



J. M. Share & Stock Brokers Ltd.

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2003-04

I COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Board of Directors of your Company is extremely conscious about the need of good Corporate Governance and has accordingly adopted the best practices and procedures to achieve the same. The Board follows the principles of full transparency and accountability, thereby making efforts to protect the interests of the Shareholders of the Company.

The Directors consider themselves as trustees of the Shareholders and acknowledge their responsibilities to them. The Directors strive to create and safeguard the wealth of the Shareholders. During the Financial Year 2003-04, your Company has duly complied with the requirements of guidelines pertaining to the Corporate Governance as stipulated under the Listing Agreement executed with The Stock Exchange, Mumbai (BSE).

II BOARD OF DIRECTORS

a. Composition of the Board:

The Board is headed by the Non-Executive Chairman, Mr. Nimesh N Kampani, and four other Directors. Out of five Directors, four Directors are independent. Hence the Company complies with the Listing Agreement norms for independent directors. The Board acts with autonomy and independence in exercising strategic supervision, discharging its responsibilities and in ensuring that the Company observes high standards of ethics, transparency and disclosure. The Independent Directors have no material pecuniary relationship with the Company, which may affect the independence of their judgement.

The Directors have confirmed that they are not on the Board of any public companies, which have committed default under Section 274(1)(g) of the Companies Act, 1956. None of the Directors is a member of more than 10 committees of the public companies or is the Chairman of more than 5 such committees.

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors for the Financial Year ended March 31, 2004 that may have potential conflict with the interests of your Company at large.

The names of the Directors, their attendance at Board Meetings during the Financial Year and at the last Annual General Meeting, number of other Directorships held by them, Board Committee memberships and/or chairmanships in Public Companies (excluding the Company) held by them as at March 31, 2004 are given below:

19th Annual Report 2003-04

Name of Director	Category	No. of Board Meetings attended during the year 2003-04	Whether attended the last AGM held on September 10, 2003	No. of other Directorships		No. of other Committees on which Member/ Chairman §	
				Public	Private	Chairman	Member
Mr. Nimesh N Kampani	Non Executive Chairman	5	Yes	10*	7	2	4
Mr. Arunkumar R Gandhi#	Independent and Non Executive Director	4	No	—	—	—	—
Mr. M R Mondkar	Independent and Non Executive Director	6	Yes	—	2	—	—
Mr. Ashith N Kampani	Independent and Non Executive Director	6	Yes	—	1	—	—
Mr. Anant V. Setalvad (Effective from May 10, 2004)	Independent and Non Executive Director	NA	NA	3	1	—	—
Mr. E. A. Kshirsagar (Effective from May 28, 2004)	Independent and Non Executive Director	NA	NA	2	—	—	—

* Includes Foreign Company.

§ The Committees considered for the purpose of arriving at the numbers are; Audit, Remuneration and Shareholders' Grievance Committee.

Tendered resignation on March 30, 2004.

b. Board Meetings:

During the year under review, the Board of Directors met 6 times on May 21, 2003, June 23, 2003, July 29, 2003, September 10, 2003, October 27, 2003 and January 14, 2004. The time interval between the two Board Meetings did not exceed the stipulated four months period specified under the Listing Agreement.

Mr. Ashith N Kampani retires by rotation at the ensuing Annual General Meeting. He offers himself for reappointment.

Mr. Ashith Kampani holds a Bachelors degree in Commerce. He has been one of the Non-Executive Directors since 1998. Mr. Kampani has been associated with the Company since many years. Mr. Kampani is presently working as Vice President-Equity Sales & Trading in JM Morgan Stanley Securities Private Limited. He is a Director of Ashith N Kampani Securities Private Limited.



J. M. Share & Stock Brokers Ltd.

Mr. Anant V. Setalvad has been appointed as a Director to fill the casual vacancy caused by resignation of Mr. Arunkumar R. Gandhi at the Board Meeting held on May 10, 2004.

Mr. Setalvad holds a degree in commerce and law. He is also a qualified company secretary. He is the Executive Chairman of KSB Pumps Limited. He has been associated with KSB Pumps Limited since its inception. He has wide experience in the field of finance and legal matters. He is also on the Boards of Industrial & Prudential Investment Company Limited, J. M. Trustee Co. Private Limited, New Holding & Trading Co. Limited and a member of executive committee of The Cricket Club of India Ltd.

Mr. E. A.Ksrhisagar has been appointed as an Additional Director at the Board Meeting held on May 28, 2004.

Mr. Kshirsagar holds a degree in Science and is a qualified Chartered Accountant (India as well as England & Wales). He has been associated with A. F. Ferguson Management Consultancy Division for over three decades. He was Director-in-charge until his retirement this year. He has specialised in the areas of Corporate Strategy and Structure, Disinvestments, Feasibility studies for variety of industries and impact of legislations on business. He is also on the Boards of Ashok Leyland Limited and HCL Infosystems Limited.

III. COMMITTEES OF DIRECTORS

a. Audit Committee

During the year under review, the following Directors were members of the Audit Committee:

Members: Mr. M R Mondkar - Chairman, Mr. Nimesh N Kampani and Mr. Ashith N Kampani.

Except Mr. Nimesh N Kampani, all other members of the Committee are Independent Directors. The role, powers and functions of the Audit Committee are given on the basis of Clause No. 49 of the Listing Agreement as also the provisions of Section 292A of the Companies Act, 1956.

The Audit Committee provides direction to the audit and risk management function in the Company and monitors the quality of external audit. The role of the Audit Committee includes overseeing the financial reporting process to ensure proper disclosure in financial statements, recommending the appointment or removal of external auditors and fixing their remuneration, reviewing the annual financial statements before submission to the Board, any changes in accounting policies and practices, major accounting entries, qualification, if any, in the draft audit report, review of any significant adjustments arising out of audit, the going concern assumption, compliance with accounting standards, stock exchange and legal requirements concerning financial statements, related party transactions that may have potential conflict of interest, review of adequacy of internal control systems, review of the findings and observations of internal investigations, discussing the scope of audit with external auditors, post audit discussion to ascertain any area of concern, reviewing the Company's financial and risk management policies and looking into reasons of substantial defaults, if any, for non-payment to shareholders, creditors, etc.

19th Annual Report 2003-04

The Committee met 4 times on May 27, 2003, July 29, 2003, October 27, 2003 and January 14, 2004. The attendance record of the members of the Audit Committee is given below:

Sr. No.	Name of the Member	Category	Number of Meetings	
			held	attended
1.	Mr. M R Mondkar	Non-Executive & Independent Director	4	4
2.	Mr. Nimesh N Kampani	Non-Executive Director	4	3
3.	Mr. Ashith N Kampani	Non-Executive & Independent Director	4	4

b. Shareholders'/Investors' Grievance Committee

The present composition of the Shareholders' Grievance Committee is as follows

Name of the Director	Category of Directorship
Mr. M R Mondkar (Chairman)	Non-Executive
Mr. Ashith N Kampani	Non-Executive

The Committee deals in matters relating to

- Issue of duplicate share certificates/split certificates.
- Redressal of shareholders' queries.
- Review of dematerialisation/rematerialisation of shares.
- Other matters related to shares.

Share transfer formalities are attended once in a fortnight. The details of the share transfers are reported to the Board of Directors for its noting.

Compliance Officer: Mr. P K Choksi, one of the authorised signatories is named by the Board as the Compliance Officer.

141, Maker Chambers III, Nariman Point, Mumbai - 400 021

Status of Complaints:

Your Company had received 70 complaints during the Financial Year 2003-04. All these complaints have been redressed to the satisfaction of the shareholders/investors. As of March 31, 2004, no complaints were pending. 6 share transfer requests aggregating 700 shares were pending as of the above said date.

c. Remuneration Committee

The Board has not constituted the Remuneration Committee, as there is no Executive Director in the Company. The Non-Executive Directors are paid sitting fees for attending each meeting of the Board and Committees thereof. The Non-Executive Directors do not draw any other remuneration from the Company. The sitting fees for attending each of the Board Meetings were increased from Rs. 500/- to Rs. 2000/- by the Board at its meeting hold on June 23, 2003. The details



J. M. Share & Stock Brokers Ltd.

of the sitting fees paid during the Financial Year 2003-04 to the Directors and the Members of the Audit Committee are given below:

Name of the Director/Members	Sitting Fees Paid during the year 2003-04 (Rs.)	
	Board Meeting	Audit Committee Meeting
Mr. Nimesh N Kampani	7,000/-	2,000/-
Mr. Arunkumar R Gandhi	6,500/-	NA
Mr. M R Mondkar	9,000/-	3,000/-
Mr. Ashith N Kampani	9,000/-	3,000/-

IV. GENERAL BODY MEETINGS

i. Location and time of the last three Annual General Meetings:

Financial Year	Date	Time	Type of Resolution	Voting Pattern	Venue
2001	August 27, 2001	3.30 P.M.	Special	Show of hands	Kamalnayan Bajaj Hall, Bajaj Bhavan, Nariman Point, Mumbai
2002	August 30, 2002	3.30 P.M.	—	—	— do —
2003	September 10, 2003	3.30 P.M.	—	—	— do —

ii. Postal Ballot

No resolution was required to be passed by means of postal ballot during the year.

V. MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Developments

The Financial Year 2003-04 was one of the most volatile but satisfying year as far as the Indian Capital Markets are concerned. The Indian Capital Market witnessed a series of Initial Public Offerings (IPOs) including divestment and offer for sale by the Government of India. The sustained buoyancy in the Secondary Market prompted investors to subscribe in the IPOs resulting in heavy oversubscription. There was a greater inflow of foreign funds in the capital market due to attractive valuations and economic growth. With the stabilisation of T+2 settlement cycle, the Regulators and market participants are looking at implementation of T+1 settlement cycle. The continued growth in the Indian Economy coupled with market friendly measures would attract more foreign funds in the Capital Market. Overall, the outlook for the industry appears to be positive.

Opportunities and Threats

Being a Securities Company the nature of its business is cyclical involving various risks. The major threats are; changes and development happening on fundamental, political and technical fronts. Depending upon the business cycle, your company's

19th Annual Report 2003-04

business goes up and down. Similarly, there are opportunities available to your Company depending upon the growth of economy and favorable Governmental Policies for the Capital Market at large.

Segment-wise or Product-wise performance

Your Company is mainly engaged in securities activities, which is considered as the only business segment. The geographical segments are not applicable to your Company.

Outlook

As indicated earlier, the outlook for the companies operating in the capital market appears to be bright. As the shareholders are aware that the Company is a Securities Company having investment in the Securities of other Companies and Mutual Fund Schemes. Your Company continues to hold 49% equity stake in JM Morgan Stanley Securities Private Ltd. (JMMSSPL), which is a SEBI registered intermediary having memberships of the National Stock Exchange of India Ltd. and The Stock Exchange, Mumbai. JMMSSPL is an Institutional Equity Sales & Trading Company catering to Foreign Institutional Investors, domestic Institutions, Banks and Mutual Funds. With the continued buoyancy in the Capital Market, JMMSSPL is expected to perform better, which augurs well for your Company.

Risk and Concerns

With the philosophy of the Board of your Company, it is ensured that the Company adheres to the best practices and has necessary internal systems and controls in place to manage the risks. However, since your Company is not an operating Company, it is not exposed to the risks specific to the business operations risk.

Internal Control Systems and their adequacy

The Company is holding 49% stake in JM Morgan Stanley Securities Pvt. Ltd. (JMMSSPL). The activities of the Company are outsourced. The major source of income of the Company is through dividend from the above entity viz. JMMSSPL. Since there are no other major in house activities of the Company, the existing systems are adequate to take care of adverse eventualities, if any.

Financial Performance

As can be observed from the Annual Accounts, your Company has reported higher Gross Income of Rs.428.83 lacs as against Rs. 77.93 lacs for the previous year, which is attributable to higher dividend income during the year under review. Your Company's profit before tax was higher at Rs.260.32 lacs as against Rs. 3.70 lacs in the previous year after accounting for Interest of Rs. Nil (Previous year-Rs. 0.81 lacs) and the depreciation of Rs. 1.77 lacs (Previous year - Rs. 1.77 lacs). The net profit of your Company is Rs. 260.96 lacs as against Rs. 2.80 lacs in the previous year.

Human Resources

Your Company did not have any employee during the year under review. However, the work / activities of the Company were outsourced on a need based basis.

19th Annual Report 2003-04

The Company's shares have been delisted from Ahmedabad and Delhi Stock Exchanges.

The Company has paid the annual listing fees to the BSE for the Financial Year 2004-05.

Stock Code

The Stock Exchange, Mumbai 523405

Demat ISIN in NSDL and CDSL for equity shares INE780C01015

Market Price Information

Details about monthly high and low of closing prices and volume of shares of your Company traded on The Stock Exchange, Mumbai (BSE) are given below.

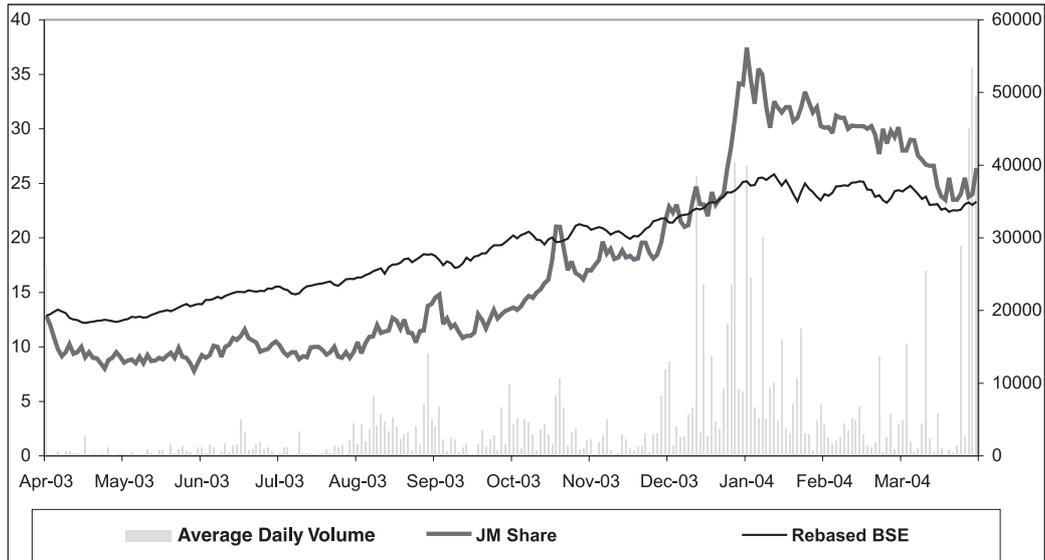
Month	Open Rs.	High Rs.	Low Rs.	Close Rs.	No. of Shares Traded
April 2003	13.90	14.25	8.25	9.00	31957
May 2003	8.95	9.50	7.50	8.85	6724
June 2003	9.20	11.25	7.20	10.65	16937
July 2003	11.00	11.75	8.75	9.70	24400
August 2003	8.81	13.00	8.30	11.66	61450
September 2003	11.60	15.45	9.40	12.45	66146
October 2003	10.85	25.00	10.85	17.85	91739
November 2003	18.25	21.60	15.55	18.60	34129
December 2003	19.00	31.15	18.00	31.15	243472
January 2004	31.15	39.00	28.50	32.00	223593
February 2004	31.00	32.00	27.60	29.80	75214
March 2004	29.25	30.50	21.50	26.40	250587

Source: BSE database



J. M. Share & Stock Brokers Ltd.

The performance of the Company's Equity Shares vis-à-vis the BSE Sensitive Index (Sensex) is given in the chart below:



Registrars and Share Transfer Agents:

MUMBAI OFFICE

Sharepro Services,
Investor Relation Centre,
912, Raheja Centre,
Free Press Journal Road,
Nariman Point, Mumbai - 400 021
Contact Person:
Ms. Pallavi - Tel. No. 22884528
Counter Timings: 10.00 a.m. to 5.00 p.m.

ANDHERI OFFICE

Sharepro Services,
3rd Floor, Satam Industrial Estate,
Above Bank of Baroda,
Cardinal Gracious Road, Chakala,
Andheri (East), Mumbai - 400099
Contact Person:
Mr. Raagesh - Tel Nos. 28215168
Counter Timings: 10.00 a.m. to 5.00 p.m.

19th Annual Report 2003-04

Share Transfer System

The Company's investor related services are handled by Sharepro Services. Physical shares received for transfer are duly transferred and returned to the investors well within the statutory time period provided the documents are complete in all respects. The Share Transfer Committee meets regularly to approve transfer proposals. All requests for dematerialisation of shares are processed and confirmed to the depositories, NSDL and CDSL, within 15 days.

Information about Shareholding as of March 31, 2004

I. Distribution of Shareholding

No. of Shares held	Shareholders		Shares	
	Nos.	% age	Nos.	% age
0- 500	6049	90.27	1134501	10.02
501-1000	404	6.03	317950	2.81
1001-2000	105	1.57	156895	1.39
2001-3000	41	0.61	98270	0.87
3001-4000	26	0.39	92235	0.81
4001-5000	17	0.25	78600	0.69
5001-10000	30	0.45	236447	2.09
10001 and above	29	0.43	9210102	81.32
Total	6701	100.00	11325000	100.00

II. Categories of Shareholders

Category	No. of Shares held	Amount paid up Rs.	% age to the total Issued Capital
Public	2397315	23973150	21.16
Non-Resident Indians	15250	152500	0.14
Bodies Corporate	7246335	72463350	63.99
Directors and their relatives	1666100	16661000	14.71
	11325000	*113250000	100.00

*Inclusive of calls-in-arrears and amount in respect of shares held in abeyance under Section 206 A of the Companies Act, 1956.



J. M. Share & Stock Brokers Ltd.

Dematerialisation of Shares and Liquidity

As of March 31, 2004, 84.32% of the Company's share capital was in dematerialised mode. The Company's shares are frequently traded on The Stock Exchange, Mumbai.

94,47,911 shares representing 83.43% of the total shares have been dematerialised under NSDL Depository whereas 1,01,638 shares representing 0.90% of the total shares have been dematerialised under CDSL Depository.

Outstanding GDRs /ADRs /Warrants or any Convertible Instruments, conversion date and likely impact on equity - Not Applicable since the Company has not issued any such instruments.

Plant Locations — Not applicable

Address for correspondence — 141, Maker Chambers III,
Nariman Point, Mumbai - 400 021

All material requirements with respect to Corporate Governance have been complied with as stipulated in the Listing Agreement.

CERTIFICATE

To the Members of

J. M. Share & Stock Brokers Limited

We have examined the compliance of conditions of Corporate Governance by J. M. Share & Stock Brokers Limited, for the year ended on March 31, 2004 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2004, no investor grievances are pending against the Company for a period exceeding one month as on 31st March, 2004, as per the records maintained by the Company and presented to the Investors'/Shareholders' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For & on behalf of

KHIMJI KUNVERJI & CO

Chartered Accountants

SHIVJI K. VIKAMSEY

Partner

PLACE : MUMBAI

DATE : MAY 28, 2004