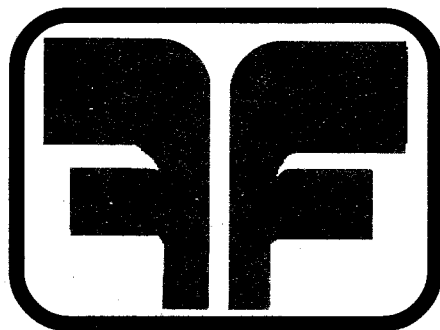


**EIGHTH ANNUAL REPORT
1998-99**



FORTUNE FINANCIAL SERVICES (INDIA) LIMITED



BOARD OF DIRECTORS

Mr. J.T. Poonja	Chairman & Managing Director
Mr. Nimish C. Shah	Vice Chairman & Jt. Managing Director
Mr. Ketan Dalal	Director
Mr. Sohan Mehta	Director
Mrs. Sangeeta J. Poonja	Director

AUDITORS	M/s. A.C. Shah Associates Chartered Accountants
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BANKERS

Bank of Madura Ltd.
Credit Lyonnais
Dena Bank
Union Bank of India

REGISTERED OFFICE

2nd Floor, K.K. Chambers
Sir P.T. Marg
Fort, Mumbai - 400 001

BRANCH OFFICE

414, Ansal Towers, (4th Floor)
38, Nehru Place
New Delhi - 110 019

102, Lucky Chambers
S.C.O. 335-336, Sector - 35B
Chandigarh - 160 022

702, Challa Mall,
11/11A, Thiagaraya Road, T. Nagar,
Chennai - 600 017

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NOTICE

Notice is hereby given that the **Eighth Annual General Meeting** of the members of **Fortune Financial Services (India) Limited** will be held on Saturday, the 21st August, 1999 at the Registered Office of the Company at 2nd Floor, K. K. Chambers, Sir P. T. Marg, Fort, Mumbai - 400 001 at 11.00 a.m. to transact the following business :

AS ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 1999 and the Profit and Loss Account for the year ended as on that date alongwith Schedules and the Reports of Directors and Auditors thereon.

2. To appoint a Director in place of Mr. Sohan Mehta, who retires by rotation and being eligible, offers himself for re-appointment.
3. To re-appoint Auditors of the Company and to fix their remuneration.

Registered Office : For and on behalf of the Board
K. K. Chambers, 2nd Floor
Sir P. T. Marg, Fort
Mumbai - 400 001

J.T. POONJA
Chairman & Managing Director

Date : 30th June, 1999

Report

NOTES

on.com

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
2. Proxies, in order to be effective, must be lodged with the Company not less than 48 hours before the time of the meeting.
3. Members are requested to :
 - (a) immediately intimate change of address, if any, to the Company quoting reference of their Registered Folio Number;
 - (b) produce the Attendance Slip at the entrance of the Meeting hall;
 - (c) bring the copy of the Annual Report to the venue of the Meeting and
 - (d) write to the Company atleast 10 days in advance of the Annual General Meeting for any information about accounts at the meeting.
4. The Register of Members and the Register of Share Transfer will remain closed from 18th August, 99 to 21st August, 99, to comply with requirement of Clause 16 and other applicable clauses of the Listing Agreement.
5. Members, in whose name Dividend warrant for the Financial year 1995-96, 1996-97 and 1997-98 issued by the Company and who have not yet encashed the same, are requested to encash the Dividend warrant immediately.

Registered Office : For and on behalf of the Board
K. K. Chambers, 2nd Floor
Sir P. T. Marg, Fort
Mumbai - 400 001

J.T. POONJA
Chairman & Managing Director

Date : 30th June, 1999



DIRECTORS' REPORT

To
The Members

Your Directors have pleasure in presenting the Eighth Annual Report on the business and operations of the Company together with Audited Statement of Accounts for the year ended 31st March, 1999.

1. FINANCIAL RESULTS :

	(Rs. in lacs)	
	1998-99	1997-98
GROSS INCOME	694.41	1074.07
Profit before depreciation and writing-off Bad Debts	307.87	500.31
Less: Depreciation	305.20	306.17
Bad Debts Written-off	283.41	17.86
Profit /(Loss) before tax	(280.74)	176.28
Less: Provision for tax	---	22.30
PROFIT /(LOSS) AFTER TAX	(280.74)	153.98
Adj : Balance brought forward from earlier year	73.00	158.56
Tax in respect of earlier years (Net)	1.22	31.03
Profit available for appropriations	<u>(208.96)</u>	<u>281.51</u>
APPROPRIATIONS		
Proposed Dividend	---	82.39
Tax on Dividend (including Rs. 12.08 lacs for the previous year)	---	20.32
Special Reserve	---	30.80
General Reserve	---	75.00
Balance carried to Balance Sheet	<u>(208.96)</u>	<u>73.00</u>
	<u>(208.96)</u>	<u>281.51</u>

2. DIVIDEND :

Your Directors have not recommended dividend for the year due to the loss incurred by the Company,

3. ECONOMIC AND OVERALL BUSINESS SCENARIO :

The overall market conditions continued to remain sluggish during 1998-99 with recessionary conditions prevalent in core sectors and the financial service sector is not an exception resulting in poor corporate performances. NPA levels continued to be a concern for the industry. With Pokharan blasts in May'98 and consequent sanctions against India by US and other countries, economic reforms slowed down resulting in lower capital expenditure during the year.

The Reserve Bank of India has been following an easy money policy on hopes of increased credit off-take. However except for slight revival of demand in the cement industry, other sectors like steel, engineering and automobile are still reeling from low demand and increased capacity created during boom times. Major variables like GDP and Industrial growth for FY 1999-2000 are expected to be around 5% and 4% respectively. Last year agriculture sector has shown a record growth of about 4%-as against negative growth in the previous year.

4. OPERATIONS AND FUTURE PROSPECTS :

During the year 1998-99 performance of the Company has been affected adversely, and it has incurred a loss of Rs.280.74 lacs as against a profit before tax of Rs. 176.28 lacs for the previous year. The reason for loss was mainly due to write offs of bad debts in respect of overdue bills and non-recognition of lease rentals in respect of rentals not received.

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The environment for NBFCs continued to be hostile with increased competition arising from entry of Banks/FIs in fund based activities like Consumer Finance. With recessionary conditions prevalent in most industries, NPA levels continue to be a concern for the Financial Services Sector. Your company took a decision to suspend fresh disbursements with effect from April'98 and the Corporate Finance Division has decided to concentrate on recovery of past dues. The Division also decided to concentrate on fee based activities like syndication and corporate advisory services.

Further to reduce the financial cost, the Company has repaid its Bank Loans amounting to Rs.453.84 lacs and the amount held under 'Bill Discounting Trust' of Rs.516.67 lacs.

The Company is seized of the prospects of increased competition in the Financial Services Sector (NBFCs) in particular and is confident of meeting the challenges of the competitive environment. The continued political instability in the country is expected to slow down economic reform process and corporate performances. In the immediate future, the Company is looking at consolidating itself through increase in gross revenues from fee based activities like syndication and corporate advisory services. The company also intends to expand fee based activities like Merchant Banking, and Mergers and Acquisitions and in private equity placements. It will seriously consider venturing in to new areas for enhancing its performance in the current year.

5. BUY-BACK OF SHARES :

Your Company became the first company in India to go for buy back of its shares, subsequent to guidelines for Buy back of shares coming into effect from January'99. Considering the overall market conditions, your Directors decided to utilise the excess funds generated out of stringent recoveries to reduce the share capital. The Company had offered to buy back 25 per cent of its paid-up share capital (Rs.549 lacs) at an offer price of Rs.10/- each against the average market quoted price of Rs.5.65 and against the said offer the Company received applications for 11,39,800 shares for buy back, and consequent to the buy back and

extinguishment of shares, the paid-up equity share capital of the Company has reduced to Rs.435 lacs. Further, in accordance with Section 77AA of the Companies (Amendment) Ordinance, 1999, the Board of Directors has transferred Rs.113.98 lacs from the General Reserves to Capital Redemption Reserves account.

Your Company would consider to buy-back not exceeding 25% of the present paid-up Equity Shares Capital of the Company during the financial year 1999-2000

6. DISCLOSURE UNDER THE LISTING AGREEMENT:

a) Cash Flow Statement :

Cash flow statement pursuant to clause 32 of the listing agreement is annexed to the audited accounts and forms part of this report.

b) Status of Y2k Compliance :

The Management does not perceive that any significant additional cost will have to be incurred to solve the Y2K problem on account of the regular up-gradation of its hardware and software.

In the opinion of the management there is no critical dependence on any external agency which could result in disruption of the Company's operations on account of the Y2K problem.

In the unlikely event of any problem the accounts/commercial functions can be restored to manual working.

7. PRUDENTIAL NORMS :

The Company is consistently complying with all the guidelines issued by the Reserve Bank of India for NBFCs with respect to capital adequacy, asset classification, provisioning and income recognition on non-performing assets.

The capital adequacy of the Company as on 30th September, 98 was 57.70 % as against the minimum norm of 10% stipulated by the Reserve Bank of India.

**8. SUBSIDIARY COMPANY :**

The Audited Statements of Accounts of Hazel Finvest Limited, a wholly owned subsidiary of the Company, for the year ended 31st March, 1999 along with the Reports of the Board of Directors and Auditors thereon are attached in accordance with the provisions of Section 212 of the Companies Act, 1956.

Good Fortune Advisory Services Private Limited, a member of National Stock Exchange of India Limited, has become Company's subsidiary with effect from 30th June, 1999 on holding of 53.33% of the paid up Share Capital of the said company. Consequently 'Cartier Leafin Private Limited', the wholly - owned subsidiary of the said Good Fortune Advisory Services Private Limited has also become subsidiary to our Company.

9. FIXED DEPOSITS :

As reported in the previous year, the Company has not accepted/renewed deposits from public and others during the year under review. Further the Company had intimated all the Fixed Deposit holders to discharge their Fixed Deposits in the Company on or before 31st March, 1999 and accordingly has made the payment of Rs.501.87 lacs during the year to the Fixed Deposit holders. The only outstanding Fixed Deposit of Rs.17.65 lacs as on 31st March, 1999 is a NRI deposit on repatriation basis maturing in October'99.

The Company has also been fully complying with all Guidelines of Reserve Bank of India on maintenance of liquid assets on its portfolio of deposits, during the year under review.

10. AUDITORS :

M/s A.C. Shah Associates, the Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. The Company has received a certificate from the Auditors to the effect that their re-appointment if made, will be within the limits stipulated under Section 224(1B) of the Companies Act, 1956.

11. DIRECTORS :

Mr. Sohan Mehta, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment. Your Directors recommend his re-appointment.

12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

The Company not being a manufacturing Company, the information with regard to conservation of energy, technology absorption etc. required to be disclosed under 'The Companies (disclosure of particulars in the report of Board of Directors) Rules, 1988' is not applicable to the Company.

Foreign Exchange Earning and Outgo — Nil.

13. PERSONNEL :

The information required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particular of Employees) Rules, 1975, as amended by the Companies Amendment Act, 1988, is annexed and forming part of this report.

14. ACKNOWLEDGEMENT :

The Directors express their appreciation and sincere gratitude to the various Departments of the Central and State Governments, Financial Institutions, Bankers, Clients, Depositors and Shareholders for their valuable assistance and support. The Directors also record their appreciation for the sincere and dedicated efforts of staff at the various levels of the Company.

For and on behalf of the Board

Place : Mumbai

J.T. POONJA

Date : 30th June, 1999 Chairman & Managing Director

ANNUAL REPORT 1998-99**ANNEXURE TO THE DIRECTORS' REPORT**

PARTICULARS OF THE EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, AND COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 (FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR 31ST MARCH, 1999)

Name & Qualification	Age	Designation Date of Appointment	Remuneration Gross Rs.	No. of years of Experience	Last Employment
Mr. J.T. Poonja M.A. (Economics)	59	Chairman & Managing Director (1st August 1995)	10,83,140/-	32	Vijaya Bank Assistant General Manager(18)
Mr. Nimish C.Shah B. Com., MBA (USA)	35	Vice Chairman & Jt. Managing Director (1st July, 1996)	10,78,139/-	13	CIFCO Finance Limited (6)

1. The above employment is contractual.
2. The above employment is subject to the rules and regulations of the Company.
3. Above mentioned Mr. J.T. Poonja is the husband of Mrs. Sangeeta J. Poonja, a Director of the Company and none of the Employees is related to any Director of the Company.
4. Remuneration includes salary, allowances, commission and taxable value of perquisites.

For and on behalf of the Board

PLACE : Mumbai

DATE : 30th June, 1999

J. T. POONJA

Chairman & Managing Director



AUDITORS' REPORT

To the Members of
Fortune Financial Services (India) Limited.

We have audited the attached Balance Sheet of Fortune Financial Services (India) Limited as at 31st March, 1999 and the Profit and Loss Account of the Company for the year ended on that date and report that :-

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, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph (1) above :-
 - 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 account as required by law have been kept by the Company, so far as appears from our examination of such books;
 - 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 Profit and Loss Account and Balance Sheet comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956 prescribed by the Institute of Chartered Accountants of India.
- e) in our opinion and to the best of our information and according to the explanations given to us, the accounts read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required, and 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, 1999,
and
 - (ii) in the case of the Profit and Loss Account, of the Loss for the year ended on that date.

For **A.C. SHAH ASSOCIATES**
Chartered Accountants

4, Tarvotti Bhavan,
203, P.D'Mello Road,
Mumbai - 400 001.

Nipun C. Shah
Partner

Place : Mumbai.
Dated : 26th April, 1999

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ANNEXURE TO THE AUDITORS' REPORT

Referred to in Paragraph (1) of our Report of even date

- A) i) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. The fixed assets were physically verified by the management during the year. In our opinion the frequency of the verifications is reasonable. No material discrepancies were noticed on such verification.
- ii) None of the fixed assets have been revalued during the year.
- iii) The Company has not taken any loans from parties listed in the Register maintained under Section 301 of the Companies Act, 1956 or from companies under the same management within the meaning of section 370 (1B) of the Companies Act, 1956.
- iv) The Company has not given loans to parties listed in the Register maintained under Section 301 of the Companies Act, 1956 or the companies under the same management within the meaning of section 370 (1B) of the Companies Act, 1956.
- v) The parties (including employees) to whom loans and advances have been made, are generally repaying the principal amounts as stipulated and are also regular in payment of interest wherever applicable.
- vi) In our opinion and according to the information and explanations given to us, there are reasonable control procedures with regard to the purchase of plant and machinery, equipment and other assets commensurate with the size of the Company and nature of its business.
- vii) According to the information and explanations given to us, sale of services made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party have been made at prices which are reasonable having regard to the prevailing prices at which transactions for similar services have been made with other parties.
- viii) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58(A) of the Companies Act, 1956 and Reserve Bank of India directions, 1977 with regard to the deposits accepted from the Public.
- ix) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- x) According to the records of the company, the Provident Fund dues and Employees' State Insurance dues, where applicable, have regularly been deposited during the year with the appropriate authorities.
- xi) According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income-tax, Wealth-tax, Sales Tax, Customs Duty and Excise Duty which are due for the more than six months from the date they became payable.
- xii) According to the information and explanations given to us, no personal expenses of directors have been charged to the revenue account other than those payable under contractual obligations or in accordance with generally accepted business practices.
- B) i) In relation to the service activities of the Company, there exists a reasonable internal control system commensurate with the size of the Company and the nature of its business.
- ii) In our opinion and on the basis of information and explanations given to us, the services rendered by the Company do not require any allocation of man-hours.
- C) Adequate documents and records are maintained in cases where the Company has granted loans and advances on the basis of security by way of pledge of shares and other securities.
- Clause Nos. iii, iv, v, vi, xii, xiv, xvi and xx of paragraph 4(A), iv and 4(B) and iii and iv of 4(C) of the Order are not applicable to this Company.

For **A.C. SHAH ASSOCIATES**
Chartered Accountants

4, Tarvotti Bhavan,
203, P.D'Mello Road,
Mumbai - 400 001.

Place : Mumbai
Dated : April 26, 1999

Nipun C. Shah
Partner