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## CHAIRMAN'S MESSAGE

**Dear Shareholders,**

I feel privileged to address you once again in a year full of shocking events for the global as well as Indian bourses and your Company performed well under the exceptionally challenging environment.

Circumstances have changed drastically since my last interaction with you. India shining story which we observed for last five years has hit a sudden roadblock this year, signs of which were apparent from the start of this financial year. Sensex, after hitting a crest of 21,200 on January 10, 2008 has reversed its direction and started its one sided downward journey during the year. The financial year 2009 was characterised by very high level of volatility on Indian Bourses amidst increasing global uncertainty. Though seeds of this fall were sown during previous financial year itself with surfacing of sub-prime crisis in US, things became grave after fall of US financial giant Lehman Brothers in October 2008 followed by the failure of a number of other financial firms across globe. Shock and panic waves ran across the globe. Suddenly risk aversion became the theme and emerging markets had to bear the brunt. Bell weather Sensex lost more than 4,000 points during October 2008 and never seemed to recover since then. Decoupling theory which we have been talking suddenly looked like a theoretical fallacy. It indeed was. In spite of all our glorious growth numbers, it is money which keeps market growing. FIIs pumped in USD 28.30bn during previous 3 years (FY06-08). Hit by redemption pressure and security concerns, they withdrew USD 11.96 bn from Indian Market during FY08-09. Initial half of last financial year, our domestic institutions tried to support the market but failure of global financial firms created panic like situation and domestic institutions also joined FIIs in selling Indian market.

US sub-prime is half the story. Even corporate numbers were not supporting those in exorbitant multiples. One side corporate top-line took a hit from reduced demand; bottom-line was hit because of very high commodity prices during first half of the financial year. Making matter worse was adverse exchange rate movement and speculative derivative position created by Indian corporate which further dented the bottom-line. Since November IIP numbers have turned negative. Exports are dwindling and Capital Account turned negative for the first time during Q3 FY09 after a gap of 10 years. During FY09 we managed to log a GDP growth of 6.7%. Though there has been improvement in sentiment across investor community post election results and FIIs have pumped massive USD 5.5bn between March 09 and May 09 we are not out of woods yet.



## KEY HIGHLIGHTS

Following are the key highlights of the year;

- ❑ Increased branch and franchisee network to 106 from previous 49;
- ❑ Combined staff strength has grown to 332 from 243 during previous year;
- ❑ Insurance distribution and NBFC , the new business verticals launched during the year;
- ❑ 73% increase in number of clients in capital market and 189% in commodity market segment over the previous year.

Most prominent part of our growth strategy is focus on in-house research to cater to different segments of clients and meet their rising expectations. We sincerely believe in-house research is not only an essential part of business requirement it also gives control over quality of input and relative advantage in this intense business environment. We expanded our research team with highly qualified people having robust experience in the market.

## FINANCIAL PERFORMANCE

In line with broad market consolidated turnover went down by 19% to Rs.3,999.66 lacs compared to previous year consolidated turnover of Rs.4,666.31 lacs. The company has incurred net loss of Rs.65.06 lacs during the year compared to Net Profit of Rs.1,655.36 lacs in the previous year. Depressed market along with business expansion initiatives have led to depressed financials. The networth of the company increased to Rs.8,223.31 lacs from Rs.5,926.25 lacs in FY08 due to issue of additional equity.

## ROAD AHEAD

Rising unemployment and lowered economic activity has taken a toll on secondary market volumes while risk aversion by banks and financial institutions has led to reduced activity in the primary market. This has impacted both investment banking and equity broking business adversely. Depressed market has adverse bearing on insurance distribution business as well. There has been marked improvement in secondary market activity after thumping victory of new government, still sentiment is cautious. Additional liquidity pumping by global central banks are trying to defer the pain but it cannot be avoided for long. We will have to gear up to take these challenges head on by collective team work, optimum resource utilisation and cost control measures.

I express my sincere gratitude to you for showing trust in us during these difficult times and seek constant patronage.

Mumbai , May 23, 2009

**J.T. Poonja**  
Chairman

## M D ' S   M E S S A G E

### **Dear Shareholders,**

I take pleasure in sharing with you the highlights of the performance of 'Fortune' Group for the year ended March 31, 2009.

The financial year 08-09 has been one of the most challenging years seen from business point of view when all bad omens occurred simultaneously. In spite of grim situation in the market, where many players were knocked out of business your company has been able to not only hold ground but also kept the business expansion process going. Though there were some weaknesses on profit & loss front, our balance sheet size grew by 30%. We also entered the new verticals of insurance distribution and NBFC and have also increased our branch and franchisee network on pan-India basis.

The weaker numbers in the financials are combined effect of bad market conditions and various growth initiatives taken by the Company. We firmly believe that irrespective of market condition we have to keep up investment for various growth opportunities. Various measures undertaken during the year have been outlined below:

- insurance distribution and NBFC are the expansion of product offerings during the year;
- increased point of presence to 106 locations across various states to enhance the market share and tap growth opportunities across small towns, cities and districts through organic and partnership routes;
- creating a scalable organisation structure to maintain operational efficiency amidst growing demands provide better synergistic linkages in addition to attracting a different set of investors, strategic partners, lenders etc;
- strengthening of processes by constantly upgrading much efficient and dependable technology to simplify processes and systems; and
- continuous training to ensure that employees at all levels are fully equipped to deliver a wide variety of products and services to the growing customer base.

### **BUSINESS WISE PERFORMANCE HIGHLIGHT**

Financial year 08-09 has seen change in revenue mix and broking and distribution division was the largest revenue contributor with total revenue contribution of over 85.5% while investment banking division contributed 16.5% and rest came from NBFC and other businesses verticals.



## INVESTMENT BANKING

Investment banking division was the main victim of changed market condition and lost almost 65% revenue compared to the previous year. More than 85% crash in market price of midcap stocks led to drying up primary market for equity of these companies. Buyers and sellers were not able to reach mutual price which lead to cancellation of deals. This has led to adverse impact on revenue of investment banking division.

## BROKING AND RETAIL

Broking business has been lead performer during the year in spite of 39% fall registered in BSE benchmark index. Though we registered phenomenal growth in number of trades done during the year, overall turnover was less. This was because of contraction in deal size due to crash in price of equity, commodity and derivative products. There has been tremendous gain in number of new clients (both Institutional and retail) addition during the year. We have strengthened our research and sales team by inducting seasoned professionals which helped us protect the revenues in these turbulent times.

## OTHERS

NBFC operational income has increased manifold during the year as compared to previous year.

The company is a leading distributor of IPOs and Mutual Funds and Insurance distribution is our new focus area. We are trying to strengthen this business vertical by increasing tie-up with various insurance players. Current uncertainty prevailing in the marketplace has hit the ULIP business which accounts for more than 80% of new policy issued.

Financial year 2008-09 has been a devastating year for the global equity market including the Indian market. It has dented the sentiment of investor community severely. Though there has been marked improvement in this after new government has been voted to power by thumping majority and FIIs have started buying Indian equity asset class, current fiscal scenario is not very encouraging. Uncertainty is widespread and government finances look stretched. This may have adverse impact on government's ability to spend. In this challenging scenario the only way left is increased operational efficiency and enhanced revenue through new business initiatives.

I express my sincere gratitude to the Board of Directors for their continued support and guidance. My sincere thanks also goes to all our stakeholders, our customers, business associates, bankers, regulatory authorities, employees and shareholders for reposing their faith in these tough times.

Mumbai , May 23, 2009

**Nimish C. Shah**  
Managing Director

## BOARD OF DIRECTORS

<b>Mr. J.T. Poonja</b>	Executive Chairman
<b>Mr. Nimish C. Shah</b>	Managing Director
<b>Mr. Diptesh Shah</b>	Executive Director (ceased w. e. f. 4th March, 2009)
<b>Mr. C. R. Mehta</b>	Director
<b>Mr. Gaurang A. Patel</b>	Director
<b>Mr. H. R. Prasad</b>	Director (w. e. f. 16 <sup>th</sup> September, 2008)
<b>Mr. Manoj G. Patel</b>	Director (w. e. f. 16 <sup>th</sup> September, 2008)
<b>Mr. Ramesh Venkat</b>	Director
<b>Mrs. Sangeeta J. Poonja</b>	Director
<b>Mr. Shailesh Haribhakti</b>	Alternate Director (w. e. f. 31 <sup>st</sup> March, 2009)
<b>Mr. Sohan C. Mehta</b>	Director



## COMPANY DETAILS

### FORTUNE'S LEADERSHIP TEAM

<b>Mr. Kamlesh Gandhi</b>	Director
<b>Mr. Vishal Trehan</b>	Country Head – Retail & Broking
<b>Mr. Arun Kumar Bhangadia</b>	Director – Business Development
<b>Mr. Dileep H. Shinde</b>	Head – Investment Banking
<b>Mr. B. B. Tantri</b>	Head – Operations
<b>Mr. S. G. Muthu Kummar</b>	Head – Corporate Affairs
<b>Mr. S. Kalyanasundaram</b>	Head – Treasury
<b>Mr. Ramchandran Iyer</b>	Head – Institutional Sales, Dealing and Research
<b>Mr. Pranav Kumar</b>	Zonal Head – Corporate Sales
<b>Mr. Sanjay Makhija</b>	Zonal Head – Institutional Sales
<b>Mr. Naveen Sharma</b>	Zonal Head – Northern Region
<b>Mr. Govindaraj</b>	Zonal Head – Southern Region

#### COMPANY SECRETARY

Mr. Haroon Mansuri

#### AUDITORS

M/s Nipun Sudhir & Associates  
Chartered Accountants

#### LEGAL CONSULTANTS

M/s Purohit & Co.  
Advocates

#### BANKERS

Axis Bank Ltd.  
Dena Bank  
ICICI Bank Ltd.  
Standard Chartered Bank  
Union Bank of India  
Vijaya Bank

#### REGISTRAR & SHARE TRANSFER AGENT

Purva Sharegistry (India) Pvt. Ltd.  
Unit No. 9, Ground Floor,  
Shivshakti Industrial Estate,  
7-B Sitaram Mills Compound,  
J R Boricha Marg,  
Lower Parel, Mumbai - 400 011

#### REGISTERED OFFICE

K. K. Chambers, 2<sup>nd</sup> Floor,  
Sir P. T. Marg,  
Fort, Mumbai 400 001  
Website : [www.ffsil.com](http://www.ffsil.com)





### **(Late) DIPTESH SHAH**

On March 4, 2009 Fortune lost one of its most trusted and able pillar, our beloved Executive Director DIPTESH SHAH.

Diptesh, was associated with Fortune since 9<sup>th</sup> March, 2004 and much of Fortune's growth for the last couple of years is attributable to the key strategic inputs provided by Diptesh. A gem of a person, wonderful human being and exceptionally ethical professional. Diptesh brought on the table his rich knowledge in Investment Banking and his expertise in the entire financial services domain.

Diptesh's passing away has created a huge void which will be difficult to fulfill. We continue to miss his valuable insight and guidance as also his ever smiling face.

May God rest his soul in peace.



## DIRECTORS' REPORT

### Dear Shareholders

Your Directors are pleased to present their Eighteenth Annual Report together with the audited accounts on the business and operations of the Company for the year ended 31st March, 2009. The summarized financial results of the Company are given below:

### Financial Highlights :

(Rupees in Lacs)

	2008-09	2007-08 *
<b>Total Income</b>	<b>766.02</b>	3,790.37
Profit before depreciation and Tax	<b>321.77</b>	1,744.59
Depreciation	<b>21.24</b>	120.26
Profit before tax	<b>300.53</b>	1,624.33
Provision for tax		
- Current tax	<b>63.00</b>	425.00
- Deferred tax	<b>1.85</b>	(60.60)
- Fringe benefits tax	<b>3.35</b>	8.75
Profit after tax	<b>232.33</b>	1,251.18
Less: Profit on discontinued operations	<b>—</b>	75.72
Profit on continuing operations	<b>232.33</b>	1,175.46
Balance brought forward from previous year	<b>1,859.80</b>	1,025.22
Tax in respect of earlier years (Net)	<b>0.41</b>	3.34
Balance available for appropriations	<b>2,091.72</b>	2,197.34
Transfer to General Reserve	<b>23.23</b>	117.54
Dividend	<b>122.10</b>	220.00
Balance carried to Balance Sheet	<b>1,946.39</b>	1,859.80
Weighted average number of equity shares		
- Basic	<b>10,816,712</b>	10,000,000
- Diluted	<b>10,846,301</b>	10,000,000
Nominal value per share (in rupees)	<b>10.00</b>	10.00
Basic and diluted earnings per share (in rupees)		
- Basic	<b>2.15</b>	11.75
- Diluted	<b>2.14</b>	11.75

\* Figures for the year 2007-2008 include the erstwhile performance of the 'Discontinued Operations' of capital market undertaking, hence not comparable.

### Performance Review :

The financial year 2008-09 was characterized by very high level of volatility on Indian Bourses amidst increasing global uncertainty. The cascading impact has led to severe demand slowdown. Collapse of various asset classes combined with reluctance of banks to lend has resulted into severe demand contraction. Many of the corporate projects have been deferred due to lack of demand and funding constraints. The overall domestic and global scenario has impacted investment banking adversely. Despite of all odds, the Company could survive even during the period of recession. The profit before tax stood at Rs. 300.53 Lacs as against Rs. 1,624.33 Lacs on the combined operations in the previous year.