



NUCLEUS SECURITIES LIMITED



**19TH ANNUAL REPORT
2002 - 2003**

NUCLEUS SECURITIES LIMITED

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

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

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

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 & ELECTRONIC/DEMAT MODE : MCS LIMITED
SHRIVENKATESH BHAVAN
PLOT NO. 27, ROAD NO. 11
M.I.D.C. AREA, ANDHERI (E)
MUMBAI - 400 093.
TEL : 2821 5235 FAX : 2835 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.

**19TH ANNUAL GENERAL MEETING ON WEDNESDAY, THE 10TH SEPTEMBER, 2003, AT 11.00 A.M.
AT THE REGISTERED OFFICE OF THE COMPANY**

NUCLEUS SECURITIES LIMITED

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

NOTICE

NOTICE, is hereby given that the Nineteenth 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 10th day of September, 2003 at 11.00 a.m. to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2003 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 Mrs. Deena Mehta, who retires by rotation and being eligible offers herself 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 an **Ordinary Resolution**:

"RESOLVED THAT the Board of Directors be and are hereby authorized 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 2003-2004 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. Vijay Ladha, who was appointed as a Director of the Company by the Board of Directors, with effect from October 29th, 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 the Company do apply for voluntary delisting of the equity shares of the Company from the Stock Exchanges at Ahmedabad, Madras and Delhi, subject to the equity shares remaining listed in a Stock Exchange having nation wide terminals i.e. The Stock Exchange, Mumbai OR the National Stock Exchange of India Ltd. or any other Stock Exchange referred to in Regulation 5 of the SEBI (Delisting of Securities) Guidelines, 2003 and further subject to other compliance, clearances as mandated under the said guidelines."

7. To consider and if thought fit, to pass with or without modification the following resolution as a **Special Resolution**:

"RESOLVED that pursuant to Section 163 of the Companies Act, 1956 (hereinafter referred to as "the Act") the Company hereby approves that the Register of Members', copies of Annual Return prepared by the Company under section 159 of the Act together with the certificates and documents required to be annexed

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thereto under section 161 of the Act shall, with effect from 1st October, 2003 be kept at the Office of MCS Ltd, the Registrars and the Share Transfer Agent of the Company, at Sri Venkatesh Bhuvan, Road No. 11, Plot No. 27, MIDC, Mumbai 400 093 instead of at the Registered Office of the Company."

"RESOLVED FURTHER that the Registers, Indices, Returns, Books, Certificates and documents of the Company required to be maintained and kept open for inspection by the Members' or any such person entitled thereto under the Act, be kept open for such inspection, at the place where they are kept, to the extent, in the manner and on such payment of fees, if any, specified in the Act between 11.00 a.m. and 1.00 p.m. on any working day (excluding Saturday) and except when the registers and books are closed under the provisions of the Act and/or Articles of Association of the Company."

8. To consider and if thought fit, to pass, with or without modification(s), the following resolutions 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 they are hereby amended in the manner set out herein under :

- (a) (i) The following common amendments be carried out in Articles 114, 118, 132 of the Articles of Association :

The words "Section 372" wherever appearing in the aforesaid articles shall be deleted and in that place the word "Section 372A" shall be substituted.

- (ii) The following common amendments be carried out in Articles 59, 133, 166, 167 of the Articles of Association :

The words "Section 370" and "Section 372" shall be deleted and in that place the word "Section 372A" shall be substituted.

- (b) The following Articles shall be inserted in the Articles of Association of the Company as Article no. 109(a) :

"109(a) : The Company shall have the power to hold Board or Committee meetings through the means of video or tele-conferencing, and also allow Directors to participate in the Board or Committee meetings through the means of video or tele-conferencing, subject to the applicable provisions, if any, of the Act and other regulatory provisions, if any, and all relevant articles dealing with Board or Committee meetings shall be read mutatis mutandis."

For and on behalf of the Board

Place : Mumbai
Date : July 8, 2003.

Asit C. Mehta
Chairman and Managing Director

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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 3.9.2003 to 10.9.2003 (both days inclusive).
3. Pursuant to sub Section (5) and Section 205A of the Companies Act, 1956, dividends for the financial year 1995-96 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.
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, (Electronic/Demat Mode) MCS Limited Shri Venkatesh Bhuvan Plot No. 27, Road No. 11, M.I.D.C. Area, Andheri (E), Mumbai 400 093. Tel : 28215235 Fax : 28350456.
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.
8. All documents refer to in this notice are available for inspection on any working day between 10.00 a.m. and 12.00 noon till the date of Annual General 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 228 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. Vijay Ladha as an Additional Director with effect from 29th October, 2002. In terms of Section 260 of the Companies Act, 1956 and Article 92 of the Company's Articles of Association, Mr. Ladha 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. Ladha as a candidate for the Office of the Director.

Mr. Ladha is a Chartered Accountant having adequate experience in the field of Commerce & Finance. The Board considers it desirable that the Company should continue to avail Mr. Ladha's services as a Director and accordingly commends the Resolution for acceptance by the members.

None of the Directors except Mr. Vijay Ladha is concerned or interested in the said resolution.

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ITEM NO. 6 :

The Company's Equity Shares are currently listed on the Stock Exchanges at Mumbai, Ahmedabad, Madras and New Delhi.

SEBI had issued revised guidelines in Feb. 2003 regarding voluntary delisting of shares. According to the revised guidelines, your Company may delist from one or more Stock Exchanges provided the Company's Equity Shares are listed on a Stock Exchange having wider network.

With the networking of various centers across the country of The Stock Exchange, Mumbai, the members of the Company have access to online dealings in Company's shares from several locations across the country.

The trading volumes on the Stock Exchanges at Ahmedabad, Madras and New Delhi have been NIL during past couple of years and no extra benefit is available to the Shareholders by continuing listing on these Exchanges.

The proposed delisting will not adversely affect any investor including the members located in regions where the above Stock Exchanges are situated.

Apart from financial savings, the proposed delisting will also reduce the repetitive statutory compliances, procedures and formalities.

Your approval is sought for the above proposal by way of a Special Resolution.

None of the Directors are concerned or interested in the resolution.

ITEM NO. 7

In compliance with the requirement of circular No. D/CC/FITTC/CIR-15/2002 dated 27th December, 2002 of SEBI, the Company appointed MCS Ltd., Mumbai as the Registrars and Share Transfer Agents of the Company from 31.3.2003 to handle the share related work both for physical and demat mode.

It is proposed to keep the indices of Members', Register of Members' and Other related documents at the Office of MCS Ltd, Sri Venkatesh Bhuvan, Road No. 11, Plot No. 27, MIDC, Andheri (E), Mumbai 400 093 with effect from 1.10.2003.

Pursuant to proviso to Section 163 of the Companies Act, 1956 it is necessary to have the approval of the members' of the Company by way of special resolution for this purpose and which is commended for your approval.

The resolution also specifies the time of inspection of the books and documents of the Company by the members and others.

None of the Directors are concerned or interested in this resolution.

ITEM NO. 8

(a) Section 370 & Section 372 of the Companies Act, 1956, became ineffective pursuant to insertion of Section 372A in the Companies Act, 1956. It is, therefore, necessary to delete references to Sections 370 and 372 wherever appearing in the relevant articles and substitute in their place reference to Section 372A in the said articles.

(b) The Companies Amendment Act, 2003, proposes to introduce the conduct of Board Meetings through electronic means i.e. video or tele-conferencing. Your Board feels that the conduct of the Board or Committee meetings through video or tele-conferencing will facilitate increase in the frequency of the meetings and participation of Directors. This amendment to the Articles of Association shall come into force only after necessary amendments are made in the Companies Act, 1956.

None of the Directors are concerned or interested in this resolution.

For and on behalf of the Board

Place : Mumbai
Date : July 8, 2003.

Asit C. Mehta
Chairman and Managing Director

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DIRECTORS' REPORT

To the Members,

The Directors submit their Nineteenth Annual Report together with the Audited Accounts for the accounting year ended on 31st March, 2003.

1. FINANCIAL RESULTS:

	(Rs. in lacs) For the year ended 31.03.2003	(Rs. in lacs) For the year ended 31.03.2002
Profit / (Loss) Before Interest, Depreciation and Extra-ordinary Items	(52.73)	61.25
Less :		
Interest	37.03	27.18
Depreciation	20.75	22.73
Profit / (Loss) Before Extra-ordinary Items	(110.51)	11.34
Less : Extra-ordinary Items:	—	—
Profit / (Loss) for the Year	(110.51)	11.34
Less :- Provision for Taxation	77.87	
Prior Period Adjustments :		
Prior Period Adjustments (Credit)/Debit	0.15	0.05
Profit/(Loss) After Tax and Prior Period Adjustments	(188.53)	11.29
Profit/(Loss) Brought Forward from Previous Year	17.99	6.70
Transfer from Reserve Fund	—	—
Profit / (Loss) Available for Appropriation	(170.54)	17.99
Profit / (Loss) Carried to Balance Sheet	(170.54)	17.99

2. REVIEW OF OPERATIONS :

During the year your Company has made a loss of Rs. 110.51 lacs which is after providing and writing off of debtors amounting to Rs. 96.35 lacs. As stated in last report, some of the employees of the Delhi Branch colluded and manipulated the accounts of past years. Unauthorised credits were to extended to some of the clients. The Company has carried out special audit to take the stock of the damage caused to the Company. The Company recovered sizable amount from the errant employees and from the customers. However, on prudent basis, the Company has made the above provision and written off a part of the debtors.

The over all business volume has also came down significantly mainly due to persistent sluggishness of the travel industry throughout the year under review. Your company has also discontinued marketing Travellers Cheques and instead now issues Travel cards from Citibank. The World Money travel cards are superior products and have many features not possible in cheques. They are also better from the point of view of risk containment both for clients and the Company.

Your Company has obtained a term loan of Rs. 10 million and working capital loan of Rs. 12.50 million from The Karnataka Bank Ltd., Overseas Branch, Mumbai, during the year and repaid the outstanding amount of loan taken from Oriental Bank of Commerce. The changeover helps the Company in minimizing the cost of

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the funds. At the latter part of the year, the Company has obtained working capital loan of Rs. 5 million from Karnataka Bank for funding Western Union payouts.

During the year under review, the Company earned gross revenue of Rs. 6 million against Rs. 4.50 million earned in previous year from Western Union - Money Transfer Services. The Company has activated 266 locations during the year which takes total locations to 385 after taking into account locations deactivated during the year.

You will be happy to know that, on 21.03.2003 your Company has received a refund of Rs. 53.72 lacs from Customs Department. The amount was withheld by the bank on instructions received from the Directorate of Revenue Intelligence in the year 1996.

The Company has introduced centralized web based accounting system for foreign exchange transactions through the main server. This gives not only online information of transactions of each branch, but also helps for better control on pricing, stock level, etc. Secondly, effective from April 1, 2003 all the accounting functions of all the branches has been shifted to Head Office. These will not only reduce the cost of operations significantly, but also helps management in receiving all critical information almost an online basis.

3. FUTURE OUTLOOK :

The Money Changing industry has become more competitive, though the number of players in the field are reduced after licensing norms etc. were made more rigorous by Reserve Bank of India. Once the consolidation phase is over, it will be more profitable for the remaining players. However, global players are likely to enter this industry, thereby increasing competition.

The franchisee operations for money changing have not picked up significantly due to intense competition among FFCs. Your Company provides excellent training and transaction recording platform to franchisees. However, in view of the competition, the same are not effectively fetching business.

The Western Union Money Transfer business continues to grow rapidly and likely to accelerate even further. All efforts are on to activate another 500 locations during the year 2003-04.

In view of the above, your Company has reduced focus on money changing and increased on Western Union. Other related areas for increasing the products line are under analysis.

On the whole the outlook for the next year is cautiously stable.

4. DEPOSITS :

The Company had discontinued accepting fixed deposits from the public w.e.f. 1.4.1998.

5. 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' during the financial year 2002-2003.

6. DEMATERIALISATION OF SHARES :

Your Directors are pleased to inform you that as on 31.3.2003, 89.21% (3069735) of equity shares have been dematerialised by the shareholders.

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7. 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, 2003.

8. 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/- p.a. or Rs. 2,00,000/- p.m.

9. DIRECTORS :

In accordance with Article 103 of Articles of Association of the Company, Mrs. Deena A. Mehta retires by rotation and being eligible offers herself for re-election.

The Director, Mr. Vijay Ladha was appointed as Additional Director of the Company on 29th October, 2003 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 directorship at the ensuing Annual General Meeting.

The Board recommends the relevant resolution for your approval.

10. REPORT ON CORPORATE GOVERNANCE :

A detailed report on Corporate Governance has been included separately in the Annual Report.

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 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, 2003 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.

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12. AUDITORS OBSERVATION :

- a) With reference to para 5(i) of the report of the Auditors, your Board would like to state that the Company is in process of obtaining confirmation from debtors, creditors.
- b) With reference to para 5(ii) of the report of the Auditors that your Board would like to state that the Company is confident in recovering the outstanding balance from such debtors.
- c) With reference to para 5(iii) of the Report of the Auditors, that your Board would like to state that the erosion in the name of the investments made in one of the Group Company is not permanent.

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. 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.

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For and on behalf of the Board

Place : Mumbai
Dated : July 8, 2003.

Asit C. Mehta
Chairman and Managing Director