



Nucleus

NUCLEUS SECURITIES LIMITED

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**15TH ANNUAL REPORT
1998-99**

NUCLEUS SECURITIES LIMITED

BOARD OF DIRECTORS : ASIT C. MEHTA CHAIRMAN & - MANAGING DIRECTOR
DEENA A. MEHTA
KIRIT H. VORA
PROF. N. VENKITESWARAN

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

SOLICITORS : M/S. WADIA GHANDY & COMPANY

BANKERS : ORIENTAL BANK OF COMMERCE
BANK OF INDIA
THE KARNATAKA BANK LTD.

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

**15TH ANNUAL GENERAL MEETING
ON SATURDAY, THE 31ST JULY, 1999
AT 11.00 A.M. AT THE REGISTERED
OFFICE OF THE COMPANY.**

NUCLEUS SECURITIES LIMITED

NUCLEUS SECURITIES LIMITED

Registered office :- Nucleus House, Saki-vihar Road, Andheri (E), Mumbai - 400 072.

NOTICE

NOTICE is hereby given that Fifteenth 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 Saturday, the 31st July, 1999 at 11.00 a.m. to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1999 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 Prof. N. Venkiteswaran, 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 1999-2000 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 pursuant to the provisions of sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such other approvals, if any, as may be required the consent and approval of the Company be and is hereby accorded to the appointment of Mr. Asit C. Mehta, as Managing Director of the Company, for a period of two years with effect from 1st April, 1999 on the terms and conditions as mentioned in Explanatory Statement annexed hereto".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter or vary the terms of appointment of Mr. Mehta as it may, at its discretion, deem fit from time to time, so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) or any amendment made thereto".

For and on behalf of the Board.

Mumbai, May 15, 1999.

Kirit H. Vora
Director

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 Tuesday, the 27th July, 1999 to Saturday, the 31st July, 1999 (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.
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.

**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 :

In view of a gradual increase in the business activities of the Company and as also for good corporate governance the Board of Directors of the Company at their meeting held on 9th April, 1999 have appointed Mr. Asit C. Mehta as a Managing Director for a period of two years with effect from 1st April, 1999.

Mr. Mehta is a Chartered Accountant by profession and has the vast knowledge and varied experience of over 15 years in the business of Money changing, Loan syndication, Debt market etc. and his appointment will be beneficial to the Company.

The main terms and conditions of his appointment are as under :

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I. OVERALL REMUNERATION :

Subject to the provisions of Section 198, 269 and Section 309 of the Companies Act, 1956 and other applicable provisions of the Act and modifications / amendments thereof, if any, the remuneration payable to the Managing Director in any financial year shall not exceed 5% (five percent) of the net profits of the Company. With the aforesaid ceiling, the remuneration payable to the Managing Director shall be as follows.

1. Salary :

Rs. 18,000/- per month with annual increment effective 1st April of each financial year commencing from 1st April, 2000 as may be decided by the Board.

2. Perquisites :

- a. **Special Allowance :** Rs. 15,000/- per month or Rs. 1,80,000/- per annum.
- b. **Medical Benefits :** Reimbursement of medical expenses for himself and his family actually incurred during its tenure subject to a limit of one month's salary per year for the period of his tenure.
- c. **Leave Assistance :** Return business class air fare, once in every year of service for himself and his family.
- d. **Leave :** Full pay leave of one month for every 11 months of service or part thereof.

In addition to the perquisites, the Managing Director shall also be entitled to the following benefits which shall not be included in the computation of ceiling on remuneration specified above :

- i. **Provident Fund :** As per Rules of the Company.
- ii. **Encasement of leave** at the end of the tenure.

II. MINIMUM REMUNERATION :

Where in any financial year during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate the remuneration payable to the Managing Director by way of salary and perquisites shall not exceed the limits specified in Section II of Part II of Schedule XIII of the Companies Act, 1956.

The Managing Director will not be entitled to sitting fees for the meetings of the Board / Committee attended by him.

III. TERMINATION OF AGREEMENT :

If the Managing Director shall at any time be incapacitated by illness or otherwise from performing his duties for three consecutive months or in the opinion of the Board of Directors, if he becomes unfit to act as such Managing Director, the Company may terminate the agreement by giving two months' notice in writing or by paying an amount equivalent to two months salary. The Managing Director may also resign from his office by giving to the Company two months notice in writing.

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IV. RETIREMENT BY ROTATION NOT APPLICABLE :

The Managing Director shall not while he continues to hold the office as such be liable to retire by rotation.

The powers to be conferred by the Board to the Managing Director shall be subject to Article 125 of the Company's Articles of Association.

The agreement in respect of the appointment is kept open for inspection during 11.00 a.m. to 1.00 p.m. on all working days of the Company upto the date of the Annual General Meeting and shall also be kept open during the Annual General Meeting.

Mr. Mehta as the recipient of the remuneration may be regarded as concerned with or interested in the resolution. Mrs. Deena A. Mehta being a relative of Mr. Mehta may also be regarded as concerned with or interest in the resolution.

No other Director of the Company is interested in this resolution.

For and on behalf of the Board.

Kirit H. Vora
Director

Mumbai, May 15, 1999.

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DIRECTORS' REPORT

To the Members,

The Directors submit their Fifteenth Annual Report together with the Audited Accounts for the accounting year ended 31st March, 1999.

1. FINANCIAL RESULTS :	(Rs.in lacs)	
	For the year ended 31.03.1999	For the year ended 31.03.1998
Profit before Interest, Depreciation & Extra-ordinary Items	51.48	111.28
Less :		
Interest	53.39	65.96
Depreciation	<u>26.63</u>	<u>37.09</u>
Profit /(Loss) Before Extra-ordinary Items	(28.54)	8.23
Less : Extra-ordinary Items :		
Bad debt written-off	3.80	1.22
Provision for non-performing assets	33.23	1.99
Provision for Bad debts	48.18	----
Provision for Diminution of Investments	<u>0.02</u>	<u>0.40</u>
Profit / (Loss) for the year	(113.77)	4.62
Prior Period Adjustments		
Lease Terminal adjustment	(68.54)	----
Prior period adjustments - (credit)/debit	<u>1.32</u>	<u>(0.61)</u>
	(180.99)	4.01
Profit brought forward from previous year	<u>102.83</u>	<u>99.77</u>
Profit / (Loss)	(78.16)	103.79
Transfer to Reserve Fund	---	(0.95)
Profit / (Loss) carried to Balance Sheet	<u>(78.16)</u>	<u>102.83</u>

2. DIVIDEND :

In view of loss, the Board has not recommended any dividend on the equity share capital for the financial year ended on 31st March, 1999.

3. YEAR UNDER REVIEW :

The gross revenue during the year under review decreased to Rs.35.21 million as compared to Rs.41.51 million for the previous year registering a 15% decrease.

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The income from the Money Changing division has been declined marginally due to increased competition in the industry coupled with delayed payments by clients as well as defaults. Income from the Western Union money transfer service is improving. Similarly income from VAT Reclaim Service has marginally improved.

The performance of Portfolio, Research and Information Service Division was satisfactory. The Company earned Rs. 4.68 lacs in foreign exchange in this division during the year. The Portfolio service 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 SEBI has refused to renew registration of your Company since it also carries out activities governed by RBI, namely Money Changing.

The representations of your Company to SEBI that, the withdrawal application of the Company seeking registration as an NBFC is under consideration of the RBI, have not been considered. However, SEBI has renewed registration of your Company as Portfolio Manager.

The Company has applied to Reserve Bank of India (RBI) for withdrawal of application seeking registration as an NBFC in view of the change in income and asset composition of the Company in recent years as it is no longer eligible for registration as an NBFC. RBI stipulated that the Company should not have any public deposits outstanding before considering the withdrawal application. Hence, permission was sought from RBI to prepay the deposits to depositors willing to accept the same. Subsequently, RBI has granted permission to the Company to prepay its Fixed Deposits on contracted rate of interest and Company has already prepaid Deposits to all depositors willing to receive money prematurely amounting to Rs. 13.77 lacs till 15.5.99. Meanwhile the Company applied to RBI to allow the Company to open an ESCROW account and transfer balance outstanding deposits not withdrawn prematurely by depositors, to the said account and become a Service Company. The said permission is received and the Company shall open the ESCROW account in immediate future.

The Company has deemed it necessary to provide for debts remaining outstanding beyond a reasonable period. Many of these may be ultimately realised fully or partly as and when judicial process is complete. However, in view of the long procedures in civil and criminal redressal mechanism existing in our judicial process, it is deemed appropriate to provide for the same.

The Company has also sold some of the assets which were non-performing/or yielding low returns to improve cash flows and reduce interest expense.

4. **SUBSIDIARY :**

The Company sold certain shares of M/s. Nucleus Shares Custodian Service Ltd. (NSCSL) and its present holding is below 51% and therefore the accounts of NSCSL are not attached herewith.

5. **FUTURE OUTLOOK :**

The slowdown in economy, political, legal, administrative and judicial reforms will continue, leaving all industries facing severe competition with no options but to cut costs severely.

The current instability at political level and carry-forward effect of recessionary trends witnessed in last two years are likely to continue with marginal improvements. In money changing as well as fee based services, the consolidation phase is likely to further intensify, thereby leaving margins under pressure.

Overall outlook is cautiously stable.

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6. DEPOSITS :

Public Deposits as at 31st March, 1999 stood at Rs.8.58 lacs as against Rs.84.58 lacs in the previous year. The Company has stopped accepting fixed deposits from the public w.e.f. 1.4.1998. As on 31.3.1999 the Deposits aggregating Rs.1.03 lacs in respect of 12 holders 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 proposes to continuously follow-up with such deposit holders for payment of overdue deposits. Out of Rs. 1.03 lacs unclaimed deposits Rs. 26,000/- has been paid till 15.5.1999.

7. DEBENTURES :

During the year, your Company has issued Secured Redeemable Non-Convertible Debentures on Private Placement basis and has mobilised a sum of Rs.12.61 lacs under Series 'B' & 'C'. The Company also received Rs. 4.77 lacs towards 'D' Series and the allotment of which was completed on 9th April, 1999. 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.

8. DELISTING OF SHARES :

Members will be aware that the Company had passed a Special Resolution at the 14th Annual General Meeting of the Company held on 14th July, 1998 approving the delisting of the shares from the Stock Exchanges at Ahmedabad, Chennai and Delhi. Accordingly, the Company will take appropriate steps and comply with the required formalities. The purpose of delisting is in view of no trading of the shares at these stock exchanges and in view of the online trading through BOLT system of the Bombay Stock Exchange under which shares can be traded through various centres. It is desired and deemed fit to delist the shares from the Stock Exchanges at Ahmedabad, Chennai and Delhi. Members residing in the region of these Stock Exchanges will be given an exit opportunity as per the guidelines prescribed and at appropriate time.

The Equity Shares of the Company are presently listed at the Stock Exchanges at Mumbai, Delhi, Ahmedabad and Chennai and the Company has paid the Annual Listing fees upto the financial year 1998-99.

9. 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, 1999.

10. PARTICULARS OF EMPLOYEES :

Information as required to be given pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 is not applicable since no employee of the Company was in receipt of remuneration in excess of Rs. 6.00 lacs p.a. or Rs. 50,000/- p.m.

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11. STATUS ON Y2K :

The Company is Y2K complaint so far as the software used by the Company. The hardware is in the process of replacement and the cost of the same is estimated to be Rs. 5.00 lacs.

12. DIRECTORS :

In accordance with Article 103 of Articles of Association of the Company, Prof. N. Venkiteswaran retires by rotation and being eligible offers himself for re-election.

The Board appointed Mr. Asit C. Mehta as Managing Director with effect from 1st April, 1999 for a period of two years and the requisite resolution is proposed for seeking your approval at the ensuing Annual General Meeting.

13. 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.

14. ACKNOWLEDDGE MENT :

Your Directors take this opportunity to offer their sincere thanks to the various government departments, RBI, SEBI, TC Issuer Companies, Bankers, Clients and Debenture holders 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 15, 1999.

**Asit C. Mehta
Chairman cum Managing Director.**