

A **Asit C. Mehta** Group Company

Asit C. Mehta Financial Services Ltd

27th Annual Report
2010-2011

FINANCIAL HIGHLIGHTS

(₹ In Lakhs)

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Net worth*	1,151	1,201	1,128	1,129	1,153	1,075	762	611	601	795
Borrowings	327	289	240	181	173	63	9	164	269	278
Net Fixed Assets	4,704	1,148	1,107	1,120	1042	869	488	534	616	624
Investments	605	605	605	306	331	306	311	311	310	312
Book value per share -Rs	23.24	24.24	22.75	22.80	23.27	21.71	22.14	17.75	17.49	22.81
Gross Income	89	177	263	482	702	694	290	406	306	390
Operating and Other expenses	118	90	228	444	490	424	140	416	417	378
Profit Before Tax / (Loss)	(29)	87	35	38	212	270	150	(10)	(111)	12
Profit After Tax / (Loss)	(50)	101	35	31	210	252	150	13	(170)	12
Equity Dividend per share - Rs	-	0.50	0.75	1.00	2.50	2.00	-	-	-	-

*excluding revaluation reserve

Green Initiative

The Ministry of Corporate Affairs (MCA) has initiated 'Green Initiative' in Corporate Governance by allowing paperless compliances by companies. In accordance with circulars issued by MCA, companies can send notices, annual reports and other documents to their members by e-mail. Your Company requests its Members, to support the 'Green Initiative' as responsible citizens.

The Company proposes to send future communication (including annual reports) to the Members to their e-mail addresses registered with the Depository Participants (DP) / the Company.

Members, holding shares in demat form, are requested to register / update their e-mail id with their DPs.

Members, holding shares in physical form, are requested to register their e-mail id with the Company by sending an e-mail addressed to 'investorservices@nucleusservices.com' giving their details of shareholding with name, address and folio number.

ASIT C. MEHTA FINANCIAL SERVICES LIMITED

BOARD OF DIRECTORS : **ASIT C. MEHTA** – Chairman
DEENA A. MEHTA
KIRIT H. VORA
VIJAY G. LADHA – (Chairman – Audit Committee)
DR. R. KRISHNAMURTHY
D. SUNDERARAJAN

Registered Office : ‘Nucleus House’, Saki-Vihar Road,
Andheri (East), Mumbai – 400072

Auditors : M/s Manek & Associates
Chartered Accountants

Bankers : Bank of India

Share Transfer Agent : Link Intime India Private Limited
C 13 Pannalal Mills Compound, LBS Marg,
Bhandup W, Mumbai 400 078

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27th Annual General Meeting
on on Friday, 9th September, 2011 at 11.15 a.m. at the Registered Office at ‘Nucleus House’,
Saki Vihar Road, Andheri (East), Mumbai – 400072

ASIT C MEHTA FINANCIAL SERVICES LIMITED

Registered Office: 'Nucleus House', Saki Vihar Road, Andheri (E), Mumbai 400 072

Notice

Notice is hereby given that the **TWENTY SEVENTH ANNUAL GENERAL MEETING** of the Members of Asit C. Mehta Financial Services Limited will be held on Friday, 9th September, 2011 at the registered office of the Company at Nucleus House, Saki-Vihar Road, Andheri (East), Mumbai – 400072 at 11.15 a.m. to transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt Audited Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended on that date and the Report of the 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-election.
3. To appoint a Director in place of Mr. Vijay G. Ladha who retires by rotation and being eligible, offers himself for re-election.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

REGISTERED OFFICE

Nucleus House,
Saki – Vihar Road, Andheri (East),
Mumbai – 400 072

Mumbai, May 30th, 2011

FOR AND ON BEHALF OF THE BOARD

ASIT C. MEHTA
CHAIRMAN

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 OF THE COMPANY. The instrument appointing a proxy in order to be effective should be duly filled, stamped, signed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. The details under clause 49 of the Listing Agreement with the Bombay Stock Exchange Ltd, in respect of a Director seeking re-election at the Annual General Meeting are given in the Corporate Governance Report.
3. The Register of Members and Share Transfer Books will remain closed from 6th September, 2011 to 9th September, 2011 (both days inclusive).
4. Section 109A of the Companies Act, 1956 provides for Nomination by the shareholders of the Company in prescribed Form 2B. Shareholders are requested to avail this facility.
5. Since the Company's shares are in compulsory demat trading, to ensure better service and elimination of risk of holding shares in physical form, we request shareholders holding shares in physical form to dematerialize their shares in demat form.
6. Any member(s) seeking further information on the Accounts / Operations of the Company are requested to send their queries in writing to the Company at its Registered Office (and marked to the attention of Company Secretary) at least one week in advance of the Meeting so as to enable the Management to keep the information ready. Replies will be provided only at the meeting.
7. Members / proxies should bring their Attendance slip duly filled in for attending the meeting. Members are also requested to bring their copies of the Company's Annual Report.
8. Members are requested to notify immediately any change in their addresses to the Registered Office.

REGISTERED OFFICE

Nucleus House,
Saki – Vihar Road, Andheri (East),
Mumbai – 400 072

Mumbai, May 30th, 2011

FOR AND ON BEHALF OF THE BOARD

ASIT C. MEHTA
CHAIRMAN

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present the 27th Annual Report together with the audited accounts of the Company for the year ended 31st March, 2011.

1. FINANCIAL RESULTS:

₹ in lacs

	STANDALONE		CONSOLIDATED	
	2010 – 11	2009 – 10	2010 – 11	2009 – 10
Income from Operations	61.83	89.09	318.55	582.28
Other Income	27.81	88.02	16.88	52.27
Total Income	89.64	177.11	335.43	634.55
Profit before depreciation, interest and tax	41.98	139.56	(86.41)	76.85
Less: Depreciation	25.39	20.91	67.16	73.91
Interest	45.09	31.69	70.93	57.68
Tax Expense / (Credit)	21.33	(14.70)	14.96	(21.04)
Profit / (Loss) After Tax	(49.83)	101.66	(239.46)	(33.71)
Profit / (loss) of share in Associate concern	NA	NA	(77.86)	15.93
Profit after tax and share in Associate concern	NA	NA	(317.32)	(17.78)
Add: Balance brought forward	87.38	13.80	254.03	304.15
Balance available for appropriation	37.55	115.46	63.29	286.37
Which the Directors have appropriated as:				
– Proposed Dividend	-	24.01	-	24.01
– Tax on Dividend	-	4.08	-	8.32
– Balance to be carried forward	37.55	87.38	63.29	254.03

2. DIVIDEND

The Board of Directors does not recommend any dividend.

3. OPERATIONAL REVIEW

On a Standalone basis, the earnings were mainly from rental and dividend income and the profit on partial sale of shares held by Trust whose sole beneficiary is the Company. The Company also earned nominal revenue from G-sec business. The gross earnings aggregated to ₹ 90 lacs.

On a consolidated basis, the gross revenues declined from ₹ 634 lacs to ₹ 335 lacs mainly due to drop in revenues from ITES business of Nucleus GIS And ITES Ltd (NGIL) – a wholly-owned subsidiary company. NGIL suffered a loss of ₹ 184 lacs (after providing ₹ 90 lacs for doubtful debt) as its revenues declined from ₹ 553 lacs in the previous year to ₹ Rs 288 lacs in the year under review. Certain managerial and operational restructuring (including cost control) was undertaken to arrest the loss. Few potential contracts which were anticipated during the year did not materialize. Due to litigation with debtors from whom substantial payments are overdue, the non-realization of debts resulted in borrowings which increased the interest burden of NGIL.

4. OUTLOOK

The Company would continue to earn steady rental and is also likely to earn dividend income from the existing investment. The Company is also exploring the possibility of raising funds and making further investment in Asit C Mehta Investment Intermediates Ltd with a view to increase its strategic investment in the medium to long-term period. ITES business would continue to be operated by NGIL. Barring unforeseen circumstance the outlook appears to be cautious.

5. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that:

- i. in preparation of the annual accounts, the applicable accounting standards have been followed by the Company;
- ii. appropriate accounting policies have been selected and applied consistently and such judgments and estimates have been made that are reasonable and prudent so as to give 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.

6. Fixed Deposits

The Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under.

7. INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956

a) Conservation of energy, Technology absorption and adoption:

The operations of your Company involve low energy consumption. Energy conservation efforts are being pursued on a continuous basis. Close monitoring of power consumption is maintained to minimize wastage and facilitate optimum utilization of energy. The Company has not imported any technology nor incurred any expenditure on research and development of technology.

b) Particulars of employees':

The Company had no employee covered in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Foreign exchange earnings and outgo: ₹ Nil

8. MANAGEMENT DISCUSSION AND ANALYSIS

The "Management Discussion and Analysis Report" is furnished separately and forms part of this Directors' Report.

9. CORPORATE GOVERNANCE

A report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Bombay Stock Exchange Ltd, is annexed hereto and forms part of the Annual Report.

10. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and Company's Articles of Association, Mr. Asit C Mehta and Mr. Vijay G. Ladha retires by rotation at the ensuing Annual General meeting and being eligible, offers themselves for re-election.

The information on the particulars of the Directors seeking re-appointment as required under clause 49 of the Listing Agreement has been given in the Report on Corporate Governance.

11. SUBSIDIARY COMPANIES

In terms of General Circulars Nos 2/2011 and 3/2011 dated 8.2.2011 and 21.2.2011 respectively issued by the Ministry of Corporate Affairs under section 212(8) of the Companies Act, 1956 granting general exemption from attaching financials of the subsidiaries the same are not attached. These financials will be kept open for inspection by any shareholder at the registered office of the Company and will also be placed before the ensuing Annual General Meeting.

The relevant financial data of the subsidiaries have been furnished under 'Details of Subsidiaries' forming part of this Annual Report.

12. CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Accounting Standards 21 and 23 issued by the Institute of Chartered Accountants of India, the consolidated financial statement incorporating the operation of the Company, its subsidiary and associate concern have been attached hereto which forms part of the Annual Report.

13. AUDITORS

The Company's Auditors, Manek & Associates as the Statutory Auditor would retire at the ensuing Annual General Meeting and confirmed their eligibility and willingness to accept the office of the auditors, if reappointed. The Audit Committee and the Board recommends their reappointment.

14. APPRECIATION

The Directors thank the banker and shareholders for their continued support to the Company. The Directors also look forward for the continuing support from the shareholders.

For and on behalf of the Board of Directors

Asit C Mehta
Chairman

Mumbai, 30th May, 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review:

The Company operates through its wholly-owned Indian subsidiary and associate concern. The Company also earns revenues from letting out of properties to group concerns and income from dividends.

The Company's wholly-owned Indian subsidiary – Nucleus GIS And ITES Ltd (NGIL) is engaged into ITes / BPO services.

In the third year of its operation NGIL's performance for the year 2010-11 was unsatisfactory as the Company reported a loss after tax of (₹) 183.63 lacs after making a provision of (₹) 90.32 lacs for doubtful debt.

Financial Performance:

- A) Consolidated Financial Results for the year ended 31st March, 2011 as shown in Table below is of the Company, its wholly-owned two subsidiaries.

Summarized Consolidated financials

(₹) in lacs

Segment Revenue			Segment Results Profit / (Loss)		
	2010-11	2009-10		2010-11	2009 10
ITeS	287.56	552.85	ITeS	(153.41)	(21.72)
Investments Activities	30.98	29.36	Investments Activities	(71.59)	(21.84)
Unallocable	16.88	37.81	Unallocable	0.49	(11.18)

- B) Standalone Financial Results:

The following table gives an overview of the Standalone financials of the Company (Unconsolidated):

((₹) in lacs)

Particulars	2010 – 11	2009 – 10
Revenues from Operations	61.83	89.01
Other Income	27.81	88.10
Total revenue	89.64	177.11
Total Expenditure	118.14	90.15
Profit before Tax	(28.50)	86.96
Profit after tax	(49.82)	101.66

The Share Capital remained unchanged.

Fixed Assets consisting of Office premises were revalued and at the year end the Net Block stood at (₹) 4704 lacs.

During the year total investments remained unchanged except sale of investment of (₹) 874/-

Borrowings (Bank Term Loan) stood at (₹) 285.19 lacs as against (₹) 289.29 lacs in the previous year.

Opportunities, Threats, risks and concerns

The future outlook of the Company depends on the performance of its wholly-owned subsidiary – Nucleus GIS And ITES Ltd (NGIL) which is engaged into ITes Services.

As per NASCOMM:-

- the IT-BPO industry to reach USD 71.7 billion;
- the industry will continue to diversify in terms of geographies, verticals and service lines;
- Domestic BPO is recording a growth of above 40 per cent in INR terms. The growth is led by the BFSI, Telecom and Airline industries.

This augurs good for NGIL. Customers perception of outsourcing is constantly changing and they are looking outsourcing as a tool to meet their ever changing dynamic business environment. Customers are seeking vendors / associates with mature processes, stability and good track record of not only delivering cost savings but also who show sustained and continuous improvements in productivity. NGIL is endeavoring for the same. The IT sector future remains bright coupled with vast business opportunities.

NGIL's performance is exposed to certain threats and risks and concerns like operational risk of normal business competition, financial risk of currency exposure for exports of ITeS, resource risk of adequate manpower and finance etc. NGIL is also exposed to a weak bargaining power due to the fact that its potential and existing customer universe is large institutional players. In addition, NGIL is exposed to client concentration risk due to the fact that it has few clients

The Company also has a strategic investment in an Associate concern engaged into Stock broking and allied financial services. The outlook of the Associate would largely depend on the volatility of the Stock Markets, which has direct correlation with the prospect of economic growth and political stability. The company is exposed to keen competition from domestic and international players in its field of operations. Due to the wide retail and wholesale nature of its business, it is also exposed to various risks such as operations, regulatory compliance gaps, bad debts, skilled employee attrition, falling savings allocation by savers to capital markets etc

Internal Control systems and their adequacy

The Company continues to have in place adequate and proper systems of internal control commensurate with the nature and size of its operations. The Company also continues to avail the services of external firm for conducting internal audits at periodic intervals. The Audit Committee meets at regular intervals and reviews inter alia the internal checks and their accuracy.

Human Resources

The relations with the employees (including that of its subsidiary) remained cordial.

CORPORATE GOVERNANCE REPORT

As per Clause 49 of the Listing Agreement entered into with Stock Exchanges, the Directors present the Company's Report on Corporate Governance for the year ended 31st March, 2011.

I. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

The Company is committed to observance of best corporate governance practices in the business dealings encompassing all its stakeholders. The Company endeavors to ensure higher degree of transparency, control, accountability and responsibility in all areas of operations. The Company believes that good corporate governance practices enable the management to direct and control the affairs of the Company in an efficient manner and to achieve its ultimate goal of maximizing value for all its stakeholders.

II. BOARD OF DIRECTORS:

A. Composition of Board

The composition of the Board of Directors of the Company is governed by the provisions of the Companies Act, 1956, the Articles of Association of the Company and Clause 49 of the Listing Agreement with The Bombay Stock Exchange Ltd. As at 31st March, 2011, the strength of the Board of Directors was six non-executive members including 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 table below gives the composition of your Board and the number of outside directorships held and number of memberships/ chairmanships of Board Committees of other Companies held by each of the Directors.

Name & Designation	Category	No. of Board Meetings held	No. of Board Meetings attended	No. of Directorships in other companies	No. of Committee positions held in Other companies		Attendance at the AGM held on 1.09.2010
					Member	Chairman	
Mr. Asit C. Mehta, Chairman	Promoter and Non-Executive Director	4	4	7	1	Nil	Yes
Mrs. Deena A. Mehta, Director	Promoter and Non-Executive Director	4	4	10	2	Nil	Yes
Mr. Kirit H. Vora, Director	Non-Executive and non independant Director	4	4	6	1	Nil	Yes
Mr. Vijay Ladha, Director	Independent and Non-Executive Director	4	3	1	Nil	Nil	No
Dr. R. Krishnamurthy, Director	Independent and Non-Executive Director	4	3	1	Nil	Nil	No
D Sunderajan Director	Independent and Non-Executive Director	4	3	1	Nil	Nil	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.

Necessary information as required by Annexure 1A to Clause 49 of the Listing agreement is placed before the Board.

B. Meetings of the Board:

During the financial year ended 31st March, 2011, four meetings of the Board were held 27th May, 2010, 11th August, 2010, 12th November, 2010, and 11th February, 2011.

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

C. Directors seeking re-appointment :

C A Asit C Mehta and C A Vijay G. Ladha retire by rotation and being eligible offer themselves for reappointment. Brief resumes of these directors are given below:

Particulars	C A. Asit C Mehta	C A Vijay G. Ladha
Age (in years)	52	52
Date of appointment	18.12.1993	29.10.2002
Qualification	Chartered Accountant Diploma in Securities Law	Chartered Accountant
Expertise in specific functional area	Vast expereince in Capital market related activities	Vast expereince in Commercial and financial matters.
Directorships held in other Public Companies	a)Asit C Mehta Investment Interrmediates Ltd – Chairman	None
Memberships of Committees of Other Public companies	1	None
No. of shares held in the company	23,61,138	Nil

D. Code of Conduct:

All the Directors and senior management personnel have affirmed compliance with the Code of Conduct/Ethics as approved and adopted by the Board of Directors and a declaration to that effect signed by the Chairman is attached and forms part of this report.

E. CEO / CFO Certification:

The CEO/CFO certification for the year ended 31st March, 2011 has been annexed at the end of this report.

III. AUDIT COMMITTEE:

The Audit Committee of the Board of Directors has been constituted in line with the provisions of Section 292A of the Companies Act, 1956, read with Clause 49 of the Listing Agreement. The Committee meets at least four times a year and the maximum gap between two meetings is not more than four months.

A. Composition of the Audit Committee:

The composition of the Audit Committee as on 31st March, 2011 is as follows:

Name	Designation	Category
Mr. Vijay Ladha	Chairman	Non-Executive & Independent Director
Mr. Kirit H Vora	Member	Non-Executive Director
Dr R Krishnamurthy	Member	Non-Executive & Independent Director

B. Meetings of the Audit Committee:

During the financial year ended 31st March, 2011 four Audit Committee meetings were held on 27th May, 2010, 11th August, 2010, 12th November, 2010, and 11th February, 2011. The details of the number of meetings attended by its members are given below:

Members of the Audit Committee	No. of meetings held	No. of meetings attended
Mr. Vijay G. Ladha	4	3
Dr R Krishnamurthy	4	3
Mr. Kirit H Vora	4	4

Besides the above meetings, another meeting of the Audit Committee was held on 30th May, 2011 at which the Audited Accounts for the year ended 31st March, 2011, were placed for review.

The Chairman and the Internal Auditor are permanent invitees to the Audit Committee meetings. The Statutory Auditors are also invited to attend the meetings. The Company Secretary acts as a Secretary of the Audit Committee.

C. Role of the Audit Committee:

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 Committee also, inter alia, covers the matters mentioned under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, besides other terms as may be referred to by the Board of Directors.

D. Subsidiary Companies:

The Company has two wholly-owned subsidiaries, the details of which are as follows:

Sr. No.	Name of the subsidiary	Status
1	Nucleus GIS Inc.	Overseas Subsidiary
2	Nucleus GIS And ITES Limited	Non-listed Indian subsidiary Company

The Audit Committee reviewed the financial statements of these subsidiaries.