

BOARD OF DIRECTORS

Mr. J.T. Poonja	Chairman
Mr. Nimish C. Shah	Managing Director
Mr. Chintan V. Valia	Additional Director (<i>w.e.f. 25.03.2013</i>)
Mr. C. R. Mehta	Director (<i>resigned w.e.f. 07.02.2013</i>)
Mr. H. R. Prasad	Director
Mr. Manoj G. Patel	Director
Mr. Ramesh Venkat	Director
Mrs. Sangeeta J. Poonja	Director (<i>resigned w.e.f. 31.07.2012</i>)
Mr. Sanjay Kothari	Director (<i>resigned w.e.f. 05.02.2013</i>)
Mr. Shailesh Haribhakti	Alternate Director (<i>resigned w.e.f. 06.08.2012</i>)
Mr. Sohan C. Mehta	Director



GROUP INFORMATION

FORTUNE'S LEADERSHIP TEAM

Mr. Vishal Trehan	Chief Executive Officer – Broking & Distribution
Mr. Yashpal Madan	President – Group Operations
Mr. Gyan Mohan	Chief Executive Officer – Investment Banking
Mr. Nadeem Akbarali Karmali	Chief Executive Officer – Institutional Business
Mr. Mohan Natarajan	Group Chief Operating Officer
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	National Head Sales – Broking & Distribution
Mr. Mahantesh Sabarad	Sr. Vice President – Equity Research
Mr. Sandeep K. Shah	Head – Institutional Sales (India)

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 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, 2nd Floor
Sir P. T. Marg
Fort, Mumbai - 400 001
Website : www.fortune.co.in

DIRECTORS' REPORT

Dear Shareholders

Your Directors have pleasure in presenting the Twenty Second Annual Report and Audited Accounts for the year ended 31st March, 2013.

Financial Results

(Rupees in lakhs)

	2012-13	2011-12	2012-13	2011-12
	Stand-alone		Consolidated	
Total Income	247.76	579.36	6,289.02	8,034.77
Profit/(loss) before depreciation and tax	(412.57)	72.35	(1,152.01)	124.59
Depreciation and amortization	6.91	11.46	172.83	243.49
Profit/(Loss) before tax	(419.48)	60.89	(1,324.84)	(118.90)
Provision for tax				
- Current tax	–	11.80	25.08	147.15
- Current tax relating to prior years (Net)	5.16	4.10	(2.11)	20.51
- Deferred tax	(21.52)	(3.10)	(85.94)	(65.41)
Profit/(loss) after tax	(403.12)	48.09	(1,261.87)	(221.15)
Balance brought forward from the previous year	2,615.35	2,639.47	3,390.21	3,720.75
Balance available for appropriations	2,212.23	2,687.56	2,128.34	3,499.60
Transfer to statutory reserve	–	–	6.28	34.50
Dividend	–	64.40	–	64.40
Tax on dividend	–	7.81	–	10.49
Balance carried to balance sheet	2,212.23	2,615.35	2,122.06	3,390.21
Weighted average number of equity shares				
- Basic	1,28,79,290	12,683,674	1,28,79,290	12,683,674
- Diluted	1,28,79,290	12,683,674	1,28,79,290	12,683,674
Nominal value per share (in rupees)	10.00	10.00	10.00	10.00
Basic and diluted earnings per share				
- Basic (in rupees)	(3.13)	0.38	(9.80)	(1.74)
- Diluted (in rupees)	(3.13)	0.38	(9.80)	(1.74)

Working Results

Standalone

The income during the year 2012-13 stood at Rs. 247.76 lakhs as against Rs. 579.36 lakhs during the previous year. The company has incurred a loss of Rs. 419.48 lakhs as compared to a profit of Rs. 60.89 lakhs in the previous year. The loss after tax stood at Rs. 403.12 lakhs as against a profit of Rs. 48.09 lakhs in the previous year.

Consolidated

The consolidated income during the year 2012-13 stood at Rs. 6,289.02 lakhs as against Rs. 8,034.77 lakhs during the previous year. During the year under review the company has on consolidated basis incurred a loss of Rs. 1,261.87 lakhs after tax as against a loss of Rs. 221.15 lakhs in the previous year.

**Dividend**

In view of the loss incurred by the company, the Board of Directors do not recommend any dividend for the financial year 2012-2013.

Consolidated Financial Statements

The Board of Directors of your company at its meeting held on May 29, 2013 approved the consolidated financial statements for the financial year 2012-13 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 forms part of this annual report.

All Board members and senior management personnel have affirmed compliance with code of conduct for the year 2012-2013. A declaration to this effect certified by the Chairman of the company is also attached in the annual report.

The 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 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.

Subsidiary Companies

During the year under review, the company has formed two more subsidiary companies, viz. Fortune Integrated Home Finance Limited and Fortune Integrated Assets Finance Limited.

As per general circular issued by the Ministry of Corporate Affairs, the balance sheet, statement of profit & loss and other documents of the subsidiary companies for the year ended March 31, 2013 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 at the registered office of the company and will also be uploaded on the website of the company seeking such information at any point of time.

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 does not hold any public deposit and 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

The Board of Directors at their meeting held on 29th May, 2013 has subject to the approval of the members in the ensuing annual general meeting, re-appointed Mr. Nimish C. Shah as a Managing Director of the company for a period of three years commencing from 1st July, 2013.

During the year under review, Mr. Shailesh Haribhakti has resigned as an Alternate Director of the company effective from 6th August, 2012.

Further during the year under review, Mrs. Sangeeta Poonja, Mr. Sanjay Kothari and Mr. C. R. Mehta have resigned as Directors of the company with effect from 31st July, 2012, 5th February, 2013 and 7th February, 2013 respectively.

The Board of Directors wishes to take on record the valuable contribution given by them during their tenure as Directors of the company.

The Board of Directors through circular resolution on 25th March, 2013, appointed Mr. Chintan V. Valia as an Additional Director of the company. Mr. Chintan V. Valia holds the office of Directorship till the ensuing annual general meeting. The company has received deposit from the member of the company proposing the candidature of Mr. Chintan V. Valia as a Director of the company.

Effective from 1st April, 2013, Mr. J. T. Poonja has given up Executive position in the company. However, he continues to be the non-executive Chairman of the company.

Mr. Ramesh Venkat Director of the company, retires by rotation and being eligible offers himself 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

(Rupees in Lakhs)

Particulars	2012 - 2013	2011 - 2012
Earnings :		
Investment banking income	55.95	62.32
Outgo :		
Travelling & business promotion	2.46	2.01
Miscellaneous expenses	–	2.04
Dividend	21.67	86.68

Particulars of employees

Statement under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particular of Employees) Rules 1975, as amended is annexed as Annexure III and forms part of the Annual Report.

Transfer of unclaimed dividend to Investor Education & Protection Fund (IEPF)

During the year under review, the company has transferred of Rs. 68,180 & Rs. 85,075 being unclaimed dividends for the year ended 31st March, 2005 & 31st March, 2006 respectively to the Investor Education & Protection Fund (IE&PF) as required under the applicable provisions of the Companies Act, 1956.



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 loss 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
Chairman

Mumbai, May 29, 2013

Annexure I

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

	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 Guidelines 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	23,990
G	Variation of terms of options	Not Applicable	Not Applicable
H	Money realized by exercise of options	Rs. 1,41,15,790	Nil
I	Total number of options in force	Nil	37,000
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']	Rs. (3.13)	
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 equity shares pursuant to exercise of ESOP Options does not affect the profit & loss account of the company.	Not Applicable	
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"> ● 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	



Statement pursuant to Section 212 (3) of the Companies Act, 1956 relating to subsidiary companies as on March 31, 2013

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	Fortune Integrated Home Finance Limited	Fortune Integrated Assets Finance Limited
2.	The financial year of the subsidiary companies	March 31, 2013	March 31, 2013	March 31, 2013	March 31, 2013	March 31, 2013	March 31, 2013
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	2,76,00,000 equity shares Rs.10 each	6,00,000 equity shares Rs.10 each	2,50,000 equity shares Rs.10 each	22,50,000 equity shares Rs.10 each
		5,00,000 10% & 9,00,000 12.50% Redeemable cumulative preference shares Rs. 10 each	–	–	–	–	–
	b) extent of holding (%)	100	100	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, 2013, amounted to :- (Amount Rs. in lakhs)						
	• For the subsidiaries' financial year ended March 31, 2013 .	(840.41)	(32.89)	31.43	0.51	(0.34)	(17.05)
	• For the previous financial years of the subsidiaries since they became the holding company's subsidiaries	786.04	18.40	622.54	7.18	–	–
	b) Dealt in the accounts of Fortune Financial Services (India) Ltd for the year ended March 31 2013, amounted to :-						
	• For the subsidiaries' financial year ended March 31, 2013	Nil	Nil	Nil	Nil	Nil	Nil
	• For the previous financial years of the subsidiaries since they became the holding company's subsidiaries	Nil	Nil	Nil	Nil	Nil	Nil

Annexure III

Information under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended and forming part of the Directors' Report for the year ended March 31, 2013

Sr.No.	Name & Designation	Remuneration (Rs.)	Qualification	Experience in years	Date of commencement of employment	Age	Last employment, Designation/ No. of years & No. of shares held & % of holding
I. Employed throughout the year :							
1.	Mr. J. T. Poonja	1,06,27,575	M.A. (Eco)	45	01-08-1992	71	Vijaya Bank Asst. General Manager 19 years 23,900 (0.18%)
II. Employed for part of the year :							
2.	Mr. Nimish C. Shah	37,69,940	MBA (USA)	24	01-07-2008	49	Fortune Equity Brokers (India) Limited Managing Director 4 years 22,27,504 (17.30%)

Notes:

- 1) The above employments are contractual.
- 2) The above employments are 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, who ceased to be a Director w. e. f. 31st July, 2012.
- 4) Mr. Nimish C. Shah is a relative of Mr. Sohan C. Mehta.
- 5) 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.
- 6) Remuneration paid to Mr. J. T. Poonja includes Rs. 25,91,333 towards leave encashment and Rs. 31,50,000 towards gratuity.
- 7) Effective from 1st April, 2013 Mr. J. T. Poonja has become a Non Executive Chairman.



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 and profitability & revenues of the Company year after year.

Your Company confirms the compliance of corporate governance, in all material aspects except in case of Clause 49 (III), 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 a Chairman and comprises eminent persons with considerable professional experience from varied disciplines. The strength of the Board as on 31st March, 2013 is seven Directors.

b) Board Meetings held during the year

During the year 2012-2013, the Board of Directors met four times: on 30th May, 2012; 31st July, 2012; 31st October, 2012; and 6th February, 2013

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 and membership of Board Committees as on March 31, 2013

Name	Category	Attendance		Other Directorships (other than Pvt. Ltd. Cos.)	Committees (as on March 31 2013)	
		Board Meetings	Last AGM		Member-Ship	Chairman-ship
Mr. J. T. Poonja	Promoter & Executive Chairman	3	Yes	2	1	3
Mr. Nimish C. Shah	Promoter & Managing Director	4	Yes	6	8	1
Mr. Sohan C. Mehta	Promoter & Non-Executive Director	1	No	1	-	-
Mr. Chintan V. Valia	Additional Director	1	No	5	-	-
Mr. Ramesh Venkat	Independent Director	2	No	4	3	1
Mr. H. R. Prasad	Independent Director	4	No	3	1	4
Mr. Manoj G. Patel	Independent Director	-	No	-	-	-
Mr. C. R. Mehta	Independent Director	4	No	-	-	-
Mr. Sanjay Kothari	Independent Director	2	No	-	-	-
Mrs. Sangeeta Poonja	Promoter & Non-Executive Director	2	No	-	-	-
Mr. Shailesh Haribhakti	Alternate Director to Mr. Manoj Patel	2	No	-	-	-

Change in Directorate during the financial year:

- Mrs. Sangeeta Poonja resigned as a Director w. e. f. 31st July, 2012.
- Mr. Shailesh Haribhakti resigned as an Alternate Director w. e. f. 6th August, 2012.
- Mr. Sanjay Kothari resigned as a Director w. e. f. 5th February, 2013.
- Mr. C. R. Mehta resigned as a Director w. e. f. 7th February, 2013.
- Mr. Chintan Valia has been appointed as an Additional Director w. e. f. 29th August, 2012 and resigned on 19th December, 2012. Again he has been appointed as an Additional Director w. e. f. 25th March, 2013.
- Effective from 1st April, 2013 Mr. J. T. Poonja has become a Non Executive Chairman.