

**TENTH ANNUAL REPORT**  
**2000-2001**

**CERTIFIED TRUE COPY**

*For Fortune Financial Service (India) Ltd.,*

  
*Chairman and Managing Director.*



**FORTUNE**

**FORTUNE FINANCIAL SERVICES (INDIA) LIMITED**



# FORTUNE FINANCIAL SERVICES (INDIA) LIMITED

## BOARD OF DIRECTORS

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

## BANKERS

HDFC Bank Limited  
 UTI Bank Limited  
 ICICI Bank Limited

## AUDITORS

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

## COMPANY LAW CONSULTANTS

M/s. S. Anantha & Co.  
 Company Secretaries

## SHARE TRANSFER AGENT

Purva Sharegistry India Pvt. Ltd.  
 33, Printing House  
 28-D, Police Court Lane  
 Behind Old Handloom House  
 Fort, Mumbai - 400 001.  
 E-mail : busicomp@vsnl.com

## REGISTERED OFFICE

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

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## NOTICE

**Notice** is hereby given that the Tenth Annual General Meeting of the members of **Fortune Financial Services (India) Limited** will be held on Saturday, the 22<sup>nd</sup> September, 2001, at the Registered Office of the Company at 2nd Floor, K. K. Chambers, Sir. P. T. Marg, Fort, Mumbai - 400001 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, 2001 and the Profit and Loss Account for the year ended as on that date along with Schedules and the Report of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Ketan Dalal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and approve the re-appointment of M/s. A. C. Shah Associates, Chartered Accountants, Mumbai, as Auditors of the Company and to fix their remuneration.

**AS SPECIAL BUSINESS :**

4. To consider, and if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution** :

**"RESOLVED THAT** in partial modification of the resolution passed by the members at the Ninth Annual General Meeting held on 31<sup>st</sup> August, 2000, approving the re-appointment of Mr. J. T. Poonja, as the Chairman & Managing Director of the Company, and pursuant to the provisions of Section 198, 269, 309, 310 and all other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its approval for the revision of the remuneration to and the terms and conditions of the re-appointment of Mr. J. T. Poonja, Chairman & Managing Director of the Company, in accordance with the Schedule XIII to the Companies Act, 1956, with effect from the date of appointment until the expiry of the current period of his appointment, as set out in the draft supplemental agreement, placed before this meeting and initialled by the Chairman for the purpose of identification, which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the remuneration, terms and conditions, from time to time, of the said appointment and/or agreement, subject to the limits specified under the Schedule XIII to the Companies Act, 1956, or any amendments thereto or any statutory modification or re-enactment thereof from

time to time, and as may be agreed to between the Board of Directors and Mr. J. T. Poonja."

5. To consider, and if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution**:

**"RESOLVED THAT** in partial modification of the resolution passed by the members at the Ninth Annual General Meeting held on 31<sup>st</sup> August, 2000, approving the increase and revision in terms of remuneration and perquisites to Mr. Nimish C. Shah, Vice-Chairman & Joint Managing Director of the Company, and pursuant to the provisions of Section 198, 269, 309, 310 and all other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its approval to the further revision of the remuneration to Mr. Nimish C. Shah, Vice-Chairman & Joint Managing Director of the Company, under the Schedule XIII to the Companies Act, 1956, for the period from 1st August, 2000 to 30th June, 2001 as set out in the draft supplemental agreement, placed before this meeting and initialled by the Chairman for the purpose of identification, which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the remuneration, terms and conditions, of the said appointment and/or agreement, subject to the limits specified under the Schedule XIII to the Companies Act, 1956, or any amendments thereto or any statutory modification or re-enactment thereof, and as may be agreed to between the Board of Directors and Mr. Nimish C. Shah."

6. To consider and if thought fit, to pass the following resolution, with or without modifications, as an **Ordinary Resolution**:

**"RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its approval to the re-appointment of Mr. Nimish C. Shah, as the Vice-Chairman & Joint Managing Director of the Company for a period of five years with effect from 1<sup>st</sup> July, 2001 to 30<sup>th</sup> June, 2006 at a remuneration and upon the terms and conditions as set out in the draft agreement, placed before this meeting and initialled by the Chairman for the purpose of identification, which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the remuneration, terms and conditions of the said appointment and/or agreement, subject to the limits specified under Schedule XIII to the Companies Act, 1956, or any amendments thereto or any statutory modification or re-enactment thereof from time to time, and as may be agreed to between the Board of Directors and Mr. Nimish C. Shah."



## FORTUNE FINANCIAL SERVICES (INDIA) LIMITED

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

**"RESOLVED THAT** pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, and the provisions of other statutes, rules and regulations as may be applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities and bodies, the Articles of Association of the Company be and is hereby altered in the following manner :

**i) That Article No.1 be and is hereby altered by insertion of the definitions in the following manner :**

**After the definition 'The Act' and before the definition 'The Company', the following definition be inserted**

'Beneficial Owner' shall mean beneficial owner as defined in clause (a) of the sub section (1) of Section 2 of the Depositories Act, 1996.

**After the definition 'The Company' and before the definition 'The Directors', the following definition be inserted**

'Depository' means a company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration to act as a depository under the Securities and Exchange Board of India Act, 1992.

**After the definition 'Proxy' and before the definition 'In Writing', the following definitions be inserted**

'SEBI' means The Securities and Exchange Board of India.

'Security' means such security as may be specified by SEBI from time to time.

**ii) That the following new Article No. 13 (A) and 13 (B) alongwith the headings be and are hereby inserted after the existing Article No. 13 :**

### DEMATERIALIZATION OF SHARES

#### 13(A) a. Dematerialization of Securities

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize its securities and to offer securities in a dematerialized form pursuant to the Depositories Act, 1996.

#### b. Option for investors

Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with the depository. Such a person who is the

beneficial owner of the securities can at any time opt out of a depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities.

If a person opts to hold his security with a depository the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

#### c. Securities in depositories to be in fungible form

All securities held by a depository shall be dematerialized and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C, and 372A of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

#### d. Rights of depositories and beneficial owners

i) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.

ii) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

iii) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a depository.

#### e. Service of documents

Notwithstanding anything to the contrary contained in the Act or these Articles, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

#### f. Transfer of Securities

Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

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## **g. Allotment of securities dealt with by a depository**

Notwithstanding anything in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

## **h. Distinctive numbers of securities held in a depository**

Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held in a depository.

## **i. Register and Index of the beneficial owners**

The Register and Index of beneficial owners maintained by a depository under the Depositories Act, 1996, shall be deemed to be the Register and Index of Members and security holders for the purpose of these Articles.

## **EMPLOYEE STOCK OPTION PLAN / SCHEME**

- 13(B)** Subject to the provisions of Section 79A and other applicable provisions of the Act and the Rules made thereunder, the Company may issue Sweat Equity Shares if such issue is authorised by a Special Resolution passed by the Company in the general meeting. The Company may also issue shares to employees including its Directors, under Employee Stock Option Scheme (ESOP) or any other scheme, if authorised by a Special Resolution of the Company in general meeting subject to the provisions of the Act and the Rules and applicable guidelines made thereunder, by whatever name called.

**iii) That the following Article No. 62 (A) alongwith the heading be and is hereby inserted after the existing Article No. 62 :**

## **NOMINATION**

- 62(A)** i) Notwithstanding anything contained in the articles, every holder of shares or debentures of the Company may, at any time, nominate a person in whom his/her shares or debentures shall vest in the event of his/her death and the provisions of Section 109A and 109B of the Companies Act, 1956 shall apply in respect of such nomination.
- ii) No person shall be recognized by the Company as a nominee unless an intimation of the appointment of the said person as nominee has been given to the Company during the lifetime of the holder(s) of the shares or debentures of the Company in the manner specified under Section 109A of the Companies Act, 1956
- iii) The Company shall not be in any way responsible for transferring the shares and / or debentures consequent upon such nomination.

iv) If the holder(s) of the shares or debentures survive(s) nominee, then the nomination made by the holder(s) shall be of no effect and shall automatically stand revoked.

**iv) That the following new Article No. 84 (A) alongwith the heading be inserted after the existing Article No. 84 :**

## **POSTAL BALLOT**

**84(A)** Notwithstanding anything contained in the provisions of the Companies Act, 1956, and the Rules made there under, the Company may, and in the case of resolutions relating to such business as may be prescribed by such authorities from time to time, declare to be conducted only by postal ballot, shall, get any such business/resolutions passed by means of postal ballot, instead of transacting the business in the General Meeting of the Company.

**v) That the following new Article No.151(A) be and is hereby inserted after the existing Article No. 151**

- 151(A)** i) The amount of dividend including interim dividend declared shall be deposited in a separate bank account within five days from the date of declaration of such dividend.
- ii) The dividend declared has to be paid within thirty days from the date of declaration. If the dividend has not been paid within thirty days to a share holder then the Company shall within seven days from the date of expiry of the said thirty days transfer the whole of the dividend amount to a special account called 'Unpaid Dividend Account of Fortune Financial Services (India) Limited' to be opened with a scheduled bank.
- iii) Any money transferred to the unpaid dividend account of the Company, which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the Company to 'Investor Education and Protection Fund' established under Section 205C of the Act.

**vi) That the proviso to the existing Article No. 5 be and is hereby replaced and substituted by the following proviso :**

Provided that where at any time (subsequent to the first allotment of share) it is proposed to increase the subscribed capital of the Company by the issue of new shares, including shares with differential rights then, subject to any directions to the contrary which may be given by the Company in general meeting, the board shall issue such shares in the manner set out in the Act. Option or right to make a call on shares shall not be given to any person or persons except with the sanction of the Company in General Meeting.



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vii) That the existing Article No.100 be and is hereby replaced and substituted by the following Article :

100. The fee payable to a director for attending a meeting of the Board or Committee thereof shall be fixed by the Board of Directors subject to the maximum limit prescribed in this respect under the Act or by the Central Government from time to time.

viii) That the existing Article No. 124 be and is hereby altered in the following manner :

The word 'and' appearing after the No.386 be deleted and the same word 'and' be inserted after the No.386, and

The Number '488' be inserted after the word 'and'.

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

**"RESOLVED THAT** the Company do apply for delisting of its shares from the Stock Exchanges at Ahmedabad, Chennai and Delhi and the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things which may be necessary, usual, proper and /or expedient to give effect to this resolution."

**Registered Office :**

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

**For and on behalf of the  
Board of Directors**

**J.T. POONJA**

**Date : 30<sup>th</sup> June, 2001 Chairman & Managing Director**

### NOTES

- 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.**
- Proxies, in order to be effective, must be lodged with the Company not less than 48 hours before the time of the meeting.
- Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, with respect to Item No. 4 to 8 of the Notice is annexed herewith and forms part of the Notice.
- Members are requested to :
  - immediately intimate change of address, if any, to the Company quoting reference of their Registered Folio Number;
  - produce the Attendance Slip at the entrance of the Meeting hall;
  - bring the copy of the Annual Report to the venue of the Meeting and
  - write to the Company atleast 10 days in advance of the Annual General Meeting for any information about accounts at the meeting.

- The Register of Members and the Register of Share Transfer will remain closed from 18th September, 2001 to 22<sup>nd</sup> September, 2001 to comply with requirement of Clause 16 and other applicable clauses of the Listing Agreement.

- Members, in whose name Dividend warrant for the Financial year 1995-96 and 1996-97 issued by the Company and who have not yet encashed the same, are requested to encash the Dividend warrant immediately.

- All the documents referred in the Notice and Explanatory Statement are available for inspection at the Registered Office of the Company during office hours on all working days, subject to reasonable restrictions, upto the date of Annual General Meeting.

- The Shares of the Company are listed in the following Stock Exchanges :

The Mumbai Stock Exchange, Dalal Street, Fort, Mumbai - 400 001

The Ahmedabad Stock Exchange, Khamadenu Complex, Near Polytechnic, Panjara Pole, Ahmedabad - 380 015

The Delhi Stock Exchange, DSE House, 3/1, Asaf Ali Road, New Delhi - 110 002

The Chennai Stock Exchange, Exchange Bldg., Post Box No.183, 11, Second line Beach, Chennai - 600 001.

### EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956 :

#### Item No. 4.

Mr. J. T. Poonja was re-appointed as Chairman & Managing Director of the Company by the Board of Directors for a period of 5 years with effect from 1<sup>st</sup> August, 2000 and the same was approved by the members at the Ninth Annual General Meeting held on 31<sup>st</sup> August, 2000 with the liberty to the Board of Directors of the Company to alter and vary the remuneration, terms and conditions of the said re-appointment. Mr. J. T. Poonja is associated with the business from the inception of the Company and has vast knowledge and experience in the field of Finance and related activities.

The Board of Directors has proposed to revise the existing remuneration in accordance with the provisions of Schedule XIII to the Act, from the date of re-appointment till his current term of office i.e., upto 31<sup>st</sup> July, 2005 on the following terms and conditions:

#### Salary

Rs.75,000/- (Rupees Seventy-five Thousand Only) per month with an annual increment in a scale of Rs.5,000/- Rs.95,000/-.

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## Commission / Incentive / Bonus

The appointee will be paid such amount as incentive/ bonus in line with the Company's policies for Employees and / or by way of commission, in addition to the salary and perquisites payable, calculated with reference to the net profit of the Company in a particular financial year, as may be determined by the Board of Directors of the Company for each financial year, subject to the overall ceiling stipulated in Sections 198 and 309 of the Act and Schedule XIII, as may be applicable from time to time.

## Perquisites

### CATEGORY 'A'

**House Rent Allowance:** @ 20% of Salary.

**Medical Reimbursement:** Expenses incurred for self and his family subject to a ceiling of one month's salary in a year or five months salary over a period of five years.

**Leave Travel:** For the appointee and his family, once in a year incurred in accordance with the rules specified by the Company.

**Club Fees:** Fees of clubs subject to maximum two clubs. This will not include life membership fees and admission fees.

**Personal Accident Insurance :** Insurance Premium not to exceed Rs.5,000/- per annum.

**Explanation:** Family means the spouse, dependent children and parents of the appointee.

### CATEGORY 'B'

The following will not be considered as perquisites:

- i) The contributions to Provident Fund and Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961;
- ii) Gratuity not exceeding half a month's salary for every completed year of service;
- iii) Encashment of leave at the end of the tenure; and
- iv) Provision of car for use on Company's business and telephone at residence for official purpose. However, personal long distance calls and use of car for private purpose shall be billed by the Company.

## OTHER TERMS AND CONDITIONS:

- i) The appointee will be entitled to one month's leave with full pay and allowance for every eleven month's of service. Such leave may be accumulated in accordance with the Company's rules and practices in force from time to time.
- ii) **Minimum Remuneration:** The remuneration, terms and conditions of the said appointment of the appointee may be varied from time to time subject to the conditions of Schedule XIII to the Companies Act, 1956 or any amendments made hereafter, as may be agreed to, between the Board of Directors and appointee.
- iii) If at any time the Managing Director ceases to be a Director of the Company for any cause whatsoever, he

will cease to be the Managing Director in terms of the Agreement and such Agreement shall terminate forthwith.

- iv) The Managing Director is appointed by virtue of his Directorship in the Company and his appointment is subject to the provisions of Section 283(1) of the Companies Act, 1956.

This may be treated as an abstract of the change in the terms of re-appointment of Mr. J. T. Poonja Chairman and Managing Director of the Company pursuant to Section 302 of the Companies Act, 1956.

None of the Directors except Mr. J. T. Poonja and Mrs. Sangeeta J. Poonja, wife of Mr. J. T. Poonja, may be deemed to be concerned or interested in the said resolution.

Your Directors recommend the resolution for approval by the members of the Company.

## Item No. 5 & 6

Mr. Nimish C. Shah is associated with the business from the inception of the Company and has vast knowledge and experience in the field of Finance and related activities. Mr. Nimish C. Shah is an MBA (USA). His current term of appointment as the Vice Chairman and Joint Managing Director of the Company lapses on 30th June, 2001.

The Board of Directors have revised the existing remuneration in accordance with the provisions of Schedule XIII to the Act till his current term of office with effect from 1st August, 2000 to 30th June, 2001 and further considering his vast experience in the field of finance, capital market operations, the Board of Directors have proposed, subject to necessary approvals, to re-appoint him as the Vice Chairman and Joint Managing Director of the Company for a period of five years viz. 1st July, 2001 to 30th June, 2006 on the following terms and conditions :

## Period of Appointment

5 years (1st July, 2001 to 30th June, 2006)

Revised remuneration and the terms and conditions of the current term of appointment for the period 1st August, 2000 to 30th June, 2001 and for the re-appointment of Mr. Nimish C. Shah are as given below :

## Salary

Rs.75,000/- (Rupees Seventy-five Thousand Only) per month with an annual increment in a scale of Rs.5,000/- Rs.95,000/-.

## Commission / Incentive / Bonus

The appointee will be paid such amount as incentive/ bonus in line with the Company's policies for Employees and / or by way of commission, in addition to the salary and perquisites payable, calculated with reference to the net profit of the Company in a particular financial year, as may be determined by the Board of Directors of the Company for each financial year, subject to the overall ceiling stipulated in Sections 198 and 309 of the Act and Schedule XIII, as may be applicable from time to time.



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### Perquisites

#### CATEGORY 'A'

**House Rent Allowance:** @ 20% of Salary.

**Medical Reimbursement:** Expenses incurred for self and his family subject to a ceiling of one month's salary in a year or five months salary over a period of five years.

**Leave Travel:** For the appointee and his family, once in a year incurred in accordance with the rules specified by the Company.

**Club Fees:** Fees of clubs subject to maximum two clubs. This will not include life membership fees and admission fees.

**Personal Accident Insurance :** Insurance Premium not to exceed Rs.5,000/- per annum.

**Explanation:** Family means the spouse, dependent children and parents of the appointee.

#### CATEGORY 'B'

The following will not be considered as perquisites:

- i) The contributions to Provident Fund and Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961;
- ii) Gratuity not exceeding half a month's salary for every completed year of service;
- iii) Encashment of leave at the end of the tenure and
- iv) Provision of car for use on Company's business and telephone at residence for official purpose. However, personal long distance calls and use of car for private purpose shall be billed by the Company.

#### OTHER TERMS AND CONDITIONS :

- v) The appointee will be entitled to one month's leave with full pay and allowance for every eleven month's of service. Such leave may be accumulated in accordance with the Company's rules and practices in force from time to time.
- vi) **Minimum Remuneration :** The remuneration, terms and conditions of the said appointment of the appointee may be varied from time to time subject to the conditions of Schedule XIII to the Companies Act, 1956 or any amendments made hereafter, as may be agreed to, between the Board of Directors and appointee.
- vii) If at any time the Joint Managing Director ceases to be a Director of the Company for any cause whatsoever, he will cease to be the Joint Managing Director in terms of the Agreement and such Agreement shall terminate forthwith.
- viii) The Joint Managing Director is appointed by virtue of his Directorship in the Company and his appointment is subject to the provisions of Section 283(1) of the Companies Act, 1956.

This may be treated as an abstract of the change of terms of appointment of Mr. Nimish C. Shah, for the current term

of appointment upto date of 30th June, 2001 and the abstract of the terms of the proposed re-appointment of Mr. Nimish C. Shah, as the Vice-Chairman and Joint Managing Director of the Company pursuant to Section 302 of the Companies Act, 1956.

None of the Directors except Mr. Nimish C. Shah and Mr. Sohan Mehta, who is a relative to Mr. Nimish C. Shah, may be deemed to be concerned or interested in the said resolution.

Your Directors recommend the resolution for approval by the members of the Company.

#### ITEM NO. 7

Your Company has been advised to register with Depositories for dematerialization of its shares by the Stock Exchanges subsequent to the directives of The Securities and Exchange Board of India, for compulsory demat trading of its shares.

Further considering the various amendments in the Companies Act, 1956, the various Articles have to be altered in accordance with the Act, especially the provisions relating to Sweat Equity Shares, Differential Rights of Shares, Employee Stock Option Scheme, payment of Dividend, Postal Ballot, Nomination facilities to the shareholders.

The existing Articles with respect to sitting fees payable to Directors have also been proposed to be altered.

None of the Directors may be deemed to be concerned or interested in the said resolution.

Your Directors recommend the resolution for approval by the members of the Company as a Special Resolution.

#### ITEM NO. 8

The shares of the Company are listed with the Stock Exchanges at Ahmedabad, Chennai, Delhi and Mumbai. Considering the fact that the shares are thinly / rarely traded at the Stock Exchange at Ahmedabad, Chennai and Delhi. The Board of Directors are of the view that it would be advisable in the interest of the Company to apply for delisting of its shares from the said three stock exchanges in accordance with the applicable laws and the shares of the Company will continue to remain listed only with the Stock Exchange Mumbai, the Regional Stock Exchange.

None of the Directors may be deemed to be concerned or interested in the said resolution.

Your Directors recommend the resolution for approval by the members of the Company as a Special Resolution.

#### Registered Office :

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

For and on behalf of the  
Board of Directors

J.T. POONJA

Date : 30<sup>th</sup> June, 2001 Chairman & Managing Director

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## DIRECTORS' REPORT

To

The Members

Your Directors have great pleasure in presenting the Tenth Annual Report on the business and operations of the Company together with Audited Statement of Accounts for the year ended 31st March, 2001.

### 1. FINANCIAL RESULTS

	(Rupees in Lacs)	
	<u>2000-01</u>	<u>1999-00</u>
<b>GROSS INCOME</b>	<b>410.90</b>	469.68
Profit before depreciation, writing-off Bad Debts	<b>83.20</b>	211.90
Less : Depreciation	<b>175.87</b>	251.57
Bad Debts Written-Off	-	92.32
Profit/(Loss) Before Tax	<b>(92.67)</b>	(131.99)
Less : Provision for tax	<b>44.00</b>	48.00
Profit/(Loss) After Tax	<b>(136.67)</b>	(179.99)
Add: Balance brought forward from earlier year	<b>(388.95)</b>	(208.96)
Less: Tax in respect of earlier years (Net)	<b>1.78</b>	-
Balance carried to Balance Sheet	<b>(527.40)</b>	(388.95)

### 2. DIVIDEND

The higher depreciation and other provisioning in respect of the earlier years' business operations, have resulted in a loss for the year under review and your Directors have not recommended any dividend for the year.

### 3. OPERATIONS AND FUTURE PROSPECTS

During the year under review, your Company has incurred a loss of Rs.136.67 Lacs as against a loss of Rs.179.99 Lacs for the previous year. The loss was mainly on account of your Company's policies towards provisioning of bad debts and non-recognition of lease rentals in respect of rentals not received.

#### Capital Market Operations

During the year under review, your Company has become a Corporate Member of The Stock Exchange, Mumbai and commenced its Stock Market operations as scheduled. Despite stiff market conditions, which prevailed during the second half of the year, your Company's performance was reasonably good. Your Company has registered a total brokerage income of Rs.53.46 Lacs on account of this new activity.

Your Company's thrust will now be mainly on the Broking activities besides fee based business. To achieve the target, your Company has already taken initiative to expand its broking business and invested accordingly in the required infrastructure facilities besides the BSE Card.

#### Merchant Banking

As promised in the Buy-back offer documents, your Company has focussed its attention on the Investment Banking activities ranging from Private Placement of Equity Shares with Venture Capital Funds, Mutual Funds and Institutions, Issue Management, Corporate Restructuring, Placement of Debts etc., during the year under review. The major landmark achieved at the beginning of the year was a Private placement of Equity shares of Popular Entertainment Network Limited. Apart from this your Company also did placement of Equity shares of clickforcotton.com, India's first Cotton Exchange Portal, with Unit Trust of India. As a part of regular Issue Management activity, the Company managed one IPO, one Takeover offer and one Rights Issue. It is notable that despite worst market conditions, especially in the Primary Market segments, an IPO managed by your Company for Moschip Semiconductor Technology Limited was subscribed nearly 20 times in Public portion.

Apart from the above, your Company also made a Secondary market placement of Equity shares of Goldstone Technologies Limited and Mirc Electronic Limited.

During the year, your Company has been closely in touch with nearly 40 Venture Capital Funds active in the Country for the placement of equity shares of various companies mandated to your Company. This has created one to one relations with most of them, which the Management feels will help to improve the goodwill for future dealings with them. The Management sees a good market for Private Placement of Equity / Debt under the present depressed market conditions. This is a good revenue earning area in the near future.

#### Equity Research

Your Company's Equity Research Division extends its support to the Broking activities of the Company. The Equity Research reports are submitted to various Financial Institutions, Banks, Foreign Institutional Investors, high net-worth individuals and Corporates with whom our broking outfits are empanelled.

#### Other Non-Fund based activities

Your company is also actively involved in other non-fund based activities such as syndication in Bills Discounting, Lease Finance, Hire Purchase Finance and other financial services. The net income from the operation during the year under review is Rs.43.91 Lacs.



## FORTUNE FINANCIAL SERVICES (INDIA) LIMITED

### 4. DISCLOSURE UNDER THE LISTING AGREEMENT

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

### 5. DELISTING OF SHARES

Considering the fact that the shares are thinly/rarely traded at the Stock Exchange at Ahmedabad, Chennai and Delhi, the Board of Directors is of the view that it would be advisable in the interest of the Company to apply for delisting of its shares from the said three Stock Exchanges in accordance with the applicable laws. The Record Date for determining the eligible shareholders in this respect will be intimated subsequent to obtaining approval of the members of the Company and the respective Stock Exchanges.

### 6. DEMATERIALISATION

The shares of the Company are subject to be traded compulsorily on demat form by all the investors as per The Securities and Exchange Board of India's directives. Your Company is in the process of entering into a tripartite agreement with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) to enable shareholders to trade and hold shares in electronic form.

The Securities and Exchange Board of India has also directed that all companies, whose shares are being traded compulsorily in dematerialised form by all investors, should provide for transfer and dematerialisation of securities simultaneously. The Company has taken necessary action to implement this facility through its Share Transfer Agent 'M/s. Purva Sharegistry India Pvt. Ltd.', Mumbai.

### 7. CORPORATE GOVERNANCE

In line with the revised requirements of the Listing Agreement with the Stock Exchanges, your Company is to comply with the requirements of Corporate Governance from the financial year 2002-2003. Your Directors have initiated necessary steps in this respect.

### 8. PRUDENTIAL NORMS

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

### 9. SUBSIDIARY COMPANIES

The Audited Statements of Accounts of Fortune Equity Brokers (India) Limited, a subsidiary of the Company for the year ended 31st March, 2001 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.

Hazel Finvest Limited, a wholly owned subsidiary of your Company, has submitted a petition under Section

560 of the Companies Act, 1956 for winding up under the fast track scheme during the year. Hence, the Balance Sheet and Profit and Loss Account of the said subsidiary company is not annexed in terms of requirements of the Section 212 of the Companies Act, 1956.

### 10. FIXED DEPOSITS

The Company has not accepted any deposit from the public during the year under review, to which the provisions of Section 58A of the Companies Act, 1956 and the rules made thereunder would apply.

At the request of your Company, Reserve Bank of India vide letter DNBS.MRO.No. 3512 / 12.06.30 / 2000-01 dated 27th December, 2000 has confirmed that your company has been taken as category "B" company, i.e. company not accepting/holding public deposits.

### 11. AUDITORS' REPORT

With respect to the observation of the Auditors, the note No. V(f) of Schedule 'P' is self explanatory.

### 12. 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.

### 13. DIRECTORS

Mr. Ketan Dalal, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. Your Directors recommend his appointment.

Mr. Sunil N. Mehta resigned as a Director of the Company with effect from 18th May, 2001. The Board records its appreciation for the valuable contributions made by him during his tenure as a Director of the company.

### 14. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION

The provision of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable to your Company since your company is not a scheduled industry pursuant to the said rules.

### 15. FOREIGN EXCHANGE EARNING AND OUTGO

No foreign exchange was earned or spent during the year under review.

### 16. PERSONNEL

The particulars of employees as required pursuant to the provisions of Section 217(2A) of the Companies