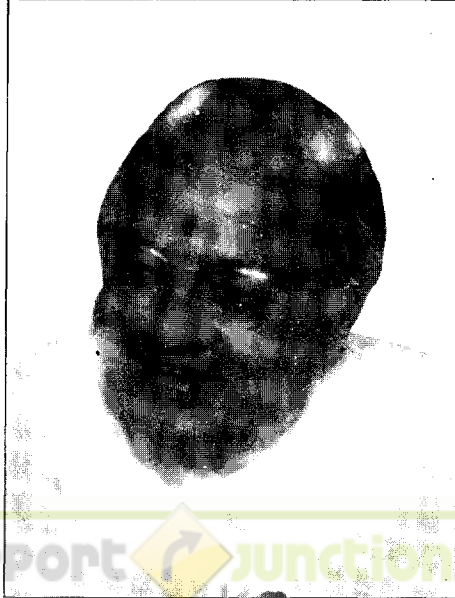


# **STANROSE MAFATLAL INVESTMENTS AND FINANCE LIMITED**

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**24<sup>TH</sup>  
ANNUAL REPORT 2003-2004**



**Rasesh N. Mafatlal**

(6th March, 1934 - 15th June, 2004)

Chairman,

**STANDROSE MAFATLAL**

Group of Companies

यद्यदाचरति श्रेष्ठस्तत्तदेवेतरो जनः ।  
स यत्प्रमाणं कुरुते लोकस्तदनुवर्तते ॥

The actions of a great man are an inspiration for others.  
Whatever he does, becomes a standard for others to follow.

- Bhagwad Gita

# STANROSE MAFATLAL INVESTMENTS AND FINANCE LIMITED

## TWENTY-FOURTH Annual General Meeting

**DATE** : 6th September, 2004  
**DAY** : Monday  
**TIME** : 11.00 A.M.  
**VENUE** : H. T. Parekh Convention Centre  
 AMA Premises,  
 ATIRA Campus, Dr. V. S. Marg,  
 Ahmedabad - 380 015.

## BOARD OF DIRECTORS

SHRI RASESH N. MAFATLAL, *Chairman upto 15-06-04*  
 SHRI PRADEEP R. MAFATLAL, *Chairman from 23-06-04*  
 SHRI RUSSI JAL TARAPOREVALA  
 SHRI ARUN P. PATEL  
 SHRI RAJESH JAYKRISHNA  
 SHRI ROZAL J. MEHTA  
 SHRI JAYWANTSINH M. CHUDASAMA  
 SHRI CHETAN J. PARIKH  
 SHRI BHARAT N. DAVE  
*Managing Director from 1-11-03*

## COMPANY SECRETARY

SHRI GIRISH R. SHAH

## BANKERS

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

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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-fourth Annual General Meeting of the Members of the Company will be held on Monday, the 6th day of September, 2004 at 11.00 A.M. at H.T. Parekh Convention Centre, AMA Premises, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad - 380 015, 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, 2004 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 Rozal J. Mehta, 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 Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered as follows:

- (i) In Articles 5, 13 and 17:  
For the words "Share Premium Account" the words "Securities Premium Account" shall be substituted.
- (ii) In Article 17, after sub-clause (d), the following new sub-clause (e) be inserted:  
"for any other purpose, in accordance with the provisions of law, as may be in force from time to time."
- (iii) The existing Article 242(2)(a) be deleted and the existing Article 242(2)(b) be renumbered as 242(2).

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 Sections 78, 100 to 104 and other applicable provisions, if any, 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), Articles 13 and 17 of

the Articles of Association of the Company and subject to the approval of the Shareholders and subject to the confirmation of the High Court of Judicature at Ahmedabad an amount not exceeding Rs.735.47 Lacs out of the balance amount of Rs.991.98 Lacs standing to the credit of the Securities/Share Premium Account of the Company as at 31st March, 2004 be utilised for adjusting the likely diminution in the value of certain long-term investments made by the Company say in the Equity Shares of a subsidiary company viz. Stanrose Mafatlal Lubechem Limited and in the Equity Shares of an associate company viz. Standard Industries Limited, if and when the situation demands for making such provision, as may be approved by the Hon'ble High Court of Judicature at Ahmedabad."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolution and for removal of any difficulties or doubts, the Board of Directors of the Company (hereinafter referred to as 'the Board' which terms shall be deemed to include any Committee or any person which the Board may nominate/constitute to exercise its powers, including the powers conferred under this Resolution) be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient, usual or proper and to settle any question or difficulty that may arise with regard to the aforesaid utilisation/adjustment of Securities/Share Premium Account including passing of such accounting entries or making such other adjustments in the books of account as considered necessary to give effect to the above Resolution or to carry out such modifications/directions as may be ordered by the Hon'ble High Court of Judicature at Ahmedabad to implement the aforesaid Resolution."

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

Mumbai,  
Dated: 23rd June, 2004

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

### 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 introduced the facility of ECS.

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 2003-2004 the ECS mandate should be lodged with the Company on or before 1st September, 2004.

- (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.
- (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 Section 194 of the Income-tax Act, 1961 no tax will be deducted from any dividends declared, distributed or paid.
- (j) Details required to be furnished in terms of Clause No. 49 of the Listing Agreement with 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 Rozal J. Mehta**

Shri Rozal J. Mehta, aged 59 years has studied in England and is a well-known industrialist. He has a very wide experience in industry, finance and corporate affairs.

He is a Director on the Board of Peass Industrial Engineers Ltd., Rodal Investments Pvt. Ltd., Nacosi Fabrics Pvt. Ltd., Mimosa Investments Pvt. Ltd., Port Investments Pvt. Ltd., Kamet Investments Pvt. Ltd., Ridge Business Centre Pvt. Ltd., Sam Knits Pvt. Ltd., Ma Shri Kami Exports Pvt. Ltd. and Suryakrupa Finance Ltd.

Shri Rozal J. Mehta is a member of the Audit Committee and Remuneration Committee of the Company.

**2. Shri Jaywantsinh M. Chudasama**

Shri Jaywantsinh M. Chudasama, aged 74 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 12 years. He has wide knowledge and long experience in various types of business for over 23 years.

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

**3. Shri Pradeep R. Mafatlal**

Shri Pradeep R. Mafatlal, aged 39 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 12 years. Consequent upon demise of the former Chairman Shri Rasesh N. Mafatlal he has become the Chairman of the Board of Directors of the Company with effect from 23rd June, 2004. He is a member of Shareholders'/Investors' Grievance Committee of the Company. He is the Chairman in certain companies of the Stanrose Mafatlal Group viz. Mafatlal Enterprises Ltd., Vice Chairman and Managing Director of Shanudeep Pvt. Ltd., Vice Chairman of Sheiladeep Investments Private Limited and Vinadeep Investments Pvt. Ltd. in addition he is a Director of Standard Industries Ltd., and I.I.T. Corporate Services Ltd.

He is also a Member on the Managing Committee of the Indian Merchants' Chamber and the Co-Chairperson of its Industry & Environment Committee. He is also a Member of the Shareholder/Investors' Grievance Committee of Standard Industries Ltd.

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.

- (k) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, is annexed herewith.
- (l) The Memorandum and Articles of Association of the Company referred to in Resolutions 7 & 8 together with the proposed alteration are open for inspection of the Members at the Registered Office of the Company between 11.00 A.M. and 2.00 P.M. except on holidays.

**ANNEXURE TO THE NOTICE:**

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

In respect of Item Nos. 7 and 8.

1. Stanrose Mafatlal Lubechem Limited, one of our subsidiary companies in which the Company is holding 43,98,216 Equity Shares of Rs.5/- each with an average carrying cost of Rs.5.61 per share aggregating to Rs.2,46,60,480 has even after effecting major financial restructuring including 95% reduction in paid up capital, deteriorated its assets and liabilities position with huge accumulated losses. Of course it has made a net profit of Rs.8.28 Lacs for the year ended 31st March, 2004 and still its networth being positive, no immediate provision is required to be made in the Books.
2. Standard Industries Limited, one of our associate companies in which the Company is holding 1,00,72,500 Equity Shares of Rs.5 each with an average carrying cost of Rs.9.85 per share aggregating to Rs.9,92,48,908 has effected a major financial restructuring to make the level of its capital commensurate with the current level of its business operations, for which it, inter alia, reduced the paid-up value of its each equity share of Rs.10 to Rs.5 by cancelling Rs.5 per share. Standard Industries Ltd. also could not pay dividend since last 5 years. It has totally suspended its in-house production of Textile and Garments Division to stop further losses of its resources. The revenue and margins from the remaining segments of its business are also under pressure. Of course it is still a going concern backed by huge physical assets with a Book-Value of more than Rs.12 for each of its equity share of the reduced face value of Rs.5 as at 30th September, 2003 and the same being in the long-term investment portfolio of the Company, the difference between the carrying cost and the reduced paid-up value as aforesaid is not immediately required to be provided in the books.
3. The Company has, as at 31st March, 2004, an amount of Rs.991.98 Lacs standing to the credit of Share Premium Account. Whereas in view of the foregoing, if Stanrose Mafatlal Lubechem Limited and Standard Industries Limited do not turn around, may necessitate the Company to provide for diminution in value of investments made by the Company in their Equity shares as aforesaid. The regular annual profits cannot absorb such a huge provisioning requirement. It is, therefore, considered desirable to draw an aggregate amount of Rs.735.47 Lacs from the Share Premium Account and utilise the same for making provision, as aforesaid, if and when the situation so demands and the Board finds it expedient.

4. The above financial adjustment will not cause any prejudice to the creditors of the Company. For the sake of clarity, it is specified that the proposed financial adjustment does not involve either the diminution of any liability in respect of Unpaid Capital or the payment to any shareholder of any paid-up capital. The creditors of the Company are in no way affected by the proposed financial adjustment as there is no reduction in the amount payable to any of the creditors, no compromise or arrangement is contemplated with the creditors and also there is no reduction in the security which the creditors may have in the assets of the Company.

Further, the proposed adjustment would not in any way adversely affect the ordinary operations of the Company or the ability of the Company to honour its commitments or to pay its debts in the ordinary course of business.

5. For implementing the aforesaid financial adjustment programme, it is proposed to amend Article 17 and delete the existing Article 242(2)(a) of the Company's Articles of Association as set out in the Resolution at Item no. 7 which will permit the Company to utilise the Securities Premium Account for any other application as per the provisions of law. The amendment to Articles 5 and 13 is proposed to bring about uniformity in the usage of term 'Securities Premium Account' in place of 'Share Premium Account'.
- The Special Resolution at item 7 is, therefore, proposed pursuant to Section 31 of the Companies Act, 1956.
6. In terms of the provisions of Section 78(1) of the Companies Act, 1956, the Securities Premium Account utilised for the purposes other than those mentioned in Section 78(2) of the Companies Act, 1956, would amount to a reduction in share capital and hence procedure under Sections 100 to 104 of the Companies Act, 1956, as applicable to a reduction of capital would have to be followed. Hence the Special Resolution under Section 78 read with Section 100 is set out in Item No. 8 of the accompanying Notice for the Approval of the Members.
7. None of the Directors of the Company may be deemed to be interested in the proposed Resolutions at Item Nos. 7 and 8.

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

Mumbai,  
 Dated: 23rd June, 2004

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



## DIRECTORS' REPORT

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

Shri Rasesh N. Mafatial, the senior most member and the Chairman of the Board from the very first year of the incorporation of the Company, peacefully passed away in the early hours of 15th June, 2004. The Board placed on record its sense of appreciation for the valuable services rendered and guidance given by him during the tenure of his association with the Company. Shri Raseshbhai's memory will be cherished by many and his hard work, foresight, dedication and perseverance will continue to inspire the future generations. Amongst the qualities Shri Mafatial possessed were humility and a quest for excellence. His legacy and high ethical standards will be the guiding force for the Company. All of us on the Board are committed to perpetuate his principles with determination and dedication.

Your Directors hereby present the Twenty-fourth Annual Report together with the Audited Statements of Account of the Company for the financial year ended 31st March, 2004.

### FINANCIAL RESULTS:

	Current Year Rupees	Previous Year Rupees
Total Income	2,20,58,046	2,06,44,303
Gross Profit	1,38,01,647	1,36,38,637
Less: Depreciation	17,03,842	21,23,660
Profit before Tax	1,20,97,805	1,15,14,977
Less: Provision for Taxation	(42,537)	5,55,929
Excess/(Short) provision for taxation in respect of earlier years (Net)	63,315	(44,104)
Profit after Tax	1,22,03,657	1,09,14,944
Add: Balance in Profit brought forward from Previous Year	1,66,62,105	1,68,99,781
Available for Appropriation	2,88,65,762	2,78,14,725
Transferred to Reserve u/s. 45 IC of RBI Act, 1934	25,00,000	22,00,000
Proposed Dividend	79,35,840	79,35,840
Tax on Dividend	10,16,780	10,16,780
Surplus carried to Balance Sheet	1,74,13,142	1,66,62,105

### 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, 2004 which, if approved by the Shareholders at the forthcoming Annual General Meeting to be held on 6th September, 2004, will be paid on 16th September, 2004, to those Shareholders whose names appear on the Register of Members of the Company on 14th August, 2004.

## 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, 2004.

The gross income for the year was Rs.220.58 Lacs compared to Rs.206.44 Lacs in the previous year. Profit after tax was Rs.122.04 Lacs which is slightly higher as compared to Rs. 109.15 Lacs in the Previous Year. The increase in the level of Gross Income and Profit was mainly on account of active trading in shares and securities.

Depreciation was lower at Rs.17.04 Lacs (Previous Year Rs.21.24 Lacs). The Deferred-tax for the year results into a tax asset of Rs.5.93 Lacs, whereas the current-tax liability is of Rs.5.50 Lacs resulting into a net credit of Rs.0.43 Lac to Profit and Loss Account instead of charging it for taxation provision.

The Net Worth of the Company for the year stood at Rs.2619.61 Lacs as against Rs.2581.17 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, 2004. The total worth of Company's Quoted and Unquoted Investments (including Stock-in-trade) as at 31st March, 2004 is Rs. 2980.01 Lacs, as against Rs.1943.92 Lacs at the end of the Previous Year. The increase is mainly on account of overall increase in Market Capitalisation and additional net investment in Equity and Mutual Funds to the tune of Rs. 474.03 Lacs.

During the year under report, the Company has made a strategic acquisition of 12,02,000 Equity Shares of Rs.10 each of Industrial Investment Trust Ltd. at an average cost of Rs.23.34 per share aggregating to Rs.280.55 Lacs.

During the year under report, the Company has made a net profit on sale of long-term investments of Rs.45.95 Lacs against Rs.78.43 Lacs in the previous year.

During the year, the Company earned income by way of Dividend of Rs.76.90 Lacs against Rs.76.73 Lacs in the previous year.

## **(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.68.36 Lacs against Rs.7.37 Lacs. The increase is mainly attributed to the buoyant market conditions prevailing during the year and better judgements that were right.

## **(IV) Finance**

The Interest income has decreased to Rs.13.57 Lacs from Rs.20.41 Lacs. This decrease is mainly due to shifting of funds from Intercompany Deposits to Equity and Mutual Funds.

## **Opportunities**

The Indian economy provides attractive growth opportunities with GDP growth forecast at 6.5 to 7% for 2004-05 and onwards. 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 has narrowed considerably. The working of the NBFCs has continued to be adversely affected by defaults 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. Depressing market conditions of late, if continued may also affect adversely. 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 22.

## **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 it.

## **FIXED DEPOSITS**

Your Company has not accepted any public deposits during the year under review.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

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

1. The preparation of the annual accounts for the financial year ended 31st March, 2004, 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, 2004 and of the profit for the year ended on that date.



**STANROSE MAFATLAL**

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, 2004 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, 2004, of the two subsidiaries of the Company, namely Stanrose Mafatlal Lubechem 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 Rozal J. Mehta, 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.

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 the 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*  
**Pradeep R. Mafatlal**  
*Chairman*

*Mumbai,*  
*Dated : 23rd June, 2004*

**STANROSE MAFATLAL INVESTMENTS AND FINANCE LIMITED****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**

Corporate Governance is a combination of voluntary practices and compliance with Laws and Regulations leading to effective control and management of the organisation. Good Corporate Governance leads to long-term shareholder value and enhances interest of other stake holders. It brings into focus the fiduciary and trusteeship role of the Board to align and direct the actions of the organisation towards creating wealth and shareholder value.

**1. BOARD OF DIRECTORS**

- A. The constitution of the Board and attendance of each Director at the Board Meetings during the year 2003-04 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 25-6-2003, 26-9-2003, 23-10-2003 and 15-1-2004.

**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 and Shri Rajesh Jaykrishna attended all the meetings, whereas Shri Rozal J. Mehta could not attend any.

**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 (Upto 15-06-04)	Non-Independent Non-Executive	3 (Chairman of 1)	—	3	No
2. Shri Pradeep R. Mafatlal (Chairman from 23-06-04)	Non-Independent Non-Executive	3 (Chairman of 1)	1	4	Yes
3. Shri Russi Jal Taraporevala	Independent Non-Executive	3	6 (Chairman of 3)	4	Yes
4. Shri Arun P. Patel	Independent Non-Executive	4	—	2	Yes
5. Shri Rajesh Jaykrishna	Independent Non-Executive	1	—	2	Yes
6. Shri Rozal J. Mehta	Independent Non-Executive	2	—	3	No
7. Shri Jaywantsinh M. Chudasama	Independent Non-Executive	—	—	3	Yes
8. Shri Chetan J. Parikh	Non-Independent Non-Executive	2	—	3	No
9. Shri Bharat N. Dave (Managing Director from 01-11-03)	Non-Independent Executive	2 (Chairman of 1)	—	4	Yes

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

\*\* 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 Rasesh N. Mafatlal, Chairman of the Board expired on 15th June, 2004. Shri Pradeep R. Mafatlal has been appointed as the Chairman of the Board with effect from 23rd June, 2004.