



*Nucleus*

NUCLEUS SECURITIES LIMITED

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21 ANNUAL  
REPORT  
2004 - 2005

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## NUCLEUS SECURITIES LIMITED

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**BOARD OF DIRECTORS** : ASIT C. MEHTA - CHAIRMAN & MANAGING DIRECTOR  
DEENA A. MEHTA  
KIRIT H. VORA  
MANOHAR LAL VIJ  
VIJAY LADHA

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

**BANKERS** : THE KARNATAKA BANK LTD.  
HDFC BANK LTD.  
BANK OF INDIA

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**REGISTERED OFFICE** : 'NUCLEUS HOUSE'  
SAKI-VIHAR ROAD  
ANDHERI (EAST)  
MUMBAI 400072.

**SHARE TRANSFER AGENTS :-**

1) **PHYSICAL MODE & ELECTRONIC/DEMAT MODE** : MCS LIMITED  
SHRI VENKATESH BHAVAN  
PLOT NO. 27, ROAD NO.11  
M.I.D.C. AREA, ANDHERI (E)  
MUMBAI 400093.  
TEL : 28215235  
FAX : 28350456

**21<sup>ST</sup> ANNUAL GENERAL MEETING ON WEDNESDAY, THE 28<sup>TH</sup> SEPTEMBER, 2005 AT 4.00 P.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 21st 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 Wednesday, the 28<sup>th</sup> day of September, 2005 at 4.00 p.m. to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2005 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. Manohar Lal Vij, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration.  
(Note:- a) The retiring Auditors have expressed their unwillingness for their re-appointment; and  
b) The Company has received a special notice from a member, of his intention to propose M/s P C Hansotia & Co., Chartered Accountants as Auditors in place of the retiring Auditors.)

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

"RESOLVED that M/s P C Hansotia & Co., Chartered Accountants be and are hereby appointed as the Auditors of the Company from the conclusion of this Annual General Meeting to the conclusion of next Annual General Meeting, in place of M/s M P Chitale & Co, Chartered Accountants, the retiring Auditors and that the Board of Directors / Audit Committee of Directors of the Company be and is hereby authorized to fix their remuneration"

M/s P C Hansotia & Co have intimated the Company that, if appointed, their appointment will be within the limit laid down under section 224 of the Companies Act, 1956.

**Special Business:**

4. To consider and if thought fit, to pass with or without modification(s) the following as an Ordinary Resolution:  
"RESOLVED that pursuant to the provisions of Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai, the consent of the Company be and is hereby accorded for the payment not exceeding Rs 5,000/- (Rupees Five Thousand only) or such sum as may be approved by the Board of Directors from time to time subject to ceiling prescribed under the Companies Act, 1956 or Rules framed thereunder, as amended from time to time as sitting fees for each Meeting of the Board of Directors and the Committees thereof, attended by each of the Non-Executive Directors of the Company"

**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 COMMENCE-MENT OF THE MEETING.
2. The Register of Members and Share Transfer Book of the Company will remain closed from 20.9.2005 to 28.09.2005 (both days inclusive).
3. Members are requested to bring their copy of the Annual Report and the Attendance Slip to the Annual General Meeting.
4. Members' proxies should bring their attendance slips sent herewith, duly filled-in, for attending the meeting.
5. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956, is annexed hereto.

**Annexure to Notice - Explanatory Statement****Item No 4**

Pursuant to the amendments to the Clause 49 of the Listing Agreement and its implementation, inter alia, in respect of payment of sitting fees to the Non-Executive Directors for attending the Board and /or Committee meetings it is proposed in the said clause that all the fees and compensation payable to the Non-Executive Directors' shall require prior approval of the Members' in General Meeting. Therefore, the approval of the Members' is requested for payment of sitting fees to the Non-Executive Directors of the Company. The said amendment is postponed till December, 2005 and it will be in order to have prior approval of the Members' for making aforesaid payments after January, 2006.

All the Directors may be considered to be concerned or interested in this item of business.

By order of the Board

Mumbai  
19<sup>th</sup> August, 2005

Asit C. Mehta  
Chairman and Managing Director

# NUCLEUS SECURITIES LIMITED

## DIRECTORS' REPORT

To the Members,

Your Directors submit their 21st Annual Report together with the Audited Accounts for the accounting year ended 31st March, 2005.

### 1. FINANCIAL RESULTS:

	(Rupees in lacs) For the year Ended 31.3.2005	(Rupees in lacs) For the year Ended 31.3.2004
<b>Profit / (loss) Before Interest, Depreciation And Extra-ordinary Items</b>	<b>183.35</b>	<b>74.58</b>
<b>Less :</b>		
Interest	4.33	28.43
Depreciation	29.59	19.72
<b>Profit / (Loss) Before Extra-ordinary Items</b>	<b>149.43</b>	<b>26.43</b>
<b>Less : Extra-Ordinary Items</b>	<b>—</b>	<b>(36.39)</b>
<b>Profit / (Loss) for the Year</b>	<b>149.43</b>	<b>(9.95)</b>
<b>Less : Provision for Taxation</b>	<b>8.50</b>	<b>—</b>
Deferred Tax (charge) / Credit	9.94	23.40
<b>Prior Period Adjustments:</b>		
Prior Period Adjustments Credit / (Debit)	—	0.47
<b>Profit / (Loss) after Tax and Prior Period Adjustments</b>	<b>150.87</b>	<b>13.91</b>
<b>Profit / (Loss) Brought Forward from previous year</b>	<b>(156.63)</b>	<b>(170.54)</b>
<b>Profit / (Loss) Available for Appropriation</b>	<b>(5.76)</b>	<b>(156.63)</b>
<b>Profit / (Loss) carried to Balance Sheet</b>	<b>(5.76)</b>	<b>(156.63)</b>

### 2. REVIEW OF OPERATIONS:

The gross income for the year under review was Rs.289.91 lacs as against Rs.405.80 lacs in the previous year. The drop in income was due to discontinuing of Money Changing and Arbitrage activities. Operating profit after tax was Rs.150.87 lacs as compared to Rs.13.44 lacs in the previous year.

As reported in the last report, your Company exited the businesses of Money Changing, Western Union Money Transfer and Arbitrage activities. The Company during the year commenced the business of Portfolio Management Services. To conserve the resources no dividend is recommended.

### 3. FUTURE OUTLOOK :

The Company hopes that the Portfolio Management Services will be profitable in the long-term future and it will also soon explore other business opportunities.

### 4. DEMATERIALISATION OF SHARES:

Your Directors are pleased to inform you that as on 31.3.2005, 91.13 % of equity shares have been dematerialised by the shareholders.

## NUCLEUS SECURITIES LIMITED

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### 5. 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 '19' forming part of the Accounts for the year ended 31st March, 2005.

### 6. 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.24,00,000/- lacs p.a. or Rs.2,00,000/- p.m.

### 7. DIRECTORS:

In accordance with Article 103 of Articles of Association of the Company, Mr. Manohar Lal Vij retires by rotation and eligible offers himself for re-election.

### 8. REPORT ON CORPORATE GOVERNANCE:

A detailed report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement and as also the Management Discussion and Analysis Report are annexed to this report.

### 9. DIRECTOR'S 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 judgements 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 31<sup>st</sup> March, 2005 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.

### 10. AUDITORS OBSERVATION:

With reference to para 4 d of the report of the Auditors, your Board would like to state that the Company has netted out deferred tax working (deferred tax asset minus deferred tax liability) as per the interpretation of Accounting Standard 22 of the Institute of Chartered Accountants of India and this accounting treatment is followed by other companies. Moreover, the deferred tax liability cannot crystallize without the realization of the deferred tax asset. The company is hopeful of realization of deferred tax assets in the foreseeable future

### 11. AUDITORS:

M/s. M.P. Chitale & Co., Chartered Accountants, retire at the ensuing Annual General Meeting. The members are requested to appoint the auditors.

For and on behalf of the Board

Place : Mumbai,  
Dated : 30<sup>th</sup> June, 2005.

Asit C. Mehta  
Chairman & Managing Director

## NUCLEUS SECURITIES LIMITED

### MANAGEMENT DISCUSSION & ANALYSIS REPORT

#### 1. The Overall Review :

The Company's revenue streams were from Money Changing, Western Union Money Transfer and Arbitrage activities. The Company during the year commenced the business of Portfolio Management Services.

The Company reviewed its overall business strategy. The Company discontinued the businesses of Money Changing, Western Union Money Transfer and Arbitrage activities and all the branches were closed down. The Company commenced Portfolio Management services pursuant to SEBI (Portfolio Managers) Regulations, 1993. The business of Portfolio Management services was commenced during the last quarter of the year and therefore, no major revenues were earned.

#### 2. Operations Review and Segment wise performance :

Revenues for the year ended 31<sup>st</sup> March, 2005 decreased to Rs.289.91 lacs as compared to Rs.405.80 lacs in the previous year. Operating profit before depreciation improved to Rs.183.35 lacs as compared to Rs.74.58 lacs in the previous year. The Company has fully repaid the bank loans and is now virtually a debt-free company. The segment wise performance is given in notes to account. At the year end there was only one reportable segment i.e. Portfolio Management Services.

#### 3. Opportunities and Threats:

Due to adverse risk return profile, your company decided to exit from Money Changing and Western Union Money Transfer Services. Arbitrage business was also discontinued due to inherent volatile nature of financial markets. In the recent times the Indian Capital Market is witnessing a bullish trend mainly due to encouraging corporate performance coupled with sustained investments by Foreign Institutional Investors. General buoyancy in the economy and increased level of activity in the Capital Market has revived the investors' sentiment which augurs good for your Company's business in Portfolio Management Services. However, the opportunities depend on transaction costs, technology, skill levels and general competition. This activity is also heavily influenced by regulations in the capital markets.

#### 4. Outlook:

This has been dealt with in the Directors' Report.

#### 5. Internal Control:

The Company has adequate system of internal controls to see that the assets are safeguarded and are productive. Proper authorization and controls are in place to ensure that the transactions are adequately authorized and reported correctly. The Company engaged the services of professional firm for the audit to ensure the working of internal control and systems. The audit committee reviewed in the internal control from time to time.

#### 6. Human Resources :

Relations with the staff members were cordial during the year.

#### Cautionary Statement:

Statement in the Management Discussion and Analysis report describing the Company's position and expectations may be forward looking statements. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions, changes in government regulations, tax, laws and other incidental factors.

# NUCLEUS SECURITIES LIMITED

## REPORT ON CORPORATE GOVERNANCE

### I. Company's Philosophy on Corporate Governance.

The Board of Directors of the Company fully subscribes to the framework for corporate governance as prescribed by the code. The Board of Directors and the management is committed for the implementation of a corporate governance system to ensure transparency, control, accountability and responsibility in all areas of operations. The Board believes that the Company should develop this desired framework by adopting good governance practices so as to protect and achieve enhanced value for all its stakeholders' i.e. shareholders, employees, customers and society in general. Appropriate steps have been taken including the setting up of sub-committees of the Board, which mainly consist of non-executive directors to oversee the critical functions of the Company.

### II. Board of Directors:

The Board of Directors comprises five members with a mix of executive / non-executive and promoter group / independent directors. The composition of the Board is compliant with the requirements of clause 49(I)(A) – i.e., more than 50% of the directors are non-executive and more than 33% of the directors are independent directors. The detailed composition of the Board and other related information is given in the table below:

The composition of the Board of Directors during the year ended 31<sup>st</sup> March, 2005

Name	Category	Designation	No. of meetings held	No. of meetings attended	No. of Memberships in Boards of other Companies	Attendance of each Director at last AGM
<b>Mr. Asit C. Mehta</b>	Promoter & Executive Director	Chairman & Managing Director	4	3	6	Yes
<b>Mrs. Deena A. Mehta</b>	Promoter & Non-Executive Director	Director	4	2	7	Yes
<b>Mr. Kirit H. Vora</b>	Independent & Non-Executive Director	Director	4	4	5	Yes
<b>Mr. Manohar Lal Vij</b>	Independent & Non-Executive Director	Director	4	1	2	No
<b>Mr. Vijay Ladha</b>	Independent & Non-Executive Director	Director	4	1	1	No

None of the directors of your company hold directorship in more than 15 public companies or is a member of more than 10 committees or is the chairman of more than 5 committees across all the companies in which they are directors.

### Meetings of the Board of Directors:

During the financial year 2004-2005 the Board of Directors had 4 meetings on the following dates:

Dated 30<sup>th</sup> June, 2004, 29<sup>th</sup> July, 2004, 29<sup>th</sup> October, 2004 and 31<sup>st</sup> January, 2005. The time gap between any two meetings was less than four months.



## NUCLEUS SECURITIES LIMITED

All the information required under Annexure – 1 to clause 49 of the listing agreement is being placed before the Board with current status update. A detailed Agenda is sent in advance to the Board members. To enable the Board discharge its responsibilities effectively, the Chairman & Managing Director briefs the Board at each meeting on the overall performance of the Company.

Other than the Annual General Meeting, there was no General Meeting of the shareholders of the Company held during the year ended on 31<sup>st</sup> March, 2005

Details of Director seeking re-appointment at the ensuing Annual General Meeting (as required under clause 49 VI A of the Listing Agreements with the Stock Exchanges) :

### **Mr. Manohar Lal Vij**

Mr. Vij, aged 49 years is a Chartered Accountant and has around 24 years of vast experience in the field of Accounting, Finance, capital mobilisation etc. He was the ex-partner of M/s Arora & Choudhary Associates, Chartered Accountants. He was also the Chairman of the Northern Region of the Institute of Chartered Accountants of India (ICAI). He was also a visiting faculty in various seminars / workshops organised by ICAI and have contributed to several articles. Mr. Vij is also a Director of Standard Capital Markets Ltd and Parthy & Widge Securities Ltd.

### **III. Audit Committee:**

The Company has an Independent audit committee which was constituted in January 2003. The composition is as per Clause 49 II (A) and which is as follows:

Name	Designation	Category
Mr. Kirit H. Vora	Chairman	Non-Executive & Independent Director
Mr. Manohar Lal Vij	Member	Non-Executive & Independent Director
Mr. Vijay Ladha	Member	Non-Executive & Independent Director
Ms. Dhanashri Mohe*	Secretary & Compliance Officer	Company Secretary

\* Since resigned.

All the members have excellent knowledge of finance, accounts and Company Law.

The Audit Committee met two times during the year on the following dates :  
29<sup>th</sup> July, 2004 and 25<sup>th</sup> January, 2005.

The attendance of the Audit Committee were as follows:

Name	Designation	No. of Meetings Attended
Mr. Kirit H. Vora	Chairman	2
Mr. Manohar Lal Vij	Member	2
Mr. Vijay Ladha	Member	2

The minutes of the meeting of the audit committee are placed before the Board.

The Audit committee is responsible for overseeing the Company's financial reporting process, reviewing with the management the financial statements and adequacy of internal audit function and to discuss significant internal audit findings. The Audit Committee while reviewing the Audited Financial Statements also reviewed the applicability of various Accounting Standards (AS) issued by the Institute of Chartered Accountants of India during the year.