

12TH ANNUAL REPORT
2003-04

SBI FUNDS MANAGEMENT PRIVATE LIMITED

DIRECTORS' REPORT

TO,

THE MEMBERS

The Directors have pleasure in presenting the twelfth Annual Report together with Profit and Loss Account of SBI Funds Management Private Limited for the year ended March 31, 2004 and the Balance Sheet as at that date.

The Financial results are as under:

I. FINANCIAL RESULTS:

(Rs. in lacs)

PARTICULARS	YEAR UNDER REPORT	PREVIOUS YEAR
	2003-04	2002-03
Total Income	3609.87	2948.86
Profit before depreciation	1540.80	989.48
Less : Depreciation	75.63	64.28
Profit before tax	1465.17	925.20
Less : Provision for tax	464.27	308.40
Profit after tax	1000.90	616.80
Add : Prior year adjustments	7.90	3.71
Net Profit after tax	1008.80	620.51
Balance brought forward from previous year (net)	551.02	239.32
Provision for Income Tax written back/(Income Tax for earlier years)	-	(8.81)
Amount available for Appropriation	1559.82	851.02

APPROPRIATIONS:

Transfer to General Reserve	500.00	-
Interim Dividend/Proposed Dividend	500.00	300.00
Dividend Distribution Tax	64.06	-
Balance/(Loss) to be carried forward	495.76	551.02

II DIVIDEND:

During the year under review, the Company has made a net profit of Rs.1008.80 lacs. The Directors recommend a dividend of 10% on the Paid up Equity Capital of the Company which, if approved, will amount to Rs.500.00 lacs. Under the Income Tax Act 1961, the receipt of dividend is tax-free in the hands of the shareholders. The tax on the distributed profits, payable by the company, amounts to Rs.64.06 lacs.

III CAPITAL:

During the year under review, the Company has not made any fresh issue of capital. The net worth of the Company, however, increased to Rs. 6483.22 lacs as at the end of March, 2004 from Rs. 6038.49 lacs as at the end of March 2003.

IV BUSINESS ENVIRONMENT:

CAPITAL MARKETS

It has been an excellent year for equities as the benchmark BSE Sensex gave a return of 83% over the year and India emerged as one of the best performing markets worldwide. The growth has been led by strong corporate performance across sectors in the backdrop of improving macro factors, namely strong economic performance, benign interest rates, a conducive regulatory environment and a robust demand pick up.

The GDP growth in the third quarter has been the highest ever at 10.40%. After a year of drought, the farm sector showed a sharp bounce back on a low base, turning in a growth of 16.90% over the last year. The manufacturing and services sectors continued with their pace of growth, at 7.40% and 7.70% respectively.

The year also witnessed a recovery in primary markets with a total of Rs. 49,465 crores being raised through the domestic markets. The disinvestment program of the Government was met with enthusiasm and resulted in a total of Rs. 16,666 crores being raised in the month of March itself.

Performance by the corporate sector continues to be encouraging, as internal efficiencies and cost rationalization have provided good operating leverage. In the December quarter, topline growth of the corporate sector was 15% while net profit growth was around 43%. Indian companies are moving from strength to strength and are also making their presence felt globally through acquisitions in international markets.

A demand pick up in the economy has led to capacity constraints as the excess capacity built up in the nineties has been fully utilized. Benign interest rates have resulted in a traditionally credit averse Indian consumer adopting the credit route to financing. We are thus in a phase of strong corporate as well as retail credit pick up.

DEBT MARKETS

During the year, debt markets were volatile with the ten year benchmark moving in a range between 6.10% s.a.- 4.95% s.a. On the whole there has been a decline in the yields leading to a bond rally in the market. The major factors which moved the market were liquidity in the banking system, RBI's Open Market Operations, inflation expectations, Monetary Policy announcements and other macro economic events.

Liquidity in the banking system remained ample in the region of Rs. 15000-Rs. 40000 crores. The Bank Rate was cut by RBI from 6.50% to 6.00% in the October Credit Policy and RBI also cut the overnight repo rate from 5.00% to 4.50% during the middle of the year. The government's borrowing programme went through smoothly. The States undertook borrowing to retire high cost debt outstanding with the Centre and were able to do so due to the large liquidity in the system and good demand from nationalized banks.

The rupee appreciated sharply to Rs. 43.65 per US dollar towards the close of the financial year from Rs 47.70 as at the beginning of April due to weakening of US dollar, strong capital inflows and robust NRI remittances. RBI's intervention in the forex markets periodically also increased the liquidity in the banking system.

Inflation as measured by WPI fell gradually from a high of 6.50% at beginning of April to about 4.50% in August and about 3.50 % in September. However during the last quarter inflation steadily went up to cross 6.50% in February but came down towards 4.50% in March 2004 partly due to base revision.

On the corporate bond market side, SEBI initiated stringent listing measures in Nov 2003 for corporates who want to raise money from the market and has made it compulsory for banks to invest a major portion in listed papers only by end of Dec 2004. This caused a sharp hike in corporate bond yields, which subsequently recovered, as many corporates initiated the process of listing and some like HDFC, Reliance, GAIL got their papers listed.

Call money rates which tracked the overnight Repo rate were in the range of 4.00-4.50% for most of the year.

MUTUAL FUND INDUSTRY

During the period April 2003 to March 2004, total resources mobilised by the mutual fund industry stood at Rs. 5,90,190 crores (Previous year Rs. 3,14,706 crores) while the total repurchase/redemption amount was Rs. 5,43,381 crores (Previous year Rs.3,10,510 crores) (source :SEBI website). The industry thus saw a net inflow of Rs. 46,808 crores (Previous year Rs. 4,196 crores) during this period. The total Assets under management as on 31st March, 2004 stood at Rs. 1,39,616 crores (Previous year Rs. 1,09,299 crores).

The liquid funds continued to get maximum inflows during the year in view of the volatile interest rate scenario. This also resulted in floater funds, short-term plans and funds with marginal equity getting preference from investors. In the second half of the year, the bullish sentiment in the equity markets made equity diversified funds attractive to the investors.

SBI MUTUAL FUND PERFORMANCE OVERVIEW

SBI Mutual Fund saw a total inflow of Rs. 12450 crores (Previous year Rs. 6,360 crores) in the open-ended funds during the year. The inflow took place predominantly in the debt funds (mainly income and liquid funds). The total redemption amounted to Rs. 10523 crores (Previous year Rs. 5,674 crores), leaving a net inflow of Rs. 1927 crores as against a net inflow of Rs. 686 crores in the previous year. The total assets under management of domestic funds stood at Rs. 5,340 crores as on March 31, 2004 (Previous year Rs. 3,312 crores). The Asset Management Company reported a net profit of Rs. 10.09 crores after tax during the year as against Rs. 6.21 crores in the previous year.

FUTURE PLANS

We launched Magnum Income Plus Scheme, Magnum Institutional Income Fund, Magnum NRI Investment Fund and a Provident Fund plan in the Magnum GILT Fund during the year. The schemes were well received by investors.

During the year, the number of AMFI certified Agents increased to 1,825. Further thrust is being made to increase this number constantly so as to reach a figure of 4000 agents by the year-end.

The Fund has set a gross mobilisation target of Rs. 17,685 crores and a net mobilisation target of Rs. 4,500 crores for the financial year 2004-05. The net mobilization target includes expected contribution of Rs. 1,600 crores from the SBI and Associate bank branches.

We plan to expand our presence to ten more cities during the next financial year. Two new products are being lined up for launch in the first quarter of the financial year 2004-05.

AMC'S LIABILITY ON GUARANTEED SCHEMES

During the year, Magnum Monthly Income Scheme –1998 (II), a scheme with an assured minimum redemption at par value, was successfully redeemed without any devolvement on the AMC.

V COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES 1988

In terms of the above rules issued by the Central Government the following information is furnished.

(a) CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Since the Company is engaged in the management of assets of SBI Mutual Fund, there is no information to report under this head.

(b) FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, foreign exchange amounting to Rs. 71.20 lacs was earned by way of management fee from Offshore Funds and the total foreign exchange outgo was Rs. 0.07 lacs.

VI DIRECTORS

During the year under review, the following changes took place in the Board of Directors of the Company:

The term of Shri K.S.V. Krishnamachari as the SBI Nominee Director ended on July 31, 2003 consequent upon his retirement from the services of State Bank of India. In his place, Shri Chandan Bhattacharya has been appointed as the SBI nominee Director w.e.f. October 27, 2003.

The term of Shri D.P. Roy as the SBI Nominee Director of the Company ended on September 30, 2003 consequent upon his retirement from the services of SBI Capital Markets Limited. In his place, Shri Indrajit Gupta has been appointed Director w.e.f. from October 27, 2003.

The Board places on record its appreciation of the invaluable contributions made by Shri K.S.V. Krishnamachari and Shri D.P. Roy as the Directors of the Company.

The Board also extends a warm welcome to Shri Chandan Bhattacharya and Shri Indrajit Gupta who joined the Board of the Company.

VII AUDIT COMMITTEE OF DIRECTORS:

The Committee reviews the reports of internal and statutory auditors placed before them from time to time. An independent director who is a Chartered Accountant chairs the audit committee. The Committee met five times during the year.

VIII DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217 (2AA) OF THE COMPANIES ACT, 1956.

The Directors hereby confirm: -

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that reasonable and prudent accounting policies have been selected and applied consistently and reasonable and prudent judgements and estimates have been made so as to give a true and fair view of the state of affairs of the company at the end of the financial year and the profit or loss of the company for that period;
- (iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) that the annual accounts have been prepared on a going concern basis.

IX PERSONNEL

Employee relations remained cordial during the year. The Directors place on record their appreciation of the dedicated work put in by all the employees.

The Company has no employees of the category mentioned in Section 217 (2A) of the Companies Act 1956 read with Companies (Particulars of Employees) Rules 1975.

X AUDITORS

M/s. S.R. Batliboi & Co., Chartered Accountants, the Statutory Auditors of the Company, retire at the conclusion of the twelfth Annual General Meeting and being eligible offer themselves for re-appointment.

M/s. S.R. Batliboi & Co., have given their consent to act as our Statutory Auditors and have also certified that their appointment would be within the limits specified under Section 224(1B) of the Companies Act, 1956.

XI ACKNOWLEDGEMENT

The Directors take this opportunity to express their gratitude for the continued support and co-operation extended by State Bank of India, Government Agencies, auditors, SEBI, AMFI, the Board of Trustees of the Fund, market intermediaries and the large body of investors in various schemes of the Fund.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Mumbai
Date: April 19, 2004

A.K.PURWAR
CHAIRMAN

Auditors' Report

To
The Members of SBI Funds Management Private Limited

1. We have audited the attached Balance Sheet of SBI Funds Management Private Limited as at March 31, 2004 and also the Profit and Loss account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ("the Act"), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet and profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act.
 - v. On the basis of the written representations received from the directors, as on March 31, 2004, and taken on record by the Board of Directors, none of the director is disqualified as on March 31, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2004; and
 - b) in the case of the profit and loss account, of the profit for the year ended on that date.

For S. R. BATLIBOI & CO.,
Chartered Accountants

per Hemal Shah
Partner
Membership No.: 42650

Mumbai, April 19, 2004

Annexure referred to in paragraph [3] of our report of even date

Re: SBI Funds Management Private Limited

- 1) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. Fixed assets have been physically verified by management during the year. No material discrepancies were noticed on such verification.
- 2) The Company has not held any inventory during the year.
- 3) As informed to us, the Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets. During the course of our audit, no major weakness has been noticed in the internal controls.
- 5) Based on the audit procedures applied by us and according to the information and explanations provided by the management, there are no transactions that need to be entered into the register maintained under section 301.
- 6) The Company has not accepted any deposits from the public.
- 7) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- 8) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- 9) According to the records of the Company, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Custom Duty, Excise Duty, cess and other statutory dues applicable to it with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding, at the year end for a period of more than six months from the date they became payable. According to the records of the Company, there are no dues outstanding of sales tax, income tax, custom tax, wealth tax, excise duty, cess on account of any dispute.
- 10) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- 11) According to the information and explanations given to us and based on the documents and records produced to us, the Company has no dues repayable to a financial institution, bank or debenture holders during the year.
- 12) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/ mutual benefit fund/societies.
- 14) In respect of dealing/trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other securities have been held by the Company, in its own name.
- 15) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by its subsidiaries and associates from bank or financial institutions.
- 16) The Company did not have any term loans outstanding during the year.
- 17) The Company did not have any outstanding borrowings during the year.
- 18) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- 19) The Company did not have any outstanding debentures during the year.

- 20) The Company has not raised any money through a public issue during the year.
- 21) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. R. BATLIBOI & CO.,
Chartered Accountants

per Hemal Shah
Partner
Membership No.: 42650

Mumbai
April 19, 2004

SBI FUNDS MANAGEMENT PRIVATE LIMITED

BALANCE SHEET AS AT MARCH 31, 2004

		As at		As at
		31.03.2004		31.03.2003
	<u>Schedules</u>	Rs.	Rs.	Rs.
<u>SOURCES OF FUNDS</u>				
Shareholders' Funds				
Capital	1		500,000,000	500,000,000
Reserves and Surplus	2		148,322,578	103,848,948
Deferred Tax Liabilities (net) [Refer Note 5 of Schedule 15]			791,164	4,363,780
			<hr/>	<hr/>
TOTAL			<u>649,113,742</u>	<u>608,212,728</u>

APPLICATION OF FUNDS

Fixed Assets

	3A			
Gross block		55,184,168	50,004,842	
Less : Depreciation		<u>35,558,973</u>	<u>32,616,457</u>	
Net block			19,625,195	17,388,385

Intangible Assets

	3B			
Gross block		7,444,975	5,671,913	
Less : Amortization		<u>2,720,725</u>	<u>906,875</u>	
Net block			4,724,250	4,765,038

Investments

	4		200,825,811	99,444,055
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Current Assets, Loans and Advances

Sundry debtors	5	88,402,566	72,336,648
Cash and bank balances	6	71,649,900	201,140,419
Other current assets	7	6,022,135	15,909,130
Loans and advances	8	<u>346,860,056</u>	<u>280,217,406</u>
		512,934,657	569,603,603

Less: Current Liabilities and Provisions

Liabilities	9	21,754,732	66,151,231
Provisions	10	<u>67,241,439</u>	<u>16,837,122</u>
		88,996,171	82,988,353

Net Current Assets

423,938,486 **486,615,250**

TOTAL

649,113,742 **608,212,728**

Notes to Accounts

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The Schedules referred to above and notes to accounts form an integral part of the Balance Sheet

As per our report of even date

For S. R. BATLIBOI & CO.
Chartered Accountants
per Hemal Shah

Partner

For and on behalf of the
Board of Directors
A.K. PURWAR
CHAIRMAN

Membership No.: 42650

P.G.R. PRASAD
MANAGING DIRECTOR

RAJU NANWANI
COMPANY SECRETARY

Mumbai, April 19, 2004

Mumbai, April 19, 2004

SBI FUNDS MANAGEMENT PRIVATE LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004

	<u>Schedules</u>	Year Ended 31.03.2004 Rs.	Year Ended 31.03.2003 Rs.
INCOME:			
Management Fees (Gross) [Taxes deducted at source Rs.15,049,164 (Previous year Rs.13,045,202)]		300,762,083	256,911,327
Interest Income [Taxes deducted at source Rs.2,788,252 (Previous year Rs.5,065,785)]	11	11,570,214	23,568,555
Realisation of Devolved Investments		30,712,410	-
Dividend on Mutual Fund Units		2,556,738	369,318
Profit on Sale of Investments (Net)		6,815,777	7,414,584
Provision for registrar related reconciliation differences in schemes of SBI Mutual Fund written back [Refer note 11 of schedule 15]		4,522,518	-
Miscellaneous Income [Refer note 6 of schedule 15]		<u>4,047,457</u>	<u>6,622,146</u>
		<u>360,987,197</u>	<u>294,885,930</u>
EXPENDITURE:			
Personnel expenses	12	64,494,380	60,651,242
Operating and other expenses	13	130,299,833	133,623,106
Depreciation on fixed assets	3A	5,748,893	6,428,254
Amortization of intangible assets	3B	1,813,850	906,875
Diminution in value of investments		11,695,087	668,504
Loss on sale of assets		<u>418,362</u>	<u>87,355</u>
		<u>214,470,405</u>	<u>202,365,336</u>
Profit before tax and prior period items		146,516,792	92,520,594
Provision for tax		(50,000,000)	(28,000,000)
Deferred tax		<u>3,572,616</u>	<u>(2,840,450)</u>
Profit after tax and before prior period items		100,089,408	61,680,144
Prior Period Adjustments (net)	14	<u>790,472</u>	<u>371,270</u>
Profit after tax and prior period items		100,879,880	62,051,414
Balance brought forward from previous year		55,102,335	23,932,135

Provision for Tax for previous years (charged) / written back	-	(881,214)
Profit available for appropriation	<u>155,982,215</u>	<u>85,102,335</u>
APPROPRIATIONS		
Transfer to general reserve	50,000,000	-
Dividend - Interim	-	30,000,000
Proposed Dividend	50,000,000	-
Tax on proposed dividend	6,406,250	-
Surplus carried to Balance Sheet	49,575,965	55,102,335
	<u>155,982,215</u>	<u>85,102,335</u>
Basic and diluted earnings per share [refer note 10 of schedule 15]	20.18	12.23
Number of shares of Rs. 100 each outstanding during the year	5,000,000	5,000,000

Notes to Accounts

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The Schedules referred to above and the notes to accounts form an integral part of the Profit and Loss account

As per our report of even date

For S. R. BATLIBOI & CO.

**For and on behalf of the
Board of Directors**

Chartered Accountants

per Hemal Shah

**A.K. PURWAR
CHAIRMAN**

Partner

Membership No.: 42650

**P.G.R. PRASAD
MANAGING DIRECTOR
Mumbai, April 19, 2004**

**RAJU NANWANI
COMPANY SECRETARY**

Mumbai, April 19, 2004

SBI FUNDS MANAGEMENT PRIVATE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	As at 31.03.2004 Rs.	As at 31.03.2003 Rs.
SCHEDULE 1		
SHARE CAPITAL		
<u>Authorised</u>	-	-
5,000,000 (PY: 5,000,000) Equity Shares of Rs.100 each	500,000,000	500,000,000
<u>Issued, Subscribed and Paid Up</u>	-	-
5,000,000 (PY: 5,000,000) Equity Shares of Rs. 100 each fully paid up	500,000,000	500,000,000
TOTAL	500,000,000	500,000,000

Notes:

1. All the above shares are held by State Bank of India, the Company's holding company, and its nominees.

2. Of the above shares, 20,00,000 (PY: 20,00,000) shares are allotted as fully paid up by way of bonus shares by capitalising reserves in the year 1995-96.

-	As at 31.03.2004	As at 31.03.2003
-	-	-

SCHEDULE 2

RESERVES AND SURPLUS

General Reserve

As per last Balance Sheet	48,746,613	48,746,613
Add: Transfer from Profit and Loss Account	50,000,000	98,746,613

Profit and Loss Account	49,575,965	55,102,335
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TOTAL

148,322,578

103,848,948

SBI FUNDS MANAGEMENT PRIVATE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

SCHEDULE 3A

FIXED ASSETS

(Amount in Rupees)

Particulars	GROSS BLOCK (At Cost)				DEPRECIATION				NET BLOCK	
	As at 01.04.2003	Additions for the year	Deductions for the year	As At 31.03.2004	Upto 01.04.2003	For the Year	Deductions for the year	Upto 31.03.2004	As at 31.03.2004	As at 31.03.2003
Computers	30,773,939	6,965,081	1,817,840	35,921,180	22,817,244	4,034,647	1,676,664	25,175,227	10,745,953	7,956,695
Motor Car	1,304,240	-	692,384	611,856	772,849	122,801	612,692	282,958	328,898	531,391
Office Equipment	11,219,489	1,201,410	803,795	11,617,104	4,886,226	1,068,945	474,939	5,480,232	6,136,872	6,333,263
Furniture & Fixtures	6,707,174	380,924	54,070	7,034,028	4,140,138	522,500	42,082	4,620,556	2,413,472	2,567,036
TOTAL	50,004,842	8,547,415	3,368,089	55,184,168	32,616,457	5,748,893	2,806,377	35,558,973	19,625,195	17,388,385
<i>Previous Year</i>	<i>44,304,168</i>	<i>6,435,431</i>	<i>734,757</i>	<i>50,004,842</i>	<i>26,763,483</i>	<i>6,428,254</i>	<i>575,280</i>	<i>32,616,457</i>	<i>17,388,385</i>	

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

SCHEDULE 3B

INTANGIBLE ASSETS

(Amount in Rupees)

Particulars	GROSS BLOCK (At Cost)				AMORTIZATION				NET BLOCK	
	As at 01.04.2003	Additions for the year	Deductions for the year	As At 31.03.2004	Upto 01.04.2003	For the year	Deductions for the year	Upto 31.03.2004	As at 31.03.2004	As at 31.03.2003
Computer Software	3,821,913	1,773,062	-	5,594,975	855,024	1,214,527	-	2,069,551	3,525,424	2,966,889
Website Development Cost	1,850,000	-	-	1,850,000	51,851	599,323	-	651,174	1,198,826	1,798,149
TOTAL	5,671,913	1,773,062	-	7,444,975	906,875	1,813,850	-	2,720,725	4,724,250	4,765,038
<i>Previous Year</i>	-	5,671,913	-	5,671,913	-	906,875	-	906,875	4,765,038	

SBI FUNDS MANAGEMENT PRIVATE LIMITED
SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE
SHEET

SCHEDULE 4

INVESTMENTS

	As at		As at		
(Current and unquoted)	31.03.2004		31.03.2003		
In schemes under the management of					
the Company	Face	No. of	Rs.	No. of	Rs.
	value	Units		Units	
Magnum Income Fund ('MIF') - Growth Plan [Note]	10	1,366,190	25,017,433	-	-
Magnum Monthly Income Plan - Annual Dividend	10	1,704,492	17,376,616	-	-
MIF - Bonus Plan	10	-	-	5,828,281	66,243,660
Magnum Monthly Income Plan - Growth Plan	10	730,108	9,989,705	-	-
Magnum Insta Cash Fund ('MICF') - Cash Plan	10	1,945,836	27,623,280	2,450,196	33,200,395
Magnum Multiplier Plus - 1993	10	8,163,431	120,818,777		
			<hr/>		<hr/>
Total			<u>200,825,811</u>		<u>99,444,055</u>
Aggregate Cost of Unquoted Investments			212,520,898		100,112,559
Diminution in the value of investments, recognised in the profit and loss account			(11,695,087)		(668,504)
			<hr/>		<hr/>
Aggregate Value of Unquoted Investments			<u>200,825,811</u>		<u>99,444,055</u>

Note: Units valuing Rs. 20,000,000 (Previous year Nil units) pledged with Indian Register of Shipping in lieu of security deposit for office premise taken on lease.

Details of investment purchased and sold

Name of the Scheme	Face value	Year Ended 31.03.2004		Year Ended 31.03.2003	
		No. of Units	No. of Units	No. of Units	No. of Units
		<u>Purchased</u>	<u>Sold</u>	<u>Purchased</u>	<u>Sold</u>
MIF - Growth Plan	10	12,345,464	10,979,274	11,052,854	13,186,567
MIF - Bonus Plan	10	582,828*	6,411,109**	8,121,808*	2,293,527**
MICF - Cash Plan	10	16,641,381	17,145,741	8,102,526	5,652,330
MMIP - Annual Dividend	10	1,704,492	-	-	-
MMIP - Growth Plan	10	18,345,874	-	-	-
MGLT - Long Term Dividend Plan	10	-	-	-	3,693,185
MMPS - 93	10	8,163,431	-	-	-
MICF - Short Term Growth Plan	10	4,676,099	4,676,099	-	-

* Includes 582,828 (PY : 2,707,269) bonus units allotted.

** Includes 582,828 (PY: 1,146,763) bonus units sold.

SBI FUNDS MANAGEMENT PRIVATE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	As at 31.03.2004		As at 31.03.2003	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE 5				
SUNDRY DEBTORS				
(Unsecured and considered good)				
Due from schemes under the management of the Company				
Debts outstanding for a period less than six months		88,402,566		72,336,648
Others		-		-
Total		88,402,566		72,336,648

SCHEDULE 6

CASH & BANK BALANCES

Cash on hand		20,408		14,045
Balances with scheduled banks				
On current accounts	6,571,478		15,178,726	
On fixed deposits	<u>65,058,014</u>		<u>185,947,648</u>	
		71,629,492		201,126,374
Total		71,649,900		201,140,419

SCHEDULE 7

OTHER CURRENT ASSETS

Accrued interest		5,138,052		15,909,130
Others		884,083		-
Total		6,022,135		15,909,130

SCHEDULE 8

LOANS AND ADVANCES

(Unsecured, considered good)
Advances recoverable in cash or in
kind or for value to be received

	18,452,994	10,064,132
Deposits	6,176,552	9,331,552
Payments made towards disputed Income tax demands [Refer note 2(i) of schedule 15]	322,230,510	260,821,722
Advances considered doubtful	1,333,993	1,333,993
Less: Provision	<u>(1,333,993)</u>	<u>(1,333,993)</u>
Total	<u>346,860,056</u>	<u>280,217,406</u>

SBI FUNDS MANAGEMENT PRIVATE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	As at 31.03.2004	As at 31.03.2003
	Rs.	Rs.

SCHEDULE 9

LIABILITIES

Sundry creditors	14,469,674	61,745,552
Other liabilities	<u>7,285,058</u>	<u>4,405,679</u>
Total	<u>21,754,732</u>	<u>66,151,231</u>

SCHEDULE 10

PROVISIONS

Provision for registrar related reconciliation differences in schemes of SBI Mutual Fund [Refer note 11 of schedule 15]	-	10,000,000
Proposed dividend	50,000,000	-
Tax on proposed dividend	6,406,250	-
Provision for income tax (net of advance tax and taxes deducted at source)	<u>10,835,189</u>	<u>6,837,122</u>
Total	<u>67,241,439</u>	<u>16,837,122</u>

SBI FUNDS MANAGEMENT PRIVATE LIMITED**SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT**

	Year Ended 31.03.2004	Year Ended 31.03.2003
	Rs.	Rs.
SCHEDULE 11		
INTEREST INCOME		
Fixed deposits (Gross) [Taxes deducted at Source Rs. 2,650,594 (Previous Year Rs.5,065,785)]	10,317,016	23,196,341
Interest on NCDs [Taxes deducted at Source Rs.137,658 (Previous Year Rs.Nil)]	670,022	-
Loans to employees	583,176	372,214
Total	11,570,214	23,568,555

	Year Ended 31.03.2004	Year Ended 31.03.2003
	Rs.	Rs.
SCHEDULE 12		
PERSONNEL EXPENSES		
Salaries, allowances and bonus	42,919,125	39,839,532
Contribution to provident and other funds	6,383,424	4,794,229
Staff welfare expenses	15,191,831	16,017,481
Total	64,494,380	60,651,242

SBI FUNDS MANAGEMENT PRIVATE LIMITED**SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT****SCHEDULE 13****OPERATING AND OTHER EXPENSES**

	Year Ended 31.03.2004		Year Ended 31.03.2003	
	Rs.	Rs.	Rs.	Rs.
Rent		25,659,535		27,502,236
Rates and taxes		32,899		17,559
Electricity charges		3,650,575		3,686,693
Repairs and maintenance :				
- Equipment	2,949,585		1,531,201	
- Others	<u>2,309,316</u>	5,258,901	<u>2,065,028</u>	3,596,229
Insurance		809,960		420,631
Travelling and conveyance		12,436,604		8,909,143
Recruitment and training		1,917,918		1,537,266
Printing and stationery		4,069,516		2,677,619
Postage and telegram		4,153,447		3,060,439
Telephone		5,730,344		6,391,038
Scheme expenses		6,211,116		226,488
Reimbursement of NAV computation error amount to Magnum Balanced Fund		-		4,751,882
Reimbursement of shortfall in annual guaranteed return to Magnum Monthly Income Scheme 1998 (I)		-		17,543,731
Business Promotion		10,367,490		4,197,630
Provision for doubtful advances recoverable		-		1,333,993
Provision for registrar related reconciliation differences in schemes of SBI Mutual Fund [Refer note 11 of schedule 15]		-		10,000,000
Reimbursement for old unresolved custody related reconciliation differences in schemes of SBI Mutual Fund [Refer note 12 of schedule 15]		3,515,747		-
Advertising and publicity		32,973,575		26,803,926
Legal and professional fees		3,234,641		2,989,931
Membership and subscription		6,196,633		4,905,594
Auditor's Remuneration:				
Audit fee	72,500		63,000	
Tax audit fee	22,500		23,625	
Consolidation and certification fees	89,250		89,250	

Out of pocket expenses	<u>9,500</u>	193,750	<u>4,500</u>	180,375
Directors' sitting fees		125,530		152,500
Miscellaneous expenses		3,761,652		2,738,203
Total		<u><u>130,299,833</u></u>		<u><u>133,623,106</u></u>

SBI FUNDS MANAGEMENT PRIVATE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Year Ended 31.03.2004	Year Ended 31.03.2003
	Rs.	Rs.
SCHEDULE 14		
PRIOR PERIOD		
ADJUSTMENTS (NET)		
Prior Period Income		
Management fee	1,293,341	-
Scheme expenses excess provided earlier	-	1,748,448
Others	-	200,000
	<u>1,293,341</u>	<u>1,948,448</u>
Prior Period Expenses		
Salaries and allowances	46,266	454,620
Telephone and telex	11,563	-
Electricity charges	3,000	97,233
Advertisement expenses	-	665,625
Office rent	5,000	-
Subscription fees	-	115,200
Printing and stationery	406,444	67,776
Postage and telegram	8,878	54,785
Others	21,718	121,939
	<u>502,869</u>	<u>1,577,178</u>
Total	<u><u>790,472</u></u>	<u><u>371,270</u></u>

SCHEDULE 15

NOTES ON ACCOUNTS

1) Significant Accounting Policies

a) Accounting Convention:

The financial statements have been prepared under the historical cost convention on an accrual basis and in accordance with the mandatory Accounting Standards ('AS') issued by the Institute of Chartered Accountants of India ('ICAI') and referred to in Section 211(3C) of the Companies Act, 1956 ('the Act'). The accounting policies have been consistently applied by the Company.

b) Fixed Assets:

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on the written down value method at the rates and in the manner prescribed in Schedule XIV to the Act. Assets costing individually Rs.5,000 or less are fully depreciated in the year of purchase.

c) Intangible Assets:

Costs relating to acquisition of computer software and development of website are capitalised in accordance with AS 26 'Intangible Assets' issued by ICAI and amortised on a straight line basis over a period of three years, which is management's estimate of the useful lives of these intangible assets.

d) Investments:

Investments are classified into current and long term investments. Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and market / fair value. Long term investments are carried at weighted average cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the long term investments.

e) Revenue Recognition:

- i) Management fees are accounted for on accrual basis in accordance with the Investment Management and Advisory Agreement with the Board of Trustees of SBI Mutual Fund, or as modified thereafter.
- ii) Dividend income is recognised when the right to receive the same is established.
- iii) Profit / Loss on sale of investments is accounted on trade date basis. For the purpose of determining profit / loss on sale of a part of the holding of an individual investment during the year, the carrying amount to be allocated to that part is computed on the basis of the weighted average carrying amount of the total holding of the investment, as per Accounting Standard 13 'Accounting for Investments' issued by the ICAI.
- iv) Recovery, if any, on realisation of devolved investments of schemes acquired by the Company, in terms of the right of subrogation, is accounted on the basis of receipts.

f) Retirement Benefits:

Retirement benefits on account of Provident Fund and Pension are charged to the Profit & Loss Account of the year when the contributions to the respective Funds are due. Gratuity and Superannuation contributions have been funded with the Life Insurance Corporation of India under the Group Gratuity and Superannuation Schemes.

g) Foreign Currency Transactions:

i) Initial Recognition

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction.

ii) Conversion

At the year-end, monetary items denominated in foreign currencies other than those covered by forward contracts are converted into rupee equivalents at the year-end exchange rates.

iii) Exchange Differences

All exchange differences arising on settlement/conversion of foreign currency transactions are included in the Profit and Loss Account as per Accounting Standard 11 'Accounting for Foreign Currency Transactions' issued by ICAI.

h) Reimbursement of Shortfall to Schemes:

In case of schemes managed by the Company, where the redemption value / returns are guaranteed by the Company, the shortfall in redemption value / returns reimbursable to the respective scheme is accounted for in the year in which it occurs. In case any shortfall in guaranteed redemption value is anticipated in any scheme, adequate provision as determined by the management is made over the balance duration of the scheme. There is no such reimbursement of shortfall to schemes in the current year.

i) Income Taxes:

Income tax expense is accrued in accordance with Accounting Standard 22 'Accounting for Taxes on Income' issued by the ICAI, which includes current and deferred taxes. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised for all deductible timing differences, carry forward of unused tax assets and unused tax losses only if there is reasonable virtual certainty that such deferred tax assets can be realised against future liabilities.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

j) Earnings Per Share:

Basic and Diluted Earnings per share are reported in accordance with the AS 20 'Earnings Per Share' issued by the ICAI. Basis and Diluted Earnings per equity share has been computed by dividing net profit after tax by weighted average number of equity shares outstanding for the year. The Company has not issued any potential equity shares and, accordingly, the basic earnings per share and diluted earnings per share are the same.

2) Contingent Liabilities (not provided for):

- i) Demands raised by the Income Tax Authorities against which the Company has preferred appeal to the Appellate Authorities are Rs 322,230,510. (Previous Year Rs. 260,821,722). Amount paid under protest / adjusted against refunds for other assessment years against the above is Rs. 322,230,510 (Previous Year Rs. 260,821,722).
 - ii) A maximum amount of Rs. 152,000,000 (Previous Year Rs. 152,000,000) payable, not acknowledged by the Company, to the investors of one of the redeemed schemes under the Company's management, for alleged violation of the 1989 RBI Guidelines for Mutual Funds, in a matter referred by the High Court of Karnataka to Securities & Exchange Board of India for their decision. The Company expects a favourable decision in the matter.
- 3) Advances recoverable in cash or in kind or for value to be received include Rs. 374,527 (Previous year Rs. 794,700) recoverable from State Bank of India (the holding company). Maximum amount due during the year Rs. 960,304 (Previous Year Rs. 794,700).
 - 4) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 2,000,000 (Previous Year Rs. 500,000).

5) **Deferred Tax Liability (net):**

	As at 31.03.2004 (Rs.)	IV. As at 31.03.2003 (Rs.)
Deferred Tax Liabilities		VI.
VII. Amortization of intangibles assets	244,246	184,907
Depreciation on fixed assets	2,926,014	2,237,287
Profit on sale of investments, net	2,445,160	2,659,982
Gross Deferred Tax Liabilities	5,615,420	5,082,176
Deferred Tax Asset		
Loss on sale of investments/assets	150,088	-
Diminution in value of investments	4,195,598	239,826
Provision for doubtful advances recoverable	478,570	478,570
Gross Deferred Tax Assets	4,824,256	718,396
Deferred Tax Liabilities (net)	791,164	4,363,780

6) **Miscellaneous Income**

Miscellaneous Income includes interest on income-tax refund, amounting to Rs.322,147 (Previous Year Rs. 6,435,010)

7) **Managerial Remuneration:**

- i) The Managing Director is on deputation from State Bank of India and his remuneration is in accordance with the Service Rules of the Bank. The particulars of the remuneration of the Managing Director for the current year are as under:

	Year ended 31.03.2004 (Rs.)	IX. Year ended 31.03.2003 ** (Rs.)
		XI.
XII. Salaries and Allowances	379,498	368,819
Contribution to Provident & Pension fund	83,664	56,522
Perquisites	1,87,706	175,496
Total	650,868	600,837

** Previous year figure represents remuneration paid to Managing director and the predecessor Managing director.

- ii) The computation of profits under Section 349 of the Companies Act, 1956 has not been given as no commission is payable to the Managing Director.

8) **Expenditure in Foreign Currency:**

	Year ended 31.03.2004 XIV. (Rs.)	XV. Year ended 31.03.2003 (Rs.)
Travelling Expenses	7,532	256,061

9) **Earnings in Foreign Currency:**

	Year ended 31.03.2004 XVII. (Rs.)	XVIII. Year ended 31.03.2003 (Rs.)
Management Fees	7,119,917	8,431,375

10) **Earnings Per Share (EPS):**

Basic and diluted EPS has been computed by dividing net profit after tax by weighted average number of equity shares outstanding during the year. There are no dilutive potential equity shares outstanding during the year.

- 11) During the previous year, the Company had provided Rs. 10,000,000 on account of unresolved pending switchover/fund/liability reconciliation items pertaining to the schemes managed by the Company. However, during the current year, based on the reconciliation carried out by independent professional firms and the Registrars to the Schemes, a maximum liability of Rs. 5,477,483 has been crystallised on account of the respective schemes towards the Company. Accordingly, an amount of Rs. 5,477,483 has been adjusted against the provision made in previous year and balance amount i.e. Rs. 4,522,517 has been written back. The Company has the right to receive amounts, if any, received by the schemes managed by the Company, on resolution of the pending reconciliation items to the extent of Rs. 5,477,483.
- 12) The amount of Rs. 3,515,748 included in "Reimbursement for old unresolved custodian related reconciliation difference in schemes of SBI Mutual Fund" represents amount paid to meet the shortfall on account of the physical shortages for objections in the Schemes managed by the Company
- 13) Previous year figures have been reclassified, wherever necessary, to conform to the current year's classification.

Signatures to the Schedule "1" to "15" forming part of the Balance Sheet and Profit & Loss Account.

For S. R. Batliboi & Co.

Chartered Accountants

Per Hemal Shah

Partner

Membership No: 42650

For and on behalf of the Board of Directors

A. K. PURWAR

CHAIRMAN

P.G.R. PRASAD
MANAGING DIRECTOR

RAJU NANWANI
COMPANY SECRETARY

MUMBAI, April 19, 2004

MUMBAI, April 19, 2004

SBI FUNDS MANAGEMENT PRIVATE LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE FOR THE YEAR ENDED 31.3.2004

(in thousands of Rupees)

Registration details		
Registration number	11-65289	
State code	11	
Balance Sheet date	31.03.2004	
Capital raised during the period	Nil	
Public issue		Nil
Rights issue		Nil
Private Placement	Nil	
Position of Mobilisation and Deployment of funds:		
Total liabilities and shareholders' funds	649,114	
Total assets		649,114
Sources of funds :		
Paid -up capital	500,000	
Reserves and surplus	148,323	
Deferred Tax Liability(Net)	791	
Secured loans		Nil
Unsecured loans	Nil	
Application of funds :		
Fixed Assets		19,625
Intangible Assets	4,724	
Investments		200,826
Net current assets	423,939	
Miscellaneous expenditure	Nil	
Accumulated losses		Nil
Performance of the Company :		
Turnover	360,987	
Total expenditure	214,470	
Profit /(loss) before tax	146,517	
Profit /(loss) after tax	100,089	
Profit /(loss) after tax & prior period adjustments	100,880	
EPS after net profit after tax & prior period adjustments (in Rupees)	20.18	
Dividend rate %	10%	

Generic names of three principal services of the Company (as per Monetary Terms):

Item Code No.	N.A.
Product Description	Asset Management Company

For and on behalf of the Board of Directors

**A K PURWAR
CHAIRMAN**

**RAJU NANWANI
COMPANY SECRETARY**

**P G R PRASAD
MANAGING DIRECTOR**

Mumbai
Dated: April 19, 2004