

# STANROSE MAFATLAL INVESTMENTS AND FINANCE LIMITED



# 28<sup>TH</sup>

ANNUAL REPORT 2007-2008

# STANROSE MAFATLAL INVESTMENTS AND FINANCE LIMITED

## TWENTY-EIGHTH Annual General Meeting

**DATE** : 15th September, 2008  
**DAY** : Monday  
**TIME** : 11.30 A.M.  
**VENUE** : H. T. Parekh Convention Centre  
 AMA Premises,  
 ATIRA Campus, Dr. V. S. Marg,  
 Ahmedabad - 380 015.

## BOARD OF DIRECTORS

SHRI PRADEEP R. MAFATLAL,  
*Chairman*  
 SHRI RUSSI JAL TARAPOREVALA  
 SHRI ARUN P. PATEL  
 SHRI RAJESH JAYKRISHNA  
 SHRI ROZAL J. MEHTA  
 SHRI CHETAN J. PARIKH  
 SHRI BHARAT N. DAVE  
*Managing Director*  
 SHRI KERSI J. PARDIWALLA

## CONTENTS

## PAGE

|   |    |
|---|----|
| Board of Directors, etc.                        | 1  |
| Notice  | 2  |
| Directors' Report                               | 4  |
| Corporate Governance                            | 7  |
| Auditors' Report                                | 12 |
| Balance Sheet                                   | 14 |
| Profit and Loss Account                         | 15 |
| Cash Flow Statement                             | 16 |
| Schedules & Notes on Accounts                   | 17 |
| Balance Sheet Abstract, etc.                    | 27 |
| Statement u/s. 212                              | 28 |
| <b>Consolidated Financial Statements (CFS):</b> |    |
| Auditors' Report on CFS                         | 29 |
| Consolidated Balance Sheet                      | 30 |
| Consolidated Profit and Loss Account            | 30 |
| Consolidated Cash Flow Statement                | 31 |
| Schedules & Notes on CFS                        | 32 |
| <b>Subsidiary Company :</b>                     |    |
| Anudeep Holdings Limited                        | 40 |
| Circular on ECS / Bank Mandate                  | 45 |
| Proxy Form and Attendance Slip                  |    |

## COMPANY SECRETARY

SHRI GIRISH R. SHAH

## BANKERS

HDFC BANK LTD.  
 IDBI BANK LTD.  
 AXIS BANK LTD.  
 CITI BANK, N.A.

## AUDITORS

C. C. CHOKSHI & COMPANY  
*Chartered Accountants*

## REGISTERED OFFICE

POPULAR HOUSE  
 ASHRAM ROAD  
 AHMEDABAD-380 009

## CORPORATE OFFICE

VIJYALAXMI MAFATLAL CENTRE  
 57-A, DR. G. DESHMUKH MARG,  
 MUMBAI-400 026

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

**STANDROSE MAFATLAL****NOTICE**

NOTICE IS HEREBY GIVEN THAT the Twenty-eighth Annual General Meeting of the Members of the Company will be held on Monday, the 15th September, 2008 at 11.30 A.M. at H. T. Parekh Convention Centre, AMA Premises, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad - 380 015, to transact the following business:

**ORDINARY 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, 2008 and Balance Sheet of the Company as on that date.
2. To declare a Dividend on Equity Shares. The Board of Directors has recommended a Dividend @ 30% i.e. Rs.3/- per Equity Share of Rs.10/- each.
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 Chetan J. Parikh, who retires by rotation and is eligible for re-appointment.
5. To re-appoint M/s. C. C. Chokshi & Co., Chartered Accountants, Ahmedabad, as Statutory Auditors of the Company 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:**

6. 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 all 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), the Articles of Association of the Company be and are hereby altered as under:

- a) The following new Article 12A be inserted after the existing Article 12 in the Articles of Association of the Company:

**'12A Buy-back of Shares:**

Notwithstanding anything contained in these Articles, the Board of Directors may, when and if thought fit, buy-back such of the Company's own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions and in accordance with the provisions of Sections 77A, 77AA and 77B of the Act or any statutory modification/s thereto and such other regulations and guidelines as may be issued in this regard.'

- b) The following new Articles 116A and 116B be inserted after the existing Article 116 in the Articles of Association of the Company:

**'116A Postal Ballot**

The Company shall put to vote such of the resolutions as are specified by the Authority, pursuant to the provisions of Section 192A of the Companies Act, 1956, through postal ballot as may be specified, from time to time and shall declare the results thereof within

the time specified under the Act at the Registered Office of the Company and that it will not be necessary for the Company to hold the General Meeting for this purpose.'

**'116B Discretionary power to resort to Postal Ballot**

Notwithstanding the provisions of Article 116A, the Board of Directors of the Company shall at their absolute discretion, obtain the decision of the members with regard to any matters through postal ballot and if the Directors so decide, the provisions of Section 192A and other provisions of the Act shall apply to such Resolutions as if the Resolutions were compulsorily required to be passed through postal ballot.'

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, expedient or proper, from time to time for giving effect to the above resolution and matters incidental thereto. AND THAT they be authorized to delegate all or any of the authorities conferred as above to any Director(s)/Officer(s)/ Authorised Representative(s) of the Company, in order to give effect to the Resolution."

**Registered Office:**

Popular House,  
Ashram Road,  
AHMEDABAD - 380 009.

By Order of the Board

**G. R. SHAH**

Company Secretary

Mumbai, Dated: 27th June, 2008

**Notes:**

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND ON A POLL, TO VOTE INSTEAD OF HIMSELF 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 their Bank Account details to ensure safe and prompt realization of Dividend amount. 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 has introduced the facility of ECS. Shareholders who wish to avail ECS facility, may authorize the Company with ECS Mandate in the prescribed Form printed elsewhere in the Annual Report. For payment through ECS for the year 2007-08, the ECS Mandate should be lodged with the Company on or before 5th September, 2008.

- (e) As permitted by SEBI and Companies Act, 1956, we have circulated the Abridged Financial Statements of Stanrose Mafatlal Investments and Finance Limited (SMIFL) alongwith the Unabridged Consolidated Balance Sheet, Profit and Loss Account, Cash Flow Statements, Schedules and Notes attached thereto, etc. to the members. The detailed Financial Statements of SMIFL and its subsidiary, Anudeep

**STANROSE MAFATLAL INVESTMENTS AND FINANCE LIMITED**

Holdings Ltd. are open for inspection at the Registered Office of the Company on all working days between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting and will be furnished to the shareholders on a written 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) Corporate Members intending to send their Authorized Representatives are requested to send a Certified Copy of the Board Resolution authorizing their Representatives to attend and vote at the Annual General Meeting.
- (h) Details required to be furnished in terms of Clause No. 49 of the Listing Agreements with the Stock Exchanges relating to the Corporate Governance in respect of the Directors being proposed for appointment at 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.

He continues to be a Director of various Public and Private Limited Companies viz. Standard Industries Limited, Gabriel India Ltd., D. B. Taraporevala Sons & Co. Private Ltd. and Taraporevala Publishing Industries Pvt. Ltd.

He is the Chairman of the Audit Committee and Remuneration Committee and a Member of Shareholders'/Investors' Grievance Committee of Standard Industries Limited.

He is also the Chairman of the Shareholders'/Investors' Grievance Committee of the Company and that of Gabriel India Ltd.

He is holding 32 Equity Shares of Rs.10/- each in the Company as a joint-holder along with Ms. Sooni Jal Taraporevala.

**2. Shri Chetan J. Parikh :**

Shri Chetan J. Parikh, aged 50 years, has done MBA from Wharton School, University of Pennsylvania, USA and is an eminent Financial Analyst and Proprietary Investor. He possesses wide experience and sound background for dealing in Capital Market related activities, the core business of the Company.

He is on the Board of Anudeep Holdings Ltd., Anudeep Enterprises Pvt. Ltd., Ceeparikh Investments Pvt. Ltd., Cerebrum Online Pvt. Ltd., Discover Investment Advisors Pvt. Ltd., Jeetay

Investments Pvt. Ltd., Leasecon Investments Pvt. Ltd., Nariman Point Realty Services Pvt. Ltd., Plastcon Packaging Pvt. Ltd., Pratijit Investments Pvt. Ltd., Sheilaja Enterprises Pvt. Ltd., Tak Machinery and Leasing Ltd., Valudeas Online Pvt. Ltd. and Veeparikh Investments Pvt. Ltd.

Shri Chetan J. Parikh is the brother-in-law of Shri Pradeep R. Mafatlal and is not holding any shares in the Company.

- (i) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, is annexed herewith.

**ANNEXURE TO THE NOTICE:**

**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.**

In conformity with the provisions of Section 173(2) of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to Item No. 6 contained in the accompanying Notice dated 27th June, 2008.

**In respect of Item No. 6**

**Alteration of Articles of Association**

Sections 77A, 77AA and 77B of the Companies Act, 1956 stipulate provisions for purchase of own shares and other specified securities by a company. However, pursuant to clause (a) of sub-section (2) of Section 77A of the said Act, the Company is required to have necessary Authorisation in its Articles of Association for buy-back of shares.

Accordingly, it is proposed to alter the Articles of Association of the Company by insertion therein of a new Article 12A immediately after the existing Article 12. The new Article contains the powers of the Company to buy-back its own shares in accordance with the applicable statutory provisions and guidelines.

Section 192 A of the Companies Act, 1956, inter alia, requires listed public limited companies to conduct certain business, as specified by the Central Government by notification, only by postal ballot. Further the Company may conduct any other business through postal ballot subject to compliance with any other applicable provisions of the Companies Act, 1956.

As such Section 192A of the Companies Act, 1956, empowers the Company to conduct any business through postal ballot without having such provisions in its Articles of Association. However, the Board of Directors of the Company deems it appropriate to insert the provisions relating to Postal Ballot in the Articles of Association as a matter of good corporate practice.

Pursuant to the provisions of the Companies Act, 1956, a company may by a Special Resolution alter its Articles of Association. Accordingly, your Directors recommend the Special Resolution as set out under Item No. 6 of the accompanying Notice for approval of the Members.

The Memorandum and Articles of Association of the Company together with the proposed alterations are open for inspection of the members at the Registered Office of the Company on any working day between 11.00 a.m. and 1.00 p.m. till the date of ensuing Annual General Meeting.

None of the Directors of the Company is in any way concerned or interested in this Resolution.

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

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

Mumbai, Dated: 27th June, 2008

**STANROSE MAFATLAL****DIRECTORS' REPORT**

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

Your Directors have pleasure in presenting the Twenty-eighth Annual Report together with the Audited Statements of Account of the Company for the financial year ended 31st March, 2008.

**FINANCIAL RESULTS:**

|  | (Rupees in Lacs)       |                         |
|--|------------------------|-------------------------|
|  | Current Year<br>Rupees | Previous Year<br>Rupees |
| Total Income   | 405.20                 | 387.98                  |
| Gross Profit   | 261.17                 | 258.49                  |
| Less: Depreciation   | 22.24                  | 27.64                   |
| Profit before Tax  | 238.93                 | 230.85                  |
| Less: Provision for Taxation :                                 |                        |                         |
| Current  | 14.00                  | 16.50                   |
| Deferred   | (2.30)                 | (7.63)                  |
| Fringe Benefit Tax   | 2.25                   | 2.00                    |
|  | 224.98                 | 219.98                  |
| Add:   |                        |                         |
| Excess provision for taxation<br>in respect of an earlier year | 8.54                   | —                       |
| Profit after Tax   | 233.52                 | 219.98                  |
| Add: Balance in Profit brought<br>forward from Previous Year   | 338.57                 | 325.36                  |
| Available for Appropriation                                    | 572.09                 | 545.34                  |
| Transferred to Reserve<br>u/s. 45 IC of RBI Act, 1934          | 48.00                  | 45.00                   |
| Transfer to General Reserve-I                                  | 27.55                  | 22.50                   |
| Proposed Dividend  | 119.04                 | 119.04                  |
| Tax on Dividend  | 20.23                  | 20.23                   |
| Surplus carried to<br>Balance Sheet                            | 357.27                 | 338.57                  |

**DIVIDEND**

Your Directors recommend a Dividend @ 30% (Previous Year 30%) on 39,67,920 Equity Shares of Rs.10 each aggregating to Rs. 119.04 Lacs for the financial year ended on 31st March, 2008, which if approved by the Shareholders at the forthcoming Annual General Meeting to be held on 15th September, 2008, will be paid on 29th September, 2008, to those shareholders whose names appear on the Register of Members of the Company on 23rd August, 2008.

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)****MACROECONOMIC OVERVIEW**

The advance estimates of the Central Statistical Organisation (CSO) placed India's real GDP growth at 8.7% for 2007-08 down from 9.6% in the previous year. Nonetheless, given the deterioration in the global macro environment, India continues to be amongst the fastest growing nations, backed by robust growth in domestic consumption and investment. The services and industry

sectors continue to drive the Indian economy, having grown at an estimated 10.8% and 8.5% respectively, while the agricultural sector grew at 4.5%. Direct tax collections were extremely buoyant during the year, having grown by over 40%.

The key concern for the economy is controlling inflation, with the wholesale price index having touched 7.4% for the week ended March 29, 2008 (11.42% for the week ended 27th June, 2008) due to sharp increases in the prices of oil and primary commodities.

**Market Scenario**

During the year under review, the repercussions of the US mortgage subprime crisis were still reverberating through the global financial system. The danger of global recession has increased at the current juncture. On domestic front the outlook remained positive upto January, 2008. Since then, the prospects for growth in the year ahead have been trimmed as risks to inflation and inflation expectations from the upside pressure due to international food, crude and metal prices have become more potent and real than before. Indian stock market reflects the impact of all these factors consistently which is evident from the high volatility and the drop of BSE Sensex from the peak level of 21207 on 10th January, 2008 to 14293.32 on 23rd June, 2008.

The Company in its investment activity, is guided by its investment philosophy of prudence and will continue to endeavor to achieve good returns while ensuring adequate security and safety of the capital. The Company would constantly explore the market for identifying good investment and/or disinvestment opportunities. The performance of the Company is directly related to the performance of its investments.

**Financial Review**

The total income for the year was Rs.405.20 Lacs as compared to Rs. 387.98 Lacs in the previous year. Profit after tax was Rs. 233.52 Lacs, which is slightly higher as compared to Rs.219.98 Lacs in the previous year, mainly on account of receipt of higher dividend from Standard Industries Limited.

Depreciation was lower at Rs.22.24 Lacs (Previous Year Rs. 27.64 Lacs). The Current tax liability is of Rs.16.25 Lacs including Fringe Benefit Tax of Rs.2.25 Lacs and Wealth Tax of Rs.0.50 Lac, whereas the working of Deferred Tax Liability results into a Tax Asset of Rs.2.30 Lacs.

The Net Worth of the Company as at 31st March, 2008 stood at Rs. 3108.05 Lacs as against Rs. 3013.84 Lacs on 31st March, 2007.

**Industry Structure and Developments**

The 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.

NBFCs continue witnessing strong competition in their traditional areas of retail lending from Banks and Financial Institutions. Banks which have innate advantage of lower



## STANROSE MAFATLAL INVESTMENTS AND FINANCE LIMITED

cost of funds, are taking an increasing share in retail financing and providing a strong competition to NBFCs.

In this scenario, NBFCs are under pressure to cut costs and to develop a focused marketing approach on selected customer segments by offering more personalized services. The entry of strong NBFCs in insurance and banking has been one of the major developments in this sector.

### Business Review

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

#### (i) Inter-corporate Investments

The Company's investment portfolio is reviewed from time to time. Details of the Company's investments are given in Schedule 4 of the Balance Sheet of the Company as at 31st March, 2008. The total worth of Company's Quoted and Unquoted Investments (including Stock-in-trade) as at 31st March, 2008 is Rs.10611.84 Lacs as against Rs. 8334.43 Lacs at the end of the Previous Year. The increase is mainly on account of overall increase in Market Capitalisation.

During the year under report, the Company has net disinvestment of Rs.68.56 Lacs of securities from its long-term investment portfolio as against net investment of Rs.349.12 Lacs in the previous year.

During the year under report, the Company has made a net profit of Rs.155.63 Lacs on sale of long term investments as against Rs.198.30 Lacs in the previous year.

During the year, the Company earned income by way of Dividend of Rs.125.49 Lacs against Rs.91.32 Lacs in the previous year. The increase in dividend income is mainly on account of receipt of dividend of Rs.75.96 Lacs from Standard Industries Ltd. for its financial period of 18 months ended on 30th September, 2007 as against Rs.31.48 Lacs received from it in the previous year for its financial period of six months ended on 31st March, 2006.

After the close of the year, the Company has disinvested securities of the aggregate Book Value of Rs.197.67 Lacs and realized a profit of Rs.512.73 Lacs from its long term investment portfolio.

#### (ii) Trading in Securities

During the year under review, the Company concentrated its focus on trading in securities and has made a profit of Rs.102.01 Lacs as against Rs.75.03 Lacs in the previous year.

#### (iii) Finance

During the year under report the Company earned interest income of Rs.14.07 Lacs as against Rs.12.39 Lacs in the previous year.

### Opportunities

The growing Indian economy will continue to provide several attractive growth opportunities. The increasing thrust on Infrastructure Sector will continue to provide excellent investment opportunities in future.

The Services Sector which is also growing at a rapid pace and contributing substantially to GDP will provide many new opportunities for the financial services industry in India.

### Threats

The NBFC sector continues to face competition from local and multinational players in the market.

The Banking Sector and Financial Institutions have increased their penetration in consumer financing market with comparatively low cost funds at their disposal. The spread in the lending business has narrowed considerably.

### Outlook

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

### Risk and Concern

The Company is exposed to specific risks that are particular to its business and the environment within which it operates, including interest rate volatility, economic cycle, credit risk and market risk. The Company has significant quoted investments which are exposed to fluctuations in stock prices. These investments represent a material portion of the Company's business and are vulnerable to fluctuations in the stock markets. Any decline in prices of the Company's quoted investments may affect its financial position and the results of its operations. The Company has a well diversified portfolio of stocks to mitigate any stock specific risks. It continuously monitors its market exposure and tries to manage these risks by following prudent business and risk management practices.

### Adequacy of Internal Control

The Company has a proper and adequate system of internal controls to ensure that all its assets are safeguarded and protected against loss from unauthorized use or disposition of assets and that the transactions are authorized, 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 a team of able and experienced industry professionals and employees. The number of employees stood at 22.

### CORPORATE GOVERNANCE

Your Directors adhere to the requirements set by the Securities and Exchange Board of India's Corporate Governance practices and have implemented all the stipulations prescribed.

## STANROSE MAFATLAL

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' Responsibilities Statement, the Directors confirm that:

1. In the preparation of the annual accounts for the financial year ended 31st March, 2008, the applicable accounting standards have been followed and that there are no material departures from the same.
2. Accounting policies selected were applied consistently. Reasonable and prudent judgments 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, 2008 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, 2008 have been prepared on a 'going concern' basis.

### SUBSIDIARIES

The Company has got two subsidiaries, viz. Anudeep Holdings Limited (AHL) and Stanrose Mafatlal Lubechem Limited (SMLL).

In compliance with the provisions of Section 212 of the Companies Act, 1956, the audited Statements of Account along with the Directors' Report for the Financial Year ended 31st March, 2008 of AHL, a wholly owned subsidiary of the Company is annexed to the unabridged financial statements of the Company.

SMLL, a substantially owned subsidiary of the Company is in liquidation. The Hon'ble High Court of Bombay has admitted the Winding-up Petition filed by one of the creditors and appointed a Provisional Liquidator on 21st March, 2007, who has initiated its liquidation proceedings. Therefore, the statements/documents pertaining to it as at 31st March, 2008 pursuant to Section 212(1) of the Companies Act, 1956 are not attached to the accounts of the Company as also the Consolidated Financial Statements/Results do not contain its performance.

### 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 subsidiary 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 Anudeep Holdings Ltd. a subsidiary company, as approved by its Board.

As reported hereinabove, the other subsidiary viz. Stanrose Mafatlal Lubechem Limited, being in liquidation, the Consolidated Financial Statements do not reflect its performance.

The Group recorded a consolidated net profit of Rs. 234.19 Lacs for the year 2007-2008 as compared to Rs.233.52 Lacs for the Company. The networth of the Group as on 31st March, 2008 was Rs.3114.51 Lacs as compared to Rs. 3108.05 Lacs for the Company.

### DIRECTORATE

Pursuant to Article 155 of the Articles of Association of the Company read with Section 256 of the Companies Act, 1956, Shri Russi Jai Taraporevala and Shri Chetan J. Parikh, are due to retire at the ensuing Annual General Meeting and are eligible for re-appointment.

None of the Directors of the Company is disqualified from being appointed as a Director as specified under Section 274 of the Companies Act, 1956.

### AUDITORS AND AUDITORS' REPORT

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

Your 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.

### ACKNOWLEDGEMENTS

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 : 27th June, 2008

**STANROSE MAFATLAL INVESTMENTS AND FINANCE LIMITED****CORPORATE GOVERNANCE**

Securities and Exchange Board of India (SEBI) has stipulated Corporate Governance standards for listed companies vide Clause No. 49 of the Listing Agreements with the Stock Exchanges. The Company furnishes its report on the Corporate Governance 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 organization. Good Corporate Governance leads to long-term shareholder value and enhances interest of other stakeholders. It brings into focus the fiduciary and trusteeship role of the Board to align and direct the actions of the organization towards creating wealth and shareholder value.

**1. BOARD OF DIRECTORS:****(A) Composition of the Board:**

The Company's Board consists of Directors having varied experience in different areas with some eminent personalities who have made a mark in their respective fields. The composition of the Board is in conformity with the provisions of Clause 49 of the Listing Agreements. Shri Pradeep R. Mafatlal, a Non-Executive Promoter

Director, is the Chairman of the Company, heading the Board. The Board comprises of 8 Directors. Of these, 4 Directors are Independent Non-Executive and 4 are Non-Independent (including one Managing Director of an Associate Company, viz. Standard Industries Ltd.). Shri Chetan J. Parikh is the brother-in-law of Shri Pradeep R. Mafatlal.

**(B) Category of Directors, their attendance at the Board and AGM, etc.**

The category of Directors, their attendance at the Board Meetings during the year 2007-08 and the last Annual General Meeting, the particulars of No. of other Directorships and Committee Memberships held are as follows: (See Table-1 given at the bottom)

**(C) Number of Board Meetings held and the dates on which such Meetings were held, etc.:**

Six Board Meetings were held during the year, on 20.4.2007, 29.6.2007, 28-7-2007, 24.9.2007, 27-10-2007 and 25-1-2008.

All relevant information such as statement of investments, finance, financial results, capital expenditure proposals, etc. as a matter of routine, is placed before the Board for its appraisal, review and approval.

**TABLE : 1 [Reference : Para 1(B)]**

| Name of Director                                   | Category of Director          | No. of Other Directorships * | No. of Other Committee Memberships** | Attendance  |            |
|--|-------------------------------|------------------------------|--------------------------------------|-------------|------------|
|  |                               |                              |                                      | Board Mtgs. | Last AGM @ |
| 1. Shri Pradeep R. Mafatlal<br><i>Chairman</i>     | Non-Independent Non-Executive | 2<br>(Chairman of 1)         | 1                                    | 3           | Yes        |
| 2. Shri Russi Jal Taraporevala                     | Independent Non-Executive     | 2                            | 4<br>(Chairman of 3)                 | 1           | No         |
| 3. Shri Arun P. Patel                              | Independent Non-Executive     | 2                            | —                                    | 3           | No         |
| 4. Shri Rajesh Jaykrishna                          | Independent Non-Executive     | —                            | —                                    | 5           | Yes        |
| 5. Shri Rozal J. Mehta                             | Independent Non-Executive     | —                            | —                                    | 1           | No         |
| 6. Shri Chetan J. Parikh                           | Non-Independent Non-Executive | 2                            | —                                    | 2           | No         |
| 7. Shri Bharat N. Dave<br><i>Managing Director</i> | Non-Independent Executive     | 2<br>(Chairman of 1)         | —                                    | 5           | Yes        |
| 8. Shri Kersi J. Pardiwalla                        | Non-Independent Non-Executive | 3<br>(Chairman of 1)         | 1                                    | 3           | Yes        |

\* Excludes Private and Foreign Companies.

\*\* Represents Chairmanship/Membership of Audit Committees and Shareholders'/Investors' Grievance Committees of Public Limited Companies.

@ Shri Arun P. Patel, Chairman of the Audit Committee could not remain present at the last Annual General Meeting due to illness. 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.



**STANROSE MAFATLAL****2. CODE OF CONDUCT:**

The Company has formulated and implemented a Code of Conduct for Board Members and Senior Management Personnel of the Company. Requisite annual affirmations of compliance with the respective Codes have been made by the Directors and Senior Management of the Company. As the Company does not have its own website, it could not place the said Code on it.

A declaration signed by the Managing Director (the CEO within the meaning of Clause 49-V of the Listing Agreement) is given below:

**DECLARATION BY CEO :**

It is hereby declared that the Company has obtained from all the Members of the Board and Senior Management affirmation that they have complied with the 'Code of Conduct for Members of the Board and Senior Management of the Company for the year ended on 31st March, 2008.

**B. N. Dave**  
*Managing Director*

**3. CEO / CFO CERTIFICATION :**

A Certificate from the CEO/CFO - Managing Director about the correctness of the Annual Financial Statements, etc. was placed before the Board.

**4. COMMITTEES OF THE BOARD:****(a) 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 Company Secretary acts as a Secretary to the Committee.

The role, term of reference and the authority and powers of this Committee are in conformity with the requirements of the Listing Agreement, as amended to date.

During the year the Committee met four times. Shri Arun P. Patel attended three meetings, Shri Rajesh Jaykrishna attended four meetings, and Shri Rozal J. Mehta attended one.

**(b) Shareholders'/Investors' Grievance Committee**

- i) Name of Non-executive Director heading the Committee: Shri Russi Jal Taraporevala
- ii) Name and Designation of Compliance Officer: Shri Girish R. Shah, Company Secretary
- iii) Number of shareholders' complaints received: During the year 2007-08, the Company has received 14 complaints in the aggregate pertaining to transfer of shares, non-receipt of Balance Sheet, non-receipt of declared Dividend, etc. and all of them have been resolved by furnishing

requisite information/documents.

- iv) Number not solved to the satisfaction of shareholders: NIL
- v) Number of pending share transfers: 60 requests for transfer were pending for approval as on 31-3-2008, which were approved on 2nd April, 2008.
- vi) During the year the Committee met thrice. Shri Pradeep R. Mafatlal and Shri Chetan J. Parikh attended all the meetings, whereas Shri Russi Jal Taraporevala attended two meetings.

**(c) Remuneration Committee**

The constitution of Remuneration Committee is a non-mandatory requirement under Clause 49 of the Listing Agreement. However, in view of the appointment of the Managing Director in the Company and for compliance of Schedule XIII of the Companies Act, 1956, the Board has constituted a Remuneration Committee which comprises 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 the Remuneration Committee is to consider the matters relating to the Company's policies on remuneration packages to the Executive Directors.

During the year the Committee met once. Shri Arun P. Patel and Shri Rajesh Jaykrishna attended the meeting, whereas Shri Rozal J. Mehta could not attend.

**5. SUBSIDIARY COMPANIES:**

The Company does not have material non-listed Indian Subsidiary Companies whose turnover or networth (Paid-up Capital and Free Reserves) exceeds 20% of the consolidated turnover or networth respectively of the Company and its subsidiaries in the immediately preceding accounting year.

The copies of the Minutes of the Board Meetings and Statement of significant transactions and arrangements entered into, if any, by a non-listed subsidiary Company viz. Anudeep Holdings Ltd. are being placed before the subsequent Board Meetings of the Company. The Audit Committee of the Company reviews the financial statements of Anudeep Holdings Limited more particularly the investments made by it.

Stanrose Mafatlal Lubechem Limited, a substantially owned subsidiary of the Company is now in liquidation. In Company Petition No. 642 of 2006 and Company Application No. 1116 of 2006, the High Court of Bombay admitted the Petition and appointed a Provisional Liquidator on 21st March, 2007. Accordingly, the Provisional Liquidator has initiated the winding-up proceedings for the said subsidiary.

**STANROSE MAFATLAL INVESTMENTS AND FINANCE LIMITED****TABLE NO. 2 (Reference : Para 6)**

| <b>Name of Director</b>                | <b>Sitting Fee Rs.</b> | <b>Commission Rs.</b> | <b>Salary, Perquisites, etc. Rs.</b> | <b>Total Rs.</b> |
|--|------------------------|-----------------------|--------------------------------------|------------------|
| Shri Pradeep R. Mafatlal               | 12,000                 | 15,000                | —                                    | 27,000           |
| Shri Russi Jal Taraporevala            | 6,000                  | 5,000                 | —                                    | 11,000           |
| Shri Arun P. Patel                     | 14,000                 | 5,000                 | —                                    | 19,000           |
| Shri Rajesh Jaykrishna                 | 20,000                 | 5,000                 | —                                    | 25,000           |
| Shri Rozal J. Mehta                    | 4,000                  | 5,000                 | —                                    | 9,000            |
| Shri Chetan J. Parikh                  | 10,000                 | 5,000                 | —                                    | 15,000           |
| Shri Bharat N. Dave, Managing Director | —                      | —                     | 13,43,112                            | 13,43,112        |
| Shri Kersi J. Pardiwalla               | 6,000                  | 5,000                 | —                                    | 11,000           |

**6. DIRECTORS' REMUNERATION DURING 2007-08:**

The Non-Executive Directors are paid Sitting Fees for attending the Meetings of the Board/Committees (except the Share Transfer Committee) and a commission upto 1% of the net profits as determined under Sections 349 and 350 of the Companies Act, 1956 for the financial year ended 31st March, 2007, in pursuance of General Body Resolution. Within the overall limit, the extent and proportion in which the Commission is to be distributed amongst the Directors is determined by the Board.

The payment of remuneration to Managing Director is in accordance with the Letter of Appointment issued to him in terms of the Resolutions passed by the Members at the General Meeting, the Board and the Remuneration Committee, from time to time. His remuneration structure comprises of salary, commission, perquisites, bonus, contribution to Provident Fund, Superannuation Fund, etc.

The details of remuneration paid during the year 2007-08 to the Directors including the remuneration paid to the Managing Director are given in Table-2 above.

with the interest of the Company at large. Transactions with the related parties are disclosed in the Notes on Accounts in the Annual Report.

- (b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital market, during the last three years:

None

**9. MEANS OF COMMUNICATION**

- 1) Half-yearly report sent to each household of shareholders: No
- 2) Quarterly Results:  
Which newspapers normally published in:  
Business Standard and Jansatta - Ahmedabad Editions  
Any website where displayed: No
- 3) Whether it also displays official news releases and the presentations made to institutional investors or to the Analysts : No
- 4) Whether MD & A is a part of the Annual Report or not : Yes.

**10. GENERAL SHAREHOLDERS INFORMATION****(a) 28th Annual General Meeting**

**Date & Time** : 15th September, 2008  
at 11.30 A.M.

**Venue** : H.T. Parekh Convention Centre,  
AMA Premises, ATIRA Campus,  
Dr. Vikram Sarabhai Marg,  
Ahmedabad - 380 015.

**(b) Financial Calendar (tentative) :**

**Financial Year** :

1st April to 31st March

**Financial Reporting for :**

**Quarter ending 30-06-2008:**

By last week of July, 2008

**Quarter ending 30-09-2008 :**

By last week of October, 2008

**Quarter ending 31-12-2008 :**

By last week of January, 2009

**Year ending 31-3-2009 :**

Audited Results by the end of June, 2009

**(c) Book Closure Dates for AGM & Dividend :**

11th August, 2008 to 23rd August, 2008  
(both days inclusive)

**(d) Dividend Payment Date :**

From 29th September, 2008

**7. GENERAL BODY MEETINGS:**

- i) Location & time, where last three AGMs were held:  
On 24-9-2007 at 11.30 A.M.  
On 25-9-2006 at 11.30 A.M. &  
On 5-9-2005 at 11.30 A.M.

At: H.T. Parekh Convention Centre,  
AMA Premises, ATIRA Campus,  
Dr. Vikram Sarabhai Marg, Ahmedabad - 380 015.

- ii) Whether the Special Resolutions were put through postal ballot last year, details of voting pattern, person who conducted the postal ballot exercise:  
No postal ballot had been conducted.
- iii) Whether Special Resolutions are proposed to be conducted through postal ballot: No
- iv) Procedure for postal ballot: Not applicable

**8. DISCLOSURES**

- (a) Disclosures on materially significant related party transactions, i.e. transactions of the Company of material nature, with its promoters, directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of company at large:

During the year 2007-08, the Company had no materially significant related party transactions which were considered to have potential conflict