



Microsec Financial Services Limited

Opportunities ahead

Annual Report 2010-11





CHAIRMAN'S LETTER

During the year ended 31st March 2011, your Company made an Initial Public Offer (IPO) of 1,25,00,000 equity shares of ₹10/- each in the price band of ₹ 113-118 per share. The issue price was fixed at ₹ 118 per Equity Share, being the upper end of the price band. The issue received an overwhelming response and was subscribed 11.89 times.

Considering the reasonable performance of the Company during the financial year 2010-11, the Board of Directors has recommended a dividend of 10% (₹ 1 per equity share).

The group revenue during the year ended 31st March, 2011 increased by 34.19% to ₹ 7849.07 Lacs and the Profit after Tax was ₹ 3278.00 Lacs, an increase of 34.62% over previous year. The business environment for the financial services industry in which the Company operates, was steady for major part of financial year 2010-2011, except for last 4-5 months. In last 5 years, the revenue of your Company has grown at a CAGR of around 30%.

The year 2011-12 has started with a challenging business environment but I feel that India's growth story is intact and like to improve the current market conditions and industrial growth in future.

I would request you to please go through the Management Discussion and Analysis.

We look forward to a bright future as a financially strong and focused organization. We place strong confidence in our most valued asset of human resource who have ceaselessly contributed to the growth of the organization. I am sure that they will continue to serve the organization with the same dedication. I sincerely thank all of our associates for their commitment to service, to innovation, and to results.

I extend my sincere appreciation to my colleagues on the Board for their wise and matured counsel for the smooth functioning of the Company. I would like to express my profound gratitude to all our stakeholders, our customers, business associates, bankers, employees, vendors and shareholders, who have reposed their trust in us and given us constant support.

With best wishes,

B. L. Mittal

Chairman & Managing Director

Dear Shareholders

It gives me great pleasure to present before you the Annual Report of your Company for the financial year 2010-11. The year 2011 will be remembered as a pivotal one in the history of Microsec. While many global economies are still finding the going tough, the Indian Economy has been quicker to recover, thanks to its strong fundamentals. Prudent financial management has been one of the primary reasons for delivering improved financial results for the year 2010-11. Going forward, we are bound to face fresh and stiffer challenges but India has come out of this crisis stronger, leaner and future-ready. Surely, it augurs for better things and times going forward for our Country in general and our Company in particular.

I write to you at the close of this very challenging and tough year which has been a true test of investor confidence and the strength of our business models of capital market participants.

The journey of Microsec Group in the financial services sector started since fiscal 2000. The Microsec Group operates as an integrated group, providing various financial products and services to its target client base of retail investors, high net worth individuals, companies and institutions. We focus on nurturing long-term relationships with our clients by adhering to our Core Values of facilitating financial transactions with commitment and transparency by adding value to achieve financial goals.



Corporate Information

BOARD OF DIRECTORS

Banwari Lal Mittal
Chairman and Managing Director
Ravi Kant Sharma
Parimal Kumar Chattaraj
Raj Narain Bhardwaj
Deba Prasad Roy
Prof. (Dr.) Gourav Vallabh

CHIEF FINANCIAL OFFICER

Giridhar Dhelia

COMPANY SECRETARY

Biplab Kumar Mani

REGISTERED OFFICE

Shivam Chambers, 1st Floor
53, Syed Amir Ali Avenue
Kolkata - 700 019
Phone : +91 33 3051 2100
Fax : +91 33 3051 2020
E-mail : info@microsec.in
Website : www.microsec.in

CORPORATE OFFICE

Azimganj House, 2nd Floor
7, Camac Street
Kolkata - 700 017
Phone : +91 33 2282 9330
Fax : +91 33 2282 9335

BANKERS

HDFC Bank Limited
ICICI Bank Limited
Indusind Bank

AUDITORS

S. R. Batliboi & Co.,
Chartered Accountants
22, Camac Street, Block 'C'
3rd Floor, Kolkata - 700 016

REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound
LBS Road, Bhandup West
Mumbai - 400 078
Phone : +91 22 2594 6970
Fax : + 91 22 2594 6969
E-mail : mt.helpdesk@linkintime.co.in
Website : www.linkintime.co.in

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Notice

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 22nd Annual General Meeting of the members of Microsec Financial Services Limited will be held on Thursday, the 4th August, 2011 at 11.00 a.m. at "Gyan Manch", 11 Pretoria Street, Kolkata - 700 071, to transact the following businesses :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2011, the Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To declare Dividend on Equity Shares for the Financial year ended on 31st March, 2011.
3. To appoint a Director in place of Mr. Ravi Kant Sharma, who retires from office by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Deba Prasad Roy, who retires from office by rotation, and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration and in this regard to consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :

“RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, Messrs S. R. Batliboi & Co. (Regn. No. 301003E), Chartered Accountants, Kolkata, the retiring Auditors, be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting of the Company and that the Board of Directors of the Company be and is hereby authorised to fix their remuneration for the said period and reimbursement of actual out of pocket expenses, as may be incurred in the performance of their duties.”

SPECIAL BUSINESS

6. **To consider and, if thought fit, to pass with or without modification(s), the following resolutions as an Ordinary Resolution :**

“RESOLVED THAT Prof. (Dr.) Gourav Vallabh, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 ("the Act") w.e.f. 9th November, 2010 and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing, proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company and liable to retire by rotation in terms of the Articles of Association of the Company.”

7. **To consider and, if thought fit, to pass with or without modification(s), the following resolutions as an Ordinary Resolutions :**

“RESOLVED THAT pursuant to provision of Section 61 of the Companies Act, 1956 and other applicable provisions of law, rules, and regulations for the time being in force, as may be applicable, the consent of the members be and is hereby accorded to the Company for variation of terms of Prospectus dated 24th September 2010 ("the Prospectus") in so far as they relate to Utilisation of Proceeds arising out of the issue of equity shares issued and allotted in terms of the said Prospectus, as under :

Particulars	Amount
Expansion of financing business of the Company	11,300.00
Expansion of MCaps domestic operations by increasing network of branches	800.00
Enhance MCaps existing technological capacity	750.00
General Corporate Purposes	803.30
Total	13,653.30

Proposed Utilisation :		(₹ in Lacs)
Particulars	Amount	
Financing, Investment, Branding, Purchase of Fixed Assets and General Corporate Purpose	11,300.00	
Expansion of MCap Business by increasing network of branches, enhancing technological capacity, utilization towards stock exchange margin deposits and working capital requirements	1,550.00	
General Corporate Purpose	803.30	
Total	13,653.30	

RESOLVED FURTHER THAT the Board of Directors of the Company or the Committee thereof be and are hereby authorised to do all such necessary acts, matters, things and execute such deeds, documents, and papers as may be required and deem fit in the interest of the Company for giving effect to the above."

8. **To consider and, if thought fit, to pass with or without modification(s), the following resolutions as a Special Resolution :**

“**RESOLVED THAT** pursuant to Sections 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Act, the approval of the members be and is hereby given to the appointment of Mr. Ravi Kant Sharma as Managing Director and CEO of the Company for a period of 3 (three) years w.e.f. 5th August, 2011 without any remuneration upon the terms and conditions set out in the Explanatory Statement annexed to the Notice convening this Annual General Meeting.

FURTHER RESOLVED THAT the Board or a Committee thereof be and is hereby authorized to alter and vary the terms and conditions of the said appointment including any statutory modifications that may hereafter be made thereto from time to time and any amendment thereto as may be agreed to between the Board and Mr. Ravi Kant Sharma.

FURTHER RESOLVED THAT the office of the Managing Director and CEO is subject to retire by rotation.

FURTHER RESOLVED THAT the Board or a Committee thereof be authorised to take such steps as may be necessary, proper or expedient to give effect to the resolution.”

Registered Office :

Shivam Chambers, 1st Floor
53 Syed Amir Ali Avenue
Kolkata - 700 019
Date : 5th July , 2011

By Order of the Board
Microsec Financial Services Limited

Biplab Kumar Mani
Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND THE MEETING AND VOTE ON A POLL, IF ANY, INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY AT THE REGISTERED OFFICE, NOT LESS THAN 48 HOURS BEFORE THE SCHEDULED TIME OF THE MEETING. A BLANK PROXY FORM IS ANNEXED TO THIS NOTICE.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Businesses to be transacted at the meeting (Item Nos. 6 to 8 of the notice) is annexed hereto.
3. As required by Clause 49 of the Listing Agreement entered into with the Stock Exchanges the relevant details of Item No. 3, 4 and 6 are annexed herewith.
4. Register of Members and Share Transfer Books of the Company shall remain closed from Wednesday, the 27th July, 2011 to Thursday, the 4th August, 2011 (both days inclusive) for determining the names of Members eligible for dividend on Equity Shares, if any, declared at the meeting.
5. The Dividend, if declared at the Annual General Meeting, will be paid between 10th August, 2011 to 25th August, 2011 to those persons or their mandates :
 - a) whose names appear as Beneficial Owners as at the end of the business hours on 26th July, 2011 in the list of Beneficial Owners furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect

of the shares held in Electronic form; and

- b) whose names appear as Members in the Register of Members of the Company after giving effect to valid shares transfers in physical form lodged with the Company/its Registrar and Shares Transfer Agent on or before 26th July, 2011.
6. Reserve Bank of India has initiated National Electronic Clearing Service (NECS) for credit of dividend directly to bank account of Members holding shares in dematerialised form are requested to provide their latest bank account details (Core Banking Solutions enabled account numbers, 9 digit MICR and 11 digit IFS code) with their Depository Participants.
Members holding Shares in Physical form are requested to provide their latest bank account details (Core Banking Solutions enabled account numbers, 9 digit MICR and 11 digit IFS Code) alongwith their folio Number to the Company's Registrar and Share Transfer Agents, Link Intime India Private Ltd.
7. Members holding shares in physical form are requested to intimate change in their registered address mentioning full address in block letters with Pin Code of the Post Office, Bank particulars and Permanent Account Number (PAN) to the Company's Registrar and Share Transfer Agent and in case of members holding their shares in electronic form, this information should be given to their Depository Participants immediately.
8. Pursuant to Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to download the nomination form (Form 2B) from the Companies Website under the section "Investors Relation" and send their requests in Form No. 2B in duplicate to the R&T Agent.
9. Members are requested to send their queries, if any on the operations of the Company, to reach the Company Secretary at the Company's Registered Office, at least 10 days before the meeting, so that the information can be compiled in advance.
10. Members are requested to mention their Folio Number/Client ID/DP ID Number (in case of shares held in dematerialized form) in all their correspondence with the Company/ Depository Participant in order to facilitate response to their queries promptly.
11. Members/Proxies are requested to kindly take note of the following :
- (i) copies of Annual Report will not be distributed at the venue of the meeting;
 - (ii) attendance slip, as sent herewith, is required to be produced at the venue duly filled-in and signed, for attending the meeting;
 - (iii) entry to the hall will be strictly on the basis of produce of duly completed and signed Attendance Slips; and
 - (iv) in all correspondence with the Company and/or the R&T Agent, Folio No./DP & Client ID no. must be quoted.
12. Members who are holding shares in identical order of names in more than one folio are requested to write to the Company enclosing their share certificate to enable the Company to consolidate their holdings in one folio.
13. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
14. Corporate Members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
15. Link Intime India Private Limited (Link) is the Registrar & Share Transfer Agent (R&T Agent) of the Company. All investor related communication may be addressed to "Link" at the following address :
- Link Intime India Private Limited**
C-13, Pannalal Silk Mills Compound
LBS Road, Bhandup West, Mumbai - 400 078
Phone : +91 22 2594 6970, Fax : +91 22 2594 6969
16. Non-resident Indian Members are requested to inform 'Link', immediately of :
- (a) Change in their residential status on return to India for permanent settlement.
 - (b) Particulars of their Bank account maintained in India with complete name, branch, account type, account number and address of the Bank with pincode no., if not furnished earlier.
17. Members are requested to visit the website of the Company 'www.microsec.in' for viewing the quarterly & annual financial results and for more information on the Company.
18. For any investor related queries, communication may be sent by e-mail to 'investors@microsec.in'.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 6

Prof. (Dr.) Gourav Vallabh, was appointed as an Additional Director of the Company w.e.f. 09.11.2010 and holds the office upto the date of this Annual General Meeting, pursuant to Section 260 of the Companies Act, 1956 and Articles of Association of the Company.

As required under Section 257 of the Companies Act, 1956, notice has been received from a member signifying his intention to propose him as a candidate for the office of the Director.

Your Directors are of the view that the Company would be immensely benefited by the wealth of experience and expert advice of Prof. (Dr.) Gourav Vallabh and therefore recommend appointment of Prof. (Dr.) Gourav Vallabh to the office of Director.

None of the Directors except Prof. (Dr.) Gourav Vallabh, is, anyway, concerned or interested in the resolution.

ITEM NO. 7

The Company has come out with an Initial Public Offer (IPO) of 1,25,00,000 equity shares through 100% book building route in the price band of ₹ 113-118 per share in the month of September, 2010. An aggregate sum of ₹ 14,750 Lacs were raised through the said issue. The issue was closed for subscription on 21st September, 2010.

The objects of the issue as per prospectus dated 24th September, 2010 and particulars of proceeds of issue and utilization thereof as on 31st March, 2011 are as under :

(₹ in Lacs)		
Particulars	Fund allocated for the activity as per prospectus	Amount utilized upto 31st March, 2011
Gross Proceeds from the issue	14,750.00	14,750.00
Less : Issue related expenses	1,096.70	1,116.29
Net proceeds of the Issue ("Net Proceeds")	13,653.30	13,633.71

Utilization of Net Proceeds is summarized in table below :

(₹ in Lacs)		
Objects of the Issue	Amount to be utilised (as per Prospectus)	Amount Utilised as at 31st March, 2011
Expansion of financing business of the Company	11,300.00	11,027.32
Expansion of MCaps domestic operations by increasing network of branches Enhance MCaps existing technological capacity	800.00	1,550.00*
General Corporate Purposes	803.30	34.96
Short term Investments in mutual funds and bank balance pending utilisation		1,021.43
TOTAL	13,653.30	13,633.71

* represents the amount invested in equity shares of Microsec Capital Limited (MCA) which is lying unutilized by MCA and thus invested in fixed deposits and bonds.

As such, your Company has substantially utilised the Issue proceeds for the Objects mentioned in the Prospectus in aforesaid manner within 31st March, 2011.

However, looking into the present economic and Capital Market scenario, it is felt that the business of providing loans against shares provide limited growth opportunity and as such, as and when the Loans given get refunded to the company, it should utilize the money not only for its business of Loan against Shares but also for other financing business, investments, Branding & Image Development, General Corporate Purpose and acquisition of fixed assets for the purpose of the business of the Company.

Further, while the objects of issue as stated in the Prospectus permit the company to invest funds in Microsec Capital Limited (MCA), they restrict the purpose of funding to only for Expansion of MCaps domestic operations by increasing network of branches and for Enhancing MCA's existing Technological capacity. Thus, continuous monitoring of funds becomes necessary to ensure that MCA utilises the funds for the permitted purposes only. The Company has already invested a sum of ₹ 1550.00 Lacs to MCA in line with what is stated in Prospectus. However, MCA has not been able to utilize the money advanced to it for the stated purposes due to adverse business scenario of broking industry and it is felt that expanding in current scenario may not be profitable for the

Company. As such it is proposed to allow MCap to utilize the money towards providing margin deposits to stock exchanges and also for its working capital requirements.

As such, it is proposed that the Issue proceeds, if available or as and when they get returned or become available, shall be utilised in the following manner :

Particulars	Amount
Financing, Investments, Branding , Purchase of Fixed Assets and General Corporate Purpose	11,300.00
Expansion of MCap Business by increasing network of branches, enhancing technological capacity, utilization towards stock exchange margin deposits and working capital requirements	1,550.00
General Corporate Purpose	803.30
TOTAL	13,653.30

In terms of the Prospectus dated 24th September, 2010 flexibility was given to the Board of Directors for utilizing the net proceeds of the issue. Such flexibility was necessary to cope with the change from time to time in the business environment. It was also mentioned in the Prospectus that consequently the fund requirement and deployment of funds may also change and if the actual utilisation towards any of the objectives is lower than what is stated, such balance will be used for future growth opportunities and general corporate purposes.

As such in view of the dynamic and competitive environment of the industries in which the Company operates, the Company has revised the business plans as stated above in the interest of the Company as well as the shareholders.

As per the provisions of the Companies Act, 1956 the Company is required to obtain the approval of the shareholders for any variation in the use of issue proceeds. Accordingly, the Board of Directors recommends the resolution as set out in Item No.7 of the notice for your consideration and approval.

None of the directors, except Banwari Lal Mittal, Ravi Kant Sharma and Parimal Kumar Chattaraj who are also directors in MCap, shall be deemed to be concerned or interested in the Resolution.

ITEM NO. 8

Ravi Kant Sharma is the co-founder of the Microsec Group and is associated with it since 1999. He holds a bachelor's degree in commerce from Calcutta University and is a fellow member of the Institute of Chartered Accountants of India. He has an experience of more than 13 years in wealth management and capital market operations.

The main terms and conditions of appointment of Mr. Ravi Kant Sharma (hereinafter referred to as "MD & CEO") are given below :

A. Tenure of Appointment :

The appointment of the MD & CEO is for a period of 3 years with effect from 05.08.2011.

B. Nature of Duties :

The MD and CEO shall devote his full attention to the business of the Company and carry out such duties as may be entrusted to him by the Board, and exercise such powers as may be assigned to him, subject to the superintendence, control and directions of the Board in connection with and in the best interest of the business of the Company and the business of any one or more of its associated companies and/or subsidiaries, including performing duties as assigned by the Board from time to time, by serving on the Boards of such associated companies/subsidiaries or any other executive body or a committee of such a company.

C. Remuneration : NIL

Mr. Ravi Kant Sharma is also the Managing Director in Microsec Capital Limited (MCap) a material unlisted subsidiary of the Company and draws remuneration from MCap.

In compliance with the provisions of Sections 269 and other applicable provisions of the Act read with Schedule XIII to the Act, the terms of appointment of Mr. R. K. Sharma as specified above, are now placed before the Members for their approval.

The Resolution for appointment of Mr. R. K. Sharma as Managing Director and Chief Executive Officer at Item No. 8 of the Notice is recommended for approval by the Members.

This explanation together with the accompanying notice is and should be treated as an abstract under Section 302 of the Companies Act, 1956.

None of the Directors of the Company, except Mr. Ravi Kant Sharma, is, in anyway, concerned or interested in the resolution.

Registered Office :
Shivam Chambers, 1st Floor
53 Syed Amir Ali Avenue
Kolkata - 700 019
Date : 5th July, 2011

By Order of the Board
Microsec Financial Services Limited

Biplab Kumar Mani
Company Secretary

DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING

Name	Mr. Ravi Kant Sharma	Mr. Deba Prasad Roy	Prof. (Dr.) Gourav Vallabh
Date of Birth	10th November, 1974	26th November, 1941	25th August, 1977
Date of appointment	30th May, 2005	12th October, 2009	9th November, 2010
Qualification	B.Com, FCA	MSC, CAIIB and Fellow Indian Council of Arbitration (FICA)	FCA, FCS, Phd(UoR), LL.B. & CFRM (GARP, USA)
Expertise in specific functional area	Ravi Kant Sharma is the co-founder of the Microsec Group and is associated with it since 1999. He has an experience of more than 13 years in wealth management and capital market operations.	Deba Prasad Roy has over 35 years of experience in corporate, international and investment banking sectors. He is on the advisory committee of Central Bank of India and currently engaged as an arbitrator in various arbitration proceedings in NSE, MCX and ICA. He was previously associated with State Bank of India and has held senior and managerial posts such as deputy managing director and group executive (international banking), president and chief executive officer (New York) and country manager (USA) and manager of SBI London. Mr. Roy is ex-chairman of SBI Capital Markets Limited.	Prof. (Dr.) Gourav Vallabh is a Certified Risk Manager (GARP, USA), Chartered Accountant, Company Secretary, M.Com., LL.B., and Ph.D. Prof. (Dr.) Vallabh is currently a Professor of Finance at XLRI Jamshedpur. Prior to this he was the Director at the ICAI where he made significant contributions taking the institute to greater heights. He had also worked as a Professor with Management Development Institute (MDI), Gurgaon and National Institute of Bank Management (NIBM), a think tank of RBI, Pune. Prof. (Dr.) Vallabh has published more than a dozen research papers in referred academic journals and presented papers in many national and international academic conferences. He has also been honored with “Best Young Researcher Award – 2004” jointly by ICWAI and IAA & also won the best paper award in XXV All India Accounting Conference. He had been invited as a chief speaker in the various conferences organized by FICCI, CII, IIMs, RBI, ICAI, ICWAI, ICSI and various other professional institutes, Govt. and academic institutes. He has published more than four dozen of articles in the various economic dailies on various contemporary issues of Accounting, Finance and Banking. Prof. (Dr.) Vallabh had also contributed as a member in the Technical Expert Group constituted under National Commission for Enterprises in Unorganized Sector, Government of India. He had also shared his views in front of Standing Committee on Finance on the Companies Bill - 2009.

List of outside *Directorships held excluding Alternate Directorship.	1. Microsec Capital Limited 2. Microsec Technologies Limited 3. Microsec Commerze Limited 4. Microsec Insurance Brokers Limited 5. PRP Technologies Limited	1. Petronet LNG Limited 2. Artheon Finance Limite 3. ITD Cementation India Limited 4. SMC Global Securities Limited 5. Escorts Investment Trust Limited 6. ICRA Management Consulting Services	1. Indian Noble Education Limited
Membership/ Chairmanship of **Committees of the Board of Directors of the Company	Member of the Audit Committee	Member of the following Committees : 1. Audit Committee 2. Remuneration and Nomination Committee	Chairman of the Audit Committee
Chairman/Member of the **Committee of the Board of Directors of other companies in which he/she is a Director	NIL	Chairman of the following Committee : 1. Petronet LNG Limited - Audit Committee 2. Petronet LNG Limited - Investor Grievance Committee	NIL
Number of shares held in the Company	8,76,800	NIL	NIL

Note :

* The Directorships held by Directors as mentioned above, do not include Directorships of Foreign Companies, Section 25 Companies and Private Limited Companies.

** Pursuant to Clause 49 of the Listing Agreement, only two committees viz. Audit Committee and Shareholders' Grievance Committee have been considered.

Directors' Report

To the Members,

Your Directors have pleasure in presenting the 22nd Annual Report and the audited accounts of the Company for the financial year ended 31st March, 2011.

FINANCIAL HIGHLIGHTS

A summary of Consolidated Financial results of the Company and its subsidiaries for the year ended 31st March, 2011 is given below:

	(₹ in Lacs)	
Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Income	7,849.07	5,849.20
Profit before Interest, Depreciation & Tax	4,623.54	3,490.59
Less : Depreciation	255.86	312.19
Less : Interest	72.62	126.68
Profit before Taxation	4,295.06	3,051.72
Less : Provision for Taxation	1017.06	616.87
Profit for the year	3,278.00	2,434.85
Balance brought forward from previous year	4,902.51	2,618.28
Add : Adjustment towards consolidation	–	195.39
Balance Available for Appropriation	8,180.51	5,248.52
Appropriations		
- Transfer to Reserve under Section 45-IC of the RBI Act, 1934	376.00	233.50
- Transfer to Debenture Redemption Reserve	12.50	12.50
- Transfer to Capital Redemption Reserve	2.00	100.00
- Proposed Dividend	318.10	–
- Dividend Tax thereon	51.61	–
Balance of Profit carried forward	7,420.30	4,902.52

A summary of Standalone Financial results for the year ended 31st March, 2011 is given below :

	(₹ in Lacs)	
Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Income	2,724.31	1,809.75
Profit before Interest, Depreciation & Tax	2,465.78	1,547.12
Less : Depreciation	95.10	100.92
Less : Interest	19.12	72.28
Profit before Taxation	2,351.56	1,373.92

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Less : Provision for Taxation	553.08	264.83
Profit for the year	1798.48	1109.09
Balance brought forward from previous year	1525.49	738.40
Balance Available for Appropriation	3323.97	1847.49
Appropriations		
- Transfer to Reserve under Section 45-IC of the RBI Act, 1934	360.00	222.00
- Transfer to Capital Redemption Reserve	–	100.00
- Proposed Dividend	318.10	–
- Dividend Tax thereon	51.61	–
Balance of Profit carried forward	2,594.26	1,525.49

REVIEW OF OPERATIONS

The Company's performance during the year registered reasonable growth over the previous year. On consolidated basis, the total income of the Company for the financial year ended 31st March, 2011 increased by 34.19% to ₹ 7849.07 Lacs and the profit after tax was ₹ 3278.00 Lacs, an increase of 34.63% over previous year. The business environment for the financial services industry in which the company operates, was steady for major part of financial year 2010-2011, except for last 4-5 months.

The detailed results of operations of the Company are given in the Management Discussion & Analysis forming part of this Report.

DIVIDEND

Keeping in view the overall performance during the year, your Directors are pleased to recommend a dividend of ₹ 1 per Equity Share on the face value of ₹ 10 each being 10% dividend, which if approved at the ensuing Annual General Meeting, payable to those members whose names appear in the Register of Members as on the Book Closure Date. The Dividend will absorb a sum of ₹ 369.71 Lacs including dividend distribution tax.

SUBSIDIARY COMPANIES AND CONSOLIDATED RESULTS OF OPERATIONS

As at 31st March, 2011, the Company's subsidiaries and step-down subsidiaries are as follows :

Sl. No.	Name
1	Microsec Capital Limited
2	Microsec Resources Private Limited
3	Microsec Technologies Limited
4	Microsec Commerze Limited
5	Microsec Insurance Brokers Limited
6	PRP Technologies Limited

During the year under review, Microsec Capital Limited (MCap), the 'Material Non-listed Subsidiary' of the Company earned the revenues of ₹ 2700.97 Lacs and Profit after Tax of ₹ 227.84 Lacs.

The Ministry of Corporate Affairs vide General Circular No: 2/2011 dated 8th February, 2011 has granted general exemption to all companies having subsidiaries from complying with the provision of Section 212 of the Companies Act. The Statement pursuant to Section 212(1)(e) of the Companies Act, 1956, relating to subsidiary companies forms part of the financial statements.

The Consolidated Financial Statements of your Company and its subsidiaries prepared in accordance with 'Accounting Standard - 21' prescribed by The Institute of Chartered Accountants of India, form part of the Annual Report and the Accounts.

The copies of the Balance Sheet, Profit & Loss Account and Reports of the Board of Directors and Auditors of the subsidiaries of the Company as of 31st March, 2011 have not been attached with the annual report of the Company, the same can be sought by any member of the company on making a written request to company secretary. These documents will also be available for inspection at the Registered Office of the Company and the concerned subsidiary companies, during 2 p.m. to 5 p.m. on all working days.

INITIAL PUBLIC OFFER (IPO)

To augment the capital base for future growth plans, your Company made an Initial Public Offer (IPO) of 1,25,00,000 Equity Shares of ₹ 10 each ("the Shares") in the price band of ₹ 113 - ₹ 118 per share. The issue constituted 39.30% of the paid-up share capital of the Company.

Your Directors would like to state, with great pleasure, that the issue received an overwhelming response and was subscribed 12.35 times as per the bid-data after removing multiple and duplicate bids. After considering the cheque returns and technical rejections cases the Issue was subscribed 11.89 times. The issue price was fixed at ₹ 118 per Equity Share, being the upper end of the price band.

The Shares were allotted on 1st October, 2010 and got listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited on 5th October, 2010.

Consequent upon the Initial Public Offer, the paid-up share capital of the Company stands at ₹ 31,81,05,000 divided into 3,18,10,500 equity shares of ₹ 10 each.

STRATEGIC INVESTMENTS

The Food Processing Industry is a fast growing segment and hence your Company proposes to make strategic investment in MYJOY FUN AND FOOD PRIVATE LIMITED (MJFL), a food processing Company.

MJFL has been established with the objective of integrating the processes from farming, processing, packaging, warehousing, distribution and selling to consumer. The main objectives of the Company is to provide, ethically sourced, best quality product, at the best prices.

Your Directors visualize tremendous potential in the integrated food processing business and expect the investment to yield good returns in the long run.

We also plan to make strategic investments in other growth oriented business including education.

DIRECTORS

In accordance with the provisions of Sections 255 and 256 of the Companies Act, 1956 and the Articles of Association of the Company Mr. Ravi Kant Sharma and Mr. Deba Prasad Roy, retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer themselves for re-appointment.

Mr. Ravi Kant Sharma is appointed as the Managing Director and CEO of the Company by the Board of Directors, for a period of 3 years, with effect from 5th August, 2011, without any remuneration, subject to the approval of the members in the ensuing Annual General Meeting of the Company. Mr. Sharma is also the Managing Director in Microsec Capital Ltd. a material unlisted subsidiary of the Company.

During the year under review, Prof. (Dr.) Gourav Vallabh, joined the Board as an Additional Director on 9th November, 2010 and has been designated as Chairman of the Audit Committee and will hold office till the ensuing Annual General Meeting. Pursuant to Section 260 of the Companies Act, 1956, Prof. (Dr.) Gourav Vallabh holds office as an Additional Director upto the date of the ensuing Annual General Meeting but is eligible to be appointed as a Director. Approval of Members is being sought at the ensuing Annual General Meeting.

Brief resume of the Directors seeking appointment, reappointment, nature of their expertise in specific functional areas and names of companies in which they hold directorships and memberships/chairmanships of Board Committees, as stipulated under Clause 49 of the Listing Agreement, are provided in the Report on Corporate Governance forming part of the Annual Report.

Based on the confirmations received, none of the Directors are disqualified for appointment under Section 274(1)(g) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors confirm that :

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2011 and of the Profit of the Company for the year ended on that date;

- (iii) 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
- (iv) the annual accounts have been prepared on a going concern basis.

AUDIT COMMITTEE

The Audit Committee presently comprises of :

- Prof. (Dr.) Gourav Vallabh - *Chairman*
- Mr. Parimal Kumar Chattaraj
- Mr. Raj Narain Bhardwaj
- Mr. Deba Prasad Roy and
- Mr. Ravi Kant Sharma.

SHAREHOLDERS/INVESTORS' GRIEVANCE AND SHARE TRANSFER COMMITTEE

The Shareholders/Investors' Grievance and Share Transfer Committee of the Board of Directors presently comprises of :

- Mr. Raj Narain Bhardwaj - *Chairman*
- Mr. Parimal Kumar Chattaraj and
- Mr. Banwari Lal Mittal.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee of the Board of Directors presently comprises of :

- Mr. Parimal Kumar Chattaraj - *Chairman*
- Mr. Raj Narain Bhardwaj and
- Mr. Deba Prasad Roy.

CORPORATE GOVERNANCE

The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report.

Certificate of the Statutory Auditors of your Company regarding compliance of the condition of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges is annexed to the report.

Your Company has taken adequate steps for strict compliance with the Corporate Governance guidelines, as amended from time to time.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is presented in a separate section forming part of the Annual Report.

CEO AND CFO CERTIFICATION

In accordance with the provisions of the Listing Agreement pertaining to corporate governance norms, Mr. Banwari Lal Mittal, CMD and Mr. Giridhar Dhelia, CFO have certified inter-alia, about review of financial statements and establishing & maintaining internal control to the financial reporting for the year ended 31st March, 2011. The said certificate forms an integral part of annual report.

AUDITORS AND AUDITORS' REPORT

M/s S. R. Batliboi & Co. (Regn No. 301003E), Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received letter from the auditor to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for re-appointment within the meaning of Section 226 of the said Act.

The Notes on Accounts referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

DEPOSITS

During 2010-11, your Company did not accept/renew any deposits within the meaning of Section 58A of the Companies Act, 1956 and the rules thereunder and as such, no amount of principal or interest was outstanding as on the balance sheet date.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The requirements of disclosure with regard to Conservation of Energy in terms of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are not applicable to the Company.

The Company's activities do not require any technology to be absorbed as mentioned in the aforesaid Rules. However, the Company makes all efforts towards conservation of energy, protection of environment and ensuring safety.

There was no inflow of foreign exchange during the year under review. Details of the foreign exchange outflow are given in the notes to Accounts.

PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND RULES FRAMED THEREUNDER

As required under Section 217(2A) of the Companies Act, 1956 and Rules thereunder, no such employee of the Company's were in receipt of remuneration of more than ₹ 60,00,000 during the year ended 31st March, 2011 or of more than ₹ 5,00,000 per month during any part thereof.

HUMAN RESOURCE MANAGEMENT

Your Company recognises the importance of human resources in creation of great organization and the same has been given proper care. Your Company was able to attract and retain best talent in the market and the same can be felt in the past growth of Microsec Group. The Company is constantly working on providing the best working environment to its Human Resources with a view to inculcate leadership, autonomy and towards this objective, your Company spends large efforts on training. Your Company is committed to providing career growth opportunities as a measure of retention strategy. Your Company shall always place all necessary emphasis on continuous development of its Human Resources. The belief "great people create great organization" has been at the core of the Company's approach to its people.

ACKNOWLEDGEMENTS

Your Directors place on record their sincere appreciation for the assistance and guidance provided by the government, regulators, stock exchanges, other statutory bodies and Company's bankers for the assistance, co-operation and encouragement extended to the Company.

Your Directors express their deep sense of appreciation for all the employees whose commitment, co-operation, active participation, dedication and professionalism has made the organisation's growth possible.

Your Directors also deeply grateful to our shareholders for the confidence and faith placed in us.

For and on behalf of the Board

Place : Kolkata
Date : 27th May, 2011

B. L. Mittal
Chairman & Managing Director

Annexure to the Directors' Report

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES

(Figure in ₹)

						The net aggregate amount of profit/(loss) so far it concerns the members of Holding Company			
						Not dealt within the Holding Company Accounts		Dealt with in the Holding Company Accounts	
Sl. No.	Name of the Subsidiary	Immediate Holding Company	Financial year ending of the Subsidiary Company	Date from which they became Subsidiary Company	Extent of Holding	For the Financial year/period ended 31st March, 2011 of the Subsidiary Companies since they became holding Company's Subsidiaries	For the previous financial year/period of the Subsidiary Companies since they became holding Company's Subsidiaries	For the financial year/period ended 31st March, 2011 of the Subsidiary Companies since they became holding Company's Subsidiaries	For the previous financial year/period of the subsidiary since they holding Company's subsidiaries
1.	Microsec Capital Limited	Microsec Financial Services Limited	31st March, 2011	24th Nov, 2005	100%	2,27,83,582	2,57,11,006	–	–
2.	Microsec Resources Private Limited	Microsec Financial Services Limited	31st March, 2011	1st Feb, 2006	100%	71,11,915	56,23,179	–	–
3.	Microsec Technologies Limited	Microsec Financial Services Limited	31st March, 2011	31st March, 2006	100%*	4,80,65,863	3,70,65,255	–	–
4.	Microsec Commerze Limited	Microsec Capital Limited	31st March, 2011	5th Oct, 2005	100%	81,90,154	2,90,64,528	–	–
5.	Microsec Insurance Brokers Limited	Microsec Capital Limited	31st March, 2011	7th March, 2003	100%	13,36,904	6,64,999	–	–
6.	PRP Technologies Ltd	Microsec Technologies Limited	31st March, 2011	9th Feb, 2009	100%	5,45,95,692	2,86,99,198	–	–

* 80% held by Microsec Financial Services Limited and balance 20% is held by wholly owned subsidiary (Microsec Capital Limited) of Microsec Financial Services Limited.

Management Discussion and Analysis

MACRO-ECONOMIC OUTLOOK

Global Economy

Well begun is half done for the global economy, particularly for the U.S. Panacea in terms of QE1 and QE2 ebbed sooner than expected and the Fed Chief had to call upon the insistence of continued easy policy to propel growth. The worry is that in advanced economies, after an initial recovery from global economic crisis driven by the inventory cycle and fiscal stimulus, growth has been slowing down now as indicated by the US job and PMI numbers. Inflation, led by rising crude oil and other commodity prices led to the worry of the policy makers of emerging economies of China and India.

After a subdued first half, the U.S. economy strengthened in the second half of CY2010. This strengthening was supported by private final demand, despite overall credit growth weakness and household deceleration. However, the economic recovery has hit a soft patch now. In Q1 of 2011, the U.S. GDP growth slipped to 1.8% (YoY seasonally adjusted annualized rate) from 3.1% in Q4 of 2010, reflecting a decline in government spending, deceleration in private consumption and increase in imports. The U.S. housing market also remains weak and recovery in the labor market continues to remain subdued. After shedding more than 8½ million jobs in 2008 and 2009, the labor market has added just 1½ million jobs since then. The U.S. unemployment rate rose to 9.0% in April 2011. The U.S. manufacturing PMI also indicated the same. While the activities are still expanding, the pace has moderated. In April 2011, the PMI manufacturing index declined to 60.4 from 61.2 in March 2011, following a 61.4 reading in February. It was largely attributed by a slump in auto production due to disruption to Japanese supply chains. It seems now pretty clear that a marked slowdown may witness going forward.

In Europe, economic activity remains below its potential level and unemployment is still high. Continued strains in more vulnerable euro area sovereigns and banks pose a significant threat to financial stability and growth. This is mainly due to continuing weakness among financial institutions in many of the region's advanced economies and a lack of transparency about their exposures. Substantial cross-border linkages, as well as financial spillovers could generate a slowdown in growth and demand.

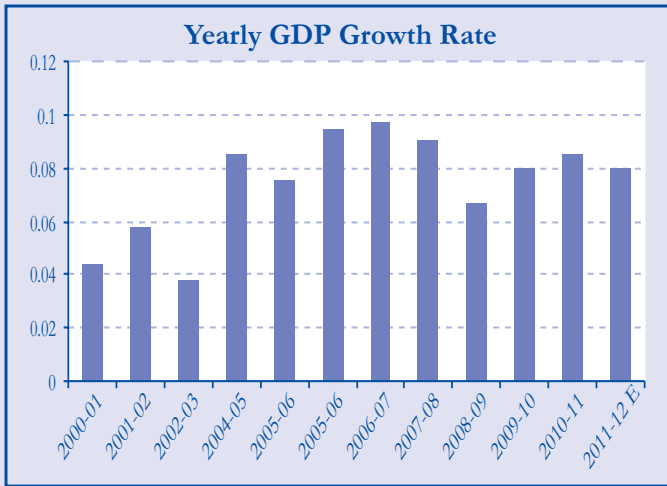
The Chinese Economy continues to remain vulnerable to growth due to expected slowdown in US economy, European debt crisis, residential property bubble, rising inflation leading to a series of hard monetary policy and wage inflation. China's GDP growth rate began to fall back steadily after it reached the peak of 11.9% in Q1 of 2010. China witnessed a GDP growth of 10.3%, 9.6% and 9.8% in Q2, Q3 and Q4 of 2010, respectively. The growth rate reached 9.7% in Q1 of 2011, and is expected to continue to slow in Q2 because of the regulation and control policies. The latest sign of China's economic slowdown is the fall in manufacturing activity. China's manufacturing PMI fell to 52.9 in April 2011 from 53.4 in March 2011. Although, China's domestic economic growth is likely to remain weak for next couple of quarters but the medium-term growth prospects remain strong.

The devastation caused by the earthquake and tsunami that struck north-eastern Japan in March 2011 had a negative impact on the Japanese economy. Japan's GDP shrank an annualized rate of 3.5% in the three months through March 2011 as household and business spending remained weak. Private consumption and corporate capital spending remained under downward pressures due to the supply disruptions and deteriorating sentiment after the earthquake disaster. However, Japanese economy is likely to gain momentum later this year as companies boost output and government reconstruction projects get underway. The supply chain disruptions have been easing at a faster pace and it looks like companies will be investing in repairs relatively quickly. Pointing towards the supply chain woes, Japanese manufacturing activity contracted in April, languishing at a two-year low. Japan manufacturing PMI fell to 45.7 in April 2011, - lowest since April 2009.

Domestic Economy

After a magnificent year in terms of revival from global meltdown, Indian economy is now facing short term head winds on daunting pressure in terms of rising prices, leading to a hawkish stance on the Monetary front by the RBI. In the current macroeconomic context, improving sustainability of growth would imply bringing down inflation and controlling the fiscal and current account deficits.

Compared to the rest of the world, Indian market had underperformed global peers in the past couple of months due to rising crude oil and other commodity prices, rising inflation and interest rates, domestic political and corporate issues. However, despite the short term head wings, long term growth story remains robust. The appetite of Global companies in Indian companies explains the larger long term prospects of Indian companies. Also, this being the year, when the 12th 5-year plan will be laid out, expectations of growth in Indian economy will galore.



Some moderation in growth expected; but visibility remains strong for future : India was among the few countries in the world to overcome the negative fallout of the global slowdown on the broad-based policy package. These policy actions along with favorable monsoon helped Indian Economy to clock a growth of 8.6% in FY2010-11. However, growth is expected to moderate in FY2011-12 from its pace in FY2010-11. Signs of moderation emerged in the second half of FY2010-11. Particularly significant were the slowdown in capital goods production and investment spending. Going forward, the impact of the anti-inflationary monetary stance will weigh on growth. External demand too may slow if global recovery slackens. The Reserve Bank's IOS (Industrial Outlook Survey) conducted during March 2011 also indicates some moderation in business expectations for the quarter ended June 2011. Despite the fallouts, we expect GDP to be around 8% in FY2011-12, much higher than most other economies in the world.

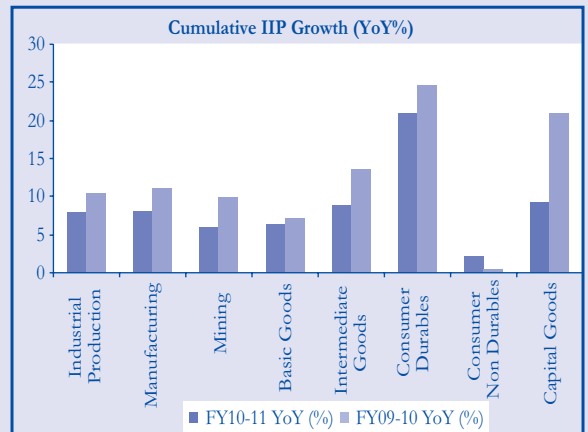
Other indicators, such as the PMI manufacturing (58.0 for April, 2011), exports growth (43.9% for March, 2011), tax collections, credit growth etc. continue to show an underlying demand pull for the economy. A robust rural demand and expectations of a good monsoon may prevent any major crumbling of demand.

The Index of Industrial Production (IIP), which grew by 10.4% during the first half of FY2010-11, moderated subsequently, bringing down the overall growth for FY2010-11 to 7.8%. The main contributor to this decline was a deceleration in the Capital Goods sector. The sector has remained volatile over the last fiscal, growing at an average of 9.3% YoY in FY2010-11 vis-à-vis 20.9% in FY2009-10.

Although, a significant jump in capital goods production led to a sharp rise in IIP during the month of March 2011, but the rebound in IIP was not a complete trend reversal. Capital goods sector grew by 12.9% YoY (77.3% MoM) in March 2011, halting three consecutive months of decline. This massive jump in Capital.

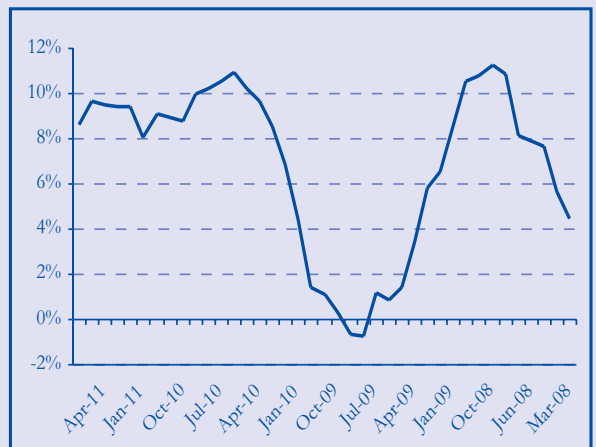
Goods production came on account of the spurt in implementation of government investment projects during the final month of the fiscal year, which is unlikely to sustain for long.

Going forward, from mid-2011, IIP growth is expected to revive on YoY basis on base affect. However, the ongoing monetary tightening is likely to impact rebound of production partially. Slower Consumer Goods production in March 2011 (12.3% vis-à-vis more than 20% during the last couple of month) is an early sign of the trend that is likely to set in for the short to medium term. We expect industrial growth to average between 7.5% - 8% in FY12, with a boost in the second half of FY2011-12.



Inflation remains the primary macroeconomic concern for India :

Driven by a combination of factors, both structural and transitory, Inflation remains the key concern, especially since December 2010 when food prices increased steeply. Food prices have now started to abate but are certainly not as expected. Surge in inflation, despite an overall moderation in food inflation, was the combination of two factors: increase in commodity prices, including the large upward revision in administered coal prices in March 2011 and demand pressures reflected in significant increase in inflation in non-food manufactured products. The RBI's forecast systematically under-predicted year-end inflation during 2010-11. Even after a significant upward revision from 5.5% to 7% in the Third Quarter Policy Review in January 2011 and then to 8% in the Mid-Quarter Review in March 2011, the forecasts remained below the provisional number of 9.04% for March 2011. In April 2011, Inflation still remained at 8.66% despite a higher base of last year.



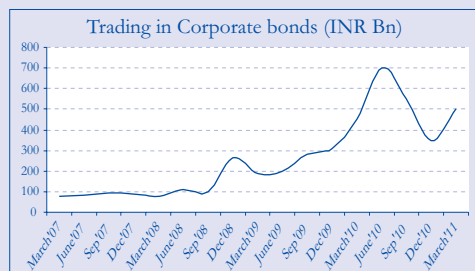
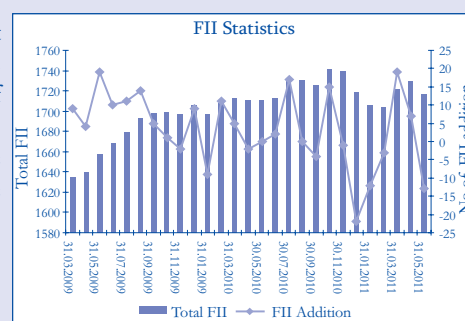
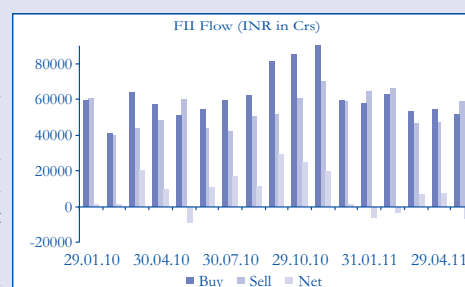
India's inflation is likely to stay elevated in the first half of FY2011-12 due to expected pass-through of increase in international petroleum product prices to domestic prices and continued pass-through of high input prices into manufactured products. Though the impact of the recent petrol price hike on overall inflation is around 7 basis points, the likely hike in diesel prices will have considerable impact on inflation. Inflation is likely to peak around somewhere in September-October. RBI projected inflation to come down to around 6% by the end of March 2012.

RBI has accelerated policy tightening despite increased risks to growth outlook, with the view that strong demand conditions are transforming, from a supply-side inflation into a demand-side one. During the first five months of CY2011, RBI increased the repo rate by 100 basis points from 6.25% to 7.25%, with a similar increase in the reverse repo rate from 5.25% to 6.25%. We expect RBI to increase the policy rate by 25 basis points on June 16, 2011 Policy Meeting and another 25-50 basis points up to the end of CY2011.

INDUSTRY OVERVIEW

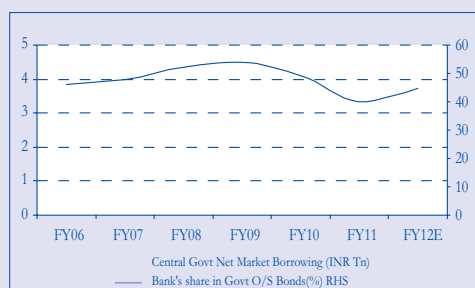
Equity Market

Indian stock markets gave positive returns in FY2010-11 as Nifty gained 10.27% to close at 5,833.75 and Sensex gained 9.91 percent at 19445.22 during the period. Indian equity market showed a strong jump in volumes by 34.5% in FY 2011. However 60% of that growth was due to volume growth in Options. Cash volumes were dried down to only 4% from a high of 8% of the total volume. Out of the total volume registered in the exchanges, 86.20% constituted in the F&O segment in FY 2010-11 against 76.21% registered in FY 2009-10. Out of this, the volume registered in the options segment constituted 57% against 37% registered in FY 2009-10. FII participation in cash volumes grew, while retail and DII participation remained muted during FY 2011. FII net inflows into equities continued in FY 2010-11 with ₹ 1,10,121 crores against ₹ 1,10,220 crores in FY 2009-10. DIIs were net sellers in equities by ₹ 18,709 crores in FY 2010-11 against a net buy of ₹ 24,178 crores in FY 2009-10. The beginning of the first quarter of FY 12 has not been promising as yet. The average daily volumes on the leading bourses have dipped in the Equity segment. However, the pickup average daily turnover in the derivative segment has witnessed growth but the same has come mostly from option segment where the brokerage charged has been largely marginalized. The dip in the business volumes can be attributed to the short term economic, socio-political headwinds.



Debt/Bond Market

While India boasts a world-class equity market and increasingly important bank assets, its bond market has not seen a similar rate of growth and maturity. The government bond market remains illiquid. The corporate bond market, in addition, remains restrictive to participants and largely arbitrage-driven. Securitization, which generated immense interest and seen hectic activities in other Asian markets, got subdued post credit crisis and has failed to take off. India's government bond market has grown steadily-largely due to the need to finance the fiscal deficit-and is comparable to many government bond markets in Emerging East Asia. The size of Corporate bond market stood at ₹ 2 Trillion almost 3.3% of the GDP (FY10) in India, whereas the govt bond market size is around ₹ 13.7 Trillion (as per BSE, CCIL), almost 23% of the GDP.



The corporate bond market is less developed than most in emerging East Asia, with private placements dominating. At 3.3% of GDP, corporate bonds are comparable to levels in the Philippines and Indonesia, where corporate finance is less well-developed, as well as with the People's Republic of China (PRC) and Vietnam, where state-ownership remains dominant.

Very recently, the government had raised FII investment limit in the debt market to USD30 Bn from USD20 Bn. We believe this move is going to have a positive impact

on the Indian debt market. FIIs can now invest USD10 Bn in the government securities market instead of USD5 Bn and pump USD20 Bn into the corporate debt market, up from USD15 Bn. However, in the corporate debt market; they can pump the additional USD5 Bn only into bonds of infrastructure companies with a maturity of five years or more..

Higher limit would give a major boost to infrastructure funding as large portion of fresh debt issuance would come from infrastructure companies and the money would directly go towards execution of projects.

The Indian bond market is set to gain momentum as the Indian government, which is seeking investments of USD1 trillion by 2017 to improve transport networks and airports, will release guidelines for the funds soon. Rupee bond holdings of global investors touched a record USD21.5 Bn in May, after more than doubling to USD17.7 Bn last year, as India seeks foreign capital to upgrade its roads and bridges.

Initial Public Offering (IPO)/Follow on Public Offerings (FPO)

The IPO/FPO market in the FY2011 managed to garner ₹ 49,159 crores from 58 issues in FY2011 against ₹ 46,460 crores from 44 issues in FY 2010. The mega IPO of Coal India of ₹ 15,475 crores happened in FY2011. The fourth quarter has seen a major dip in the mop-up as only ₹ 4,642 crores were garnered during Jan - Mar-11 against an ₹ 27,196 crores in Jan-Mar-10, clearly indicating a sullen mood in the fund raising activity from Corporates through IPO/FPO's. This is further accentuated as the total fund raised in IPO in April-May-11 was ₹ 6,846 crores from 9 issues, including Power finance issue which mopped up ₹ 4,660 crores. The curtailment in the IPO happened primarily on weak to flat market conditions due to persistent short term economic and expected corporate headwinds and instability of socio-political conditions prevailing since second half of FY 2011.

Qualified Institutional Placements (QIP)

The QIP market was no better in the FY 2010-11. The total amount placed in FY 2011 from 46 issues was ₹ 21,172 crores against ₹ 39,277 crores collected from 64 issues in FY 2010. The reasons for the dip in the issues were primarily the same as mentioned in the IPO/FPO section. The last six months of FY 2011 was even bad as ₹ 6909 crores were raised against ₹ 15,746 crores raised last year during the same period. During April, 2011, the total amount raised through QIP was ₹ 59 crores only, which happened only in April-11.

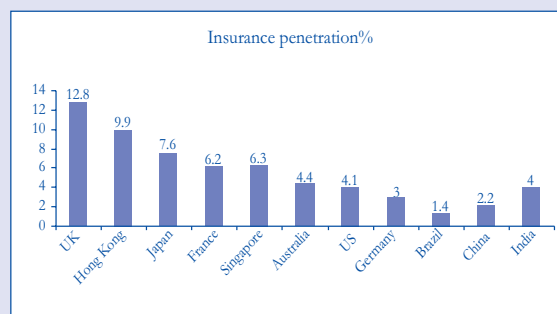
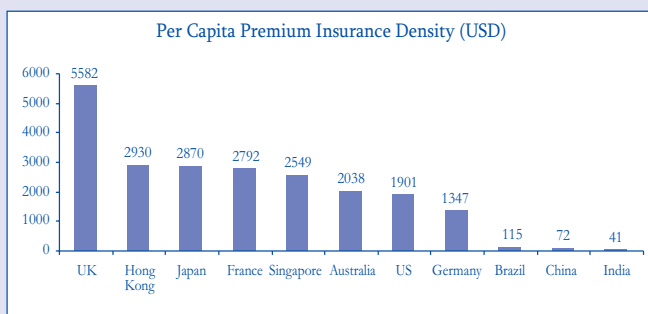
Wealth Management, Financial Planning & Insurance Distribution

The size of the financial services industry in India is set to increase on various factors, leading among them is the demographic shift happening in the country. Knowledge based financial planning is now being considered as a necessity in an era when the dependency ratio is falling and the urge to lead a balanced life is gaining the populace.

The Insurance penetration in India is low, even by comparison to banking. Only one in ten Indians hold some form of insurance. Just 10% of the population has life insurance in a market that makes up only 4% of GDP in FY2009-10. The non-life is even less popular in the country. The Indian non-life insurance sector has substantial growth potential because market penetration remained low, leaving significant room for further growth. Also, the population demographics in India create a favorable environment for the insurance industry's growth in India. Along with these, rising Per Capita Income, increased awareness of health and habitat, rising demand for automobiles etc would lead to growth of the sector.

During the 2010-11 fiscal, the new business premium (first year premium) of life insurance industry grew by 14.5% to ₹ 1,25,800 crores. Besides, the total premium of the 23 player of life insurance industry increased by 8% to ₹ 2,86,500 crore in the FY 2010-11.

However, further acceleration in the growth of the life insurance market could follow by India's increasing urbanization and rapid recent expansion of its mortgage market.

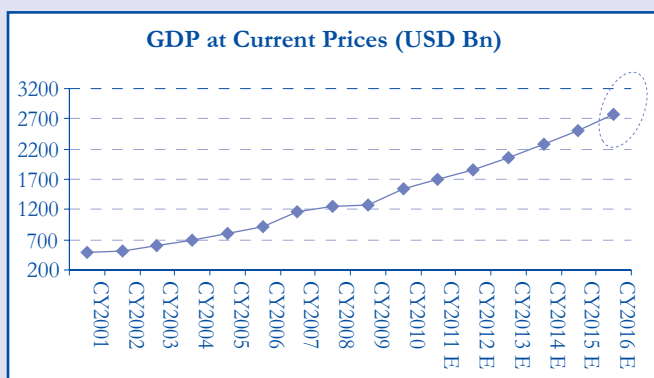


DRIVERS FOR THE GROWTH OF FINANCIAL SERVICES SECTOR IN INDIA

Several factors make us believe that the growth of the Indian Financial services Sector is in a cusp of a sweet spot which is likely to outpace growth of several other sectors. These thoughts are prompted primarily on three broad reasons: Shift in the demographic factors which is likely to create employment, growth and consumption, Increasing efforts by the government to increase literacy through education for all policy initiated by the government and media penetration across the length and breadth of the country which will prompt people to take recourse to proper financial planning because of regular media campaign towards the same.

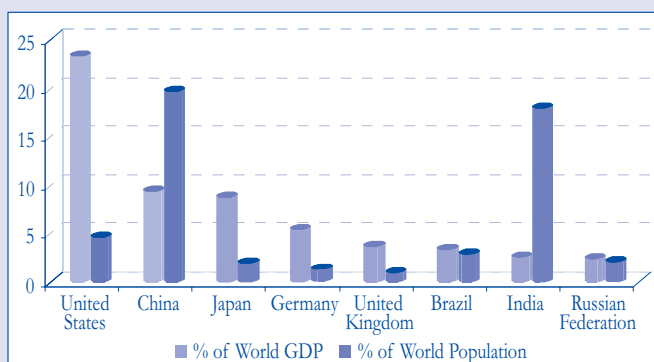
GDP Growth likely to near double in the next 5 years

The GDP of the country which entered the trillion dollar club in 2007 is likely to triple by 2016 registering close to USD3 Tn in nominal terms.



India's Economic Growth Prospects

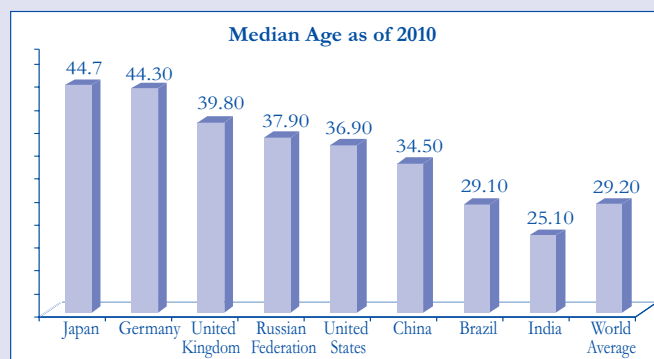
India's population is more than 17.80% of global population but its GDP constitutes less than 2.5% of global GDP. With several growth measures in place with demographic advantage, this ratio is expected to change for the better.



Low Median Age

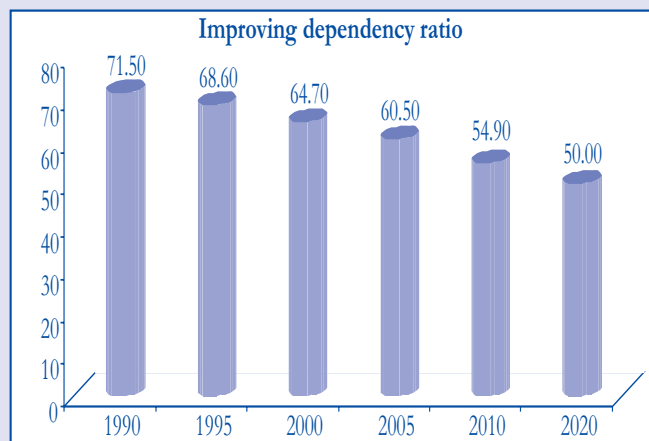
India's population is the youngest among leading developed and developing economies. The median age of India is as low as 24.7 years compared to global average which is 29.2 and its nearest peer China where it is 33.9 years. This age group is the most aspirant group which will help drive consumption and workforce. This demographic dividend has never been seen in this country before and in all probability may surpass in the long term even

developed economies where Population is aging, median age is high and overall population much lower than India.



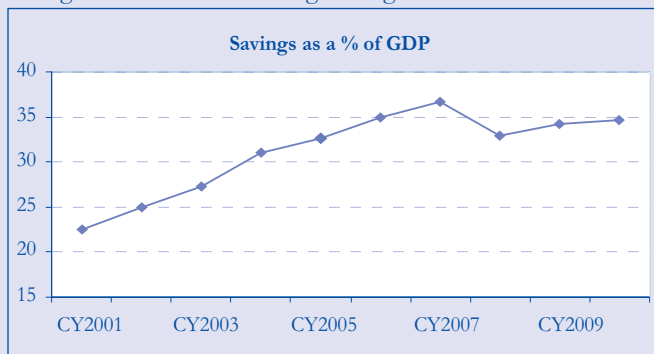
Improving dependency ratio

Dependency ratio is a measure that shows the number of dependents (aged 0-14 years and over the age of 65) to the total population (aged 15-64). This indicator gives insight into the number of people of non-working age compared to the number of those of working age. A high ratio means those of working age - and the overall economy - face a greater burden in supporting the aging population. The dependency ratio that is for every 100 people in India, which was 72 in 1990 has come down to 55 in 2010 and is further expected to fall to 50 in 2020. This is happening due to increase in the level of the standard of living, nuclear families, awareness of work culture and the rising needs of individuals. This helps increase employment, consumption and savings.



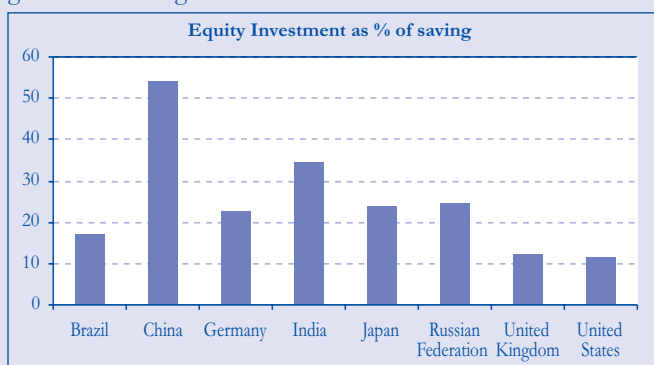
Savings as a percentage of GDP

Savings as a percentage of GDP for India is higher than most other economies of the world. The savings as a percentage of GDP in India is also on the rise as indicated in the template. Indians are traditionally known for their habits for savings. With minimal support from the government in their old age or for dependents, Indians save more than most global countries. The savings rate to GDP is among the highest in the world.



Household savings pattern

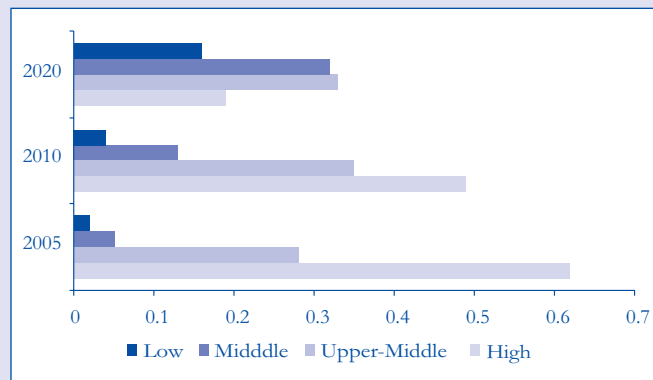
Though Savings as percentage of GDP is higher in India in comparison with other economies but the household savings pattern in India is not so matured. Around 25% of the savings finds its way towards Financial Instruments, with rest being kept at home or either as bank deposits. The Equity investment in US, direct and indirect constitutes of more than 60% where as in India it is less than 3%. Also, the number of d-mat accounts in the country is around 1% compare to China which is 10% and South Korea 11% which simply explains the visibility of growth in the segment.



Income Pyramid - Rise in consumer groups

The income Pyramid below shows that the population earning low income is declining steadily whereas those earning high income are on a steady rise and projected to increase sharply. Low income group that is population that earns upto USD2500 a year that constituted more than 60% in 2005 has fallen to less than 50% in 2010 and is expected to fall further to less than 20% by 2020 which clearly indicates the population that is coming out of poverty. Similarly, the high income group of more than USD10000 per annum has gone up from 2% in 2005 to 4% in

2010 and is projected to scale up to 16% till 2020, which gives us clear visibility of the kind of income growth in the country.



Low Penetration of Equity & financial services products in rural areas

According to sources, the top 10 cities in the country contribute 37% of the total income where as they contribute to more than 90% of total trading volume and 78% of total Mutual fund ownership. As mentioned earlier, inclusive growth, increasing number of wealthy individuals in rural India may soon change these numbers towards the progressive trend.

OPPORTUNITIES AND THREATS

Opportunities :

During the last decade, there has been a broadening and deepening of financial markets. Several new instruments and products have been introduced. Existing sectors have been opened to new private players. This has given a strong impetus to the development and modernization of the financial sector with Government playing the role of a facilitator. With the government aiming to achieve economic growth levels of 9% and upwards, supported by near normal agri growth, growth in core sectors, infrastructure spending and consumer demand are sure to be build up. Healthy and sustainable economic growth rate with sound macro-economic fundamentals leading to large investments by both public and private sector companies also provide good opportunities for companies in the industry. The international penetration by several means such as merger/acquisitions/ restructuring has thrown open wide arena for Indian Corporates to establish its hold in the international markets.

Threats :

Threat is posed primarily from that fact the securities market operation involves inbuilt risk and uncertainty to the investors. Increase in the intensity of competition from local and global players operating in India and slowdown of global liquidity flow, rise in the oil prices and industrial raw materials, declining investment demand are other threats associated with the nature of industry the Company operates in.

Presence of Indian and foreign brokerage houses, investment banks, and public and private sector commercial banks operating in the markets and international banks has made growth and expansion further more competitive for the Company.

Another major threat faced by the Company is the continuous downward pressure on the fees, commissions and brokerages caused by an overbanked market and willingness of most players to deliver services at very low fees. This has necessitated offering of standardized products at cost effective rates to maintain the existing customers and further attract new customers.

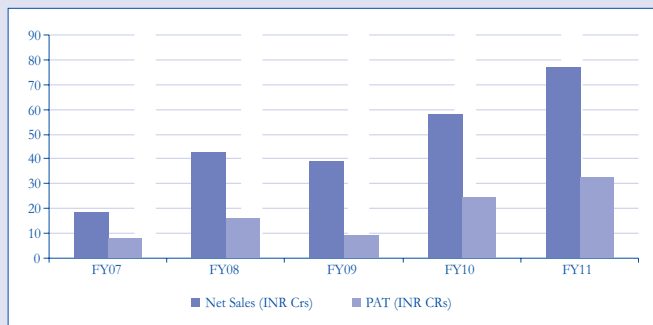
MICROSEC FINANCIAL & BUSINESS OVERVIEW

Financial Overview

Performance :

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India. Our management accepts responsibility for the integrity and objectivity of these financial statements, as well as for the various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present out state of affairs, profits and cash flows for the year. As a significant part of the business is being carried on through subsidiaries, we have used consolidated financial figures in our management discussion and analysis as we feel that the consolidated financial figures provide more accurate information on the performance of the company.

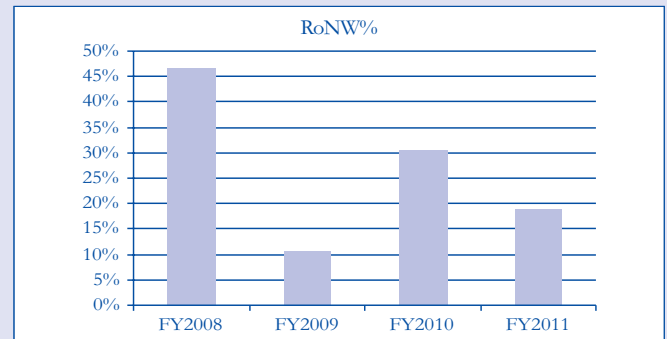
The revenue during the year increased to ₹ 77.05 Crores, registering a growth of more than 30%. All the business segments of the company witnessed growth during the year viz a viz previous year. The year 2010-11 was steady in terms of business except last 4 months wherein due to factors detailed in earlier part of our discussion, the company witnessed fall in revenue. The present revenue mix of your company is highly dependent on the state of Capital Markets. The business sentiments which were prevailing during last 4 months continued during first 2 months i.e. April & May 2011 also. We are hopeful about the future prospects of all our business segments and expect recovery in the business sentiments from 3rd quarter of the new financial year.



In last 5 years, the revenue of your company has grown at a CAGR of around 30%. Growth with Proper Risk Management and Focus on Regular Cash Flow from business operations were the corner stones of all business strategies of the Company in

past and that contributed immensely in this growth of the Company. The company will apply this philosophy in future growth strategies also.

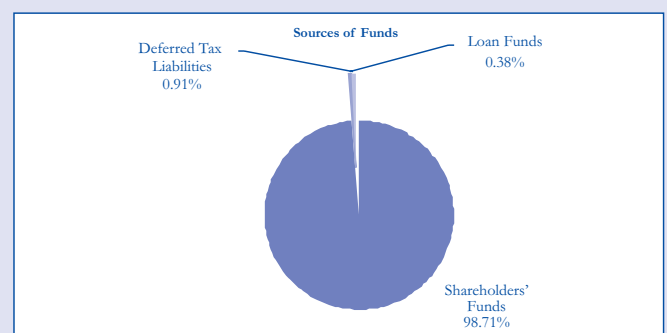
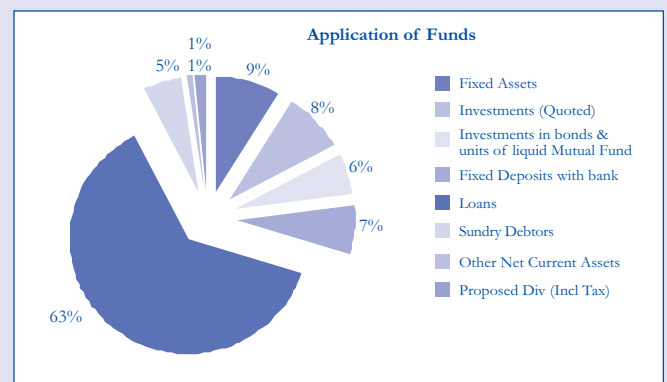
We will continue with our search for innovative business models either in financial services sector or in other sector and will implement the same in shortest possible time.



* Average Return on Net Worth has been calculated by taking average of opening and closing networth and impact in Equity share capital from date of new issue or buy back.

Capital Allocation :

Enhancement of shareholders' value through efficient use of capital in all business segments via proper business mix and its proper management always remained top priority of your Company. Your Company is almost a debt free Company and is in a position to leverage itself for any expansion plans.



BUSINESS OVERVIEW

An overview of various business segments and their future strategies are presented below :

Financing

The financing segment of the company mainly consists of Loan Against Shares (LAS) activities. We offer loan against shares to our clients, secured securities at appropriate margin levels. The LAS business helps the clients to leverage their equity market positions to take increased exposure. The LAS business along the line of leverage requirement of brokerage clients offers attractive business opportunity in our segment. However, the yield in LAS business depends mostly on state of capital market. Due to dull capital market scenario since Nov, 2010, the yield has come down due to low transactions by LAS clients in Cash Market Segment. The interest yield in Loans against good quality stocks have also come down. As your company is focused on financing against good quality stocks only, there has been pressure on the interest yield on this segment. Promoter's funding i.e. Financing Promoters' against their shares as collateral, constitutes a major part of LAS business in Industry but your company is not focussing into Promoters' funding because of liquidity and concentration risk of stock. We are observing changes in business dynamics of LAS business and are planning to diversify our financing business by venturing into other lines of financing business.

Brokerage

During the year, the BSE sensx moved up by 9.91% on YoY basis. Cash volumes were dried down to only 4% from a high of 8% of the total volume. Out of the total volume registered in the exchanges, 86.20% contributed by F&O segment in FY10-11 against 76.21% registered in FY09-10. Out of this, the volume registered in the options segment constituted 57% against 37% registered in FY09-10. The year witnessed huge shift of volumes to Options segment from the cash & futures segment. As per SEBI directive, the system of charging brokerage in the option segment was changed from strike price plus premium to premium only which resulted in fall in yield. Further, the lackluster movement of the market from November-10 onwards resulted in lower participation of Non-Institutional Clients in Cash Market Segment. The same trend continued in first 2 months of new financial year 2011 - 2012. We foresee tremendous scope for Brokerage business growth in medium to long term, however global developments along with domestic policy responses to the concern detailed in Macro-Economic Environment are likely to make 2011 - 2012 a challenging year for brokerage business. Our view on future growth prospects in medium to long term is very positive and hence we have formulated desired action plan to take benefit of medium to long term growth and simultaneously to shield ourselves in short term if the current trend continuous in the near term.

As on 31st March 2011, we had more than 30,000 registered clients for our Equity Brokerage Services and were operating through 225 outlets.

In Institutional business, we were successful in getting empanelment with 16 institutions on at 31st March, 2011. The Research team & sales team coordinate with the trading department of institutional clients on regular basis. Our edge in Research will assist in procuring sizeable business from institutional clients as well empanelment also from other institutions.

The Commodities exchange provides opportunity to the investors to diversify their portfolio as well as hedging opportunity also. The natural affection of Indians towards precious metal - Gold & Silver presents cross business opportunity and your company is geared up for the same.

Investment Banking

Our Investment Banking Division works very closely in conjunction with Management of some of our SME clients and provides regular Corporate Advisory services to them along with transaction based services. The approach facilitates in procuring transaction based services like Equity/Debt raising from out clients.

The segment is highly correlated with the Capital Market and the subdued sentiments in last 4 months had an impact on earnings of your company in last quarter. However, the year 2010-2011 as a whole was good and the segment has contributed immensely on revenue & net profit front. We expect 2011 - 2012 to be a steady year for our Investment Banking Business.

Wealth Management, Insurance Broking, Financial Planning & Distribution

India is a land of opportunity in Financial Services sector. GDP growth, Young Demography, Improving dependency ratio, 30 Crores strong middle income group - more than the population of USA, High Savings Society, Young demography, 64% population below age of 35 etc. makes the prospects of this division bright.

Around 3% of the savings are invested in equity market, leaving huge 97% of the savings for companies like us to advise clients to invest in proper savings instrument. It is estimated that around 36% of the Indian households keep savings in the form of cash at home. Bank deposits are considered as the most preferred forms of savings.

Indians have a high propensity to save but they put their money in low yielding instruments, they don't financially plan their future. We believe that there is an immense opportunity in this area for financial planner who analyses the resources of a family and prepare Personal Resource Planning for them. To tap this immense opportunity, your company has launched a unique knowledge based distribution model - Club Kautilya.

Club Kautilya :

Club Kautilya is the Personal Resource Planning arm of the Microsec Group. It envelops in its sphere a wide range of knowledge based services and solutions, tailored to match the clients' needs and requirements. Club Kautilya derives its name, philosophy and services from the fountain of knowledge - The Great Kautilya (also known as Chanakya) who installed and ensured prosperity in the nation through his Principles (Niti's) based on wisdom and it forms the corner stone of our Resource Planning. The Club Kautilya work with its clients to identify their goals and design a specific road map based on in-depth understanding and analysis of the available resources.

We believe that Club Kautilya is the way forward for our Wealth Management, Financial Planning, Distribution business and will change the distribution practices of the industry. With knowledge and requirement based selling gaining importance, the Club Kautilya will emerge as the successful business model in the future. We will target qualified professionals as our business partners (known as Certified Resource Planner) on a revenue sharing model. We will provide training to our Certified Resource Planners and will assist them in implementing the Plan.

Research

Your Company lays profound emphasis on Research and Knowledge across the gamut of financial services. Investment Research and Advisory play an important role to build a lasting relationship with clients and associates and help augment the performance of the company. Besides using the traditional tools to value companies, the forte of research lies in its abilities to think out of the box and give investment leads which are ahead of the times.

The research team members are sought after by leading print and electronic/web media for their views/inputs on various sectors/companies/market strategies. Our Research is also sought after by leading Institutional/HNI/Retail investors on a regular basis and is available on Bloomberg and Reuters and leading financial web pages.

Your company believes in financing accountability in all areas of work and to accountability of research, we benchmark our research performance against the performance of Benchmark indices. Microsec research has given an aggregate return of 51.50% across 119 companies since mid 2008 on an equal weighted basis, against Nifty performance of 16.40% and CNXMIDCAP performance of 20.90% (closing date 30/04/11- Details uploaded on website www.microsec.in). Our report "Brand Value Picks" released on August 19th, 2009 (a collection of 11 stocks) has given an aggregate return of 204% till March 2011 on an equal weighted basis against Nifty return of 30.80% and CXNMIDCAP index return of 26.20%.

RISK MANAGEMENT

The objective of risk management is to balance the trade off between risk and return and ensure optimum risk adjusted return on capital. The Risk Management Policies related to Financing, Debtors and Investments are in place and properly documented and reviewed continuously. The processes have been laid down to oversee the implementation of the policies and continuous monitoring of the same. .

Our Board level Committees viz. Audit Committee and Risk Management Committee oversee risk management policies and procedures. It reviews the credit and operational risks, reviews policies in relation to investment strategy and other risks like interest rate risk, compliance risk and liquidity risk.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Our internal control systems are adequate and provide, among other things, reasonable assurance of recording transactions of operations in all material respects and of providing protection against significant misuse or loss of Company assets.

Internal audit is conducted to assess the adequacy of our internal controls procedures and processes, and their reports are reviewed by the Audit Committee of the Board. Policy and process corrections are undertaken based on inputs from the internal auditors.

HUMAN RESOURCES

Your Company's multi-business context poses unique challenges to the Human Resource function. The Company's businesses are managed by a team of competent and passionate leaders, capable of enhancing your Company's standing in the competitive market. The Company's employees have a defining role in significantly accelerating its growth and transformation, thereby enhancing its position as one of the largest corporate houses. The Company has a structured recruitment process, the focus is on recruiting people who have the right mindset for working at Microsec, supported by structured training programmes and internal growth opportunities.

The total employee strength was 603 as on 31st March, 2011.

CAUTIONARY STATEMENT

Statements in the Management discussion and analysis, describing the Company's objectives, outlook, opportunities and expectations may constitute "Forward Looking Statements" within the meaning of applicable laws and regulations. The Actual result may vary materially from those expressed or implied in the statement. Several factors make a significant difference to the company's operations including the government regulations, taxation and economic scenario affecting demand and supply condition and other such factors over which the Company does not have any direct control.

Corporate Governance Report

1. CORPORATE GOVERNANCE PHILOSOPHY

Your Company always believes in managing its affairs with diligence, transparency, responsibility, and accountability. Knowledge, Commitment, Transparency and Partnership form part of the core beliefs of all activities at Microsec, which has been the continuing basis of its growth and all-round development. Best results are achieved when the companies begin to treat the Corporate Governance system not as a mere structure but as a way of corporate life. Good Corporate Governance practices have always been an integral part of your Company's philosophy and is committed to achieving and maintaining the highest standard of Corporate Governance.

2. BOARD OF DIRECTORS

The Board of Directors of the Company has an optimum combination of executive and non-executive directors and is in conformity with Clause 49 of the Listing Agreement. The Company has an Executive Chairman, and 67% of the total numbers of Directors are Independent. The management of the Company is headed by the Chairman & Managing Director who operates under the supervision and control of the Board. The Board reviews and approves strategy and oversees the actions and results of management to ensure that the long-term objectives of enhancing stakeholder value are met.

Number of Board Meetings

The Board of Directors met four times during the year ended 31st March, 2011, on 15th June, 2010, 28th September, 2010, 9th November, 2010 and 9th February, 2011. All meetings were well attended. The maximum interval between any two meetings was well within the maximum allowed gap of four months.

Directors' Attendance Record and Directorship Held

As mandated by the Clause 49, none of the Directors are members of neither more than ten Board level Committees nor are they Chairman of more than five Committees in which they are Directors.

Composition of the Board

As at 31st March, 2011, the Company's Board comprised of six members. The Chairman of the Board is the Managing Director of the Company and five other members are Non-Executive Directors. The table below gives the names and categories of Directors, their attendance at the Board Meetings held during the year and at the last Annual General Meeting, as also the number of Directorships and Committee positions held by them in other companies :

Name of Directors	Category	No. of Board Meeting		Attendance at the last AGM	No. of Directorships and Committee Memberships/Chairmanship		
		Held	Attended		Directorships*	Committee Memberships**	Committee Chairmanships**
B. L. Mittal	Promoter Executive	4	4	Yes	5	–	–
R. K. Sharma	Promoter Non-Executive	4	4	Yes	5	–	–
P. K. Chattaraj	Independent Non-Executive	4	3	Yes	6	1	–
R. N. Bhardwaj	Independent Non-Executive	4	4	No	8	7	4
D. P. Roy	Independent Non-Executive	4	4	No	6	3	2
G. Vallabh***	Independent Non-Executive	4	2	NA	1	–	–

* Excludes directorship in Private Limited Companies, Foreign Companies and Government Companies.

** Only memberships/chairmanships of the Audit Committees and Shareholders Grievance Committees in various public limited companies, considered.

*** Appointed as an Additional Director and Chairman of the Audit Committee w.e.f. 9th November, 2010.

Code of Conduct

The Board has laid down the Code of Conduct for its members and for designated Senior Management Personnel of the Company. The Code has been posted on the Company's website www.microsec.in. All Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct.

Risk Management

The Company has a well-defined risk management policy in place. The Board assesses the risk and the procedures being followed by the Company and steps taken by it to mitigate these risks.

The Board has also constituted a Risk Management Committee which ensure that the management controls risks through means of a properly defined framework.

3. AUDIT COMMITTEE

As on 31st March, 2011, the Audit Committee comprised of five Non-Executive Directors, of which four are Independent. The Committee comprises of :

- i) Prof. (Dr.) Gourav Vallabh - *Chairman*
- ii) Mr. Parimal Kumar Chattaraj - *Member*
- iii) Mr. Raj Narain Bhardwaj - *Member*
- iv) Mr. Deba Prasad Roy - *Member*
- v) Mr. Ravi Kant Sharma - *Member*

The Audit Committee of the Board, inter alia, provides reassurance to the Board on the existence of an effective internal control environment that ensures :

- efficiency and effectiveness of operations, both domestic and overseas;
- safeguarding of assets and adequacy of provisions for all liabilities;
- reliability of financial and other management information and adequacy of disclosures;
- compliance with all relevant statutes.

The Audit Committee is empowered, pursuant to its terms of reference, inter-alia, to :

- investigate any activity within its terms of reference and to seek any information it requires from any employee;
- obtain legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, when considered necessary.

The role of the Committee includes the following :

- (a) Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- (b) Recommending the appointment and removal of external auditors, fixation of audit fee and approval of payment of fees for any other services rendered by the auditors;
- (c) Reviewing with the management the financial statements before submission to the Board, focusing primarily on :
 - Any changes in accounting policies and practices
 - The going concern assumption
 - Major accounting entries based on exercise of judgment by management
 - Significant adjustments arising out of audit
 - Compliance with Accounting Standards
 - Compliance with Stock Exchange and legal requirements concerning financial statements
 - Related party transactions
 - Qualifications (if any) in draft audit report
 - Report of the Directors & Management Discussion and Analysis;

- (d) Reviewing with the management, external and internal auditors, the adequacy of internal control systems and the Company's statement on the same prior to endorsement by the Board;
- (e) Reviewing the adequacy of the internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;
- (f) Reviewing reports of internal audit, including that of wholly owned subsidiaries, and discussion with internal auditors on any significant findings and follow-up thereon;
- (g) Reviewing the findings of any internal investigations by the internal auditors and the executive management's response on matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board;
- (h) Discussion with the external auditors, before the audit commences, on nature and scope of audit, as well as after conclusion of the audit, to ascertain any areas of concern and review the comments contained in their management letter;
- (i) Reviewing the Company's financial and risk management policies;
- (j) Looking into the reasons for substantial defaults, if any, in payment to shareholders (in case of non-payment of declared dividends) and creditors;
- (k) Approval of appointment of CFO (i.e., the Wholetime Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
- (l) Review of uses/application of funds raised through an issue (public issue/rights issue/preferential issue, etc.).
- (m) Considering such other matters as may be required by the Board;
- (n) Reviewing any other areas which may be specified as role of the Audit Committee under the Listing Agreement, Companies Act and other statutes, as amended from time to time.

Minutes of the Audit Committee meetings are circulated to the members of the Board of Directors and taken note of.

The Audit Committee met on 15th June, 2010 before the listing of the shares with the exchanges and on 9th November, 2010 and 9th February, 2011 after the listing of shares.

The details of the Composition of the Committee, Number of meetings held and the attendance of the Directors thereat is given herein below :

Name of members	Category	Status	No. of meeting	
			Held	Attended
Prof. (Dr.) Gourav Vallabh	Independent	Chairman	3	1
Parimal Kumar Chattaraj	Independent	Member	3	3
Raj Narain Bhardwaj	Independent	Member	3	3
Deba Prasad Roy	Independent	Member	3	3
Ravi Kant Sharma	Non-Independent Non-Executive	Member	3	3

Internal Auditors and Statutory Auditors are regularly invited to attend the Audit Committee meetings. The Company Secretary is the Secretary to the Committee.

Mr. Parimal Kumar Chattaraj, the then Chairman of the Committee was present at the previous Annual General Meeting of the Company.

All the members of the Audit Committee possess strong accounting and financial management expertise.

4. REMUNERATION AND NOMINATION COMMITTEE

As of 31st March, 2011, the Remuneration and Nomination Committee comprised of 3 members. The Committee comprises of :

- i) Mr. Parimal Kumar Chattaraj - *Chairman*
- ii) Mr. Raj Narain Bhardwaj - *Member*
- iii) Mr. Deba Prasad Roy - *Member*

The terms of reference of the Remuneration and Nomination Committee is to look into the entire gamut of remuneration package for the Executive Director(s) and revise their remuneration suitably within the limits prescribed under the Companies Act, 1956, decide on commission payable to the Directors within the prescribed limits and as approved by the shareholders of the Company and to formulate and administer Employees Stock Option Scheme.

The Committee met once during the year under review on 15th June, 2010. The attendance details of the Committee Meetings are as under :

Name of members	Category	Status	No. of meeting	
			Held	Attended
Parimal Kumar Chattaraj	Independent	Chairman	1	1
Raj Narain Bhardwaj	Independent	Member	1	1
Deba Prasad Roy	Independent	Member	1	1

Remuneration Policy

The success of the organisation in achieving good performance and good governing practice depends on its ability to attract and retain individuals with requisite knowledge and excellence as executive and non-executive Directors.

With this objective, the Board, Remuneration and Nomination Committee decides on the remuneration to be paid to the Executive and Non-Executive Directors.

While deciding on the remuneration to the Directors, the Board and Remuneration and Nomination Committee considers the performance of the Company, the current trends in the industry, the qualifications of the appointee, his experience, level of responsibility, past performance and other relevant factors.

Payment of remuneration to the Executive Director is covered by the terms and condition of their appointment as recommended by the Remuneration Committee and approved by the Board subject to the approval of the shareholders and the Central Govt. where applicable.

Remuneration paid to Directors

The Independent Directors are paid a sitting fee of ₹ 12,500 for every Meeting of the Board and ₹ 7,500 for every meeting of the Audit Committee and ₹ 5,000 for every meeting of the Committees of the Board attended by them. No sitting fee is paid to Mr. Banwari Lal Mittal and Mr. Ravi Kant Sharma, the Non-Independent Directors of the Company.

During 2010-11, the Company did not advance any loans to any of its Directors.

Details of the sitting fees paid to the Directors during the year ended 31st March, 2011 are as follows :

Name of the Directors	Category	Sitting Fees (₹)
Banwari Lal Mittal	Executive	–
Ravi Kant Sharma	Non-Executive	–
Parimal Kumar Chattaraj	Independent	75,000
Raj Narain Bhardwaj	Independent	87,500
Deba Prasad Roy	Independent	77,500
Prof. (Dr.) Gourav Vallabh	Independent	32,500

No commission was paid to the Directors during the year ended 31st March, 2011.

Remuneration to the Chairman & Managing Director

During the year under review, the details of remuneration paid to Executive Director is appended below :

Name of Director	Salary (₹) per annum	Performance linked incentives (₹)	Monetary value of perquisites (₹)	Sitting Fees (₹)	Total (₹)
Banwari Lal Mittal	38,19,736	–	14,120	–	38,33,856

Shares held by the Non-Executive Directors

The Table below gives details of the Equity Shares of the Company held by the Non-Executive Directors as on 31st March, 2011.

Name of the Directors	Category	Number of Equity shares held
Ravi Kant Sharma	Non-Executive Non-Independent Director (Promoter of the Company)	8,76,800
Parimal Kumar Chattaraj	Non-Executive Independent Director	NIL
Raj Narain Bhardwaj	Non-Executive Independent Director	NIL
Deba Prasad Roy	Non-Executive Independent Director	NIL
Gourav Vallabh	Non-Executive Independent Director	NIL

5. SHAREHOLDERS/INVESTORS' GRIEVANCE AND SHARE TRANSFER COMMITTEE

The Company's Shareholders/Investors' Grievance and Share Transfer Committee comprised of the following members :

i) Mr. Raj Narain Bhardwaj, Independent Director	Chairman
ii) Mr. Parimal Kumar Chattaraj, Independent Director	Member
iii) Mr. Banwari Lal Mittal, Chairman and Managing Director	Member

Mr. Biplab Kumar Mani, Company Secretary is designated as the Compliance Officer.

Terms of references :

- To deal with and decide all matters relating to the registration of transfer and transmission of shares and debentures, issue of duplicate share certificate or allotment letters and certificates for debentures in lieu of those lost/misplaced.
- To redress shareholders and investors complaints relating to transfer of shares, non receipt of balance sheet and non receipt of declared dividends, among others.
- To monitor the compliances of Code of Prevention of Insider Trading framed by the Company.
- To effect dematerialisation and re-materialisation of shares of the Company.

During the year under review, the Committee met three times on 15th June, 2010, 9th November, 2010 and 9th February, 2011 which was attended by all the members of the Committee.

Details of queries and grievances received and attended to by the Company during the year 2010-11 are given herein below :

Sl. no.	Nature of Complaint	Pending as on 31.03.2010	Received during the year	Redressed during the year	Pending as on 31.03.2011
1.	Letters from Investors- Non-allotment of shares and refund of application money	NIL	169	169	NIL
2.	Letter from Investor in respect of Correction in Refund order	NIL	8	8	NIL
3.	Letter from SEBI - Non-allotment of shares and refund of application money	NIL	68	68	NIL
4.	Letter from BSE - Refund of application money	NIL	2	2	NIL

The name, designation and address of Compliance Officer of the Company is as under :

Name and Designation : Mr. Biplab Kumar Mani, Company Secretary & Compliance Officer

Address : Azimganj House, 2nd Floor, Kolkata - 700 017

Contacts : Phone : +91 33 2282 9330, Fax : +91 33 2282 9335, E-mail : investors@microsec.in

6. SUBSIDIARY COMPANIES

Clause 49 defines a "Material Non-listed Indian subsidiary" as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid-up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year. Under this definition, the Company has one 'Material Non-listed Indian subsidiary' i.e. Microsec Capital Limited (MCA). Mr. Parimal Kumar Chattaraj, an Independent Director on the Board of the Company is also a Director on the Board of MCA.

The financial statements including particulars of investments made by all the unlisted subsidiary companies are reviewed by the Audit Committee.

Your Company has a system of placing the minutes and statements of all the significant transactions of all the unlisted subsidiary companies in the Meeting of Board of Directors.

7. GENERAL BODY MEETING

The following table gives the details of the last three Annual General Meetings of the Company :

Year	AGM date and time	Venue	No. of special resolutions passed
2009-10	15th July, 2010 at 11.30 a.m.	Shivam Chambers, 1st Floor 53 Syed Amir Ali Avenue, Kolkata - 700 019	One
2008-09	30th September, 2009 at 11.30 a.m.	Shivam Chambers, 1st Floor 53 Syed Amir Ali Avenue, Kolkata - 700 019	Two
2007-08	29th September, 2008 at 11.00 a.m.	Shivam Chambers, 1st Floor 53 Syed Amir Ali Avenue, Kolkata - 700 019	None

The special resolution was passed on show of hands.

No resolution was passed through postal ballot during the previous year.

8. DISCLOSURES

i) Transactions with related parties as per requirements of Accounting Standard 18, Related Party Disclosure are disclosed elsewhere in this Annual report.

The Company has not entered into any other transaction of a material nature with the Promoters, Directors or the Management, their subsidiaries or relatives etc. that may have a potential conflict with the interests of the Company at large.

ii) The Company has complied with all the requirements of regulatory authorities. No penalties/strictures were imposed on the Company by stock exchanges or SEBI or any statutory authority on any matter related to capital market since the listing of the Company's equity shares.

iii) The Company has complied with the mandatory requirements of Clause 49.

iv) The Company has complied with the following non-mandatory requirements as prescribed in Annexure ID to Clause 49 of the Listing Agreement :

a) The Company has set up a Remuneration and Nomination Committee long before it got listed. Please see the para on Remuneration and Nomination Committee for details.

b) The financial statements of the Company are unqualified.

v) The Company has followed the Guidelines of Accounting Standards laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.

Code for Prevention of Insider-Trading Practices

In compliance with the SEBI Regulations on prevention of insider trading, the Company has framed a comprehensive Code

of Conduct for prevention of Insider Trading for its designated employees. The Code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of the Company, and cautioning them of the consequences of violations.

9. MEANS OF COMMUNICATION WITH SHAREHOLDERS

- i) **Publication of Results :** The Company publishes quarterly, half-yearly and annual results in national and local dailies.
- ii) **News, Release etc :** The Company has its own website <http://www.microsec.in> and all vital information relating to the Company and its performance including financial results and corporate presentations etc. are regularly posted on the website.
- iii) **Investors' Relation :** The Company's website contains a separate dedicated section "Investor Relation" where Shareholders' information is available.
- iv) Management Discussion and Analysis Report has been included in the Annual Report, which forms a part of the Annual Report.

10. GENERAL SHAREHOLDER INFORMATION

i. Annual General Meeting :

Date : 4th August, 2011
 Time : 11.00 a.m.
 Venue : 'Gyan Manch', 11, Pretoria Street, Kolkata - 700 071

ii. Financial calendar :

Financial Year 1st April, 2011 to 31st March, 2012.
 22nd Annual General Meeting - 4th August, 2011

Particulars	Quarter/Half year/Year ending	Tentative schedule
Unaudited Financial Result (1st Quarter)	Quarter ended 30.06.2011	On or before 14th August, 2011
Unaudited Financial Result (2nd Quarter)	Quarter ended 30.09.2011	On or before 15th November, 2011
Unaudited Financial Result (3rd Quarter)	Quarter ended 31.12.2011	On or before 15th February, 2012
Audited Financial Result (Annual)	Year ended 31.03.2012	On or before 30th May, 2012

iii. Book closure date :

Information about the Book Closure dates has been provided in the Notice convening the AGM, which forms a part of the Annual Report,

iv. Dividend Payment date :

Subject to the approval of the members, the dividend of ₹ 1(one) per share as recommended by the Board of Directors shall be paid to the eligible shareholder to the Company well before the stipulated 30 days period after the AGM as provided under the Companies Act.

v. Company Registration Details :

The Company is registered in the State of West Bengal, India. The Corporate Identification No. (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is L65993WB1989PLC047002

vi. Listing of equity shares on stock exchanges :

The Company's Shares are listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). The requisite listing fees for 2011-12 has been paid in full to BSE and NSE

vii. Stock code & ISIN No. :

BSE : 533259
 NSE : MICROSEC

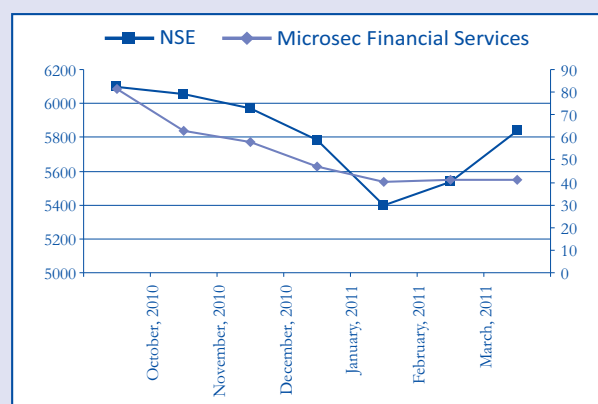
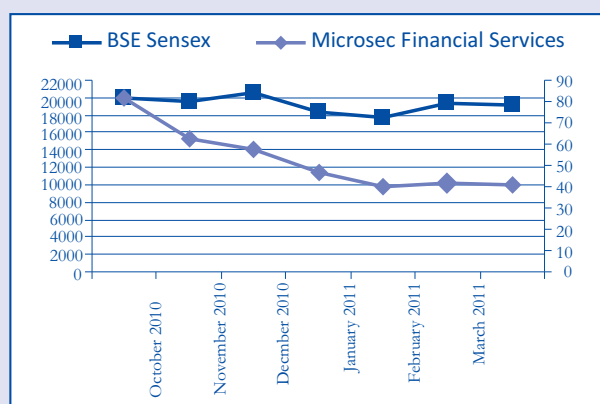
The International Securities Identification Number (ISIN) allotted to our shares under the depository system is INE019J01013.

viii. **Market Price Data :**

High, Low during each month (since 5th October, 2010, being the date of listing of the shares of the Company) in the last financial year at BSE and NSE :

Month	BSE (₹)		NSE (₹)	
	High	Low	High	Low
October, 2010	141.00	80.75	142.00	79.75
November, 2010	105.00	61.00	94.70	60.20
December, 2010	71.00	44.25	70.75	50.10
January, 2011	63.95	45.75	61.90	44.00
February, 2011	48.80	38.25	48.85	38.10
March, 2011	43.60	38.00	43.40	38.10

ix. **Performance in comparison to broad-based indices such as BSE Sensex, etc. :**



x. **Registrar & Transfer Agent :**

Link Intime India Private Limited

C- 13, Pannalal Silk Mills Compound

LBS Marg, Bhandup (West)

Mumbai - 400 078

Phone : +91 22 2594 6970

Fax : +91 22 2594 6969

xi. **Share Transfer System :**

Trading in Equity Shares of the Company is permitted only in dematerialised form. Shares sent for transfer in physical form are registered and returned within a period of thirty days from the date of receipt of the documents, provided the documents are valid and complete in all respects. With a view to expediting the process of share transfers Mr. Biplab Kumar Mani, Company Secretary and Authorised Representative of Link Intime India Private Limited be and is hereby severally authorised to approve transfer of equity shares and the same shall be ratified in the next meeting of the Shareholders/Investors Grievance Committee. The Shareholders/Investors Grievance Committee meets as and when required to consider the other transfer, transmission of shares etc. and attend to shareholder grievances.

xii **Distribution of shareholding and shareholding pattern as on 31st March, 2011 :**

a) **Distribution of shareholding :**

No. of equity shares held (range)	No. of shareholders	% of shareholders	No. of shares	% of shareholders
1 - 500	26,107	94.8208	23,98,414	7.5397
501 - 1000	675	2.4516	5,45,229	1.7140
1001 - 2000	331	1.2022	5,03,245	1.5820
2001 - 3000	120	0.4358	3,04,866	0.9584
3001 - 4000	53	0.1925	1,88,849	0.5937
4001 - 5000	60	0.2179	2,85,227	0.8966
5001 - 10000	72	0.2615	5,25,195	1.6510
10001 and more	115	0.4177	2,70,59,475	85.0646
TOTAL	27,533	100.000	3,18,10,500	100.0000

b) **Shareholding pattern :**

Sl. No.	Description	Number of Shares	% to capital
I.	Promoters and Promoter Group	1,86,30,000	58.57
II.	Mutual Funds	4,10,917	1.29
III.	Financial Institutions/Banks	24,068	0.08
IV.	Foreign Institutional Investors/Foreign Companies/Foreign Venture Capital	18,11,169	5.69
V.	NRIs/OCBs	81,449	0.26
VI.	Bodies Corporate	22,94,343	7.21
VII.	Clearing Member	1,96,345	0.62
VIII.	Trust	18,45,622	5.80
IX.	Resident Individuals	65,16,587	20.48
	TOTAL	3,18,10,500	100.00

xiii. **Dematerialisation of shares and liquidity :**

As on 31st March, 2011, 47.02% of the total equity share capital was held in dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited. The market lot is one share as the trading in equity shares of the Company is permitted only in dematerialised form. Other than the capital, which is, locked post-IPO for the specified periods, the stock is liquid.

xiv. **Outstanding convertible instruments, conversion date and likely impact on equity :**

As on 31st March, 2011, the Company did not have any outstanding GDRs/ADRs/Warrants or any Convertible instruments.

xv. **Plant Locations :**

The Company is in the business of providing financial services, therefore, it does not have any manufacturing plants.

xvi. **Address for Correspondence :**

Shareholders may correspond with the Registrars and Transfer Agent, at the address mentioned hereinabove on all matters relating to non-receipt of share application money and non-credit of shares in demat account and any other query relating to shares of the Company. Shareholders would have to correspond with the respective Depository Participants for shares held in demat mode.

For all investor related matters, Company Secretary & Compliance Officer can be contacted at the following address of the Company at :

i) **Registered Office :**

Microsec Financial Services Limited
Shivam Chambers, 1st Floor,
53 Syed Amir Ali Avenue, Kolkata - 700 019
Phone : +91 33 3051 2100, Fax : +91 33 3051 2020
E-mail : investors@microsec.in

ii) **Corporate Office :**

Microsec Financial Services Limited
Azimganj House, 2nd Floor
7 Camac Street, Kolkata - 700 017
Phone : +91 33 2282 9330, Fax : +91 33 2282 9335
E-mail : investors@microsec.in

The Company can also be visited at its website <http://www.microsec.in>

AUDITORS' CERTIFICATE

To
The Members of
Microsec Financial Services Limited

We have examined the compliance of conditions of corporate governance by Microsec Financial Services Limited, for the year ended 31st March 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with 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 the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

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

For **S. R. BATLIBOI & CO.**
Chartered Accountants
Firm Registration Number : 301003E
Per **R. K. Agrawal**
Partner
Membership No. 16667

Place : Kolkata
Dated : 27th May, 2011

CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

We, Banwari Lal Mittal, Chairman and Managing Director and Giridhar Dhelia, Chief Financial Officer of Microsec Financial Services Limited, to the best of our knowledge and belief, certify that :

- (a) We have reviewed the financial statements and the cash flow statement for the year ended 31st March, 2011 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;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- (b) To the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2011 are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting 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 during the year;
 - (ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control.

Place : Kolkata
Date : 27th May, 2011

Banwari Lal Mittal
Chairman and Managing Director

Giridhar Dhelia
Chief Financial Officer

ANNUAL CERTIFICATE UNDER CLAUSE 49(I)(D) OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGE(S)

I, Banwari Lal Mittal, Chairman & Managing Director of the Company declare that all Board Members and Senior Management of the Company have affirmed compliance with the Code of Conduct during the year ended 31st March, 2011.

Place : Kolkata
Date 27th May, 2011

Banwari Lal Mittal
Chairman and Managing Director

AUDITORS' REPORT

To
The Members of
Microsec Financial Services Limited

1. We have audited the attached Balance Sheet of **MICROSEC FINANCIAL SERVICES LIMITED** ('the Company') as at March 31, 2011 and also the Profit & Loss account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 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, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the Balance Sheet, Profit & Loss Account 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 Companies Act, 1956;
 - v. On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
 - b) in the case of Profit & Loss Account, 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 **S. R. BATLIBOI & CO.**
Firm Registration No. 301003E
Chartered Accountants
Per **R. K. Agrawal**
Partner
Membership No. 16667

Place : Kolkata
Date : 27th May 2011

ANNEXURE TO THE AUDITORS' REPORT

ANNEXURE TO THE AUDITORS' REPORT (REFERRED TO IN OUR REPORT OF EVEN DATE TO THE MEMBERS OF MICROSEC FINANCIAL SERVICES LIMITED AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2011)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed Assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) The Company does not have any inventory and hence clauses (ii) (a) to (c) of the Companies (Auditor's Report) Order, 2003 (as amended), are not applicable.
- (iii) (a) The Company has granted loans to four companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 8,000 Lacs and the year-end balance of loans granted to such parties was ₹ 3,082.12 Lacs.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima-facie prejudicial to the interest of the Company.
- (c) The loans granted are re-payable on demand. As informed, the Company has received repayment of loans during the year to the extent demanded and thus, there has been no default on the part of the parties to whom the money has been lent. The payment of interest has been regular.
- (d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- (e) The Company has taken inter-corporate deposit from one Company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 900 Lacs and the year-end balance of inter-corporate deposit taken from such party was ₹ Nil.
- (f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such inter-corporate deposit are not prima facie prejudicial to the interest of the Company.
- (g) In respect of inter-corporate deposit taken, the repayment of principal amount was as stipulated and payments of interest have been regular.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas. The Company has not made any purchase of inventory or sale of goods during the year and hence, this clause is not applicable with respect to the above areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of ₹ five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public within the purview of Sections 58A and 58AA of the Companies Act, 1956 and the Rules framed there under.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) Since the Company is not engaged in any manufacturing, processing or mining activities, the clause relating to maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 is not applicable.
- (ix) (a) The Company has generally been regular in depositing undisputed statutory dues including investor education and protection fund, income tax, wealth tax, service tax, custom duty, sales tax, excise duty, cess and other material statutory dues with

ANNEXURE TO THE AUDITORS' REPORT

the appropriate authorities, *though there has been slight delays in few cases*. The provisions relating to provident fund and employees' state insurance are not applicable to the Company.

Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of investor education and protection fund, income tax, wealth tax, service tax, customs duty, sales tax, excise duty, cess and other material statutory dues were outstanding, as on the Balance Sheet date, for a period of more than six months from the date they became payable. The provisions relating to provident fund and employees' state insurance are not applicable to the Company.
- (c) According to the information and explanations given to us, there are no dues of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution. Further, the Company has not taken any loan from bank nor there have any outstanding debentures during the year.
- (xii) Based on our examination of the documents and records, we are of the opinion that the Company has maintained adequate records in respect of loans and advances granted on the basis of security by way of pledge of shares. As informed, no loans and advances have been granted by the company on the basis of security by way of pledge of debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order, are not applicable.
- (xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Order are not applicable.
- (xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by wholly owned subsidiaries from bank or financial institutions, the terms and conditions whereof, in our opinion, are not prima-facie prejudicial to the interest of the Company.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) We have verified that the end use of money raised by public issues is as disclosed in the notes to the financial statements.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **S. R. BATLIBOI & CO.**
Firm Registration No. 301003E
Chartered Accountants

Per **R. K. Agrawal**
Partner

Membership No. 16667

Place : Kolkata
Date : 27th May 2011

BALANCE SHEET AS AT 31ST MARCH, 2011

	Schedules	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
(a) Share Capital	1	31,81,05,000	19,31,05,000
(b) Reserves & Surplus	2	1,75,74,97,160	37,62,49,240
2. Deferred Tax Liability (Net)		60,70,652	60,77,608
		2,08,16,72,812	57,54,31,848
II. APPLICATION OF FUNDS			
1. Fixed Assets	3		
Gross Block		12,64,36,100	12,55,64,639
Less : Accumulated Depreciation/Amortisation		3,84,74,868	2,89,65,141
Net Block		8,79,61,232	9,65,99,498
2. Investments	4	44,24,40,817	15,95,11,180
3. Current Assets, Loans & Advances			
I Current Assets			
(a) Sundry Debtors	5	69,90,131	24,81,750
(b) Cash & Bank Balances	6	9,22,18,972	51,86,846
(c) Other Current Assets	7	2,10,854	–
II Loans and Advances	8	1,49,92,92,673	30,88,89,986
		1,59,87,12,630	31,65,58,582
Less : Current Liabilities & Provisions			
(a) Current Liabilities	9	27,23,856	65,47,230
(b) Provisions	10	4,47,18,011	60,989
		4,74,41,867	66,08,219
Net Current Assets		1,55,12,70,763	30,99,50,363
4. Miscellaneous Expenditure	11	–	93,70,807
(To the extent not written off or adjusted)			
		2,08,16,72,812	57,54,31,848
Significant Accounting Policies & Notes to Accounts	17		

Schedules referred to above form an integral part of the Balance Sheet

As per our report of even date
For **S. R. BATLIBOI & CO.**
Firm Registration No. : 301003E
Chartered Accountants
R. K. Agrawal
Partner
Membership No. 16667
Place : Kolkata
Date : 27th May, 2011

For and on behalf of the Board of Directors

B. L. Mittal
Chairman & Managing Director

Ravi Kant Sharma
Director

Giridhar Dhelia
Chief Financial Officer

Biplab Kumar Mani
Company Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	Schedules	2010-2011 (₹)	2009-2010 (₹)
INCOME			
Income from Operations	12	27,12,60,170	18,08,08,850
Other Income	13	11,71,142	1,66,447
		27,24,31,312	18,09,75,297
EXPENDITURE			
Payments to and Provisions for Employees	14	68,19,228	54,87,071
Administrative and Other Expenses	15	1,12,27,899	1,80,14,694
Director's Remuneration (Refer Note No. B (viii) on Schedule 17)		41,06,356	27,61,620
Interest	16	19,12,173	72,27,857
Provision for Standard Assets (Refer Note No. B (v) on Schedule 17)		36,99,761	–
		2,77,65,417	3,34,91,242
PROFIT BEFORE DEPRECIATION AND TAXATION		24,46,65,895	14,74,84,055
Depreciation/ Amortisation		95,09,727	1,00,92,080
PROFIT BEFORE TAXATION		23,51,56,168	13,73,91,975
Provision for Taxation :			
- Current Tax		5,53,14,723	2,41,72,209
- Deferred Tax Charge/(Credit)		(6,956)	23,10,935
		5,53,07,767	2,64,83,144
PROFIT AFTER TAX		17,98,48,401	11,09,08,831
Balance Brought Forward from Previous year		15,25,48,740	7,38,39,909
BALANCE AVAILABLE FOR APPROPRIATION		33,23,97,141	18,47,48,740
Appropriations			
Transferred to Reserve under Section 45-IC of the RBI Act, 1934		3,60,00,000	2,22,00,000
Transferred to Capital Redemption Reserve		–	1,00,00,000
Proposed Dividend		3,18,10,500	–
Dividend Tax thereon		51,60,617	–
BALANCE CARRIED TO BALANCE SHEET		25,94,26,024	15,25,48,740
Earnings Per Share (Basic & Diluted) (Nominal Value per Share ₹ 10)		7.04	5.71
Significant Accounting Policies & Notes to Accounts	17		

Schedules referred to above form an integral part of the Profit & Loss Account

As per our report of even date
For **S. R. BATLIBOI & CO.**
Firm Registration No. : 301003E
Chartered Accountants
R. K. Agrawal
Partner
Membership No. 16667
Place : Kolkata
Date : 27th May, 2011

For and on behalf of the Board of Directors

B. L. Mittal
Chairman & Managing Director

Ravi Kant Sharma
Director

Giridhar Dhelia
Chief Financial Officer

Biplab Kumar Mani
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

	2010-11 (₹)	2009-10 (₹)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax	23,51,56,168	13,73,91,975
Adjustments for :		
Loss on assignment of receivables	–	1,12,67,634
Irrecoverable debts/advances written off	–	2,32,068
Interest on Fixed Deposits & Others	(11,69,908)	–
Provision for Standard Assets	36,99,761	–
Depreciation/Amortization	95,09,727	1,00,92,080
Operating Profit before Working Capital Changes	24,71,95,748	15,89,83,757
(Increase)/Decrease in Debtors	(45,08,381)	3,84,55,624
(Increase) in Loans & Advances	(1,19,33,62,904)	(8,46,52,684)
(Increase) in Investments	(28,29,29,637)	4,59,42,924
(Decrease) in Current Liabilities	(8,944)	(50,59,447)
Cash generated from operations	(1,23,36,14,118)	15,36,70,174
Income Tax paid	(4,80,99,487)	(2,27,69,784)
Net Cash generated from Operating Activities	(1,28,17,13,605)	13,09,00,390
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(8,71,461)	(10,32,585)
Investment in Fixed Deposits	(35,73,75,000)	–
Encashment of Fixed Deposits	35,00,00,000	–
Interest on Fixed Deposits	7,51,168	–
Net Cash (used in)/from Investing Activities	(74,95,293)	(10,32,585)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Buy Back of Equity Shares	–	(12,50,00,000)
Proceeds from issue of Equity Share Capital	12,50,00,000	–
Proceeds from Securities Premium on issue of Equity Share Capital	1,35,00,00,000	–
Proceeds from Borrowings	32,86,00,000	1,70,89,00,000
Repayment of Borrowings	(32,86,00,000)	(1,70,89,00,000)
IPO related expenses	(10,63,30,328)	(52,99,036)
Net Cash (used in)/from Financing Activities	1,36,86,69,672	(13,02,99,036)
D. Net change in Cash and Cash Equivalents (A+B+C)	7,94,60,774	(4,31,231)
E. Cash and Cash equivalents - Opening Balance	51,86,846	56,18,077
F. Cash and Cash equivalents - Closing Balance	8,46,47,620	51,86,846
Cash & Cash Equivalent as indicated in Schedule 6 comprises of		
Cash-in-Hand	7,489	4,579
Cheque-in-Hand	–	10,350
Balances with Scheduled Banks *	8,46,40,131	51,71,917
TOTAL	8,46,47,620	51,86,846

* Excludes balance of ₹ 1,96,352 (₹ Nil) with a bank for which refund instruments have been issued to the investors but yet to be encashed by the investors and ₹ 73,75,000 (₹ Nil) of Fixed Deposits with restricted use or maturity for more than three months.

For **S. R. BATLIBOI & CO.**
 Firm Registration No. : 301003E
 Chartered Accountants
R. K. Agrawal
 Partner
 Membership No. 16667
 Place : Kolkata
 Date : 27th May, 2011

For and on behalf of the Board of Directors

B. L. Mittal
 Chairman & Managing Director

Ravi Kant Sharma
 Director

Giridhar Dhelia
 Chief Financial Officer

Biplab Kumar Mani
 Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Schedule 1 SHARE CAPITAL		
Authorised		
3,50,00,000 (3,50,00,000) Equity Shares of ₹ 10 each	35,00,00,000	35,00,00,000
	35,00,00,000	35,00,00,000
Issued, Subscribed and Paid-up		
3,18,10,500 (1,93,10,500) Equity Shares of ₹ 10 each fully paid (Refer Note No. B (i) on Schedule 17)	31,81,05,000	19,31,05,000
Note : Out of the above, 1,43,88,060 (1,43,88,060) Equity Shares have been allotted as fully paid Bonus Shares by Capitalisation of Securities Premium, Capital Redemption Reserve and Profit & Loss Account.		
	31,81,05,000	19,31,05,000

Schedule 2 RESERVES AND SURPLUS		
Securities Premium Account		
As per last Account	15,15,00,500	26,65,00,500
Additions during the year (Refer Note No. B (i) on Schedule 17)	1,35,00,00,000	–
Less : Amount utilised on buyback of Equity Shares	–	11,50,00,000
Less : Share Issue Expenses (Refer Note No. B (ii) on Schedule 17)	11,16,29,364	–
	1,38,98,71,136	15,15,00,500
Capital Redemption Reserve		
As per last Account	1,00,00,000	–
Add : Amount transferred from Profit & Loss Account pursuant to buy back of Equity Shares	–	1,00,00,000
	1,00,00,000	1,00,00,000
Reserve under Section 45-IC of the Reserve Bank of India Act, 1934		
As per last Account	6,22,00,000	4,00,00,000
Add : Amount transferred from Profit & Loss Account	3,60,00,000	2,22,00,000
	9,82,00,000	6,22,00,000
Surplus as per Profit & Loss Account	25,94,26,024	15,25,48,740
	1,75,74,97,160	37,62,49,240

SCHEDULES FORMING PART OF THE BALANCE SHEET

Schedule 3 FIXED ASSETS								
Description	Gross Block			Depreciation/Amortisation			Net Block	
	As at 01.04.2010 (₹)	Additions/ Adjustments (₹)	As at 31.03.2011 (₹)	As at 01.04.2010 (₹)	For the year (₹)	As at 31.03.2011 (₹)	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Tangible Assets								
Office Premises	4,63,99,370	–	4,63,99,370	74,86,619	19,45,638	94,32,257	3,69,67,113	3,89,12,751
Computers	53,54,035	294,323	56,48,358	41,07,274	5,43,643	46,50,917	9,97,441	12,46,761
Furniture & Fixtures	1,23,45,730	–	1,23,45,730	58,34,914	11,78,458	70,13,372	53,32,358	65,10,816
Office Equipments	69,76,038	59,700	70,35,738	26,48,440	6,13,820	32,62,260	37,73,478	43,27,598
Vehicles	10,50,836	517,438	15,68,274	3,20,980	2,25,295	5,46,275	10,21,999	7,29,856
Intangible Assets								
Software	34,37,630	–	34,37,630	34,29,826	2,773	34,32,599	5,031	7,804
Copy Rights - Right on Web Application Portal - Personal Resource Planning	5,00,01,000	–	5,00,01,000	51,37,088	50,00,100	1,01,37,188	3,98,63,812	4,48,63,912
TOTAL	12,55,64,639	8,71,461	12,64,36,100	2,89,65,141	95,09,727	3,84,74,868	8,79,61,232	9,65,99,498
Previous Year's Total	12,45,32,054	10,32,585	12,55,64,639	1,88,73,061	1,00,92,080	2,89,65,141	9,65,99,498	

Schedule 4 INVESTMENTS				
Name	No. of Shares/units	Face value Per Share/unit (₹)	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Long Term (Fully paid) (At Cost)				
In Microsec Invictus Advisors LLP (Limited Liability Partnership) (Non Trade)				
- Capital Account			9,00,000	–
TOTAL (a)			9,00,000	–
In Subsidiary Companies (Trade) (Companies under the same management)				
Unquoted				
Equity Shares				
Microsec Capital Limited (Refer Note No. B(xix) on Schedule 17)	2,263,561 (1,488,561)	10	2,73,65,3867	11,86,53,867
Microsec Resources Pvt. Limited	320,000	10	1,31,00,000	1,31,00,000
Microsec Technologies Limited	50,000	10	5,00,000	5,00,000
TOTAL (b)			28,72,53,867	13,22,53,867
Non-Trade				
Quoted				
Equity Shares				
Colgate Palmolive (India) Limited	10,149	1	68,79,909	68,79,909
CRISIL Limited	250 (–)	10	14,78,698	–
Deevee Commercials Limited	188,500	10	2,82,750	2,82,750
Emami Limited	75,000 (–)	1	3,53,57,187	–

SCHEDULES FORMING PART OF THE BALANCE SHEET

Schedule 4 INVESTMENTS (Contd.)				
Name	No. of Shares/units	Face value Per Share/unit (₹)	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Exide Industries Limited	20,000	1	20,80,556	20,80,556
Himadri Chemical & Industries Limited	200,188** (-)	1	97,13,398	-
Hindustan Door Oliver Limited	37,000 (-)	2	38,46,389	-
Indian Bank Limited	- (8,000)	10	-	14,35,487
ITC Limited	11,000* (5,500)	1	14,49,382	14,49,382
MOIL	13,892 (-)	10	67,67,276	-
NMDC Limited	3,400	1	15,16,861	15,16,861
ONGC Limited	14,800 (-)	5	50,24,475	-
Petronet LNG Limited	16,000 (-)	10	20,30,020	-
Punjab & Sind Bank	79,464 (-)	10	1,02,05,085	-
State Bank of Travancore	11,900 (-)	10	84,02,293	-
Tata Motors Ltd. (DVR)	6,200 (-)	10	45,18,100	-
WABCO - TVS (India) Ltd.	3,300 (-)	5	29,85,650	-
TOTAL (c)			10,25,38,029	1,36,44,945
Unquoted				
Equity Shares				
Gajanan Fashions Ltd.	- (80,000)	10	-	2,43,078
Mandpam Commercial Ltd.	- (400,000)	10	-	1,21,53,900
Umang Vincom Pvt. Ltd.	- (400,000)	10	-	12,15,390
TOTAL (d)			-	1,36,12,368

* Including 5,500 bonus shares received during the year.

** Including 180,168 shares received during the year due to split of shares.

SCHEDULES FORMING PART OF THE BALANCE SHEET

Schedule 4 INVESTMENTS (Contd.)				
Name	No. of Shares/units	Face value Per Share/unit (₹)	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Non-Trade				
Current (Unquoted) (At lower of cost and market value)				
Units in Mutual Fund				
HDFC Cash Management Fund - Treasury Advantage Plan - Retail - Growth	15,325.81 (-)	10	3,14,834	-
IDBI Ultra Short Term Fund - Growth	2,898,494.72 (-)	10	3,00,00,000	-
Sundaram Money Fund Super Inst. Growth	1,044,099.04 (-)	10	2,14,34,087	-
TOTAL (e)			5,17,48,921	-
Total Investments (a+b+c+d+e)			44,24,40,817	15,95,11,180
Aggregate Value of Investments				
Quoted			10,25,38,029	1,36,44,945
Unquoted			33,99,02,788	14,58,66,235
Market Value of Quoted Investments			9,51,23,567	1,34,51,305
Aggregate Net Asset Value of Mutual Fund Units			5,21,96,520	-

Besides the above, the following investments have been purchased and sold during the year

Name	No. of Shares/units	Face value Per Share/unit (₹)	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Birla Sun Life Cash Plus Ins. Prem. - Growth	7,270,612.19 (-)	10	11,00,00,000	-
HDFC Liquid Fund - Premium Plus	10,529,918.13 (-)	10	20,00,00,000	-
HDFC CMF Treasury Adv. Retail Dividend	- (2,447,245.83)	10	-	2,45,00,000
HDFC CMF Treasury Adv. Retail Growth	3,335,052.46 (17,586,828.65)	10	6,74,85,166	38,74,25,000
ICICI Liquid Plan Growth	658,716.77 (-)	100	1,51,07,288	-
ICICI Prudential MF Flexible Income Prem - Growth	851,531.51 (-)	100	15,00,00,000	-
IDBI Liquid Fund Growth	23,092,374.61 (-)	10	23,55,00,000	-
IDFC Money Manager Fund - Treasury Super Inst Plan - Growth	8,465,363.30 (-)	10	9,50,00,000	-
Reliance Liquid Fund	21,821,162.88 (-)	10	50,50,00,000	-
Sunderam Ultra ST Fund Inst. Growth	1,326,640.87 (-)	10	1,70,08,597	-
Sunderam Ultra ST Retail Growth	1,346,330.50 (-)	10	1,70,00,000	-
Sundaram Money Fund Super Inst. Growth	32,030,833.14 (-)	10	64,45,65,914	-

SCHEDULES FORMING PART OF THE BALANCE SHEET

Schedule 4 INVESTMENTS (Contd.)				
Name	No. of Shares/units	Face value Per Share/unit (₹)	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Aditya Birla Nuvo Ltd.	3,300 (-)	10	25,03,654	-
Educomp Solution Ltd.	4,500 (-)	2	25,61,322	-
Emami Ltd.	125,000 (-)	1	5,89,28,645	-
GIC Housing Finance Ltd.	19,000 (-)	10	20,10,420	-
Himadri Chemicals & Industries Limited	24,822 (26,610)	1 (10)	12,04,398	1,03,82,913
IFCI Ltd.	45,000 (-)	10	25,84,425	-
Tata Motors Ltd.	1,900 (-)	10	25,13,415	-
Jindal Steel & Power Limited	- (3,550)	1	-	24,20,098
Oracle Financial Services Software Limited	- (1,125)	5	-	2,42,3,116

	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Schedule 5 SUNDRY DEBTORS		
(Unsecured, Considered good)		
Debts outstanding for a period exceeding six months	-	-
Other Debts (refer note no. B (vii) on Schedule 17)	69,90,131	24,81,750
	69,90,131	24,81,750

Schedule 6 CASH & BANK BALANCES		
Cash-in-Hand	7,489	4,579
Cheque-in-Hand	-	10,350
Balances with Scheduled Banks		
- On Current Accounts	8,46,40,131	51,71,917
- IPO Refund Account*	1,96,352	-
- On Fixed Deposits Account (Receipt pledged with HDFC Bank Ltd. as security against bank guarantee)	73,75,000	-
* Represents balance with a bank for which refund instruments have been issued to the investors but yet to be encashed by the investors)		
	9,22,18,972	51,86,846

Schedule 7 OTHER CURRENT ASSETS		
Accrued Interest on Fixed Deposits	2,10,854	-
	2,10,854	-

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Schedule 8 LOANS & ADVANCES		
(Considered good, unless otherwise stated)		
A. Loans (Bearing Interest)		
Secured		
- To Subsidiaries (Refer Note No. B(vi) on Schedule 17)	30,82,11,685	–
- To Others	1,16,63,70,283	30,51,24,059
	1,47,45,81,968	30,51,24,059
Unsecured	52,73,979	–
	1,47,98,55,947	30,51,24,059
B. Advances (Unsecured)		
Advance to Limited Liability Partnership	53,42,511	–
Advances recoverable in cash or in kind or for value to be received or pending adjustments	65,28,458	6,14,953
Advance Payment of Income Tax & Tax Deducted at Source [Net of Provision ₹ NIL (₹ 3,15,07,101)]	–	29,60,217
Deposits with Government Authorities and Others	75,65,757	1,90,757
	1,49,92,92,673	30,88,89,986

Schedule 9 CURRENT LIABILITIES		
Sundry Creditors for goods, services, expenses etc.		
- Due to Micro and Small Enterprises (Refer Note No. B(iv) on Schedule 17)	–	–
- Due to Others	20,16,860	58,15,915
Other Liabilities	5,10,644	7,31,315
Unpaid Share Application Money*	1,96,352	–
* Represents refund instruments issued to the investors but yet to be encashed by the investors. This does not include any amount, due and outstanding to be credited to Investors Education and Protection Fund		
	27,23,856	65,47,230

Schedule 10 PROVISIONS		
Taxation (Net of Advance Payment ₹ 7,67,57,125 (₹ NIL))	40,47,133	–
Proposed Dividend	3,18,10,500	–
Dividend Tax thereon	51,60,617	–
Leave Encashment (Refer Note No. B(x) on Schedule 17)	–	51,183
Gratuity (Refer Note No. B(xiii) on Schedule 17)	–	9,806
Provision for Standard Assets (Refer Note No. B(v) on Schedule 17)	36,99,761	–
	4,47,18,011	60,989

Schedule 11 MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Share Issue Expenses as per last account	93,70,807	–
Additions during the year	10,22,58,557	93,70,807
	11,16,29,364	93,70,807
Less : Adjusted/Written off during the year (Refer Note No. B(ii) on Schedule 17)	11,16,29,364	–
	–	93,70,807

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	2010-11 (₹)	2009-10 (₹)
Schedule 12 INCOME FROM OPERATIONS		
Interest on Loans (Gross) [TDS ₹ 1,03,40,977 (₹ 29,09,692)]	11,73,98,859	4,67,38,301
Investment Banking Revenue [TDS ₹ 70,74,931 (₹ 77,23,815)]	6,74,45,831	6,94,07,307
Profit on Sale of Non-Trade Investments (Net)		
- Long Term	6,62,14,338	5,96,11,914
- Current	1,19,03,455	4,36,240
Dividend from Non-Trade Investments		
- Long Term	5,30,870	3,85,542
- Current	–	49,546
Income from Royalty [TDS ₹ 7,76,682 (₹ 4,18,000)]	77,66,817	41,80,000
	27,12,60,170	18,08,08,850
Schedule 13 OTHER INCOME		
Interest on Fixed Deposits [TDS ₹ 96,202 (₹ NIL)]	9,62,022	–
Interest on Income Tax Refund	2,07,886	–
Liabilities no longer required, written back	1,234	1,66,447
	11,71,142	1,66,447
Schedule 14 PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salary, Bonus etc.	67,08,512	53,95,596
Gratuity	95,222	9,806
Employees' Welfare Expenses	15,494	81,669
	68,19,228	54,87,071
Schedule 15 ADMINISTRATIVE & OTHER EXPENSES		
Advertisement & Publicity	46,29,822	75,200
Communication Expenses	1,28,086	1,49,532
Repairs & Maintenance - Others	1,68,278	4,05,949
Rates & Taxes [Including ₹ NIL (₹ 4,30,104) for earlier years]	3,26,182	7,48,992
Filing Fees	3,500	71,050
Insurance Premium	84,167	74,125
Printing & Stationery	1,86,562	1,22,027
Bank & Demat Charges	52,077	22,096
Business Promotion Expenses	7,93,225	6,08,075
Travelling & Conveyance	7,34,676	3,36,342
Legal & Professional Fees	8,85,081	13,75,566
Irrecoverable Debts/Advances written off	–	2,32,068
Loss on Assignment of Receivables	–	1,12,67,634
Motor Car Expenses	1,82,000	3,52,505
Auditors' Remuneration		
As Auditors :		
- Audit Fees	11,00,000	8,50,000
- For Limited Reviews	7,50,000	–
In other capacity for certificates & other services	7,50,000	6,50,000
Out of Pocket Expenses	32,164	10,505
Miscellaneous Expenses	4,22,079	6,63,028
	1,12,27,899	1,80,14,694

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	2010-11 (₹)	2009-10 (₹)
Schedule 16 INTEREST		
On Fixed Loans	11,45,598	22,10,431
Other Loans	–	43,21,236
Miscellaneous	7,66,575	6,96,190
	19,12,173	72,27,857

Schedule 17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

i) Basis of Preparation

The financial statements have been prepared to comply in all material aspects with the Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956 and the directives as prescribed by the Reserve Bank of India for Non-Banking Financial Companies. The financial statements have been prepared under the historical cost convention on an accrual basis. However, income is not recognized and also provision is made in respect of non-performing assets as per the prudential norms prescribed by the Reserve Bank of India. Except otherwise mentioned, the accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

ii) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of financial statements and the results of operations during the reporting year end. Although these estimates are based upon the management's best knowledge of current events and actions, actual results could differ from these estimates.

iii) Revenue Recognition

- a) Fees from Investment Banking activities which include Mergers & Acquisitions, Investment and other advisory services are recognized as and when the services are rendered to the customers and when there is reasonable certainty of its ultimate realisation/collection.
- b) Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- c) Dividend income is recognized when the shareholder's right to receive payment is established by the Balance Sheet date. Dividend from the Subsidiaries is recognised even if the same are declared after the Balance Sheet date but pertain to the period on or before the date of Balance Sheet as per the requirement of Schedule VI of the Companies Act, 1956.
- d) Income from Royalty is recognised on an accrual basis in accordance with the terms of the relevant agreement.

iv) Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

v) Depreciation/Amortisation

- a) Depreciation on Fixed Assets is provided using written down value method as per the useful life of the assets estimated by the management or at the rates specified in Schedule XIV to the Companies Act, 1956, whichever is higher.
- b) Depreciation on Fixed Assets added/disposed off during the year is provided on prorata basis with reference to the date of addition/disposal.
- c) In case of impairment, if any, depreciation is provided on the revised carrying amount of the assets over their remaining useful life.
- d) Copyrights are amortized on straight-line basis over a period of ten years from the date the assets become available for use.
- e) Softwares are amortized on straight-line basis over a period of three years from the date the assets become available for use.

vi) Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

based on external/internal factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and 'Value in Use' of the assets. The estimated future cash flows considered for determining the value in use are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

vii) **Borrowing Costs**

Borrowing Costs relating to acquisition/construction of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

viii) **Investments**

Investments that are readily realisable and intended to be held for not more than a year are classified as Current Investments. All other Investments are classified as Long Term Investments. Current Investments are stated at lower of cost and market rate on an individual investment basis. Long Term Investments are considered "at cost" on individual investment basis, unless there is a decline other than temporary in the value, in which case adequate provision is made against such diminution in the value of investments.

ix) **Provisions**

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on best estimate required to settle the obligation, at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

x) **Contingencies**

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed by way of notes to the accounts.

xi) **Taxation**

Tax expense comprises of current and deferred tax. Current Income Tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred Income Tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

The deferred tax for timing differences between the book and tax profit for the year is accounted for using the tax rates and laws that have been substantively enacted as of the Balance Sheet date. Deferred Tax Asset is recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised. If the Company has carry forward unabsorbed depreciation and tax losses, deferred tax asset is recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient taxable income will be available in future against which such deferred tax asset can be realised.

The carrying amount of Deferred Tax Asset is reviewed at each Balance Sheet date. The Company writes down the carrying amount of a Deferred Tax Asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which Deferred Tax Asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

At each Balance Sheet date, the Company recognizes the unrecognized Deferred Tax Asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such Deferred Tax Asset can be realized.

Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in the guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit & loss account and shown as MAT Credit Entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal Income Tax during the specified period.

xii) **Provisioning on Standard Assets**

The Reserve Bank of India (RBI) vide Notification No. DNBS 223/CGM (US) - 2011 dated 17th January, 2011 has issued direction to all NBFCs to make provision of 0.25% on standard assets with immediate effect. Accordingly, the Company has made provision @ 0.25% on standard assets in accordance with RBI directions.

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

xiii) Segment Reporting

a) Identification of Segments

The Company has identified that its business segments are the primary segments. The Company's operating businesses are organized and managed separately according to the nature of products/services provided, with each segment representing a strategic business unit that offers different products/services and serves different markets. The analysis of geographical segments is based on the areas in which the operating divisions of the Company operates.

b) Allocation of Common Costs

Common allocable costs are allocated to each segment on case to case basis applying the ratio, appropriate to each relevant case. Revenue and expenses which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis are included under the head "Unallocated - Common".

The accounting policies adopted for segment reporting are in line with those of the Company.

xiv) Retirement and other employees benefits

- (a) Gratuity Liability being a defined benefit obligation is provided for on the basis of actuarial valuation on projected unit credit method at the end of each year.
- (b) Short Term compensated absences are provided for based on estimates.
- (c) Actuarial gains/losses are immediately taken to profit & loss account and are not deferred.

xv) Earnings Per Share

Earnings Per Share is calculated by dividing the net profit or loss for the year attributable to equity shareholders, by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

xvi) Cash and Cash Equivalents

Cash and cash Equivalents in the cash flow statement comprise of Cash-at-Bank and Cash/Cheque-in-Hand and short term investments with an original maturity of three months or less.

B. NOTES TO ACCOUNTS

- i. The Company has made a public issue of 1,25,00,000 Equity Shares of ₹ 10 each for cash at a premium of ₹ 108 per equity share to Qualified Institutional Bidders, Non-Institutional Bidders and to Retail Individual Bidders which had closed on 21st September, 2010. The Equity Shares of the Company were listed on the National Stock Exchange and Bombay Stock Exchange ("the Stock Exchanges") on 5th October, 2010.
- ii. The Company has incurred expenses of ₹ 111,629,364 (₹ 93,70,807) as detailed below in connection with the Initial Public Offer of its equity shares and the same has been adjusted against Securities Premium during the year, as permitted u/s 78 of the Companies Act, 1956 :

(Figures in ₹)

Particulars	As at 31.03.2011	As at 31.03.2010
Fees to Book Running Lead Manager	5,06,83,658	–
Legal & Professional Fees	61,66,284	45,96,771
Fees to Syndicate Members	1,10,00,000	–
Fees paid to Registrar to the Issue	12,79,492	–
Exchange & Regulator Fees	45,29,865	21,14,062
Auditors' Fees	45,15,395	25,87,345
Advertisement Expenses	1,65,21,913	–
Printing & Stationary	1,29,23,425	–
Travelling Expenses	19,16,970	–
Other Expenses	20,92,362	72,629
TOTAL	11,16,29,364	93,70,807

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

iii. Contingent Liabilities

- (a) The Company has provided Corporate Guarantee of ₹ 29,16,50,000 (₹ 15,00,00,000) and has created equitable mortgage of ₹ 4,16,50,000 over its property at Kolkata as security for the said guarantee for credit facility extended by a scheduled bank to Microsec Capital Limited (a wholly owned subsidiary Company). Against the above, the credit facility availed and the bank guarantees issued by the banks as on 31st March 2011 are ₹ 56,298 (₹ 4,00,00,000) and ₹ 25,00,00,000 (₹ 5,60,00,000) respectively.
- (b) The Company has provided Corporate Guarantee of ₹ 10,19,00,000 (₹ 12,50,00,000) for credit facility extended by a scheduled bank to Microsec Technologies Limited (an ultimate wholly owned subsidiary Company). Against the above, the credit facility availed as on 31st March 2011 is ₹ 1,00,00,000 (₹ 83,434).
- (c) Bank Guarantee outstanding in favour of Bombay Stock Exchange - ₹ 73,75,000 (₹ Nil).
- iv. Based on the information/documents available with the Company, no creditor is covered under Micro, Small and Medium Enterprise Development Act, 2006. As a result, no interest provision/payments have been made by, the Company to such creditors, if any, and no disclosures thereof are made in these accounts.
- v. The Reserve Bank of India (RBI) vide its Notification No. DNBS 223/CGM (US) - 2011 dated 17th January, 2011 has issued direction to all NBFCs to make provision of 0.25% on the standard assets with immediate effect. Accordingly, the Company has made a provision of ₹ 36,99,761 on standard assets as at 31st March, 2011.

vi. Loans and Advances include the following :

(Figures in ₹)

Particulars	Amount Due		Maximum Amount Due at any time during the year	
	31.03.2011	31.03.2010	2010-11	2009-10
i) Companies under the Same Management (Subsidiaries)				
Loans				
Microsec Technologies Ltd.	58,57,748	–	25,00,00,000	–
PRP Technologies Ltd.	4,82,58,071	–	15,00,00,000	–
Microsec Commerze Ltd.	65,36,616	–	15,00,00,000	–
Microsec Resources Private Ltd.	24,75,59,250	–	25,00,00,000	–
Advances				
Microsec Technologies Ltd.	–	–	65,00,000	2,14,15,000
PRP Technologies Ltd.	–	–	40,00,000	17,70,000
Microsec Capital Ltd.	–	–	16,00,00,000	1,09,45,141
Microsec Insurance Brokers Ltd.	–	–	–	46,98,137
Microsec Commerze Ltd.	–	–	–	4,399
Microsec Resources Private Ltd.	–	–	6,00,000	5,34,75,000
ii) Officers of the Company				
Laxmi Narayan Mandhana	–	–	–	1,86,074

vii. Sundry Debtors include the following :

(Figures in ₹)

Particulars	Amount Due		Maximum Amount Due at any time during the year	
	31.03.2011	31.03.2010	2010-11	2009-10
i) Companies under the Same Management (Subsidiaries)				
Microsec Capital Ltd.	–	–	–	98,78,610
PRP Technologies Ltd.	69,90,131	–	69,90,131	14,03,601

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

viii. Directors' Remuneration : (Figures in ₹)

Particulars	2010-11	2009-10
Remuneration to Chairman & Managing Director		
Salary, Bonus etc to the Chairman & Managing Director	38,19,736	26,00,000
Perquisites	14,120	14,120
Directors' Sitting Fees	2,72,500	1,47,500
TOTAL	41,06,356	27,61,620

Note : As the liability for gratuity is provided on an actuarial basis for the Company as a whole, the amount pertaining to the Chairman & Managing Director is not included above.

ix. Basis for calculation of Basic and Diluted Earnings Per Share is as under :

Particulars	2010-11	2009-10
Profit as per Profit & Loss Account (₹)	17,98,48,401	11,09,08,831
Weighted Average Number of Equity Shares (Nos)	2,55,43,377	1,94,28,308
Nominal Value of each Equity Share (₹)	10	10
Basic and Diluted Earnings Per Share (₹)	7.04	5.71

x. From the current year, the Company have decided to encash the leave liability due to its employees and thus a total sum of ₹ 4,77,300 (after adjusting provision of ₹ 51,183 made in the past) has been paid to the employees and charged to Profit & Loss Account. Because of the above change, the profit for the year is lower by ₹ 1,86,016.

xi. Diminution, based on the market value, in the value of certain long term quoted investments as on the Balance Sheet date, being temporary in nature, has not been provided.

xii. The Company has formed a Limited Liability Partnership (LLP) namely Microsec Invictus Advisors LLP with an individual on 19th July, 2010 to carry on the business of professional and consultancy services.

The details of investment in Limited Liability Partnership are as follows :

Name of the Firm : Microsec Invictus Advisors LLP

Total Capital (100% invested by Microsec Financial Services Limited) : ₹ 9,00,000

Partners Name and their share

Name of the Partner	Share of Profit	Share of Loss
Microsec Financial Services Limited	50%	100%
Mr. Debashish Ghoshal	50%	—

xiii. The Company has a defined benefit gratuity plan. Every employee, who has completed five years or more of services, is entitled to gratuity on terms not less favorable than the provisions of the payment of Gratuity Act, 1972. The scheme is funded with Life Insurance Corporation of India.

The following tables summarise the components of gratuity expenses recognised in the Profit & Loss Account and the funded status and amounts recognized in the Balance Sheet for the plan. (Figures in ₹)

	2010-11	2009-10
(i) Net Employee Expense/(Benefit)		
Current service cost	1,36,498	92,356
Interest cost on benefit obligation	23,166	13,605
Expected return on plan assets	22,382	19,319
Net Actuarial (gain)/loss recognised in the year	(42,060)	10,259
Total employer expense recognised in Profit & Loss Account	95,222	96,901
(ii) Actual Return on Plan Assets	29,435	22,604
(iii) Benefit Asset/(Liability)		
Defined benefit obligation	4,14,234	2,89,577
Fair value of Plan Assets	7,46,448	2,79,771
Benefit Asset/(Liability)	3,32,214	(9,806)

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

(Figures in ₹)

	2010-11	2009-10
(iv) Movement in benefit liability		
Opening defined benefit obligation	2,89,577	1,70,072
Interest cost	23,166	13,605
Current service cost	1,36,498	92,356
Benefits paid	—	—
Actuarial (gains)/losses on obligation	(35,007)	13,544
Closing benefit obligation	4,14,234	2,89,577
(v) Movement in fair value of plan assets		
Opening fair value of plan assets	2,79,771	2,41,498
Expected Return on plan assets	22,382	19,319
Contributions by employer	4,37,242	15,669
Benefits paid	—	—
Actuarial (gains)/losses on plan assets	(7053)	(3,285)
Closing fair value of plan assets	7,46,448	2,79,771
(vi) The major categories of plan assets as a percentage of the fair value of total plan assets		
Investments in insurance managed fund	100%	100%
(vii) The principal actuarial assumptions are as follows		
Discount Rate	8.00%	8.00%
Expected rate of return on plan assets	8.00%	8.00%
Salary increase	5.00%	5.00%
Withdrawal rates	1.00%	1.00%
(viii) Amount incurred as expense for defined contribution plans		
Contribution to Provident/Pension fund		Not Applicable

(ix) The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

(x) The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

(xi) The Company expects to contribute ₹ 5,00,000 (₹ 2,50,000) to Gratuity Fund during April, 2011 to March, 2012.

(xii) Amounts for the current year and previous year are as follows :*

(Figures in ₹)

	Year Ended 31st March, 2011	Year Ended 31st March, 2010
Gratuity		
Defined Benefit Obligation	4,14,234	2,89,577
Plan Assets	7,46,448	2,79,771
Surplus/(Deficit)	3,32,214	(9,806)
Experience adjustments on plan liabilities	(35,007)	13,544
Experience adjustments on plan assets	7,053	3,285

* The Company have started recording gratuity liability based on actuarial valuation from the year 2009-10 and therefore disclosure has been made only for the aforesaid years.

xiv. The break-up of net deferred tax liability as at 31st March, 2011 is as under :

(Figures in ₹)

Particulars	As at 31st March, 2011	As at 31st March, 2010
Deferred Tax Liability		
Timing Difference in Depreciable assets	72,71,039	60,97,867
Sub Total (A)	72,71,039	60,97,867

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

(Figures in ₹)

Particulars	As at 31st March, 2011	As at 31st March, 2010
Deferred Tax Asset		
Expenses Allowable against taxable income in future years	–	20,259
Provision for standard assets	12,00,387	–
Sub Total (B)	12,00,387	20,259
Net Deferred Tax Liability (A-B)	60,70,652	60,77,608

xv. Minimum Alternate Tax (MAT) credit entitlement of ₹ 7,42,387 has been set off against tax payable for the current year.

xvi. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956 : (to the extent applicable to the Company)

	2010-11	2009-10
Expenditure in Foreign currency		
Travelling	1,05,026	–

xvii. In terms of Accounting Standard 18, notified by the Companies Accounting Standard Rules, 2006, the related party disclosures are given below :

Name of related parties & description of relationship

Subsidiary Companies

Microsec Capital Limited

Microsec Insurance Brokers Limited

Microsec Commerze Limited

PRP Technologies Limited

Microsec Resources Private Limited

Microsec Technologies Limited

Limited Liability Partnership (Entity over which control is exercised)

Microsec Invictus Advisors LLP (w.e.f. 19th July, 2010)

Key Management Personnel

Mr. Banwari Lal Mittal (Chairman and Managing Director)

Mr. Ravi Kant Sharma (Director)

Mr. Laxmi Narayan Mandhana (Chief Financial Officer) (upto 20th November, 2009)

Mr. Pankaj Kumar Kedia (Chief Financial Officer) (upto 20th October, 2010)

Mr. Giridhar Dhelia (Chief Financial Officer) (w.e.f. 9th November, 2010)

Enterprises in which Key Management Personnel Exercise Significant Influence

Luv-Kush Projects Limited

Related Party Transactions

(Figures in ₹)

Particulars	Subsidiary Companies/Entity over which control is exercised	Key Management Personnel	Enterprise in which Key Management Personnel Exercise Significant Influence	Total
Director's Remuneration				
Mr. B. L. Mittal		38,33,856 (26,14,120)		38,33,856 (26,14,120)
Remuneration				
Mr. L. N. Mandhana		– (7,17,456)		– (7,17,456)
Mr. Pankaj Kumar Kedia		6,78,987 (3,44,772)		6,78,987 (3,44,772)
Mr. Giridhar Dhelia		4,61,255 (–)		4,61,255 (–)

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

(Figures in ₹)

Particulars	Subsidiary Companies/Entity over which control is exercised	Key Management Personnel	Enterprise in which Key Management Personnel Exercise Significant Influence	Total
Repayment of Loans Given				
Microsec Resources Pvt. Ltd.	27,85,00,000 (-)			27,85,00,000 (-)
Microsec Technologies Ltd.	35,00,00,000 (-)			35,00,00,000 (-)
PRP Technologies Ltd.	15,65,00,000 (-)			15,65,00,000 (-)
Microsec Commerze Ltd.	14,45,00,000 (-)			14,45,00,000 (-)
Loans Given				
Microsec Resources Pvt. Ltd.	51,94,00,000 (-)			51,94,00,000 (-)
Microsec Technologies Ltd.	35,40,00,000 (-)			35,40,00,000 (-)
PRP Technologies Ltd.	20,40,00,000 (-)			20,40,00,000 (-)
Microsec Commerze Ltd.	15,00,00,000 (-)			15,00,00,000 (-)
Interest Income				
Microsec Resources Pvt. Ltd.	73,99,167 (-)			73,99,167 (-)
Microsec Technologies Ltd.	20,64,164 (-)			20,64,164 (-)
PRP Technologies Ltd.	8,42,301 (-)			8,42,301 (-)
Microsec Commerze Ltd.	11,51,796 (-)			11,51,796 (-)
Repayment of Advances Given				
Microsec Capital Ltd.	16,16,40,000 (5,14,53,449)			16,16,40,000 (5,14,53,449)
Microsec Resources Pvt. Ltd.	11,00,000 (5,56,76,739)			11,00,000 (5,56,76,739)
Microsec Technologies Ltd.	1,14,32,000 (2,78,21,237)			1,14,32,000 (2,78,21,237)
PRP Technologies Ltd.	40,00,000 (22,70,000)			40,00,000 (22,70,000)
Others	- (47,02,536)	- (1,86,074)		- (48,88,610)

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

(Figures in ₹)

Particulars	Subsidiary Companies/Entity over which control is exercised	Key Management Personnel	Enterprise in which Key Management Personnel Exercise Significant Influence	Total
Advance Given				
Microsec Capital Ltd.	16,16,40,000 (4,58,74,907)			16,16,40,000 (4,58,74,907)
Microsec Resources Pvt. Ltd.	11,00,000 (5,56,76,739)			11,00,000 (5,56,76,739)
Microsec Technologies Ltd.	1,14,32,000 (1,32,81,237)			1,14,32,000 (1,32,81,237)
PRP Technologies Ltd.	40,00,000 (17,70,000)			40,00,000 (17,70,000)
Others	– (44,04,399)			– (44,04,399)
Service Charges				
Microsec Capital Ltd.	2,16,590 (32,595)			2,16,590 (32,595)
Income from Royalty				
PRP Technologies Ltd	77,66,817 (41,80,000)			77,66,817 (41,80,000)
Inter Corporate Deposit Taken (Interest Bearing)				
Luv-Kush Projects Ltd.			9,00,00,000 (–)	9,00,00,000 (–)
Repayment of Inter Corporate Deposits Taken (Interest Bearing)				
Luv-Kush Projects Ltd.			9,00,00,000 (–)	9,00,00,000 (–)
Interest Paid				
Luv-Kush Projects Ltd.			66,575 (–)	66,575 (–)
Investment				
Microsec Capital Ltd.	15,50,00,000 (–)			15,50,00,000 (–)
Microsec Invictus Advisors LLP	9,00,000 (–)			9,00,000 (–)
Advance to Limited Liability Partnership				
Microsec Invictus Advisors LLP	53,42,511 (–)			53,42,511 (–)
Balances Receivable				
Microsec Technologies Ltd.	58,57,748 (–)			58,57,748 (–)
PRP Technologies Ltd.	5,52,48,202 (–)			5,52,48,202 (–)
Microsec Resources Pvt. Ltd.	24,75,59,250 (–)			24,75,59,250 (–)

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

(Figures in ₹)

Particulars	Subsidiary Companies/Entity over which control is exercised	Key Management Personnel	Enterprise in which Key Management Personnel Exercise Significant Influence	Total
Microsec Commerze Ltd.	65,36,616 (-)			65,36,616 (-)
Corporate Guarantee given				
Microsec Capital Ltd.	29,16,50,000 (15,00,00,000)			29,16,50,000 (15,00,00,000)
Microsec Technologies Ltd.	10,19,00,000 (12,50,00,000)			10,19,00,000 (12,50,00,000)

xviii. Segment Reporting

The Company's segment information as at and for the year ended 31st March, 2011 are as below :

(Figures in ₹)

Particulars	Financing & Investment	Investment Banking & Related Services	Total
Segment Revenue	20,38,14,339 (11,14,01,543)	6,74,45,831 (6,94,07,307)	27,12,60,170 (18,08,08,850)
Segment Results	17,89,19,217 (7,79,01,946)	6,24,72,166 (6,35,85,202)	24,13,91,383 (14,14,87,148)
Less : Unallocated expenses net of unallocated income			62,35,215 (40,95,173)
Profit Before Taxation			23,51,56,168 (13,73,91,975)
Less : Provision for Taxation			
Current Tax			5,53,14,723 (2,41,72,209)
Deferred Tax			- 6,956 (23,10,935)
Profit after Tax			17,98,48,401 (11,09,08,831)
Segment Assets	1,71,78,51,948 (40,91,21,069)	1,21,96,018 (2,28,53,696)	1,73,00,47,966 (43,19,74,765)
Unallocated Corporate Assets			39,90,66,713 (14,06,94,495)*
Total Assets			2,12,91,14,679 (57,26,69,260)
Segment Liabilities	39,84,455 (2,76,514)	94,211 (3,38,178)	40,78,666 (6,14,692)
Unallocated Corporate Liabilities			4,94,33,853 (1,20,71,135)
Total Liabilities			5,35,12,519 (1,26,85,827)
Capital Expenditure	6,54,782 (6,36,205)	2,16,679 (3,96,380)	8,71,461 (10,32,585)

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

(Figures in ₹)

Particulars	Financing & Investment	Investment Banking & Related Services	Total
Depreciation/Amortization	83,88,458 (81,37,415)	11,21,269 (19,54,665)	95,09,727 (1,00,92,080)
Non-cash expenses included in segment expenses for arriving at segment results	36,99,761 (1,14,00,364)	– (99,338)	36,99,761 (1,14,99,702)

* excluding Miscellaneous Expenditure (to the extent not written off or adjusted) amounting to ₹ 93,70,807.

Notes :

- I. **Business Segments :** The business segment has been identified on the basis of the services of the Company. Accordingly, the Company has identified "Financing & Investment" and "Investment Banking & Related Services" as business segments.
 - a) Financing & Investment - consists of financing of loans and investments in shares & securities and Income from Royalty.
 - b) Investment Banking & related Services - consists of financial consultancy and debt syndication.
- II. **Geographical Segments :** The Company operates in only one geographical segment i.e. 'Within India' and no separate information for geographical segment has been given.

xix. The utilization of the Issue Proceeds from Initial Public Offer (IPO) are as follows :

(Figures in ₹)

Particulars	Funds allocated for the activity as per prospectus	Amount utilized upto March 31, 2011
Gross Proceeds of the Issue	1,47,50,00,000	1,47,50,00,000
Less : Issue related Expenses	10,96,69,000	11,16,29,364
Net Proceeds of the Issue ("Net Proceeds")	1,36,53,31,000	1,36,33,70,636
Deployment		
Expansion of financing business of the Company	1,13,00,00,000	1,10,27,32,297
Expansion of Microsec Capital Limited's domestic operations by increasing network of branches	8,00,00,000	15,50,00,000*
Enhance Microsec Capital Limited's existing technological capacity	7,50,00,000	–
General Corporate Purpose	8,03,31,000	34,95,632
Short Term Investments in mutual funds and bank balance pending utilization	–	10,21,42,707
Total	1,36,53,31,000	1,36,33,70,636

* Represents the amount invested in equity shares of Microsec Capital Limited (MCA) which is lying unutilized by MCA and thus invested in fixed deposits and bonds.

xx. Additional information as per guidelines issued by the Reserve Bank of India in respect of Non-Banking Financial (Non Deposit Accepting or Holding) systemically important (NBFC-ND-SI) which has become applicable to the Company during the year is given in Annexure - I attached herewith.

xxi. Previous year's figures including those in brackets have been re-grouped and/or re-arranged wherever necessary.

Signature to Schedules 1 to 17

As per our report of even date
For **S. R. BATLIBOI & CO.**
Firm Registration No. : 301003E
Chartered Accountants
per **R. K. Agrawal**
Partner
Membership No. 16667
Place : Kolkata
Date : 27th May, 2011

For and on behalf of the Board of Directors

B. L. Mittal
Chairman & Managing Director

Ravi Kant Sharma
Director

Giridhar Dhelia
Chief Financial Officer

Biplab Kumar Mani
Company Secretary

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

Annexure I of the Note B (xx) to the Schedule 17 of Notes to Accounts schedule to the Balance Sheet of a Non-Banking Financial Company.

(a) Capital to Risk Assets Ratio (CRAR)

Items	As at 31st March, 2011
(i) CRAR (%)	105.90
(ii) CRAR - Tier I Capital (%)	105.66
(iii) CRAR - Tier II Capital (%)	0.24

(b) Exposure to real estate sector, both direct and indirect.

(Figures in ₹)

Category	As at 31st March, 2011
(a) Direct exposure	
(i) Residential Mortgages -	
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to Rs. 15 lacs may be shown separately)	–
(ii) Commercial Real Estate -	
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	–
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures -	
a. Residential	–
b. Commercial Real Estate	–
(b) Indirect Exposure	
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	–

(c) Asset Liability Management

Maturity pattern of certain items of Assets and Liabilities

(Figures in ₹)

	1 day to 30/31 days (one month)	Over one month and upto 2 months	Over 2 months and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Liabilities									
Borrowings from Banks	–	–	–	–	–	–	–	–	–
Market Borrowings	–	–	–	–	–	–	–	–	–
Assets									
Advances *	1,47,98,55,947	–	–	–	–	–	–	–	1,47,98,55,947
Investments	5,17,48,921	–	–	–	–	10,25,38,029	–	28,81,53,867	44,24,40,817

* Represents interest bearing loans. Since the loans are repayable on demand, the same has been categorized in the bracket of 1 day to 30/31 days (one month).

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

Schedule to the Balance Sheet of a Non-Banking Financial Company as required in terms of paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

(Figures in ₹)

Particulars	Amount Outstanding as at 31st March, 2011	Amount Overdue as at 31st March, 2011
Liabilities Side :		
1. Loans and Advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid :		
(a) Debentures : Secured	—	—
Unsecured (other than falling within the meaning of public deposits)	—	—
(b) Deferred Credits	—	—
(c) Term Loans	—	—
(d) Inter-corporate loans and borrowing	—	—
(e) Commercial Paper	—	—
(f) Cash Credit from Banks	—	—
Particulars		Amount outstanding as at 31st March, 2011
Assets Side :		
2. Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :		
(a) Secured		1,47,45,81,968
(b) Unsecured		2,47,10,705
3. Break up of Leased Assets and stock on hire and other assets counting towards AFC activities :		
(i) Lease Assets including lease rentals under Sundry Debtors:		
(a) Financial lease		—
(b) Operating lease		—
(ii) Stock-on-hire including hire charges under Sundry Debtors :		
(a) Assets on hire		—
(b) Repossessed Assets		—
(iii) Other loans counting towards AFC activities		
(a) Loans where assets have been repossessed		—
(b) Loans other than (a) above		—
4. Break-up of Investments :		
Current Investments :		
1. Quoted :		
(i) Shares : (a) Equity		—
(b) Preference		—
(ii) Debentures and Bonds		—
(iii) Units of Mutual Funds		—
(iv) Government Securities		—
(v) Others (please specify)		—

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

(Figures in ₹)

Particulars	Amount Outstanding as at 31st March, 2011
2. Unquoted :	
(i) Shares : (a) Equity	–
(b) Preference	–
(ii) Debentures and Bonds	–
(iii) Units of Mutual Funds	5,17,48,921
(iv) Government Securities	–
(v) Others (please specify)	–
Long Term investments :	
1. Quoted :	–
(i) Shares : (a) Equity	10,25,38,029
(b) Preference	–
(ii) Debentures and Bonds	–
(iii) Units of Mutual Funds	–
(iv) Government Securities	–
(v) Others (please specify)	–
2. Unquoted :	
(i) Shares : (a) Equity	28,72,53,867
(b) Preference	–
(ii) Debentures and Bonds	–
(iii) Units of mutual funds	–
(iv) Government Securities	–
(v) Others (Investment in Limited Liability Partnership)	9,00,000
SUB-TOTAL	44,24,40,817
GRAND TOTAL (2 + 3 + 4)	1,94,17,33,490

5. Borrower group-wise classification of assets financed as in (2) and (3) above :

(Figures in ₹)

Category	Amount net of provisions		
	Secured	Unsecured	Total as at 31st March, 2011
1. Related Parties			
(a) Subsidiaries	30,82,11,685	–	30,82,11,685
(b) Companies in the same group	–	–	–
(c) Other related parties	–	53,42,511	53,42,511
2. Other than related parties	1,16,63,70,283	1,93,68,194	1,18,57,38,477
TOTAL	1,47,45,81,968	2,47,10,705	1,49,92,92,673

6. Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) :

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

(Figures in ₹)

Category	Market Value/ Break up or fair value or NAV as at 31st March, 2011	Book Value (Net of Provisions) as at 31st March, 2011
1. Related Parties		
(a) Subsidiaries	62,66,64,678	2,87,253,867
(b) Companies in the same group	-	-
(c) Other related parties	9,00,000	9,00,000
2. Other than related parties	14,73,20,087	15,42,86,950
TOTAL	77,48,84,765	44,24,40,817

7. Other information :

Particulars	Total as at 31st March, 2011
(i) Gross Non-Performing Assets	
(a) Related parties	-
(b) Other than related parties	-
(ii) Net Non-Performing Assets	
(a) Related parties	-
(b) Other than related parties	-
(iii) Assets acquired in satisfaction of debt	-

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Additional Information pursuant to Part IV of Schedule VI to the Companies Act, 1956

I) Registration Details

Corporate Identification No.

U 6 5 9 9 3 W B 1 9 8 9 P L C 0 4 7 0 0 2

Balance Sheet Date

3 1 0 3 2 0 1 1

State Code

2 1

II) Capital raised during the year (Amount in ₹ Thousands)

Public Issue

1 4 7 5 0 0 0

Bonus Issue

N I L

Right Issue

N I L

Private Placement

N I L

III) Position of Mobilisation and Deployment of Funds (Amount in ₹ Thousands)

Total Liabilities

2 1 2 9 1 1 5

Total Assets

2 1 2 9 1 1 5

Sources of Funds :

Paid-up Capital

3 1 8 1 0 5

Reserves & Surplus

1 7 5 7 4 9 7

Secured Loan

N I L

Unsecured Loan

N I L

Deferred Tax Liability

6 0 7 1

Application of Funds :

Net Fixed Assets

8 7 9 6 1

Investment

4 4 2 4 4 1

Net Current Assets

1 5 5 1 2 7 1

Miscellaneous Expenditure

N I L

Accumulated Loss

N I L

IV) Performance of the Company (Amount in ₹ Thousands)

Turnover

2 7 2 4 3 1

Total Expenditure

3 7 2 7 5

Profit/(Loss) before Tax

2 3 5 1 5 6

Profit/(Loss) after Tax

1 7 9 8 4 8

Earning Per Share (₹)

7 . 0 4

Dividend Rate (%)

1 0

V) Generic Names of three Principal Products/Services of the Company (as per monetary terms)

Item Code No. (ITC Code)

Not Applicable

Product/Service Description

Non-Banking Finance Company

For and on behalf of the Board of Directors

B. L. Mittal

Chairman & Managing Director

Ravi Kant Sharma

Director

Giridhar Dhelia

Chief Financial Officer

Biplab Kumar Mani

Company Secretary

Place : Kolkata

Date : 27th May, 2011

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED AUDITORS' REPORT

To
The Members of
Microsec Financial Services Limited

1. We have audited the attached Consolidated Balance Sheet of Microsec Financial Services Limited ('the Company') and its subsidiaries, as at March 31, 2011 and also the Consolidated Profit & Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. 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 mis-statement. 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.
3. We have not audited the financial statements of certain subsidiaries (namely Microsec Commerze Limited, Microsec Insurance Brokers Limited, Microsec Technologies Limited, Microsec Resources Private Limited, PRP Technologies Limited and Microsec Invictus Advisors LLP) whose financial statement reflects total assets of ₹ 847,601,038 as at 31st March 2011, and total revenues of ₹ 261,603,672 and net cash flows of ₹ 18,656,168 for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts and other financial information includes in respect of the said subsidiaries, is based solely on the report of other auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards (AS) 21, "Consolidated financial statements" notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended).
5. Based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give true and fair view in conformity with the accounting principles generally accepted in India :
 - a) in the case of Consolidated Balance Sheet, of the state of affairs of the Company and its subsidiaries as at March 31, 2011;
 - b) in the case of Consolidated Profit & Loss Account, of the profit of the Company and its subsidiaries for the year ended on that date; and
 - c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Company and its subsidiaries for the year ended on that date.

For **S. R. BATLIBOI & CO.**
Firm Registration No. 301003E
Chartered Accountants
Per **R. K. Agrawal**
Partner
Membership No. 16667

Place : Kolkata
Date : 27th May 2011

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011

	Schedules	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
(a) Share Capital	1	31,81,05,000	19,31,05,000
(b) Reserves & Surplus	2	2,26,11,39,666	73,19,40,596
2. Loan Funds			
Secured Loans	3	1,00,56,298	4,01,12,127
3. Deferred Tax Liability (Net)		2,35,91,956	2,10,52,605
		2,61,28,92,920	98,62,10,328
II. APPLICATION OF FUNDS			
1. Fixed Assets	4		
Gross Block		31,93,42,432	31,13,97,911
Less : Accumulated Depreciation/Amortisation		10,97,17,163	9,96,38,865
Net Block		20,96,25,269	21,17,59,046
Capital Work-in-Progress including Capital Advances		3,22,83,892	2,35,28,652
		24,19,09,161	23,52,87,698
2. Investments	5	38,06,81,063	8,69,07,993
3. Current Assets, Loans & Advances			
I. Current Assets			
(a) Sundry Debtors	6	14,04,39,244	8,92,37,323
(b) Cash & Bank Balances	7	30,00,67,506	20,08,52,404
(c) Other Current Assets	8	98,18,549	80,66,275
II. Loans and Advances	9	1,81,19,57,605	55,35,06,056
		2,26,22,82,904	85,16,62,058
Less : Current Liabilities & Provisions			
(a) Current Liabilities	10	22,97,15,202	19,60,48,361
(b) Provisions	11	4,22,65,006	9,69,867
		27,19,80,208	19,70,18,228
Net Current Assets		1,99,03,02,696	65,46,43,830
4. Miscellaneous Expenditure	12	–	93,70,807
(to the extent not written off or adjusted)			
		2,61,28,92,920	98,62,10,328
Significant Accounting Policies & Notes to Accounts	19		

Schedules referred to above form an integral part of the Balance Sheet

As per our report of even date
For **S. R. BATLIBOI & CO.**
Firm Registration No. : 301003E
Chartered Accountants
R. K. Agrawal
Partner
Membership No. 16667
Place : Kolkata
Date : 27th May, 2011

For and on behalf of the Board of Directors

B. L. Mittal
Chairman & Managing Director

Ravi Kant Sharma
Director

Giridhar Dhelia
Chief Financial Officer

Biplab Kumar Mani
Company Secretary

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	Schedules	2010-2011 (₹)	2009-2010 (₹)
INCOME			
Income from Operations	13	77,04,82,684	57,09,06,502
Other Income	14	1,44,24,805	1,40,13,064
		78,49,07,489	58,49,19,566
EXPENDITURE			
Operating Expenses	15	1,55,38,286	1,38,67,279
Payments to and Provisions for Employees	16	16,71,76,132	11,48,61,284
Administrative & Other Expenses	17	12,46,21,768	10,01,00,664
Director's Remuneration		1,06,13,743	70,30,987
Interest	18	72,62,652	1,26,68,618
Provision for Standard Assets (Refer note no. C (vi) on schedule 19)		46,03,290	–
		32,98,15,871	24,85,28,832
PROFIT BEFORE DEPRECIATION AND TAXATION		45,50,91,618	33,63,90,734
Depreciation/Amortisation		2,55,85,778	3,12,18,596
PROFIT BEFORE TAXATION		42,95,05,840	30,51,72,138
Provision for Taxation :			
Current Tax (Including ₹ 73,068 (₹ Nil) for earlier years)		9,91,66,938	5,88,74,489
Deferred Tax (Including ₹ Nil (₹ 1,17,571) for earlier years) (Refer note no. C (xvi) on schedule 19)		25,39,351	31,98,192
Excess Provision of Income Tax for earlier years, written back		–	(3,85,460)
		10,17,06,289	6,16,87,221
PROFIT AFTER TAX		32,77,99,551	24,34,84,917
Balance Brought Forward from previous year		49,02,51,450	26,18,27,683
Add : Adjustment towards Consolidation		–	1,95,38,850
BALANCE AVAILABLE FOR APPROPRIATION		81,80,51,001	52,48,51,450
Appropriations :			
Transferred to Reserve under Section 45-IC of the Reserve Bank of India Act, 1934		3,76,00,000	2,33,50,000
Transferred to Debenture Redemption Reserve		12,50,000	12,50,000
Transferred to Capital Redemption Reserve		2,00,000	1,00,00,000
Proposed Dividend		3,18,10,500	–
Dividend Tax thereon		51,60,617	–
BALANCE CARRIED TO BALANCE SHEET		74,20,29,884	49,02,51,450
Earnings Per Share (Basic & Diluted) (Nominal Value of Share ₹ 10) (Refer note no. C (xii) on schedule 19)		12.83	12.53
Significant Accounting Policies & Notes to Accounts	19		

Schedules referred to above form an integral part of the Profit & Loss Account

As per our report of even date
For **S. R. BATLIBOI & CO.**
Firm Registration No. : 301003E
Chartered Accountants
R. K. Agrawal
Partner
Membership No. 16667
Place : Kolkata
Date : 27th May, 2011

For and on behalf of the Board of Directors

B. L. Mittal
Chairman & Managing Director

Ravi Kant Sharma
Director

Giridhar Dhelia
Chief Financial Officer

Biplab Kumar Mani
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

	2010-11 (₹)	2009-10 (₹)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	42,95,05,840	30,51,72,138
Adjustments for :		
(Profit)/Loss on sale/discard of Fixed Assets	6,90,433	(20,36,807)
Provision for Standard Assets	46,03,290	–
Depreciation/Amortization	2,55,85,778	3,12,18,596
Interest Expenses	53,50,479	54,40,761
Interest on Fixed Deposits & Others	(1,40,25,523)	(1,12,66,517)
Irrecoverable debts/advances written off	8,44,686	66,82,608
Loss on Assignment of receivables	–	1,12,67,634
Unspent liabilities no longer required written back	(2,314)	(7,04,934)
Operating Profit before Working Capital Changes	45,25,52,669	34,57,73,479
(Increase)/Decrease in Investments	(29,37,73,070)	6,32,35,750
(Increase) in Loans & Advances	(1,26,29,64,491)	(23,29,43,684)
(Increase) in Debtors	(5,20,46,607)	(1,72,32,455)
Increase in Current Liabilities & Provisions	3,75,54,191	2,53,11,176
Cash generated from Operations	(1,11,86,77,308)	18,41,44,266
Income Tax paid	(9,44,15,077)	(5,88,86,675)
Net Cash generated from Operating Activities	(1,21,30,92,385)	12,52,57,591
B. CASH FLOW FROM INVESTING ACTIVITIES		
Sale of Fixed Assets	7,32,716	1,58,36,500
Purchase of Fixed Assets	(3,36,30,390)	(1,59,47,834)
Encashment of Fixed Deposits	56,93,78,554	2,05,26,536
Investment in Fixed Deposits	(62,02,33,038)	(7,39,95,038)
Interest on Fixed Deposits & Others	1,20,34,330	62,20,586
Net Cash (used in) from Investing Activities	(7,17,17,828)	(4,73,59,250)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

	2010-11 (₹)	2009-10 (₹)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Buy Back of Equity Shares	–	(12,50,00,000)
Proceeds from Issue of Equity Share Capital	12,50,00,000	–
Proceeds from Securities Premium on issue of Equity Share Capital	1,35,00,00,000	–
Repayments of Borrowings	(36,87,13,127)	(1,71,25,87,565)
Proceeds from Borrowings	33,86,57,298	1,74,89,00,000
Interest Paid	(56,39,364)	(51,55,818)
IPO Related expenses	(10,63,30,328)	(52,99,036)
Net Cash (used in) from Financing Activities	1,33,29,74,479	(9,91,42,419)
D. Net change in Cash and Cash Equivalents (A+B+C)	4,81,64,266	(2,12,44,078)
E. Cash and Cash Equivalents - Opening Balance	7,59,12,728*	9,71,56,806
F. Cash and Cash Equivalents - Closing Balance	12,40,76,994*	7,59,12,728
Cash & Cash Equivalent as indicated in Schedule 7 comprises of :		
Cash-in-Hand	1,81,564	1,72,333
Cheques-in-Hand	–	10,351
Balances with scheduled banks *	12,38,95,430	7,57,30,044
TOTAL	12,40,76,994	7,59,12,728

* Excludes balance of ₹ 1,96,352 (₹ Nil) with a bank for which refund instruments have been issued to the investors but yet to be encashed by the investors and ₹ 17,57,94,160 (₹ 12,49,39,676) of Fixed Deposits with restricted use or maturity for more than three months.

As per our report of even date
For **S. R. BATLIBOI & CO.**
Firm Registration No. : 301003E
Chartered Accountants
R. K. Agrawal
Partner
Membership No. 16667
Place : Kolkata
Date : 27th May, 2011

For and on behalf of the Board of Directors

B. L. Mittal
Chairman & Managing Director

Ravi Kant Sharma
Director

Giridhar Dhelia
Chief Financial Officer

Biplab Kumar Mani
Company Secretary

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Schedule 1 SHARE CAPITAL		
Authorised		
3,50,00,000 Equity Shares of ₹ 10 each	35,00,00,000	35,00,00,000
	35,00,00,000	35,00,00,000
Issued, Subscribed and Paid-up		
3,18,10,500 (1,93,10,500) Equity Shares of ₹ 10 each fully paid (Refer Note No. C (i) on Schedule 19)	31,81,05,000	19,31,05,000
Note : Out of the above, 1,43,88,060 Equity Shares have been allotted as fully paid Bonus Shares by Capitalisation of Securities Premium, Capital Redemption Reserve and Profit & Loss Account.		
	31,81,05,000	19,31,05,000
Schedule 2 RESERVES AND SURPLUS		
Securities Premium Account		
As per last Account	15,14,73,500	26,64,73,500
Additions during the year	1,35,00,00,000	–
Less : Amount utilised on Buyback of Equity Shares	–	115,000,000
Less : Share Issue Expense	11,16,29,364	–
	1,38,98,44,136	151,473,500
Capital Reserve (Arisen on Consolidation)	36,43,980	36,43,980
Capital Redemption Reserve		
As per last Account	1,00,00,000	–
Add : Transferred from Profit & Loss Account pursuant to buy back of equity shares	–	1,00,00,000
Add : Transferred from Profit & Loss Account on redemption of preference shares	2,00,000	–
	1,02,00,000	1,00,00,000
Debenture Redemption Reserve		
As per last Account	1,10,41,666	97,91,666
Add : Transferred from Profit & Loss Account	12,50,000	12,50,000
	1,22,91,666	1,10,41,666
Reserves under Section 45-IC of The Reserve Bank of India Act, 1934		
As per last Account	6,55,30,000	4,21,80,000
Add : Transferred from Profit & Loss Account	3,76,00,000	2,33,50,000
	10,31,30,000	6,55,30,000
Profit & Loss Account Balance	74,20,29,884	49,02,51,450
	2,26,11,39,666	73,19,40,596

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Schedule 3 SECURED LOANS		
From Scheduled Banks		
- Term Loan	1,00,00,000	4,00,50,000
- Working Capital Facility	56,298	–
Interest accrued & due	–	33,434
Deferred payment credit under hire purchase (Secured by hypothecation of Motor Cars)	–	28,693
	1,00,56,298	4,01,12,127

Notes :

- Term Loan of ₹ Nil (₹ 4,00,00,000) is secured by pledge of Fixed deposits receipts of ₹ 2,00,00,000, Personal Guarantee of two directors of the Company and Corporate Guarantee of the holding company.
- Term Loan of ₹ 1,00,00,000 (₹ 50,000) is secured by way of mortgage of immovable property of a subsidiary company at Rajarhat, Kolkata, personal guarantee of one director of the Company and Corporate Guarantee of the holding company.
- Working capital facility is secured by properties of the subsidiary, holding company and one of the fellow subsidiary and corporate guarantee of the holding company and one of the fellow subsidiary company.

Schedule 4 FIXED ASSETS										
Description	Gross Block				Depreciation/Amortisation				Net Block	
	As at 01.04.2010 (₹)	Additions/ Adjustments (₹)	Sales/ Adjustments (₹)	As at 31.03.2011 (₹)	As at 01.04.2010 (₹)	For the year (₹)	Less on Sales/Adj. (₹)	As at 31.03.2011 (₹)	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Tangible Assets										
Freehold Land	40,22,289	–	–	40,22,289	–	–	–	–	40,22,289	40,22,289
Office Premises	8,73,85,395	–	–	8,73,85,395	1,54,38,934	35,97,323	–	1,90,36,257	6,83,49,138	7,19,46,461
Computer & Allied Equipments	3,00,43,653	70,53,559	14,92,442	3,56,04,770	2,08,81,399	51,81,279	11,03,353	2,49,59,325	1,06,45,445	91,62,254
Furniture & Fixtures	3,05,09,204	57,54,267	–	3,62,63,471	1,61,70,556	39,45,534	–	2,01,16,090	1,61,47,381	1,43,38,648
Office Equipments	1,84,29,075	45,86,712	2,85,437	2,27,30,350	66,21,627	24,83,201	1,16,202	89,88,626	1,37,41,724	1,18,07,448
Vehicles	38,15,949	65,23,116	13,70,550	89,68,515	23,58,655	13,98,535	6,95,168	30,62,022	59,06,493	14,57,294
Intangible Assets										
Goodwill on Consolidation	4,63,30,413	–	–	4,63,30,413	–	–	–	–	4,63,30,413	4,63,30,413
Software	3,21,55,606	8,20,670	1,37,82,200	1,91,94,076	2,75,59,942	23,75,985	1,35,92,757	1,63,43,170	28,50,906	45,95,664
Web Application Portal	41,89,748	1,36,826	–	43,26,574	11,68,326	14,37,154	–	26,05,480	17,21,094	30,21,422
Copy Rights - Right on Web Application Portal - Personal Resource Planning	5,00,01,000	–	–	5,00,01,000	51,37,089	50,00,100	–	1,01,37,189	3,98,63,811	4,48,63,911
Business & Membership Rights	45,15,579	–	–	45,15,579	43,02,337	1,66,667	–	44,69,004	46,575	2,13,242
TOTAL	31,13,97,911	2,48,75,150	1,69,30,629	31,93,42,432	9,96,38,865	2,55,85,778	1,55,07,480	10,97,17,163	20,96,25,269	21,17,59,046
Previous Year's Total	31,36,32,541	3,55,15,962	3,77,50,592	31,13,97,911	9,23,71,168	3,12,18,596*	2,39,50,899	9,96,38,865	21,17,59,046	

* Including ₹ Nil (₹ 23,73,152) in respect of earlier years.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

Schedule 5 INVESTMENTS				
	Face value Per Share/unit (₹)	No. of Shares/units	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Long Term (Fully paid) (at cost)				
Non-Trade				
Quoted				
Equity Shares				
Adhunik Metaliks Limited	10	260,000	3,01,18,254	3,01,18,254
CRISIL Limited	10	250 (-)	14,78,698	-
Deevee Commercials Limited	10	188,500	2,82,750	2,82,750
Emami Limited	1	200,014 (7)	8,25,62,274	2,335
Emami Infrastructure Limited **	2	2	229	229
Elgi Equipments Limited	1	24,776 (-)	21,89,721	-
Colgate Palmolive (India) Limited	1	10,149	68,79,909	68,79,909
Exide India Limited	1	20,000	20,80,556	20,80,556
Indian Bank Limited	10	- (16,000)	-	28,75,676
ITC Limited	1	11,000* (5,500)	14,49,382	14,49,382
NMDC Limited	1	3,400	15,16,861	15,16,861
Himadri Chemical & Industries Limited	1 (10)	650,188*** (15,000)	3,31,97,328	62,46,117
Hindustan Door Oliver Limited	2	37,000 (-)	38,46,389	-
Manaksia Limited	2	- (201,410)	-	1,97,75,849
MOIL Limited	10	21,461 (-)	96,05,651	-
ONGC Ltd	5	14,800 (-)	50,24,475	-
Powergrid Corpn. Of India Ltd.	10	58,150 (-)	52,33,500	-
Punjab & Sind Bank	10	89,249 (-)	1,13,79,285	-
Petronet LNG Limited	10	16,000 (-)	20,30,020	-
State Bank of Travencore	10	25,610 (-)	1,80,10,473	-
Tata Motors (DVR)	10	6,200 (-)	45,18,100	-
WABCO - TVS (India) Ltd.	5	3,300 (-)	29,85,650	-
			22,43,89,505	7,12,27,918

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

Schedule 5 INVESTMENTS (Contd.)				
	Face value Per Share/unit (₹)	No. of Shares/units	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Unquoted				
Equity Shares				
Gajanan Fashions Limited	10	– (80,000)	–	243,078
Mandpam Commercial Limited	10	– (400,000)	–	12,153,900
Umang Vincom Pvt.Ltd	10	– (400,000)	–	1,215,390
			–	13,612,368
Bonds				
HUDCO Bonds (Tax free)	500,000	3	1,730,866	1,730,866
			1,730,866	1,730,866

* Including 5,500 bonus shares received during the year

** Listed during the year

*** Including 5,85,168 shares received during the year due to split of shares

	Face value Per Share/unit (₹)	No. of Shares/units	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Current Investments (Non-Trade) (At lower of cost and market value)				
Quoted				
Bonds				
National Bank for Agriculture & Rural Development (A)	20,000	10811 (–)	10,00,01,750	–
(A) Since the market value of investments is not available, cost price has been considered as market value.				
Unquoted				
Units in Mutual Fund				
HDFC Cash Management Fund	10	133,200.50	27,10,107	3,36,841
Treasury Advantage Plan - Retail - Growth		(17,002.80)		
Sundram Ultra Short Term Fund	10	32,829.714 (–)	4,14,748	–
Sundaram Money Fund Super Inst. Growth	10	1,044,099.04 (–)	2,14,34,087	–
IDBI Ultra Short Term Growth	10	2,898,494.72 (–)	3,00,00,000	–
			5,45,58,942	3,36,841
Total Investments			38,06,81,063	8,69,07,993
Aggregate Value of Investments				
Quoted			32,43,91,255	7,12,27,689
Unquoted			5,62,89,808	1,56,80,304
Market Value of Quoted Investments			31,12,32,250	7,13,62,818
Aggregate NAV of Mutual Fund Units			5,51,37,301	3,39,857

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

Schedule 5 INVESTMENTS (Contd.)				
Name	Face value Per Share/unit (₹)	No. of Shares/units	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Besides the above, the following investments have been purchased and sold during the year				
Birla Sun Life Cash Plus Ins. Prem. - Growth	10	7270612.19 (-)	11,00,00,000	-
HDFC Liquid Fund - Premium Plus	10	10529918.13 (-)	20,00,00,000	-
HDFC CMF Treasury Adv. Retail Growth	10	4232499.18 (17889474.05)	8,58,45,166	1,78,89,474
HDFC CMF Treasury Adv. Retail Dividend	10	- (2447245.83)	-	2,45,00,000
ICICI Liquid Plan Growth	100	658716.77 (-)	1,51,07,288	-
ICICI Prudential MF Flexible Income Prem - Growth	100	851531.51 (-)	15,00,00,000	-
IDBI Liquid Fund Growth	10	23363374.61 (-)	23,55,00,000	-
IDBI Ultra Short Term fund	10	5652064.69 (-)	5,85,00,000	-
IDFC Money Manager Fund- Treasury Super Inst Plan - Growth	10	8465363.30 (-)	9,50,00,000	-
Reliance Liquid Fund	10	21821162.88 (-)	50,50,00,000	-
Sundaram Ultra ST Fund Inst. Growth	10	1326640.87 (-)	1,70,08,597	-
Sundaram Ultra ST Retail Growth	10	1424319.02 (-)	1,80,00,000	-
Sundaram Money Fund Super Inst. Growth	10	32030833.14 (-)	64,45,65,914	-
Sundaram Money Fund Institutional - Appm	10	450732.44 (-)	90,00,000	-
UTI Treasury Advantage Fund Growth	10	- (1704)	-	39,00,000
Aditya Birla Nuvo Ltd.	10	3300.00 (-)	25,03,654	-
Adhunik Metaliks Ltd.	10	- (271000)	-	93,27,694
Andhra Bank	10	23000.00 (-)	41,14,746	-
Educomp Solution Ltd.	2	4500.00 (-)	25,61,322	-
Emami Ltd.	1	125000.00 (-)	5,89,28,645	-
GIC Housing Finance Ltd.	10	19000.00 (-)	20,10,420	-

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

Schedule 5 INVESTMENTS (Contd.)				
Name	Face value Per Share/unit (₹)	No. of Shares/units	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Himadri Chemicals & Industries Limited	1 (10)	24822.00 (26610)	12,04,398	1,03,82,913
IFCI Ltd.	10	45000.00 (-)	25,84,425	-
Jindal Steel & Power Ltd.	1	- (3550)	-	24,20,098
Oracle Financial Services Software Ltd.	5	- (1125)	-	24,23,116
Tata Motors Ltd.	10	1900.00 (-)	25,13,415	-

	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Schedule 6 SUNDRY DEBTORS		
Considered Good		
Debts outstanding for a period exceeding six months		
Secured	9,26,192	20,331
Unsecured	31,18,470	14,03,890
Other Debts		
Secured	12,83,93,760	7,77,32,817
Unsecured	80,00,822	1,00,80,285
	14,04,39,244	8,92,37,323

Schedule 7 CASH & BANK BALANCES		
Cash-on-Hand	1,81,564	1,72,333
Cash-in-Hand	-	10,351
Balances with Scheduled Banks on :		
(a) Current Accounts	12,38,95,430	7,57,30,044
(b) Fixed Deposits Account (Refer Note No.C (iv) on Schedule 19)	17,57,94,160	12,49,39,676
(c) IPO Refund Account *	1,96,352	-
	30,00,67,506	20,08,52,404

* Represents balance with a bank for which refund instruments have been issued but are yet to be encashed by the investors

Schedule 8 OTHER CURRENT ASSETS		
Accrued Interest on Fixed Deposits and Bonds	98,18,549	80,66,275
	98,18,549	80,66,275

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	As at 31.03.2011 (₹)	As at 31.03.2010 (₹)
Schedule 9 LOANS & ADVANCES		
(Considered good, unless otherwise stated)		
A. Loans (Bearing Interest)		
- Secured	1,52,03,81,301	47,17,12,660
- Unsecured	16,44,09,965	–
	1,68,47,91,266	47,17,12,660
B. Advances - Unsecured		
Advances recoverable in cash or in kind or for value to be received or pending adjustments *	3,22,27,992	60,07,555
Advance Payment of Income Tax & Tax Deducted at Source (Net of Provisions)	65,80,972	1,10,93,914
Deposits with Government Authorities, Stock/Commodity Exchanges and others *Includes ₹ 3,86,912 (Rs. Nil) due from two directors of the Company (subsequently realised)	8,83,57,375	6,46,91,927
Maximum amount due at any time during the year from the directors : ₹ 3,97,506 (₹ Nil)	1,81,19,57,605	55,35,06,056

Schedule 10 CURRENT LIABILITIES		
Amount Payable to Clients	12,36,13,881	9,71,41,061
Margin from Clients	7,23,97,792	7,58,64,577
Amount Payable to Stock Exchanges	19,08,233	15,80,244
Security Deposits	82,91,941	84,29,941
Sundry Creditors for goods, services, expenses etc.		
- Due to Micro and Small Enterprises (Refer Note No.C (v) on Schedule 19)	–	–
- Due to Others	1,04,80,365	1,03,86,825
Other liabilities	56,40,712	26,45,713
Temporary Bank Overdraft from Scheduled Banks	71,85,926	–
Unpaid Share Application Money * * Represents refund instruments issued to the investors but yet to be encashed by the investors. This does not include any amount, due and outstanding to be credited to Investors Education and Protection Fund	1,96,352	–
	22,97,15,202	19,60,48,361

Schedule 11 PROVISIONS		
Proposed Dividend	3,18,10,500	–
Dividend Tax thereon	51,60,617	–
Provision for Standard Assets	46,03,290	–
Gratuity	6,90,599	6,12,324
Leave Encashment	–	3,57,543
	4,22,65,006	9,69,867

Schedule 12 MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Share Issue Expenses as per last account	93,70,807	–
Additions during the year	10,22,58,557	93,70,807
	11,16,29,364	93,70,807
Less : Adjusted/Written Off during the year (Refer Note No.C (ii) on Schedule 19)	11,16,29,364	–
	–	93,70,807

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

	2010-2011 (₹)	2009-2010 (₹)
Schedule 13 INCOME FROM OPERATIONS		
Stock/Commodity Broking		
Brokerage and Related Income [TDS ₹ 1,03,868 (₹ 11,41,201)]	23,34,43,676	20,11,95,684
Penal Charges Collected from clients [TDS ₹ 1,20,088 (Nil)]	1,52,35,670	1,13,06,275
	24,86,79,346	21,25,01,959
Financing & Investment		
Interest on Loans (Gross) [TDS ₹ 131,65,221 (₹ 49,08,897)]	14,56,41,579	6,52,29,143
Profit on Sale of Non-Trade Investments (Net)		
- Long Term	6,88,92,683	8,53,27,058
- Current	1,22,61,806	8,53,432
Dividend from Non-Trade Investments		
- Long Term	12,15,673	11,40,462
- Current	-	53,587
	22,80,11,741	15,26,03,682
Investment Banking Revenue [TDS ₹ 1,03,33,934 (₹ 1,06,32,903)]	11,44,46,858	9,74,62,159
Professional Fees (TDS ₹ 1,03,74,450 Previous year. ₹ 57,90,750)	9,55,17,316	5,25,00,000
	20,99,64,174	14,99,62,159
Wealth Management, Financial Planning & Distribution		
Insurance Brokerage & Related Income [TDS ₹ 12,75,320 (₹ 15,24,661)]	1,31,95,382	1,37,40,102
Service Charges [TDS ₹ 77,09,970 (₹ 46,10,540)]	6,99,00,000	4,18,00,000
Profit from Trading in Securities	7,32,041	2,98,600
	8,38,27,423	5,58,38,702
	77,04,82,684	57,09,06,502
Schedule 14 OTHER INCOME		
Interest on :		
- Fixed Deposits etc. [TDS ₹ 13,55,274 (₹ 11,02,003)]	1,36,07,354	1,12,66,517
- Income Tax Refund	2,38,919	-
Others [TDS ₹ 960 (₹ Nil)]	1,79,250	-
Unspent liabilities no longer required written back	2,314	7,04,934
Profit on sale/discard of Fixed Assets (net)	-	20,36,807
Miscellaneous Income	3,96,968	4,806
	1,44,24,805	1,40,13,064
Schedule 15 OPERATING EXPENSES		
Membership Fees and Subscription	8,91,963	13,48,109
Software Maintenance charges	41,57,044	36,18,025
Stock/Commodity Exchange charges	83,42,922	63,10,772
SEBI Turnover Fees	3,36,779	2,17,276
Depository Transaction charges	18,09,578	23,73,097
	1,55,38,286	1,38,67,279

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

	2010-2011 (₹)	2009-2010 (₹)
Schedule 16 PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salary, Bonus etc.	15,96,06,560	10,85,38,567
Contribution to Employees State Insurance [Including ₹ Nil (₹ 6,26,852) for earlier years]	6,09,090	9,66,804
Gratuity	17,35,251	13,08,134
Employees' Welfare Expenses	52,25,231	40,47,779
	16,71,76,132	11,48,61,284

Schedule 17 ADMINISTRATIVE & OTHER EXPENSES		
Advertisement & Publicity	1,35,50,771	19,27,661
Communication Expenses	99,00,613	69,53,586
Electricity Expenses	44,63,634	31,09,386
Repairs & Maintenance		
- Others	49,25,956	40,97,955
- Rent	92,06,615	43,90,225
Rates & Taxes [including ₹ Nil (₹ 4,30,104) for earlier years]	8,85,414	12,59,893
Filing Fees	17,850	81,010
Insurance Premium	4,00,355	4,45,146
Printing & Stationery	48,56,894	34,21,808
Bank & Demat charges	16,54,726	7,45,554
Business Promotion Expenses	7,93,225	6,08,075
Travelling & Conveyance	53,82,704	40,71,488
Postage & Courier Expenses	28,88,219	18,91,038
Legal & Professional Fees	1,32,80,369	44,22,645
Irrecoverable debts/advances written off	8,44,686	66,82,608
Loss on Fixed Assets sold/discarded (Net)	6,90,433	–
License and Statutory Fees	68,701	38,345
Penal Charges	–	5,00,000
Membership Fees	10,000	21,600
Service Charges		
- Market research & Analysis services	75,30,225	3,18,97,084
- Facility Services etc.	3,50,09,464	73,48,712
Motor Car Expenses	1,82,000	3,52,505
Auditor's Remuneration		
As Auditors		
Audit Fees	21,81,545	16,34,045
Tax Audit Fee	33,273	33,273
Limited Reviews	7,50,000	–
In other capacities for certificates and other services	13,05,000	10,74,000
Out of Pocket Expenses	51,964	19,855
Loss on assignment of receivables	–	1,12,67,634
Miscellaneous expenses	37,57,132	18,05,533
	12,46,21,768	10,01,00,664

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

	2010-2011 (₹)	2009-2010 (₹)
Schedule 18 INTEREST		
On Fixed Loans	21,05,923	50,00,154
On Working Capital Facilities	39,47,709	25,16,768
Other Loans	–	43,21,236
Miscellaneous	12,09,020	8,30,460
	72,62,652	1,26,68,618

Schedule 19 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. BASIS OF CONSOLIDATION

The Consolidated Financial Statements which relate to Microsec Financial Services Ltd. (the Company) and its subsidiaries have been prepared on the following basis :

- The financial Statements of the Company and its subsidiaries have been consolidated in terms of Accounting Standard - 21, "Consolidated Financial Statements" notified by the Companies Accounting Standard Rules, 2006, on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenditure after fully eliminating intra group balances, intra group transactions and any unrealized profit/loss included therein.
- The excess/shortfall of cost to the Company of its investment over equity in the subsidiary companies as on the date of investment is recognized in the financial statements as goodwill/capital reserve as the case may be.
- The consolidated financial statements have been prepared using uniform accounting policies, for like transactions and are presented to the extent possible, in the same manner as the Company's separate financial statements.
- The Subsidiary Companies considered in the financial statements are as under :

Name	Country of Incorporation	% of Voting Power/Ownership interest	
		As at 31.03.2011	As at 31.03.2010
Microsec Capital Limited	India	100	100
Microsec Commerze Limited	India	100	100
Microsec Insurance Brokers Limited	India	100	100
Microsec Technologies Limited	India	100	100
Microsec Resources Private Limited	India	100	100
PRP Technologies Limited	India	100	100
Microsec Invictus Advisors LLP	India	100 *	Not Applicable

* Microsec Invictus Advisors LLP has been consolidated as a subsidiary of the Company by virtue of control over composition of governing body of Limited Liability Partnership.

B. SIGNIFICANT ACCOUNTING POLICIES

i) Basis of Preparation

The financial statements have been prepared to comply in all material aspects with the Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956 and the directives as prescribed by the Reserve Bank of India for Non-Banking Financial Companies. The financial statements have been prepared under the historical cost convention on an accrual basis. However, income is not recognized and also provision is made in respect of non-performing assets as per the prudential norms prescribed by the Reserve Bank of India. Except otherwise mentioned, the accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

ii) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of financial statements and the results of operations during the reporting year end. Although these estimates are based upon the management's best knowledge of current events and actions, actual results could differ from these estimates.

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

iii) Revenue Recognition

- Revenue from share brokerage activities is accounted for on trade date basis and excludes Service Tax and Securities Transaction Tax. Annual Maintenance Charges in respect of depository services are collected from the customers at the time of account opening or its renewal and accounted for as income under the head Brokerage and related income, on a proportionate basis.
- Fees from Investment Banking activities which include issue Management, Mergers & Acquisitions, Investment and other advisory services etc. are recognised as and when the services are rendered to the customers and when there is reasonable certainty of its ultimate realisation/collection.
- Commission on insurance policies sold is recognized, when an insurance policy sold by the Company is accepted by the principal insurance company.
- Commission and Incentive Income on primary market activities, included in Investment Banking revenue is recognized on receipt of confirmation from the concerned party after completion of the public issue.
- Dividend Income is recognized when the shareholder's right to receive payment is established by the balance sheet date.
- Interest Income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- Penal Charges for delayed receipt of dues from the clients are credited on accrual basis, as per management's judgement, as to the reasonable certainty in realisation thereof.
- Service charge is recognised as and when services are rendered to the customers and when there is reasonable certainty for its ultimate realisation/collection.
- Fees from professional service is recognised as and when the services are rendered to the customers and there is reasonable certainty for its ultimate realisation/collection.

iv) Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

v) Depreciation/Amortisation

- Depreciation on fixed assets is provided using written down value method as per the useful life of the assets estimated by the management or at the rates specified in Schedule XIV to the Companies Act, 1956, whichever is higher.
- Depreciation on Fixed Assets added/disposed off during the year is provided on pro-rata basis with reference to the date of addition/disposal.
- In case of impairment, if any, depreciation is provided on the revised carrying amount of the assets over their remaining useful life.
- Copyrights are amortized on straight-line basis over a period of ten years from the date the assets become available for use.
- Other Intangible Assets are amortized on straight-line basis over a period of three/five years from the date the assets become available for use.

vi) Impairment of Fixed Assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment based on external/internal factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and 'Value in Use' of the assets. The estimated future cash flows considered for determining the value in use, are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

vii) Borrowing Costs

Borrowing Costs relating to acquisition/construction of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

viii) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as Current Investments. All other Investments are classified as Long Term Investments. Current Investments are stated at lower of cost and market rate on an individual investment basis. Long Term investments are considered "at cost" on individual investment basis, unless there is a decline other than

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

temporary in the value, in which case adequate provision is made against such diminution in the value of investments.

ix) **Fixed Assets Acquired under lease**

Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of the ownership of the leasehold assets are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account.

Finance Lease

Assets acquired under lease agreements which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of their liability. Finance charges are charged directly to expenses account.

x) **Provisions**

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on best estimate required to settle the obligation, at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

xi) **Contingencies**

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed by way of notes to the accounts.

xii) **Taxation**

Tax expense comprises of current and deferred tax. Current Income Tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred Income Tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

The deferred tax for timing differences between the book and tax profit for the year is accounted for using the tax rates and laws that have been substantively enacted as of the Balance Sheet date. Deferred Tax Asset is recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised. If the Company has carry forward unabsorbed depreciation and tax losses, deferred tax asset is recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient taxable income will be available in future against which such deferred tax asset can be realised.

The carrying amount of deferred tax asset is reviewed at each Balance Sheet date. The Company writes down the carrying amount of a Deferred Tax Asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

At each Balance Sheet date, the Company recognizes the unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax asset can be realized.

Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in the guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit & loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal Income Tax during the specified period.

xiii) **Provisioning on Standard Assets**

The Reserve Bank of India (RBI) vide Notification No. DNBS 223/CGM (US) - 2011 dated 17th January, 2011 has issued direction to all NBFCs to make provision of 0.25% on standard assets with immediate effect. Accordingly, the Company has made provision @ 0.25% on standard assets in accordance with RBI directions.

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

xiv) Segment Reporting

a) Identification of Segments

The Company has identified that its business segments are the primary segments. The Company's operating businesses are organized and managed separately according to the nature of products/services provided, with each segment representing a strategic business unit that offers different products/services and serves different markets. The analysis of geographical segments is based on the areas in which the operating division of the Company operates.

b) Allocation of Common Costs

Common allocable costs are allocated to each segment on case to case basis applying the ratio, appropriate to each relevant case. Revenue and expenses which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis are included under the head "Unallocated - Common".

The accounting policies adopted for segment reporting are in line with those of the Company.

xv) Retirement and other employees benefits

- Gratuity Liability being a defined benefit obligation is provided for on the basis of actuarial valuation on projected unit credit method at the end of each year.
- Short Term compensated absences are provided for based on estimates.
- Actuarial gains/losses are immediately taken to profit & loss account and are not deferred.

xvi) Earnings Per Share

Earnings Per Share is calculated by dividing the net profit or loss for the year attributable to equity shareholders, by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

xvii) Cash and Cash Equivalents

Cash and Cash Equivalents in the cash flow statement comprise of cash at bank and Cash/Cheque in hand and short-term investments with an original maturity of three months or less.

C. NOTES TO ACCOUNTS

- The Company has made a public issue of 1,25,00,000 Equity Shares of ₹ 10 each for cash at a premium of ₹ 108 per equity share to Qualified Institutional Bidders, Non-institutional Bidders and to Retail Individual Bidders which had closed on 21st September, 2010. The Equity Shares of the Company were listed on the National Stock Exchange and Bombay Stock Exchange ("the Stock Exchanges") on 5th October, 2010.
- The Company has incurred expenditure of ₹11,16,29,364 (₹ 93,70,807) as detailed below in connection with the Initial Public Offer of equity shares and the same has been adjusted against Securities Premium during the year, as permitted under Section 78 of the Companies Act, 1956.

(Figures in ₹)

Particulars	As at 31.03.2011	As at 31.03.2010
Fees to Book Running Lead Manager	5,06,83,658	—
Legal & Professional Fees	61,66,284	45,96,771
Fees to Syndicate Members	1,10,00,000	—
Fees paid to Registrar to the issue	12,79,492	—
Exchange & Regulator Fees	45,29,865	21,14,062
Auditor's Fees	45,15,395	25,87,345
Advertisement Expenses	1,65,21,913	—
Printing & Stationary	1,29,23,425	—
Travelling Expenses	19,16,970	—
Other Expenses	20,92,362	72,629
TOTAL	11,16,29,364	93,70,807

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

iii) Contingent Liabilities :

(Figures in ₹)

Particulars	As at 31.03.2011	As at 31.03.2010
a) i) Corporate Guarantees in favour of Banks against facilities granted to Subsidiary Companies	39,35,50,000	29,50,00,000
ii) Credit facilities availed against the above as on the Balance Sheet date	1,00,56,298	4,00,83,434
b) Claims against the Company not acknowledged as debts*	1,906,710	32,37,610
c) Bank Guarantees outstanding in favour of Stock/Commodity exchanges (including ₹ 25,00,00,000 also included in (a) (i) above)	26,48,75,000	8,35,00,000
d) Corporate Guarantee given by a subsidiary in favour of a Bank for guarantee issued by the bank to a third party	50,00,000	-
e) Disputed Income Tax demands in Appeal*	63,20,300	63,20,300
f) Disputed Service Tax*	19,29,972	10,73,644
g) Bank Guarantees outstanding in favour of West Bengal Sales Tax Department	-	42,000
h) Bank Guarantee in favour of Sales Tax Department	58,038	-

* The management believes that the Company has a good chance of success in the above mentioned cases and hence no provision thereagainst is considered necessary.

iv) Fixed Deposits with Banks aggregating to ₹ 16,82,94,160 (₹ 11,94,39,676) are pledged as follows :

(Figures in ₹)

Pledged with	As at 31.03.2011	As at 31.03.2010
National Securities Clearing Corporation Ltd.	-	4,00,00,000
National Stock Exchange of India Ltd.	33,00,000	8,00,000
HDFC Bank Ltd. (As security against credit facilities/Bank Guarantees)	7,18,65,033	4,38,68,587
United Bank of India (As security against bank Guarantee/Lien as per IRDA Regulation 22)	61,71,089	61,71,089
Axis Bank Ltd. (As security against Overdraft Facilities)	2,00,00,000	-
Indus Ind Bank Ltd. (As security against credit facilities/bank Guarantee)	5,01,00,000	2,00,00,000
MCX Stock Exchange Ltd.	1,20,50,000	83,00,000
National Commodity Derivative Exchange	45,00,000	-
National Spot Exchange Ltd	2,50,000	2,50,000
Axis Bank Ltd. (As security against Bank guarantee)	58,038	50,000
TOTAL	16,82,94,160	11,94,39,676

v) Based on the information/documents available with the Company, no creditor is covered under Micro, Small and Medium Enterprise Development Act, 2006. As a result, no interest provision/payments have been made by the Company to such creditors, if any, and no disclosures thereof are made in these accounts.

vi) The Reserve Bank of India (RBI) vide its Notification No. DNBS 223/CGM (US) - 2011 dated 17th January, 2011 has issued direction to all NBFCs to make provision of 0.25% on the standard assets with immediate effect. Accordingly, the Company has made a provision of ₹ 46,03,290 on standard assets as at 31st March, 2011.

vii) The Company has formed a Limited Liability Partnership (LLP) namely Microsec Invictus Advisors LLP with an individual on 19th July, 2010 to carry on the business of professional and consultancy services.

The details of investment in Limited Liability Partnership are as follows :

Name of the Firm : Microsec Invictus Advisors LLP

Total Capital (100% invested by Microsec Financial Services Limited) : ₹ 9,00,000

Partners Name and their share

Name of the Partner	Share of Profit	Share of Loss
Microsec Financial Services Limited	50%	100%
Mr. Debashish Ghoshal	50%	-

viii) The Company and its subsidiaries have a defined benefit gratuity plan. Every employee, who has completed five years or more of services, is entitled to gratuity on terms not less favorable than the provisions of the payment of Gratuity Act, 1972. The scheme is funded with Life Insurance Corporation of India.

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

The following tables summarise the components of net benefit expenses recognised in the Profit & Loss Account and the funded status and amounts recognised in the balance sheet for the plan. (Figures in ₹)

	2010-2011	2009-2010
(i) Net Employee Expense/(Benefit)		
Current service cost	20,16,484	17,74,532
Interest cost on benefit obligation	2,78,623	1,68,322
Expected return on plan assets	(2,29,638)	(1,33,997)
Net Actuarial (gain) /loss recognised in the year	(3,30,218)	(5,99,159)
Total employer (income)/expense recognised in Profit & Loss Account	17,35,251	12,09,698
(ii) Actual return on plan assets	2,72,175	1,69,024
(iii) Benefit Asset/(Liability)		
Defined benefit obligation	54,90,221	34,82,795
Fair value of Plan Assets	47,99,622	28,70,471
Benefit Asset/(Liability)	(6,90,599)	(6,12,324)
(iv) Movement in benefit liability		
Opening defined benefit obligation	34,82,795	21,04,073
Interest cost	2,78,623	1,68,322
Current service cost	20,16,484	17,74,532
Benefits paid	–	–
Actuarial (gains)/losses on obligation	(2,87,681)	(5,64,132)
Closing benefit obligation	54,90,221	34,82,795
(v) Movement in fair value of plan assets		
Opening fair value of plan assets	28,70,471	16,75,003
Expected Return on plan assets	2,29,638	1,33,997
Contributions by employer	16,56,976	10,26,444
Benefits paid	–	–
Actuarial (gains)/losses on plan assets	(42,537)	(35,027)
Closing fair value of plan assets	47,99,622	28,70,471
(vi) The major categories of plan assets as a percentage of the fair value of total plan assets		
Investments in insurance managed fund	100%	100%
(vii) The principal actuarial assumptions are as follows		
Discount Rate	8.00%	8.00%
Expected rate of return on plan assets	8.00%	8.00%
Salary increase	5.00%	5.00%
Withdrawal rates	1.00%	1.00%
(viii) Amount incurred as expense for defined contribution plans		
Contribution to Provident/Pension fund	Not Applicable	Not Applicable
Contribution to Employees State Insurance	₹ 6,09,090	₹ 9,66,804

- (ix) The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factor, such as supply and demand in the employment market.
- (x) The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.
- (xi) The Company expects to contribute ₹ 18,60,000 (₹ 10,50,000) to Gratuity fund during April 2011-March 2012.

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

(xii) Amounts for the current year and previous year are as follows : *

(Figures in ₹)

	2010-2011	2009-2010
Gratuity		
Defined Benefit Obligation	54,90,221	34,82,795
Plan Assets	47,99,622	28,70,471
Surplus/(Deficit)	(6,90,599)	(6,12,324)
Experience adjustments on plan liabilities	(2,87,681)	(5,64,132)
Experience adjustments on plan assets	42,537	35,027

* The Company and its subsidiaries have started recording gratuity liability based on actuarial valuation from the year 2009-10 and therefore disclosure has been made only for the aforesaid years.

- ix) From the current year, the Company and its subsidiaries have decided to encash the leave liability due to its employees and thus a total sum of ₹ 17,07,279 (after adjusting provision of ₹ 3,57,543 made in the past) has been paid to the employees and charged to Profit & Loss Account. Because of the above change, the profit for the year is lower by ₹ 7,63,860.
- x) Diminution, based on the market value, in the value of certain long term quoted investments as on the balance sheet date, being temporary in nature, has not been provided.
- xi) Minimum Alternate Tax (MAT) Credit entitlement (after availing and utilizing credit of ₹ 7,42,387 related to year 2008-09 during the current year) of ₹ 3,15,60,343 (including ₹ 1,90,72,449 for the current year), although being available as tax credit for set off in future years as per Income Tax Act, 1961, has not been accounted for in view of accounting policy specified in B (xii) above.
- xii) Basis for calculation of Basic and Diluted Earnings Per Share is as under :

Particulars	2010-11	2009-10
Profit as per Profit & Loss Account (₹)	32,77,99,551	24,34,84,917
Weighted Average Number of Equity Shares (Nos)	2,55,43,377	1,94,28,308
Nominal Value of each Equity Share (₹)	10	10
Basic and Diluted Earnings Per Share (₹)	12.83	12.53

- xiii) Facility Service charges of ₹ 3,50,09,464 (₹ 73,48,712) as indicated in Schedule - 17 include payments made by certain subsidiaries to various parties for use of their infrastructure facilities like office space, office equipments, computers, furniture & fixtures, telephones and manpower services etc. in relation to maintenance of their offices/branches.
- xiv) In terms of Accounting Standard 18 -the related party disclosure is given below :

Name of related parties & description of relationship

Key Management Personnel

Mr. Banwari Lal Mittal (Chairman & Managing Director)

Mr. Ravi Kant Sharma (Director)

Mr. Ajai Kumar Agrawal (Director in PRP Technologies Limited)

Mr. Shamik Bose (From 6th August, 2009) (Executive Director in Microsec Commerce Limited)

Mr. Pankaj Harlalka (From 22nd September, 2009) (Executive Director in Microsec Capital Limited)

Mr. Laxmi Narayan Mandhana (Chief Financial Officer) (upto 20th November, 2009)

Mr. Pankaj Kumar Kedia (Chief Financial Officer) (upto 20th October, 2010)

Mr. Giridhar Dhelia (Chief Financial Officer) (w.e.f. 9th November, 2010)

Relatives of Key Management Personnel

Mrs. Abha Mittal (Wife of Mr. Banwari Lal Mittal)

Mr. Narsingh Mittal (Brother of Mr. Banwari Lal Mittal)

Mr. Sajjan Kumar Sharma (Father of Mr. Ravi Kant Sharma)

Mrs. Bharti Sharma (Wife of Mr. Ravi Kant Sharma)

Mrs. Sangita Mandhana (Wife of Mr. Laxmi Narayan Mandhana) (upto 20th November, 2009)

Mrs. Rasmi Harlalka (From 22nd September, 2009) (Wife of Mr. Pankaj Harlalka)

Mrs. Kanta Devi Sharma (Mother of Mr. Ravi Kant Sharma)

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

Mr. Man Mohan Harlalka (From 22nd September, 2009) (Father of Mr. Pankaj Harlalka)

Mr. Arjun Mittal (Brother of Mr. Banwari Lal Mittal)

Mrs. Sushila Devi Khaitan (Sister of Mr. Banwari Lal Mittal)

Mr. Vikash Bhimrajka (Brother-in-Law of Mr. Banwari Lal Mittal)

Mrs. Prabha Devi Bhimrajka (Mother-in-Law of Mr. Banwari Lal Mittal)

Enterprises in which Key Management Personnel Exercise Significant Influence

Luv-Kush Projects Limited

Micro Resources Private Limited

B. L. Mittal (HUF)

(Figures in ₹)

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Enterprise in which Key Management Personnel Exercise Significant Influence	Total
Director's Remuneration				
Mr. B. L. Mittal	38,33,856 (26,14,120)			38,33,856 (26,14,120)
Mr. Ravi Kant Sharma	33,43,376 (26,01,282)			33,43,376 (26,01,282)
Mr. Pankaj Harlalka	17,41,400 (6,96,342)			17,41,400 (6,96,342)
Mr. Ajai Kumar Agrawal	5,22,611 (3,83,654)			5,22,611 (3,83,654)
Mr. Shamik Bhose	9,00,000 (5,88,089)			9,00,000 (5,88,089)
Remuneration				
Mr. L. N. Mandhana	– (7,17,456)			– (7,17,456)
Mr. Pankaj Kumar Kedia	6,78,987 (3,44,772)			6,78,987 (3,44,772)
Mr. Giridhar Dhelia	4,61,255 (–)			4,61,255 (–)
Brokerage & Related Income				
Luv-Kush Projects Ltd			5,18,884 (5,69,438)	5,18,884 (5,69,438)
Others	48,545 (13,956)	1,33,139 (73,814)	– (386)	1,81,684 (88,156)
Repayment of Advances Given				
Mr. L. N. Mandhana	– (1,86,074)			– (1,86,074)
Mr. Pankaj Harlalka	2,72,852 (3,53,058)			2,72,852 (3,53,058)
Repayment of Inter Corporate Deposits Taken (Interest Bearing)				
Luv-Kush Projects Ltd			9,00,00,000 (–)	9,00,00,000 (–)
Others	– (28,676)	– (5,727)		– (34,403)

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

(Figures in ₹)

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Enterprise in which Key Management Personnel Exercise Significant Influence	Total
Advances Given				
Mr. Pankaj Harlalka	2,83,404 (3,03,058)			2,83,404 (3,03,058)
Mr. Ravi Kant Sharma	3,76,360 (-)			3,76,360 (-)
Others	- (28,676)	- (5,224)	- -	- (33,900)
Inter Corporate Deposit Taken (Interest Bearing)				
Luv-Kush Projects Ltd			9,00,00,000 (-)	9,00,00,000 (-)
Interest Paid				
Luv-Kush Projects Ltd			66,575 (-)	66,575 (-)
Balance Receivable				
Mr. Ravi Kant Sharma	3,76,360 (-)			3,76,360 (-)
Mr. Pankaj Harlalka	10,552 (-)			10,552 (-)
Others		- (130)		- (130)
Balance Payable				
Mr. Ajai Kumar Agrawal	- (3,750)			- (3,750)

xv) The Break-up of net deferred tax liability as at 31st March, 2011 is as under :

Particulars	As at 31st March, 2011	As at 31st March, 2010
Deferred Tax Liabilities		
Depreciation/Amortisation	78,18,681	59,58,640
Discount on Deep Discount Debentures	1,79,71,298	1,54,07,855
Sub Total (A)	2,57,89,979	2,13,66,495
Deferred Tax Assets		
Expenses Allowable against taxable income in future years	7,04,486	3,13,890
Provision on Standard Assets	14,93,537	-
Sub Total (B)	21,98,023	3,13,890
Net Deferred Tax Liability (A-B)	2,35,91,956	2,10,52,605

xvi) One of the Company's subsidiary has invested in deep discount bonds redeemable after a period of 20 years issued by another fellow subsidiary company. The investor company has not accounted for income on such deep discount bonds whereas the investee company has accounted for interest expense in its books. As per policy consistently followed, the investor company will account for such interest income at the time of redemption of the bonds in their books. However, at the time of consolidation, to follow uniform accounting policies for like transactions, income accrued on such bonds has been duly considered as a consolidated adjustment and eliminated with the corresponding expenses recognised by another subsidiary. The consequential deferred tax liability of ₹ 1,79,71,298 (₹ 1,54,07,855) on such interest income has also been considered in these consolidated financial statements.

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

xvii) The utilization of the Issue Proceeds from Initial Public Offer (IPO) is as follows :

(Figures in ₹)

Particulars	Funds allocated for the activity as per prospectus	Amount utilized upto March 31, 2011
Gross Proceeds of the Issue	1,47,50,00,000	1,47,50,00,000
Less : Issue related Expenses	10,96,69,000	11,16,29,364
Net Proceeds of the Issue ("Net Proceeds")	1,36,53,31,000	1,36,33,70,636
Deployment		
Expansion of financing business of the company	1,13,00,00,000	1,10,27,32,297
Expansion of Microsec Capital Limited's domestic operations by increasing network of branches	8,00,00,000	15,50,00,000*
Enhance Microsec Capital Limited's existing technological capacity	7,50,00,000	
General Corporate Purpose	8,03,31,000	34,95,632
Short Term Investments in mutual funds and bank balance pending utilization		10,21,42,707
TOTAL	1,36,53,31,000	1,36,33,70,636

*Represents the amount invested in equity shares of Microsec Capital Limited (MCap) which is lying unutilized by Mcap and thus invested in fixed deposits and bonds.

xviii) **Segment Reporting**

The Company's segment information as at and for the year ended 31st March, 2011 are as below :

Particulars	Financing & Investment	Investment Banking & Related Services	Brokerage (Equity, Commodities Currency) & related Services including Depository Services	Wealth Management Insurance Broking, Financial Planning, Distribution and related Services	Total
Segment Revenue	22,80,11,741 (15,26,03,682)	20,99,64,174 (14,99,62,159)	24,86,79,346 (21,25,01,959)	8,38,27,423 (5,58,38,702)	77,04,82,684 (57,09,06,502)
Segment Results	20,20,99,888 (11,82,95,087)	13,07,88,994 (10,44,00,834)	4,26,72,731 (4,40,84,578)	6,59,76,640 (3,72,56,039)	44,15,38,253 (30,40,36,538)
Less : Unallocated Expense net of unallocated income					1,20,32,413 (-11,35,600)
Profit before Tax					42,95,05,840 (30,51,72,138)
Current Tax					9,91,66,938 (5,88,74,489)
Deferred Tax					25,39,351 (31,98,192)
Excess Provision of Income Tax for earlier years, written back					— (-3,85,460)
Profit after Tax					32,77,99,551 (24,34,84,917)
Segment Assets	2,06,61,31,715 (68,13,50,390)	10,67,72,223 (9,05,51,672)	28,07,70,188 (24,76,56,393)	67,95,633 (1,00,71,865)	2,46,04,69,759 (1,02,96,30,320)
Unallocated Corporate Assets					42,44,03,369 (14,42,27,429)*
Total Assets					2,88,48,73,128 (1,17,38,57,749)

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

(Figures in ₹)

Particulars	Financing & Investment	Investment Banking & Related Services	Brokerage (Equity, Commodities & Currency) & related Services including Depository Services	Wealth Management Insurance Broking, Financial Planning, Distribution and related Services	Total
Segment Liabilities	83,94,154 (2,93,218)	26,29,072 (17,37,825)	22,10,56,024 (18,68,85,080)	6,43,866 (7,28,120)	23,27,23,116 (18,96,44,243)
Unallocated Corporate Liabilities					7,29,05,346 (6,85,38,717)
Total Liabilities					30,56,28,462 (25,81,82,960)
Capital Expenditure	6,54,782 (6,36,205)	1,54,88,237 (27,38,984)	1,60,89,363 (98,10,991)	13,98,008 (27,61,654)	3,36,30,390 (1,59,47,834)
Depreciation/Amortization	85,87,090 (84,64,859)	44,97,173 (85,38,306)	96,22,087 (97,91,507)	28,79,428 (41,14,408)	2,55,85,778 (3,09,09,080)
Unallocated Depreciation					— (3,09,516)
Total Depreciation					2,55,85,778 (3,12,18,596)
Non Cash expenses	46,03,290 (1,14,19,695)	2,44,734 (31,60,233)	7,37,027 (30,72,285)	5,53,358 (2,98,029)	61,38,409 (1,79,50,242)

* Excluding Miscellaneous Expenditure (to the extent not written off or adjusted) amounting to Rs. 93,70,807/-

Notes :

- I. **Business Segments :** The business segment has been identified on the basis of the services of the group. Accordingly, the group has identified "Financing & Investment", "Investment Banking & Related Services", "Brokerage (Equity, Commodities & Currency including Depository Services) & Related Services," and "Wealth Management, Insurance Broking, Financial Planning, Distribution and Related Services" as business segments.
 - a) Financing & Investment - consists of financing of loans and investments in shares and securities
 - b) Investment Banking & related services - consists of financial consultancy, professional fees and debt syndication
 - c) Brokerage (Equity, Commodities & Currency including Depository Services) & related service - Consists of Brokerage and related Services.
 - d) Wealth Management, Insurance Broking, Financial Planning, Distribution and related services - Consists of Brokerage from Insurance activities, distribution and Financial planning Services.
- II. **Geographical Segments :** The Company operates in only one geographical segment i.e. 'Within India' and no separate information for geographical segment has been given.

xix) Operating Lease

Certain office premises are obtained on operating lease. The lease term is for 1 to 3 years and renewal for further period either mutually or at the option of the Company. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no sub-leases. The leases are cancellable.

(Figures in ₹)

Particulars	Year ended 31st March, 2011	Year ended 31st March, 2010
Lease payments made for the year	92,06,615	43,90,225
Contingent rent recognised in Profit & Loss Account	Nil	Nil

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

- xx) Additional information as per guidelines issued by the Reserve Bank of India in respect of Non-Banking Financial (Non-Deposit Accepting or Holding) systemically important (NBFC-ND-SI) which has become applicable to the Company during the year is given in Annexure - I attached herewith.
- xxi) Previous year's figures including those in brackets, have been re-grouped and/or re-arranged wherever necessary.

As per our report of even date

For **S. R. BATLIBOI & CO.**
Firm Registration No. : 301003E
Chartered Accountants
R. K. Agrawal
Partner
Membership No. 16667
Place : Kolkata
Date : 27th May, 2011

For and on behalf of the Board of Directors

B. L. Mittal
Chairman & Managing Director

Ravi Kant Sharma
Director

Giridhar Dhelia
Chief Financial Officer

Biplab Kumar Mani
Company Secretary

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

Annexure I of the Note C (xx) to the Schedule 17 of Notes to Accounts schedule to the Balance Sheet of Microsec Financial Services Ltd. a Non Banking Financial Company.

(a) Capital to Risk Assets Ratio (CRAR)

Items	As at 31st March, 2011
(i) CRAR (%)	105.90
(ii) CRAR - Tier I Capital (%)	105.66
(iii) CRAR - Tier II Capital (%)	0.24

(b) Exposure to real estate sector, both direct and indirect.

Category	As at 31st March, 2011 (₹)
(a) Direct exposure	
(i) Residential Mortgages -	
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to Rs. 15 lacs may be shown separately)	—
(ii) Commercial Real Estate -	
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits	—
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures -	
a. Residential	—
b. Commercial Real Estate	—
(b) Indirect Exposure	
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	—
(c) Asset Liability Management	—

Maturity pattern of certain items of Assets and Liabilities

(Figures in ₹)

	1 day to 30/31 days (one month)	Over one month and upto 2 months	Over 2 months and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Liabilities									
Borrowings from Banks	—	—	—	—	—	—	—	—	—
Market Borrowings	—	—	—	—	—	—	—	—	—
Assets									
Advances *	1,47,98,55,947	—	—	—	—	—	—	—	1,47,98,55,947
Investments	5,17,48,921	—	—	—	—	10,25,38,029	—	28,81,53,867	44,24,40,817

* Represents interest bearing loans. Since the loans are repayable on demand, the same has been categorized in the bracket of 1 day to 30/31 days (one month).

MICROSEC FINANCIAL SERVICES LIMITED

Regd. Office : "Shivam Chambers", 1st Floor, 53, Syed Amir Ali Avenue, Kolkata - 700 019
Phone : +91 33 3051 2100, Fax No : +91 33 3051 2020

ATTENDANCE SLIP

Ledger Folio No.

D. P. ID *.....

No. of Shares held

Client ID *

- 1. Full name of Member/Proxy _____
- 2. If Proxy, full name of Member _____

I hereby record my presence at the Twenty Second Annual General Meeting of the Members of the Company at 'Gyan Manch', 11, Pretoria Street, Kolkata - 700 071, on Thursday, 4th August, 2011, at 11.00 a.m. and at any adjournment thereof.

Date

Signature

Important : This attendance slip should be signed and handed over at the entrance of the Meeting Hall.

* Applicable for Members holding shares in Electronic Form

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PROXY FORM

Ledger Folio No.

D. P. ID *.....

No. of Shares held

Client ID *

I/We _____ of _____
_____ being a member/members of Microsec Financial Services Limited hereby appoint
_____ of _____
(or failing him/her _____ of _____)

as my/our proxy to attend and vote for me/us on my/our behalf at the Twenty Second Annual General Meeting of the Members of the Company to be held at 'Gyan Manch', 11, Pretoria Street, Kolkata - 700 071, on Thursday, 4th August, 2011 at 11.00 a.m. or and at any adjournment thereof.

Signed this day of 2011

Signature of Proxy

- Note :
- 1) This instrument of Proxy must be deposited at the Registered Office of the Company not less than forty eight hours before the time for holding the meeting.
 - 2) A Proxy need not be a member.

* Applicable for Members holding shares in Electronic Form

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Phone : +91 33 3051 2100, Fax No : +91 33 3051 2020

Dear Shareholder,

Date : 5th July, 2011

Sub : Green Initiative in Corporate Governance

The Ministry of Corporate Affairs ("MCA") has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by companies and has issued circulars on April 21, 2011 and April 29, 2011 inter-alia stating that a company would have complied with Section 53 of the Companies Act, 1956, if the service of document has been made through electronic mode.

To take part in the Green Initiative, we propose to send documents such as Notices, Annual Report etc. through electronic mode to the e-mail addresses which are made available to us by the Depositories and also which are registered and/or otherwise available with the Company's Registrar and Share Transfer Agents Link Intime India Private Limited (Link) from time to time. The full text of all documents and communications will also be available on our website, *www.microsec.in*.

We earnestly request you to register your email id with your Depository Participant, or where you desire to have the above documents at any alternative e-mail address, then you may accordingly register/update your email-id with your Depository Participant (for shares held in electronic form) or with the Company's Registrar and Share Transfer Agents at *kolkata@linkintime.co.in* or with the Company at *investors@microsec.in*.

Further, in case email address of any member has not been registered then the service of documents etc will be effected by other mode of service as provided under Section 53 of the Companies Act, 1956.

We are sure that you would appreciate the "Green Initiative" taken by MCA and your Company's desire to participate in such initiatives. It will not only be step to a Greener Earth but it will also be a faster mode of communication and there will be no chance of loss in postal transit.

Please communicate your choice at *investors@microsec.in*.

Thank you for co-operating with us, as always.

For **Microsec Financial Services Limited**

Biplab Kumar Mani

Company Secretary

OUR CORE VALUES



Kolkata

Investment Banking

Azimganj House, 2nd Floor
7, Camac Street, Kolkata - 700 017, India
Tel. : 91 33 2282 9330 Fax : 91 33 2282 9335

Brokerage and Wealth Management

Shivam Chambers, 1st Floor
53, Syed Amir Ali Avenue, Kolkata - 700 019, India
Tel. : 91 33 3051 2100 Fax : 91 33 3051 2020

New Delhi

417, World Trade Centre, 4th Floor
Babar Road, Connaught Place
New Delhi - 110 001
Tel. : 91 011 4152 8152

Mumbai

74A, Mittal Tower, 4th & 7th Floor
210, Nariman Point, Mumbai - 400 021, India
Tel. : 91 22 2285 5544 Fax : 91 22 2285 5548

BOOK POST

Mission - Club Kautilya

“To Make Every Indian A Winner”

॥ समपादिचात्मा जितात्मा भवति

॥ He is a winner who accomplishes all ॥

- Kautilya



अग्र्यफलमैश्वर्यम्

Prosperity is the outcome of wisdom

-Kautilya

If undelivered, please return to :

MICROSEC FINANCIAL SERVICES LIMITED

Shivam Chambers, 1st Floor, 53 Syed Amir Ali Avenue, Kolkata - 700 019