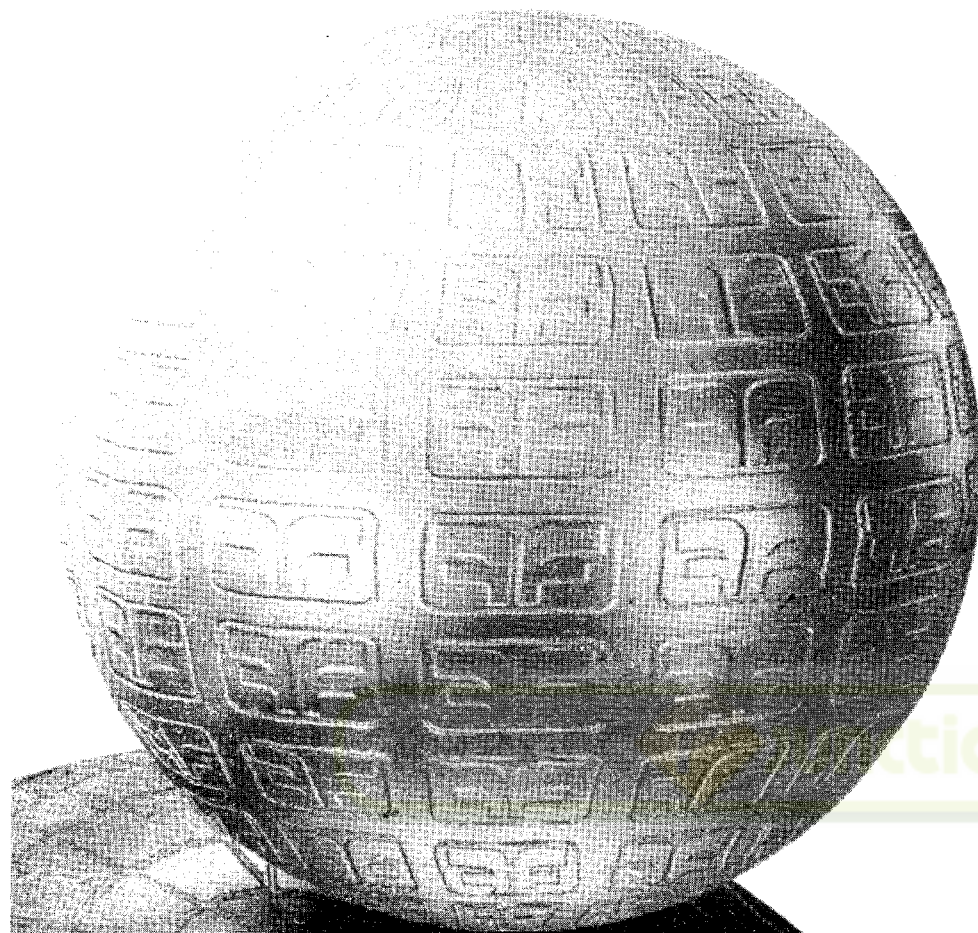


Fortune Financial Services (India) Limited



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Annual Report
2003 - 2004

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CORPORATE INFORMATION**BOARD OF DIRECTORS**

Mr. J T Poonja

Mr. Nimish C Shah

Mr. Diptesh Shah

Mr. Sohan C Mehta

Ms. Sangeeta J Poonja

Mr. Sanjay Kothari

Mr. Ramesh Venkat

Mr. Gaurang A Patel

Chairman and Managing Director

Vice Chairman and Jt. Managing Director

Executive Director (w.e.f. 9th March, 2004)

Director

Director

Director

Director

Director (w.e.f. 9th March, 2004)

COMPANY SECRETARY

Mr. K. R. Vishwanath

AUDITORS

M/s. Shah & Nair Associates

Chartered Accountants

LEGAL CONSULTANTS

M/s. Purohit & Co.,

Advocates

BANKERS

UTI Bank Limited

HDFC Bank Limited

Standard Chartered Bank

ICICI Bank Limited

Vijaya Bank

The Cosmos Co.-op. Bank Ltd., Pune

REGISTRAR & SHARE TRANSFER AGENTS

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 Thirteenth Annual General Meeting of the members of Fortune Financial Services (India) Limited will be held on Saturday, the 25th day, of September, 2004, 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, 2004 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 Mrs. Sangeeta J. Poonja, who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Mr. Nimish C. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To re-appoint statutory auditors and to fix their remuneration.

AS SPECIAL BUSINESS :

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

"RESOLVED THAT Mr.Gaurang A. Patel, who was appointed as an Additional Director of the Company by the Board of Directors of the Company under Section 260 of the Companies Act, 1956 and who holds such office up to the date of the Annual General Meeting, be and is hereby appointed as a Director liable to retire by rotation of the Company."

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

"RESOLVED THAT Mr. Diptesh Shah, who was appointed as an Additional Director of the Company by the Board of Directors of the Company under Section 260 of the Companies Act, 1956 and who holds such office up to the date of the Annual General Meeting, be and is hereby appointed as a Director liable to retire by rotation of the Company."

7. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 and amended provisions of Schedule - XIII and other applicable provisions if any, of the Companies Act, 1956 and subject to such other approvals as may be required, consent of the Company be and is hereby accorded for the appointment of Mr.Diptesh Shah as an Executive Director of the Company with effect from 9th March, 2004 for a period of 3 years on the terms and conditions as placed before the meeting and the Board of Directors of the Company or Committee thereof be and is hereby authorized to revise the terms of appointment and/or vary or increase the

remuneration and perquisites payable within the limits under Schedule - XIII, to the extent the Board of Directors or Committee thereof may consider appropriate and as may be permitted or authorized in accordance with any provision under the Companies Act, 1956 or Schedule(s) appended thereto, for the time being in force or any statutory modification or re-enactment thereof."

8. 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 80(1)(d), 100 and other applicable provisions, if any, of the Companies Act, 1956, subject to approval of the Hon'ble High Court, Bombay/or such other authorities, the Capital Redemption Reserve amount of Rs.160.99 Lacs created in accordance with Section 77A of the Act appearing in the Balance Sheet as on 31st March 2004, be adjusted by transfer of the said amount back into General Reserve Account for the purpose of adjusting the same against the accumulated losses of the Company and/or for such other purposes as may be approved by the authorities."

"RESOLVED FURTHER THAT the Board, its Committee or any other person authorized by the Board, be and is hereby authorized to do and perform all such acts, deeds, matters and things, which may be necessary, usual, proper or expedient to give effect to this resolution."

Registered Office:
K.K. Chambers, 2nd floor,
Sir. P.T. Marg, Fort,
Mumbai – 400 001
Date : 26th June, 2004

By order of the Board

K.R. Vishwanath
Company Secretary

NOTES

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. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, with respect to Item No.5, 6, 7 & 8 of the Notice is annexed herewith and forms part of the Notice.
4. 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 at least 10 days in advance of the Annual General Meeting for any information about accounts.

Notice... continued

5. The Register of Members and the Register of Share Transfer will remain closed from 22-09-04 to 25-09-04 to comply with requirement of Clause 16 and other applicable clauses of the Listing Agreement.
6. Please note that pursuant to Section 205A of the Companies Act, 1956 all Unclaimed/unpaid dividends up to the year ended 1994-95 have been transferred to the General Revenue Account of the Central Government. Share holders who have not en-cashed the dividend warrants for the said period(s) are requested to claim the amounts from the Registrar of Companies, Maharashtra, 100 Everest Building, Marine Lines, Mumbai 400 020. Kindly note that in terms of Section 205C of the Companies Act, 1956, the unclaimed dividend for the financial year 1995-96 which has remained unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend Account has been transferred to Investor Education and Protection Fund (the Fund). As regards unpaid dividend for the financial year 1996-97, the Company is in the process of transferring the same to the Investor Education and Protection Fund on or before 28th August, 2004. Those Shareholders who have not en-cashed the dividend warrant for the financial year 1997-98 are therefore, requested to immediately forward the same to the Company for revalidation. It may also be noted that once the unclaimed dividend is transferred to the Fund, no claim shall lie against the Fund or the Company in respect of the individual amounts which remained unclaimed or unpaid.
7. 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, between 11.00 a.m. to 1.00 p.m., up to the date of Annual General Meeting.

ANNEXURE TO NOTICE

Information under Clause 49 of the Listing Agreement, with respect to Directors seeking appointment/re-appointment in this AGM.

Item No. 2

- | | |
|---|--------------------|
| 1. Name | Sangeeta J. Poonja |
| 2. Date of Birth | 20-08-1944 |
| 3. Profession | Business Executive |
| 4. Qualification | M.A. (Eco) |
| 5. List of other Directorship held excluding private companies | NIL |
| 6. Chairman/Member of the Committee of Board of Directors of the Company | NIL |
| 7. Chairman/Member of the Committee of Board of Directors of other companies. | NIL |

Item No. 3

- | | |
|--|--|
| 1. Name | Nimish C. Shah |
| 2. Date of Birth | 27-08-1963 |
| 3. Profession | Executive |
| 4. Qualification | B.Com, MBA (U.S.A.) |
| 5. List of other Directorship held excluding private companies | Fortune Equity Brokers (India) Limited |

- | | |
|--|----------------------------------|
| 6. Chairman/Member of the Committee of Board of Directors of the Company | Member - Shareholders' Committee |
| 7. Chairman/Member of the Committee of Board of Directors of other companies | NIL |

Explanatory statement under Section 173(2) of the Companies Act, 1956 :

Item No. 5

Mr. Gaurang A. Patel was appointed as an Additional Director by the Board of Directors of the Company at their Meeting held on 9th March, 2004 and holds office up to the date of the ensuing Annual General Meeting and in terms of Section 257 of the Companies Act, 1956, the Company has received a notice in writing from a member along with the requisite deposit, proposing the candidature of Mr. Gaurang A. Patel to the office of a Director liable to retire by rotation.

Details of Mr. Gaurang A. Patel in terms of the Listing Agreement:

- | | |
|---|---|
| 1. Name | Gaurang A. Patel |
| 2. Date of Birth | 25-09-1958 |
| 3. Profession | Practicing Chartered Accountant |
| 4. Qualification | B.Com (Hons.) F.C.A. |
| 5. List of other Directorship held excluding private companies | NIL |
| 6. Chairman/Member of the Committee of Board of Directors of the Company | Member – Audit Committee Member – Remuneration Committee |
| 7. Chairman/Member of the Committee of Board of Directors of other companies. | NIL |

The Directors recommend the resolution for approval of the Members. None of the Directors except Mr. Gaurang A. Patel is concerned or interested in the said resolution.

Item No. 6 and 7

Mr. Diptesh Shah was appointed, as an Additional Director by the Board of Directors of the Company at their Meeting held on 9th March, 2004 and holds office up to the date of the ensuing Annual General Meeting and in terms of Section 257 of the Companies Act, 1956, the Company has received a notice in writing from a member along with the requisite deposit, proposing the candidature of Mr. Diptesh Shah to the office of a Director liable to retire by rotation.

Details of Mr. Diptesh Shah in terms of the Listing Agreement:

- | | |
|--|--------------------|
| 1. Name | Diptesh Shah |
| 2. Date of Birth | 27-09-1958 |
| 3. Profession | Business Executive |
| 4. Qualification | B.Com C.A. |
| 5. List of other Directorship held excluding private companies | NIL |
| 6. Chairman/Member of the Committee of Board of Directors of the Company | NIL |

Notice ... continued

7. Chairman/Member of the Committee of Board of Directors of other companies NIL

The Board of Directors of the Company at their meeting held on 9th March, 2004, upon the recommendation of the Remuneration Committee, has appointed, subject to approval of the members of the Company, Mr. Diptesh Shah, a qualified Chartered Accountant, as an Executive Director of the Company for a period of three years with effect from 9th March, 2004. Mr. Diptesh Shah has more than 20 years experience in the field of finance and capital market operations and held high positions with reputed organizations/Bank.

The abstract of the terms and conditions of the said appointment, in terms of Section 302 of the Companies Act, 1956, is as follows:

Principal terms and conditions:

Period of Appointment:

3 years (09th March, 2004 to 08th March, 2007)

Salary: Rs.21,500/- (Rupees Twenty-one Thousand Five Hundred Only) per month with an annual increment in the scale of Rs.21,500/- - Rs.2,500/- - Rs.24,000/- - Rs.3,000 - Rs.27,000/- - Rs.3,000 - Rs.30,000/-.

Fixed Dearness Allowance: 30% of the Salary amount.

Bonus / Incentive Bonus: The appointee will be paid such amount by way of Bonus / Incentive Bonus in accordance with the policy of the Company and as may be determined by the Board of Directors of the Company.

Commission: The appointee will be paid such amount by way of commission, in addition to the salary and perquisites payable, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors of the Company at the end of each financial year, subject to the overall ceilings 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:** Rs.3,000/- per month.
- Medical Reimbursement:** Rs.1,250/- per month for medical expenses towards self and family.
- Monthly Reimbursement:** Reimbursement of expenses towards business promotion not exceeding Rs.3,000/- and Books & Periodicals not exceeding Rs.2,000/-.

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

Category 'B'

The following will not be considered as perquisites :

- the contributions to Provident Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income-Tax Act, 1961;
- gratuity, if any, not exceeding half a month's salary for every completed year of service, in accordance with the Gratuity Act, 1972;

- encashment of leave at the end of the tenure; and
- provision of car with chauffeur for use on Company's business and telephone at residence with internet facilities. However, personal long distance calls and use of car for private purpose shall be billed by the Company.

Other terms and conditions

- The Executive Director will be entitled to leave with full pay and allowance in accordance with the policy of the Company from time to time. Such leave may be accumulated in accordance with the Company's rules and practices in force from time to time.
- Minimum Remuneration:** In the event of loss or inadequacy of profits in any financial year, notwithstanding anything to the contrary herein contained, the Executive Director shall be paid the above remuneration as Minimum Remuneration subject, however to the overall limits as per provisions contained in Schedule XIII to the Companies Act, 1956 or any amendments made hereafter as may be agreed to between the Directors and the appointee.

Memorandum of interest of Directors

Mr. Diptesh Shah is interested in the proposed resolution. None of the other Directors of the Company is concerned or interested in the above mentioned appointment.

Your Directors recommend the resolution for approval by the members of the Company as an Ordinary Resolution.

Item No. 8

Considering the improvement in the performance of the Company, the Board of Directors of the Company are of the view that it would be advisable to set-off the Capital Redemption Reserve (CRR) amount of Rs. 160.99 Lacs, which was created after the Buy Back of Shares in accordance with Section 77A of the Act, appearing in the Balance Sheet as on 31st March, 2004, be adjusted by transfer of the said amount back into General Reserve Account for the purpose of adjusting the same against the accumulated losses of Rs. 168.30 Lacs of the Company, and/or for such other purposes as may be approved by the authorities. In terms of Section 80(1)(d) of the Companies Act, the redemption of CRR, is treated as reduction of Share Capital of the Company, which requires approval of the members by Special Resolution and a subsequent confirmation by the Hon'ble High Court, Bombay in terms of Section 100 of the Act.

Hence your Directors recommend the above resolution to be passed as a Special Resolution, which is subject to confirmation by an order of the Hon'ble High Court, Bombay.

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

Registered Office:

K.K. Chambers, 2nd floor
Sir. P.T. Marg, Fort
Mumbai - 400 001
Date : 26th June, 2004

By order of the Board

K.R. Vishwanath
Company Secretary

DIRECTORS' REPORT

Dear Shareholders

Your Directors have pleasure in presenting the Thirteenth Annual Report together with audited accounts of the Company for the year ended 31st March, 2004.

Financial Highlights

(Rupees in Lacs)

| | 2003-04 | 2002-03 |
|---|---------------|---------------|
| Total Income | 295.27 | 224.42 |
| Profit before Depreciation and Tax | 122.88 | 87.94 |
| Less : | | |
| Depreciation and Amortisation | 40.21 | 13.97 |
| Profit/(Loss) Before Tax | 82.67 | 73.97 |
| Provision for Tax - Current | (12.87) | (5.83) |
| - Deferred | 8.97 | (14.98) |
| Profit/(Loss) After Tax | 78.77 | 53.16 |
| Add: Balance brought forward from previous year | (179.58) | (237.27) |
| Less: Amortization of BSE Card of earlier years | (67.43) | - |
| Add: Tax in respect of earlier years (Net) | (0.06) | 4.53 |
| Balance carried to Balance Sheet | (168.30) | (179.58) |

Dividend

Your Company has made profit during the year under review, however in view of the accumulated losses your Directors do not recommend any dividend for the year.

Review of the year and future prospects

The financial year 2003-2004 was a watershed year in Indian capital markets. A combination of factors resulted in a buoyant market for most part of the year. This was represented by the movement in BSE Sensex, which moved from 3037 to 5590 (a growth of 84%) after hitting a high of 6249 in January 2004. The revival, which commenced towards the end of financial year 2002-2003, gained momentum in 2003-2004.

The reasons for this upsurge was due to acceleration of reforms by the Government, a good monsoon, PSU disinvestments and performance of the Indian economy on all relevant fronts. The year saw large-scale disinvestments by PSUs with the largest ever equity issue hitting the capital markets. ONGC Ltd. raised Rs.10,695 crs. from the market PSUs as a category, raised Rs.15,332 crs. from the markets.

The heightened activity saw record FII investments in the markets – net investment was estimated over US \$ 10 bn in the financial year against total investments of US \$ 25.75 bn. This inflow, along with other inflows, saw the rupee appreciate against the dollar for nearly the whole year continued the easing of interest rates and inflation was range bound within acceptable limits. The foreign exchange reserves of the Government were at an all time high at US \$ 112.9 bn.

Capital Market Operation

The heightened activity in the capital markets also saw a marked increase in your Company's business. We are pleased to inform you that during the financial year, your Company was empanelled with six more Institutions against three done in the previous year. As a result, your Company is now empanelled with seventeen institutional clients for their business in secondary markets. Simultaneously, your Company marketed its services in order to increase client base quite successfully.

We are pleased to inform you that these efforts saw the brokerage income nearly double to Rs. 133.43 lacs from Rs.72.17 lacs in the previous year.

Merchant Banking

Your Company continues to be registered with SEBI as a Category-I Merchant Banker. During the year, your Company was appointed as merchant bankers to manage an Open Offer by M/s. Zircon Traders Ltd. (completed in February 2004), M/s. ADF Foods Ltd. (kept on hold by SEBI) and by M/s. Hardcastle & Waud Manufacturing Co. Ltd. (withdrawn by the acquirer). Your Company also continues to build on its efforts to improve its visibility in the markets by continually marketing its services for management of IPOs & Rights Issues. Your Company is actively working with prospective issuers in order to secure merchant banking mandates.

In tune with changing market conditions, your Company commenced developing expertise to be financial intermediaries for issuance of capital in overseas markets. Your Company focused its attention to gain domain knowledge, understand the Rules & Regulations governing issue of capital in overseas markets as well as invested in development of basic systems & knowledge to enable giving advisory services to its corporate clients. Your Company then embarked upon a concerted marketing exercise with select corporate to work with them and develop fund raising models for raising equity funds from overseas markets. Your Company is confident that it will be successful in being involved with such exercises in the times to come.

Your Company continued its programme of being visible as a major intermediary in the financial markets and continued its efforts to be in touch and maintain relationships with major venture capital funds, mutual funds and other major institutional participants.

Equity Research

Your Company's activities were once again supported by quality research. Your Company was able to upgrade its research output in an effective manner with periodic research being published. Your Company was able to average two major research papers in a month. These research papers were effectively circulated and discussed with all clients by dedicated teams from the Dealing Room. Your Company's research output was greatly appreciated by various financial institutions, banks, mutual funds, high net worth individuals and large corporates.

New Initiatives

Your Company embarked upon a policy to expand its presence in multiple locations. It was felt that there would be need for quality financial services not only in other major cities of the country but also in more locations within each city. Your Company opened its first Branch in the city of Hyderabad in March 2004. The operations at this Branch are now fully stabilized and are contributing positively to the operations of your Company. Your Company intends to open five to ten other branches in the current financial year.

Outlook

With the backdrop of financial year where the market was extremely buoyant for most part of the year, your Company's outlook for the next financial year is one of cautious optimism. The business opportunities seen in 2003-2004 may not be available in the near future. On a macro level, there was a change in the Government with the new Government bringing a different approach towards the economic policies of the country. In addition, continually rising oil prices gave effect to increase in interest rates as well as inflation. The impact of these has resulted in the market moving down from its peak Sensex of 6249 to around 4650-4700. Also, the large FII inflows are being replaced by outflows. However, the macro

Directors' Report ... continued

economic picture of growth is not likely to undergo major changes, which is supported by what is reported to be a normal monsoon.

Your Company would thus attempt to maintain brokerage revenues by increasing its reach as well as number of clients. The Branch expansion and mutual fund distribution business is expected to go a long way to augment business volumes.

Your Company's efforts to build expertise to act as Financial Intermediary for overseas capital market exercise may support efforts to build this business in the coming years. With greater integration into the world's market, there are more options available today for companies wishing to issue capital. Your Company has already been associated with a large number of corporates over the years and would therefore be in a unique position to offer more services to them.

Subsidiary

The Audited Statement of Accounts of Fortune Equity Brokers (India) Limited, a subsidiary of the Company for the year ended 31st March, 2004 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.

Corporate Governance

The Company's philosophy on Corporate Governance is attainment of highest level of transparency, accountability and equity in all the spheres of operations, interactions with the shareholder, employees, government and the others. A report on corporate governance along with a certificate from the statutory auditors has been included in the annual report.

De-listing from Delhi Stock Exchange Association Ltd.

Your Company has received approval letter from Delhi Stock Exchange Association Ltd. on 23rd January, 2004 intimating the voluntary delisting of the shares of the Company. The shares of the Company continue to be listed on The Stock Exchange, Mumbai (BSE), which have nationwide terminals. As a result, the delisting from DSE will not cause any hardship to shareholders.

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.

Auditors

M/s Shah & Nair Associates, Chartered Accountants, the Statutory Auditors of the Company hold office up to the conclusion of this Annual General Meeting and are recommended for re-appointment. The Company has received a certificate under Section 224(1B) of the Companies Act, 1956 stating that the appointment, if made, will be within the limits as specified in that section.

Directors

Mrs. Sangeeta J. Poonja retires by rotation at the ensuing Annual General Meeting and being eligible offers herself for re-appointment. Your Directors recommend her re-appointment.

Mr. Nimish C. Shah retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. Your Directors recommend his re-appointment.

During the year your Company has appointed Mr. Diptesh Shah as an additional Director and as an Executive Director, subject to the approval of the members at the ensuing Annual General Meeting.

To meet with the requirements of Corporate Governance with regard to constitution of the Board of Directors with 50% independent Directors, your Board of Directors appointed Mr. Gaurang A. Patel, a Chartered Accountant in practice as an Additional Director, holding office up to the date of the ensuing Annual General Meeting. Your Directors recommend the above-mentioned appointments.

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.

Foreign Exchange earning and outgo

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

Particulars of employees

None of the employees of the Company were in receipt of remuneration in excess of the limits prescribed under the provisions of 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.

Directors' Responsibility Statement

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

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- appropriate accounting policies have been selected and applied consistently and such judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for that period;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the financial statements have been prepared on a going concern basis; and

Shares listed with

The Shares of the Company are listed with The Mumbai Stock Exchange, Dalal Street, Fort, Mumbai - 400 001 (the annual listing fees for the financial year 2003-04 has been paid).

Acknowledgement

The Directors thank the Constituents, Shareholders, The Stock Exchange, Mumbai, Banks, Securities and Exchange Board of India and Financial Institutions for their continued support to the Company's growth. The Directors record their special appreciation to all employees for their efforts towards achieving this performance.

On behalf of the Board

J. T. Poonja

Mumbai, June 26, 2004

Chairman and Managing Director

CORPORATE GOVERNANCE

Compliance Report for the year 2003-2004

I. A brief statement on Company's Philosophy on code of Governance

The Company always strives to achieve optimum performance at all levels by adhering to corporate governance practices, such as;

- Fair and transparent business practices.
- Effective management control by Board.
- Adequate representation of promoter, executive and independent directors on the Board.
- Accountability for performance.
- Monitoring of executive performance by the Board.
- Compliance of laws.
- Transparent and timely disclosure of financial and management information.

II. Board of Directors

The Board of Fortune Financial Services (India) Limited consists of eight directors. The Chairman being Executive, the Company should have minimum four Independent Directors as per Listing Agreement. The Company has only three independent Directors. There is no institutional nominee on the Board. The Company is in the process of inducting independent directors to meet with the requirements.

a. The details of Composition and categories of directors are:

| Name | Category | Designation | Date of Appointment |
|-------------------------|---|---------------------------------------|------------------------------|
| Mr. J. T. Poonja | Promoter/Executive Director | Chairman and Managing Director | 1 st August, 1992 |
| Mr. Nimish C. Shah | Promoter / Executive Director | Vice Chairman & Jt. Managing Director | 6 th March, 1992 |
| Mr. Diptesh Shah # | Non-Promoter / Executive Director | Executive Director | 9 th March, 2004 |
| Mrs. Sangeeta J. Poonja | Promoter / Non-Executive Director | Director | 14 th June, 1991 |
| Mr. Sohan C. Mehta | Promoter / Non-Executive Director | Director | 1 st Sept., 1992 |
| Mr. Sanjay Kothari | Non-Promoter / Non-Executive and Independent Director | Director | 28 th March, 2003 |
| Mr. Ramesh Venkat | Non-Promoter / Non-Executive and Independent Director | Director | 28 th March, 2003 |
| Mr. Gaurang A. Patel | Non-Promoter / Non-Executive and Independent Director | Director | 9 th March, 2004 |

b. The Board of Directors of a Company shall meet at least four times a year, with a time gap of not more than four months between any two meetings.

During the year 5 Meetings of the Board of Directors were held on 27.06.2003, 30.07.2003, 24.10.2003, 30.01.2004 and 9.03.2004.

Agenda papers along with necessary statements were circulated to the Directors in advance for each of those meetings and all relevant information was placed before the Board from time to time.

c. The Attendance of each Director at the Board Meetings, last Annual General Meeting and the number of other Directorship and Chairmanship / Membership of Committee of each Director in various companies are as under:

| Name | Attendance | | Directorships (excluding Directorship in Pvt. Co's.) | Committee | |
|-------------------------|---------------|----------|--|-------------|---------------|
| | Board Meeting | Last AGM | | Memberships | Chairmanships |
| Mr. J. T. Poonja | 5 | Yes | 2 | — | — |
| Mr. Nimish C. Shah | 4 | Yes | 2 | 1 | — |
| Mr. Diptesh Shah # | 1 | — | — | — | — |
| Mrs. Sangeeta J. Poonja | 3 | Yes | — | 2 | — |
| Mr. Sohan C. Mehta | 4 | Yes | 2 | — | — |
| Mr. Sanjay Kothari | 4 | — | 3 | 3 | 3 |
| Mr. Ramesh Venkat | 5 | — | 2 | 3 | — |
| Mr. Gaurang A Patel* | 1 | — | — | 2 | — |

Appointed as an Executive Director w.e.f. 9th March, 2004

* Appointed as Additional Directors by the Board of Directors of the Company at their meeting held on 9th March, 2004

Corporate Governance ... continued

III. Audit committee

The Audit Committee constituted with three independent Directors, viz. Mr. Sanjay Kothari, Mr. Ramesh Venkat and Mrs. Sangeeta Poonja has been reconstituted on 9th March, 2004 with the withdrawal of Mrs. Sangeeta J. Poonja and induction of Mr. Gaurang A. Patel. The details of attendance during the year are as follows: During the year 5 Meetings of the Audit Committee were held on 27.06.2003, 30.07.2003, 30.09.2003, 24.10.2003, and 30.01.2004.

Date of Meetings and Attendance thereto:

| Name | 27.06.03 | 30.07.03 | 30.09.03 | 24.10.03 | 30.01.04 |
|--------------------------|----------|----------|----------|----------|----------|
| Mr. Sanjay Kothari | Yes | Yes | Yes | Yes | - |
| Mr. Ramesh Venkat | Yes | Yes | Yes | Yes | Yes |
| Mrs. Sangeeta J. Poonja# | - | - | - | Yes | Yes |
| Mr. Gaurang A. Patel* | - | - | - | - | - |

Mrs. Sangeeta J. Poonja withdrawn w.e.f. 9th March, 2004

* Mr. Gaurang A. Patel inducted w.e.f. 9th March, 2004

The Chairman and other members of the Audit Committee are Non-Executive and Independent. There is participation of Statutory Auditors and other related Company Executives in the Committee meetings.

Mr. K.R. Vishwanath, Company Secretary acts as Secretary of the Committee.

Apart from various responsibilities stipulated by the Board to the Audit Committee, the responsibilities are as follows:

- Review of the Company's financial reporting process and disclosures to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment/removal of external Auditor, fixation of audit fee and payment for other services.
- Reviewing annual financial statement before submission to the Board with focus on changes in accounting policies and practice. Major accounting entries, qualifications in draft audit report, significant adjustments arising out of audit, Accounting Standards compliance and compliance with Stock Exchange and legal requirements. Any related party transactions of material nature with promoters, management/s, subsidiaries or relatives etc., that may have potential conflict with interest of the Company at large.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems and the requirement for internal audit function.
- Discussion with Auditors, any significant findings and follow-up thereon. Reviewing any suspected fraud, irregularity or failure of Internal Control System of material nature and reporting the matter to the Board.
- Discussion with external Auditor in respect of pre and post audit matters.
- Reviewing Company's financial and risk management policies.
- Look into reasons for substantial defaults in payments to shareholders and creditors.

IV. Remuneration committee

The Remuneration Committee was constituted by the Board of Directors at their meeting held on 09th March, 2004, in accordance with the requirements of Schedule XIII to the Companies Act, 1956, and Clause 49 of the Listing Agreement with the Stock Exchange. The Remuneration Committee was constituted comprising of:

1. Mr. Sanjay Kothari - Chairman
2. Mr. Ramesh Venkat - Member
3. Mr. Gaurang A Patel - Member

The details of remuneration of Whole-time Directors for the financial year 2003-2004 are given below:

| Particulars | Mr. J.T. Poonja Chairman and Managing Director | Mr. Nimish C. Shah Vice Chairman and Jt. Managing Director | Mr. Diptesh Shah* Executive Director |
|--|--|--|---|
| Salary and Allowances (Rupees) | 10,02,017 | 9,63,325 | 26,418 |
| Contribution to PF, Superannuation and Gratuity Funds (Rupees) | 81,600 | 81,600 | 2,488 |
| Commission payable (Rupees) | Nil | Nil | Nil |
| Total (Rupees) | 10,83,617 | 10,44,925 | 28,906 |

* with effect from 9th March, 2004

The details of remuneration paid to the Non-Executive Directors during the financial year 2003-2004 are given below:

| Sr. No. | Name | Sitting fees (Rupees) | Other elements of remuneration |
|---------|-------------------------|-----------------------|--------------------------------|
| 1. | Mr. Sohan C. Mehta | 5,000 | NIL |
| 2. | Mrs. Sangeeta J. Poonja | 8,000 | NIL |
| 3. | Mr. Ramesh Venkat | 11,500 | NIL |
| 4. | Mr. Sanjay Kothari | 8,500 | NIL |
| 5. | Mr. Gaurang A. Patel | 2,000 | NIL |

V. Shareholders' Committee

The Committee consists of Mr. Sanjay Kothari - Chairman, Mr. Nimish C. Shah - Member, Mr. Ramesh Venkat - Member, Mr. B. B. Tantri - Member and Mr. K.R. Vishwanath - Member.

The Board has designated Mr. K.R. Vishwanath, Company Secretary as the Compliance Officer.

During the year under review, the Company did not receive any complaint from any shareholder.

VI. General Body Meetings

The details of the Annual General Meetings held in last three years are as under :

| Financial Year | Date & Time | Venue |
|----------------|--|-------------------|
| 2000 - 2001 | 22 nd September, 2001 at 11.00 a.m. | Registered Office |
| 2001 - 2002 | 16 th September, 2002 at 11.00 a.m. | Registered Office |
| 2002 - 2003 | 19 th September, 2003 at 11.00 a.m. | Registered Office |

No special resolution was required to be put through postal ballot paper last year.

VII. Disclosures

Disclosures regarding materially significant related party transactions:

No transaction of material nature has been entered into by the Company with its Promoters, Directors or management or relatives etc. that may have potential conflict with the interest of the Company.

Disclosure of non-compliance by the Company:

There were no instances of non-compliance or penalty, strictures imposed on the Company by Stock Exchanges or SEBI or any Statutory authority on any matter related to Capital markets during the last three years.

VIII. Means of Communication

The quarterly, half-yearly and yearly financial results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board. These are widely published in leading Non-Financial newspapers viz. Free Press Journal and Navshakti (Marathi edition). The Company is not having a Website of its own and hence these results are not posted.

Management Discussion and Analysis is separately given and forms part of the report.

IX. Code of Insider Trading

The Company has adopted a code of conduct for prevention of insider trading called Fortune Employees (Prevention of Insider Trading) Order, 2002 for prevention of insider trading in the shares of the Company.

The code *inter-alia* prohibits purchase / sale, dealing of shares of the Company by the insiders while in possession of unpublished price sensitive information in relation to the Company.

X. General Shareholder Information

a. Annual General Meeting

Date : 25th September, 2004

Time : 11.00 a. m.

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

b. Financial Calendar 2004 - 2005

First quarter results :: By end of July, 2004

Second quarter results :: By end of October, 2004

Third quarter results :: By end of January, 2005

Annual results for the year ending on 31st March, 2005 :: By end of June, 2005