company between 11.00 A.M. to 1.00 P.M. except on Holidays.
- (l) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed herewith.

## ANNEXURE TO THE NOTICE :

Explanatory Statement as required under Section 173 of the Companies Act, 1956.

In respect of Item No. 8

After the introduction of Schedule XIII to the Companies Act, 1956 (the Act), if the appointment of Managerial Personnel viz. Managing Director, Whole-time Director and Manager are made in compliance with that Schedule and their remuneration package is also devised within the limit given therein, the approval of the Central Government is now not necessary. However, the existing Articles No. 159(1), 160, 163 and 164 of the Articles of Association of the Company in such cases require that the Company should make such appointment or pay such remuneration including minimum remuneration or increase the remuneration of the managerial personnel with the approval of the Central Government. The said Articles need to be suitably amended with immediate effect so as to conform with the corresponding prevailing provisions of the Act.

Any amendment to the Articles of Association requires the approval of the Shareholders in the General Meeting by way of Special Resolution, pursuant to Section 31 of the Companies Act, 1956. Hence, the Special Resolution at item no. 8 of the accompanying Notice.

None of the Directors is concerned or interested in the said Resolution.

In respect of Item Nos. 7 and 9

Shri Bharat N. Dave was appointed as an Additional Director by the Board of Directors of the Company on 25th June, 2003. Shri Dave holds office as an Additional Director upto the ensuing Annual General Meeting in accordance with the provisions of Article 139 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956. The Company has received notice under Section 257 of the Companies Act, 1956 from some members proposing his candidature for the office of a Director.

Shri Bharat N. Dave, aged 59 years, is a Master of Commerce (M.Com.) from Gujarat University, Chartered Financial Analyst (CFA), securing 1st rank with three gold medals, conferred by the Institute of Chartered Financial Analysts of India (ICFAI), Hyderabad and a Certified Associate of Indian Institute of Bankers (CAIIB), securing 1st rank all over India and an Associate of Indian Institute of Bankers (AIB, London), securing 6th Place.

Shri Dave is with the Company since March, 1995, initially as the Chief Executive and from 1st January, 1999 as a Chief Executive Officer (CEO), looking after the day to day business affairs of the Company. With his entrepreneurship and business acumen, the Company has been able to expand its activities in the fund and non-fund based business in the areas of Leasing, Hire Purchase, Bills Discounting, Trading in Securities and other Capital Market Operations, with the current focus on securities trading, intercorporate investments and activities relating to capital market. He has been greatly contributing in maintaining consistent profitability of the Company.

His earlier experience, inter alia, includes 20 years in International Banking with 12 years overseas which include 4 years in Mauritius and 5 years in New York in the areas of Euro-dollar portfolio, syndicated loans, dealing in money and foreign exchange and fund management and fund control ; 8 years experience as a Chief Executive of a Public Limited Company in Jute Industry in Calcutta and 2 years as Vice-President (Finance) with a Finance Company at Ahmedabad.

He holds the position of a Chairman in Mafatlal Lubricants Limited and Director in Anudeep Holdings Limited, the subsidiaries of the Company. He had been on the Board of Governing Council of Chartered Financial Analyst (CFA), Hyderabad during 1998-99. He is on the Advisory Committee of ICFAI, Business School, Ahmedabad. He represents the Company on the Managing Committee of the Local Industry Association viz. Gujarat Finance Companies Association.

The Resolution under item nos. 7 and 9 are proposed to appoint him as a Director and also as the Managing



Director of the Company for a period of 5 years, which would be beneficial for the Company. The remuneration payable to Shri Bharat N. Dave, has been approved by the Remuneration Committee of the Company at its Meeting held on 6th August, 2003. The terms of appointment and remuneration payable to Shri Dave are set out in the draft Letter of Appointment placed before the Meeting. As the Managing Director of the Company, Shri Dave will be responsible for the management and affairs of the Company, subject to the superintendence, control and directions of the Board of Directors. The terms of his appointment including Remuneration payable to him are as under:

- (a) Salary of Rs. 50,000 per month inclusive of Dearness Allowance and all other allowances with the authority to the Board to grant such increments from time to time as it may decide in its absolute discretion upto a salary of Rs. 75,000 per month.
- (b) Commission as may be fixed by the Board, subject to the limit on overall remuneration of 5% of the net profit of the Company as laid down in Section 309 of the Companies Act, 1956.
- (c) Perquisites such as furnished accommodation or house rent allowance, provision of gas, electricity, water and furnishings in respect of such accommodation, medical reimbursement for self and family, club fees (excluding admission and life membership fees) leave benefits, leave travel concession for self and family, personal accident insurance and such other perquisites, allowances and benefits on such terms and conditions as the Board may in its absolute discretion determine, from time to time.

Provision of car for use of Company's business and telephone at residence will not be considered as perquisites.

The monetary value of perquisites will be determined in accordance with the relevant rules laid down in this behalf under the Income-tax Act. In the absence of such rules, the monetary value of such perquisites shall be determined at cost.

- (d) Company's contribution to Provident Fund, Superannuation, Gratuity and encashment of leave at the end of the tenure, as per the Company's Rules.

For the purpose of Leave, Provident Fund, Superannuation, Gratuity and other retiring benefits to which the Managing Director may be entitled, account shall be taken of his services with the Company prior to his appointment as the Managing Director.

The total remuneration payable to the Managing Director including salary, commission, perquisites and retirement benefits, shall not exceed Rs.1,50,000 per month. However, the retirement benefits mentioned at (d) above to the extent mentioned hereunder shall not be included in computation of this ceiling on remuneration.

- (i) Company's contribution to Provident Fund, Superannuation fund to the extent these either singly

or put together are not taxable under the Income-tax Act, 1961.

- (ii) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
- (iii) Encashment of leave at the end of the tenure.

The above remuneration is subject to the limit of 5% of the net profits of the Company, as laid down in Section 309 of the Companies Act, 1956.

The aforesaid remuneration and benefits may be increased by the Board from time to time in accordance with the provisions of the Laws.

Notwithstanding anything contained hereinabove, where in any financial year, during the currency of Shri Bharat N. Dave's tenure, the Company has no profits or its profits are inadequate, he shall be paid remuneration by way of salary, perquisites and retirement benefits referred under (a), (c) and (d) above, subject to the limits specified under Para (A) of Section II of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, in force from time to time, as minimum remuneration.

The Managing Director shall not be entitled to sitting fees for attending meetings of the Board or Committees thereof, of the Company.

The Managing Director shall not be liable to retire by rotation as long as he holds the office of Managing Director.

The Managing Director shall be entitled to earned privilege leave on full pay and allowances as per the Rules of the Company, but not more than one month's leave for every 11 months' service.

The Managing Director shall be entitled to reimbursement of expenses actually and properly incurred by him for the business of the Company.

The Board is of the opinion that the appointment of Shri Bharat N. Dave as the Managing Director would be in the interest of the Company.

In compliance with the provisions of Section 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the terms of appointment of Shri Bharat N. Dave, Managing Director of the Company, are placed before the Members in General Meeting for their approval.

Shri Bharat N. Dave may be regarded as interested in the Resolutions at item Nos. 7 and 9 of the accompanying Notice as the same concerns at his appointment.

None of the other Directors is concerned or interested in the Resolutions.

This Explanatory Statement together with the accompanying notice is and should be treated as an abstract under Section 302 of the Companies Act, 1956.

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

Ahmedabad,  
Dated: 12th August, 2003.

By Order of the Board  
**G. R. SHAH**  
Company Secretary

## DIRECTORS' REPORT

To The Members,  
**STANROSE MAFATLAL INVESTMENTS AND FINANCE LIMITED**

Your Directors have pleasure in presenting the Twenty-third Annual Report together with the Audited Statements of Account of the Company for the financial year ended 31st March, 2003.

### FINANCIAL RESULTS:

	Current Year Rupees	Previous Year Rupees
Total Income	2,06,44,303	2,33,56,601
Gross Profit	1,36,38,637	1,58,37,720
Less: Depreciation	21,23,660	27,92,734
Profit before Tax	1,15,14,977	1,30,44,986
Less: Provision for Taxation	5,55,929	1,82,635
Profit after Tax	1,09,59,048	1,28,62,351
Add: Balance in Profit brought forward from Previous Year	1,68,99,781	1,58,87,908
	2,78,58,829	2,87,50,259
Less :Prior year's income no longer recoverable	—	3,20,000
Short provision for taxation in respect of earlier years (Net)	44,104	—
Available for Appropriation	2,78,14,725	2,84,30,259
Transferred to Reserve u/s. 45 IC of RBI Act, 1934	22,00,000	25,80,000
Proposed Dividend	79,35,840	79,35,840
Tax on Dividend	10,16,780	—
Transferred to General Reserve No. II	—	10,14,638
Surplus carried to Balance Sheet	1,66,62,105	1,68,99,781

### DIVIDEND

Your Directors recommend a Dividend of 20% (Previous Year 20%) on 39,67,920 Equity Shares of Rs.10 each aggregating to Rs.79.36 Lacs for the financial year ended on 31st March, 2003 which, if approved by the Shareholders at the forthcoming Annual General Meeting to be held on 26th September, 2003, will be paid on 24th October, 2003, to those Shareholders whose names appear on the Register of Members of the Company on 29th August, 2003.

### MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

#### Financial Review

Your Company, 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, 2003.

The gross income for the year was Rs.206.44 Lacs

compared to Rs.233.57 Lacs in the previous year. Profit after tax was Rs.109.59 Lacs which is slightly lower as compared to Rs. 128.62 Lacs in the Previous Year. The decline in the level of Gross Income and Profit was mainly on account of consistent down fall in interest rates in the economy.

Depreciation was lower at Rs.21.24 Lacs (Previous Year Rs.27.93 Lacs). In the current year the Company is liable to Minimum Alternative Tax (MAT) of Rs.9.50 Lacs. However, as the working of the deferred tax results in Tax Asset of Rs.3.94 Lacs, the Company has provided Rs.5.56 Lacs for tax provision from current profits (Previous Year Rs.1.83 Lacs).

The Net Worth of the Company for the year stood at Rs. 2581.17 Lacs as against Rs. 2557.61 Lacs.

#### Industry Structure and Developments

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

The increased penetration of the banking sector in all segments of the financial services industry and reduced direct cost of borrowing for high quality borrowers, have greatly reduced business opportunities for NBFCs.

Over the last several years an effective regulatory framework has been implemented, bringing in wide ranging changes on prudential norms and a continuous monitoring mechanism, thereby improving the overall levels of investor protection.

#### Business Review

The Company's operations continue to be mainly focused in the areas of Intercompany Investments, Capital Market activities and Financing. Segmentwise brief outline of financial and operational performance during the year under report is as under:

#### (i) Intercompany 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, 2003. The total worth of Company's Quoted and Unquoted Investments (including Stock-in-trade) as at 31st March, 2003 is Rs. 1943.92 Lacs, as against Rs. 2398.81 Lacs at the end of the Previous Year. The decline is mainly on account of shifting of funds from Mutual Funds to Loans to the tune of Rs. 363.39 Lacs and net disinvestment of Equity from Long-term Investment Portfolio to the tune of Rs. 68.08 Lacs.

During the year under report, the Company has made a net profit on sale of long-term investments of

**STANDROSE MAFATEAL**

Rs. 78.43 Lacs against Rs. 76.96 Lacs in the previous year.

During the year, the Company earned income by way of Dividend of Rs.76.73 Lacs against Rs.89.73 Lacs in the previous year. Equity Dividend has decreased by Rs. 4.61 Lacs and that of Mutual Funds by Rs. 8.39 Lacs.

**(ii) Leasing and Hire Purchase**

The Company did not conduct any leasing or hire purchase financing activities during the year.

**(iii) Trading in Securities**

During the year under review the Company concentrated its focus on trading in securities and has made a profit of Rs.7.37 Lacs against Rs.26.29 Lacs. The reported lower profit for the year is after adjusting losses on certain investments as also the notional loss of Rs. 20.63 Lacs on following the 'mark to market' Policy for valuation of closing stock.

**(iv) Finance**

The Interest income has increased to Rs.20.41 Lacs from Rs.11.32 Lacs. This increase is mainly due to shifting of funds from Mutual Funds to Intercompany Deposits.

**Opportunities**

The Indian economy provides attractive growth opportunities with GDP growth forecast at 5%-6% per annum over the next several years. The services sector in India is expected to contribute at a faster pace to the 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 the Indian economy.

**Threats**

The entire NBFC Sector faces competitive pressure from the banking sector which enjoys access to lower cost financing. The spread in lending business have narrowed considerably. The working of the NBFCs has continued to be adversely affected by defaults due to recession and absence of proper and speedier recovery laws and procedures; paucity of funds; over-regulation and lack of level-playing field and additive tax treatments and disallowance. The Company's healthy financial position and adoption of suitable business strategies have enabled it to consistently post satisfactory performance despite difficult conditions.

The consistent 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.

**Outlook**

The Company intends to continue to maintain its focus on capital market activities including trading in securities and emerging products in derivatives, while supporting the growth of its subsidiary companies in the areas of broking in securities and trading in goods etc. .

**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.

With lower and lower interest rates regime, the Company's gross income may suffer a setback, as it being a finance company, its main income is return/yield on its deployable funds.

**Adequacy of Internal Control**

The Company has a proper and adequate system of internal controls 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 Audit Committee of the Board of Directors reviews the adequacy of internal controls.

**Human Resource Development (HRD)**

The Company has able and experienced industry professionals and employees. The number of employees stood at 23.

**CORPORATE GOVERNANCE**

A separate report on Corporate Governance is furnished as a part of Directors' Report and the Certificate from the Company's Auditors regarding compliance of the conditions of Corporate Governance is annexed to the said Report.

**FIXED DEPOSITS**

There were no public deposits outstanding at the beginning of the year. Also during the year, the Company has not accepted any fresh public deposits. Reserve Bank of India, vide its certificate of Registration, has classified the Company as a 'NBFI not accepting Public Deposits'.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibilities Statement, the Directors confirm that :

1. The preparation of the annual accounts for the financial year ended 31st March, 2003, the applicable accounting standards have been followed.



2. Accounting policies selected were applied consistently. Reasonable and prudent judgements and estimates were made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2003 and of the profit for the year ended on that date.
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, 2003 have been prepared on a 'going concern' basis.

#### **SUBSIDIARIES**

The High Courts of Mumbai and Ahmedabad have approved the Scheme of Amalgamation of the two wholly owned subsidiary companies viz. Sandeep Traders and Investments Limited and Stanrose Holdings Limited with Mafatlal Lubricants Limited on 27th March and 29th March, 2003, respectively. The Appointed Date of Amalgamation is 1st April, 2001. Upon implementation of the Scheme, Mafatlal Lubricants Limited becomes the substantially owned (86.25%) subsidiary of the Company with effect from 1st April, 2001.

Further during the year under review Anudeep Holdings Limited has become the wholly owned subsidiary of the Company.

As required under Section 212 of the Companies Act, 1956, the audited statements of accounts alongwith the respective Reports of the Board of Directors and Auditors' Report for the Financial Year ended 31st March, 2003 of the two subsidiary companies viz. Mafatlal Lubricants Limited and Anudeep Holdings Limited are annexed hereto.

#### **CONSOLIDATED FINANCIAL STATEMENTS**

As required under Clause No. 32 of the Listing Agreement with the Stock Exchanges, Consolidated Financial Statements of the Company and its subsidiaries prepared in accordance with Accounting Standard 21 are forming part of this Annual Report. These statements have been prepared on the basis of audited financial statements received from subsidiary companies, as approved by their respective Boards.

#### **DIRECTORATE**

Pursuant to Article 155 of the Articles of Association of

the Company read with Section 256 of the Companies Act, 1956, Shri Russi Jal Taraporevala, Shri Arun P. Patel and Shri Rajesh Jaykrishna, Directors of the Company, are due to retire at the ensuing Annual General Meeting and are eligible for re-appointment. Shri Bharat N. Dave the CEO of the Company was appointed as an Additional Director of the Company pursuant to the provisions of Article 139 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956. Shri Bharat N. Dave holds office upto the date of the ensuing Annual General Meeting and is eligible for reappointment as a Director of the Company. It is also proposed to move a resolution at the said Annual General Meeting to appoint Shri Dave as the Managing Director of the Company.

None of the Directors of the Company are disqualified from being appointed as Directors as specified in Section 274 of the Companies Act, 1956.

#### **AUDITORS**

You are requested to appoint Auditors for the current year to hold office from the conclusion of this ensuing Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

#### **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 to date. Hence, no information is required to be appended to the report in this regard.

#### **ACKNOWLEDGMENTS**

Your 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*  
**RAJESH N. MAFATLAL**  
*Chairman*

*Mumbai,*  
*Dated : 25th June, 2003*

## CORPORATE GOVERNANCE

Pursuant to the Code of Corporate Governance introduced by the Securities and Exchange Board of India (SEBI), the Company furnishes its Report as under:

### Company's Philosophy on Corporate Governance

The Company has been practising the principles of corporate governance with an emphasis on transparency and accountability long before these requirements evolved into a regulatory framework, and the Company continues its efforts to improve the emphasis and thereby attempt to ensure that the requirements of the Listing Agreement are fulfilled.

The Company believes that all its operations and actions must serve the underlying goal of enhancing overall value of its shares, over a sustained period of time.

### 1. BOARD OF DIRECTORS

- A. The constitution of the Board and attendance of each Director at the Board Meetings during the year 2002-03 and at the last Annual General Meeting : (See TABLE 1 given at the bottom)

### B. Number of Board Meetings held and the dates on which such Meetings were held:

Four Board Meetings were held during the year on 13.6.2002, 30.9.2002, 18.12.2002 and 7.3.2003.

### 2. AUDIT COMMITTEE

The Company has constituted an Audit Committee comprising of three independent Non-Executive Directors viz. Shri Arun P. Patel, Chairman of the Committee, Shri Rajesh Jaykrishna and Shri Rozal J. Mehta.

The term of reference of this Committee is wide enough covering the matters specified for Audit Committee under the Listing Agreement.

During the year the Committee met thrice. Shri Arun P. Patel attended two Meetings, Shri Rajesh Jaykrishna attended all the meetings and Shri Rozal J. Mehta attended one.

TABLE : 1

Name of Director	Category of Director	No. of Other Directorships *	No. of Other Committee Memberships**	Attendance	
				Board Mtgs.	@Last AGM
1. Shri Rasesh N. Mafatlal Chairman	Non-Independent Non-Executive	4 (Chairman of 2)	—	4	No
2. Shri Russi Jal Taraporevala	Independent Non-Executive	4	6 (Chairman of 3)	2	No
3. Shri Arun P. Patel	Independent Non-Executive	4	—	—	No
4. Shri Rajesh Jaykrishna	Independent Non-Executive	1	—	3	Yes
5. Shri Rozal J. Mehta	Independent Non-Executive	2	—	4	No
6. Shri Jaywantsinh M. Chudasama	Independent Non-Executive	—	—	3	No
7. Shri Pradeep R. Mafatlal	Non-Independent Non-Executive	3 (Chairman of 1)	1	4	No
8. Shri Chetan J. Parikh	Non-Independent Non-Executive	2	—	2	No
9. Shri Bharat N. Dave (from 25-6-03)	Non-Independent Executive	2	—	NA	NA

\* No. of Directorships held in other companies exclude Directorships in Pvt. Ltd. Companies, Foreign Companies and Alternate Directorships.

\*\* No. of Committee Memberships held in other companies exclude Committees other than Audit Committee, Shareholders'/Investors' Grievance Committee, Remuneration Committee and of companies other than Public Limited Companies.

@ Shri Arun P. Patel, Chairman of the Audit Committee could not remain present at the last Annual General Meeting as he was out of India on that date. Shri Rajesh Jaykrishna, another member of the Audit Committee, who is also an independent Director of the Company was present at the AGM to answer the queries of the Shareholders.

All the other out-stationed Directors could not attend the last AGM on account of the terrorist attack on Akshardham at Gandhinagar, two days prior to the date of the AGM and the subsequent uncertainties that prevailed in the city at that time.