



NUCLEUS SECURITIES LIMITED

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**17TH ANNUAL REPORT
2000 - 2001**

NUCLEUS SECURITIES LIMITED

BOARD OF DIRECTORS : MR. ASIT C. MEHTA *CHAIRMAN AND MANAGING DIRECTOR*
MRS. DEENA A. MEHTA
MR. KIRIT H. VORA
PROF. N. VENKITESWARAN

CHIEF EXECUTIVE OFFICER : MR. A. S. NAGARAJA RAO

TOP MANAGEMENT TEAM : MR. A. S. NAGARAJA RAO
MR. D. SUNDERRAJAN
MR. H. K. SHENOY
MR. SUDHIR M. HOSKOTE
MR. JOHN T. DANIEL
MR. JAYESH KANSARA (up to 08-06-01)
MR. R. BALAKRISHNAN (up to 31-01-01)
MR. JAYRAJ SHAH (from 01-06-01)

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

SOLICITORS : M/S. WADIA GHANDY & COMPANY

BANKERS : BANK OF INDIA
CITIBANK N.A.
HDFC BANK LTD.
ORIENTAL BANK OF COMMERCE
THE KARNATAKA BANK LTD.

REGISTERED OFFICE : NUCLEUS HOUSE
SAKI-VIHAR ROAD
ANDHERI (EAST)
MUMBAI 400 072.

SHARE TRANSFER AGENTS :-

1) **PHYSICAL MODE** : NUCLEUS NETSOFT & GIS INDIA LIMITED
(FORMERLY NUCLEUS SHARES CUSTODIAN SERVICES LTD.)
'NUCLEUS HOUSE', GROUND FLOOR
SAKI-VIHAR ROAD, ANDHERI (EAST)
MUMBAI - 400 072.
TEL : 857 0781 / 857 8927 FAX : 857 8352

2) **ELECTRONIC/DEMAT MODE** : MCS LIMITED
SHRI VENKATESH BHAVAN
PLOT NO. 27, ROAD NO. 11
M.I.D.C. AREA, ANDHERI (E)
MUMBAI - 400 093.
TEL : 821 5235 FAX : 835 0456

17TH ANNUAL GENERAL MEETING
ON TUESDAY, THE 14TH AUGUST, 2001,
AT 11.00 A.M. AT THE REGISTERED
OFFICE OF THE COMPANY

NUCLEUS SECURITIES LIMITED

Registered Office : 'Nucleus House', Saki-Vihar Road, Andheri (East), Mumbai 400072.

NOTICE

NOTICE, is hereby given that the Seventeenth Annual General Meeting of the Members of the Company will be held at the Registered Office of the Company at 'Nucleus House', Saki-Vihar Road, Andheri (East), Mumbai 400 072 on Tuesday, the 14th day of August, 2001 at 11.00 a.m. to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2001 and Profit and Loss Account for the year ended on that date and the reports of Directors' and Auditors' thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Kirit H. Vora, who retires by rotation and, being eligible offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.
5. To consider and if thought fit to pass, with or without modification, the following Resolution **As An 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 2001-2002 and to fix their remuneration and the terms and conditions on which they shall carry out the audit."

SPECIAL BUSINESS:

6. To consider, and if thought fit to pass, with or without modification, the following Resolution **As a 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 pursuant to Article 125 of the Articles of Association of the Company, consent of the Company be and is hereby accorded to the re-appointment of Mr. Asit C. Mehta as Managing Director of the Company for a period of 5 years from 1.4.2001 to 31.3.2006 and for the payment of remuneration set out in the Agreement dated 9th April, 2001 between the Company and Mr. Asit C. Mehta."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter or vary the terms of re-appointment of Mr. Asit C. 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 amendments made thereto."

For and on behalf of the Board

Mumbai, June 8, 2001.

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 Book of the Company will remain closed from 7.8.2001 to 14.8.2001 (both days inclusive).
3. Pursuant to sub section (5) and Section 205A of the Companies Act, 1956, dividends for the financial year 1994-95 and thereafter, which remain unclaimed for a period of 7 years from the date of transfer of the same as referred to in sub section (1) of Section 205A of the Act, will be transferred to the Investor Education and Protection Fund of the Central Government established under sub section (1) of Section 205C of the Act. According to the provisions of the Act, as amended, no claims shall lie against the said Fund or the Company for the amounts of dividend so transferred nor shall any payment be made in respect of such claims.
Intimation in respect of unclaimed dividend has been mailed to the concerned Members.
4. Pursuant to Section 109A of the Companies Act, 1956, shareholders may file Nomination in respect of their shareholdings. Any shareholder willing to avail this facility may submit to the Company the prescribed form 2B (in duplicate), if not already filed.
5. 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 Netsoft & GIS India Limited (formerly Nucleus Shares Custodian Services Limited) at "Nucleus House", Ground Floor, Saki-Vihar Road, Andheri (East), Mumbai 400072.
6. The explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 has been annexed herewith.
7. Members are requested to bring their copy of the Annual Report and the Attendance Slip to the Annual General Meeting.

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

ITEM NO. 5 :

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.

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ITEM NO. 6:

The Board of Directors at their meeting held on 9th April, 2001 re-appointed Mr. Asit C. Mehta as Managing Director of the Company for a period of 5 years commencing from 1st April, 2001, consequent to his expiry of term as Managing Director on 31st March, 2001. The Company has made steady progress under the able leadership of Mr. Asit C. Mehta and the Board of Directors are of the view that the Company should avail the services of Mr. Asit C. Mehta in future as well. Accordingly, the Company entered into an Agreement with Mr. Asit C. Mehta and the silent provisions of the Agreement dated 9th April, 2001 relating to the re-appointment of Mr. Asit C. Mehta refer to in the resolution at Item No. 6 of the notice are as under:

1. OVERALL REMUNERATION :

Subject to the provisions of Section 198, 269 and Section 309 of the Companies Act, 1956 and other provisions applicable of the Act and modifications / amendments thereof, if any, the remuneration payable to Mr. Asit C. Mehta in any financial year shall not exceed 5% (five percent) of the net profits of the Company and subject to an overall ceiling of Rs.1.25 lacs per month or Rs.15.00 lacs per annum. Within the said ceiling, the remuneration payable to Mr. Asit C. Mehta shall be as follows:

a. Salary :

Rs.35,000/- per month with annual increment effective 1st April of each financial year commencing from 1st April, 2002 as may be decided by the Board.

b. Perquisites and Allowances:

i) In addition to the salary, Mr. Asit C. Mehta shall also be entitled to perquisites like house rent allowance, house maintenance allowance, together with utilities thereof such as gas, electricity, water, furnishings, repairs, servants' salaries, society charges and property tax; medical reimbursement, medical / accident insurance, leave travel concession for himself and his family; club fees, etc. in accordance with the Rules of the Company or as may be agreed to by the Board of Directors, such perquisites to be restricted to Rs. 8.00 lacs per annum.

ii) For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such rules, perquisites shall be evaluated at actual cost.

Provision for use of Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

iii) Company's contribution to Provident Fund to the extent it is not taxable under the Income-tax Act, Gratuity payable as per the Rules of the Company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

2. MINIMUM REMUNERATION :

Where in any financial year during the currency of the tenure of Mr. Asit C. Mehta, the Company has no profits or its profits are inadequate the remuneration payable to Mr. Asit C. Mehta 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 as modified from time to time.

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Mr. Asit C. Mehta will not be entitled to sitting fees for the meetings of the Board / Committee attended by him.

The terms and conditions of the appointment may be altered/varied from time to time by the Board as may in its discretion deem fit, so as not to exceed the limits prescribed in Schedule XIII to the Companies Act, 1956 or any amendments made hereinafter in that regard.

The appointment will be subject to termination by 3 months notice on either side.

3. 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 this agreement by three months' notice in writing or by paying an amount equivalent to three months salary. The Managing Director may also resign from his office by giving to the Company three months notice in writing.

4. 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. Asit C. 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. Asit C. Mehta may also be regarded as concerned with or interested in the resolution.

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

For and on behalf of the Board

Mumbai, June 8, 2001.

Kirit H. Vora
Director

NUCLEUS SECURITIES LIMITED

DIRECTORS' REPORT

To the Members,

The Directors submit their Seventeenth Annual Report together with the Audited Accounts for the accounting year ended 31st March, 2001.

1. FINANCIAL RESULTS:	(Rs. in lacs) For the year ended 31.03.2001	(Rs. in lacs) For the year ended 31.03.2000
Profit Before Interest, Depreciation, and Extra-ordinary Items	64.44	162.11
Less :		
Interest	22.47	25.32
Depreciation	29.83	26.84
Profit/(Loss) Before Extra-ordinary Items	12.14	109.95
Less : Extra-ordinary Items: (Net)	—	4.94
Profit for the Year	12.14	105.01
Less :- Provision for Taxation	1.45	6.25
Prior Period Adjustments :		
Prior Period Adjustments (Credit)/Debit	(0.36)	0.34
	1.09	6.59
Profit After Tax and Prior Period	11.05	98.42
Profit/(Loss) Brought Forward from Previous Year	10.41	(68.91)
Profit Available for Appropriation	21.46	29.51
Proposed Dividend/(Interim Dividend) (@ 5%)	17.20	17.20
Tax on Dividend	1.75	1.90
	18.95	19.10
Profit/(Loss) Carried to Balance Sheet	2.51	10.41

2. DIVIDEND :

The Board recommended a dividend @ 5%, on the equity share capital of the Company which will entail an outflow of Rs.18.95 lacs (including tax on dividend).

3. YEAR UNDER REVIEW :

The overall performance of the Company was satisfactory. The gross revenue of the money changing division was static despite an increase in sales to the extent of 20% in Dollar terms reflecting intense competitive pressure on margin.

The Company closed down 2 branches, relocated 2 branches and opened new branches at Noida, Koramangala and Tiruchirapalli. The new branches at Fatehabad Road at Agra and Jayanagar at Bangalore are under consideration.

The Western Union Money Transfer services performed better in terms of growth. The total revenue increased from Rs. 9.36 lacs to Rs. 21.79 lacs during the year under review. Since January 2001, the

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Company has initiated appointments of Sub-agents for providing the Western Union Money Transfer services and has plans to increase the network substantially.

The discontinuance of the shares and securities trading and consultancy divisions also adversely affected the performance of the Company.

The lease and hire purchase divisions have long since discontinued and the last few transactions are expiring in the year 2001-2002.

The Company also managed to lease out the premises of its Mumbai office partially to other companies in the Group at commercial rates and generated income from the same.

The Company also developed its new Windows based version of money changing software with better controls, MIS and communication features. This will further enhance the operating efficiency of the Company.

Members may recall that the Company had preferred an appeal in the Customs, Excise and Gold (Control) Appellate Tribunal (CEGAT) against the order issued by Collector of Customs (Preventive) seizing sale proceeds of foreign exchange of Rs. 50.72 lacs and levying penalty on Company of Rs. 30.00 lacs. The Hon'ble CEGAT has upheld Company's contentions and upheld the appeal in toto. Sale proceeds and deposits of Rs. 3.00 lacs against penalty are expected to be refunded during the year.

The Company has initiated measures to professionalise the management of the Company, and in pursuance of this, has appointed Mr. A. S. N. Rao as Chief Executive Officer of the Company and also as a head of the Top Management Team.

4. FUTURE OUTLOOK :

The money changing industry continues to be intensively competitive from the other players within the industry as well as alternative payment mechanisms such as credit cards etc.. Recently Reserve Bank of India has further liberalised the exchange issuance norms but this is unlikely to result in additional business. The economy is also expected to grow at a slower pace this year. In view of this, the money changing revenues may remain sluggish.

The Western Union Money Transfer services are growing rapidly and is likely to continue to do so. Hence, your Company's efforts of expanding Sub-agent network are likely to yield better revenue for the year.

On the whole the outlook for the next year looks to be stable.

5. DEPOSITS :

Public Deposits as at 31st March, 2001 stood at Rs. 0.26 lacs as against Rs. 1.65 lacs in the previous year. The Company had discontinued accepting fixed deposits from the public w.e.f. 1.4.1998. As on 31.3.2001 the Deposits aggregating Rs. 0.23 lacs out of Rs. 0.26 lacs in respect of 3 holders have remained unclaimed by the depositors. The Company has sent notices to the respective deposit holders requesting them to claim the payment. Out of Rs. 0.23 lacs unclaimed deposits, Rs. 0.18 lacs has been paid till 8.6.2001. The Company proposes to continuously follow-up with such deposit holders for re-payment of overdue deposits.

6. DEBENTURES :

During the year, your Company has redeemed 'D' and 'E' Series of Secured Non-Convertible Debentures issued on Private Placement basis. As on 31st March, 2001 there being no unclaimed debenture holders.

7. DEMATERIALISATION OF SHARES :

Your Directors are pleased to inform you that as on 31.3.2001, 81.02% of equity shares have been dematerialised by the shareholders.

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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, 2001.

9. PARTICULARS OF EMPLOYEES :

Information 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. 12.00 lacs p.a. or Rs. 1,00,000/- p.m.

10. DIRECTORS :

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

The Board re-appointed Mr. Asit C. Mehta as Managing Director with effect from 1st April, 2001 for a period of five years and the requisite resolution is proposed for seeking your approval at the ensuing Annual General Meeting.

11. DIRECTORS' RESPONSIBILITY STATEMENT :

The Directors confirm

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 31st March, 2001 and of the profit or loss of the Company for that period.
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) That the Directors have prepared the annual accounts on a going concern basis.

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. ACKNOWLEDGEMENT :

Your Directors take this opportunity to offer their sincere thanks to the various government departments, RBI, 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

Asit C. Mehta
Chairman and Managing Director

Mumbai, June 8, 2001.

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AUDITORS' REPORT TO THE MEMBERS OF NUCLEUS SECURITIES LTD.

We have audited the attached Balance Sheet of NUCLEUS SECURITIES LTD. as at March 31, 2001 and the Profit and Loss Account for the year ended on that date, annexed thereto, both of which we have signed under reference to this report and in which are incorporated, returns of branches, audited by other auditors.

We report as follows: -

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to information and explanations given to us, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the company.
2. **Attention is invited to Note No. 2 to Schedule "18" regarding non confirmation of debtors, creditors, lessees and other parties and consequential adjustments that may arise on obtaining such confirmations.**
3. **Subject to our comments in paragraph 2 above, with consequential effect on the profit for the year and the net assets, we report that: -**
 - 3.1 We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - 3.2 In our opinion, the Company has kept proper books of account as required by law so far as appears from our examination of the books.
 - 3.3 We have considered the reports of the Branch Auditors and obtained further information and clarification which we considered necessary in preparing this report.
 - 3.4 The Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of account.
 - 3.5 In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit & Loss Account read with the Notes thereon comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
 - 3.6 In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit & Loss Account read with the Notes thereon give the information as required by the Companies Act, 1956 in the manner so required and give a true and fair view :-
 - * in case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2001.
 - * in case of the Profit and Loss Account, of the profit for the year ended on that date.
 - 3.7 On the basis of written representations from the Directors, taken on record by the Board of Directors, none of the Directors is disqualified as on March, 31, 2001 from being appointed as a Director u/s. 274(1)(g) of the Companies Act, 1956.

For M. P. Chitale & Co.
Chartered Accountants

Ashutosh Pednekar
Partner

Mumbai, June 8, 2001.