



BOARD OF DIRECTORS

J. T. Poonja

Chairman

Nimish C. Shah

Vice Chairman and Managing Director

Diptesh Shah

Executive Director

Sohan C. Mehta

Director

Sangeeta J. Poonja

Director

Sanjay Kothari

Director

Ramesh Venkat

Director (resigned on 23rd November 2004)

Gaurang A Patel

Director

Arun Kumar Bhangadia

Director (w.e.f. 30th June 2005)

COMPANY SECRETARY

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

REGISTRAR & SHARE TRANSFER AGENTS

Purva Shareregistry (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

Visit us at : fortunefinancialindia.com



Financial Statement of Fortune Financial Services (India) Limited

• Chairman's Message	3
• Directors' Report	5
• Management Discussion & Analysis	8
• Auditors' Report	18
• Balance Sheet	24
• Profit & Loss Account	25
• Schedules	26
• Notes to Accounts	32
• Balance Sheet Abstract & General Business Profile	37
• Cash Flow Statement	38
• Statement Regarding Subsidiary Company	39

Fortune Equity Brokers (India) Limited

• Corporate Information	41
• Directors' Report	42
• Auditors' Report	45
• Balance Sheet	48
• Profit & Loss Account	49
• Schedules	50
• Notes to Accounts	55
• Balance Sheet Abstract & General Business Profile	59
• Cash Flow Statement	60

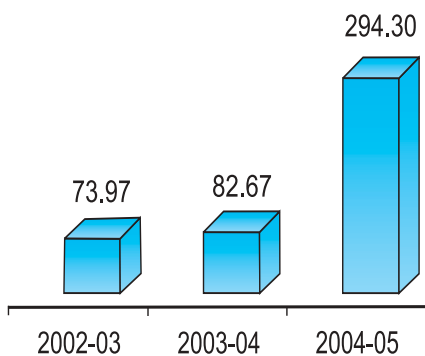
Consolidated

• Financial Highlights	62
• Auditors' Report	63
• Balance Sheet	64
• Profit & Loss Account	65
• Schedules	66
• Notes to Accounts	71
• Cash Flow Statement	78

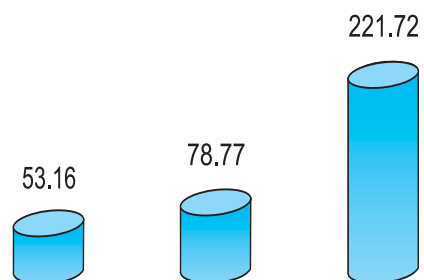
Notice, Notes & Explanatory Statement	79
--	-----------



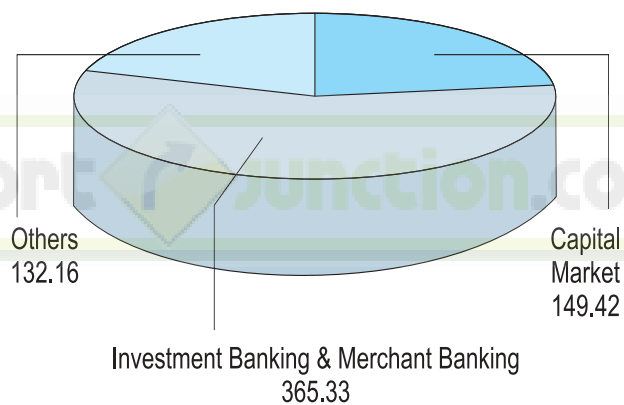
Profit Before Tax



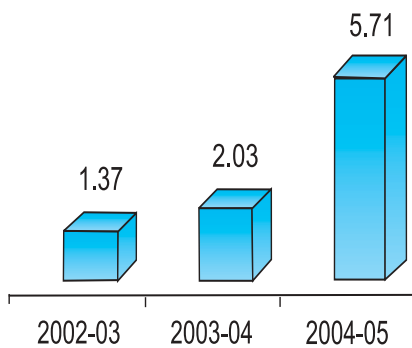
Profit After Tax



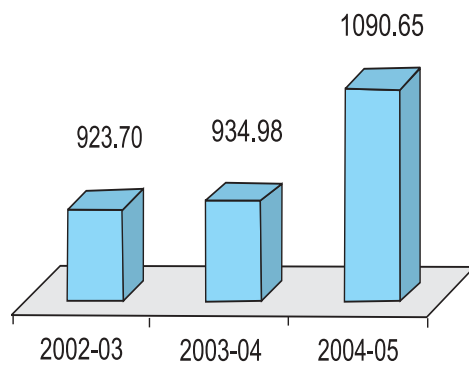
Income Stream



Earning Per Share



Networth



Dear Shareholders

The Indian financial sector reforms continue to be the core of Indian economic reforms. The process of liberalization and globalization and accompanied integration of the Indian economy has effected metamorphic changes in Indian Capital Markets.

The financial year 2004-05 was a year, which demonstrated the value of keeping the faith for "Fortune" and all its stakeholders. Benefits of a focused strategy coupled with continuously improving execution began to reflect in our business results. It had been a path breaking year that started with a buoyant capital markets, was witness to the disastrous fall in May 2004 and the bounce back that followed. The Indian economy today is one of the fastest growing economies of the world and is witnessing a mood of buoyancy as both manufacturing and the service sectors are performing well.

"Fortune's" total income and profit increased considerably compared to the previous year. The total income more than doubled and the profits increased substantially. The chief contributors to our enhanced performance were Investment Banking services. While being primarily a player in the Indian Merchant Banking scene, we sought to respond to the needs of our clients in a growing and developing economy by expanding the range of services that we offered. During the past year we have actively advised clients on the global opportunities and accomplished successful global fund raising programs for them.

**The only thing we know
about the future is that it
will be different**

- Peter Drucker

Going forward, "Fortune" group has a vast array of opportunities before it. We believe that we have built capabilities to fully capitalize on the potential in all

areas of our business. While the growth momentum in the Investment Banking continues, the resurgence of Indian industry has contributed to sustainable broking earnings. As we go forward, we will continue to be guided by our organizational ethos of innovation with stability.

In order to expand its operations the company has undertaken various initiatives that will help it to face the challenges and emerge stronger in the domain of financial services in India. In today's world of changing technologies, it is very important for every organization to keep abreast with new technologies. Towards this end, our company is investing in new technologies especially in the form of latest software. This has not only improved service quality but has also reduced client-servicing time. The company is also taking all steps towards cost cutting to improve the profitability. With increased presence, wider acceptability and expanding markets, the future outlook of our company appears very promising.

Certain core strengths have anchored our journey and growth. These are our outstanding employees, our focus on innovation, our commitment to service and our unwavering adherence to best practices in governance. The "Fortune" group has a strong tradition of attracting and nurturing talent. We have created a performance-driven work ethic that rewards initiative and excellence. Our focus on innovation and continuous learning from international experience and best practices has given us the first mover advantage in the FCCB/GDR advisory services for small and medium sized companies. We have created a governance structure with the Board as its nerve centre, that seeks to balance the interests of all stakeholders and appropriately guide decision making at all levels of the organization.



**There is nothing more
difficult to take in hand,
more perilous to conduct, or
more uncertain in its success
than to take the lead in the
introduction of a new order
of things**

- Niccolo Machiavelli

At "Fortune" it is our mission to continuously strive to set higher standards. Our unique business model has enabled us to deliver growth and enhanced client value. We believe that to achieve leadership, we must pursue our goals with integrity. Today, our competitive advantage comes as much from our strong organizational commitment to ethics and values, as from our pursuit of excellence.

The most important parameter of our company's progress is how our customers and investors perceive "Fortune" and I am sure in recent times the recognition and domain of presence of our company has widened. I express my personal gratitude for the unstinted faith reposed by you and our

valued customer for the continued support and assistance in the company's management and sincerely hope that we will continue to receive the same kind of support towards achievement of higher goals.

Looking forward to your unflinching support in the coming years, as you have given during our journey of building the foundation.

Report Junction.com

J T Poonja
Chairman

Dear Shareholders

Your Directors have pleasure in presenting their Fourteenth Annual Report together with the audited accounts on the business and operations of the Company for the year ended March 31, 2005.

Financial Highlights

	2004-05	2003-04
		(Rupees in Lacs)
Total Income	646.91	295.27
Profit before Depreciation and Amortisation	338.16	122.88
Depreciation and Amortisation	43.85	40.21
Profit Before Tax	294.30	82.67
Provision for Tax - Current Tax	(68.00)	(12.87)
- Deferred Tax	(4.58)	8.97
Profit After Tax	221.72	78.77
Balance brought forward from previous year	(168.30)	(179.58)
Transferred from General Reserve	160.99	-
Tax in respect of earlier years (Net)	-	(0.06)
Amortisation of BSE Card of earlier years	-	(67.43)
Balance available for appropriation	214.41	(168.30)
Dividend (including interim)	58.25	-
Dividend Distribution Tax	7.80	-
Transfer to General Reserve	22.17	-
Balance Carried to Balance Sheet	126.19	(168.30)

Results of operations

Your Company's efforts to build expertise to act as Financial Intermediary for overseas capital market and develop fund raising models for raising equity funds from overseas market to the mid-cap corporate clients is doing extremely well. During the year under review your company has been associated with ECB/FCCB issues for clients in the amount of \$ 250 million. Over the next couple of years your company is planning to expand its broking into retail with its presence in multiple locations and plans to introduce range of products / services to the end users.

Dividend

An interim dividend of Rs.1/- per share of Rs.10/- each was declared by the Board of Directors on 8th February 2005 and paid on 24th February, 2005. A final dividend of Rs.0.50 per share of Rs. 10/- each has been recommended for payment, subject to approval of the members of the Company. The total dividend for the year under review will therefore be Rs.1.50 per share of Rs. 10/- each.

Subsidiary

The audited statement of accounts of Fortune Equity Brokers (India) Limited, a subsidiary of the Company for the year ended 31st March, 2005 along with the reports of the Board of Directors and Auditors 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 the highest level of transparency, accountability and equity in all the spheres of operations, interactions with the shareholders, employees, government and others. The certificate of the statutory auditors of the Company regarding compliance of the conditions of Corporate Governance has been included in the annual report.

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 there under would apply.

Auditors Report

With respect to the observations of the Auditors mentioned in the Annexure to the Auditor's Report 8 and 17:

- (i) the Company has adequate internal control systems commensurate with the size of the Company and the nature of its business;
- (ii) the nature of business the Company carries out requires more working capital, hence the long term fund have been utilised to meet its short term financial obligations.

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, intimated their inability to continue to hold as the statutory auditors of the Company. M/s. Nipun and Sudhir Associates, Chartered Accountants, Mumbai have given their consent for appointment as the statutory auditors of the Company. 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

Mr. Sanjay Kothari and Mr. Sohan C Mehta, retire by rotation and being eligible offer themselves for re-appointment. Your Directors recommend their re-appointment.

Mr. Ramesh Venkat resigned as a Director of the Company on November 23, 2004. The Board records its appreciation for his contribution during his tenure as a Director.

Mr. Arun Kumar Bhangadia has been appointed as an additional Director by the Board of Directors of the Company at their meeting held on 30th June, 2005 and holds office up to the date of ensuing Annual General Meeting. Your Directors recommend his appointment as a Director liable to retire by rotation at the ensuing Annual General Meeting.

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

The Company earned Rs. 245.89 lacs in foreign exchange. The foreign exchange outgo was Rs. 3.62 lacs.

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; and
- the financial statements have been prepared on a going concern basis.

Listing of Securities

The Company's securities are listed with The Stock Exchange, Mumbai, Dalal Street, Fort, Mumbai - 400 001 (the annual listing fees for the financial year 2004-05 has been paid).

Acknowledgement

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

On behalf of the Board

J. T. Poonja

Chairman

Mumbai, June 30, 2005



Macroeconomic Overview

India remains among the fastest developing economies in the world. India's GDP rose by an expected 6.9% in 2004-05, riding on an impressive previous year growth rate of 8.5%. Industry grew at its fastest pace in nearly a decade; services sector retained its growth momentum, whereas agricultural growth slowed significantly. Both investment and consumer demand, underpinned by low interest rates, stimulated economic growth. With domestic production of capital goods sustaining double-digit growth rates, the corporate sector has embarked on significant capacity expansion.

With perpetual increase in capital inflows, foreign exchange reserves rose by US\$28.5 billion in 2004-05 to \$141.5 billion by the end-March 2005.

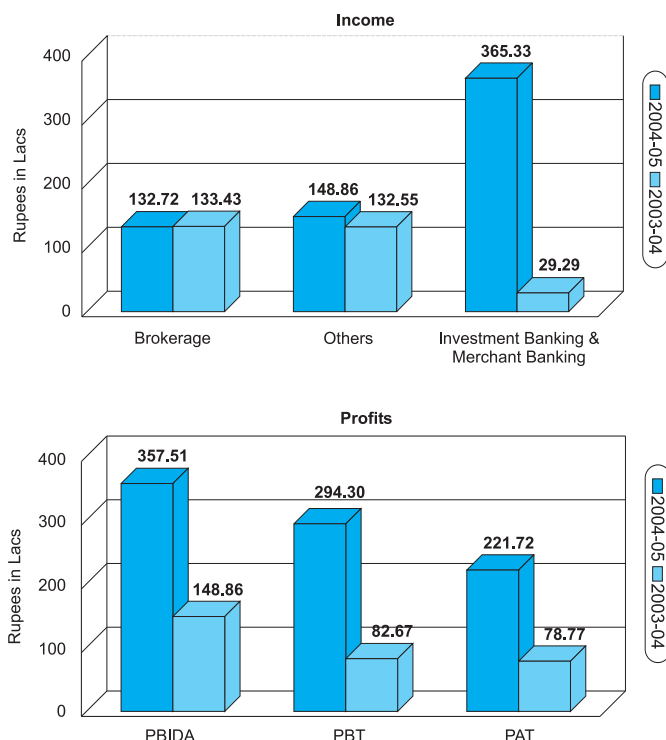
Inflation ended the year at 5% (on a point-to-point basis) although it has risen to 8.7% in end-August, driven largely by rising world prices of crude oil, steel, coal and iron, as well as an increase in the domestic price of sugar. Average inflation for the year was therefore higher at 6.4%. Accordingly, RBI monetary measures taken to giving equal weight to inflation and growth included raising the cash reserve ratio (CRR) by 50 bps to 5%, and raising the reverse repo rate by 25 bps in October 2004 and in March 2005 to 5%.

The capital markets were buoyant during the year. This is mainly attributed to the disinvestments of the public sector units and the increasing public issues offered. It is expected that the momentum in the industry will continue into the next year.

Future growth prospects for the Indian economy remain bright. The strong fundamentals in the economy are reflected in the robust inflows of foreign direct investment, rise in the BSE Sensex and strengthening of the financial markets.

Operational review

During the year under review income from stock broking activities remained flat as compared to previous year, however, investment banking and merchant banking activities contributed phenomenal growth mainly on account of Company's association with ECB/FCCB issues for its corporate clients from selective overseas market.

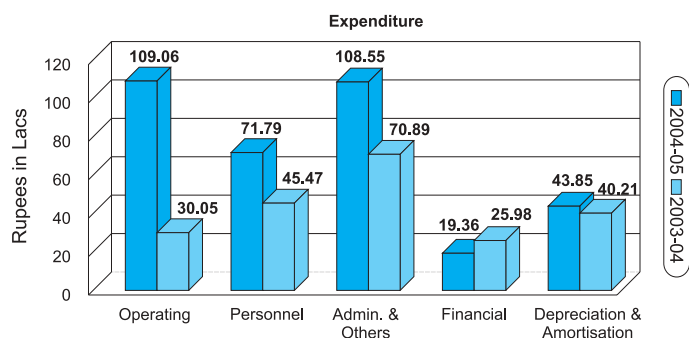


Financial performance

Total revenues of the Company for 2004-05 stood at Rs.646.91 lacs as compared to Rs.295.27 lacs during the previous year implying a growth of 119.09%. Other income recorded an overall growth of 12.30% which includes interest earned on bank deposits, dividend, profit on sale of investments / traded shares and profit on sale of assets. The majority of growth during the year under review has been spurred by a significant increase in the Investment Banking and Merchant Banking activities and has contributed 56.47% of Fortune's total revenue.

Profitability

Fortune posted a net profit of Rs.221.72 lacs during the year 2004-05 as compared to Rs.78.77 lacs for the previous year showing an increase of 181.48%. This growth was achieved largely due to direct contribution of fee based activities and also by containment of expenses at a 54.51% margin in 2004-05 compared to a 72.00% margin in 2003-04.



Expenditure

Total expenditure in 2004-05 stood at Rs.352.61 lacs as compared to Rs.212.60 lacs during the previous year registering an increase of 65.86%.

Operating expenses registered an increase of 262.93% mainly due to corresponding increase in investment banking and merchant banking activities. Personnel expenses increased by 57.88% largely due to hike in salaries, benefits, induction of key additional manpower at various levels and branch

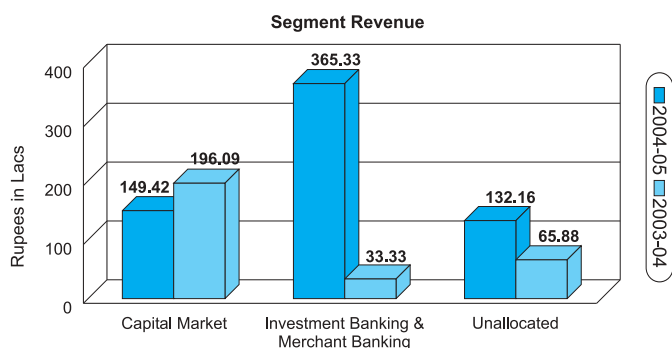
expansion during the year under review. Administrative and other expenses increased by 53.12% over the previous year partly due to inflation, to cater increased volume of business and one time provisioning for bad-debts. Financial expenses decreased by 25.48% due to sound financial management and credit control processes. Due to the additional investments in fixed assets the depreciation and amortization for the year increased by 9.05% over the previous year.

Dividend

Fortune declared a dividend of Rs.58.25 lacs or 15% on the total equity of Rs.388.30 lacs for the year. No dividend was declared in the previous six financial years due to carry-forward losses. Fortune also provided Rs.7.80 lacs towards Dividend Distribution Tax for the year. The net benefit to shareholders is a tax-free dividend of Rs.1.50 on the paid up equity of Rs.10.00 per share.

Earnings Per Share

The basic and diluted Earnings Per Share has increased to Rs.5.71 of nominal value per share of Rs.10/- in 2004-05 from Rs. 2.03 per share for the previous year.



Segment wise revenue and results

Fortune primarily operates in two business segments viz. Capital Market and Investment Banking & Merchant Banking. The heightened activity in the capital markets also saw a levelheaded increase in this segment, however Investment Banking and Merchant Banking segment registered a phenomenal growth over previous year on account of Company's association with ECB/FCCB issues for its corporate clients.

Outlook and Opportunities

Your Company has chartered the strategy to focus on the lines of business as follows :

- **Stock broking**
 - to tune broking business into retail specific, HNWI specific and corporate specific;
 - provide fund wealth management services to HNWI specific and corporate specific;
 - develop and strengthen presence in Futures and Options business;
 - to expand to 10-15 up-coming locations by way of franchise and branches focusing on retail (broking, wealth management).