

BOARD OF DIRECTORS

J. T. Poonja
Chairman

Nimish C. Shah
Vice Chairman and Managing Director

Diptesh Shah
Executive Director

Arun Kumar Bhangadia
Director (w.e.f 30th June, 2005)

Gaurang A. Patel
Director

Sangeeta J. Poonja
Director

Sanjay Kothari
Director

Shailesh Haribhakti
Director (w.e.f. 2nd August, 2005)

Sohan C. Mehta
Director

Ramesh Venkat
Director (w.e.f. 2nd August, 2005)

COMPANY SECRETARY

Aruna Srinivasan
(resigned on 30th June, 2006)

Priyavadan P. Shah
(w.e.f. 1st July, 2006)

AUDITORS

M/s. Nipun Sudhir & 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 Share Registry (I) Pvt. Ltd.
Unit No. 9, Ground Floor,
Shivshakti Industrial Estate,
7-B, Sitaram Mill Compound,
J. R. Boricha Marg, Lower Parel,
Mumbai - 400 011

REGISTERED OFFICE

2nd Floor, K. K. Chambers,
Sir P. T. Marg,
Fort, Mumbai - 400 001
Visit us at: ffsil.com

BRANCH OFFICES

- 3-5-798/G-1 To G-4,
Opp. Bharatiya Vidya Bhavan,
King Koti Road, Basheer Bagh,
Hyderabad - 500 029
- B/F-1, 1st Floor, "Campal Trade Centre",
Opp. Kala Academy, Campal,
Panjim, Goa

Fortune Financial Services (India) Limited

• Chairman's Message	3
• From the Desk of Managing Director.....	5
• Consolidated Financial Summary	7
• Directors' Report	8
• Management Discussion & Analysis	13
• Corporate Governance	20
• Auditors' Report.....	29
• Financial Statements	33
• Statement regarding Subsidiary Company	52

Fortune Equity Brokers (India) Limited

• Corporate Information	53
• Directors' Report	54
• Auditors' Report.....	57
• Financial Statements	60

Consolidated

• Auditors' Report.....	75
• Financial Statements	76

Notice, Notes & Explanatory Statement	93
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Dear Shareholders,



Financial year 2005-06 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 reflected in our business results. Fortune’s total income and profit increased considerably compared to the previous year. The chief contributor to our enhanced performance was Investment Banking services.

Last year we made some bold changes to our business. We redefined our business model and transformed our delivery capabilities we reworked our levels of engagement with our clients and built a team with the vision and execution excellence to be able to make a difference.

Some of the highlights of this year’s performance have been:



(Rupees in Lacs)

Total Income	1,656
Earnings Before Interest, Depreciation and Taxation	1,003
Profit After Tax	631
Basic and Diluted Earning Per Share (in rupees) (on weighted average numbers of shares)	16.26

The Indian economy remained upbeat during the year with brisk activity in all major sectors. Against this backdrop, “Fortune” had another outstanding year. Its profits were nearly three times of the previous year, reflecting not just the substantial increase in earnings over the year but also the increased presence that “Fortune” had in the domains that it operates in and its keenness to emerge as a major player in the segments.

This success clearly means a lot to us because it has been achieved in the face of several challenges, key among them the fact that we compete in a highly demanding business environment and need to be ever more relevant to our customers while making changes to our business model and transforming our delivery capabilities. Given the ongoing consolidation of service providers in the Financial Services industry, we need to move very quickly with our differentiated solutions to be able to carve a niche for ourselves.

Going forward, “Fortune” group has a vast array of opportunities before it. We believe that we have built capabilities to fully capitalise on the potential in all areas of our business.

 **a team with the
vision and execution
excellence to be able
to make a difference** 

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.

As the market in which we operate competition is stiff, we do put forward each step by analyzing the external environment and moving with a belief in our actions and making the best use of available resources. "Fortune" has been at the forefront in embracing technology that enables it to match client expectations and deliver services in an efficient, effective and ethical manner.

"Fortune" has recently commenced operations as a DP (Depository Participant). In years to come "Fortune" intends to build on the existing capabilities and provide more value added services and emerge as an integrated financial services company.

"Fortune" has been very pro-active on the advisory domain and has enabled Indian corporates to raise funds from overseas market by GDR/FCCB route. "Fortune" was amongst the first to believe in India growth story and successfully advised mid rung corporate clients in tapping overseas markets by way of GDR/FCCB offerings.

The confidence of the shareholders has been a considerable source of strength for the Board and the employees. We continue to rely on this support and confidence, in all our endeavours. 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.

Considering the performance of the company during this fiscal, the growth in sales and net profits, "Fortune" has made a bonus issue in the ratio of 1:1.

The Board of Directors of the company has been widened during the year to make way for professionals that helps us continuously evaluate our direction and contribute towards development of our strategy.

I thank you for your confidence in "Fortune". As long term partners, many of you have stood by us through periods of transformation. Even though our journey of transformation is not complete and our dream of leadership far from fulfillment, the essential elements - Value, Vision, Strategy, and Execution - are all there. "Fortune" is in good shape, more than ever before.

As an entrepreneurial organization, we believe that the only way we can create great shareholder value is by nurturing innovation and thinking one step ahead of our customers' needs. We look forward to your support as we work towards realizing this vision.

"Dream the dreams that have never been dreamt".

– David Bower

Mumbai, June 24, 2006

J .T. Poonja
Chairman

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.

Finance is the lifeblood of every business, which keeps business going and growing. "Fortune" has managed this growth without sacrificing quality, client satisfaction and corporate culture. We have balanced the chord of market expansion, resources and capabilities.

We still have to work very hard to expand our client base, to gain more revenue from our existing clients, to add new services that increase the addressable share of our clients spend and to create a faith.

The financial snapshots for the past three years are as under:

Particulars	Financial year ended		
	March 31, 2006	March 31, 2005	March 31, 2004
Total Income (Rupees in Lacs)	1,655.74	646.91	295.27
Profit After Tax (Rupees in Lacs)	631.33	221.72	78.77
Networth (Rupees in Lacs)	1,627.35	1,090.65	934.98
Key Ratios			
PBIDT Margin (%)	60.57%	55.26%	50.41%
PBT Margin (%)	55.60%	45.49%	28.29%
PAT Margin (%)	38.13%	34.27%	26.67%
Dividend Payout (%)	14.73%	29.79%	N.A.

"Fortune" operates broadly in the following domains:

- ◆ Investment Banking (including advisory services)
- ◆ Stock Broking and
- ◆ Distribution of financial products.

For FY 2005-06, Investment Banking accounted for 71 percent of Revenues while Stock Broking accounted for 17 percent and other activities contributed 12 percent to the Revenues.

Investment Banking

During the Financial Year 2005-06 "Fortune" has been active in the Investment Banking / Merchant Banking and Corporate Advisory Services. It has accomplished FCCB, GDR, Rights Issue, Open

“Fortune” has managed this growth without sacrificing quality, client satisfaction and corporate culture

Offers and Buy-back transactions during the year under review. The quantum of funds raised by “Fortune” (in association with international Investment Banks) for its clients by way of international offerings (FCCB/GDR) during the Financial Year 2005-06 was US\$

185.7 Million; In the Indian capital markets “Fortune” has been associated with three issues and that have accomplished fund raising to the tune of Rs. 22,776 Lakhs.

Wholesale and Retail

The stock broking division continued to perform well and the subsidiary company commenced operations in NSE F&O segment during the year, thus providing enhanced services to its clients. Besides, “Fortune” has also commenced operations as a DP (Depository Participant).

“Fortune” shall continue its focus on Stock Broking services and intends to scale up its presence by opening retail branches across the country. However, the same shall be in sync with the overall market sentiments and our ability to manage the growth.

“Fortune Financial” group is a leading distributor of financial products including IPOs and Mutual Funds. We made in roads into this arena during the Financial Year 2005-06 and our performance was satisfactory.

Our performance clearly denotes the faith of our clients in us thereby making us strong and competitive. The progress made by “Fortune” reflects our commitment and our zeal to perform; our courage to follow a path less trodden and go the extra mile; our creativity to continuously redefine the limits of possibility; and our capability for seamless execution.

In years to come “Fortune” intends to build on the existing capabilities and provide more value added services and emerge as an integrated financial services company. “Fortune” seeks your continued support to pursue the journey with renewed dedication and vigour.

“Fortune” is a leading distributor of financial products including IPOs and Mutual Funds

Mumbai June 24, 2006

Nimish C Shah
Managing Director

(Rupees in Lacs)

Particulars	For the fiscal year ended March 31,			
	2006	2005	2004	2003
Gross Revenues	1,828	879	421	314
Expenditure	762	442	227	183
Profit Before Interest/Dep./Tax (PBIDT)	1,066	437	193	131
Financial Expenses	42	23	34	25
Depreciation and Amortisation	54	49	45	19
Profit Before Tax (PBT)	970	365	115	87
Provision for Taxation	314	93	23	11
Provision for Deferred Tax / FBT (Net)	3	5	(9)	15
Profit After Tax (PAT)	653	267	101	61
Dividend Payout	82	98	10	10
Weighted average number of Equity Shares	38,83,004	38,83,004	38,83,004	38,83,004
Basic and Diluted Earnings Per Share (in Rupees) on weighted average number of shares	17	7	3	2
Equity Share Capital	776	388	388	388
Reserves	971	790	653	629
Net Worth	1,747	1,178	1,041	1,017
Nominal Value Per Share	10	10	10	10
Book value Per Share	23	30	27	26
Key Ratios				
PBIDT Margin (%)	58%	50%	46%	42%
PBT Margin (%)	53%	42%	27%	28%
PAT Margin (%)	36%	30%	24%	20%
Dividend Payout (%)	12%	37%	10%	16%

Dear Shareholders

Your Directors have pleasure in presenting their Fifteenth Annual Report together with the audited accounts on the business and operations of the Company for the year ended 31st March, 2006.

Financial Highlights

	<i>(Rupees in Lacs)</i>	
	2005-06	2004-05
Total Income	1,655.74	646.91
Profit before Depreciation and Amortisation	969.28	338.15
Depreciation and Amortisation	48.64	43.85
Profit Before Tax	920.64	294.30
Provision for Taxation – Current Tax	(287.00)	(68.00)
– Deferred Tax	2.69	(4.58)
– Fringe Benefits Tax	(5.00)	–
Profit After Tax	631.33	221.72
Balance brought forward from previous year	126.19	(168.30)
Transferred from General Reserve	–	160.99
Tax in respect of earlier years (Net)	(1.65)	–
Balance available for appropriation	755.87	214.41
Dividend (including interim)	81.54	58.25
Dividend Distribution Tax	11.44	7.80
Transferred to General Reserve	63.17	22.17
Balance carried to Balance Sheet	599.72	126.19
Weighted Average number of Equity Shares	38,83,004	38,83,004
Nominal value per Share (in rupees)	10	10
Basic and diluted Earnings Per Share (in rupees)	16.26	5.71
Dividend recommended (including interim)	16%	15%

Results of operations

Your Company's efforts to build expertise to act as an independent financial company that provides mid-cap corporate clients a complete range of financial services is doing well. Besides providing a broad range of financial services, your Company's innovative solutions and personalized attention, which your Company feels is the business module, has enabled to deliver growth and enhanced client value. During the year under review your Company has been associated with ECB/FCCB issues for clients in the amount of \$ 185.7 Million. As planned your Company is expanding its broking into retail with its presence in multiple locations and introduced range of products/services to the end users. Your Company has recently commenced operations as a Depository Participant with CDSL.

Dividend

An interim dividend @ 11% on the 38,83,004 Fully Paid-up Equity Shares of Rs.10/- each was declared by the Board of Directors on October 29, 2005 and paid. A final dividend of 5% on the enlarged capital 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.1.60 per share of Rs. 10/- each.

Authorised Capital

During the year under review the Authorised Share Capital of your Company was increased from Rs.6,00,00,000/- divided into 60,00,000 Equity Shares of Rs.10/- each to Rs.15,00,00,000/- divided into 1,50,00,000 Equity Shares of Rs.10/- each by creation and addition of 90,00,000 Equity Shares of Rs.10/- each ranking pari-passu with the existing Equity Shares of the Company.

Bonus Shares

Your Company had the good fortune of continuing to enjoy your supports and considering the performance during the fiscal, the growth in sales and net profits, your Company has made a bonus issue in the ratio of 1:1 on March 31st 2006 in terms of the approval of the Members by the members at the Extraordinary General Meeting held on 06th March, 2006.

Subsidiary

The audited statement of accounts of Fortune Equity Brokers (India) Limited, a subsidiary of the Company for the year ended 31st March, 2006 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 along with CEO's affirmation with respect to compliance of the code of conduct of the Company.

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 observation of the Auditor mentioned in the Annexure to the Auditors Report 8, the Company has adequate internal control system commensurate with the size of the Company and the nature of its business.

Auditors

M/s. Nipun Sudhir & Associates, Chartered Accountants, Mumbai the Statutory Auditors of the Company hold office up to the conclusion of this Annual General Meeting and are recommended for reappointment. 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, Mr. Gaurang A Patel and Mr. Diptesh Shah retire by rotation as Directors and being eligible offer themselves for re-appointment. Your Directors recommend their re-appointment.

During the year under review Mr. Arun Kumar Bhangadia, Mr. Ramesh Venkat and Mr. Shailesh Haribhakti has been inducted in the Board as a Non Promoter, Non Executive and Independent Directors with effect from June 30, 2005, August 2, 2005 and August 2, 2005 respectively.

Conservation of Energy, Technology Absorption etc.

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 under the said Rules.

Foreign Exchange earning and outgo

The Company earned Rs.548.87 Lacs in foreign exchange. The foreign exchange outgo was Rs.10.13 Lacs.

Particulars of Employees

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