

## **BOARD OF DIRECTORS**

### **Executive Chairman**

**Mr. J.T. Poonja**

### **Managing Director**

**Mr. Nimish C. Shah**

### **Non Executive Directors**

**Mr. C. R. Mehta**

**Mr. H. R. Prasad**

**Mr. Manoj G. Patel**

**Mr. Ramesh Venkat**

**Mrs. Sangeeta J. Poonja**

**Mr. Sanjay Kothari**

**Mr. Shailesh Haribhakti**

Alternate Director

**Mr. Sohan C. Mehta**



## **GROUP INFORMATION**

### **FORTUNE'S LEADERSHIP TEAM**

<b>Mr. Vishal Trehan</b>	Chief Executive Officer – Broking & Distribution
<b>Mr. Gyan Mohan</b>	Chief Executive Officer – Investment Banking
<b>Mr. Udai Kumar</b>	Head – Equity Capital Market
<b>Mr. B. B. Tantri</b>	Chief Operating Officer – Broking & Distribution
<b>Mr. S. G. Muthu Kummar</b>	Head – Corporate Affairs
<b>Mr. Pranav Kumar</b>	National Head – Corporate Sales
<b>Mr. Naveen Sharma</b>	Executive Vice President – Broking & Distribution
<b>Mr. S. Kalyanasundaram</b>	Executive Vice President – Funds & Settlements
<b>Mr. Mahantesh Sabarad</b>	Sr. Vice President – Equity Research
<b>Mr. Niraj Shah</b>	Sr. Vice President – Equity Research
<b>Mr. Urmik Chhaya</b>	Sr. Vice President – Equity Research
<b>Mr. Abhijit Chakraborty</b>	Sr. Vice President – Institutional Equity Sales
<b>Mr. Sandeep K. Shah</b>	Head – Institutional Sales (India)
<b>Mr. Suvra Mandal</b>	Sr. Vice President – Equity Derivatives

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**COMPANY SECRETARY** Mr. Haroon Mansuri

**AUDITORS** M/s. Nipun Sudhir & Associates  
Chartered Accountants

**BANKERS** Andhra Bank  
Axis Bank Ltd  
HDFC Bank Ltd  
Karur Vysya Bank Ltd  
Union Bank of India  
Vijaya Bank

**REGISTRAR & SHARE TRANSFER AGENT** Purva Sharegistry (India) Pvt. Ltd.  
Unit No. 9, Ground Floor  
Shivshakti Industrial Estate  
7-B Sitaram Mills Compound  
J R Boricha Marg  
Lower Parel, Mumbai - 400 011

**REGISTERED OFFICE** K. K. Chambers, 2<sup>nd</sup> Floor  
Sir P. T. Marg  
Fort, Mumbai - 400 001  
Website : [www.fortune.co.in](http://www.fortune.co.in)

**EMAIL ID FOR MEMBERS** [cosecretary@ffsil.com](mailto:cosecretary@ffsil.com)

## DIRECTORS' REPORT

### Dear Shareholders

Your Directors have pleasure in presenting the Twenty-First Annual Report and Audited Accounts for the year ended 31<sup>st</sup> March, 2012.

### Financial Results

(Rupees in Lacs)

	2011-12	2010-11	2011-12	2010-11
	Stand-alone		Consolidated	
<b>Total Income</b>	<b>579.36</b>	1,548.96	<b>8,034.77</b>	9,140.02
Profit before depreciation and tax	<b>72.35</b>	821.99	<b>124.59</b>	2,079.31
Depreciation	<b>11.46</b>	21.92	<b>243.49</b>	285.47
Profit before tax	<b>60.89</b>	800.07	<b>(118.90)</b>	1,793.84
Provision for tax				
- Current tax	<b>11.80</b>	189.20	<b>147.15</b>	672.80
- Current tax relating to prior years (Net)	<b>4.10</b>	(1.93)	<b>20.51</b>	34.02
- Deferred tax	<b>(3.10)</b>	(2.46)	<b>(65.41)</b>	(49.80)
Profit after tax	<b>48.09</b>	615.26	<b>(221.15)</b>	1,136.82
Balance brought forward from the previous year	<b>2,639.47</b>	2,332.93	<b>3,720.75</b>	3,117.85
Balance available for appropriations	<b>2,687.56</b>	2,948.19	<b>3,499.60</b>	4,254.67
Transfer to statutory reserve	-	-	<b>34.50</b>	102.50
Transfer to general reserve	-	61.33	-	142.10
Dividend	<b>64.40</b>	247.39	<b>64.40</b>	247.39
Tax on dividend	<b>7.81</b>	-	<b>10.49</b>	41.93
Balance carried to balance sheet	<b>2,615.35</b>	2,639.47	<b>3,390.21</b>	3,720.75
Weighted average number of equity shares				
- Basic	<b>12,683,674</b>	122,24,953	<b>12,683,674</b>	122,24,953
- Diluted	<b>12,683,674</b>	124,29,474	<b>12,683,674</b>	124,29,474
Nominal value per share (in rupees)	<b>10.00</b>	10.00	<b>10.00</b>	10.00
<b>Basic and diluted earnings per share</b>				
- Basic (in rupees)	<b>0.38</b>	5.03	<b>(1.74)</b>	9.30
- Diluted (in rupees)	<b>0.38</b>	4.95	<b>(1.74)</b>	9.15

### Working Results

#### Standalone

The income during the year 2011-12 stood at Rs.579.36 lacs as against Rs.1,548.96 lacs during the previous year.

The profit before tax for the year was at Rs. 60.89 lacs as against Rs.800.07 lacs in the previous year. The profit after tax stood at Rs.48.09 lacs as against Rs.615.26 lacs in the previous year.

#### Consolidated

The consolidated income during the year 2011-12 stood at Rs.8,034.77 lacs as against Rs.9,140.02 lacs during the previous year. During the year under review the company has on consolidated basis incurred a loss of Rs. 221.15 after tax as against a profit of Rs.1,136.82 lacs in the previous year.



**Dividend**

Your Directors have recommended dividend of Rs.0.50 per share (5%) on 128,79,290 equity shares of Rs.10 each fully paid for the financial year 2011-12, subject to the approval of the shareholders at the ensuing annual general meeting. The total outflow on account of equity dividend will be Rs.64.40 lacs.

**Consolidated Financial Statements**

The Board of Directors of your company at its meeting held on May 30, 2012 approved the consolidated financial statements for the financial year 2011-12 in accordance with the Accounting Standard (AS-21) and other applicable Accounting Standards issued by the Institute of Chartered Accountants of India as well as Clause 32 of the Listing Agreement, which includes financial information of all its subsidiaries.

**Corporate Governance**

A report on the corporate governance along with a certificate from the auditors of the company regarding the compliance of conditions of the corporate governance as stipulated under Clause 49 of the listing agreement is included and forms part of this annual report.

All Board members and senior management personnel have affirmed compliance with code of conduct for the year 2011-12. A declaration to this effect certified by the Executive Chairman of the company is also attached in the annual report.

The Executive Chairman and the Chief Financial Officer of the Company have certified to the Board with regard to the financial statements and other matters as required under clause 49 of the listing agreement and the said certificate is attached in the annual report.

**Management Discussion and Analysis**

A detailed review of operations, performance and future outlook of your company and its businesses is given in the Management Discussion and Analysis, which forms part of this annual report.

**Issue of equity shares on exercise of ESOP options**

Details of equity shares issued under ESOP, as also the disclosures in compliance with clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in Annexure – I to this report.

The company has received a certificate from the Auditors of the company certifying that the FFSIL ESOP Schemes 2006 & 2007 have been implemented in accordance with the SEBI Guidelines and the resolution passed at the annual general meeting held on September 23, 2006. The Certificate would be placed at the annual general meeting for inspection by members.

During the year under review, the company has granted 45,000 options to employees of the subsidiary companies.

**Capital**

During the year under review the company has issued 6,00,000 equity shares of Rs.10 each fully paid at a premium of Rs.70 per equity share on conversion of 6,00,000 equity warrants of Rs.10/- each which were issued on February 5, 2010. On issue of these shares, the paid up capital of the company increased from Rs.1,227.93 lacs to Rs.1,287.93 lacs.

**Issue of equity warrants**

In nineteenth annual general meeting, held on August 28, 2010, the company had obtained members' approval for issue of 4,00,000 equity warrants of Rs.10 each at a premium of Rs.170 per warrant aggregating to Rs.720.00 lacs on preferential basis to the promoters, relatives of promoters and to a company in which relatives of a promoter are interested. The Internal Finance Committee of the Board of Directors of the company on September 13, 2010 allotted 4,00,000 equity warrants of Rs.10 each which are convertible into one equity share of Rs.10 per equity warrant within a period of eighteen months from the date of allotment of the equity warrants on exercise of the option by the allottees. These equity warrants were due for conversion latest by March 12, 2012. None of the subscribers have exercised their options for conversion of equity warrants in to equity shares of the company. The initial amount of Rs.180.00 lacs received from the subscribers have been forfeited and credited to the capital reserve account of the company.

**Subsidiary Companies**

As per general circular issued by the Ministry of Corporate Affairs, the balance sheet, statements of profit & loss and other documents of the subsidiary companies for the year ended March 31, 2012 are not attached with the accounts of the holding company. However, the annual accounts of the subsidiary companies will be made available to investors of the holding and subsidiary companies for inspection by the members at the registered office of the company and will also be uploaded on the website of the company.

The following information in aggregate for each of the subsidiary companies are disclosed in annual report as stipulated in the circular issued by the Ministry of Corporate Affairs, New Delhi:

(a) capital (b) reserves (c) total assets (d) total liabilities (e) details of investments (f) turnover/income (g) profit before tax (h) provision for tax (i) profit after tax and (j) proposed dividend.

Statement pursuant to Section 212 (3) of the Companies Act, 1956 relating to the subsidiary companies is annexed as Annexure II and forms part of the annual report.

**Fixed Deposits**

The company has not accepted any deposit from the public during the year under review, within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under.

**Committees**

The company has four committees of the Board of Directors. These committees are – Audit Committee, Remuneration / Compensation Committee, Shareholders Grievances Committee and Internal Finance Committee.

The terms of reference, composition and the details of the meetings held during the year under review are provided in corporate governance report.

**Internal Control Systems & their adequacy**

The company has in place adequate systems of internal control that are commensurate with its size and nature of the business and documented procedures covering all financial and operating functions. The company being in service industry, it has in place clear processes and well-defined roles and responsibilities for its staff at various levels. The Management has a defined reporting system, which facilitates monitoring and adherence to the process and systems in place.

**Auditors**

M/s. Nipun Sudhir & Associates, Chartered Accountants, Mumbai, Statutory Auditors of the company hold office up to the conclusion of this annual general meeting and are recommended for re-appointment. The company has received a certificate under section 224 (1B) of the Companies Act, 1956 stating that the appointment, if made, will be within the limits as specified in that section.

**Auditors' Report**

Your Directors refer to the observations made by the Auditors in their report and wish to state that the notes forming part of accounts are self explanatory and hence do not require any further comments.

**Directors**

Mr. C. R. Mehta & Mr. Sohan C. Mehta Directors of the company, retire by rotation and being eligible offer themselves for re-appointment.

**Conservation of Energy, Technology Absorption**

The information required under section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to the matters specified therein are not applicable to your company.

**Foreign Exchange earnings and outgo**

(Rupees in Lacs)		
Particulars	2011-2012	2010-2011
<b>Earnings :</b>		
Investment banking income	<b>62.32</b>	55.52
<b>Outgo :</b>		
Travelling & business promotion	<b>2.01</b>	4.09
Miscellaneous expenses	<b>2.04</b>	-
Dividend	<b>86.68</b>	108.35

**Particulars of employees**

Statement under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particular of Employees) Rules 1975, as amended by the Companies Amendment Act, 1988 is annexed as Annexure III and forms part of the Annual Report.

**Investor Education & Protection Fund**

During the year under review, an amount of Rs.82,240/- lying in unclaimed dividend for the year 2005 was transferred to the Investor Education & Protection Fund.



**Directors' Responsibility Statement**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, to the best of their knowledge and belief confirm that:

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- appropriate accounting policies had been selected and applied consistently and made judgments and estimates that are reasonable and prudent 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 of the profit of the company for that period;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- the annual accounts have been prepared on a going concern basis.

**Acknowledgement**

Your Directors are pleased to place on record their deep appreciation towards the sincere services and co-operation extended by employees of the organization at all levels. They also wish to place on record their gratitude for the confidence placed in them by the banks & financial institutions they are associated with. Further, your Directors wish to thank the various regulatory authorities, business associates and clients for their valued co-operation.

On behalf of the Board

**J. T. Poonja**  
Executive Chairman

Mumbai, May 30, 2012

**Annexure I**

**Disclosure as required under Clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999**

Sr. No.	PARTICULARS	ESOP SCHEME 2006	ESOP SCHEME 2007
a	Options Granted	522,500	60,990
b	The pricing formula	The remuneration/compensation committee has been authorised to decide the exercise price in accordance with the SEBI and any other amendments made thereto.	
c	Options vested	413,790	38,000
d	Options exercised	179,290	Nil
e	Total number of shares arising as a result of exercise of option	179,290	Nil
f	Options lapsed	343,210	22,990
g	Variation of terms of options	Not Applicable	
h	Money realized by exercise of options	Rs. 1,41,15,790 (Rupees One Crore Forty One Lacs Fifteen Thousand Seven Hundred Ninety only)	Nil
i	Total number of options in force	Nil	38,000
j	Employee wise details of options granted to :		
	i. Senior managerial personnel	Nil	Nil
	ii. any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year.	Nil	Nil
	iii. identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant;	Nil	Nil
k	Diluted earnings per share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with [Accounting Standard (AS) 20 'Earnings Per Share']	Rupees 0.38	
l	As the exercise is made at the market price prevailing on the date of the grant, the issuance of equity shares pursuant to exercise of ESOP Options does not affect the profit & loss account of the company.	-	
m	Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Not Applicable	
n	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: <ul style="list-style-type: none"> <li>● risk-free interest rate,</li> <li>● expected life,</li> <li>● expected volatility,</li> <li>● expected dividends, and</li> <li>● the price of the underlying share in market at the time of option grant.</li> </ul>	Not Applicable	



**Annexure II**

**Statement pursuant to Section 212 (3) of the Companies Act, 1956 relating to Subsidiary Companies:**

1.	Name of the subsidiary companies	Fortune Equity Brokers (India) Limited	Fortune Commodities & Derivatives (India) Limited	Fortune Credit Capital Limited	Fortune Financial India Insurance Brokers Limited
2.	The financial years of the subsidiary companies	March 31, 2012	March 31, 2012	March 31, 2012	March 31, 2012
3.	Shares of the subsidiary companies held by Fortune Financial Services (India) Limited				
	a) No. of shares & face value	1,66,50,000 equity shares Rs.10 each.	30,00,000 equity shares Rs.10 each	2,42,50,000 equity shares Rs.10 each	6,00,000 equity shares Rs.10 each
		5,00,000 10% Redeemable cumulative preference shares Rs. 10 each.	-	-	-
		9,00,000 12.50% Redeemable cumulative preference shares Rs.10 each.	-	-	-
	b) extent of holding (%)	100	100	100	100
4.	The net aggregate of profit/(loss) of the subsidiary companies so far as it concerns the members of Fortune Financial Services (India) Ltd.				
	a) Not dealt in the accounts of Fortune Financial Services (India) Ltd for the year ended March 31, 2012, amounted to :- <b>(Rupees in lacs)</b>				
	• For the subsidiaries' financial year ended March 31, 2012	(371.61)	(51.70)	172.50	(2.17)
	• For the previous financial years of the subsidiaries since they became the holding company's subsidiaries	1,157.65	70.10	450.04	9.35
	b) Dealt in the accounts of Fortune Financial Services (India) Ltd for the year ended March 31 2012, amounted to :				
	• For the subsidiaries' financial year ended March 31, 2012	Nil	Nil	Nil	Nil
	• For the previous financial years of the subsidiaries since they became the holding company's subsidiaries	Nil	Nil	Nil	Nil



## Annexure III

Information under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2012

Sr. No.	Name & Designation	Remuneration (Rupees)	Qualification	Experience in years	Date of commencement of employment	Age	Last employment, Designation/ No. of years & No. of shares held
<b>I. Employed throughout the year :</b>							
1.	Mr. J. T. Poonja Executive Chairman	49,76,277	M.A (Eco)	44	01-08-1992	70	Vijaya Bank Asst. General Manager 19 years 16,07,040 (12.48%)

**Notes:**

- 1) The above employment is contractual.
- 2) The above employment is subject to the rules and regulations of the company as in force from time to time.
- 3) Mr. J. T. Poonja, is a relative of Mrs. Sangeeta J. Poonja, a Director of the company.
- 4) Remuneration shown above includes salary, dearness allowances, house rent allowances, bonus, medical reimbursements, incentive and company's contribution to provident fund but does not include contribution to the gratuity fund, which is on the basis of the actuarial valuation and for which individual figures are not available.

**REPORT ON CORPORATE GOVERNANCE****Corporate Philosophy**

Your company converge good corporate governance, focus on enhancement of long term value creation for all stakeholders and conduct the business in accordance with the highest ethical standards and sound corporate governance practice. Clause 49 of the listing agreement, which relates to corporate governance, was revised in October 2004, making far reaching amendments in the code.

The primary purpose of corporate leadership is to create wealth legally and ethically. This translates to bring a high level of satisfaction to five constituents - customers, employees, investors, vendors and the society-at-large. The raison d'être of every corporate body is to ensure predictability, sustainability, profitability & revenues of the Company year after year.

Your Company confirms the compliance of corporate governance, in all material aspects, with the revised clause 49 of the listing agreement, the details of which are given below:

**I Board of Directors:****a) Composition of the Board**

The Board is headed by an Executive Chairman and comprises eminent persons with considerable professional experience from varied disciplines. The present strength of the Board as on March 31, 2012 is ten Directors including one Alternate Director. More than half of the Board consists of Independent Directors thus comply with the guidelines.

**b) Number of Board Meetings**

During the year 2011-12, the Board of Directors met four times: on May 26 2011, July 29, 2011, October 31 2011, and February 9, 2012. The maximum gap between any two meetings has been not more than four months. All meetings were well attended.

**Table 1: Composition of the Board, attendance record, membership of Board Committees**

Name	Category	Attendance		Other Directorships (other than Pvt. Ltd. Cos.)	Committees (as on March 31 2012)	
		Board Meetings	Last AGM		Member-Ship	Chairman-ship
Mr. J. T. Poonja	Promoter & Executive Chairman	3	Yes	4	1	4
Mr. Nimish C. Shah	Promoter & Managing Director	3	Yes	4	5	1
Mrs. Sangeeta J. Poonja	Promoter & Non-Executive Director	4	No	-	-	-
Mr. Sohan C. Mehta	Promoter & Non-Executive Director	1	No	1	-	-
Mr. C. R. Mehta	Independent Director	4	No	1	3	3
Mr. Ramesh Venkat	Independent Director	4	No	5	3	1
Mr. H. R. Prasad	Independent Director	4	No	3	1	3
Mr. Manoj G. Patel	Independent Director	-	No	-	-	-
Mr. Shailesh Haribhakti	Independent Director (Alternate Director to Mr. Manoj G. Patel)	1	No	14	5	5
Mr. Sanjay Kothari	Independent Director	4	No	4	3	-

**Notes:**

- ◆ As on March 31, 2012 the company had ten Directors (including one Alternate Director). The Chairman of the Company is an Executive Director. The composition of the Board is in conformity with clause 49 of the listing agreement.
- ◆ None of the Directors on the Board holds memberships of more than ten committees or Chairmanships of more than five committees. The company has received the necessary declarations from the respective Directors.

- ◆ Other directorships do not include directorships in private limited companies, companies incorporated outside India and alternate directorships.
- ◆ Memberships and/or Chairmanships of the Board Committees include Audit Committee and Shareholders' Grievances Committees.

**d) Table – 2 : Remuneration to Directors**

Name of Directors	Remuneration	Sitting fees of the Board & Committee meetings
	(Rupees)	
Mr. J. T. Poonja	49,76,277	–
Mr. Nimish C. Shah	–	60,000
Mrs. Sangeeta J. Poonja	–	80,000
Mr. Sohan C. Mehta	–	20,000
Mr. Ramesh Venkat	–	1,60,000
Mr. Shailesh Haribhakti	–	20,000
Mr. C.R. Mehta	–	1,60,000
Mr. H. R. Prasad	–	1,60,000
Mr. Sanjay Kothari	–	80,000
Mr. Manoj Patel	–	–

No stock options as on date have been granted to any non-executive Directors of the Company.

**e)** Number of shares held by non promoter Directors : Nil

**f) Code of Conduct :**

The company has adopted a 'Code of Conduct' for members of the Board of Directors and senior management. All Board members have affirmed compliance with the code. A declaration to this effect signed by the Executive Chairman is given in this report.

**II Committees of the Board**

The Board has four major Board level committees a) Audit Committee b) Remuneration / Compensation Committee c) Shareholders Grievances Committee and d) Internal Finance Committee. The quorum for meeting is either two members or one-third of the members of the committee, whichever is higher. All decisions pertaining to the constitution of the committees, appointment of members and fixing of terms of reference for the committee is taken by the Board of Directors.

Details on the role and composition of these committees, including number of meetings held during the financial year and the attendance of the members at these meetings, are provided below:

**a) Audit committee**

The Audit Committee comprises of four members viz. Mr. H R Prasad, Mr. J. T. Poonja, Mr. Ramesh Venkat and Mr. C.R. Mehta. In compliance with clause 49 of the listing agreement, three members of the Audit Committee including Chairman are independent Directors. All the members are 'financially literate' as required by clause 49 and have 'accounting or related financial management expertise'.

**Terms of reference**

The broad terms and reference of Audit Committee are to review the financial statements before submission to Board, to review reports of the Auditors and Internal Audit department and to review the weaknesses in internal controls, if any, reported by Internal and Statutory Auditors etc. In addition, the powers and role of the Audit Committee includes references made under clause 49 of the listing agreement as well as section 292A of The Companies Act, 1956.

The Audit Committee met four times during the year under review on May 26, 2011, July 29, 2011, October 31, 2011, and February 9, 2012.



**Table 3: Composition and attendance of members of the committee**

Sr. No.	Name	Status	No. of meetings attended
1.	Mr. H R Prasad	Chairman	4
2.	Mr. J. T. Poonja	Member	3
3.	Mr. Ramesh Venkat	Member	4
4.	Mr. C.R. Mehta	Member	4

There is a participation of Statutory Auditors, Internal Auditors and Chief Financial Officer of the company in the committee meetings. Mr. Haroon Mansuri, Company Secretary acts as the Secretary of the committee.

**b) Shareholders Grievances Committee**

Company has a Board level Shareholders / Investors Grievances Committee to examine and redress shareholders complaints. The status on complaints and share transfers is reported to the Board in quarterly meetings.

The committee consist one Independent Director, one Non Executive Promoter Director and two Senior Executives of the Company. During the year under review, four meetings were held on May 26, 2011, July 29, 2011, October 31, 2011 and February 9, 2012.

**Table 4: Composition and attendance of members of the committee**

Sr. No.	Name	Status	No. of meeting(s) attended
1.	Mr. Nimish C. Shah (@)	Chairman	4
2.	Mr. C. R. Mehta	Member	4
3.	Mr. B.B. Tantri	Member	4
4.	Mr. S. G. Muthu Kummar	Member	4

(@) Mr. Nimish C. Shah was appointed as a Chairman of the Committee w. e. f November 1, 2011.

The Board has designated Mr. Haroon Mansuri, Company Secretary as the Compliance Officer.

During the year under review, no complaints were received from shareholders. There were no pending complaints either at the beginning or at the end of the year.

The Board has delegated the power of share transfer to the Registrar and Share Transfer Agent viz. Purva Sharegistry (India) Private Limited, Shivshakti Industrial Estate, Unit No.9, 7/B, Sitaram Mill Compound, J.R. Boricha Marg, Lower Parel, Mumbai – 400 011 who process the share transfer applications.

**c) Remuneration / Compensation Committee**

The Company has in place the remuneration/compensation committee comprising of three independent Directors viz. Mr. Ramesh Venkat, Mr. C.R. Mehta & Mr. Sanjay Kothari and one non-executive promoter Director viz. Mr. Nimish C. Shah.

**Terms of reference**

The purpose of Remuneration / Compensation committee is to look into the entire gamut of remuneration package for executive directors and senior management personnel, revise their remuneration in compliance with applicable provisions of the Companies Act, 1956 and Schedule XIII of the Companies Act, 1956 if applicable, decide on commission payable to the Directors within the prescribed limits and as approved by the shareholders of the company, formulate compensation and incentive policy to be followed by the company, formulate and administer employee welfare related schemes such as Employee Stock Options, Superannuation Fund, Gratuity Fund etc.

The remuneration / compensation committee determines and makes recommendations to the Board regarding compensation payable to the directors. The compensation in respect of Board Members is approved by the shareholders and separately disclosed in the financial statement. The remuneration / compensation committee recommends / reviews remuneration / compensation to executive directors, based on performance and pre-determined criteria.

The remuneration / compensation policy of the company is directed towards rewarding performance, based on periodic review of achievements by the employees at all levels. The remuneration / compensation policy is in consonance with the existing industry practice.

The non-executive directors on the Board are entitled to sitting fees as determined by the Board from time to time.

The directors may also be paid commission and other amounts as may be decided by the Board and approved by the members in accordance with the applicable provisions of the Companies Act, 1956.

### **Meetings**

During the year under review, the committee met once on 28<sup>th</sup> April, 2011 and the meeting was attended by all the members.

#### **d) Internal Finance Committee**

The broad terms of reference are as follows:

- Review of Company's financial policies, risk assessment and minimization procedures, strategies and capital structure, working capital and cash flow management and make such reports and recommendations to the Board with respect thereto as it may deem advisable.
- Review banking arrangements and cash management.
- Exercise all powers to borrow moneys (otherwise than by issue of debentures) and taking necessary actions connected therewith including refinancing for optimization of borrowing costs.
- Giving of guarantees, issuing of letter of comfort, providing securities within the limits approved by the Board, provide corporate guarantee, performance guarantee by the company within the limits approved by the Board.
- Carry out any other function as is mandated by the Board from time to time and/or enforced by any statutory notifications, amendments or modifications as may be applicable.
- Other transactions or financial issues that the Board may desire to have them reviewed by the Finance Committee.
- Delegate authorities from time to time to the Executives / Authorised persons to implement the decisions of the Committee.
- Regularly review and make recommendations about changes to the charter of the Committee.

Internal Finance Committee consists of following members from the Board:-

- |      |                    |          |
|------|--------------------|----------|
| i.)  | Mr. J.T. Poonja    | Chairman |
| ii.) | Mr. Nimish C. Shah | Member   |

During the year under review no meeting was held.

### **III Management:**

#### **Management Discussion and Analysis:**

The annual report has a detailed chapter of Management Discussion and Analysis.

#### **Disclosures**

##### **a) Subsidiary Companies:**

In accordance with clause 49 (III) of the listing agreement, Fortune Equity Brokers (India) Limited and Fortune Credit Capital Limited are materially non-listed subsidiary companies.

Mr. Sanjay Kothari and Mr. Ramesh Venkat Independent Directors of the holding company are Directors on the Board of these two subsidiary companies respectively.

The financial statements, investments, a statement of significant transactions and the minutes of the subsidiary companies are placed in the quarterly Board meetings for review by the Board of Directors of the holding company.

##### **b) Related party transactions**

- 1) Transactions with the related parties are disclosed in notes to accounts in the annual report as required under Accounting Standard 18 ("AS 18") issued by The Institute of Chartered Accountants of India.
- 2) There were no transactions of material nature which have been entered into by the company with its Promoters, Directors, Management, Subsidiaries or relatives etc. that may have potential conflict with the interest of the Company.

##### **c) Accounting treatment in preparation of financial statement**

The company follows the Accounting Standards issued by the Institute of Chartered Accountants of India and in the preparation of the financial statement, the company has not adopted a treatment different from that prescribed by the Accounting Standards.



**d) Risk Management**

Risk assessment and minimization procedures are periodically reviewed by the Internal Finance Committee and the Board of Directors of the company.

**e) Code for prevention of Insider Trading**

In compliance with the SEBI regulations on prevention of insider trading, the Company has adopted a code of conduct for prevention of insider trading in the shares of the Company. The code inter-alia prohibits purchase / sale, dealing of shares of the company by the Directors, senior management personnel and Officers of the company while in possession of unpublished price sensitive information of the company. The company regularly issues Trading Window Closure Notice to all concerned and also the same is uploaded in the company's website.

**f) Certification by Executive Chairman & CFO**

As required by sub clause V of the clause 49 of the listing agreement with the stock exchange, Mr. J. T. Poonja, Executive Chairman and Mr. S. G. Muthu Kummar, Chief Financial Officer of the company have certified to the Board that for the financial year ended March 31, 2012 the company has complied with the requirements of the said sub clause.

**g) Pledge of equity shares of the Company**

23,800 equity shares of Rs. 10/- each fully paid-up of the Company held by one of promoters' relative are pledged. The same has been disclosed in the shareholding pattern of the Company.

**IV General Shareholder Information**

**a) Disclosure regarding appointment/re-appointment of Directors**

At the ensuing annual general meeting of the members of the company, scheduled to be held on August 25, 2012, Mr. C. R. Mehta & Mr. Sohan C. Mehta Directors of the company, retire by rotation and being eligible offered themselves for re-appointment.

**b) Means of communication**

The company's website [www.fortune.co.in](http://www.fortune.co.in) contains a separate section viz. "Investor Relationship" under which shareholders information is available in a user friendly and downloadable form.

● **Quarterly Results :**

Quarterly consolidated results are published in Free Press Journal and Navshakti newspapers and the same together with stand-alone results are posted on company's website – [www.fortune.co.in](http://www.fortune.co.in)

● **Annual Report :**

Annual report containing the audited stand-alone & consolidated accounts and accounts of the subsidiary companies together with Auditors' Reports, Directors Reports, Corporate Governance report and Management Discussion and Analysis is posted on the company's website – [www.fortune.co.in](http://www.fortune.co.in) .

Apart from quarterly results and annual reports of the company, the company's website also contains summary of financial performance for the last five years, shareholding pattern and contact information.

**c) General Body Meetings**

**Table 5 : The details of the last three annual general meetings**

Year	Date & Time	Venue	Details of the special resolutions passed
2011	Aug 27, 2011 at 11.00 a m	K. K. Chambers, 2nd Floor, Sir P. T. Marg, Fort, Mumbai 400 001	No special resolution passed.
2010	Aug 28, 2010 at 11.00 a m	K. K. Chambers, 2nd Floor, Sir P. T. Marg, Fort, Mumbai 400 001	a) Issue of equity warrants to the promoters. b) Issue of ESOP grants to one particular employee in excess of 1% of the paid up capital of the Company.
2009	Aug 29, 2009 at 11.00 a m	K. K. Chambers, 2nd Floor, Sir P. T. Marg, Fort, Mumbai 400 001	No special resolution passed.

During the year the company has not passed any resolution through postal ballot.

During the year no extra ordinary general meeting was held.

- **Ensuing annual general meeting:**

**Day & Date** : Saturday, August 25, 2012

**Time** : 11.00 a. m.

**Venue** : K. K. Chambers, 2<sup>nd</sup> Floor, Sir P. T. Marg, Fort, Mumbai - 400 001

- **Last date for receipt of proxies**

The proxy duly filled and signed by the members be sent to the company at its registered office latest by Thursday, August 23, 2012 (before 11.00 a m).

**Table 6 : Financial Calendars**

Financial Year	April 2011 – March 2012	April 2012 – March 2013
First quarter results	July 29, 2011	Last week of July 2012
Second quarter results	October 31, 2011	Last week of October 2012
Third quarter results	February 9, 2012	Last week of January 2013
Annual audited results	May 30, 2012	By end of May 2013

- **Book closure** August 20, 2012 – August 25, 2012

- **Listing of shares** The Bombay Stock Exchange Ltd.

- **Stock Code** 530023

- **ISIN** INE924D01017

**Issue of equity shares under FFSIL ESOP Scheme**

During the year under review, the company has not issued any shares under FFSIL ESOP Scheme.

The details of the total grants, vesting, exercise of options and lapse of options during the financial year ending March 31, 2012 is given in the Annexure I to the Directors Report.

**Table 7 : FFSIL share price vis-a-vis sensex April 2011 to March 2012 :**

MONTH	FFSIL share price (face value Rs.10/-)		BSE Sensex		No. of shares traded	No. of Trades
	High	Low	High	Low		
	(Rupees)					
April 2011	125.85	96.95	19,463.11	19,811.14	2,788	124
May 2011	99.00	73.85	19,224.05	19,253.87	2,317	93
June 2011	118.95	81.10	18,527.12	18,873.39	1,912	85
July 2011	106.00	77.00	18,974.96	19,131.70	7,998	77
August 2011	97.00	82.25	18,352.23	18,440.07	553,773	69
September 2011	101.50	81.60	16,963.67	17,211.80	1,033	27
October 2011	90.00	73.10	16,255.97	17,908.13	58,293	108
November 2011	85.50	73.15	17,540.55	17,702.26	5,365	56
December 2011	77.00	62.75	16,555.93	17,003.71	1,066	48
January 2012	79.40	63.35	15,534.67	17,258.97	5,364	161
February 2012	92.95	72.25	17,179.64	18,523.78	71,639	87
March 2012	90.85	66.20	17,714.62	18,040.69	55,030	38

Source: www.bseindia.com



Table 8 : Performance of share price of the company in comparison to BSE SENSEX:

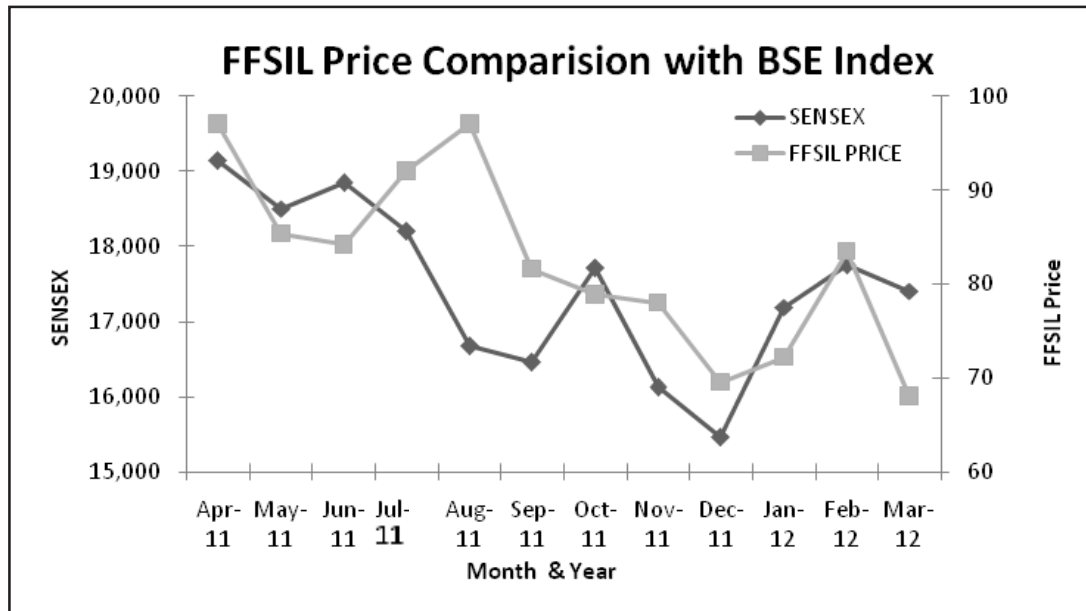


Table 9 : Shareholding pattern

Category	No. of shares	% of shareholding	No. of shares	% of shareholding
<b>Promoters</b>	<b>As on March 31, 2012</b>		As on March 31, 2011	
Indian Promoters & Promoter Group	64,61,828	50.17	58,48,207	47.63
<b>Non Promoters</b>				
NRIs (including Foreign Corporate Bodies)	54,67,508	42.46	49,21,206	40.08
Corporate Bodies	1,78,118	1.38	6,60,545	5.38
Indian Public	7,71,836	5.99	8,49,332	6.91
<b>Total</b>	<b>128,79,290</b>	<b>100.00</b>	<b>122,79,290</b>	<b>100.00</b>

Table 10 : Distribution of shareholding as on March 31, 2012

Category	No. of shareholders	% to total	Shareholding in rupees	% to total
Up to 500	1,186	83.64	20,34,970	1.58
501 - 1,000	94	6.63	7,62,630	0.59
1,001 - 2,000	42	2.96	6,59,710	0.51
2,001 - 3,000	18	1.27	4,75,170	0.37
3,001 - 4,000	10	0.71	3,60,380	0.28
4,001 - 5,000	3	0.21	1,43,930	0.11
5,001 - 10,000	20	1.41	15,06,240	1.17
10,001 & above	45	3.17	12,28,49,870	95.39
<b>Total</b>	<b>1,418</b>	<b>100.00</b>	<b>12,87,92,900</b>	<b>100.00</b>



Table 11 : Category wise summary of shareholding

Category	No. of shareholders	No. of shares	% of Share holding	No. of Share holders	No. of shares	% of shareholding
	<b>As on March 31, 2012</b>			As on March 31, 2011		
Resident Individuals	1,319	68,46,843	53.16	1,313	63,12,598	51.41
Foreign Corporate Bodies	3	43,33,992	33.65	3	43,33,992	35.30
Foreign Institutional Investors	2	10,53,700	8.18	1	5,05,000	4.11
Bodies corporate	52	4,49,118	3.49	50	8,31,545	6.77
HUFs	30	1,15,821	0.90	19	1,11,461	0.91
Non Resident Indians	12	79,816	0.62	13	82,214	0.67
<b>Clearing member</b>	-	-	-	1	1,02,480	0.83
<b>Total</b>	<b>1,418</b>	<b>128,79,290</b>	<b>100.00</b>	<b>1,399</b>	<b>122,79,290</b>	<b>100.00</b>

- **Dematerialization of shares:**

The equity shares of the company are compulsorily traded in dematerialized form and the same are available for trading on both depositories in India – Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL).

Table 12 : The breakup of the shares held in physical & demat form :

Particulars	No. of shares	Percentage	No. of shares	Percentage
	<b>As on March 31, 2012</b>		As on March 31, 2011	
Held in Demat form				
- CDSL	91,56,153	71.09	87,93,196	71.61
- NSDL	33,51,922	26.03	30,88,239	25.15
Held in physical form	3,71,215	2.88	3,97,855	3.24
<b>Total</b>	<b>128,79,290</b>	<b>100.00</b>	<b>122,79,290</b>	<b>100.00</b>

In terms of Circular No. Cir/ISD/3/2011 issued by SEBI, the entire shareholding of the promoters as on March 31, 2012 is in demat form.



**Table 13 : Details of funds raised during the last three financial years**

<b>Financial year</b>	<b>Particulars</b>	<b>Amount raised (Rupees in lacs)</b>	<b>Impact on paid up equity capital of the company</b>
2008-2009	Preferential allotment of 11,00,000 equity shares of Rs. 10/- each fully paid up at a premium of Rs. 210/- per equity share to the foreign strategic investor.	2,420.00	On issue of 11,00,000 equity shares of Rs. 10/- each fully paid, the total paid up equity capital increased from Rs. 1,000.00 lacs divided in to 1,00,00,000 equity shares of Rs. 10/- each fully paid to Rs. 1,110.00 lacs divided in to 1,11,00,000 equity shares of Rs. 10/- each fully paid
2009-2010	Allotment of 10,00,000 equity shares of Rs. 10/- each at a premium of Rs. 70/- per equity share to the foreign strategic investors on preferential basis.	800.00	On issue of 10,16,400 equity shares of Rs. 10/- each fully paid, the total paid up equity capital increased from Rs. 1,110.00 lacs divided in to 1,11,00,000 equity shares of Rs. 10/- each fully paid to Rs. 1,211.64 lacs divided in to 1,21,16,400 equity shares of Rs. 10/- each fully paid
	Allotment of 16,400 equity shares of Rs. 10/- each fully paid up at a premium of Rs. 45/- per equity share to employees of the company under FFSIL ESOP Scheme 2006.	9.02	
2010-2011	Allotment of 44,700 equity shares of Rs. 10/- each fully paid up at a premium of Rs. 45/- per equity share to employees of the company under FFSIL ESOP Scheme 2006.	24.59	On issue of 1,62,890 equity shares of Rs. 10/- each fully paid, the total paid up equity capital increased from Rs. 1,211.64 lacs divided in to 1,21,16,400 equity shares of Rs. 10/- each fully paid to Rs. 1,227.93 lacs divided in to 1,22,79,290 equity shares of Rs. 10/- each fully paid
	Allotment of 1,18,190 equity shares of Rs. 10/- each fully paid up at a premium of Rs. 81/- per equity share to employees of the company under FFSIL ESOP Scheme 2006.	107.55	

- **Issue of equity warrants**

On February 05, 2010 the Company had issued 6,00,000 equity warrants of Rs.10/- each convertible into one equity share of Rs.10/- each fully paid on or before completion of 18 months from the date of issue of equity warrants.

In July 2011 the company has received notices together with the balance money due from the subscribers of the equity warrants. On 29<sup>th</sup> July, 2011 the company has issued 6,00,000 equity shares of Rs. 10/- each fully paid on conversion of equity warrants.

- **Outstanding GDRs / ADRs etc.**

The Company has not issued any GDRs or ADRs.

Table 14 : Dividend record for the last six financial years

Financial year ended	Dividend per equity share of Rs. 10 each
	(Rupees)
March 31, 2011	2.00
March 31, 2010	2.50
March 31, 2009	1.10
March 31, 2008	2.20
March 31, 2007	2.00
March 31, 2006	1.60

As required under section 205A (5) of the Companies Act, 1956 an amount of Rs. 82,240/- was due and transferred to Investor Education and Protection Fund (IEPF) during the year under review.

- Share Transfer System

**The Shares of the company are traded compulsorily in the demat mode on the stock exchange. All the transfers and demat / remat requests are processed within the stipulated time and are being handled by the Registrar and Share Transfer Agent. The company periodically conducts audit of share transfers and security audit through competent professionals.**

Table 15 : Address for shareholders' correspondence

Registered Office :	Registrar and Share Transfer Agent :
Company Secretary Fortune Financial Services (India) Ltd. K. K. Chambers, 2nd Floor, Sir P. T. Marg, Fort, Mumbai 400 001 Tel Nos.: +91 -22- 2207 7931 Fax No.: +91-022 2207 2948 / 1776 Email : cosecretary@ffsil.com Web site : www.fortune.co.in	Purva Sharegistry (India) Private Limited, Shivshakti Industrial Estate, Unit No.9, 7/B, Sitaram Mill Compound, J.R. Boricha Marg, Lower Parel, Mumbai – 400 011. Telephone : +91-22-2301 6761 / 8261 Fax No. +91-22-2301 2517 e-mail : busicomp@vsnl.com Web site : www.purvashare.com

Shareholders are requested to correspond with the share transfer agent for transfer / transmission of shares, change of address and for queries pertaining to their shareholding, dividend etc., at the address mentioned above. The shareholders may also send their suggestions, requests and complaints on email at [cosecretary@ffsil.com](mailto:cosecretary@ffsil.com)

- **E-mail id for the shareholders :**

The company has exclusive e-mail id viz. [cosecretary@ffsil.com](mailto:cosecretary@ffsil.com) for the shareholders grievances & complaints.

- **Plant locations:**

The company is engaged in merchant banking and financial services. The same are being operated through its various branches and associates located across the country. The company does not have any plant, factories, industrial undertakings or workshops.

## V Compliance

- **Compliance under Clause 49 of the Listing Agreement**

The company has complied with all mandatory requirements under clause 49 of the listing agreement with stock exchange.

There were no non-compliances by the company during the year. No penalties, strictures, imposed on the company by stock exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

The company does not follow Whistle Blower Policy.



**Table 16 : Compliance report for the year ended March 31, 2012**

<b>Particulars</b>	<b>Clause of listing agreement</b>	<b>Compliance status Yes/No</b>
<b>I Board of Directors</b>	49 (I)	
(A) Composition of Board	49 (IA)	Yes
(B) Non-executive Directors' compensation and disclosures	49 (IB)	Yes
(C) Other provisions as to Board and Committees	49 (IC)	Yes
(D) Code of Conduct	49 (ID)	Yes
<b>II. Audit Committee</b>	49 (II)	
(A) Qualified & Independent Audit Committee	49 (IIA)	Yes
(B) Meeting of Audit Committee	49 (IIB)	Yes
(C) Powers of Audit Committee	49 (IIC)	Yes
(D) Role of Audit Committee	49 II (D)	Yes
(E) Review of Information by Audit Committee	49 (IIE)	Yes
<b>III. Subsidiary Companies</b>	49 (III)	Yes
<b>IV. Disclosures</b>	49 (IV)	
(A) Basis of related party transactions	49 (IV A)	Yes
(B) Disclosure of Accounting treatment	49 (IV B)	N.A.
(C) Board Disclosures	49 (IV C)	Yes
(D) Proceeds from public issues, rights issues, preferential issues etc.	49 (IV D)	Yes
(E) Remuneration of directors	49 (IV E)	Yes
(F) Management	49 (IV F)	Yes
(G) Shareholders	49 (IV G)	Yes
<b>V. CEO/CFO Certification</b>	49 (V)	Yes
<b>VI. Report on corporate governance</b>	49 (VI)	Yes
<b>VII. Compliance</b>	49 (VII)	Yes

- **Auditors' certificate on Corporate Governance :**

The company has obtained a certificate from the auditors of the company, certifying the compliance with the requirements of clause 49 of the listing agreement. The said certificate is annexed to the corporate governance report and forms part of the annual report.

- **Compliance of Clause 5A of the Listing Agreement**

In terms of clause 5A of the listing agreement, the company has sent three reminders to the shareholders whose share certificates have been returned undelivered. The company has received few responses from the shareholders, intimating their new address.

- **Disclosure under Clause 53 of the Listing Agreement**

The company has not entered in to any contract, agreement, back to back treaties / contracts / agreements / MOUs or similar instruments with any media companies and/or their associates.

The disclosures as required under clause 53 of the listing agreement are not applicable to the company.

**VI Shareholders' safeguard and other information**

● **Nomination facility for shareholders**

As required under the applicable provisions of the Companies Act, 1956, a nomination facility is made available to the shareholders of the company. Shareholder holding shares in physical form may avail this facility.

● **Green initiatives**

In view of the Circular Nos. 17/2011 & 18/2011 dated April 21, 2011 & April 29, 2011 respectively issued by the Ministry of Corporate Affairs on "Green Initiative in corporate governance" whereby the company is permitted to send the notices, annual reports and other documents in electronic mode.

In this connection the members who are holding the shares in physical form are requested to register their e mail ids and/or intimate for the change if any, of the e mail ids already registered, quoting their Folio Nos. and other details to the Registrar and Share Transfer Agent viz. Purva Shareregistry (India) Private Limited and those holding the shares in demat form are requested to register their e mail ids with their depository participants.

The company proposes to send the notices, annual reports and other documents in electronic mode in future.

● **Unclaimed dividend transfer to Investor Education & Protection Fund**

**Pursuant to section 205A (5) of the Companies Act, 1956 all unclaimed/unpaid dividends up to the year ended 1995-96 have been transferred to the General Revenue Account of the Central Government. Share holders who have not encashed their dividend warrants for the said period(s) are requested to claim the amounts from the Registrar of Companies, Maharashtra, 100, Everest Building, Marine Lines, Mumbai - 400 020.**

In terms of section 205C of the Companies Act, 1956, the unclaimed dividend for the financial years 1996-97, 1997-98 and interim dividend declared in February 2005 (which had remained unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend Account) have been transferred to Investor Education and Protection Fund ("the fund").

It may also be noted that once the unclaimed dividend is transferred to the Fund, no claim shall lie against the Fund or the Company in respect of the individual amounts which were unclaimed.

Dates of declaration of dividends from the financial year 2004-2005 and corresponding dates when unclaimed dividends are due for transfer to the fund are given in the below mentioned table.

**Table 17 : Details of unclaimed dividend**

Financial year ended	Type of dividend	Date of declaration	Dividend amount	Unclaimed dividend	Last date for claiming the dividend amount	Last date for transfer to the Fund
			(Rupees in lacs)			
31/03/2011	Final	27/08/2011	247.39	4.98	02/10/2018	01/10/2018
31/03/2010	Final	28/08/2010	304.71	6.10	03/10/2017	02/10/2017
31/03/2009	Final	29/08/2009	122.10	2.92	04/10/2016	03/10/2016
31/03/2008	Final	30/08/2008	220.00	4.17	01/10/2015	30/09/2015
31/03/2007	Final	11/08/2007	100.00	1.73	12/09/2014	11/09/2014
31/03/2007	Interim	13/02/2007	77.66	1.69	14/03/2014	13/03/2014
31/03/2006	Final	23/09/2006	38.83	0.97	24/10/2013	23/10/2013
31/03/2006	Interim	29/10/2005	42.71	0.85	28/11/2012	27/11/2012
31/03/2005	Final	13/08/2005	19.42	0.68	12/09/2012	11/09/2012

● **Payment of dividend through ECS mandate**

Members who are holding the shares in physical form are requested to register their bank account details and/or intimate for the change if any, in the bank accounts details already registered, quoting their Folio Nos. and other details to the Registrar and Share Transfer Agent viz. Purva Shareregistry (India) Private Limited,

Members holding the shares in demat form are requested to register their bank account details and/or intimate for the change if any, in the bank accounts details already registered, quoting their with their depository participants.

This will enable the members to receive dividend in fast and secured mode.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Macroeconomic outlook

Indian's annual GDP growth for FY12 clocked 6.48% which is even below the growth in FY09, it managed to achieve post Lehman crisis. The most disturbing trend is the quarterly GDP growth which is on a declining trend for last 9 quarters. The Q4 FY12 GDP growth of 5.3% is the lowest quarterly number in 9 years. Although the deteriorating global environment is partly to blame for the lower GDP the inaction and policy paralysis that crippled the central government is also to blame for this abysmal performance. In the last one year rupee depreciated from Rs44/USD to Rs56/USD putting further pressure on India's current account deficit considering imports an abundant quantity of oil.

### GDP plunged to newer low in FY12

GDP at factor cost at 2004-05 prices (in %)	FY -09	FY - 10	FY - 11	FY - 12
<b>Gross Domestic Product</b>	<b>6.80</b>	<b>8.00</b>	<b>8.39</b>	<b>6.48</b>
Agriculture, Forestry & Fishing	(0.20)	0.40	7.03	2.76
Mining & Quarrying	1.30	7.00	4.99	(0.87)
Manufacturing	4.30	8.80	7.56	2.49
Electricity, Gas & Water supply	4.90	6.40	3.04	7.87
Construction	5.40	7.00	8.01	5.31
Trade, Hotel, Transport & Communication	7.50	9.70	11.13	9.95
Finance, Insurance, Real Estate & Business Services	12.50	9.20	10.41	9.61
Social & Personal Services	12.70	11.80	4.52	5.81

Source: MOSPI

### Exports grew at rapid clip due to global recovery

Indian exports (in USD terms) grew by 28.5% in FY12 which is quite impressive considering the slowdown in major global economy. Imports also grew by 32.34% on account of the high crude prices putting pressure on current account deficit and therefore on the Rupee. Recently though global crude prices have corrected by nearly 20% bringing much needed relief for India which is struggling hard to put a brake on its currency depreciation.

### Unprecedented growth in exports

In %	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Exports	30.8	23.4	22.6	28.9	13.7	-3.5	40.5	28.53
Imports	42.7	33.8	24.5	35.4	20.8	-5.0	28.2	32.34

Source: RBI

### Inflation has softened for a while

	FY-07	FY-08	FY-09	FY-10	FY-11	FY-12
WPI	6.5%	4.8%	8.0%	3.6%	9.9%	6.9%
Primary articles	9.6%	8.3%	11.0%	12.7%	17.7%	9.6%
Fuel & Power	6.5%	0.0%	11.6%	-2.1%	12.3%	10.4%
Manufactured products	5.6%	4.9%	6.1%	1.8%	6.2%	4.9%

Source: MOSPI

After recording 9.9% rise, the WPI inflation has come down to 6.9% due to a tough monetary policy action taken by RBI in the last year. As this year's monsoon is predicted to be normal, we may see food prices decline in future. Also softening crude prices can also help ease the inflation woes in FY13. This will help RBI to go for further monetary easing to spur the economic growth.

**Merchant Banking**

After the robust growth in FY11, the primary equity issuance market in FY12 saw muted numbers. Issuances dropped as the market was not conducive and most market participants remained risk averse.

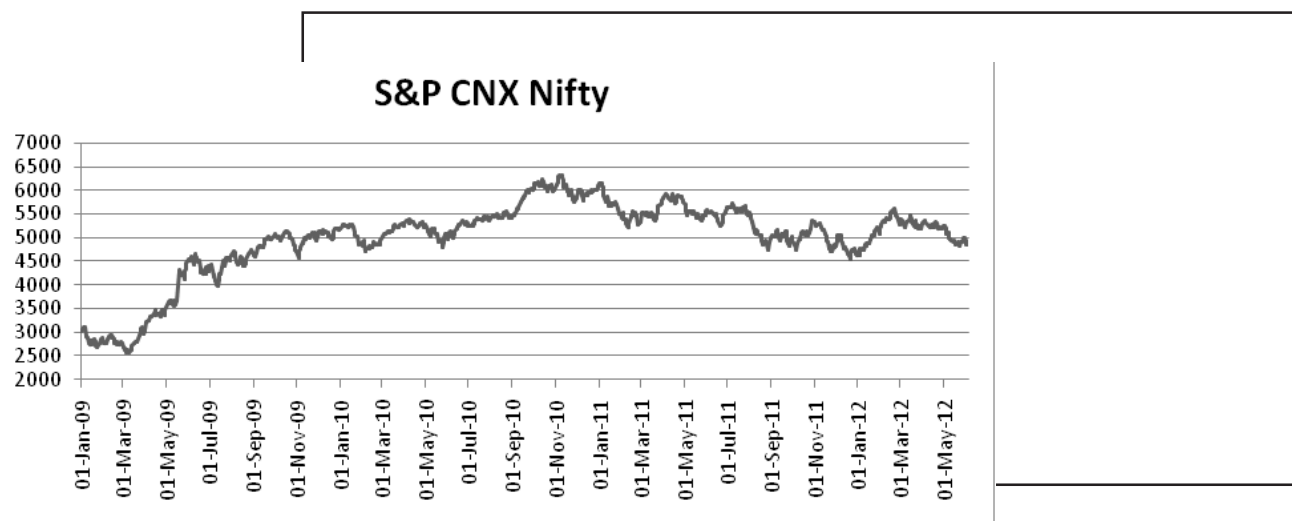
(in Rs. crores)

	FY-09	FY-10	FY-11	FY-12
Primary Market - Debt Issue	1,500	2,500	9,451	35,623
Primary Market – Equity Issue	14,800	55,055	58,157	12,857
QIP	188	42,729	25,861	2,163
Private Placement – Debt	187,947	226,948	218,785	261,282

Source: SEBI

Both QIP and primary market equity issuances shows a considerable decline while debt issue through primary market and private placement remained the flavor of the season due to high interest rate and lower risk.

**Capital market**



Source: NSE

After the stupendous recovery in FY10 when the S&P CNX NIFTY returned a growth of 73.8%, normalcy returned in FY11 as the index exhibited a modest return of 11.1% only. In FY12 the broader market gave a negative return of 9.2% mainly on account of higher inflation and lower growth in domestic economy and the on-going Euro crisis.

The above-mentioned developments in the equity markets had an impact on the aggregate turnover as well. Overall daily turnover in equity markets declined by 24% from Rs.18,397 crores in FY11 to Rs.13,982 crores in FY12 as the lack of appreciable movements in the equity markets and the increasing bearish sentiments prevented the market participants from increasing their allocation to equities. Both the BSE and the NSE suffered a decline in average daily turnover by 38% and 20% in FY12 respectively.



Cash Market daily turnover declines:

(' in crores)

	BSE	NSE	Total
FY08	6,264	14,097	20,361
FY09	4,501	11,272	15,773
FY10	5,637	16,910	22,547
FY11	4,349	14,048	18,397
FY12	2,693	11,289	13,982

Source: NSE, BSE, SEBI

### Commodity Market

The FY12 witnessed a 51.7% increase in the total value of trade to Rs.181.26 lac crores in commodities across 22 exchanges in India.

Growth of commodities turnover during past 5 years

Year	2007-08	2008-09	2009-10	2010-11	2011-12
Turnover					
(in Lac Crore)	40.66	52.49	77.65	119.49	181.26
Growth (in %)	-	29.1	47.9	53.9	51.7%

Source- Reuters, Forward Market Commission website

The major commodities that were traded in India were bullion and metals which comprised 46% and 19% respectively of total trade. Trade in bullion grew 45.9% over the last year and led among other major commodities. We expect robust growth in trade volume in bullion on account of global uncertainty. The agriculture commodities grew in line with the overall commodity growth of 51%.

Sectoral Break up and Growth of Different Commodities:

(' in crores)

	2011-12	% age share in overall trade	2010-11	% age share in overall trade	Growth in 2011-12
Agriculture	2,196,149	12.12%	1,456,390	12.19%	50.79%
Bullion	10,181,957	56.17%	5,493,892	45.98%	85.33%
Metals	2,896,720	15.98%	2,687,673	22.49%	7.78%
Energy	2,851,268	15.73%	2,310,959	19.34%	23.38%
Other	9	0.00%	29.04	0.00%	-69.01%
Overall	18,126,103		11,948,942		51.70%

Source- Reuters, Forward Market Commission website

The government of India is planning a new legislation this year which would allow banks and foreign players to participate in commodity trading. The mini contract introduced by exchanges will help small investors like farmers to participate in the commodity market as well. The option contract in commodities which is under review by government will help improve the trade volume by attracting hedgers and speculators. Option contract can be a perfect tool for the commodity risk management market in India. This would help bring the equity, debt and commodity market together spurring the business for the many market participants.



Despite having a strong and growing economy, India's share in global commodity market is not much encouraging. Except gold, India's share in other commodities compared to its global peers is insignificant. Although India's production of agriculture products is large its contribution to international trade is miniscule. Various development projects on and off the farm will be the key growth driver in the near future.

**Challenges ahead**

**Institution Participation** - Currently many institutional financials are not permitted to trade commodity futures.

**Introduction of Commodity Options** - The matter is said to be under the active consideration of the Government and the options trading may be introduced in the near future.

**Tax and Legal bottlenecks** - Regulatory changes are needed to bring uniformity in octroi, sales taxes etc. VAT is yet to be adopted by all states. Currently the taxes for speculative gain and loss are different which means speculator cannot offset futures losses against profits in the underlying commodity.

**Wholesale Debt Market**

In Indian wholesale debt market is government securities (G-sec) hold a major share of approx 47.8% of total traded value and 57.9% of total market capitalization. RBI regulations require banks to keep a min 25% SLR which is the major reason behind the popularity of G-sec. Also the less developed corporate bond market helps G-sec to take a major share of bond market. The share of top 10 securities in total trade value is steadily decreasing over the years signaling a more broad based market evolution. In year 2011-12 the share of top 10 securities accounts for 41.77% as compared to 53% in 2007-08. Indian debt market is the third largest in Asia, yet the volumes are abysmally low.

Market Capitalization as on March-31, 2012

Security Type	No of Securities	Mkt Cap (' in crores)	%age of total
G-Sec	132	24,721,786	57.86
PSU Bonds	971	2,441,650	5.71
State Loans	1,416	7,572,813	17.72
Treasury Bills	52	2,592,709	6.07
Local Bodies	19	30,283	0.07
Fin Inst	443	1,435,382	3.36
Bank Bonds	509	1,902,191	4.45
Supranational Bonds	1	3,912	0.01
Corporate Bonds	1,605	2,026,638	4.75
<b>Total</b>	<b>5,148</b>	<b>42,727,364</b>	<b>100.00</b>

Source- NSE Website

**Financing Activities (NBFC)**

NBFCs have been playing a very important role both from the macro economic perspective and the structure of the Indian financial system. NBFCs are the preferred alternatives to the conventional banks as a financial intermediary for meeting various financial requirements of a business enterprise as they provide a hassle free credit. A sales driven approach and quick & efficient service offered by NBFC without complex formalities make them a better alternative to traditional banks. To withstand the competition, NBFCs need to constantly innovate in terms of their product as well as improve their operational efficiencies. The coming years will be very crucial for NBFCs and only those who will be able to face the challenge and prove themselves by standing the test of time will survive in the long run. The changing and tougher banking regulation can be a major impediment to the growth of NBFC in India.

**Number of NBFC registered with RBI**

End June	Number of Registered NBFC	Number of NBFC-D	Number of NBFCs ND-SI
2005	13,261	507	-
2006	13,014	428	149
2007	12,968	401	173
2008	12,809	364	189
2009	12,740	336	234
2010	12,630	308	260
2011	12,409	297	-

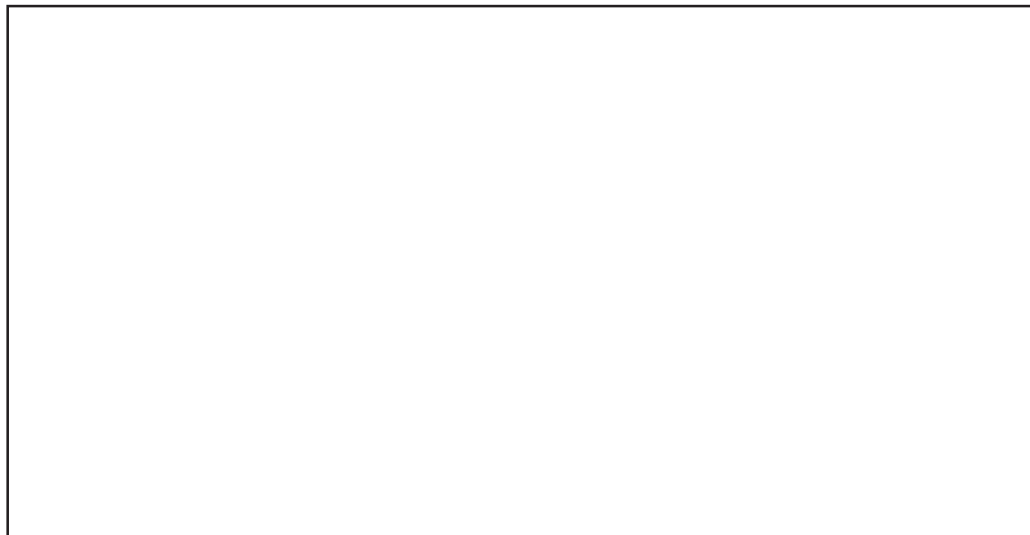
Source-RBI Annual Report on trends and progress of banks.

The number of NBFCs has decreased over the last 4 years. Cancellation of certification of registration of some NBFCs coupled with RBI's unwillingness to give new NBFC licenses are the main reason behind the decrease in total number of NBFC. In the coming year we expect to see more consolidation in the NBFC sector which will help the stronger players to gain significant market share. Despite the decrease in total number of NBFCs the net asset held by all the NBFC has increased from Rs.248,983 crore in 2010 to Rs.290,616 crore in 2009-10. The financial performance of the FI sector improved during 2009-10 as compared with 2008-09. The increase in net profits of FI is mainly attributed to increase in interest income of Rs.17,965 crore in 2011 from Rs.15,624 crore in 2010. NBFCs-D are not subject to Cash Reserve Ratio (CRR) requirements like banks but are mandated to maintain 15 per cent of their public deposit liabilities in Government and other approved securities as liquid assets.

The maturity of public deposits is mainly from short to medium term. In 2009-10 there is an increase in the share of deposit of maturity less than 1 year and 2-3 year range. Only 7% of the total deposits as of 2011 have maturity of above 3 years. At the end of 2010-11, only 7% of deposit taking NBFCs had the asset size of more than 500 crore that accounted almost 98% of the total asset held by all the NBFC-D.

**Mutual Funds**

The year FY11 was witness to the launch of 762 schemes - substantial growth over the previous year and the highest number of new launches in a year over a decade.



Source: AMFI

The significant increase in the number of schemes could not stop the slide in the sales which is down 23% YoY. The trend of significant redemptions which started in FY10 continued unabated and the industry suffered redemptions of Rs.6,841,702 crores in FY12 – a 23% decline over the level witnessed in FY11. Thus, the industry suffered a significant decline in net resource mobilization by Rs.22,023 crore in FY11 – significant change from the increase in net resource mobilization of Rs.83,081 crores in FY10.

(' in crores)

	Sales	Redemptions	Net Resource Mobilization
FY05	840,694	837,508	3,186
FY06	1,099,559	1,045,336	54,223
FY07	1,938,592	1,844,512	94,080
FY08	4,464,376	4,310,575	153,801
FY09	5,426,353	5,454,650	(28,297)
FY10	10,019,023	9,935,942	83,081
FY11	8,859,515	8,908,921	(49,406)
FY12	6,819,679	6,841,702	(22,023)

Source: AMFI

### Insurance

Total life insurance collected for the FY11 has grown by 9.85% to Rs.2916bn. The asset under management of life insurers has increased to Rs.14,301 bn from Rs.12124 bn. Insurance penetration in India has improved from 4.6% in 2008 to 5.1% in 2010 as against a dip in world average insurance penetration from 7.1% in 2008 to 6.9% in 2010. India's insurance penetration is still lower than world average, which indicates further potential of insurance in India.

Improved insurance penetration; rattled recently by global meltdown:

Insurance Penetration as % to GDP	2004	2005	2006	2007	2008	2009	2010
India (fiscal year)	3.2	3.1	4.8	4.7	4.6	5.2	5.1
World	7.9	7.5	7.5	7.5	7.1	7.0	6.9

Source: IRDA

### Challenges & Outlook

The Indian economy growth slowed down in last couple of quarters due to domestic and global factors. The persistent inflation has dented corporate margins and peoples purchasing power. Rupee depreciated almost 20% in a year. With falling savings rate and investment rate, Indian economy is on a slippery surface and needs immediate attention from the union government in terms of policy re-formulation and reforms. During past one year the inaction of government and failure to pass key reform bills made the already fragile Indian economy more vulnerable to erosion. The government needs to understand that when in a hole they should stop digging.

But we feel there are few silver linings in this gloomy environment. RBI has already indicated that the interest rate cycle has been reversed. We have already seen a rate cut in last policy meeting and we expect further easing from RBI to spur investment and investor confidence in Indian economy. Last year the high inflation along with high crude price dented investor confidence which had the effect on market returns. But as commodities soften, the oil import bill will come down easing the current account deficit and inflation worries. Also, Gold import has already started showing signs of slowing down which augurs well for the Indian economy.

### Financial Performance on Consolidated Basis

The financial markets were volatile during the year under review. A combination of factors such as high inflation, a depreciating rupee, investors fear about the euro zone, sluggish industrial and investment activities, net drop in FII inflow collectively contributed to the lower growth of the economy. All these have taken a toll on investor sentiments and market participation. There was a fall in fee-based income. The investment banking business and the institutional brokerage business also witnessed drop in incomes. With tough macro and volatile market condition, the consolidated top-line dipped from Rs.91.40 crore to Rs.80.35 crore. Your company posted a net loss of Rs. 2.21 crore as compared to Rs.11.37 crore profit it made in FY11.

### Risk and Concern

With euro zone under severe financial distress and talk of Greece exit becoming louder by the day, the impact of this event on Indian economy needs to be seen. This event poses a major risk and could derail the whole current global recovery. On



the domestic front if the current policy logjam and lower demand for investment is not addressed soon, one may risk a stagflationary environment. Another event unfolding is the outcome of monsoon this year whose onset is becoming all the more relevant in the current context. It will be safe to say that a deficient rainfall will surely hit consumption and drive demand lower.

**Internal control and their adequacy**

The Company has in place adequate systems of internal control that are commensurate with its size and nature of the business and documented procedures covering all financial and operating functions. The Company being a service industry, it has in place clear processes and well-defined roles and responsibilities for its employees at various levels. The Management has a defined reporting system, which facilitates monitoring and adherence to the process and systems in place. Also the Management evaluates these reports, internal controls and ensures that its employees adhere not only to internal processes and procedures set by the Company from time to time but also to the various statutory compliances. These have been designed to provide reasonable assurance with regard to maintaining proper accounting controls, monitoring economy and efficiency of operations, protecting assets from unauthorized use or losses, and ensuring reliability of financial and operational information published from time to time.

Internal audit of its entire subsidiaries are regularly carried out. The Internal Audit Reports along with implementation and recommendations contained therein are constantly reviewed by the Audit Committee of the Board. Audit Committee of the Board of Directors, comprising of independent directors, regularly reviews the audit plans, significant audit findings, adequacy of internal controls, compliance with Accounting Standards as well as reasons for changes in accounting policies and practices, if any.

**Cautionary Statement**

Statements in this Management Discussion and Analysis report describing the Company's objectives, projections, estimates and expectations may be forward looking statements within the meaning of applicable laws and regulations. Actual results might differ materially from those expressed or implied.

The Company is not under any obligation to publicly amend, modify or revise any forward looking statements on the basis of any subsequent developments, information or events.

## **AUDITORS' REPORT**

To The Board of Directors of Fortune Financial Services (India) Limited

We have examined the attached Consolidated Balance Sheet of Fortune Financial Services (India) Limited (the Company and its subsidiaries constitute the "Fortune Group") as at 31 March 2012 and also the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement of the Fortune Group for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements notified by Companies (Accounting Standards) Rules, 2006 and on the basis of the separate audited financial statements of the Fortune Group included in the consolidated financial statements.

Further to our comments above, we report that:

On the basis of the information and explanations given to us and on the consideration of the separate audit report on individual audited financial statements of the Fortune Group, we are of the opinion that the consolidated financial statements read together with the significant accounting policies and other notes appearing there in, give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the consolidated Balance Sheet, of the state of affairs of the Fortune Group as at 31 March 2012;
- b) in the case of the consolidated Statement of Profit and Loss, of the consolidated results of operations of the Fortune Group for the year ended on that date; and,
- c) in the case of consolidated Cash Flow Statement, of the consolidated cash flows of the Fortune Group for the year ended on that date.

**For NIPUN SUDHIR & ASSOCIATES**  
Chartered Accountants  
ICAI Registration Number: 0126168W

**Sudhir V. Nair**  
Partner  
(Membership Number 45893)

Mumbai, 30 May 2012



## CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2012

(Rupees in lacs)

Particulars	Note number	As at		As at
		31-Mar-12		31-Mar-11
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' funds</b>				
Share capital	4	1,287.93		1,227.93
Money received against share warrants	5	-		300.00
Reserves and surplus	6	10,311.86		10,007.90
<b>TOTAL</b>			<b>11,599.79</b>	11,535.83
<b>Non-current liabilities</b>				
Long-term borrowings	7	3.72		25.29
Long-term provisions	8	3.11	6.83	29.51
<b>Current liabilities</b>				
Short-term borrowings	7	15,031.43		14,429.01
Trade payables	9	9,022.47		9,708.90
Other current liabilities	10	1,847.96		1,487.57
Short-term provisions	8	207.69	26,109.55	26,053.85
<b>TOTAL</b>			<b>37,716.17</b>	37,619.19
<b>ASSETS</b>				
<b>Non-current assets</b>				
Fixed assets				
(i) Tangible assets	11	534.67		730.01
(ii) Intangible assets	11	23.02		29.08
Non current investments	12	0.05		0.05
Deferred tax assets (net)	13	170.51		105.11
Long-term loans and advances	14	1,178.32		857.82
Other non-current assets	15	188.56	2,095.13	3,819.40
<b>Current assets</b>				
Current investments	16	882.19		975.45
Trade receivables	17	6,409.69		8,831.96
Cash and bank balances	18	15,307.10		12,710.91
Short-term loans and advances	14	12,106.33		10,790.52
Other current assets	15	915.73	35,621.04	33,799.79
<b>TOTAL</b>			<b>37,716.17</b>	37,619.19

Significant accounting policies and Notes to Accounts 1 to 36

In terms of our Report of even date

**For NIPUN SUDHIR & ASSOCIATES**

Chartered Accountants

**Sudhir V. Nair**

Partner

Membership No.45893

Mumbai, May 30, 2012

**For and on behalf of the Board****J.T. Poonja**

Executive Chairman

**Nimish C. Shah**

Managing Director

**S. G. Muthu Kummar**

Chief Financial Officer

**Haroon Mansuri**

Company Secretary

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2012

Particulars	Note number	(Rupees in lacs)	
		Year ended 31-Mar-12	Year ended 31-Mar-11
<b>Income</b>			
Revenue from operations	19	7,921.75	9,011.05
Other income	20	113.02	128.97
<b>TOTAL</b>		<b>8,034.77</b>	<b>9,140.02</b>
<b>Expenses</b>			
Employee benefits expenses	21	2,255.15	2,289.84
Finance costs	22	1,408.75	812.93
Depreciation and amortisation expenses		243.49	285.47
Operating and other expenses	23	4,246.28	3,957.94
<b>TOTAL</b>		<b>8,153.67</b>	<b>7,346.18</b>
Profit / (Loss) before tax		(118.90)	1,793.84
Tax expense:			
- Current tax		147.15	672.80
- Current tax relating to prior years		20.51	34.02
- Deferred tax		(65.41)	(49.80)
Profit / (Loss) after tax		(221.15)	1,136.82
Earnings per equity share:			
Basic		(1.74)	9.30
Diluted		(1.74)	9.15
Significant accounting policies and Notes to Accounts	1 to 36		

In terms of our Report of even date

**For NIPUN SUDHIR & ASSOCIATES**

Chartered Accountants

**Sudhir V. Nair**

Partner

Membership No.45893

Mumbai, May 30, 2012

For and on behalf of the Board

**J.T. Poonja**

Executive Chairman

**Nimish C. Shah**

Managing Director

**S. G. Muthu Kummar**

Chief Financial Officer

**Haroon Mansuri**

Company Secretary



## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

(Rupees in lacs)

	31-Mar-12	31-Mar-11
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net profit before tax and extraordinary items</b>	<b>(118.90)</b>	1,793.84
<b>Adjustments for :</b>		
Depreciation and amortisation	<b>243.49</b>	285.47
Miscellaneous expenses written off	<b>15.29</b>	15.27
Loss on sale of assets (net)	<b>7.42</b>	11.55
Provision for diminution in value of current investments (net)	-	48.21
Provision for diminution in value of current investments written back (net)	<b>(5.27)</b>	-
Loss on sale of current investments (net)	<b>144.39</b>	197.66
Provision for doubtful debts	<b>109.46</b>	3.04
Provision for doubtful advances	<b>3.99</b>	0.42
Bad Debts / Sundry balances written off (net)	<b>316.59</b>	71.36
General provision against standard assets	<b>1.30</b>	24.86
Provisions for employee benefits	<b>(11.48)</b>	86.86
Interest received	<b>(2,962.20)</b>	(2,410.88)
Interest expense	<b>1,231.63</b>	682.81
Dividend income	<b>(9.42)</b>	(9.25)
<b>Operating Profits / (Loss) before Working Capital Change</b>	<b>(1,033.71)</b>	801.22
<b>Adjustments for :</b>		
(Increase) / Decrease in trade and other receivables	<b>84.32</b>	(6,017.84)
(Increase) / Decrease in current investments/stock	<b>(45.86)</b>	(752.50)
(Increase) / Decrease in margin money deposit and fixed deposit (Refer note.18)	<b>(1,341.10)</b>	(4,081.14)
(Increase) / Decrease in operating liabilities	<b>358.41</b>	(1,002.22)
Increase / (Decrease) in trade payables	<b>(686.42)</b>	4,101.66
	<b>(2,664.36)</b>	(6,950.82)
Interest income	<b>2,962.20</b>	2,410.88
Dividend income	<b>9.42</b>	9.25
Direct taxes paid (net of refunds)	<b>(293.41)</b>	(789.90)
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>13.85</b>	(5,320.59)
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets ( Including capital work-in-progress)	<b>(82.63)</b>	(494.76)
Sale of fixed assets	<b>33.12</b>	8.01
<b>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</b>	<b>(49.51)</b>	(486.75)



## CONSOLIDATED CASH FLOW STATEMENT CONTD...

	(Rupees in lacs)	
	31-Mar-12	31-Mar-11
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares / Conversion of equity warrants	<b>360.00</b>	132.15
Proceeds from issue of equity warrants	-	180.00
Net borrowings	<b>580.85</b>	6,276.14
Interest expense	<b>(1,231.63)</b>	(682.81)
Dividend and distribution tax paid	<b>(283.22)</b>	(359.18)
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>	<b>(574.00)</b>	5,546.30
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>(609.66)</b>	(261.04)
<b>CASH AND CASH EQUIVALENTS</b>		
Balance at the beginning of the year	<b>1,288.74</b>	1,549.78
Balance at the end of the year	<b>679.08</b>	1,288.74
	<b>(609.66)</b>	(261.04)

Previous year's figures have been regrouped / reclassified wherever necessary.

In terms of our Report of even date

**For NIPUN SUDHIR & ASSOCIATES**

Chartered Accountants

**Sudhir V. Nair**

Partner

Membership No.45893

Mumbai, May 30, 2012

**For and on behalf of the Board**

**J.T. Poonja**

Executive Chairman

**Nimish C. Shah**

Managing Director

**S. G. Muthu Kummar**

Chief Financial Officer

**Haroon Mansuri**

Company Secretary



**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO CONSOLIDATED ACCOUNTS**

**1 COMPANY OVERVIEW**

Fortune Financial Services (India) Limited (the ‘Company’) and its four wholly owned Indian subsidiaries (collectively referred to as the “Group”) is one of the successful hybrid players in the business that are present both in corporate finance as well as entire broking spectrum. The ‘Group’s full service portfolio consists of investment banking as well as corporate finance activities on the capital market side as well as advisory, offers broking services in the cash and future & options segment, depository participant, currency derivatives, commodity broking, loan activities, wholesale debt market activities, portfolio management services and all wealth distribution related products.

**2 BASIS OF CONSOLIDATION**

The Consolidated Financial Statements relate to Fortune Financial Services (India) Limited (the Company) and its subsidiaries (collectively referred to as “the Fortune Group”).

**a) Basis of Preparation**

- i) The Consolidated Financial Statements are prepared in accordance with Accounting Standard 21 (AS 21) “Consolidated Financial Statements” as specified in the Companies (Accounting Standards) Rules, 2006.
- ii) The notes and significant accounting policies to the Consolidated Financial Statements are intended to serve as a guide for a better understanding of the Groups position. In this respect, the Company has disclosed such notes and policies which represent the required disclosure.

**b) Principles of consolidation**

The consolidated financial statements have been prepared on the following basis:

- i) The financial statements of the Company and its subsidiaries are combined on a line-by-line basis by adding together like items of assets, liabilities, income and expense after eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses and are presented to the extent possible, in the same manner as the Company’s independent financial statements.
- ii) The details of subsidiaries and the interest of the Company therein, included in the Consolidated Financial Statements are as under :

Name of the subsidiary	% of voting power held	
	As at March 31, 2012	As at March 31, 2011
Fortune Equity Brokers (India) Limited	100%	100%
Fortune Commodities & Derivatives (India) Limited	100%	100%
Fortune Credit Capital Limited	100%	100%
Fortune Financial India Insurance Brokers Limited	100%	100%

**3 SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Basis of Preparation of Financial Statements**

The accompanying financial statements have been prepared under the historical cost convention on an accrual basis. The financial statements have been prepared in accordance with the generally accepted accounting principles to comply in all material aspects with the Accounting Standards (AS) prescribed in the Companies (Accounting Standards) Rules 2006 issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable.

The Ministry of Corporate Affairs revised Schedule VI to the Act for the financial year commencing on or after April 1, 2011. The Balance Sheet, Statement of Profit and Loss, Statement of Cash Flow and comparative financial information for the previous year have accordingly been prepared and presented with disclosures as required under the revised Schedule VI.

**3.2 Use of Estimates**

The presentation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expense during the reporting period. Although these estimates are based upon management’s best knowledge of current events and actions, actual results could differ from these estimates. Difference between the actual result and estimates are recognised in the period in which the results are known / materialised.

**3.3 Revenue Recognition**

Revenue is recognised when it is earned and no significant uncertainty exists of its ultimate realisation/collection.

- a. Issue Management fee is accounted on the basis of the terms of agreement with the clients.
- b. Placement fees, professional fees and other service charges are accounted when there is reasonable certainty of its ultimate realisation / collection.
- c. Income from broking activities is recognised on the trade date basis.
- d. Income from distribution is accounted when there is reasonable certainty of its ultimate realisation.
- e. Interest income is recognised on an accrual (time proportion) basis. In its subsidiary which a non banking financial company, interest on Non Performing Assets (NPAs), if any, is recognised on receipt basis, as per Reserve Bank of India guidelines.
- f. Commission income on first year premium on insurance policies is recognised, when insurance policies sold by the Company are accepted by the principal insurance company. Renewal commission is accounted for on receipt basis.
- g. Income from Depository operations is recognised on accrual basis.
- h. Dividend Income is recognised when the right to receive dividend is established.

**3.4 Employee Benefits**

**a) Short Term Employee Benefits**

Employee benefits such as salaries, allowances short term compensated absences, estimated cost of bonus, exgratia and employee benefits under defined contribution plans such as provident fund and other funds which fall due within twelve months of rendering the service are classified as short term employee benefits and charged as expense to the statement of profit and loss in the period in which the service is rendered.

**b) Long Term Employee Benefits**

Employee benefits under defined benefits plans like gratuity which fall due for payment after a period of twelve months from rendering of service or after completion of employment are determined base on actuarial valuation using the projected unit credit method.

The Company's obligations recognised in the Balance Sheet represents the present value of obligations as reduced by the fair value of plan of assets, where applicable

**3.5 Tangible Fixed Assets**

Tangible fixed assets are stated at cost of acquisition net of tax / duty credits less accumulated depreciation and impairment losses, if any. Cost of acquisition includes all expenses incurred to bring the assets to their location and working condition up to the date the assets are put to use.

**3.6 Intangible Fixed Assets**

Intangible Assets are stated at cost of acquisition, net of tax / duty credits availed less amortisation and impairment losses, if any. An asset is recognised when it is probable that the future economic benefits attributable to the assets will flow to the enterprise and where its cost can be reliably measured.

**3.7 Depreciation**

The Company provides for depreciation and amortisation as under:

- a. On written down value basis, in accordance with the rates prescribed in schedule XIV to the Act.
- b. On intangible assets, over a period of three years from the date of acquisition on written down value basis.
- c. On a pro-rata basis on assets purchased / sold during the year.
- d. On assets costing less than Rs.5,000 at hundred percent of the cost of the asset in the year of purchase.
- e. On leasehold improvements, over the primary period of the lease.

**3.8 Impairment of Assets**

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the statement of profit and loss in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there is a change in the estimate of recoverable amount.

**3.9 Taxation**

Provision for tax comprises current tax and deferred tax charge or benefit.

Current taxes are measured on the basis of the taxes expected to be paid on the taxable income determined in accordance with the prevailing tax rates and laws.

Deferred tax is the tax effect of the timing differences between the accounting income and taxable income and are capable of reversal in one or more subsequent periods. Deferred tax charge or benefit and the corresponding deferred tax liabilities and assets are recognised using the rates that have been enacted or substantially enacted as at the balance sheet date.



Deferred tax assets are recognised only to the extent there is a reasonable certainty that there will be sufficient taxable income against which it can be realised; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of assets. Deferred tax assets, if any, are re-assessed periodically.

**3.10 Investments**

All Investments are stated at cost. Investments are classified into long term investments and current investments. Provision for diminution in the value of long-term investment is made only if such a decline is other than temporary. Provision for diminution in the value of current investment as at the end of the year, is charged to the statement of profit and loss.

**3.11 Derivative Instruments**

Daily mark-to-market margins on the derivative trades are accounted separately as against the initial margin payments under Current Assets. The profit/loss on the final settlement of the derivative contracts, calculated as the difference between the final settlement price and the contract price of all the contracts in the series, is recognised on the expiry/square-up of the series of equity index/stock futures by transfer from the mark-to-market margin account.

As on the date of the Balance Sheet, provision for anticipated loss is made for the debit balance if any, in the mark-to-market margin account (maintained scripwise /index wise) on open futures contracts, credit balances if any, in the account attributable to anticipated income being ignored keeping in view the consideration of prudence.

**3.12 Stock of Shares**

Trading stock is valued at cost or market value whichever is less, provision being made for all diminution in value of shares.

**3.13 Earnings Per Share**

The basic earnings per share is computed and disclosed by dividing the net profit after tax attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed and disclosed using the weighted average number of equity shares outstanding during the year, adjusted for the effects of all dilutive potential equity shares, if any.

**3.14 Miscellaneous Expenditure**

Preliminary expenditure and expenditure in connection with the raising of capital is amortised over a period of ten years from the year of commencement of business operations or from the year of raising of capital.

**3.15 Provisions, Contingent Liabilities and Contingent Assets**

A provision is recognised when there is a present obligation as a result of past events for which a probable outflow of resources is expected to settle the obligation and the amount of the obligation can be reliably estimated.

Contingent liabilities are not recognised but are disclosed in the notes in case of:

- a) a present obligation arising from a past event, when it is not probable that an outflow of resources will be required settle the obligation.
- b) a possible obligation, unless the probability of outflow of resources is remote.

Contingent Assets are neither recognised, nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date.

**3.16 Leases**

Lease payments for assets taken under operating leases are charged off to the statement of Profit and Loss as and when incurred.

**3.17 Cash and cash equivalents**

Cash and cash equivalents comprise of cash on hand and deposits with bank. The Company considers all highly liquid investments/ bank deposits with a remaining maturity on the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

**3.18 Cash Flow Statement**

The Cash Flow Statement is prepared using the indirect method set out in Accounting Standard 3 on "Cash flow Statement" and presents the cash flow by operating, investing and financing activities of the Company.

**3.19 Foreign currency transactions**

Foreign currency transactions are recorded at the exchange rate prevailing on the date of transaction. Realised gains and losses on foreign currency transactions during the year are recognised in the statement of profit and loss. Monetary items denominated in a foreign currency are restated using the closing exchange rate on the date of balance sheet and resulting net exchange difference is recognised in the Statement of Profit and Loss.

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

## 4 SHARE CAPITAL

(Rupees in lacs)

	As at 31-Mar-2012		As at 31-Mar-2011	
	Number of shares	Amount (Rupees in lacs)	Number of shares	Amount (Rupees in lacs)
<b>Authorised</b>				
Equity shares of Rs.10 each	15,000,000	1,500.00	15,000,000	1,500.00
		<u>1,500.00</u>		<u>1,500.00</u>
<b>Issued, Subscribed and fully Paid-Up</b>				
Equity shares of Rs.10 each	12,879,290	1,287.93	12,279,290	1,227.93
<b>TOTAL</b>		<u>1,287.93</u>		<u>1,227.93</u>

## a Reconciliation of the number of shares outstanding at the beginning and at the end of the year

(Rupees in lacs)

	As at 31-Mar-2012		As at 31-Mar-2011	
	Number of shares	Amount (Rupees in lacs)	Number of shares	Amount (Rupees in lacs)
At the beginning of the year	12,279,290	1,227.93	12,116,400	1,211.64
Issued during the year on conversion of equity warrants	600,000	60.00	-	-
Issued during the year under ESOP	-	-	162,890	16.29
At the end of the year	<u>12,879,290</u>	<u>1,287.93</u>	<u>12,279,290</u>	<u>1,227.93</u>

## b Shares held by shareholders holding more than 5% of the aggregate shares in the Company

Name of Shareholder	As at 31-Mar-2012		As at March 31, 2011	
	Number of shares	% of Holding	Number of shares	% of Holding
Nimish C Shah	2,065,504	16.04	1,914,004	15.59
Nogard Investments Limited	1,800,000	13.98	1,800,000	14.66
Jagannath Thimmapa Poonja	1,607,040	12.48	1,607,040	13.09
Lytton Grove Corporation	1,533,992	11.91	1,533,992	12.49
Bomin Finance Limited	1,000,000	7.76	1,000,000	8.14

## c Terms / Rights attached to Equity shares

The Company has only one class of equity shares having a par value of Rs.10 per share. Each holder of an equity share is entitled to one vote per share.

During the year ended March 31, 2012 the amount of dividend per share recognised as distribution to equity shareholders was Rs. 0.50 per share (March 31, 2011 Rs. 2.00 per share)

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive their share in the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS**

**d** The Company has not reserved any shares for issue of options and contracts / commitments for sale of shares / divestments; Other than issue against ESOPs as provided (in `f) below:

**e** **During the period of five years preceding March 31, 2012:**

- a) The Company has not allotted any shares pursuant to contract(s) without payment being received in cash
- b) The Company has not allotted any bonus shares
- c) The Company has not bought back any shares

**f** **Employees Stock Option Plan ("ESOP")**

The Employee Stock Option Plan provides that the Company's employees and those of its subsidiaries are granted options to acquire equity shares of the Company. The options may be exercised within a specified period.

The Company follows the intrinsic value method to account for its stock based compensation plans. Compensation cost is measured as the excess, if any of the fair market value of the underlying share over the exercise price.

The Company currently has two ESOP schemes, ESOP scheme 2006 and ESOP Scheme 2007. These schemes were duly approved by the Board of Directors and Shareholders in their respective meetings. The 2006 scheme provides for the issue of 522,500 options and 2007 scheme for 60,690 options to eligible employees. These schemes are administered by the Compensation Committee comprising four members, the majority of whom are independent directors.

Details of options granted, vested, exercised, lapsed and the closing balance in the above mentioned Schemes are as under:

Particulars	ESOP Scheme 2006		ESOP Scheme 2007	
	2011-2012	2010-2011	2011-2012	2010-2011
Options outstanding at the beginning of the year	<b>98,010</b>	3,13,090	<b>25,000</b>	–
Options granted during the year	–	98,010	<b>45,000</b>	40,990
Lapsed during the year	<b>98,010</b>	39,200	<b>32,000</b>	15,990
Options exercised during the year	–	1,62,890	–	–
Options outstanding at the end of the year	–	2,09,010	<b>38,000</b>	25,000
Options vested	–	1,11,000	–	–
Options yet to vest	–	98,010	<b>38,000</b>	25,000

As the exercise is made at the market price prevailing on the date of the grant, the issuance of equity shares pursuant to exercise of options does not affect the profit and loss of the Company.

Of the options exercised Nil (Previous year 155,500) options were exercised by the employees of the subsidiaries.

## **5 MONEY RECEIVED AGAINST SHARE WARRANTS**

As at the beginning of the year, the Company had Rs.300 lacs, received as application money against 600,000 equity warrants of Rs.10 each at a premium of Rs.70 per warrant and 4,00,000 equity warrants of Rs.10 each at a premium of Rs.170 per equity warrant issued on preferential basis to its promoters. In accordance with the terms of the issue, the holders of these warrants had the option to apply for one equity share of Rs.10 each at any time within a period of eighteen months from the date of issue.

400,000 equity warrants of Rs.10 each issued on September 13, 2010 lapsed during the year due to non-exercise of options by the holders of the equity warrants. The amount received on the above equity warrants Rs.180 lacs, has been forfeited by the Company and credited to Capital Reserve.

600,000 equity warrants of Rs.10 each issued on February 10, 2010, were converted into 6,00,000 equity shares of Rs.10 each fully paid at a premium of Rs.70 per share on exercise of the options on July 29, 2011.

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

		(Rupees in lacs)	
		As at 31-Mar-12	As at 31-Mar-11
<b>6</b>	<b>RESERVES AND SURPLUS</b>		
	<b>Capital Reserve</b>		
	Balance as per last financial statements	88.00	88.00
	Add : Amount transferred on forfeiture of Equity Warrants (Refer Note 5)	180.00	-
	Closing Balance	<u>268.00</u>	<u>88.00</u>
	<b>Securities Premium Account</b>		
	Balance as per last financial statement	5,309.52	5,193.66
	Add : Securities premium credited on share issue	420.00	115.86
	Closing Balance	<u>5,729.52</u>	<u>5,309.52</u>
	<b>Statutory Reserve</b>		
	(u/s 45-1C of the RBI Act, 1934)		
	Balance as per last financial statements	157.22	54.72
	Add: Transferred during the year	34.50	102.50
	Closing Balance	<u>191.72</u>	<u>157.22</u>
	<b>General Reserve</b>		
	Balance as per last financial statement	732.41	590.31
	Add: Transferred from Surplus during the year	-	142.10
	Closing Balance	<u>732.41</u>	<u>732.41</u>
	<b>Surplus in Statement of Profit and Loss</b>		
	Balance as per last financial statement	3,720.75	3,117.85
	Net Profit/(loss) for the year	(221.15)	1,136.82
	Amount available for appropriation	<u>3,499.60</u>	<u>4,254.67</u>
	Less: Appropriations		
	Proposed final equity dividend	64.40	247.39
	Tax on dividend	10.49	41.93
	Transfer to statutory reserve	34.50	102.50
	Transfer to general reserve	-	142.10
	Total appropriations	<u>109.39</u>	<u>533.92</u>
	Surplus-Closing balance	<u>3,390.21</u>	<u>3,720.75</u>
	<b>TOTAL</b>	<u><u>10,311.86</u></u>	<u><u>10,007.90</u></u>



## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

## 7 BORROWINGS

	(Rupees in lacs)			
	Long term		Short term	
	As at 31-Mar-12	As at 31-Mar-11	As at 31-Mar-12	As at 31-Mar-11
Loans repayable on demand				
From banks	-	-	10,341.25	8,404.98
From other parties	-	-	4,690.18	3,440.70
From related parties	-	-	-	2,583.33
Vehicle loans	18.24	57.40	-	-
	<b>18.24</b>	57.40	<b>15,031.43</b>	14,429.01
Current maturity of vehicle loans disclosed under the head of "Current Liabilities" (Refer Note 10)	(14.52)	(32.11)	-	-
<b>TOTAL</b>	<b>3.72</b>	25.29	<b>15,031.43</b>	14,429.01
The above amount includes:				
Secured borrowings	-	-	13,737.28	11,735.99
Unsecured borrowings	-	-	1,294.15	2,693.02

Loans from banks are secured against shares, fixed deposits and book debts. These loans are repayable on demand within one year from the respective dates of the loans and carry interest rates in the range of 9.10% p.a. to 16.25% p.a. Vehicle loans are secured by hypothecation of vehicles.

Loans repayable on demand from bank include loans amounting to Rs. 6,327.85 lacs (previous year Rs. 5,430.96 lacs) for which corporate guarantees have been provided by the Holding Company.

Two Directors have provided personal guarantee in respect of loans from one bank where the loan balance as at March 31, 2012 was Rs. 1,788.20 lacs (previous year Rs. 1,805.39 lacs).

## 8 PROVISIONS

	(Rupees in lacs)			
	Long Term		Short Term	
	As at 31-Mar-12	As at 31-Mar-11	As at 31-Mar-12	As at 31-Mar-11
<b>Provision for employee benefits</b>				
Unavailed leave	-	-	73.77	64.76
Gratuity	3.11	4.22	33.07	52.45
<b>Others</b>				
Provision for proposed equity dividend	-	-	64.40	245.59
Contingent provision against standard assets	-	-	26.16	24.86
Provision for dividend distribution tax	-	-	10.29	40.71
<b>TOTAL</b>	<b>3.11</b>	4.22	<b>207.69</b>	428.37

## 9 TRADE PAYABLES

	(Rupees in lacs)	
	As at 31-Mar-12	As at 31-Mar-11
Trade payables	9,022.47	9,708.90
<b>TOTAL</b>	<b>9,022.47</b>	9,708.90



## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

		(Rupees in lacs)	
		As at 31-Mar-12	As at 31-Mar-11
<b>10 OTHER CURRENT LIABILITIES</b>			
Interest accrued but not due		440.11	309.10
Income received in advance		38.43	-
Unclaimed dividends		24.11	20.83
Book overdrafts		428.41	412.20
Mark to Market Margin - Equity Index/Stock/Options/Currency Futures		12.72	12.46
Statutory liabilities		224.17	122.19
Other payables		665.49	578.68
Current maturity of long term borrowings (Vehicle loans)		14.52	32.11
<b>TOTAL</b>		<b>1,847.96</b>	<b>1,487.57</b>

## 11. FIXED ASSETS

(Rupees in lacs)										
Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2011	Addition	Deductions	As at 31.03.2012	As at 01.04.2011	For the year	On deductions	As at 31.03.2012	As at 31.03.2012	As at 31.3.2011
<b>Tangible Assets</b>										
Electrical installation	1.84	-	-	1.84	1.79	0.01	-	1.80	0.04	0.05
Computers	464.16	22.91	5.74	481.33	317.03	65.08	3.43	378.68	102.65	147.13
Office equipments	305.67	21.06	14.32	312.41	92.08	32.02	4.17	119.93	192.48	213.59
Furniture and fixtures	112.61	5.23	8.87	108.97	65.58	10.59	3.61	72.56	36.41	47.03
Leasehold improvements	408.38	20.36	2.64	426.10	216.21	87.47	2.64	301.04	125.06	192.17
Vehicles	195.44	-	36.64	158.80	65.40	29.19	13.82	80.77	78.03	130.04
<b>TOTAL</b>	<b>1,488.10</b>	<b>69.56</b>	<b>68.21</b>	<b>1,489.45</b>	<b>758.09</b>	<b>224.36</b>	<b>27.67</b>	<b>954.78</b>	<b>534.67</b>	<b>730.01</b>
Previous year	1,332.54	469.79	314.23	1,488.10	807.45	245.31	294.67	758.09	730.01	525.09
<b>Intangible Assets</b>										
Computer software	250.35	13.07	-	263.42	221.27	19.13	-	240.40	23.02	29.08
<b>TOTAL</b>	<b>250.35</b>	<b>13.07</b>	<b>-</b>	<b>263.42</b>	<b>221.27</b>	<b>19.13</b>	<b>-</b>	<b>240.40</b>	<b>23.02</b>	<b>29.08</b>
Previous year	224.38	25.97	-	250.35	181.11	40.16	-	221.27	29.08	43.27
<b>TOTAL</b>	<b>1,738.45</b>	<b>82.63</b>	<b>68.21</b>	<b>1,752.87</b>	<b>979.36</b>	<b>243.49</b>	<b>27.67</b>	<b>1,195.18</b>	<b>557.69</b>	<b>759.09</b>
Previous year	1,556.92	495.76	314.23	1,738.45	988.56	285.47	294.67	979.36	759.09	568.36



NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

12 NON CURRENT INVESTMENTS

Name of the company	Paid up value per share	(Rupees in lacs)			
		Number of Shares		Amount (Rupees in lacs)	
		As at 31-Mar-12	As at 31-Mar-11	As at 31-Mar-12	As at 31-Mar-11
<b>Investments in equity shares (unquoted) (Fully paid up)( Trade)</b>					
Bombay Stock Exchange Limited	Rs.10	70,694	70,694	0.05	0.05
<b>TOTAL</b>				<b>0.05</b>	<b>0.05</b>
(Lien with a bank for overdraft facility of subsidiary company)					

13 DEFERRED TAX ASSETS

	(Rupees in lacs)	
	As at 31-Mar-12	As at 31-Mar-11
Provision for employee benefits	35.67	40.33
Provision for doubtful debts	48.76	13.56
Provision for diminution in value of current investments	19.13	21.33
Provision for doubtful advances	1.43	0.14
Accumulated depreciation	65.52	29.75
<b>TOTAL</b>	<b>170.51</b>	<b>105.11</b>

14 LOANS AND ADVANCES

	(Rupees in lacs)			
	Long term		Short term	
	As at 31-Mar-12	As at 31-Mar-11	As at 31-Mar-12	As at 31-Mar-11
<b>Unsecured, considered good (unless otherwise stated)</b>				
NBFC loan portfolio				
Secured	-	-	8,237.02	5,705.01
Others	-	-	2,226.96	1,794.36
Capital advances	-	12.48	-	-
Deposits				
Deposit with exchanges	431.83	531.83	34.00	1,746.00
Security deposits	251.77	255.80	13.83	11.45
Loans and advances to related party	-	-	955.84	929.70
Other intercorporate loans	-	-	419.42	-
Loans to employee	47.55	43.70	59.88	134.11
Less: Provision for doubtful loans	(4.41)	(0.42)	-	-
Prepaid expenses	26.42	14.43	124.75	135.65
Advance income tax and tax deducted at source	423.62	-	-	297.87
(net of provision for taxes Rs. 1,489.49 lacs (Previous year Rs. 1,549.00 lacs))				
Advances recoverable in cash or kind	1.54	-	34.63	36.37
<b>TOTAL</b>	<b>1,178.32</b>	<b>857.82</b>	<b>12,106.33</b>	<b>10,790.52</b>

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

Loans and advances to related party include Rs.955.83 lacs (Previous year Rs.929.19 lacs) due from partnership firm in which the company's directors are partners.

Loan to employee include Rs.1.08 lacs (Previous year Nil) due from officer of the company.

Security deposit includes deposit with a firm in which some directors are partners Rs. 84.70 lacs (Previous year Rs. 84.70 lacs).

## 15 OTHER ASSETS

	(Rupees in lacs)			
	Non current		Current	
	As at 31-Mar-12	As at 31-Mar-11	As at 31-Mar-12	As at 31-Mar-11
<b>Unsecured, considered good</b>				
Unamortised expenditure				
Miscellaneous expenditure	78.67	96.37	14.36	11.95
Interest accrued on deposits	7.97	34.29	883.20	479.00
Other receivables	-	-	18.17	-
Other bank balances				
Deposits with original maturity of more than 12 months (Refer Note 18)	101.92	1,966.67	-	-
<b>TOTAL</b>	<b>188.56</b>	<b>2,097.33</b>	<b>915.73</b>	<b>490.95</b>

## 16 CURRENT INVESTMENTS (Non-trade)

(At cost, unless otherwise stated)

	(Rupees in lacs)	
	As at 31-Mar-12	As at 31-Mar-11
<b>Current Investments</b>		
a) Investment in equity shares (quoted)	903.38	996.53
b) Investment in debenture (unquoted)	2.25	2.25
c) Investment in mutual fund units (unquoted)	25.00	25.00
	<b>930.63</b>	1,023.78
Less : Provision for diminution in the value of current investments	48.44	48.33
<b>TOTAL</b>	<b>882.19</b>	<b>975.45</b>

Aggregate amount of quoted investments Rs. 903.38 lacs (Previous year Rs.996.53 lacs)

Market value Rs.936.84 lacs (Previous year Rs.993.63 lacs)

Name of the company	Paid up value per share/ debenture/unit	Number of Shares / debentures / units		Amount (Rupees in lacs)	
		As at 31-Mar-12	As at 31-Mar-11	As at 31-Mar-12	As at 31-Mar-11
<b>a) Investments in Equity Instruments (Fully paid up) (Non trade) (Quoted)</b>					
Anant Raj Industries Limited	Rs.10	190,000	93,000	113.14	77.47
Aurionpro Solution Limited	Rs.10	12,000	12,000	34.58	35.18
Bharti Shipyard Limited	Rs.10	-	61,000	-	91.72
Ess Dee Aluminum Limited	Rs.10	130,000	25,000	186.23	105.00
Great Offshore Limited	Rs.10	385,000	-	330.86	-



NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

Name of the company	Paid up value per share/ debenture/unit	Number of Shares / debentures / units		Amount (Rupees in lacs)	
		As at 31-Mar-12	As at 31-Mar-11	As at 31-Mar-12	As at 31-Mar-11
Housing Development & Infrastructure Limited	Rs.10	2,635	2,000	2.41	3.25
Jai Corp Limited	Rs.10	20,000	24,000	16.77	39.46
LIC Housing Finance Limited	Rs.2	-	1,250	-	2.66
Mandhana Industries Limited	Rs.10	20,000	-	49.93	-
Marg Construction Limited	Rs.10	-	103,000	-	132.89
Natco Pharma Limited	Rs.10	10,000	-	31.23	-
Nitesh Estate Limited	Rs.10	20,000	20,000	9.03	9.03
Nagarjuna Fertilizers and Chemicals Limited	Rs.10	-	224,000	-	60.16
Reliance Capital Limited	Rs.10	82	-	0.32	-
Reliance Industries Limited	Rs.10	2,500	-	19.69	-
Sarda Enmin Limited	Rs.10	50,000	31,500	6.25	63.00
Strides Arcolab Limited	Rs.10	10,000	-	56.16	-
State Bank of India	Rs.10	-	1,370	-	36.97
Tata Consultancy Limited	Re.1	-	500	-	5.43
Tata Motors Limited	Rs.10	208	-	0.57	-
Tecnocraft Industries Limited	Rs.10	10,000	10,000	8.98	9.11
Tricom Finance Limited	Rs.2	-	64,500	-	12.58
Unitech Limited	Rs.2	-	60,000	-	20.87
UTV Software Communication Limited	Rs.10	-	51,500	-	288.42
Usha Beltron Limited	Rs.10	80,000	-	35.45	-
Va Tech Wabag Limited	Rs.2	500	200	1.78	3.33
<b>TOTAL</b>				<b>903.38</b>	<b>996.53</b>
<b>b) Investment in Debentures (Non-convertible) (unquoted) (Fully paid up)</b>					
Jyoti Structure Ltd Warrant	Rs.10	1,875	1,875	2.25	2.25
<b>TOTAL</b>				<b>2.25</b>	<b>2.25</b>
<b>c) Mutual fund units (unquoted) (Fully paid up)</b>					
Axis Equity Fund	Rs.10	250,000	250,000	25.00	25.00
<b>TOTAL</b>				<b>25.00</b>	<b>25.00</b>

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

## 17 TRADE RECEIVABLES

	(Rupees in lacs)	
	As at 31-Mar-12	As at 31-Mar-11
Outstanding for a period less than six months		
Secured, considered good	128.59	14.68
Unsecured, considered good	208.60	1.71
Unsecured, considered doubtful	150.29	40.82
Less: Provision for doubtful debts	150.29	40.82
	<b>337.19</b>	16.39
Others		
Secured	4,924.91	6689.41
Unsecured	1,147.59	2126.16
<b>TOTAL</b>	<b>6,409.69</b>	<b>8,831.96</b>

Trade receivable include Rs.66.77 lacs (Previous year Rs.204.99 lacs) due from director/Companies in which director are interested

## 18 CASH AND BANK BALANCES

	(Rupees in lacs)			
	Non current		Current	
	As at 31-Mar-12	As at 31-Mar-11	As at 31-Mar-12	As at 31-Mar-11
<b>Cash and cash equivalents</b>				
Bank balances				
In current accounts	-	-	652.27	1,264.53
Deposits with original maturity of less than 3 months	-	-	6,598.11	4,121.30
Cash on hand	-	-	2.72	3.38
	-	-	<b>7,253.10</b>	5,389.21
<b>Other bank balances</b>				
Unpaid dividend account	-	-	24.09	20.83
Deposits with original maturity for more than 12 months	101.92	1,966.67	-	-
Deposits with original maturity for more than 3 months but less than 12 months	-	-	8,029.91	7,300.87
	101.92	1,966.67	8,054.00	7,321.70
Amount disclosed under other non-current assets (Note.15)	(101.92)	(1,966.67)	-	-
	-	-	8,054.00	7,321.70
<b>TOTAL</b>	-	-	<b>15,307.10</b>	<b>12,710.91</b>

The above amount includes:

Margin money deposits (lien with stock exchanges & banks)	-	-	7,853.32	6,991.46
Security against borrowings (lien with banks for overdraft facility)	-	-	5,840.36	6,397.38



## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

## 19 REVENUE FROM OPERATIONS

	(Rupees in lacs)	
	Year ended 31-Mar-12	Year ended 31-Mar-11
Brokerage and related operational income	4,369.87	5,338.07
Distribution and professional Income	339.86	332.03
Investment and merchant banking income	341.88	1,041.74
Interest on fixed deposits	1,311.14	812.67
Interest on securities	-	3.91
Interest on loans	1,553.73	1,482.63
Provision for diminution in value of current investments written back (net)	5.27	-
<b>TOTAL</b>	<b>7,921.75</b>	<b>9,011.05</b>

## 20 OTHER INCOME

	(Rupees in lacs)	
	Year ended 31-Mar-12	Year ended 31-Mar-11
Interest income	97.33	111.67
Dividend income	9.42	9.25
Exchange gain	3.02	-
Miscellaneous income	3.25	8.05
<b>TOTAL</b>	<b>113.02</b>	<b>128.97</b>

## 21 EMPLOYEE BENEFIT EXPENSES

	(Rupees in lacs)	
	Year ended 31-Mar-12	Year ended 31-Mar-11
Salaries, bonus and allowances	2,123.37	2,102.40
Contributions to gratuity, provident and other funds	98.09	151.39
Staff welfare expenses	33.69	36.05
<b>TOTAL</b>	<b>2,255.15</b>	<b>2,289.84</b>

## 22 FINANCE COST

	(Rupees in lacs)	
	Year ended 31-Mar-12	Year ended 31-Mar-11
Interest expenses	1,231.63	682.81
Bank charges	177.12	130.12
<b>TOTAL</b>	<b>1,408.75</b>	<b>812.93</b>

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

## 23 OPERATING AND OTHER EXPENSES

	(Rupees in lacs)	
	Year ended 31-Mar-12	Year ended 31-Mar-11
Brokerage / Sub-Brokerage	123.83	118.64
Interest	794.18	756.95
Service charges	1,003.76	947.02
Other operating expenses	389.92	375.76
Loss on sale of current investments (net)	144.39	197.66
Provision for diminution in value of current investments	-	48.21
Rent (Refer note 30)	373.24	355.41
Rates and taxes	3.80	4.84
Printing and stationery	58.61	118.98
Travelling expenses	52.88	58.49
Conveyance expenses	61.50	49.72
Motor vehicle expenses	48.56	37.50
Electricity charges	67.83	71.94
Communication expenses	135.03	146.24
Advertisement expenses	9.92	12.02
Legal and professional fees	144.87	171.12
Auditors' remuneration (Refer note 27)	14.33	14.48
Repairs and maintenance	204.22	216.76
Newspapers, books and periodicals	13.81	9.61
Membership and subscription	12.99	12.45
Business promotion expenses	92.73	67.54
Insurance	19.25	14.76
Donation	0.54	0.24
Bad debts written off	316.59	76.36
Loss on sale of assets	7.42	15.67
Directors' sitting fees	7.40	6.90
General provision against standard assets	1.30	24.86
Exchange Loss	2.68	-
Provision for doubtful debts	109.46	3.04
Provision for doubtful advances	3.99	0.42
Miscellaneous expenses	27.25	24.35
<b>TOTAL</b>	<b>4,246.28</b>	<b>3,957.94</b>



## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

## 24. SEGMENT REPORTING

**Primary segment**

Segments have been identified in accordance with Accounting Standard 17 'Segment Reporting', issued by the Institute of Chartered Accountants of India considering the organisation structure and return/risk profile of the businesses. The Management recognises and monitors these segments on a continuous basis

**Secondary segment**

The company does not have any separate geographical segment other than India.

The primary basis of segmental information as required by Accounting Standard 17 is set out hereunder:

(Rupees in lacs)

	Capital market activities		Investment and merchant banking activities		Financing activities		Total	
	2011-2012	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011
<b>Segment revenue</b>								
External revenue	<b>6,310.59</b>	6,466.83	<b>571.29</b>	1,540.32	<b>1,724.03</b>	1,735.49	<b>8,605.91</b>	9,742.64
Inter segment revenue	<b>305.08</b>	42.49	<b>99.52</b>	349.30	<b>166.55</b>	210.83	<b>571.15</b>	602.62
Total revenue	<b>6,005.51</b>	6,424.34	<b>471.77</b>	1,191.02	<b>1,557.48</b>	1,524.66	<b>8,034.76</b>	9,140.02
<b>Segment Result:</b>								
<b>Profit before tax</b>	<b>(485.06)</b>	681.97	<b>(35.91)</b>	483.50	<b>402.07</b>	628.37	<b>(118.90)</b>	1,793.84
<b>Provision for tax</b>								
Current tax	<b>51.20</b>	216.10	<b>11.80</b>	189.20	<b>84.15</b>	267.50	<b>147.15</b>	672.80
Deferred tax	<b>(62.33)</b>	(47.10)	<b>(3.10)</b>	(2.46)	<b>0.02</b>	(0.24)	<b>(65.41)</b>	(49.80)
Current tax relating to prior years	<b>16.26</b>	35.95	<b>4.10</b>	(1.93)	<b>0.15</b>	–	<b>20.51</b>	34.02
<b>Total Result</b>	<b>(490.19)</b>	477.02	<b>(48.71)</b>	298.69	<b>317.75</b>	361.11	<b>(221.15)</b>	1,136.82
Segment assets	<b>25,025.70</b>	28,385.76	<b>1,458.62</b>	1,491.02	<b>11,231.85</b>	7,791.17	<b>37,716.17</b>	37,667.95
Segment liabilities	<b>20,478.31</b>	20,274.09	<b>130.94</b>	368.50	<b>5,507.13</b>	5,489.53	<b>26,116.38</b>	26,132.12
<b>Net Segment Assets</b>	<b>4,547.39</b>	8,111.67	<b>1,327.68</b>	1,122.52	<b>5,724.72</b>	2,301.64	<b>11,599.79</b>	11,535.83
<b>Other Information</b>								
a) <b>Capital expenditure</b>	<b>81.74</b>	461.29	<b>0.89</b>	34.47	–	–	<b>82.63</b>	495.76
b) <b>Depreciation and amortisation</b>	<b>231.75</b>	263.10	<b>11.46</b>	21.92	<b>0.28</b>	0.45	<b>243.49</b>	285.47

## 25 RELATED PARTY TRANSACTIONS

**Names of related parties and nature of relationship****a) Enterprises having significant influence**

Mehra Capital Services Private Limited  
Jamish Investment Private Limited  
Umrigar Investment Private Limited  
Fortune Capital Services  
J. T. Poonja (HUF)  
Nimish C. Shah (HUF)

**b) Key management personnel and their relatives:**

Mr. J.T. Poonja, Chairman



## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

Mr. Nimish C. Shah, Managing Director  
 Ms. Sangeeta Poonja, Relative  
 Mr. Abhinay Poonja, Relative  
 Ms. Aparna Poonja, Relative  
 Ms. Jalpa N Shah, Relative  
 Ms. Vidhi N Shah, Relative  
 Mr. Chandulal Shah, Relative (up to 18-01-2012)  
 Ms. Indumati Shah, Relative  
 Mr. S. Kalyanasundaram

## c) Details of transaction with related parties referred to above

(Rupees in lacs)			
Nature of Transactions	Enterprises having significant influence	Key management personnel and their relatives	Total
Brokerage received	9.00 (0.60)	6.78 (12.55)	15.78 (13.15)
Rent	51.00 (51.00)	– (–)	51.00 (51.00)
Professional fees	60.00 (–)	– (–)	60.00 (–)
Interest charged	12.13 (11.78)	– (–)	12.13 (11.78)
Remuneration	– (–)	118.63 (119.81)	118.63 (119.81)
Dividend paid	3.42 (5.62)	108.36 (134.11)	111.78 (139.73)
Loan given	956.75 (1,628.50)	– (–)	956.75 (1,628.50)
Loans taken	1,080.98 (–)	– (–)	1,080.98 (–)
Reimbursements	– (0.03)	– (–)	– (0.03)
<b>Outstanding as on March 31</b>			
a) Deposit receivable	84.70 (84.70)	– (–)	84.70 (84.70)
b) Loans receivable	955.84 (926.19)	– (–)	955.84 (926.19)
c) Loans payable	13.00 (–)	– (–)	13.00 (–)
d) Sundry debtors	108.52 (–)	49.11 (209.99)	157.63 (209.99)
e) Sundry creditors	11.50 (1.29)	0.87 (12.13)	12.37 (13.42)
f) Dividend payable	1.54 (4.49)	14.03 (107.21)	15.57 (111.70)

Note: Figures in brackets represent previous year amounts



## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

## 26 DISCLOSURE AS PER ACCOUNTING STANDARD 15 "EMPLOYEE BENEFITS"

## a) Defined Benefit Plan for Gratuity as per Actuarial Valuation as at March 31, 2012

	(Rupees in lacs)	
	As at 31-Mar-12	As at 31-Mar-11
<b>Change in Present Value of Defined Benefit Obligation</b>		
Liability at the beginning of the year	111.22	41.64
Interest cost	11.34	5.04
Current service cost	26.96	21.63
Benefit paid	(1.13)	(0.66)
Actuarial (gain)/loss on obligations	(18.00)	43.57
Liability at the end of the year	<u>130.39</u>	<u>111.22</u>

	(Rupees in lacs)	
	As at 31-Mar-12	As at 31-Mar-11
<b>Change in Fair Value of Plan Assets</b>		
Fair value of plan assets at the beginning of the year	54.54	40.07
Expected return on plan assets	6.93	4.03
Contributions	32.91	10.62
Benefit paid	(1.13)	(0.66)
Actuarial gain/(loss) on plan assets	0.99	0.48
Fair value of plan assets at the end of the year	<u>94.24</u>	<u>54.54</u>

	(Rupees in lacs)	
	As at 31-Mar-12	As at 31-Mar-11
<b>Amount Recognised in the Balance Sheet</b>		
Liability at the end of the year	130.38	111.22
Fair value of plan assets at the end of the year	94.24	54.54
Difference	(36.15)	(56.68)
Amount recognised in the balance sheet	<u>(36.15)</u>	<u>(56.68)</u>

	(Rupees in lacs)	
	2011-2012	2010-2011
<b>Expenses recognised in the Statement of Profit and Loss</b>		
Current service cost	26.96	21.63
Interest cost	11.34	5.04
Expected return on plan assets	(6.94)	(4.03)
Actuarial gain / (loss)	(18.99)	43.04
Expense recognised in the Statement of Profit and Loss	<u>12.37</u>	<u>66.68</u>

	2011-2012	2010-2011
<b>Actuarial Assumptions</b>		
Discount rate (per annum)	8.50%	8.25%
Rate of return on plan assets (per annum)	8.60%	8.00%
Attrition rate (per annum)	2.00%	2.00%
Salary escalation (per annum)	5.00%	5.00%

The estimates of salary escalation considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors such as demand and supply of employees.

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

**b) Defined Contribution Plans:**

The amount recognised as expenses and included in "Contribution to gratuity, provident and other funds" in Note 21 is Rs. 82.61 lacs (Previous year Rs. 80.85 lacs).

**c) General Description of significant defined benefit plan**

Gratuity Plan : Gratuity is payable to all eligible employees of the Company in terms of the provision of the Payment of Gratuity Act, 1972

**27 AUDITOR'S REMUNERATION**

	(Rupees in lacs)	
	2011-2012	2010-2011
Statutory audit	10.87	10.81
Certification and other matters	3.46	3.67
<b>TOTAL</b>	<b>14.33</b>	14.48

**28 a) Earnings in foreign currency**

	(Rupees in lacs)	
	2011-2012	2010-2011
Investment banking income	62.32	189.47
Professional income	87.30	-
<b>TOTAL</b>	<b>149.62</b>	189.47

**b) Expenditure incurred in foreign currency**

	(Rupees in lacs)	
	2011-2012	2010-2011
Travelling & business promotion	4.12	4.93
Software charges	-	0.43
Miscellaneous expenses	2.04	-
<b>TOTAL</b>	<b>6.16</b>	5.36

**c) Dividend remitted in foreign currency**

	(Rupees in lacs)	
	2011-2012	2010-2011
Type of Dividend	<b>Dividend for FY 2010-2011</b>	Dividend for FY 2009-2010
Number of non-resident shareholders	3	3
Number of shares held	4,333,992	4,333,992
Gross amount of dividend (Rupees in lacs)	86.68	108.35

**29 DERIVATIVE INSTRUMENTS**

- a) Initial margin on equity derivative contracts have been paid in cash only.  
b) Open equity index / stock future contracts outstanding as on March 31, 2012

Name of the Equity Index / Stock Future	No. of contracts	No of units	
		Long	Short
Adani Enterprises Limited	9	4,500	-
Alok Industries Limited	10	110,000	-
Cesc Limited	55	55,000	-
Delta Corp Limited	8	16,000	-



## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

Name of the Equity Index / Stock Future	No. of contracts	No of units	
		Long	Short
Dhanlaxmi Bank Limited	23	92,000	–
Gujarat Fluorochemicals Limited	19	9,500	–
Hindustan Construction Co Limited	6	48,000	–
Infosys Technologies Limited	4	500	–
Mahanagar Telephone Nigam Limited	21	168,000	–
Nifty	60	–	3,000
Oracle Financial Services Software Limited	10	1,250	–
Pantaloon Retail (I) Limited	18	18,000	–
Power Grid Corporation of India Limited	18	72,000	–
Punj Lloyd Limited	13	52,000	–
Reliance Communications Limited	24	96,000	–
Reliance Industries Limited	10	–	2,500
Reliance Infrastructure Limited	27	13,500	–
The South Indian Bank Limited	31	310,000	–
Tata Communications Limited	22	44,000	–
Tata Motors Limited	1	–	2,000

c) Open currency future contracts outstanding as on March 31, 2012

Name of the currency future	No. of contracts	No of units	
		Long	Short
US Dollar-Indian Rupee	500	500,000	–

d) Open equity index / stock options contracts outstanding as on March 31, 2012

(Rupees in lacs)

Name of the Equity Index / Stock options	Total premium carried forward as at the year end (net of provisions made)
Housing Development and Infrastructure Limited	(0.30)
Infosys Technologies Limited	(0.92)
Nifty	(9.81)
Reliance Capital Limited	(0.03)
Tata Motors Limited	0.22

e) Open currency options contracts outstanding as on March 31, 2012

(Rupees in lacs)

Name of the currency options	Total premium carried forward as at the year end (net of provisions made)
US Dollar-Indian Rupee	1.74

**30** The Group has taken office premises under operating lease at various locations. These agreements provide an option to the Company to renew the lease period on mutually agreeable terms. The Group has given refundable interest free security deposits in accordance with the agreed terms.

The rental expense in respect of the operating leases, recognised in the Statement of Profit and Loss as "Rent" in note "23" is Rs. 373.24 lacs (previous year Rs. 355.41 lacs)

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

Details of the minimum lease payments for the operating leases are provided hereunder:

	(Rupees in lacs)	
	2011-2012	2010-2011
Not later than one year	336.43	362.34
Later than one year but not later than five years	878.34	1,186.94
Later than five years	73.83	26.90

## 31 EARNINGS PER SHARE

Basic and diluted earnings per share computed in accordance with Accounting Standard 20 "Earning Per Share"

	2011-2012	2010-2011
<b>A. Basic</b>		
Number of equity shares at the beginning of the year	12,279,290	12,116,400
Addition during the year	600,000	162,890
Number of equity shares at the end of the year	12,879,290	12,279,290
Weighted average number of equity shares	12,683,674	12,224,953
Net profit after tax (Rupees in lacs)	(221.15)	1,136.82
Basic earning per share of Rs.10 each (Rupees)	(1.74)	9.30
<b>B. Diluted</b>		
Number of equity shares at the beginning of the year	12,279,290	12,116,400
Addition during the year	600,000	162,890
Number of equity shares at the end of the year	12,879,290	12,279,290
Addition for shares (convertible from equity warrants)	-	250,000
Addition for ESOP vested	-	111,000
Weighted average number of equity shares	12,683,674	12,429,474
Net profit after tax (Rupees in lacs)	(221.15)	1,136.82
Diluted earning per share of Rs.10 each (Rupees)	(1.74)	9.15

## 32 Contingent Liabilities and commitments (to the extent not provided for)

## a) Contingent liabilities

Guarantees given by banks on behalf of the Company in respect of capital adequacy, daily margin and other contractual commitments for capital market operations of its subsidiaries Rs.5,548.75 lacs (Previous year Rs.5,008.75 lacs)

## b) Estimated amount of contracts remaining to be executed on capital account Nil (Previous year Rs.12.52 lacs)

- 33 Under Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. The Company has not yet commenced the process of compiling the relevant information from its suppliers about their coverage under the said Act and hence the relevant disclosures have not been made in the accounts. However, in the view of the Management, there is no possibility of any interest being payable to any supplier as the Company is prompt in making payments to its suppliers.
- 34 In the opinion of Management, the value of all Current Assets, Loans and Advances and other receivables is not less than their realisable value in the ordinary course of business.
- 35 Balances standing in debtors, creditors and loan and advances are subject to confirmation.
- 36 Previous year's figures are reworked, regrouped, rearranged and reclassified wherever necessary, to conform to the current year's classification.



**DECLARATION BY THE EXECUTIVE CHAIRMAN UNDER CLAUSE 49 OF THE LISTING AGREEMENT REGARDING ADHERENCE TO THE CODE OF CONDUCT**

In accordance with clause 49 of the listing agreement with the stock exchange, I hereby confirm that, all the Directors and senior management personnel of the Company to whom the code of conduct is applicable, have affirmed the compliance of the said code during the financial year ended March 31, 2012.

Mumbai, May 30, 2012

**J. T. Poonja**  
Executive Chairman

**EXECUTIVE CHAIRMAN AND CHIEF FINANCIAL OFFICER CERTIFICATION**

We, J. T. Poonja, Executive Chairman and S.G. Muthu Kumar, Chief Financial Officer of Fortune Financial Services (India) Limited, to the best of our knowledge and belief, certify that:

- a. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2012 and that to the best of our knowledge and belief:
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and
  - ii. these statements present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control system of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the Auditors and the Audit Committee:
  - i. significant changes in internal control over financial reporting during the year;
  - ii. that there are no significant changes in accounting policies during the year; and
  - iii. that there were no instances of significant fraud of which we have become aware.

Mumbai, May 30, 2012

**J. T. Poonja**  
Executive Chairman

**S. G. Muthu Kumar**  
Chief Financial Officer

**AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE**

**To the Members of Fortune Financial Services (India) Limited**

We have examined the compliance of conditions of Corporate Governance by Fortune Financial Services (India) Limited (the Company) for the year ended on March 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

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 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 in all material respects with the conditions of Corporate Governance as stipulated in the above-referred Listing Agreement.

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

For **NIPUN SUDHIR & ASSOCIATES**  
Chartered Accountants  
ICAI Registration Number: 0126168W

**Sudhir V. Nair**  
Partner  
(Membership No. 45893)

Mumbai, May 30, 2012

**STATEMENT OF SUBSIDIARY COMPANIES UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956 FOR THE FINANCIAL YEAR ENDED MARCH 31, 2012**

(Rupees in lacs)

<b>Particulars</b>	<b>Fortune Equity Brokers (India) Limited</b>	<b>Fortune Commodities &amp; Derivatives (India) Limited</b>	<b>Fortune Credit Capital Limited</b>	<b>Fortune Financial India Insurance Brokers Limited</b>
Capital	1,805.00	300.00	2,425.00	60.00
Reserves	2,577.48	152.92	2,022.66	11.46
Total Assets	24,077.00	1,339.89	11,256.67	74.40
Total Liabilities	19,694.52	886.97	6,809.01	2.94
Current Investments (net of provision for diminution in the value of current investments)	361.36	111.20	409.63	-
Turnover	5,634.85	763.82	1,724.04	7.80
Profit / (Loss) before Tax	(418.91)	0.71	256.81	(2.14)
Tax expense	(47.30)	52.41	84.31	0.03
Profit / (Loss) after Tax	(371.61)	(51.70)	172.50	(2.17)
Dividend on preference shares	16.25	-	-	-



**Fortune Financial Services (India) Limited**

Standalone Financial Statements  
for the year ended March 31, 2012



## **AUDITORS' REPORT**

To The Members of Fortune Financial Services (India) Limited

We have audited the accompanying Balance Sheet of Fortune Financial Services (India) Limited ("the Company") as at 31 March 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company 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.

We conducted our audit in accordance with the 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 the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- 1) As required by the Companies (Auditor's Report) Order, 2003, and amendments thereto (together referred to as 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 to the extent applicable.
- 2) 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iii. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act.
  - iv. On the basis of written representations received from the directors, as at 31 March 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.
  - v. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Act 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 Balance Sheet, of the state of affairs of the Company as at 31 March 2012;
    - b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and,
    - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**For NIPUN SUDHIR & ASSOCIATES**  
Chartered Accountants  
ICAI Registration Number: 0126168W

**Sudhir V. Nair**  
Partner  
(Membership Number 45893)

Mumbai, 30 May 2012



**Annexure referred to in Paragraph (1) of the Auditors' Report to the Members of Fortune Financial Services (India) Limited for the year ended 31 March 2012**

In our opinion and according to the explanations given to us, the Company's business / activities during the year are such that clauses (ii), (viii), (x), (xiii), (xvi), (xix) and (xx) of the Companies (Auditor's) Report Order 2003, are not applicable to the Company. In respect of the other clauses, we report as under:

1. a. The Company has maintained proper records showing full particulars including quantitative details and situations of fixed assets.  
b. The Management has not physically verified its fixed assets during the year.  
c. Based on the information and explanations given by the Management and on the basis of audit procedures performed by us, we are of the opinion that the assets and the undertaking sold by the Company during the year have not affected its going concern.
2. a. In our opinion and according to the explanations given to us, the Company has granted unsecured loans to two companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding in respect of the loan given during the year was Rs.1,855.81 Lacs and the year end balance of such loan is Rs. 917.63 Lacs  
b. In our opinion, the rate of interest and other terms and conditions of loans granted by the Company are not prima facie prejudicial to the interest of the Company.  
c. The receipt of principal and interest is regular, wherever there are stipulations with respect to the same.  
d. There is no amount overdue in respect of the loans granted by the Company.  
e. In our opinion and according to the explanations given to us, the Company has taken unsecured loans from two companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding in respect of the loan taken during the year was Rs 738.72 Lacs and the year end balance of such loan is Nil.  
f. In our opinion, the rate of interest and other terms and conditions of loans taken by the Company are not prima facie prejudicial to the interest of the Company.  
g. The repayment of principal and interest is regular, wherever there are stipulations with respect to the same.
3. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and for the sale of services. Further on the basis of our examination and according to the information and explanations given to us, neither have we noticed nor have we been informed of any major weaknesses in the internal control system.
4. Based on the audit procedures applied by us and according to the information and explanations provided by the Management, we are of the opinion that there are no contracts or arrangements entered in the registers maintained under Section 301 of the Companies Act, 1956. Accordingly, Paragraph 4(v)(b) of the Order is not applicable.
5. In our opinion and according to the information and explanations given to us the Company has not accepted any deposits from the public. As per the information and explanations given to us, no Order has been passed by the Company Law Board or the National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal on the Company.
6. The Company has an adequate internal audit system commensurate with the size of the Company and the nature of its business.
7. a. According to the records of the Company and the information and explanations given to us, the Company has been regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, income tax and other statutory dues, applicable to it.  
b. According to the information and explanation given to us there are no arrears of statutory dues as at the last day of the financial year, outstanding for more than six months from the date they become payable  
c. According to the information and explanations given to us, there are no statutory dues, which are disputed by the company.
8. Based on our audit procedures and on the information and explanations given by the Management, the Company has not defaulted in repayment of dues to any bank during the year.
9. Based on our examination of documents and records, and as confirmed by the Management, the Company has not granted loans and advances on the basis of security by way of pledge of shares.

## **Annual Report 2011-12**

10. Based on our examination of the records and evaluation of the related internal controls, we are of the opinion that proper records have been maintained of the transactions and contracts in respect of its dealing in, securities and timely entries have been made in those records. We also report that the Company has held the securities, in its own name except those that are intended to be contracted or sold immediately.
11. The Company has given guarantee for a loan taken by its subsidiary from a bank, the terms of which are not prima facie prejudicial to the interest of the Company.
12. According to the information and explanations given to us and on an overall examination of the financial statements of the Company, we are of the opinion that as at the close of the year, no funds raised on a short term basis has been used for long term investments.
13. The Company has made a preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
14. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the period nor have we been informed of such case by the Management.

**For NIPUN SUDHIR & ASSOCIATES**  
Chartered Accountants  
ICAI Registration Number: 0126168W

**Sudhir V. Nair**  
Partner  
(Membership Number 45893)

Mumbai, 30 May 2012



## BALANCE SHEET AS AT MARCH 31, 2012

(Rupees in lacs)

Particulars	Note number	As at		As at
		31-Mar-12		31-Mar-11
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' funds</b>				
Share capital	3	1,287.93		1,227.93
Reserves and surplus	4	9,052.05		8,476.17
Money received against share warrants	5	–		300.00
			<b>10,339.98</b>	10,004.10
<b>Non-current liabilities</b>				
Long-term borrowings	6	–		8.28
Long-term provisions	7	3.11	3.11	4.22
<b>Current liabilities</b>				
Other current liabilities	8	40.61		90.30
Short-term provisions	7	87.25	127.86	265.70
<b>TOTAL</b>			<b>10,470.95</b>	<b>10,372.60</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Fixed assets				
(i) Tangible assets	9	20.85		49.35
(ii) Intangible assets	9	3.14		4.45
Non-Current investments	10	8,094.75		8,094.75
Deferred tax assets (net)	11	16.71		13.61
Long-term loans and advances	12	78.54		69.48
Other non-current assets	13	1.75	8,215.74	2.12
<b>Current assets</b>				
Trade receivables	14	17.20		15.45
Cash and cash equivalents	15	1,172.88		1,267.60
Short-term loans and advances	12	936.75		582.65
Other current assets	13	128.38	2,255.21	273.14
<b>TOTAL</b>			<b>10,470.95</b>	<b>10,372.60</b>

Significant accounting policies and Notes to Accounts 1 to 33

In terms of our Report of even date

**For NIPUN SUDHIR & ASSOCIATES**

Chartered Accountants

**Sudhir V. Nair**

Partner

Membership No. 45893

Mumbai, May 30, 2012

**For and on behalf of the Board****J.T. Poonja**

Executive Chairman

**Nimish C. Shah**

Managing Director

**S. G. Muthu Kummar**

Chief Financial Officer

**Haroon Mansuri**

Company Secretary

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2012

Particulars	Note number	(Rupees in lacs)	
		Year ended 31-Mar-12	Year ended 31-Mar-11
<b>Income</b>			
Revenue from Operations	16	473.87	1,131.67
Other Income	17	105.49	417.29
<b>TOTAL</b>		<b>579.36</b>	<b>1,548.96</b>
<b>Expenses</b>			
Employee benefits expenses	18	210.36	302.31
Finance cost	19	26.38	35.07
Depreciation and amortisation expenses		11.46	21.92
Operating and other expenses	20	270.27	389.59
<b>TOTAL</b>		<b>518.47</b>	<b>748.89</b>
Profit before tax		60.89	800.07
Tax expense:			
- Current tax		11.80	189.20
- Current tax relating to prior years		4.10	(1.93)
- Deferred tax		(3.10)	(2.46)
Profit after tax		48.09	615.26
Earnings per equity share:			
Basic		0.38	5.03
Diluted		0.38	4.95
Significant accounting policies and Notes to Accounts	1 to 33		

In terms of our Report of even date

**For NIPUN SUDHIR & ASSOCIATES**

Chartered Accountants

**Sudhir V. Nair**

Partner

Membership No.45893

Mumbai, May 30, 2012

**For and on behalf of the Board****J.T. Poonja**  
Executive Chairman**Nimish C. Shah**  
Managing Director**S. G. Muthu Kummar**  
Chief Financial Officer**Haroon Mansuri**  
Company Secretary



## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

(Rupees in lacs)

31-Mar-12

31-Mar-11

	31-Mar-12	31-Mar-11
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax as per statement of Profit and Loss Account	60.89	800.07
<b>Adjustments for :</b>		
Depreciation and amortisation	11.46	21.92
Miscellaneous expenses written off	0.36	0.36
Profit on sale on assets(net)	(0.69)	(0.45)
Profit on sale of current investments	(7.38)	(8.19)
Provision for employee benefits(net)	(6.18)	21.23
Bad debts / sundry balances written off	0.02	1.05
Interest income	(208.87)	(243.37)
Interest expense	25.24	34.74
Dividend income	(19.08)	(255.18)
<b>Operating Profit before working capital change</b>	<b>(144.23)</b>	<b>372.18</b>
<b>Adjustments for :</b>		
(Increase) / Decrease in trade and other receivables	(208.68)	824.17
Increase / (Decrease) in trade payables and other payables	(43.60)	37.74
	<b>(396.51)</b>	<b>1,234.09</b>
Interest income	208.87	243.37
Direct tax paid (net of refunds)	(27.38)	(220.06)
<b>NET CASH INFLOW /(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>(215.02)</b>	<b>1,257.40</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(0.89)	(33.48)
Sale of fixed assets	19.93	3.45
(Increase) / Decrease in investments	7.38	(1,641.81)
Dividend received	19.08	255.18
<b>NET CASH INFLOW /(OUTFLOW) FROM INVESTING ACTIVITIES</b>	<b>45.50</b>	<b>(1,416.66)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares / Conversion of Equity Warrants	360.00	132.15
Proceeds from issue of equity warrants	-	180.00
Net borrowings	(17.65)	8.86
Dividend and distribution tax paid	(242.31)	(295.64)
Interest expense	(25.24)	(34.74)
<b>NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES</b>	<b>74.80</b>	<b>(9.37)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>(94.72)</b>	<b>(168.63)</b>
<b>Cash and Cash Equivalents</b>		
Balance at the beginning of the year	1,267.60	1,436.23
Balance at the end of the year (Refer note 15)	1,172.88	1,267.60
	<b>(94.72)</b>	<b>(168.63)</b>

Previous year's figures have been regrouped / reclassified wherever necessary , to confirm the current year's classification.

In terms of our Report of even date

**For NIPUN SUDHIR & ASSOCIATES**  
Chartered Accountants

**Sudhir V. Nair**  
Partner  
Membership No.45893  
Mumbai, May 30, 2012

**For and on behalf of the Board**

**J.T. Poonja**  
Executive Chairman

**S. G. Muthu Kummar**  
Chief Financial Officer

**Nimish C. Shah**  
Managing Director

**Haroon Mansuri**  
Company Secretary

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

### 1 COMPANY OVERVIEW

Fortune Financial Services (India) Limited ('Fortune' or the Company) was incorporated on June 14, 1991 as a private limited company. It was subsequently converted into a public limited company on October 20, 1994. The company was made an initial public offer in February, 1995. The Company is presently listed on Bombay Stock Exchange. The company has four wholly owned Indian subsidiaries for equity and commodity broking, financing and third party distribution activities. The company is SEBI registered Category – I Merchant Banker and Portfolio Management Services (PMS). Major activities includes investment banking as well as corporate finance on the capital market side as well as advisory through well networked and entrenched in the corporate space.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of Preparation of Financial Statements

The accompanying financial statements have been prepared under the historical cost convention on an accrual basis. The financial statements have been prepared in accordance with the generally accepted accounting principles to comply in all material aspects with the Accounting Standards (AS) prescribed in the Companies (Accounting Standards) Rules 2006 and the provisions of the Companies Act, 1956 ("The Act") issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable.

The Ministry of Corporate Affairs revised Schedule VI to the Act for the financial year commencing on or after April 1, 2011. The Balance Sheet, Statement of Profit and Loss, Statement of Cash Flow and comparative financial information for the previous year have accordingly been prepared and presented with disclosures as required under the revised Schedule VI.

#### 2.2 Use of Estimates

The presentation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expense during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Difference between the actual result and estimates are recognised in the period in which the results are known / materialised.

#### 2.3 Revenue Recognition

Revenue is recognised when it is earned and no significant uncertainty exists of its ultimate realisation/collection.

- a. Issue Management fee is accounted on the basis of the terms of agreement with the clients.
- b. Placement fees, professional fees and other service charges are accounted when there is reasonable certainty of its ultimate realisation / collection.
- c. Income from distribution is accounted when there is reasonable certainty of its ultimate realisation/collection.
- d. Interest income is recognised on an accrual (time proportion) basis.
- e. Dividend income is recognised when the right to receive dividend is established.

#### 2.4 Employee Benefits

##### a) Short Term Employee Benefits

Employee benefits such as salaries, allowances short term compensated absences, estimated cost of bonus , exgratia and employee benefits under defined contribution plans such as provident fund and other funds which fall due within twelve months of rendering the service are classified as short term employee benefits and charged as expense to the profit and loss account in the period in which the service is rendered

##### b) Long Term Employee Benefits

Employee benefits under defined benefits plans like gratuity which fall due for payment after a period of twelve months from rendering of service or after completion of employment are determined base on actuarial valuation using the projected unit credit method.

The Company's obligations recognised in the Balance Sheet represents the present value of obligations as reduced by the fair value of plan of assets, where applicable

#### 2.5 Employee Stock Option Scheme.

The stock options granted by the Company are accounted for as per the accounting treatment prescribed by SEBI



## **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

(Employee Stock Option Scheme and Employee Stock Purchase Scheme) and the Guidance Note on Accounting for Stock Options issued by The Institute of Chartered Accountants of India, whereby the intrinsic value of the options are recognised as deferred employee compensation. The deferred employee compensation, if any, is charged to the profit and loss account on a straight line basis over the vesting period of the options. The Employee Stock Option outstanding account, net of unamortised deferred employee compensation, if any is shown separately as part of reserves.

### **2.6 Tangible Fixed Assets**

Tangible fixed assets are stated at cost of acquisition net of tax / duty credits less accumulated depreciation and impairment losses, if any. Cost of acquisition includes all expenses incurred to bring the assets to their location and working conditions up to the date the assets are put to use.

### **2.7 Intangible Fixed Assets**

Intangible Assets are stated at cost of acquisition, net of tax / duty credits availed less amortisation and impairment losses, if any. An asset recognised when it is probable that the future economic benefits attributable to the assets will flow to the enterprise and where its cost can be reliably measured.

### **2.8 Depreciation and amortisation**

The Company provides for depreciation and amortisation as under:

- a. On written down value basis, in accordance with the rates prescribed in schedule XIV to the Act.
- b. On intangible assets, over a period of three years from the date of acquisition on written down value basis.
- c. On a pro-rata basis on assets purchased / sold during the year.
- d. On assets costing less than Rs.5,000 at hundred percent of the cost of the asset in the year of purchase.
- e. On leasehold improvements, over the primary period of the lease.

### **2.9 Impairment of Assets**

An asset is treated as impaired when the carrying amount of the assets exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there is a change in the estimate of its recoverable amount.

### **2.10 Taxation**

Provision for tax comprises current tax and deferred tax charge or benefit.

Current taxes are measured on the basis of the taxes expected to be paid on the taxable income determined in accordance with the prevailing tax rates and laws.

Deferred tax is the tax effect of the timing differences between the accounting income and taxable income and are capable of reversal in one or more subsequent periods. Deferred tax charge or benefit and the corresponding deferred tax liabilities and assets are recognised using the rates that have been enacted or substantially enacted as at the balance sheet date.

Deferred tax assets are recognised only to the extent there is a reasonable certainty that there will be sufficient taxable income against which it can be realised; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of assets. Deferred tax assets, if any, are re-assessed periodically.

### **2.11 Investments**

All Investments are stated at cost. Investments are classified as current or long term in accordance with Accounting Standard 13 on "Accounting for Investments". Provision for diminution in value of current investments is made if the fair value of investments is less than its cost. Provision for diminution in the value of long-term investment is made only if such a decline is other than temporary. Provision for diminution in value of current investments is made during the year is charged to the statement of profit and loss.

### **2.12 Derivative Instruments**

Daily mark-to-market margins on the derivative trades are accounted separately as against the initial margin payments under Current Assets. The profit/loss on the final settlement of the derivative contracts, calculated as the difference between the final settlement price and the contract price of all the contracts in the series, is recognised on the expiry/ square-up of the series of equity index/stock futures by transfer from the mark-to-market margin account.



## **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

As on the date of the Balance Sheet, provision for anticipated loss is made for the debit balance if any, in the mark-to-market margin account (maintained scrip wise /index wise) on open futures contracts, credit balances if any, in the account attributable to anticipated income being ignored keeping in view the consideration of prudence.

### **2.13 Earnings Per Share**

The basic earnings per share is computed and disclosed by dividing the net profit after tax attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed and disclosed using the weighted average number of equity shares outstanding during the year, adjusted for the effects of all dilutive potential equity shares, if any.

### **2.14 Miscellaneous Expenditure**

Preliminary expenditure and expenditure in connection with the raising of capital is amortised over a period of ten years from the year of commencement of business operations or from the year of raising of capital.

### **2.15 Provisions, Contingent Liabilities and Contingent Assets**

A provision is recognised when there is a present obligation as a result of past events for which a probable outflow of resources is expected to settle the obligation and the amount of the obligation can be reliably estimated.

Contingent liabilities are not recognised but are disclosed in the notes in case of:

- a) a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation,
- b) a possible obligation, unless the probability of outflow of resources is remote.

Contingent Assets are neither recognised, nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date.

### **2.16 Leases**

Lease payments for assets taken under operating leases are charged off to the Profit and Loss Account as and when incurred.

### **2.17 Cash and Cash Equivalents**

Cash and cash equivalents comprise of cash on hand and deposits with bank. The Company considers all highly liquid investments/ bank deposits with a remaining maturity on the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

### **2.18 Cash Flow Statements**

Cash flows is prepared using the indirect method set out in Accounting Standard 3 on "Cash flow Statement" and presents the cash flow by operating, investing and financing activities of the Company.

### **2.19 Foreign Currency Transactions**

Foreign currency transactions are recorded at the exchange rate prevailing on the date of transaction. Realised gains and losses on foreign currency transactions during the year are recognised in the statement of profit and loss. Monetary items denominated in a foreign currency are restated using the closing exchange rate on the date of balancesheet and resulting net exchange difference is recognised in the Statement of Profit and Loss.



## NOTES FORMING PART OF FINANCIAL STATEMENTS

## 3 SHARE CAPITAL

	As at 31-Mar-2012		As at 31-Mar-2011	
	Number of shares	Amount (Rupees in lacs)	Number of shares	Amount (Rupees in lacs)
<b>Authorised</b>				
Equity Shares of Rs. 10 each	15,000,000	1,500.00	15,000,000	1,500.00
		<u>1,500.00</u>		<u>1,500.00</u>
<b>Issued, Subscribed and Fully Paid-Up</b>				
Equity Shares of Rs. 10 each	12,879,290	1,287.93	12,279,290	1,227.93
<b>TOTAL</b>		<u>1,287.93</u>		<u>1,227.93</u>

## a Reconciliation of the number of shares outstanding at the beginning and at the end of the year

	As at 31-Mar-2012		As at 31-Mar-2011	
	Number of shares	Amount (Rupees in lacs)	Number of shares	Amount (Rupees in lacs)
At the beginning of the year	12,279,290	1,227.93	12,116,400	1,211.64
Issued during the year on conversion of equity warrants	600,000	60.00	-	-
Issued during the year under ESOP	-	-	162,890	16.29
At the end of the year	<u>12,879,290</u>	<u>1,287.93</u>	<u>12,279,290</u>	<u>1,227.93</u>

## b Shares held by shareholders holding more than 5% of the aggregate shares in the company

Name of Shareholder	31-Mar-2012		31-Mar-2011	
	Number of shares	% of Holding	Number of shares	% of Holding
Nimish C Shah	2,065,504	16.04	1,914,004	15.59
Nogard Investments Limited	1,800,000	13.98	1,800,000	14.66
Jagannath Thimmapa Poonja	1,607,040	12.48	1,607,040	13.09
Lytton Grove Corporation	1,533,992	11.91	1,533,992	12.49
Bomin Finance Limited	1,000,000	7.76	1,000,000	8.14

## c Terms / Rights attached to Equity shares

The Company has only one class of equity shares having a par value of Rs.10 per share. Each holder of an equity share is entitled to one vote per share.

During the year ended March 31, 2012 the amount of dividend per share recognised as distribution to equity shareholders was Rs.0.50 per share (March 31, 2011 Rs.2.00 per share)

In the event of liquidation of the Company, the holder of equity shares will be entitled to receive their share in the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

## NOTES FORMING PART OF FINANCIAL STATEMENTS

**d** The Company has not reserved any shares for issue of options and contracts / commitments for sale of shares / divestments; Other than issue against ESOPs as provided (in `f') below:

**e During the period of five years preceding March 31, 2012**

- a) The Company has not allotted any shares pursuant to contract(s) without payment being received in cash  
 b) The Company has not allotted any bonus shares  
 c) The Company has not bought back any shares

**f Employee Stock Option Plan ("ESOP")**

The Employee Stock Option Plan provides that the Company's employee and those of its subsidiaries are granted options to acquire equity shares of the Company. The options may be exercised within a specified period.

The Company follows the intrinsic value method to account for its stock based compensation plans. Compensation cost is measured as the excess, if any of the fair market value of the underlying share over the exercise price.

The Company currently has two ESOP schemes, ESOP scheme 2006 and ESOP Scheme 2007. These schemes were duly approved by the Board of Directors and Shareholders in their respective meetings. The 2006 scheme provides for the issue of 522,500 options and 2007 scheme for 60,690 options to eligible employees. These schemes are administered by the Compensation Committee comprising four members, the majority of whom are independent directors.

Details of options granted, vested, exercised, lapsed and the closing balance in the above mentioned Schemes are as under:

Particulars	ESOP Scheme 2006		ESOP Scheme 2007	
	2011-2012	2010-2011	2011-2012	2010-2011
Options outstanding at the beginning of the year	<b>98,010</b>	3,13,090	<b>25,000</b>	–
Options granted during the year	–	98,010	<b>45,000</b>	40,990
Lapsed during the year	<b>98,010</b>	39,200	<b>32,000</b>	15,990
Options exercised during the year	–	1,62,890	–	–
Options outstanding at the end of the year	–	2,09,010	<b>38,000</b>	25,000
Options vested	–	1,11,000	–	–
Options yet to vest	–	98,010	<b>38,000</b>	25,000

As the exercise is made at the market price prevailing on the date of the grant, the issuance of equity shares pursuant to exercise of options does not affect the profit and loss of the Company.

Of the options exercised Nil (Previous year 155,500) options were exercised by the employees of the subsidiaries.

**4 RESERVES AND SURPLUS**

	(Rupees in lacs)	
	As at 31-Mar-12	As at 31-Mar-11
<b>Capital Reserve</b>		
Balance as per last financial statement	<b>88.00</b>	88.00
Add : Amount transferred on forfeiture of equity warrants (Refer Note 5)	<b>180.00</b>	–
Closing balance	<b>268.00</b>	88.00
<b>Securities Premium Account</b>		
Balance as per last financial statement	<b>5,309.52</b>	5,193.66
Add : Securities premium credited on share issue	<b>420.00</b>	115.86
Closing balance	<b>5,729.52</b>	5,309.52



## NOTES FORMING PART OF FINANCIAL STATEMENTS

	(Rupees in lacs)	
	As at 31-Mar-12	As at 31-Mar-11
<b>General Reserve</b>		
Balance as per last financial statement	439.18	377.85
Add: Transferred from Surplus during the year	—	61.33
Closing Balance	<u>439.18</u>	<u>439.18</u>
<b>Surplus in Statement of Profit and Loss</b>		
Balance as per last financial statement	2,639.47	2,332.93
Net Profit for the year	48.09	615.26
Amount available for appropriation	2,687.56	2,948.19
Less: Appropriations		
Proposed final equity dividend	64.40	247.39
Tax on proposed equity dividend	7.81	—
Transfer to general reserves	—	61.33
Total appropriations	<u>72.21</u>	<u>308.72</u>
Surplus closing balance	<u>2,615.35</u>	<u>2,639.47</u>
<b>TOTAL</b>	<u><u>9,052.05</u></u>	<u><u>8,476.17</u></u>

**5 MONEY RECEIVED AGAINST SHARE WARRANTS**

As at the beginning of the year, the Company had Rs.300 lacs, received as application money against 600,000 equity warrants of Rs.10 each at a premium of Rs.70 per warrant and 4,00,000 equity warrants of Rs.10 each at a premium of Rs.170 per equity warrant issued on preferential basis to its promoters. In accordance with the terms of the issue, the holders of these warrants had the option to apply for one equity share of Rs.10 each at any time within a period of eighteen months from the date of issue.

400,000 equity warrants of Rs.10 each issued on September 13, 2010 lapsed during the year due to non-exercise of options by the holders of the equity warrants. The amount received on the above equity warrants Rs.180 lacs, has been forfeited by the Company and credited to Capital Reserve.

600,000 equity warrants of Rs.10 each issued on February 10, 2010, were converted in to 6,00,000 equity shares of Rs.10 each fully paid at a premium of Rs.70 per share on exercise of the options on July 29, 2011.

**6 LONG TERM BORROWINGS**

	(Rupees in lacs)	
	Long term	
	As at 31-Mar-12	As at 31-Mar-11
<b>Secured</b>		
Vehicle loans	1.24	18.89
Current maturity of vehicle loan disclosed under the head of "Current Liabilities" (Refer Note.8)	<u>(1.24)</u>	<u>(10.61)</u>
<b>TOTAL</b>	<u><u>—</u></u>	<u><u>8.28</u></u>

The above loan is secured against hypothecation of vehicles and carries interest @ 10.86% p.a.

## NOTES FORMING PART OF FINANCIAL STATEMENTS

## 7 PROVISIONS

	(Rupees in lacs)			
	Long term		Short term	
	As at 31-Mar-12	As at 31-Mar-11	As at 31-Mar-12	As at 31-Mar-11
<b>Provision for employee benefits</b>				
Unavailed leave	–	–	7.84	9.28
Gratuity	3.11	4.22	7.20	10.83
<b>Others</b>				
Provision for proposed equity dividend	–	–	64.40	245.59
Provision for dividend distribution tax	–	–	7.81	–
<b>TOTAL</b>	<b>3.11</b>	<b>4.22</b>	<b>87.25</b>	<b>265.70</b>

## 8 OTHER CURRENT LIABILITIES

	(Rupees in lacs)	
	As at 31-Mar-12	As at 31-Mar-11
Unclaimed dividends	24.11	20.83
Statutory liabilities	6.12	13.27
Other payables	9.14	45.59
Current maturity of long term borrowings (Vehicle loans)	1.24	10.61
<b>TOTAL</b>	<b>40.61</b>	<b>90.30</b>

## 9 FIXED ASSETS

Particulars	(Rupees in lacs)									
	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2011	Addition	Deductions	As at 31.03.2012	As at 01.04.2011	For the year	On deductions	As at 31.03.2012	As at 31.03.2012	As at 31.3.2011
<b>Tangible Assets</b>										
Computers	19.32	–	0.52	18.80	14.81	1.69	0.19	16.31	2.49	4.51
Office Equipments	13.83	0.16	0.43	13.56	9.00	0.69	0.16	9.53	4.03	4.83
Furniture and Fixtures	29.96	–	–	29.96	24.40	1.01	–	25.41	4.55	5.56
Leasehold Improvements	12.51	–	–	12.51	10.72	1.79	–	12.51	–	1.79
Vehicles	46.72	–	24.98	21.74	14.06	4.24	6.34	11.96	9.78	32.66
<b>Total</b>	122.34	0.16	25.93	96.57	72.99	9.42	6.69	75.72	20.85	49.35
Previous year	112.79	29.01	19.46	122.34	70.39	19.07	16.47	72.99	49.35	42.40
<b>Intangible Assets</b>										
Computer Software	16.63	0.73	–	17.36	12.18	2.04	–	14.22	3.14	4.45
<b>Total</b>	16.63	0.73	–	17.36	12.18	2.04	–	14.22	3.14	4.45
Previous year	11.17	5.46	–	16.63	9.33	2.85	–	12.18	4.45	1.84
<b>TOTAL</b>	<b>138.97</b>	<b>0.89</b>	<b>25.93</b>	<b>113.93</b>	<b>85.17</b>	<b>11.46</b>	<b>6.69</b>	<b>89.94</b>	<b>23.99</b>	<b>53.80</b>
Previous year	123.96	34.47	19.46	138.97	79.72	21.92	16.47	85.17	53.80	44.24



## NOTES FORMING PART OF FINANCIAL STATEMENTS

## 10 NON-CURRENT INVESTMENTS

Name of the Company	Paid up value per share	Number of shares		Amount (Rupees in lacs)	
		As at 31-Mar-12	As at 31-Mar-11	As at 31-Mar-12	As at 31-Mar-11
<b>a) Investment in Equity shares (unquoted) (Fully paid up)</b>					
<b>(i) Investment in subsidiaries (Non Trade)</b>					
Fortune Equity Brokers (India) Limited	Rs.10	<b>16,650,000</b>	16,650,000	<b>3,769.70</b>	3,769.70
Fortune Commodities & Derivatives (India) Limited	Rs.10	<b>3,000,000</b>	3,000,000	<b>300.00</b>	300.00
Fortune Credit Capital Limited	Rs.10	<b>24,250,000</b>	24,250,000	<b>3,825.00</b>	3,825.00
Fortune Financial India Insurance Brokers Limited	Rs.10	<b>600,000</b>	600,000	<b>60.00</b>	60.00
<b>(ii) Others (Trade)</b>					
Bombay Stock Exchange Limited	Rs.10	<b>70,694</b>	70,694	<b>0.05</b>	0.05
(Lien with a bank for overdraft facility of subsidiary company)					
TOTAL				<b>7,954.75</b>	7,954.75
<b>b) Investment in Preference shares (unquoted) (Fully paid up) (Non Trade)</b>					
<b>Investment in subsidiary (Non Trade)</b>					
Fortune Equity Brokers (India) Limited (subsidiary)					
10% Redeemable cumulative preference shares	Rs.10	<b>500,000</b>	500,000	<b>50.00</b>	50.00
12.50% Redeemable cumulative preference shares	Rs.10	<b>900,000</b>	900,000	<b>90.00</b>	90.00
TOTAL				<b>140.00</b>	140.00
<b>TOTAL</b>				<b>8,094.75</b>	8,094.75

## 11 DEFERRED TAX ASSETS

	(Rupees in lacs)	
	As at 31-Mar-12	As at 31-Mar-11
Provision for employee benefits	<b>5.89</b>	8.08
Provision for doubtful debts	<b>1.00</b>	0.32
Accumulated depreciation	<b>9.82</b>	5.21
<b>Deferred Tax Assets</b>	<b>16.71</b>	13.61

## NOTES FORMING PART OF FINANCIAL STATEMENTS

## 12 LOANS AND ADVANCES

	(Rupees in lacs)			
	Long term		Short term	
	As at 31-Mar-12	As at 31-Mar-11	As at 31-Mar-12	As at 31-Mar-11
<b>Unsecured, considered good</b>				
Security Deposits	15.11	15.11	-	-
Loans and advances to related parties	-	43.54	917.63	498.29
Prepaid expenses	17.23	7.44	13.57	15.47
Loans to employees	0.95	1.92	5.55	36.66
Advances recoverable advances recoverable in cash or kind	1.54	1.47	-	-
Advances recoverable in cash or kind or for value to be received (Net of provision of Rs.422.86 lacs previous year Rs.479.96 lacs)	43.71	-	-	32.23
<b>TOTAL</b>	<b>78.54</b>	69.48	<b>936.75</b>	582.65

Security Deposits include Rs.14.70 lacs previous year Rs.14.70 lacs) due from partnership firm in which directors are partners.

Loans to employee include Rs.1.08 lacs (Previous year Rs. Nil) due from officer.

## 13 OTHER ASSETS

	(Rupees in lacs)			
	Non current		Current	
	As at 31-Mar-12	As at 31-Mar-11	As at 31-Mar-12	As at 31-Mar-11
<b>Unsecured, considered good</b>				
Unamortised expenditure				
Miscellaneous expenditure	1.75	2.12	0.36	0.36
Interest accrued on fixed deposits	-	-	107.20	27.73
Dividend receivable	-	-	15.29	245.05
Other receivables	-	-	5.53	-
<b>TOTAL</b>	<b>1.75</b>	2.12	<b>128.38</b>	273.14

## 14 TRADE RECEIVABLES

(Unsecured, Considered good unless otherwise stated)

	(Rupees in lacs)	
	As at 31-Mar-12	As at 31-Mar-11
Outstanding for a period exceeding six months		
Considered doubtful	3.08	0.97
Less: Provision for doubtful debts	3.08	0.97
	-	-
Others	17.20	15.45
<b>TOTAL</b>	<b>17.20</b>	15.45



## NOTES FORMING PART OF FINANCIAL STATEMENTS

## 15 CASH AND BANK BALANCES

	(Rupees in lacs)	
	As at 31-Mar-12	As at 31-Mar-11
<b>Cash and cash equivalents</b>		
Bank balances		
In current accounts	23.31	14.34
In Deposit accounts with original maturity of less than three months	1,125.42	1,232.02
Unpaid dividend account	24.09	20.83
Cash on hand	0.06	0.41
<b>TOTAL</b>	<b>1,172.88</b>	<b>1,267.60</b>

Deposit of Rs.1125.42 lacs (Previous year Nil) as at March 31, 2012 is pledged with bank for overdraft facility for a subsidiary.

## 16 REVENUE FROM OPERATIONS

	(Rupees in lacs)	
	Year ended 31-Mar-12	Year ended 31-Mar-11
Investment and merchant banking income	341.88	1,041.74
Interest on fixed deposits	123.92	81.29
Profit on sale of assets (net)	0.69	0.45
Net gain on sale of investments	7.38	8.19
<b>TOTAL</b>	<b>473.87</b>	<b>1,131.67</b>

## 17 OTHER INCOME

	(Rupees in lacs)	
	Year ended 31-Mar-12	Year ended 31-Mar-11
Interest	84.95	162.08
Dividend income	19.08	255.18
Miscellaneous income	1.46	0.03
<b>TOTAL</b>	<b>105.49</b>	<b>417.29</b>

## 18 EMPLOYEE BENEFIT EXPENSES

	(Rupees in lacs)	
	Year ended 31-Mar-12	Year ended 31-Mar-11
Salaries, bonus and allowances	191.93	261.37
Contributions to gratuity, provident and other funds	11.10	33.89
Staff welfare expenses	7.33	7.05
<b>TOTAL</b>	<b>210.36</b>	<b>302.31</b>



## NOTES FORMING PART OF FINANCIAL STATEMENTS

## 19 FINANCE COST

	(Rupees in lacs)	
	Year ended 31-Mar-12	Year ended 31-Mar-11
Interest expenses	25.24	34.74
Bank charges	1.14	0.33
<b>TOTAL</b>	<b>26.38</b>	<b>35.07</b>

## 20 OPERATING AND OTHER EXPENSES

	(Rupees in lacs)	
	Year ended 31-Mar-12	Year ended 31-Mar-11
Service charges	21.18	72.20
Other operational expenses	49.25	23.98
Rent (Refer note 26)	51.00	51.30
Rates and taxes	0.28	0.24
Printing and stationery	4.41	20.01
Travelling expenses	9.48	16.29
Motor vehicle expenses	5.88	9.11
Conveyance expenses	7.47	8.82
Electricity charges	14.93	16.77
Communication expenses	16.08	19.92
Advertisement expenses	0.97	1.17
Legal and professional fees	17.23	56.44
Auditors' remuneration (Refer note 24)	4.76	5.14
Repairs and maintenance	24.66	47.58
Newspapers, books and periodicals	2.69	2.36
Membership and subscription	10.65	11.40
Business promotion expenses	12.52	14.29
Insurance	1.06	0.83
Donation	-	0.12
Directors' sitting fees	7.40	6.90
Bad debts written off	0.02	1.05
Provision for Doubtful Debts	2.11	-
Exchange Loss	2.68	-
Miscellaneous expenses	3.56	3.67
<b>TOTAL</b>	<b>270.27</b>	<b>389.59</b>

## 21 SEGMENT REPORTING

The Company is primarily engaged in the business of investment and merchant banking activities. All the activities of the Company revolve around the main business. Further, the Company does not have any separate geographic segments other than India. There are no separate reportable segments as per Accounting Standard 17 on "Segment Reporting" issued by the Institute of Chartered Accountants of India.



## **NOTES FORMING PART OF FINANCIAL STATEMENTS**

### **22 Related party Transactions**

Details of the related parties with whom transactions were carried out during the year alongwith a description of the relationship and the amounts involved are provided below.

#### **a) Names of related parties and nature of relationship**

##### **i) Related parties where control exists (Subsidiary Companies)**

Fortune Equity Brokers (India) Limited  
Fortune Commodities & Derivatives (India) Limited  
Fortune Credit Capital Limited  
Fortune Financial India Insurance Brokers Limited

##### **ii) Enterprises having significant influence**

Mehra Capital Services Private Limited  
Jamish Investment Private Limited  
Umrigar Investment Private Limited  
Fortune Capital Services  
J.T. Poonja (HUF)  
Nimish C. Shah (HUF)

##### **iii) Key management personnel and their relatives**

Mr. J.T. Poonja, Executive Chairman  
Mr. Nimish C. Shah, Managing Director  
Mrs. Sangeeta Poonja, Director  
Mr. Abhinay Poonja, Relative of a Director  
Ms. Aparna Poonja, Relative of a Director  
Mrs. Jalpa N. Shah, Relative of a Director  
Ms. Vidhi Shah, Relative of a Director  
Mr. Chandulal Shah, Relative of a Director (up to 18-01-2012)  
Mrs. Indumati Shah, Relative of a Director

## NOTES FORMING PART OF FINANCIAL STATEMENTS

## b) Details of transactions with related parties referred to above

(Rupees in lacs)

Nature of Transactions	Subsidiaries	Enterprises having significant influence	Key management personnel and their relatives	Total
<b>Capital market transactions</b>				
- Purchase Transactions	<b>112.87</b> (-)	- (-)	- (-)	<b>112.87</b> -
Rent	- (-)	<b>51.00</b> (51.00)	- (-)	<b>51.00</b> (51.00)
Remuneration	- (-)	- (-)	<b>49.76</b> (50.74)	<b>49.76</b> (50.74)
Interest	<b>2.71</b> (32.73)	- (-)	- (-)	<b>2.71</b> (32.73)
Interest charged	<b>83.27</b> (96.95)	- (-)	- (-)	<b>83.27</b> (96.95)
Dividend paid	- (-)	<b>3.42</b> (5.62)	<b>108.36</b> (134.11)	<b>111.78</b> (139.73)
Dividend Income	<b>0.96</b> (252.35)	- (-)	- (-)	<b>0.96</b> (252.35)
Issue of equity shares	- (-)	<b>10.00</b> (-)	<b>50.00</b> (-)	<b>60.00</b> (-)
Investment in equity shares of subsidiaries	- (1,650.00)	- (-)	- (-)	- (1,650.00)
Investment in preference shares of subsidiaries	<b>20.00</b> (90.00)	- (-)	- (-)	<b>20.00</b> (90.00)
Redemption of preference shares of subsidiaries	<b>20.00</b> (90.00)	- (-)	- (-)	<b>20.00</b> (90.00)
Loans given	<b>5,513.96</b> (4,703.86)	- (-)	- (-)	<b>5,513.96</b> (4,703.86)
Loans taken	<b>1,005.38</b> (1,145.67)	- (-)	- (-)	<b>1,005.38</b> (1,145.67)
Reimbursement	<b>52.85</b> (69.24)	- (0.03)	- (-)	<b>52.85</b> (69.27)
<b>Outstanding as on March 31</b>				
Loans and advances receivable	<b>917.63</b> (541.83)	- (-)	- (-)	<b>917.63</b> (541.83)
Deposit receivable	- (-)	<b>14.70</b> (14.70)	- (-)	<b>14.70</b> (14.70)
Dividend receivable	<b>15.29</b> (245.05)	- (-)	- (-)	<b>15.29</b> (245.05)
Dividend payable	- (-)	<b>1.54</b> (4.49)	<b>14.03</b> (107.21)	<b>15.57</b> (111.70)
Guarantees given	<b>5,548.75</b> (5,008.75)	- (-)	- (-)	<b>5,548.75</b> (5,008.75)

Note: Figures in brackets represent previous year amount



## NOTES FORMING PART OF FINANCIAL STATEMENTS

## 23 Disclosure as per accounting standard 15 "Employee Benefits"

## a) Benefit Plan for Gratuity as per Actuarial Valuation as at March 31, 2012

	(Rupees in lacs)	
	31-Mar-12	31-Mar-11
<b>Change in Present Value of Defined Benefit Obligation</b>		
Liability at the beginning of the year	36.02	9.42
Interest cost	3.31	1.03
Current service cost	4.41	3.41
Benefit paid	0.59	-
Actuarial (gain)/loss on obligations	(4.83)	22.16
Liability at the end of the year	38.32	36.02

	(Rupees in lacs)	
	31-Mar-12	31-Mar-11
<b>Change in Fair Value of Plan Assets</b>		
Fair value of plan assets at the beginning of the year	20.97	17.56
Expected return on plan assets	2.08	1.54
Contributions	5.28	1.67
Benefit paid	(0.59)	-
Actuarial gain/(loss) on plan assets	0.28	0.20
Fair Value of plan assets at the end of the year	28.02	20.97

	(Rupees in lacs)	
	31-Mar-12	31-Mar-11
<b>Amount Recognised in the Balance Sheet</b>		
Liability at the end of the year	38.32	36.02
Fair value of plan assets at the end of the year	28.01	20.97
Difference	(10.31)	(15.05)
Amount recognised in the balance sheet	(10.31)	(15.05)

	(Rupees in lacs)	
	2011-2012	2010-2011
<b>Expenses recognised in the Statement of Profit and Loss</b>		
Current service cost	4.41	3.41
Interest cost	3.31	1.03
Expected return on plan assets	(2.08)	(1.54)
Actuarial gain / (loss)	(5.11)	21.96
Expense recognised in the statement of profit and loss	0.53	24.86

	2011-2012	2010-2011
<b>Actuarial Assumptions</b>		
Discount rate (per annum)	8.50%	8.25%
Rate of return on plan assets (per annum)	8.60%	8.00%
Attrition rate (per annum)	2.00%	2.00%
Salary escalation (per annum)	5.00%	5.00%

The estimates of salary escalation considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factor such as demand and supply of employees

## NOTES FORMING PART OF FINANCIAL STATEMENTS

**b) Defined Contribution Plans:**

The amount recognised as expenses and included in "Contribution to gratuity, provident and other funds" in Note 18 is Rs.10.41 lacs (Previous year Rs.8.91 lacs).

**c) General Description of significant defined benefit plan**

Gratuity Plan : Gratuity is payable to all eligible employees of the Company in terms of the provision of the Payment of Gratuity Act,1972

**24 Auditor's Remuneration**

	(Rupees in lacs)	
	2011-2012	2010-2011
Statutory audit	2.50	2.50
Certification and other matters	2.26	2.64
<b>TOTAL</b>	<b>4.76</b>	5.14

**25 a) Earnings in foreign currency**

	(Rupees in lacs)	
	2011-2012	2010-2011
Investment banking income	62.32	55.52

**b) Expenditure incurred in foreign currency**

	(Rupees in lacs)	
	2011-2012	2010-2011
Travelling and business promotion	2.01	4.09
Miscellaneous expenses	2.04	-
<b>TOTAL</b>	<b>4.05</b>	4.09

**c) Dividend remitted in foreign currency**

	2011-2012	2010-2011
Type of Dividend	<b>Dividend for FY</b>	Dividend for FY
	<b>2010-2011</b>	2009-2010
Number of non-resident shareholders	3	3
Number of shares held	4,333,992	4,333,992
Gross amount of dividend (Rupees in lacs)	86.68	108.35

**26** The Company has taken office premises under operating lease at various locations. These agreements provide an option to the Company to renew the lease period on mutually agreeable terms. The Company has given refundable interest free security deposits in accordance with the agreed terms.

The rental expense in respect of the operating leases, recognised in the Statement of Profit and Loss as "Rent" in Note "20" is Rs. 51.00 lacs (previous year Rs.51.30 lacs)

Details of the minimum lease payments for the operating leases are provided hereunder:

	(Rupees in lacs)	
	2011-2012	2010-2011
Not later than one year	51.00	51.00
Later than one year but not later than five years	12.75	63.75
Later than five years	-	-



## NOTES FORMING PART OF FINANCIAL STATEMENTS

## 27 Earnings Per Share

Basic and diluted earnings per share computed in accordance with Accounting Standard 20 "Earning Per Share"

	2011-2012	2010-2011
<b>a) Basic</b>		
Number of equity shares at the beginning of the year	12,279,290	12,116,400
Addition during the year	600,000	162,890
Number of equity shares at the end of the year	12,879,290	12,279,290
Weighted average number of equity shares	12,683,674	12,224,953
Net profit after tax (Rupees in lacs)	48.09	615.26
Basic earning per equity share of Rs.10 each (Rupees)	0.38	5.03
<b>b) Diluted</b>		
Number of equity shares at the beginning of the year	12,279,290	12,116,400
Addition during the year	600,000	162,890
Number of equity shares at the end of the year	12,879,290	12,279,290
Addition for shares (convertible from equity warrants)	-	250,000
Addition for ESOP vested	-	111,000
Weighted average number of equity shares	12,683,674	12,429,474
Net profit after tax (Rupees in lacs)	48.09	615.26
Diluted earning per share of Rs.10 each (Rupees)	0.38	4.95

## 28 Contingent Liabilities and commitments (to the extent not provided for)

- Fixed deposits of the Company pledged with a bank for overdraft facility of a subsidiary Rs.1,125.42 lacs (Previous year Nil)
- Guarantee given by the banks on behalf of Fortune Group in respect of capital adequacy, daily margin and other contractual commitments for capital market operations of its Subsidiaries Rs.5,548.75 lacs (Previous year Rs.5,008.78 lacs)
- Estimated amount of contracts remaining to be executed on capital account Nil (Previous year Nil)

## 29 Disclosure required under clause 32 of the Listing Agreement

Loan and advances in the nature of loans given to subsidiary companies

Name of subsidiary companies	(Rupees in lacs)	
	Outstanding as at March 31, 2012	Maximum outstanding during the year
Fortune Credit Capital Limited	917.63	917.63

- Under Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. The Company has not yet commenced the process of compiling the relevant information from its suppliers about their coverage under the said Act and hence the relevant disclosures have not been made in the accounts. However, in the view of the Management, there is no possibility of any interest being payable to any supplier as the Company is prompt in making payments to its suppliers.
- In the opinion of Management, the value of all Current Assets, Loans and Advances and other receivables is not less than their realisable value in the ordinary course of business.
- Balances standing in debtors, creditors and loan and advances are subject to confirmation.
- Previous year's figures are reworked, regrouped, rearranged and reclassified wherever necessary, to conform to the current year's classification.

## **NOTICE**

**Notice** is hereby given that the Twenty-First Annual General Meeting of the members of Fortune Financial Services (India) Limited will be held on Saturday, August 25, 2012 at 11.00 a.m. at the Registered Office of the Company at, K.K. Chambers, 2<sup>nd</sup> Floor, Sir P. T. Marg, Fort, Mumbai – 400 001 to transact the following business:

### **ORDINARY BUSINESS**

1. To receive, consider and adopt the audited balance sheet as at March 31, 2012 and the statement of profit and loss for the year ended on that date along with the schedules and the reports of the Directors and Auditors thereon.
2. To declare dividend on the equity share capital of the company.
3. To appoint a Director in place of Mr. C. R. Mehta who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Sohan C. Mehta who retires by rotation and being eligible, offers himself for re-appointment.
5. To re-appoint M/s. Nipun Sudhir & Associates, Chartered Accountants, Mumbai as the Statutory Auditors of the Company and to fix their remuneration.

By Order of the Board

**Haroon Mansuri**  
Company Secretary

Mumbai, May 30, 2012

### **NOTES**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
2. Proxies in order to be effective must be lodged with the company not less than 48 hours before the time of the meeting.
3. The register of members and the share transfer books of the company will remain closed from August 20, 2012 to August 25, 2012 (both days inclusive).
4. The annual report containing stand-alone accounts & consolidated accounts for the financial year ended March 31 2012 together with the reports of Auditors and Directors Report and notice of the ensuing AGM and accounts of the subsidiary companies are available on company's website, [www.fortune.co.in](http://www.fortune.co.in)
5. Members are requested to:
  - immediately, intimate change of address, if any, to the company, quoting reference of their registered folio number or client DP ID No.;
  - produce the attendance slip at the entrance of the meeting hall;
  - bring the copy of the Annual Report to the venue of the meeting; and
  - write to the company at least 10 days in advance of the annual general meeting for any information about accounts.
6. Dividend after declaration will be paid to those members of the Company whose names appear in the Register of Members on August 25, 2012. The dividend in respect of the shares held in dematerialized form will be paid to the beneficial owners of shares as on August 25, 2012 as per the statement provided by the depositories.
7. In order to provide protection against fraudulent encashment of dividend warrants, members who hold shares in physical form are requested to intimate the company's Registrar and Transfer Agent, Purva Sharegistry (India) Private Limited, under the signature of the sole/first joint holder, the following information to be incorporated on dividend warrants:
  - a. Name of the sole / first joint holder and Folio number
  - b. Particulars of bank account viz.
    - i. name of the bank,
    - ii. name of the branch,
    - iii. Complete address of the branch with pin code,
    - iv. Account type, whether saving account (SB) or current account(CA) and bank account number.



## 8. Green Initiative in the Corporate Governance

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing the Companies the paperless compliance and the said ministry has issued a circular stating that the service of notice / documents including annual reports can be sent by e mail to the members.

In order to abide by the circular, the members are requested to register their e-mail address, to enable the company to send reports by e mail. The members holding shares in demat form may register their e-mail address with the respective DPs and the members who holds the shares in physical form are requested to register their e-mail with the Company or Registrar & Share Transfer Agent. This will enable the company to send the annual reports by e-mail.

By Order of the Board

**Haroon Mansuri**  
Company Secretary

Mumbai, May 30, 2012

**ANNEXURE TO NOTICE****Details of Directors seeking appointment / re- appointment at the ensuing Annual General Meeting**

(in pursuance of Clause 49 of the listing agreement)

1.	Name	<b>Mr. C. R. Mehta</b>	<b>Mr. Sohan C. Mehta</b>
2.	Date of Birth	16 <sup>th</sup> March, 1939	6 <sup>th</sup> March, 1951
3.	Profession	Practicing Chartered Accountant	Business
4.	Qualifications	M. Com., FCA & FCS	Dip. in Automobile Engineering
5.	List of other Directorship held (excluding Private companies.	Reliance Industrial Infrastructure Limited	Sovika Airline Services Limited
6.	Chairman / Member of the Committee of Board of Directors of the Company.	Member Audit Committee Remuneration and Compensation Committee Shareholder's Grievances Committee	Nil
7.	Chairman / Member of the Committee of Board of Directors of other Companies.	Reliance Industrial Infrastructure Limited Chairman – Audit Committee Chairman – Shareholders' Grievances Committee Chairman – Remuneration Committee	Nil
8.	Expertise in functional areas	Mr. C. R. Mehta has a distinguished career with the Central Government holding senior level position in different capacities. Mr. Mehta had been a Member of the Company Law Board, Regional Director – Dept. of Company Affairs. He has vast experience in Corporate Laws, Finance and General Administration.	Mr. Sohan Mehta is an Engineer and has experience in the fields of manufacturing, trading and other related fields.
9.	No. of shares held		
	a) Own	Nil	111,200
	b) In Trust for other persons having beneficial interest.	Nil	Nil