



NUCLEUS SECURITIES LIMITED

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**18TH ANNUAL REPORT
2001 - 2002**

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
MR. MANOHAR LAL VIJ

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

TOP MANAGEMENT TEAM : MR. A. S. NAGARAJA RAO
MR. H. K. SHENOY
MR. JAYRAJ SHAH
MR. JOHN T. DANIEL

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

SOLICITORS : M/S. WADIA GHANDY & COMPANY

BANKERS : THE KARNATAKA BANK LTD.
CITIBANK N.A.
HDFC 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
'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

The Shares of the Company are listed with The Stock Exchange, Mumbai; The Stock Exchange, Ahmedabad; The Delhi Stock Exchange Association Ltd., New Delhi and The Madras Stock Exchange Ltd., Chennai. The listing fees have been paid.

**18TH ANNUAL GENERAL MEETING ON FRIDAY, THE 27TH SEPTEMBER, 2002, AT 11.00 A.M.
AT THE REGISTERED OFFICE OF THE COMPANY**

NUCLEUS SECURITIES LIMITED

NOTICE

NOTICE, is hereby given that the Eighteenth 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 Friday, the 27th day of September, 2002 at 11.00 a.m. to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2002 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 though eligible, is not seeking re-election and as such to consider and if thought fit, to pass the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Section 256(4) of the Companies Act, 1956, the vacancy caused at this Meeting by retirement by rotation of the Director, Prof. N. Venkiteswaran be not filled-up."

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 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 2002-2003 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(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Manohar Lal Vij, who was appointed as a Director of the Company by the Board of Directors, with effect from July 31st, 2002 as an Additional Director under Section 260 of the Companies Act, 1956 and who holds Office upto the date of this Annual General Meeting and being eligible for reappointment, and, in respect of whom the Company has received notice in writing under Section 257 of the Companies Act, 1956 from a Member proposing his Candidature for the Office of the Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as Director of the Company whose term of Office shall be liable for determination by retirement of Directors' by rotation".

6. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 the Articles of Association of the Company be and is hereby altered in the following manner:

Insert the following Heading and Article along with marginal notes as Article 71A after Article 71:

NUCLEUS SECURITIES LIMITED

71 A. POSTAL BALLOT

The Company may in case of resolutions relating to such business as the Central Government may by notification, declare to be conducted only by postal ballot, shall get any resolution passed by means of postal ballot, instead of transacting the business in General Meeting in accordance with the provisions of Section 192A of the Companies Act, 1956 and the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 and such other applicable provisions of the Act and future amendments or re-enactments made from time to time.

For and on behalf of the Board

Place : Mumbai
Date : August 28, 2002.

Asit C. Mehta
Chairman and Managing Director

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 23.09.2002 to 27.09.2002 (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 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.

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 :

The Board of Directors of the Company appointed Mr. Manohar Lal Vij as an Additional Director with effect from 31st July, 2002. In terms of Section 260 of the Companies Act, 1956 and Article 92 of the Company's Articles of Association, Mr. Manohar Lal Vij holds office only up to the date of forthcoming Annual General meeting of the Company. A notice has been received from a member as required under section 257 of the Companies Act, 1956, proposing Mr. Manohar Lal Vij as a candidate for the Office of the Director. Mr. Manohar Lal Vij is an eminent practicing Chartered Accountant with vast and varied experience.

The Board considers it desirable that the Company should continue to avail Mr. Manohar Lal Vij's services as a Director and accordingly commends the Resolution for acceptance by the members.

None of the Directors except Mr. Manohar Lal Vij is concerned or interested in the said resolution.

ITEM NO. 6 :

As per the provisions of Section 192A inserted by the Companies Amendment Act, 2000, a company may pass such resolution by postal ballot in the manner prescribed therein. However, the present Articles of Association of the Company do not have any provision authorizing postal ballot.

In view of this it is proposed to insert new Article 71A in the Articles of Association of the Company to enable the Shareholders to cast their vote by way of postal ballot under the above provisions and the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001.

Under Section 31 of the Companies Act, 1956 any amendment to the Article of Association of the Company requires the passing of Special Resolution and hence the aforesaid resolution.

None of the Directors is concerned or interested in the said resolution.

A copy of the existing Articles of Association of the Company together with a copy of the proposed amendment will be open for inspection by Shareholders at the Registered Office of the Company between 10.00 am to 12.00 noon on any working day until the date of the Annual General meeting and also at the meeting.

For and on behalf of the Board

Place : Mumbai
Date : August 28, 2002.

Asit C. Mehta
Chairman and Managing Director

NUCLEUS SECURITIES LIMITED**DIRECTORS' REPORT**

To the Members,

The Directors submit their Eighteenth Annual Report together with the Audited Accounts for the accounting year ended on 31st March, 2002.

1. FINANCIAL RESULTS:

	(Rs. in lacs) For the year ended 31.03.2002	(Rs. in lacs) For the year ended 31.03.2001
Profit Before Interest, Depreciation, and Extra-ordinary Items	61.25	64.44
Less :		
Interest	27.18	22.47
Depreciation	22.73	29.83
Profit/(Loss) Before Extra-ordinary Items	11.34	12.14
Less : Extra-ordinary Items: (Net)	—	—
Profit for the Year	11.34	12.14
Less :- Provision for Taxation	—	1.45
Prior Period Adjustments :		
Prior Period Adjustments (Credit)/Debit	0.05	(0.36)
	0.05	1.09
Profit After Tax and Prior Period	11.29	11.05
Profit/(Loss) Brought Forward from Previous Year	6.70	10.41
Transfer from Reserve Fund	—	4.20
Profit Available for Appropriation	17.99	25.66
Proposed Dividend/(Interim Dividend) (@ 5%)	—	17.20
Tax on Dividend	—	1.75
	—	18.95
Profit/(Loss) Carried to Balance Sheet	17.99	6.70

2. DIVIDEND :

In view of the plough back the resources, the Board has not recommended any dividend on the equity share capital for the financial year ended on 31st March, 2002.

3. REVIEW OF OPERATIONS :

The overall performance of the Company was stable. The revenue of the Money Changing division declined by 18.88% in confirmation with decline in sales by 32.21%. As expected, the slow down of the economy and international events in the later half affected the travel industry severely.

NUCLEUS SECURITIES LIMITED

The Company closed down Money Changing activities at five branches viz. Andheri & Nariman Point in Mumbai, Indore, Noida, & Koromangala in Bangalore since the last report.

Your Company has obtained a term loan of Rs. 10 million and also transferred its Working Capital limits of Rs. 12.5 million from Oriental Bank of Commerce to Karnataka Bank Ltd. This will partially help the Company to manage its Asset-Liability mismatch.

Western Union Money Transfer services has shown improved profitability due to the increased focus by the Company on these services. The gross revenue increased from Rs. 2.2 million to Rs. 4.5 million. The Company has accelerated efforts at appointments of sub-agents for providing Western Union Money Transfer services.

Reserve Bank of India has recently permitted FFMCS to appoint franchisees across the country. The Company has initiated measures to seize this opportunity and will be appointing significant number of franchisees for conducting the service of Restricted Money Changers all over the country. The expansion of the network of franchisees and sub-agents is expected to significantly improve the profitability of the Company.

As informed in the last report, Company's appeal in the Customs, Excise and Gold (Control) Appellate Tribunal (CEGAT), Mumbai have been upheld and the Company was awaiting the refunds of the sale proceeds and the deposit against penalty imposed from the Department. The Directors are sorry to report inspite of the order by the Bombay High Court in a contempt petition by the Company, the refunds are still not issued by the Department.

4. FUTURE OUTLOOK :

The Money Changing industry continues to be intensively competitive. The regulatory, compliance norms, and capital adequacy for FPMC licences are strengthened by Reserve Bank of India. The Travelers Cheques issuers also have tightened their norms for stocking FFMCS on consignment basis. Both these developments are likely to reduce the number of FFMCS in the near future. As a result, the industry is likely to enter into consolidation phase. However, the industry will undergo a structural change, due to the Franchisee Model being permitted by the Reserve Bank of India. This is likely to improve profitability for those who can manage this change successfully.

Western Union Money Transfer service continues to grow rapidly and are likely to accelerate even further. Western Union is also likely to commence the domestic money transfer services in the current year.

On the whole the outlook for the current year is cautiously optimistic.

5. DEPOSITS :

Public Deposits as at 31st March, 2002 stood at Rs. Nil as against Rs. 0.26 lacs in the previous year. The Company had discontinued accepting fixed deposits from the public w.e.f. 1.4.1998.

6. DEBENTURES :

Your Company has issued Secured Non-Convertible Debentures on Private Placement basis and has mobilised a sum of Rs. 20.88 lacs under Series 'F'. 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 in June, 2002 and the Letters of Allotment for Series 'F' have been despatched to the respective applicants.

NUCLEUS SECURITIES LIMITED

7. DEMATERIALISATION OF SHARES :

Your Directors are pleased to inform you that as on 31.3.2002, 84.52% of equity shares have been dematerialised by the shareholders.

8. CORPORATE GOVERNMENT :

Listing Agreements with the Stock Exchanges prescribe uniform code of corporate governance for listed Companies. It will be mandatory for your Company to implement corporate governance during the financial year 2002-03 i.e. before 31.03.2003. Your Company is taking requisite steps to comply with this code from the financial year 2002-03.

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 on 31st March, 2002.

10. 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, Prof. N. Venkiteswaran retires by rotation and being eligible offers himself for re-election.

The Director, Mr. Manohar Lal Vij was appointed as Additional Director of the Company on 31st July, 2002 and he holds office, under Section 260 of the Companies Act, 1956, up to the ensuing Annual General Meeting only.

The Company has, however, received notice, under section 257 of the Companies Act, 1956, proposing his name for directorships at the ensuing Annual General Meeting.

The Board recommends the relevant resolution for your approval.

In accordance with Article 103 of Articles of Association of the Company, Prof. N. Venkiteswaran retires by rotation and have expressed his unwillingness not to seek re-election due to some personal reasons. The Board wishes to place on record its sincere appreciation of the valuable contributions made by Prof. Venkiteswaran during his tenure of the Director of the Company.

The Board recommends that the vacancy so caused need not be filled in.

NUCLEUS SECURITIES LIMITED

12. 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 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 31st March, 2002 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.

13. AUDITORS OBSERVATION :

- a) With reference to para 4 of the report of the Auditors, your Board would like to state that a few incidents of unauthorised credit sales and expenses had taken place in one of the branches of the Company. Personal accounts of the errant employee to the extent of Rs. 19.32 lacs have been debited. No provision has been made as the Company is hopeful of recovery of the same.
- b) With reference to para 5 (d) of the report of the Auditors that your Board would like to state that the provision of the deferred tax liability as at 31.3.2002 of Rs. 64.52 lacs could not be provided since Company does not have adequate reserves to create this liability. The Liability will be provided as the reserves accumulate.
- c) With reference to para 10 of the Annexure to the Audit Report your Board would like to state that the requisite steps have been taken to strengthen the reporting frequency and compliance procedures for the internal audit system.

14. 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.

15. ACKNOWLEDGEMENT :

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

Placed : Mumbai
Dated : August 28, 2002.

Asit C. Mehta
Chairman and Managing Director

NUCLEUS SECURITIES LIMITED**AUDITORS' REPORT TO THE MEMBERS OF NUCLEUS SECURITIES LTD.**

1. We have audited the attached Balance Sheet of NUCLEUS SECURITIES LTD. as at 31st March 2002 and also the relative Profit and Loss Account for the year ended on that date both of which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimate made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
4. We invite attention to Note No. 2 of Schedule 18 on Notes to Accounts regarding non-confirmation of debtors, creditors, loans and advances received and given (including loans to staff amounting Rs. 19.32 lacs due from certain employees at a branch for unauthorised credit sales/expenses).
5. Subject to our comments in paragraph 4 above, with consequential effect on the profit for the year and the net assets, we report that :-
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books; and the reports on the accounts of Branch Offices audited under section 228 by other auditors have been considered in preparing the report.
 - c. The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - d. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 except that no provision is made in respect of current year deferred tax liability of Rs. 9.54 lacs and for earlier years' deferred tax liability Rs. 54.98 lacs after netting deferred tax assets as required under AS-22 on Accounting for Taxes on Income. This has resulted into profit for the year being overstated by Rs. 9.54 lacs and reserve being overstated and liability being understated by Rs. 64.52 lacs.
 - e. On the basis of written representation received from the directors, as on 31st March, 2002, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with notes thereon, give the information required by the Companies Act, 1956, in the manner so required; and subject to para 5(d) above give a true and fair view :-
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002; and
 - ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

For M. P. Chitale & Co.
Chartered Accountants

Ashutosh Pednekar
Partner

Mumbai, August 28, 2002.