



TATA INVESTMENT CORPORATION LIMITED

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67th Annual Report
2003-04

**TATA INVESTMENT CORPORATION LIMITED**

Sixty-seventh annual report 2003-2004

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BOARD OF DIRECTORS :

Mr. N.A. Soonawala (*Chairman*)
 Dr. F.A. Mehta
 Mr. Pratap Bhogilal
 Mr. P.S. Mistry (*resigned w.e.f. 15.04.2004*)
 Mr. V.C. Vaidya
 Mr. A.B.K. Dubash
 Mr. K.N. Suntook
 Mr. M. J. Kotwal (*Executive Director & Secretary*)
 Mr. A. T. Contractor (*Executive Director – Investments*)
(resigned w.e.f. 07.05.2004)

Mr. Noel N. Tata (*appointed w.e.f. 09.06.2004*)

Mr. K. A. Chaukar (*appointed w.e.f. 09.06.2004*)

Registered Office :

Ewart House,
 22, Homi Mody Street,
 Mumbai 400 001.
 (Tel: 56658282 – Fax: 22652629)
 e-mail: ticl@tata.com

Bankers :

Bank of India
 Catholic Syrian Bank
 Central Bank of India
 Citibank N.A.
 ICICI Bank Ltd.
 HDFC Bank Ltd.
 Hatton National Bank Ltd., Colombo
 Standard Chartered Bank Ltd.

Auditors :

Messrs A.F. Ferguson & Co.
 Chartered Accountants.

Solicitors :

Messrs Mulla & Mulla and Craigie, Blunt & Caroe

Registrars & Share Transfer Agents :

Tata Share Registry Limited.
 (Tel. 56568484 Fax: 56568494)
 e-mail: csg-unit@tatashare.com

Annual General Meeting on Monday, the 26th day of July, 2004 at Bombay House Auditorium at 3.30 p.m.

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TATA INVESTMENT CORPORATION LIMITED**NOTICE**

THE SIXTY-SEVENTH ANNUAL GENERAL MEETING OF TATA INVESTMENT CORPORATION LIMITED will be held at Bombay House Auditorium, Horni Mody Street, Mumbai 400 001, on Monday, the 26th day of July, 2004, at 3.30 p.m. to transact the following business :-

1. To receive and adopt the Directors' Report and the Audited Profit and Loss Account for the year ended 31st March, 2004, and the Balance Sheet as at that date.
2. To confirm the payment of interim dividend and declare a final dividend on Ordinary Shares.
3. To appoint a Director in the place of Mr. N. A. Soonawala who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Mr. V. C. Vaidya who retires by rotation and is eligible for re-appointment.
5. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution :-

"RESOLVED that pursuant to Section 31 of the Companies Act, 1956, the Articles of Association of the Company be altered as follows :-

In Article 173, the words 'Executive Director or Executive Directors or Manager' be added after the words '(in which expression shall be included a joint Managing Director)' within the bracket."

6. To consider, and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :-

"RESOLVED that pursuant to the provisions of Sections 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the re-appointment and terms of remuneration of Mr. M. J. Kotwal, who has been re-appointed by the Board of Directors as the Executive Director of the Company from 4th September, 2004 for a period of three years, upon the terms and conditions set out in the draft Agreement submitted to this meeting and initialled by the Chairman for the purpose of identification, which Agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or Agreement in such manner as may be agreed to between the Board of Directors and Mr. Kotwal."

7. To appoint Auditors and to fix their remuneration.

NOTES :

- a) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the special business under Item Nos. 5 & 6 set out above are annexed hereto.
- b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- c) The Register of Members and the Transfer Books of the Company will remain closed from Friday, 9th July, 2004 to Friday, 23rd July, 2004, both days inclusive.
- d) Dividend, if declared, will be paid on or after 27th July, 2004 to those Members whose names appear on the Company's Register of Members on 23rd July, 2004. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of shares as at the end of business hours on 8th July, 2004 as per details furnished by the depositories for this purpose.
- e) Members are requested to notify immediately any change in their addresses and/or the bank mandate details to the Company's Registrars and Share Transfer Agents for shares held in physical form and to their respective depository participants for shares held in electronic form.
- f) Members holding shares in electronic form may please note that their bank details as furnished by the respective depositories to the Company will be considered for remittance of dividend as per the applicable regulations of the depositories and the Company will not entertain any direct request from such members for change/deletion in such bank details. Further, instructions, if any, already given by them in respect of shares held in physical form, will

not be automatically applicable to the dividend paid on shares held in electronic form. Members may, therefore, give instructions regarding bank accounts in which they wish to receive dividend to their depository participants.

- g) Pursuant to Section 205A of the Companies Act, 1956, all unclaimed/unpaid dividends upto the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Shareholders, who have not yet encashed their dividend warrants for the said period, are requested to forward their claims in the prescribed Form to the Registrar of Companies, Central Government Office Bldg., 'A' Wing, 2nd floor, Next to Reserve Bank of India, CBD Belapur 400 614.

Pursuant to Section 205C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund (the Fund) set up by the Government of India and no payments shall be made in respect of any such claims by the Fund. Members who have not yet encashed their dividend warrant(s) for the financial year ended 31st March, 1997 onwards, are requested to make their claims to the Company's Registrars & Share Transfer Agents accordingly, without any delay. It may be noted that the unclaimed dividend for the financial year ended 31st March, 1997 is due for transfer to the Fund on 6th August, 2004.

By Order of the Board of Directors,
TATA INVESTMENT CORPORATION LIMITED

M. J. KOTWAL

Executive Director & Secretary.

Mumbai, 8th June, 2004.

Registered Office :

Ewart House
Homi Mody Street
Mumbai 400 001.

EXPLANATORY STATEMENT

As required by Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to the special business mentioned in Item Nos.5 & 6 of the accompanying Notice dated 8th June, 2004.

Item No. 5 : Article 173 of the Articles of Association of the Company provides only for the appointment of a Managing Director or Managing Directors. At the Annual General Meeting held on 7th August, 2002, the Shareholders had appointed Executive Directors pursuant to Article 173 of the Articles of Association of the Company. The Company has been legally advised that mere absence in the Articles of Association of the Company of a specific nomenclature does not preclude the Company from appointing an Executive Director or Executive Directors or a Manager. Out of abundant caution, however, it is proposed to amend Article 173 of the Articles of Association so as to provide also for the appointment of an Executive Director or Executive Directors or a Manager.

Item No. 6 : At the Annual General Meeting held on 7th August, 2002, members had approved the appointment of Mr. M.J. Kotwal as the Executive Director of the Company for a period of three years with effect from 4th September, 2001, on certain terms and conditions. The Board, at its meeting held on 8th June, 2004, has re-appointed Mr. Kotwal as the Executive Director of the Company for a further period of three years from 4th September, 2004, subject to the approval of the members, on the terms and conditions which are in conformity with the limits laid down in Schedule XIII of the Companies Act, 1956.

Mr. Kotwal is a law graduate from the University of Bombay and a Fellow Member of the Institute of Company Secretaries of India and has wide experience in legal, administrative and secretarial fields. Mr. Kotwal is a member of the Legal Affairs Committee and the Law and Company Affairs Committee of the Bombay Chamber of Commerce and Industry and the Indian Merchants' Chamber respectively, and is the past Chairman of the Institute of Company Secretaries of India (WIRC).

The draft Agreement between the Company and Mr. M.J. Kotwal contains the following main terms and conditions :-

- i. The Executive Director shall carry out such duties as may be entrusted to him subject to the supervision and control of the Board of Directors.

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- ii. Tenure of agreement : 3 years with effect from 4th September, 2004.
- iii. Remuneration :-
 - a) Salary : In the scale of Rs.35,000 — Rs.1,50,000 per month with authority to the Board (which expression shall include a Committee thereof) to fix his salary within the above scale from time to time. The annual increments will be merit based and will also take into account the Company's performance.
 - b) Incentive Remuneration : upto 200% of salary to be paid at the discretion of the Board annually, based on certain performance criteria.
 - c) Commission :
Such remuneration by way of commission, in addition to the salary, incentive remuneration (if any) and perquisites and allowances payable, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors of the Company at the end of each financial year, subject to the overall ceilings stipulated in Sections 198 and 309 of the Companies Act, 1956. The specific amount payable to the Executive Director will be based on certain performance criteria to be laid down by the Board and will be payable annually after the Annual Accounts have been approved by the Board of Directors and adopted by the Members.
 - d) Perquisites and allowances :-
 - In addition to the salary and commission payable, the Executive Director shall also be entitled to perquisites and allowances like company accommodation (furnished or otherwise) or house rent allowance and house maintenance allowance in lieu thereof, together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings, repairs, society charges and property tax, medical reimbursement, medical/accident insurance, leave travel concession for himself and his family, club fees, and such other perquisites and allowances, in accordance with the rules of the Company or as may be agreed to by the Board of Directors and the Executive Director; such perquisites and allowances will be subject to a maximum of 140% of the annual salary (or 55% in case company-owned/leased accommodation is provided).
 - For the purpose of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income tax Rules, wherever applicable. In the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost.
Provision for use of Company's car for official duties and telephone at residence shall not be included in the computation of perquisites and allowances for the purpose of calculating the said ceiling.
 - Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund, to the extent these either singly or together are not taxable under the Income Tax Act, Gratuity payable and encashment of leave as per the rules of the Company shall not be included in the computation of limits for the remuneration or perquisites aforesaid.
- iv. Minimum Remuneration: Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of the Executive Director, the profits are inadequate, the Company will pay remuneration by way of salary, perquisites and allowances as specified above and such incentive remuneration (if any) as determined by the Board.
- v. The terms and conditions of the said appointment and/or Agreement may be altered and varied from time to time by the Board as it may in its discretion, deem fit within the maximum amount payable to the Executive Director in accordance with Schedule XIII to the Act or any amendments made hereafter in this regard.
- vi. The Agreement between the Company and the Executive Director may be terminated by either party giving the other party six months' notice, or the Company paying six months' remuneration in lieu of the notice.
- vii. If at any time the Executive Director ceases to be a Director of the Company for any cause whatsoever, he shall cease to be the Whole-time Director of the Company. If at any time the Executive Director ceases to be in the employment of the Company for any cause whatsoever, he shall cease to be a Director of the Company.
- viii. The Executive Director is appointed by virtue of his employment in the Company and his appointment is subject to the provisions of Section 283(1)(l) of the Companies Act, 1956.
- ix. The Executive Director shall not be entitled to supplement his earnings under the Agreement with any buying or selling commission, nor shall he become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company, without the prior approval of the Central Government.

The Board considers it desirable that the Company should continue to avail of the services of Mr. Kotwal and accordingly the Resolution regarding the appointment of Mr. Kotwal as the Executive Director of the Company is commended for acceptance by the Members.



In compliance with Sections 269 and 309 of the Companies Act, 1956, the terms of remuneration and appointment specified above are placed before the shareholders for their approval.

This may be treated as an abstract of the draft Agreement between the Company and Mr. Kotwal pursuant to Section 302 of the Act.

The draft Agreement between the Company and Mr. Kotwal is available for inspection by the Members of the Company at its Registered Office between 11 a.m. and 1 p.m. on any working day of the Company.

Mr. Kotwal is concerned or interested in the Resolution at Item No. 6 of the Notice.

By Order of the Board of Directors,
TATA INVESTMENT CORPORATION LIMITED

M. J. KOTWAL

Executive Director & Secretary.

Mumbai, 8th June, 2004.

Registered Office :

Ewart House

Homi Mody Street

Mumbai 400 001.

**Details of the directors seeking re-appointment at the
forthcoming Annual General Meeting [in pursuance of Clause 49(1)(A)
of the Listing Agreement]**

Name of the Director	Mr. N. A. Soonawala	Mr. V. C. Vaidya
Date of Birth	27.6.1935	17.5.1920
Date of Appointment	19.3.1981	21.5.1980
Expertise in specific functional areas	Accounts, Finance, Development Banking, Management & Capital Markets.	Investment and Finance.
Qualifications	B.Com., A.C.A.	LL.B., Solicitor.
Directorships held in other companies (excluding foreign cos.)	Tata Sons Ltd. Tata Tea Ltd. Tata Industries Ltd. Tata Motors Ltd. The Indian Hotels Company Ltd. Indian Resort Hotels Ltd. Trent Ltd. The Associated Cement Cos. Ltd. Piem Hotels Ltd.	Standard Industries Ltd. Victoria Mills Ltd. Industrial & Prudential Investment Co. Ltd. Chika Pvt. Ltd. ABC Bearings Ltd. Grover Vineyards Ltd. Unimers India Ltd. Industrial Investment Trust Ltd. NRC Ltd.
Committee position held in the companies	Tata Sons Ltd. (Chairman, Audit Committee) (Member, Remuneration Committee) Tata Tea Ltd. (Member, Remuneration Committee) The Indian Hotels Company Ltd. (Member, Remuneration Committee) (Chairman, Share Transfer & Investors' Grievance Committee) Tata Motors Ltd. (Member, Remuneration Committee) The Associated Cement Cos. Ltd. (Member, Compensation Committee) Trent Ltd. (Member, Remuneration Committee)	ABC Bearings Ltd. (Chairman, Audit Committee) (Member, Remuneration Committee) Unimers India Ltd. (Chairman, Audit Committee) (Member, Share Transfer/Investor's Grievance Committee) Standard Industries Ltd. (Chairman, Share Transfer Committee) (Member, Audit Committee) NRC Ltd. (Chairman, Shareholders/Investor's Grievance Committee) (Member, Remuneration Committee) Industrial Investment Trust Ltd. (Member, Audit Committee)

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Tata Investment Corporation Limited**DIRECTORS' REPORT**

TO

THE MEMBERS,

The Directors present their Sixty-seventh Annual Report with the Audited Statement of Accounts for the year ended 31st March, 2004.

2. FINANCIAL RESULTS :

	Rupees (in lacs)	Previous year Rupees (in lacs)
Total Income	9036.69	5280.11
Profit before tax	8550.07	4938.90
Less : Provision for tax	356.81	364.81
Add/Less: Amount transferred to/from Deferred Tax Asset	-137.58	+8.29
Profit after tax	8055.68	4582.38
Balance brought forward from the previous year	1695.59	1212.72
Amount available for appropriation	9751.27	5795.10
The Directors have made the following appropriations -		
Interim dividend already paid on Ordinary Shares @ 20%	459.47	1181.51
Proposed final dividend on Ordinary Shares @ 81%	1860.86	—
Tax on dividends	297.29	—
Debenture Redemption Reserve	1171.82	—
Reserve Fund	1612.00	918.00
General Reserve [including Rs.140.00 lacs on declaration of Interim dividends during the year (Previous Year Rs.437.00) pursuant to Section 205(2A) of the Companies Act, 1956]	2000.00	2000.00
	7401.44	4099.51
leaving a balance to be carried forward of	2349.83	1695.59

3. DIVIDEND :

An interim dividend of Rs.2.00 per share i.e. 20% was paid on 20th October, 2003 on the Company's Ordinary Share capital of Rs.22.97 crores to those shareholders whose names stood on the Register of Members on the record date i.e. 10th October, 2003. The Directors are pleased to recommend a final dividend of Rs.8.10 per share i.e.81% (comprising a normal dividend of 40% and a special dividend of 41%) for the year 2003-2004, making a total dividend for the year of Rs.10.10 per share i.e. 101% (previous year 60%).

4. OPERATIONS :

The total income of the Company during the year increased substantially to Rs.90.37 crores (including a compulsory write-back of Rs.6.26 crores in the provision for diminution in value of investments no longer required) against Rs.52.80 crores in the previous financial year. The total expenditure during the year was Rs.4.87 crores against Rs.3.41 crores in the previous year, mainly because of a large donation made during the year.

The profit before tax correspondingly increased by over 73% i.e. from Rs.49.39 crores in the previous year to Rs.85.50 crores for the year under review. The profit after tax for the year under review at Rs. 80.56 crores was likewise higher than that of the previous year of Rs. 45.82 crores i.e. an increase of over 75%.

The basic earnings per share (Basic EPS) computed in accordance with the Accounting Standard 20 issued by the Institute of Chartered Accountants of India was Rs.35.06 as against Rs.21.71 for the previous year. The net asset value (NAV) of the share as on 31st March, 2004 works out to Rs.458 per share, (which has declined to Rs.410 per share on 31st May, 2004) as against Rs.235 per share as on 31st March, 2003.

The Directors trust the shareholders consider the results to be satisfactory.

5. INVESTMENT PORTFOLIO :

A summarised position of the Company's portfolio of investments on 31st March, 2004, as against that at the end of the previous year, is given below :-

	31.03.2004	31.03.2003
	(Rs. in crores)	
BOOK VALUE -		
I. Long Term Investments		
Quoted investments	242.70	240.87
Unquoted investments (including Mutual Funds)	216.09	80.70
	<u>458.79</u>	<u>321.57</u>
Less : Provision for long term diminution in value of investments	9.50	17.22
	<u>449.29</u>	<u>304.35</u>
II. Current Investments		
Quoted Equity shares (net of diminution)	5.72	12.58
Total book value of investments	<u>455.01</u>	<u>316.93</u>
Book value of quoted long term and current investments only (net of provision for diminution)	<u>241.88</u>	<u>239.04</u>
Market value of quoted long term and current investments only	<u>971.63</u>	<u>467.21</u>
Percentage appreciation in value of quoted investments over book value (net of provision for diminution)	302%	96%
'Value' of total portfolio (taking quoted investments at market value and unquoted investments at book value less provision for diminution)	<u>1184.76</u>	<u>545.11</u>

The Directors confirm that most of the investments held by the Company are long term investments and would normally be held for more than one year from the date of acquisition, unless otherwise decided in specific cases. A small part of the portfolio is in the category of 'Current Investments' which, for accounting and other purposes, are so classified at the time of making such investments and are indicated separately in the list of investments shown in the relevant schedule in the Balance Sheet.

6. MANAGEMENT DISCUSSION & ANALYSIS :

By any standard, the financial year 2003-2004 has been an exceptional year for the stock markets in India. After two difficult years, the BSE Sensex increased from 3049 on 31st March, 2003 to reach a peak of 6250 on 9th January, 2004 - an increase of 105% in only 10 months. Thereafter, the Sensex declined by about 11% to reach 5591 on 31st March, 2004, showing a gain of 83% over the 12-month period. These swings in the Sensex denoted a high degree of volatility, often from day to day.

This buoyancy in the stock market arose from a combination of various factors. Firstly, there was the sharp decline in the interest costs and an even sharper upsurge in commodity prices, accompanied by the expectancy of a favourable agricultural year after the poor monsoon in the previous year. Most conspicuously, most of the Indian corporate sector began to reap the rewards of restructuring after undergoing a particularly painful period of cost cutting and downsizing during the previous 2 to 3 years. The stock market did not fail to note the vastly improving position of the Indian corporate sector as it came to be revealed in the successive quarterly statements of their profitability and performance.

Significantly, a major study came to show that, while the sales revenue of the leading companies of the country showed an increase of only 18%, the profit explosion was in the region of 55% over the previous year. It was now beginning to be increasingly clear, most of all to the foreign financial institutions, that India could not be ignored, all the more so, as the macro factors were aided by a substantial improvement in the major indices, with inflation being restrained below the 5% level, with the foreign exchange reserves rising almost every week and the industrial production index moving northwards.

These macro and micro economic performance parameters attracted an exceptionally large inflow of foreign institutional investors into the stock markets who reportedly increased their investments in the Indian stock markets by about Rs.40,000 crores in 2003-2004. This, together with the introduction of the derivatives markets, resulted in

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a large increase in daily volumes of transactions in the stock market – with the resultant volatility. Finally, the continuing economic reforms and the policy of divestment of some public sector companies helped the positive sentiments in the stock markets.

A conspicuous change during the last two financial years was the substantial improvement in performance and perception of the 'old economy' stocks due to the upsurge in the demand, both domestically and internationally, of a wide range of commodities which resulted in a spectacular increase in share prices of these companies which had been ignored – and in fact discouraged – by certain sections of the investors in earlier years.

Our Company, with its diversified portfolio of investments was particularly well placed to benefit from these developments and this is reflected by the fact that the overall increase in the market value of our quoted investments out-performed the increase in the Sensex during the financial year under review. Moreover, for the first time in the history of our Company, the total value of our investment portfolio has exceeded Rs.1,000 crores, reaching a figure of Rs.1185 crores as at 31st March, 2004 – against Rs.545 crores on 31st March, 2003.

The significant increase in the Company's total income from Rs.52.80 crores in 2002-2003 to Rs.90.37 crores in 2003-2004 came from a combination of higher dividend income as well as realization of higher profit on sale of investments. The higher dividend income was partly the result of the larger dividends paid by companies and partly resulted from the conscious strategy in recent years to invest in good dividend yielding shares. The larger capital gains arose from increased sales in the market to take advantage of higher prices which was partly offset by simultaneously divesting from less profitable companies and shares in which there were inbuilt losses. Of the total profit on sale of investments of Rs.44 crores (net of losses), nearly Rs.43 crores was the net profit on the sale of long-term investments of a book value of Rs.37 crores (which included the sale of loss making investments of a book value of Rs.14 crores). While the Company did make new investments, this had to be done rather selectively due to the relatively high prevailing market prices.

The net result of the increased level of sale of shares accompanied by relatively low level of fresh purchases resulted in the book value of quoted long-term investments increasing only marginally from Rs.241 crores on 31st March, 2003 to Rs.243 crores on 31st March, 2004. One further consequence of the higher income and larger sale of investments during the year was that there was a substantial increase in the liquid resources of the Company which increased from Rs.65 crores on 31st March, 2003 to Rs.160 crores on 31st March, 2004, most of which was temporarily invested in Mutual Funds and the strategy here has been to ensure the preservation of the principal amount and the earning of modest tax-free dividends, pending the reinvestment of these funds in the share markets, whenever it was considered appropriate. On the date of this report, these funds have declined to Rs.124 crores due to investments made since 1st April, 2004, and will further reduce by Rs.21 crores after payment of the proposed dividend.

The Company continued its efforts to reduce the total number of companies comprising its investment portfolio. During the year under review, this number declined from 253 at the start of the year to 238 at 31st March, 2004 and the management will endeavour to reduce this number further.

Taking into account the improved results of the Company for the year 2003-2004, your Board of Directors considered it appropriate to pay a substantially larger dividend to the shareholders. Accordingly, while the total dividend for the year has been increased from 60% on a lower capital base in the previous year to 101%, the latter figure includes a special dividend of 41% as it is attributable to the exceptionally better performance. The total dividend paid (including the dividend tax) would be Rs.26 crores (against Rs.12 crores for the previous year) representing a pay-out ratio of over 32% of the profit after tax (previous year 26%). While it will certainly be the endeavour of your Board and Management to continue to show good results, we are sure the shareholders will appreciate that the exceptional results are partly dependent on the buoyancy in the stock markets (particularly for booking capital gains) over which we have no control. The dividends paid by the Company are therefore partly linked to such external factors.

As the shareholders are aware, the share markets have been going through a spell of uncertainty since the beginning of the current financial year with the Sensex having declined from 5591 on 1st April, 2004 to 4962 on the date of this report. Consequently, the total value of the Company's investment portfolio also declined to about Rs.1061 crores as on 31st May, 2004. It is obviously difficult to predict the trend of the market for the remaining part of the current financial year but we hope that with the announcement of a stable government and a reasonably clear economic programme, the economy would continue to grow at a satisfactory rate which would be reflected in the continued good performance by the corporate sector. The emphasis of the new government on agriculture and continuing economic reforms but 'with a social face' should be welcomed and the stock markets should not, in our view, react unduly to the new government's policy on 'selective disinvestment' of public sector undertakings. Having said this, one hopes that there will not be too much recourse to populist measures e.g. in the form of free or cheap power to certain consumers and continued increase on subsidies, which would further aggravate the fiscal and revenue deficits – even though, at the same time, the new government has declared its intention to keep these deficits under control and indeed eliminate the revenue deficit by 2009. The major imponderable factor will of course continue to be the behaviour of the monsoon in the coming months.

A particularly welcome feature of the General Elections, held in this year, has been the concentration by almost all political parties, on economic growth in general and economic reforms in particular. Even the most ideological

have placed considerable emphasis on various aspects of economic development, and it is to be sincerely hoped, in the interest of ensuring political stability, that it is the economic issues which will continue to dominate the attention and activities of the newly elected leaders of India.

The stock markets are likely to wait and watch the outcome of the policies of the new government and their implementation and so would the major participants in our markets. From the point of view of our Company, we believe that the dividend income from companies should continue to be at a satisfactory level but we can only hope that we will have some opportunities in the course of the year to realize adequate profits from time to time as we have done in the past.

In conclusion, your Board and Management will continue to do their best to achieve a satisfactory performance during the current financial year.

7. PROVISION FOR DIMINUTION IN VALUE OF INVESTMENTS :

With the improvement in share market prices and the sale of loss-making investments, it was necessary to reduce the total provision for diminution in value of investments. In accordance with the relevant Accounting Practice, an amount of Rs.625.76 lacs has been written back to the Profit and Loss A/c. and, as per the scheme adopted in the previous year, an amount of Rs.321.11 lacs has been credited to the Securities Premium A/c. on account of write back of provision for diminution in the value of certain investments no longer required, which had been debited to such accounts in earlier years.

8. FIXED DEPOSITS :

Fixed Deposits from 143 parties amounting to Rs.14.26 lacs which had matured during the year under report but were not claimed by the depositors, were outstanding at the end of the year. Out of these, 88 deposits aggregating Rs.8.03 lacs remain outstanding to date. The Company has sent reminder letters by registered post to all the depositors whose deposits have remained unclaimed upto the date of the Report.

CRISIL has, for the Fixed Deposit programme of our Company, reaffirmed the 'FAAA' rating which indicates highest safety in timely payment of interest and principal amount of deposits. The Company is not accepting fresh deposits but is only renewing existing deposits on present terms.

9. DIRECTORS :

Dr. F.A. Mehta relinquished his position as the Chairman of the Board of Directors of the Company with effect from 1st August, 2003 but fortunately continues to be a Director of the Company. The Directors have placed on record their sincere appreciation of the long and meritorious service rendered by Dr. F.A. Mehta as the Chairman of the Company for 22 years during which period, he contributed greatly to the performance of the Company.

Mr. N.A. Soonawala who was the Vice Chairman and a Director of the Company since March, 1981 has been appointed as Chairman of the Board of Directors with effect from 1st August, 2003.

Mr. Pallonji S. Mistry resigned as a Director of the Company with effect from 15th April, 2004. Mr. Mistry joined the Board of the Company on 1st January, 1966 and made a valuable contribution to the Company for almost four decades. His advice and guidance spread over this period of time have been of tremendous help to the Company. The Directors place on record their sincere appreciation of Mr. Mistry's long and valuable association with and the immense contribution made by him to the Company.

Mr. Pratap Bhogilal is due for retirement by rotation at the ensuing Annual General Meeting. For health reasons, Mr. Bhogilal has indicated his intention not to offer himself for re-appointment. Mr. Bhogilal joined the Board on 27th April, 1965. During his tenure of 39 years as a Director of the Company, Mr. Bhogilal made immense contribution to the affairs of the Company. The Directors place on record their appreciation of Mr. Bhogilal's long and valuable association with and his useful contribution to the Company.

Mr. A.T. Contractor, who was appointed as an Executive Director of the Company from 4th September, 2001, has resigned from the Company with effect from 7th May, 2004 as he has emigrated out of the country. During his short tenure, he made a valuable contribution in the management of the Company's investment portfolio. The Directors record their appreciation of the service rendered by Mr. Contractor to the Company.

At the Board Meeting held on 8th June, 2004, the Directors have re-appointed Mr. M.J. Kotwal as the Executive Director of the Company for a period of 3 years with effect from 4th September, 2004, subject to the approval of the shareholders. Members attention is invited to Item No. 6 of the Notice and the related Explanatory Statement.

With a view to augment the members on the Board, the Directors at the Board Meeting held on 8th June, 2004, appointed with effect from 9th June, 2004, Mr. Noel N. Tata and Mr. Kishor A. Chaukar in the casual vacancies caused by the resignation of Mr. P.S. Mistry and the demise of Mr. B.L. Paranjape, pursuant to the provisions of Section 262 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company.

Mr. Noel N. Tata is a graduate of Sussex University, U.K. and IEP (INSEAD). He is the Managing Director of Trent Ltd. and has wide experience in the field of marketing, administration and investments.

Mr. K.A. Chaukar is a Post Graduate in Management from the Indian Institute of Management, Ahmedabad with over 25 years of experience in the field of investment and finance. Mr. Chaukar was previously the Managing Director