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### **BOARD OF DIRECTORS**

Mr. SUNDAR IYER  
Executive Chairman

Mr. CHANDRAMOULI  
Managing Director

Mr. IYER VISHWANATH  
Independent Director

Mr. S. HARIHARAN  
Independent Director

### **COMPANY SECRETARY**

Mr. A. V. M. SUNDARAM

### **AUDITORS'**

M/s. SHANKAR & KISHOR  
Chartered Accountants  
Mumbai

### **BANKERS**

ICICI BANK LIMITED  
STATE BANK OF TRAVANCORE  
HDFC BANK LTD

### **REGISTERED OFFICE**

No. 158, 1st Floor, Eldams Road,  
Alwarpet, Chennai - 600 018.

### **CORPORATE OFFICE**

No. 603 & 604 Dalamal Chambers,  
29, New Marine Lines,  
Mumbai - 400 020.

### **SHARE TRANSFER AGENTS**

LINK INTIME INDIA PVT. LTD.,  
C13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup (W)  
Mumbai - 400 078.  
Phone: (022) 25963838  
Fax: (022) 25946969



## NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 24<sup>th</sup> Annual General Meeting of the Company will be held on Monday, 27<sup>th</sup> September, 2010 at 3.30 p. m. at Bharatiya Vidya Bhavan Mini Hall, No. 18,20,22 (Old No. 37-39) East Mada Street, Mylapore, Chennai - 600 004 to transact the following business.

### ORDINARY BUSINESS

1. To receive, consider and adopt the balance sheet for the year ended 31<sup>st</sup> March, 2010, the profit & loss account as on that date and the report of the directors and auditors thereon.
2. To appoint Mr. Iyer Vishwanath, who retires at the ensuing General Meeting and being eligible, offers himself for reappointment.
3. To appoint Mr. S. Hariharan, who retires at the ensuing General Meeting and being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

### NOTES:

- a) **A member entitled to attend and vote, is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.**
- b) The instrument appointing proxy, in order to be effective must be deposited at the registered office of the company not less than 48 hours before the commencement of the twenty-fourth annual general meeting of the company.
- c) The Register of Members and Share Transfer books of the Company will remain closed from 24<sup>th</sup> September, 2010 to 27<sup>th</sup> September, 2010 (both days inclusive).
- d) Profile of Directors seeking re-appointment as stipulated in terms of Clause 49 of the listing agreement with the stock exchanges is provided in the report on corporate governance, which forms an integral part of this annual report.
- e) Members are requested to bring their copy of annual accounts, as no extra copies will be distributed at the meeting.

By Order of the Board

Place: Mumbai  
Date : 09-08-2010

A. V. M. SUNDARAM  
Company Secretary

By Order of the Board

Place: Mumbai  
Date : 09-08-2010

A. V. M. SUNDARAM  
Company Secretary



## DIRECTORS' REPORT

Dear Shareholders

Your Directors have pleasure in presenting the 24<sup>th</sup> ANNUAL REPORT of your company together with the Auditor's Report for the year ended 31<sup>st</sup> March 2010.

### FINANCIAL HIGHLIGHTS

The Financial Results for the year ended 31<sup>st</sup> March 2010.

	Rupees in Lacs	
	31/03/2010	31/03/2009
Profit from capital market operations	98.74	(1859.70)
Other Income	53.28	40.11
Profit before Depreciation & Tax	61.00	(1894.24)
Interest	0.00	0.00
Depreciation	0.96	1.20
Profit before tax	60.04	(1895.44)
Provision for tax / Deferred tax	0.09	0.00
Profit after tax	59.95	(1895.44)
Balance b/f from previous year	(282.92)	1612.52
Surplus carried to Balance Sheet	<b>(222.97)</b>	<b>(282.92)</b>

### BUSINESS & PERFORMANCE

During the year under review, the Company turned the corner by making a profit of Rs.60.04 Lakhs, (though a small amount) as against the net loss of Rs.1895.44 lacs in the last financial year. Further the directors are confident that the company shall improve its performance and the profit of the company in the financial year 2010-11, considering the present market conditions and economic revival of the country and the confidence given by the growth prospects of the Indian Economy.

## DIVIDEND

In the absence of adequate profit for the year, your Directors regret their inability to recommend dividend for the financial year 2009-2010.

### FUTURE PROSPECTS

The year ended 31st March 2010, witnessed several new highs in the Capital Markets. Signs of global recovery, record FII net inflows and turnaround in corporate profits have contributed favourably to this recovery. Your company took several conscious decisions in churning the portfolio of investments by reducing the non-performing stocks and investing in growth stocks. Though the company could make a small profit of Rs. 60.04 lacs during this financial year, we are confident that the growth stocks, which we have identified and added to our portfolio will boost the value of our investments and may help us in posting a decent profit during the financial year 2010-11. There are signs of recovery across the globe and in the Indian Securities Market. We expect to post better performance this year, barring unforeseen circumstances, and would be making profits.

### ALLOTMENT OF PREFERENCE SHARES

During the year 2009-10, the company allotted 1,50,000 - 12% redeemable non convertible preference shares of Rs.100/- each to the promoters and their group associates in addition to the 6,00,000 - 12% redeemable non-convertible preference shares of Rs.100/- each to the promoters and their group associates allotted in the year 2008-09.



## **CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section titled "Corporate Governance" has been annexed to this Annual Report.

## **DEPOSITS**

Your company has not accepted any deposits from the public during the year under review and there are no outstanding deposits as on 31<sup>st</sup> March 2010.

## **PARTICULARS OF EMPLOYEES**

The Company has no employees, who are in receipt of remuneration, requiring disclosure under Section 217(2A) of the Companies Act, 1956.

## **AUDITORS**

M/s Shankar & Kishor, Chartered Accountants, auditors of the company retire at the ensuing Annual General Meeting and are eligible for reappointment.

## **DIRECTORS**

Mr. Iyer Vishwanath and Mr. S. Hariharan, both Independent Directors on the Board of the company shall retire by rotation at the ensuing annual general meeting and being eligible offer themselves for re-appointment. As stipulated in terms of

Clause 49 of the listing agreement with the stock exchanges, the brief resume of Mr. Iyer Vishwanath and Mr. S. Hariharan, is provided in the report on corporate governance, which forms an integral part of this annual report.

## **PARTICULARS AS REQUIRED UNDER 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.**

### **Conservation of Energy**

The Company has taken steps to conserve energy in its office use, consequent to which energy consumption has been minimized. No additional Proposals/Investments were made to conserve energy. Since the company has not carried on industrial activities, disclosures regarding impact of measures on cost of production of goods, total energy consumption, etc., are not applicable.

### **Technology Absorption:**

The company has neither adopted nor intends to adopt any technology for its business and hence no reporting is required to be furnished under this heading.

### **Foreign Exchange Inflow & Outflow:-**

Foreign Exchange inflow and outflow during the year is Nil.



### **SUBSIDIARY COMPANY**

The particulars required to be disclosed u/s. 212(1)(e), read with sub section (3) of the Companies Act, 1956 for the year ended 31<sup>st</sup> March 2010 in respect of the Company's subsidiary Twentyfirst Century Shares & Securities Ltd. is annexed hereto.

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.

- \* The annual accounts have been prepared on a going concern basis.

### **DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000 the Directors confirm that:

- \* Applicable accounting standards have been adopted in the preparation of annual accounts along with proper explanation relating to material departures.
- \* Appropriate accounting principles have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2010 and of the profit or loss of the Company for the year ended on that date.
- \* Proper and sufficient care has been taken for the maintenance of adequate

### **ACKNOWLEDGEMENTS**

The Board of Directors would like to thank all employees of the Company as also Company's shareholders, auditors, customers and bankers for their continued support.

For and on behalf of the Board

Place : Mumbai  
Date : 24-05-2010

SUNDAR IYER  
CHAIRMAN



## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Macro-Economic Scenario:

#### MARC FABER'S GLOBAL VIEW

Marc Faber, Editor & Publisher of The Gloom, Bloom & Doom Report, warns, following the Treasury Department's report that year, that investors should stay clear of 10 and 30-year U.S. government bonds." I think eventually inflation will accelerate," he said. "Whenever food prices go up, and grains have been very strong recently, with the sum delay, you get inflationary pressures." 10-year treasury yields fell to 2.570% the weakest level since March 2009. While, the 30-year bond's yield reached 2.719% the lowest level in 16 months. Faber cited a weakening U.S. dollar as a second reason to decrease holdings in the country's debt. "(The) U.S. dollar will weaken, that's the policy of the U.S. government to weaken the dollar in order to cushion the downturn in the American economy."

#### Looking Beyond the Asian Titans

**"I'm not so keen on Chinese companies... I'm not a great investor in China," Faber said.** However, he recommends investing in companies that do business with China, or currencies that benefit from China's growth. **Faber is bullish on India** though, believing investors building a portfolio "must" park some of their money in the South Asian

Economy. "If I look at the long-term potential... there is an emerging middle class and capitalism has now been truly endorsed by everybody," he said, adding that India also has some "very well run" companies.

In addition to the Asian titans, Faber says Myanmar, Cambodia and Mongolia offer "a lot of potential".

#### GLOBAL EQUITY MARKET PERFORMANCE IN LAST 12 MONTHS (CHANGE IN %)

	Index Value	One Month	Three Months	Six Months	One Year
BRIC ECONOMIES 31-Mar-10					
Brazil	70372	5.8	2.6	14.4	71.9
Russia	1450	8.8	5.9	21.1	87.6
India	5249	6.6	0.9	3.2	73.8
China	3109	1.6	(4.7)	11.9	(13.2)
EMERGING ECONOMIES					
Argentina	2374	7.3	2.4	14.4	110.8
Mexico	33266	5.2	3.6	13.0	70.3
Thailand	788	9.2	7.3	9.9	83.4
Korea	1693	6.2	0.6	1.2	40.3
DEVELOPED ECONOMIES					
USA	10857	5.1	4.1	11.8	42.7
UK	5680	6.1	4.9	10.6	44.7
Japan	11090	9.5	5.2	9.4	36.8

2. **The Indian Economy**, which had managed to emerge out of the global turmoil in the year 2008-09 relatively unscathed, witnessed a quick rebound



in the year 2009-10. The global growth momentum also saw a rise following unprecedented boost of liquidity by Federal Governments across countries, especially in developed economies. Against a decline of -0.6% during the previous year. IMF projects world GDP to expand by 4.2% during CY10. This momentum saw a wide divergence - a moderate revival for the developed world, but a notch faster for the emerging economies. While recovery in real economy remained on track, the returns from stock markets, especially in Emerging Markets were much more. The rally in Emerging Markets was led by the revival in risk appetite and inflows from developed countries, especially the US, aided by a dollar funded carry trade. The markets were clearly achieving what they were intended to. However the ongoing spectra of sovereign default risks in Greece and parts of South Europe have recently started showing signs of cynicism. Whilst the Euro Zone governments have come out with a massive bail-out programme, the emerging situation requires careful monitoring as it has the potential to cause a double dip recession in some economies.

**The growth story for India** has always looked robust compared to its peers, given the long-term dynamics in its favour. A lower export dependence and high domestic demand saw India emerge relatively unharmed from the global turbulence. India, along with China, was the only major economy to have registered a 5%+ growth in every quarter even during recession. As demand improved, India's economy saw a sharp surge in factory output undeterred by a poor monsoon. Growth

estimates began getting revised upwards, mid CY09 onwards. Stock Markets started riding on a wave of exuberance on prospects of better growth and easy liquidity. Moreover the mid-year elections turned the tide for the Indian Markets. A stellar rally set-in as the newly elected government gave a boost to growth expectations. During the phase of recovery, the challenge before India was striking the right balance amongst a host of macro issues-containing fiscal deficit, smooth roll back of stimulus programmes without affecting the growth momentum, yet maintaining adequate liquidity for enabling credit. Growth without leading to inflation would be impossible and RBI was quick and proactive in tackling inflation and inflationary expectations by increasing the key benchmark rates gradually and in a calibrated pace so as to ensure that the process of growth recovery is unaffected.

#### CRISIL'S MACROECONOMIC VIEW

	Parameter	Forecast (2010-11)
Growth (%)	Agriculture	5.5
	Industry	8.6
	Services	8.4
	Total GDP	8.0
Inflation (%)	WPI Average	8.5-9.0
Interest Rate (%)	10-Year G-sec (Year-end)	8.3-8.5
Exchange Rate	Re/US\$ (Year-end)	43.5-44.0
Fiscal deficit	Fiscal Deficit (as a % of GDP)	5.0



## Capital Markets

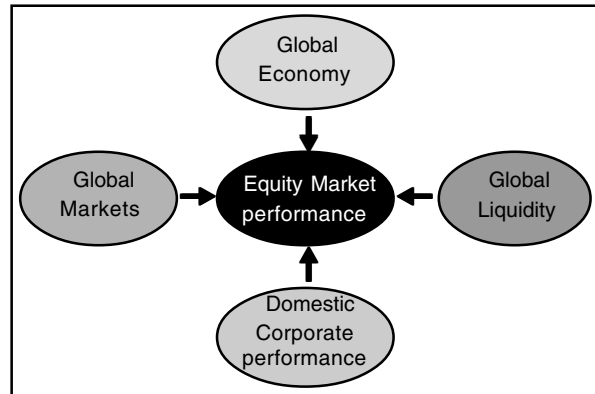
The Indian capital markets have performed better than most others during this financial year. The markets went through some testing times during the second half even as we buried the fears of a global slowdown. We see the year ahead of us as one of consolidation. We are likely to witness a lot of activity in all the verticals of the capital markets. The penetration of asset classes like bonds and currencies remain low. However as Indian investors become more sophisticated, they are bound to start branching out into various asset classes and this will boost the markets. Also the markets will further develop with greater efficiency owing to the forward looking policies of the regulators and the government. The projected growth of the Indian economy with the resultant growth in the capital markets compels us to identify the enabling factors and to work towards putting them in place at the earliest.

## Debt Markets

Growth in the corporate debt markets was stunted during the second half of FY09 by a severe liquidity crunch, higher interest and counter party fears. The corporates as yet do not seem to view the debt markets as a credible alternative to equity capital markets in raising capital. But as the government and regulators seem inclined to taking steps to develop bond markets in India with an objective of reducing the cost of raising debt capital. We believe the segment will grow faster than other segments in the future and gradually will become a major source of

capital required by corporates supplementing traditional bank credit.

### DRIVERS OF EQUITY MARKET PERFORMANCE



## 3. Broking Industry

The broking industry had recorded its highest quarterly average daily traded volumes of approximately Rs. 1020 bln in the third quarter of FY08. However it started witnessing an immediate decline in its volumes due to apprehension about high inflation, slowdown in industrial production in the country and overall weakness in global sentiments. The decline in volumes continued for almost five quarters with the lowest volumes falling close to half, at Rs. 550 bln per day in the last quarter of FY09. The retail investors were hesitant to return to the market as they were still not out of the fear psycho due to their worst experience in the market in the year 2008.

The volumes however started improving since the beginning of FY10 due to the unexpected global rebound and the Indian election results which spelt stability. This was due to high institutional participation both domestic and foreign institutional investors. This is quite evident from the fact that the Options volumes increasing much faster compared to cash and futures. Even the statistical data available indicate that the proprietary trading volumes have increased considerably since the retail



participation was absent and the broking industry have to deploy their resources in a profitable manner and they were into arbitrages and hedging. In other words while the average daily volumes appear to have grown about 55% over FY09, the same has not resulted in a corresponding increase in the broking income. Volumes also remained flat during the last two quarters of the year.

#### **4. Opportunities and Threats**

##### **Opportunities**

- Economy is growing at healthy rate leading to investment/capital requirement.
- Growing Financial Services industry's share of wallet for disposable income.
- Huge market opportunity for wealth management service providers as Indian wealth management business is transforming from mere wealth safeguarding to growing wealth.
- Regulatory reforms would aid greater participation by all class of investors.
- Leveraging technology to enable best practices and processes.
- Corporates looking at consolidation/ acquisitions/ restructuring opens out opportunities for the corporate advisory business.

##### **Threats**

- Execution risk
- Cautiously optimistic approach due to global slowdown
- Increased intensity of competition from local and global players

#### **5. Our Business Streams and Outlook:**

Your company is an Investment Company and the standalone operations have two critical elements:

- (i) Build on a sound portfolio with deeper analysis and a constant churning of the same to adapt to the changing dynamics of the prevalent Indian Capital Market.
- (ii) Your company continues to rely heavily on capital market operations, which accounts for bulk of the consolidated revenues. As such, the performance and results of your company have a direct correlation to the conditions prevailing in the Indian capital market.
- (iii) We recognize the fact the retail investors are still hesitant and averse to investment in the capital market. Hence the retail business is yet to pick up. Based on our past experience we have initiated business in future.
- (iv) Since the institutional business has progressed we have focused on the growth of institutional broking business during this year.

#### **6. Human resources:**

We have recognized that the execution skills are a key factor in giving it a decisive edge over its peers. The challenges which lie ahead in achieving the goals of the organization can be faced only by the human resources capital within the company. Hence we have attached great emphasis to the growth and enhancement of its human resources capital. After the turbulent times in FY08-09 where cost control occupied the centre stage along with risk management the current year has been a year of progress. We have retained the best business talents in the organization who have faced bravely the challenges so far and are striving to give their best. We are committed to face the challenges of market dynamics in human resources in the competitive industry and devise appropriate strategies to take the organization to the next level by raising the organizational bar.



## REPORT ON CORPORATE GOVERNANCE

**Attendance at the Board Meetings and Annual General Meeting were as under:**

### 1. Company's Philosophy on Corporate Governance

The Company defines Corporate Governance as a Systematic Process by which companies are directed and controlled to enhance their wealth generating capacity. Since large corporations employ vast quantum of social resources, we believe that the governance process should ensure that these companies are managed in a manner that meets stakeholders' aspirations and social expectations.

The basic objective of corporate governance policies adopted by the company is to attain the highest levels of transparency, accountability and integrity. This objective extends not merely meeting with statutory requirements but also goes beyond them by putting in place procedures and systems, which are in accordance with best practices of governance. Your company believes that good corporate governance will enhance the trust and confidence of all the stakeholders. Good practice in corporate behaviour helps to enhance and maintain Public trust in companies and stock market.

### 2. Board of Directors

#### **Composition and category of Board of Directors**

The Board of Directors of the company comprises of two Executive Directors and two Independent (non executive) Directors. None of the Directors are related to each other.

### Dates of Board Meeting

During the financial year 2009-2010 Five (5) meetings were held on the following dates: 29<sup>th</sup> June 2009, 30<sup>th</sup> July 2009, 17<sup>th</sup> August 2009, 30<sup>th</sup> October 2009 and 30<sup>th</sup> January 2010.

The last Annual General Meeting was held on 14<sup>th</sup> September 2009. The Board comprises of two independent directors out of present strength of four directors. Composition, attendance of each director at the Board Meetings and at the last AGM and the number of other directorship, committee memberships are set out below:

Name	Category	No. of Board Meeting attended	Attendance at the Last AGM	Directorship in Other Companies	Other Companies Committee Chairmanships	Other Companies Committee Memberships
Mr. Sundar Iyer	Chairman-Executive Director	5	No	3	Nil	Nil
Mr. Chandramouli	Managing Director	5	Yes	3	Nil	Nil
Mr. Iyer Vishwanath	Independent Non-Executive Director	5	Yes	1	Nil	Nil
Mr. S. Hariharan	Independent Non-Executive Director	5	Yes	Nil	Nil	Nil

### 3. Board Committees:

#### A. Audit Committee

##### Charter:

The primary object of the Audit Committee of the company is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and