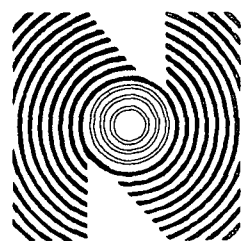


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Nucleus

NUCLEUS SECURITIES LIMITED

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**14TH ANNUAL REPORT
1997-98**



NUCLEUS SECURITIES LIMITED

BOARD OF DIRECTORS : MR. ASIT C. MEHTA - CHAIRMAN
MRS. DEENA A. MEHTA
MR. KIRIT H. VORA
PROF. N. VENKITESWARAN

AUDITORS : M/S M. P. CHITALE & COMPANY
CHARTERED ACCOUNTANTS

COMPANY SECRETARY : MR. DILIP P. VAIDYA

SOLICITORS : M/S. WADIA GHANDY & COMPANY

BANKERS : ORIENTAL BANK OF COMMERCE
THE BENARES STATE BANK LIMITED
BANQUE INDOSUEZ
BANK OF MADURA LIMITED

REGISTERED OFFICE : "NUCLEUS HOUSE"
SAKI-VIHAR ROAD,
OPP. L & T GATE NO. 7
ANDHERI (E), POWAI
MUMBAI - 400 072.

14TH ANNUAL GENERAL MEETING
ON 14TH JULY 1998
AT 11.00 A. M. AT THE REGISTERED
OFFICE OF THE COMPANY

NUCLEUS SECURITIES LIMITED**NOTICE**

NOTICE is hereby given that Fourteenth Annual General Meeting of the Company will be held at the Registered Office at 'Nucleus House', Saki-Vihar Road, Andheri (East), Mumbai 400 072 on Tuesday, the 14th July, 1998 at 11.00 a.m. to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1998 and Profit and Loss Account for the year ended on that date and the Reports of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Asit C. Mehta, who retires by rotation and, being eligible offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration.
4. To consider and if thought fit to pass, with or without modification, the following resolution
AS ORDINARY RESOLUTION :

"RESOLVED THAT the Board of Directors be and are hereby authorised to appoint in consultation with the Company's Auditors any person or persons qualified for appointment as Auditor or Auditors of the Company under Section 226 of the Companies Act, 1956 to audit the accounts of the Company's Branches for the year 1998-99 and to fix their remuneration and the terms and conditions on which they shall carry out the audit."

SPECIAL BUSINESS :

5. To consider and if thought fit to pass, with or without modification, the following resolution
AS SPECIAL RESOLUTION :

"RESOLVED THAT in accordance with the provisions of the Companies Act, 1956 and other Provisions and Acts, if any, applicable including any amendment thereto and subject to the consents, permissions, sanctions and approvals, if any, as may be necessary from the members, stock exchanges and any other authorities from time to time and subject to the conditions as may be prescribed/ made applicable for de-listing of the shares of the Company by relevant authorities, members do hereby accord their consent to delist the Equity Shares of the Company from the Ahmedabad, Chennai and Delhi Stock Exchanges and also do hereby authorise the Board to do all such deeds, acts and formalities for delisting of shares from such stock exchanges."

For and on behalf of the Board.

Mumbai, May 18, 1998

**Asit Mehta
Chairman**

NUCLEUS SECURITIES LIMITED

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. HOWEVER, PROXY FORMS SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.
2. The Register of Members and Share Transfer Books shall remain closed from Wednesday, the 8th July, 1998 to Tuesday, the 14th July, 1998 (both days inclusive).
3. Members are requested to send unclaimed /unpaid dividend warrants, if any, for the years 1994-95, 1995-96 and 1996-97 to the Registered Office of the Company for Issue of fresh cheques / revalidation immediately. Please note that the unclaimed / unpaid Dividend for the year 1994-95 shall be transferred to the General Revenue Account of the Central Government during January, 1999.
4. Members are requested to notify any change in their addresses to the Registered Office or to the Company's Share Transfer Agents M/s. Nucleus Shares Custodian Services Limited at "Nucleus House", Ground Floor, Saki-Vihar Road, Andheri (East), Mumbai 400 072.
5. An explanatory Statement pursuant to the provisions of Section 173 (2) of the Companies Act, 1956 has been annexed herewith.
6. The practice of distributing copies of Annual Reports at the Annual General Meeting has been discontinued as a measure of economy. Members are therefore requested to bring their copy of the Annual Report and the Attendance Slip to the meeting.

NUCLEUS SECURITIES LIMITED

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2)
OF THE COMPANIES ACT, 1956.****ITEM NO. 4 :**

The Company has Branch Offices at different places in India and it is proposed to authorise the Board of Directors to appoint, in consultation with the Company's Auditors, persons qualified for appointment as Auditors of the Company under Section 226 of the Companies Act, 1956 to audit the accounts of such of the Branch Office(s) and at such remuneration and upon such terms and conditions as the Board of Directors deem fit, pursuant to the provision contained in section 228 of the Companies Act, 1956.

None of the Directors is interested in this resolution.

ITEM NO. 5 :

Presently the Equity Shares of the Company are listed on the Stock Exchanges at Ahmedabad, Chennai, Delhi and Mumbai. It has been observed by the Board of Directors that even though the shares are listed at Ahmedabad, Chennai and Delhi Stock Exchanges, the securities of the Company have remained infrequently traded since listing. No official quotations are available in respect of Company's Shares on these Stock Exchanges. The listing fees at the Stock Exchanges has been substantially raised. The shares of the Company are already listed at the Mumbai Stock Exchange which has undertaken expansion of BOLT facilities to many parts of the country. Thus the shareholders at these centres will have the facilities for trading on the premier stock exchange of the country. Chandratre Committee appointed by Securities and Exchange Board of India (SEBI) has also recommended voluntary delisting of securities on the request of the listed companies. The said recommendations are under consideration with SEBI. Keeping this in view, the management proposes to get the shares delisted from Ahmedabad, Chennai and Delhi Stock Exchanges in order to curtail the cost and administrative work to be followed in this regard. The Company proposes to complete all the legal formalities and rules as may be framed by the relevant authorities in this regard.

None of the Directors is interested in this resolution.

For and on behalf of the Board.

Mumbai, May 18, 1998

**Asit Mehta
Chairman**

NUCLEUS SECURITIES LIMITED

DIRECTORS' REPORT

To the Members,

The Directors submit their Fourteenth Annual Report together with the Audited Accounts for the accounting year ended 31st March, 1998.

1. FINANCIAL RESULTS	(Rs.in lacs)	
	For the year ended 31.03.1998	For the period ended 31.03.1997 (9 Months)
Profit before Interest, Depreciation & Taxation	107.67	44.33
Profit Before Depreciation and Tax	41.71	41.23
Depreciation	37.09	25.99
Profit Before Tax	4.62	15.24
Provision for Tax	—	—
Profit after tax	4.62	15.24
Prior period adjustments	(0.61)	(1.40)
Balance brought forward from the previous year	99.77	107.85
Proposed Dividend (5%)	—	16.97
Corporate Dividend Tax	—	1.70
Transfer to Reserve Fund	0.95	3.25
Balance carried forward	102.83	99.77

2. DIVIDEND :

In view of the inadequacy of profit, the Board has not recommended any dividend on the equity share capital for the financial year ended on 31st March, 1998.

3. YEAR UNDER REVIEW :

The gross revenue during the year under review increased to Rs.41.51 million as compared to Rs.24.77 million for the previous nine months period registering a 25% increase on an annualised basis. However, substantial rise in interest cost, incentives to travel agents, loss due to sharp depreciation of rupee verses other currencies, loss on sale of investments, etc. reduced the profit before tax to Rs.4.62 lacs as compared to Rs.15.24 lacs for the previous period.

NUCLEUS SECURITIES LIMITED

The income from the Money Changing division continued its upward trend. However, increased competition in the industry coupled with delayed payments by clients as well as defaults has increased the pressure on the bottom line. The Company opened the Bangalore office being its 11th branch offering money changing and other related services. However, the additional two branches could not be opened during the current year due to the pressure on the profitability.

During the year, the Company tied up agency of Western Union Finance Services, an international company specializing in money transfer and remittances on personal account having presence in over 145 countries. The company proposes to handle money transfer at all its locations in India on behalf of clients of Western Union.

The Company also signed a marketing agreement with FEXCO, an United Kingdom based leading company for offering VAT Reclaim services to other clients travelling to European countries. Both these services are likely to improve the bottom line of the company in the future.

The performance of Portfolio, Research and Information Service Division was satisfactory. The Company earned Rs. 7.48 lacs in foreign exchange in this division during the year. No new clients could be added in the Research and Information services. However, the Portfolio services continued to show better performance.

The Corporate Finance activities also performed satisfactorily, despite of the intense competition in this activity. The Merchant Banking services continued to languish due to the deep recessionary trend in the primary market.

The Company has undertaken measures to cut costs across the company wherever controllable and increase its emphasis on customer service and marketing. As mentioned in the last year, the Company has opted out of Lease & Hire Purchase business and hence is not undertaking any fresh disbursement. In the current industry scenario, the Company does not expect to be in this business in the near future.

The Company has applied to Reserve Bank of India (RBI) for declassification as an NBFC in view of the change in income and asset composition in recent years as it is no longer eligible for registration as an NBFC. The Company, on approval from RBI will be reclassified as Service Company. Your Company, in the meanwhile, continues to follow prudent RBI norms as stipulated by RBI, pending declassification.

4. OPERATIONS OF SUBSIDIARY :

Your subsidiary, Nucleus Shares Custodian Services Limited, registered modest profit of Rs.6.08 lacs verses loss of Rs.12.06 lacs for the previous year. The gross revenue also increased from Rs.52.87 lacs to Rs.83.93 lacs registering growth of more than 58%. The strategy of refocusing the Company's resources towards services requiring more value addition and knowledge based services has turned the Company around. The Company is cautiously optimistic for better performance in the current year.

5. FUTURE OUTLOOK :

Despite the new coalition Government in place, the future economic outlook looks far from promising. The recent recessionary trends witnessed in the last 2 years in the economy are not likely to reverse in the current year. This coupled with wide fluctuations on foreign currency vis-a-vis rupee are likely to continue. In the fee based financial service arena also, the competition is likely to further intensify. Your Company is exploring newer services and avenues for meaningfully deploying its economic resources. On the whole, the outlook for the next year looks cautiously stable.

NUCLEUS SECURITIES LIMITED

6. DEPOSITS :

Public Deposits as at 31st March, 1998 stood at Rs.84.58 lacs as against Rs.84.72 lacs in the previous year. The Company has stopped accepting fixed deposits from the public w.e.f. 1.4.1998 and Company has proposed to repay the outstanding fixed deposits as and when mature for payment. As on 31st March, 1998 the Deposits aggregating Rs.3.53 lacs have remained unclaimed by the depositors. The Company has already sent notices to the respective deposit holders requesting them to claim the payment. The Company propose to continuously follow-up with such deposit holders for payment of overdue deposits. Out of Rs.3.53 lacs unclaimed, Rs.1.30 lacs has been paid till 16.5.1998.

7. DEBENTURES :

The Company has issued Secured Redeemable Non-Convertible Debentures on Private Placement basis and has mobilised a sum of Rs.17.45 lacs under Series 'A' of the said debentures. The principal amount and interest is being secured by way of second charge on the fixed assets of the company subject to the first charge in favour of the Company's Bankers. The Debentures have been allotted and the Letters of Allotment for Series 'A' have been despatched to the respective applicants.

8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND EXPENDITURES :

As the Company is not a manufacturing Company, the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 is not applicable and hence the particulars under the said Rules are not furnished herewith. The Foreign Exchange earnings and outgo are reported in Schedule '18', forming part of the Accounts for the year ended 31st March, 1998.

9. PARTICULARS OF EMPLOYEES :

The information as required under Section 217 (2A) of the Companies Act, 1956 forms part of this report. However, pursuant to Section 219(1)(b)(iv) of the Companies Act, 1956 the report is being sent excluding the statement of particulars of employees. The statement will be sent to members who may be desirous of having the same on specific written request addressed to the Company.

10. DISCLOSURE PURSUANT TO CLAUSE 43 OF THE LISTING AGREEMENT:**Profitability :**

	Projections for the year ending 31.3.98	Actuals for the year ended 31.3.98
	(Rs. in lacs)	
Total Income	1531.05	415.08
Profit After Tax	302.72	4.62

NUCLEUS SECURITIES LIMITED

Explanations for variation :

a) Projections also included :

- * Rs. 755.78 lacs income from Lease/Hire Purchase activities which were discontinued due to sluggish market and non availability of funds from Banks.
- * Rs.120.00 lacs income from Merchant Banking activities which remained low due to depressed Primary Market.

b) The Market conditions for the finance activities remained dull coupled with low volume of business.

11. DIRECTORS :

In accordance with Article 103 of the Articles of Association of the Company, Mr. Asit C. Mehta retires by rotation and being eligible offers himself for re-election.

Mr. Virender K. Arora has resigned from the Board of Directors with effect from 6.11.1997.

Mr. Gautam B. Doshi resigned from the Board of Directors with effect from 6.4.1998.

The Board would like to place on record its appreciation of the valuable contribution made by Mr. Virender K. Arora and Mr. Gautam B. Doshi during their tenures with the Company.

12. AUDITORS :

M/s. M. P. Chitale & Company, Chartered Accountants, Mumbai, the Company's Auditors, retire on conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

13. AUDITORS' REMARK :

With respect to note 2.1 of the auditors report :-

The Company consistently follows the policy of providing liability on account of unsettled travellers cheques at the rate prevailing on the first settlement of the subsequent period which the management considers it to be more appropriate since the actual liability is determined before the accounts are finalised.

14. ACKNOWLEDGEMENT :

Your Directors take this opportunity to offer their sincere thanks to the various government departments, RBI, SEBI, TC Issuer Companies, Bankers, Clients and Depositors for their continued assistance and support.

Your Directors would also like to place on record their appreciation to all executives and employees for their individual and collective performance despite of otherwise difficult economic environment during the year.

For and on behalf of the Board

Mumbai, May 18, 1998

Asit Mehta
Chairman