

BOARD OF DIRECTORS

Executive Chairman

Mr. J.T. Poonja

Managing Director

Mr. Nimish C. Shah

Non Executive Directors

Mr. C. R. Mehta

Mr. H. R. Prasad

Mr. Manoj G. Patel

Mr. Ramesh Venkat

Mrs. Sangeeta J. Poonja

Mr. Sanjay Kothari

Mr. Shailesh Haribhakti

Alternate Director

Mr. Sohan C. Mehta

**SENIOR MANAGEMENT TEAM**

Mr. Vishal Trehan	Chief Executive Officer – Broking & Distribution
Mr. Pankaj Wadhawan	Head – Financial Advisory GRP
Mr. Udai Kumar	Head – Equity Capital Market
Mr. B. B. Tantri	Chief Operating Officer – Broking & Distribution
Mr. S. G. Muthu Kummar	Head – Corporate Affairs
Mr. Pranav Kumar	National Head – Corporate Sales
Mr. S. Kalyanasundaram	Executive Vice President – Funds & Settlements
Mr. Naveen Sharma	Executive Vice President – Broking & Distribution
Mr. Mahantesh Sabarad	Sr. Vice President – Equity Research
Mr. Niraj Shah	Sr. Vice President – Equity Research
Mr. Abhijit Chakraborty	Sr. Vice President – Institutional Equity Sales
Mr. Sandeep K. Shah	Head – Institutional Sales (India)

Company Secretary Mr. Haroon Mansuri

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

Auditors M/s. Nipun Sudhir & Associates
Chartered Accountants

Bankers Andhra Bank
Axis Bank Ltd.
HDFC Bank Ltd.
Karur Vysya Bank Ltd.
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

Email id for members cosecretary@ffsil.com

Website www.fortune.co.in

DIRECTORS' REPORT

Dear Members

Your Directors are pleased to present their Twentieth Annual Report together with the audited accounts on the business and operations of the Company for the year ended March 31 2011.

Financial Highlights:

(Rupees in lacs)

	2010-11	2009-10
Total Income	1,548.96	1,443.66
Profit before depreciation and Tax	821.99	1,011.21
Depreciation	21.92	19.91
Profit before tax	800.07	991.30
Provision for tax - Current tax	189.20	221.86
- Deferred tax	(2.46)	(15.71)
Profit after tax	613.33	785.15
Balance brought forward from the previous year	2,332.93	1,946.39
Tax in respect of earlier years (Net)	(1.93)	17.19
Balance available for appropriations	2,948.19	2,714.35
Transfer to General Reserve	61.33	78.51
Dividend	247.39	302.91
Balance carried to Balance Sheet	2,639.47	2,332.93
Weighted average number of equity shares		
- Basic	12,224,953	11,248,799
- Diluted	12,429,474	11,470,992
Nominal value per share (in rupees)	10.00	10.00
Basic and diluted earnings per share (in rupees)		
- Basic	5.02	6.98
- Diluted	4.93	6.84

Transfer to Reserve :

The Board of Directors proposes the transfer a sum of Rs.61.33 lacs to the general reserve out of the profits of the company.

Dividend:

Your Directors have recommended Dividend of Rs.2 per share (20%) on 122,79,290 equity shares of Rs.10 each for the financial year 2010-2011, subject to the approval of the shareholders at the ensuing annual general meeting. The total outflow on account of equity dividend will be Rs.247.39 lacs, including Rs.1.80 lacs dividend paid on 72,000 equity shares issued after March 31 2010 as approved by the shareholders in the last annual general meeting.

Performance

Standalone Financial Performance:

For the financial year ended March 31 2011, your Company earned profit before tax of Rs.800.07 lacs as against Rs.991.30 lacs in the previous year. The profit after tax was at Rs.613.33 lacs as against Rs.785.15 lacs in the previous year. The total income for the year under consideration was Rs.1,548.96 lacs and total expenditure was Rs.748.89 lacs.

**Consolidated Financial Performance:**

The consolidated income increased to Rs.9,140.02 lacs from Rs.7,226.43 lacs – growth of 26.49%. Net profit after tax of the group for the current year is Rs.1,170.84 lacs as against Rs.1,606.34 lacs in the previous year.

Consolidated Financial Statements:

The Board of Directors of your Company at its meeting held on May 26 2011, approved the Consolidated Financial Statements for the financial year 2010-11 in accordance with the Accounting Standard (AS-21) and other Accounting Standards issued by the Institute of Chartered Accountants of India as well as Clause 32 of the Listing Agreement, which include financial information of all its subsidiaries, are provided in the Annual Report. The Consolidated Financial Statements for the financial year 2010-11, are prepared in compliance with applicable Accounting Standards and where applicable Listing Agreements as prescribed by the Securities and Exchange Board of India.

Corporate Governance:

A report on the Corporate Governance along with a certificate from the Auditors of the Company regarding the compliance of conditions of the Corporate Governance as stipulated under Clause 49 of the Listing Agreement is included and forms part of this Report.

All Board members and senior management personnel have affirmed compliance with code of conduct for the year 2010-2011. A declaration to this effect certified by the Executive Chairman of the Company is also attached in the Annual Report.

The Executive Chairman and the Chief Financial Officer (CFO) of the Company have certified to the Board with regard to the financial statements and other matters as required under Clause 49 of the Listing Agreement and the said certificate is attached in the Annual Report.

Management Discussion and Analysis:

A detailed review of operations, performance and future outlook of your Company and its businesses is given in the Management Discussion and Analysis, which forms part of this Report.

Issue of equity shares on exercise of ESOP options :

The Company had introduced stock options plan for its employees. The details of options granted under Employee Stock Option (ESOP) Schemes 2006 & 2007 are annexed as **Annexure I** and forms part of this Report.

The Company has received a certificate from the Auditors of the Company that the FFSIL ESOP Schemes 2006 & 2007 have been implemented in accordance with the SEBI Guidelines and the resolution passed at the Annual General Meeting held on September 23, 2006. The Certificate would be placed at the Annual General Meeting for inspection by Members.

During the year under review, the Company has allotted 162,890 equity shares of Rs.10 each under the FFSIL ESOP Scheme 2006 upon exercise of options by the employees.

Consequent to the allotment of equity shares under the FFSIL ESOP Scheme 2006, the paid up equity capital of the Company has been increased to Rs.1,227.93 lacs.

Issue of equity warrants :

In Nineteenth Annual General Meeting, held on August 28 2010, the Company has obtained members approval for issue of 4,00,000 equity warrants of Rs. 10 each at a premium of Rs. 170 per warrant aggregating to Rs. 720.00 lacs on preferential basis to the promoters, relatives of promoters and to a Company in which relatives of a promoter are interested. The Internal Finance Committee of the Board of Directors of the Company on September 13 2010, allotted 4,00,000 equity warrants which are convertible into one equity share of Rs. 10 per equity warrant issued within a period of eighteen months from the date of allotment at the option of the allottees.

As on March 31 2011, none of the allottees have exercised their options to convert their holding of equity warrants into equity shares of the Company.

The amount received on allotment of equity warrants is as under :

(Rupees in lacs)

Date of allotments	No. of equity warrants issued	Amount	Amount received on application
July 04 2008 (@)	4,00,000	880.00	88.00
February 05 2010	6,00,000	480.00	120.00
September 13 2010	4,00,000	720.00	180.00
Total	14,00,000	2,080.00	388.00
(@) Amount forfeited			

Subsidiary Companies:

The Company has availed the exemption from the Ministry of Corporate Affairs, New Delhi, exempting the Company for compliance of Section 212 (1) of the Companies Act, 1956 for the year ended March 31 2011. Accordingly, the accounts of the subsidiary companies and other documents are not being attached with the annual report of the Company. However, the annual accounts of the subsidiary companies will be made available to the investors of the holding and subsidiary companies and will also be kept for inspection by the members at the Registered Office of the Company and will also be uploaded on the website of the Company.

The following information in aggregate for each of the subsidiary companies are disclosed in annual report as stipulated in the letter issued by the Ministry of Corporate Affairs, New Delhi:

(a) capital (b) reserves (c) total assets (d) total liabilities (e) details of investments (f) turnover/income (g) profit before tax (h) provision for tax (i) profit after tax and (j) proposed dividend.

Statement pursuant to Section 212 (3) of the Companies Act, 1956 relating to the subsidiary companies is annexed as **Annexure II** and forms part of the Annual Report.

During the year under review, the Company has invested a sum of Rs.1,650.00 lacs in 55,00,000 equity shares of Rs.10 each fully paid at a premium of Rs.20 per share with Fortune Credit Capital Limited.

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.

Committees:

The Company has four committees of the Board of Directors of the Company. These committees are – Audit Committee, Remuneration/Compensation Committee, Shareholders Grievances Committee and Internal Finance Committee.

The terms of reference, composition and the details of the meetings held during the year under review are provided in Corporate Governance Report.

Internal Control Systems & their adequacy:

The Company has in place adequate systems of internal control that are commensurate with its size and nature of the business and documented procedures covering all financial and operating functions. The Company being a service industry, it has in place clear processes and well-defined roles and responsibilities for its staff at various levels. The Management has a defined reporting system, which facilitates monitoring and adherence to the process and systems in place.

Auditors:

M/s. Nipun Sudhir & Associates, Chartered Accountants, Mumbai, 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.

Auditors' Report:

Your Directors refer to the observations made by the Auditors in their report and wish to state that the notes forming part of accounts are self explanatory and hence do not require any further comments.

**Directors:**

Mr. H. R. Prasad and Mr. Manoj G. Patel, Directors of the Company, retire by rotation and being eligible offer themselves for re-appointment.

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 under the scheduled industry pursuant to the said rules.

Foreign Exchange earnings and outgo:

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Earnings :		
Subscription for issue of shares	—	800.08
Investment & Merchant Banking	55.52	230.73
Outgo :		
Foreign Travelling	3.98	2.32
Dividend	108.35	36.67

Particulars of employees:

Statement 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 as **Annexure III** and forms part of the Annual Report.

Investor Education & Protection Fund:

During the year under review, no amount of unclaimed dividend was due for transfer to the Investor Education & Protection Fund.

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 had been followed along with proper explanation relating to material departures;
- appropriate accounting policies had been selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company 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 annual accounts have been prepared on a going concern basis.

Acknowledgement:

The Management of your Company is grateful to its customers, regulatory authorities, vendors, shareholders, business associates, bankers, financial institutions for their continued support. The Directors wish to thank and place on record their appreciation for all employees at all levels for their hard work, co-operation, and support towards growth of the Company.

On behalf of the Board

Mumbai, May 26 2011

J. T. Poonja
Executive Chairman

Annexure I

Disclosure as required under Clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

a	Options Granted	5,35,990										
b	The pricing formula	<div>The remuneration/compensation committee has been authorised to decide the exercise price in accordance with the SEBI and any other amendments made thereto.</div> <table><tr><th>Exercise price (Rupees)</th><th>No. of options granted</th></tr><tr><td>98.00</td><td>1,11,000</td></tr><tr><td>117.00</td><td>25,000</td></tr><tr><td>156.00</td><td>1,14,000</td></tr><tr><td>Total</td><td>2,50,000</td></tr></table>	Exercise price (Rupees)	No. of options granted	98.00	1,11,000	117.00	25,000	156.00	1,14,000	Total	2,50,000
Exercise price (Rupees)	No. of options granted											
98.00	1,11,000											
117.00	25,000											
156.00	1,14,000											
Total	2,50,000											
c	Options Vested	1,11,000										
d	Options exercised	1,79,290										
e	Total number of shares arising as a result of exercise of option	1,79,290										
f	Options lapsed	1,06,700										
g	Variation of terms of options	Not Applicable										
h	Money realized by exercise of options	Rupees 1,41,15,790 (Rupees One Crore Forty One Lacs Fifteen Thousand Seven Hundred Ninety only)										
i	Total number of options in force	2,50,000										
j	Employee wise details of options granted to : i. Senior Managerial Personnel ii. any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year. iii. identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant;	<div>Mr. Devesh Kumar2,25,000</div> <div>Mr. Pankaj Wadhawan25,000</div> <div>Nil</div> <div>Mr. Devesh Kumar</div>										
k	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with [Accounting Standard (AS) 20 ‘Earnings Per Share’]	Rupees 4.93										
l	As the exercise is made at the market price prevailing on the date of the grant, the issuance of equity shares pursuant to exercise of ESOP Options does not affect the profit & loss account of the Company.	---										



m	Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Not Applicable
n	<p>A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:</p> <ul style="list-style-type: none">• risk-free interest rate,• expected life,• expected volatility,• expected dividends, and the price of the underlying share in market at the time of option grant.	Not Applicable

Note : The ESOP Options (2,25,000) granted & vested in favour of Mr. Devesh Kumar have now been lapsed as he has left the services of the Company.

Annexure II

STATEMENT PURSUANT TO SECTION 212 (3) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES:

1.	Name of the subsidiary companies	Fortune Equity Brokers (India) Limited	Fortune Commodities & Derivatives (India) Limited	Fortune Credit Capital Limited	Fortune Financial India Insurance Brokers Limited
2.	The financial years of the subsidiary companies	March 31 2011	March 31 2011	March 31 2011	March 31 2011
3.	Shares of the subsidiary companies held by Fortune Financial Services (India) Limited				
a)	No. of shares & face value	1,66,50,000 equity shares Rs.10 each	30,00,000 equity shares Rs.10 each	2,42,50,000 equity shares Rs.10 each	6,00,000 equity shares Rs.10 each
		5,00,000 10% Redeemable cumulative preference shares Rs. 10 each.	—	—	—
		9,00,000 12.50% Redeemable cumulative preference shares Rs.10 each.	—	—	—
b)	extent of holding	100%	100%	100%	100%
4.	The net aggregate of Profit/(Loss) of the subsidiary companies so far as it concerns the members of Fortune Financial Services (India) Ltd.				
a)	Not dealt in the accounts of Fortune Financial Services (India) Ltd for the year ended March 31 2011, amounted to :- (Rupees in lacs)				
•	For the subsidiaries' financial year ended March 31 2011	145.82	149.42	512.51	2.12
•	For the previous financial years of the subsidiaries since they became the holding company's subsidiaries.	1,529.26	121.80	277.54	11.52
b)	Dealt in the accounts of Fortune Financial Services (India) Ltd for the year ended March 31 2011, amounted to :-				
•	For the subsidiaries' financial year ended March 31 2011	Nil	Nil	Nil	Nil
•	For the previous financial years of the subsidiaries since they became the holding company's subsidiaries.	Nil	Nil	Nil	Nil



Annexure III

Information under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31 2011

Sr. No.	Name & Designation	Remuneration (Rupees)	Qualification	Experience in years	Date of commencement of employment	Age	Last employment, Designation / No. of years & No. of shares held
I. Employed throughout the year :							
1.	Mr. J. T. Poonja Executive Chairman	50,74,297	M.A (Eco)	44	01-08-1992	69	Vijaya Bank Asst. General Manager 19 years 16,07,040 (13.09%)

Notes :

- 1) The above employment is contractual.
- 2) The above employment is subject to the rules and regulations of the Company as in force from time to time.
- 3) Mr. J. T. Poonja, is a relative of Mrs. Sangeeta J. Poonja, a Director of the Company.
- 4) Remuneration shown above includes salary, dearness allowances, house rent allowances, bonus, medical reimbursements, incentive and Company's contribution to Provident Fund but does not include contribution to the gratuity fund, which is on the basis of the actuarial valuation and for which individual figures are not available.