

## **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**



## **GROUP INFORMATION**

### **FORTUNE'S LEADERSHIP TEAM**

<b>Mr. Vishal Trehan</b>	Chief Executive Officer – Broking & Distribution
<b>Mr. Gyan Mohan</b>	Chief Executive Officer – Investment Banking
<b>Mr. Udai Kumar</b>	Head – Equity Capital Market
<b>Mr. B. B. Tantri</b>	Chief Operating Officer – Broking & Distribution
<b>Mr. S. G. Muthu Kummar</b>	Head – Corporate Affairs
<b>Mr. Pranav Kumar</b>	National Head – Corporate Sales
<b>Mr. Naveen Sharma</b>	Executive Vice President – Broking & Distribution
<b>Mr. S. Kalyanasundaram</b>	Executive Vice President – Funds & Settlements
<b>Mr. Mahantesh Sabarad</b>	Sr. Vice President – Equity Research
<b>Mr. Niraj Shah</b>	Sr. Vice President – Equity Research
<b>Mr. Urmik Chhaya</b>	Sr. Vice President – Equity Research
<b>Mr. Abhijit Chakraborty</b>	Sr. Vice President – Institutional Equity Sales
<b>Mr. Sandeep K. Shah</b>	Head – Institutional Sales (India)
<b>Mr. Suvra Mandal</b>	Sr. Vice President – Equity Derivatives

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### **COMPANY SECRETARY**

Mr. Haroon Mansuri

### **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 Shareregistry (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.fortune.co.in](http://www.fortune.co.in)

### **EMAIL ID FOR MEMBERS**

[cosecretary@ffsil.com](mailto:cosecretary@ffsil.com)

## DIRECTORS' REPORT

### Dear Shareholders

Your Directors have pleasure in presenting the Twenty-First Annual Report and Audited Accounts for the year ended 31<sup>st</sup> March, 2012.

### Financial Results

(Rupees in Lacs)

	2011-12	2010-11	2011-12	2010-11
	Stand-alone		Consolidated	
<b>Total Income</b>	<b>579.36</b>	1,548.96	<b>8,034.77</b>	9,140.02
Profit before depreciation and tax	<b>72.35</b>	821.99	<b>124.59</b>	2,079.31
Depreciation	<b>11.46</b>	21.92	<b>243.49</b>	285.47
Profit before tax	<b>60.89</b>	800.07	<b>(118.90)</b>	1,793.84
Provision for tax				
- Current tax	<b>11.80</b>	189.20	<b>147.15</b>	672.80
- Current tax relating to prior years (Net)	<b>4.10</b>	(1.93)	<b>20.51</b>	34.02
- Deferred tax	<b>(3.10)</b>	(2.46)	<b>(65.41)</b>	(49.80)
Profit after tax	<b>48.09</b>	615.26	<b>(221.15)</b>	1,136.82
Balance brought forward from the previous year	<b>2,639.47</b>	2,332.93	<b>3,720.75</b>	3,117.85
Balance available for appropriations	<b>2,687.56</b>	2,948.19	<b>3,499.60</b>	4,254.67
Transfer to statutory reserve	–	–	<b>34.50</b>	102.50
Transfer to general reserve	–	61.33	–	142.10
Dividend	<b>64.40</b>	247.39	<b>64.40</b>	247.39
Tax on dividend	<b>7.81</b>	–	<b>10.49</b>	41.93
Balance carried to balance sheet	<b>2,615.35</b>	2,639.47	<b>3,390.21</b>	3,720.75
Weighted average number of equity shares				
- Basic	<b>12,683,674</b>	122,24,953	<b>12,683,674</b>	122,24,953
- Diluted	<b>12,683,674</b>	124,29,474	<b>12,683,674</b>	124,29,474
Nominal value per share (in rupees)	<b>10.00</b>	10.00	<b>10.00</b>	10.00
<b>Basic and diluted earnings per share</b>				
- Basic (in rupees)	<b>0.38</b>	5.03	<b>(1.74)</b>	9.30
- Diluted (in rupees)	<b>0.38</b>	4.95	<b>(1.74)</b>	9.15

### Working Results

#### Standalone

The income during the year 2011-12 stood at Rs.579.36 lacs as against Rs.1,548.96 lacs during the previous year.

The profit before tax for the year was at Rs. 60.89 lacs as against Rs.800.07 lacs in the previous year. The profit after tax stood at Rs.48.09 lacs as against Rs.615.26 lacs in the previous year.

#### Consolidated

The consolidated income during the year 2011-12 stood at Rs.8,034.77 lacs as against Rs.9,140.02 lacs during the previous year. During the year under review the company has on consolidated basis incurred a loss of Rs. 221.15 after tax as against a profit of Rs.1,136.82 lacs in the previous year.

**Dividend**

Your Directors have recommended dividend of Rs.0.50 per share (5%) on 128,79,290 equity shares of Rs.10 each fully paid for the financial year 2011-12, subject to the approval of the shareholders at the ensuing annual general meeting. The total outflow on account of equity dividend will be Rs.64.40 lacs.

**Consolidated Financial Statements**

The Board of Directors of your company at its meeting held on May 30, 2012 approved the consolidated financial statements for the financial year 2011-12 in accordance with the Accounting Standard (AS-21) and other applicable Accounting Standards issued by the Institute of Chartered Accountants of India as well as Clause 32 of the Listing Agreement, which includes financial information of all its subsidiaries.

**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 annual report.

All Board members and senior management personnel have affirmed compliance with code of conduct for the year 2011-12. 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 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 annual report.

**Issue of equity shares on exercise of ESOP options**

Details of equity shares issued under ESOP, as also the disclosures in compliance with clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in Annexure – I to this report.

The company has received a certificate from the Auditors of the company certifying 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 granted 45,000 options to employees of the subsidiary companies.

**Capital**

During the year under review the company has issued 6,00,000 equity shares of Rs.10 each fully paid at a premium of Rs.70 per equity share on conversion of 6,00,000 equity warrants of Rs.10/- each which were issued on February 5, 2010. On issue of these shares, the paid up capital of the company increased from Rs.1,227.93 lacs to Rs.1,287.93 lacs.

**Issue of equity warrants**

In nineteenth annual general meeting, held on August 28, 2010, the company had 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 of Rs.10 each which are convertible into one equity share of Rs.10 per equity warrant within a period of eighteen months from the date of allotment of the equity warrants on exercise of the option by the allottees. These equity warrants were due for conversion latest by March 12, 2012. None of the subscribers have exercised their options for conversion of equity warrants in to equity shares of the company. The initial amount of Rs.180.00 lacs received from the subscribers have been forfeited and credited to the capital reserve account of the company.

**Subsidiary Companies**

As per general circular issued by the Ministry of Corporate Affairs, the balance sheet, statements of profit & loss and other documents of the subsidiary companies for the year ended March 31, 2012 are not attached with the accounts of the holding company. However, the annual accounts of the subsidiary companies will be made available to investors of the holding and subsidiary companies 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 circular 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.

#### **Fixed Deposits**

The company has not accepted any deposit from the public during the year under review, within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under.

#### **Committees**

The company has four committees of the Board of Directors. 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 in 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 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.

#### **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. C. R. Mehta & Mr. Sohan C. Mehta Directors of the company, retire by rotation and being eligible offer themselves for re-appointment.

#### **Conservation of Energy, Technology Absorption**

The information required under section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to the matters specified therein are not applicable to your company.

#### **Foreign Exchange earnings and outgo**

<b>(Rupees in Lacs)</b>		
<b>Particulars</b>	<b>2011-2012</b>	<b>2010-2011</b>
<b>Earnings :</b>		
Investment banking income	<b>62.32</b>	55.52
<b>Outgo :</b>		
Travelling & business promotion	<b>2.01</b>	4.09
Miscellaneous expenses	<b>2.04</b>	–
Dividend	<b>86.68</b>	108.35

#### **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, an amount of Rs.82,240/- lying in unclaimed dividend for the year 2005 was transferred to the Investor Education & Protection Fund.



**Directors' Responsibility Statement**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, 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**

Your Directors are pleased to place on record their deep appreciation towards the sincere services and co-operation extended by employees of the organization at all levels. They also wish to place on record their gratitude for the confidence placed in them by the banks & financial institutions they are associated with. Further, your Directors wish to thank the various regulatory authorities, business associates and clients for their valued co-operation.

On behalf of the Board

**J. T. Poonja**  
Executive Chairman

Mumbai, May 30, 2012

## Annexure I

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

Sr. No.	PARTICULARS	ESOP SCHEME 2006	ESOP SCHEME 2007
a	Options Granted	522,500	60,990
b	The pricing formula	The remuneration/compensation committee has been authorised to decide the exercise price in accordance with the SEBI and any other amendments made thereto.	
c	Options vested	413,790	38,000
d	Options exercised	179,290	Nil
e	Total number of shares arising as a result of exercise of option	179,290	Nil
f	Options lapsed	343,210	22,990
g	Variation of terms of options	Not Applicable	
h	Money realized by exercise of options	Rs. 1,41,15,790 (Rupees One Crore Forty One Lacs Fifteen Thousand Seven Hundred Ninety only)	Nil
i	Total number of options in force	Nil	38,000
j	Employee wise details of options granted to :		
	i. Senior managerial personnel	Nil	Nil
	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.	Nil	Nil
	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;	Nil	Nil
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 0.38	
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	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: <ul style="list-style-type: none"> <li>● risk-free interest rate,</li> <li>● expected life,</li> <li>● expected volatility,</li> <li>● expected dividends, and</li> <li>● the price of the underlying share in market at the time of option grant.</li> </ul>	Not Applicable	



## 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, 2012	March 31, 2012	March 31, 2012	March 31, 2012
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, 2012, amounted to :- <b>(Rupees in lacs)</b>				
	• For the subsidiaries' financial year ended March 31, 2012	(371.61)	(51.70)	172.50	(2.17)
	• For the previous financial years of the subsidiaries since they became the holding company's subsidiaries	1,157.65	70.10	450.04	9.35
	b) Dealt in the accounts of Fortune Financial Services (India) Ltd for the year ended March 31 2012, amounted to :				
	• For the subsidiaries' financial year ended March 31, 2012	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, 2012

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
<b>I. Employed throughout the year :</b>							
1.	Mr. J. T. Poonja Executive Chairman	49,76,277	M.A (Eco)	44	01-08-1992	70	Vijaya Bank Asst. General Manager 19 years 16,07,040 (12.48%)

### 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.



## REPORT ON CORPORATE GOVERNANCE

### Corporate Philosophy

Your company converge good corporate governance, focus on enhancement of long term value creation for all stakeholders and conduct the business in accordance with the highest ethical standards and sound corporate governance practice. Clause 49 of the listing agreement, which relates to corporate governance, was revised in October 2004, making far reaching amendments in the code.

The primary purpose of corporate leadership is to create wealth legally and ethically. This translates to bring a high level of satisfaction to five constituents - customers, employees, investors, vendors and the society-at-large. The raison d'être of every corporate body is to ensure predictability, sustainability, profitability & revenues of the Company year after year.

Your Company confirms the compliance of corporate governance, in all material aspects, with the revised clause 49 of the listing agreement, the details of which are given below:

#### I Board of Directors:

##### a) Composition of the Board

The Board is headed by an Executive Chairman and comprises eminent persons with considerable professional experience from varied disciplines. The present strength of the Board as on March 31, 2012 is ten Directors including one Alternate Director. More than half of the Board consists of Independent Directors thus comply with the guidelines.

##### b) Number of Board Meetings

During the year 2011-12, the Board of Directors met four times: on May 26 2011, July 29, 2011, October 31 2011, and February 9, 2012. The maximum gap between any two meetings has been not more than four months. All meetings were well attended.

**Table 1: Composition of the Board, attendance record, membership of Board Committees**

Name	Category	Attendance		Other Directorships (other than Pvt. Ltd. Cos.)	Committees (as on March 31 2012)	
		Board Meetings	Last AGM		Member-Ship	Chairman-ship
Mr. J. T. Poonja	Promoter & Executive Chairman	3	Yes	4	1	4
Mr. Nimish C. Shah	Promoter & Managing Director	3	Yes	4	5	1
Mrs. Sangeeta J. Poonja	Promoter & Non-Executive Director	4	No	–	–	–
Mr. Sohan C. Mehta	Promoter & Non-Executive Director	1	No	1	–	–
Mr. C. R. Mehta	Independent Director	4	No	1	3	3
Mr. Ramesh Venkat	Independent Director	4	No	5	3	1
Mr. H. R. Prasad	Independent Director	4	No	3	1	3
Mr. Manoj G. Patel	Independent Director	–	No	–	–	–
Mr. Shailesh Haribhakti	Independent Director (Alternate Director to Mr. Manoj G. Patel)	1	No	14	5	5
Mr. Sanjay Kothari	Independent Director	4	No	4	3	–

#### Notes:

- ♦ As on March 31, 2012 the company had ten Directors (including one Alternate Director). The Chairman of the Company is an Executive Director. The composition of the Board is in conformity with clause 49 of the listing agreement.
- ♦ None of the Directors on the Board holds memberships of more than ten committees or Chairmanships of more than five committees. The company has received the necessary declarations from the respective Directors.