

“वित्तं देहि गुणान्वितेषु मतिमत्रान्यत्र देहि क्वचित्
प्राप्तं वारि निघेर्जलं घनमुखे माधुर्यं युक्तं सदा
जीवानस्थावर जंगमाश्च सकलान् संजीव्यभूमंडल
भूयः पश्यदेव कोटि गुणितं गच्छन्तमम्भोनिधम्”

“O wise man! Give wealth only to the worthy and never to others. The salty water of the sea purified by the sun and stored in the clouds, always becomes sweet. The rainwater enlivens all living beings (both movable and immovable) on the earth, and returns to the ocean. It means that the wealth given to worthy people always return in various ways”

Chanakya



From the Chairman's Desk

Dear Shareholders

It gives me great pleasure to present before you the Annual Report of your Company for the financial year 2011-12. Financial year 2011-12 has been a challenging year with unprecedented economic uncertainty in Europe, geopolitical upheaval in the Middle East and a slowing down of economic growth across Asia. The year has been somewhat difficult for the Indian economy due to rising inflation, high interest rates, depreciating rupee and rising crude prices. Globally, the Euro zone debt crisis and geo political developments in the Middle East have been other causes of concern.

The year was a very challenging year for most of the world and businesses and it was not different for your company also. It was a tough year for your company in terms of performance but will be a landmark year in future to come as your company has redefined its strategies and initiatives during the year. I would request you to please go through the Management Discussion and Analysis for details.

The group revenue during the year ended 31st March, 2012 decreased by 26.33% to Rs. 5782.63 Lacs and the profit after tax was Rs. 1524.39 Lacs, a decrease of 53.50% over previous year. The present revenue mix of your company is highly dependent on the state of Capital Markets. Weak global economic prospects and continuing uncertainties in the international financial markets therefore, have had their impact on the emerging market economies. We are hopeful about the future prospects of all our business segments and expect recovery in the business sentiments from next financial year.

Your Directors have recommend a dividend of 10% (Re 1 per equity share of Rs. 10 each) for the FY 2011-12. The Board has recommended this dividend after careful consideration with

a view to balance the expectation of the shareholders and the need to conserve resources for financing the ongoing expansion program.

Your company operates as an integrated financial service provider and covers retail, High Net worth Individuals (HNIs), Corporate & Institutions. The Asset Management business is an integral part of the business and the company forsee good growth opportunity in the business. Portfolio Management Services (PMS) and Mutual Fund Advisory related services are already being provided to the clients. However, the starting of a Mutual Fund Company will strengthen the business model. We are pleased to share with you that your Company has filed an application to SEBI for registration as Mutual Fund.

Of course, there are and will always be challenges, from outside and within. But we need to redefine our Policies and strategies the way it is required. The main advantage for our economy is our strong underlying fundamentals. The growth drivers need an overlay of appropriate policy framework that removes friction in the economic ecosystem and helps all its parts to realise their full potential. This will evolve over time. But the momentum that has been created in the economy will ensure robust and sustained growth over the medium to long term.

At Microsec, we have always believed in focusing on long-term growth over short term profitability. It is not an easy process. But I believe that in a country like India, which probably defines hyper-competitiveness, this is the only way to build scale and succeed. I am confident about the growth and profitability of the Microsec Group in the years ahead. The Group is strongly positioned in each of its businesses and focused on sustainable growth and profitability. We look forward to the years ahead with excitement and optimism.

The thought of Chanakya on cover page is the reflection of our commitment to all our stakeholders. Though the lower profit for last 2 years may have upset our track record of growth but we are committed to our Purpose and Values.

I extend my sincere appreciation to my colleagues on the Board for their wise and matured counsel for the smooth functioning of the Company. I would like to express my profound gratitude to all our stakeholders, our customers, business associates, bankers, employees, vendors and shareholders, who have reposed their trust in us and given us constant support.

Yours Sincerely,

B. L. Mittal

Chairman and Managing Director

May 23, 2012

Corporate Information

BOARD OF DIRECTORS

Banwari Lal Mittal
Chairman and Managing Director

Ravi Kant Sharma
Managing Director & CEO

Parimal Kumar Chattaraj

Raj Narain Bhardwaj

Deba Prasad Roy

CHIEF FINANCIAL OFFICER

Giridhar Dhelia

COMPANY SECRETARY

Biplab Kumar Mani

REGISTERED OFFICE

Shivam Chambers, 1st Floor
53, Syed Amir Ali Avenue
Kolkata - 700 019
Phone : +91 33 3051 2100
Fax : +91 33 3051 2020
E-mail : info@microsec.in
Website : www.microsec.in

CORPORATE OFFICE

Azimganj House, 2nd Floor
7, Camac Street
Kolkata - 700 017
Phone : +91 33 2282 9330
Fax : +91 33 2282 9335

BANKERS

HDFC Bank Limited
ICICI Bank Limited
Indusind Bank Limited

AUDITORS

S. R. Batliboi & Co.,
Chartered Accountants
22, Camac Street, Block 'C'
3rd Floor, Kolkata - 700 016

REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Private Limited
59C, Chowringhee Road, 3rd Floor
Kolkata - 700 020
Phone : +91 33 2289 0539/40
Fax : +91 33 2289 0539
E-mail : kolkata@linkintime.co.in
Website : www.linkintime.co.in

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Notice

NOTICE is hereby given that the 23rd Annual General Meeting of the members of Microsec Financial Services Limited will be held on Friday, the 3rd day of August, 2012 at 10.30 a.m. at "Rotary Sadan" (Shripati Singhania Hall), 94/2 Chowringhee Road, Kolkata - 700 020 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2012, the Statement of Profit and Loss for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To declare Dividend on Equity Shares for the Financial year ended on 31st March, 2012.
3. To appoint a Director in place of Mr. Parimal Kumar Chattaraj, who retires from office by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :

"**RESOLVED THAT** pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. S. R. Batliboi & Co. (Regn. No. 301003E), Chartered Accountants, Kolkata, the retiring Auditors, be and are hereby re-appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting of the Company and that the Board of Directors of the Company be and is hereby authorised to fix their remuneration for the said period and reimbursement of actual out of pocket expenses, as may be incurred in the performance of their duties."

Registered Office :
Shivam Chambers, 1st Floor
53 Syed Amir Ali Avenue
Kolkata - 700 019
Date : May 23, 2012

By Order of the Board
Microsec Financial Services Limited

Biplab Kumar Mani
Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND THE MEETING AND VOTE ON A POLL, IF ANY, INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY AT THE REGISTERED OFFICE, NOT LESS THAN 48 HOURS BEFORE THE SCHEDULED TIME OF THE MEETING. A BLANK PROXY FORM IS ANNEXED TO THIS NOTICE.
2. Brief resume of Director proposed to be re-appointed, nature of his expertise in specific functional areas, names of companies in which they hold directorships and memberships/chairmanships of Board Committees, shareholding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement entered into with the Stock Exchanges are annexed herewith.
3. Register of Members and Share Transfer Books of the Company shall remain closed from Wednesday, the 25th July, 2012 to Friday, the 3rd August, 2012 (both days inclusive) for determining the names of Members eligible for dividend on Equity Shares, if any, declared at the meeting.
4. The Dividend, if declared at the Annual General Meeting, will be paid between Thursday, the 9th August, 2012 to Friday, the 24th August, 2012 to those persons or their mandates :
 - a) whose names appear as Beneficial Owners as at the end of the business hours on 24th July, 2012 in the list of Beneficial Owners furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in Electronic form; and
 - b) whose names appear as Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company/its Registrar and Share Transfer Agent (R&T Agent) on or before Tuesday, the 24th July, 2012.
5. Reserve Bank of India has initiated National Electronic Clearing Service (NECS) for credit of dividend directly to bank account. Members are requested to provide their latest bank account details (Core Banking Solutions enabled account numbers, 9 digit MICR and 11 digit IFS code) with their Depository Participants.

Notice

Members holding Shares in Physical form are requested to provide their latest bank account details (Core Banking Solutions enabled account numbers, 9 digit MICR and 11 digit IFS code) alongwith their Folio Number to the Company's Registrar and Share Transfer Agents, Link Intime India Private Limited.

6. Members holding shares in physical form are requested to intimate change in their registered address mentioning full address in block letters with Pin Code of the Post Office, Bank particulars and Permanent Account Number (PAN) to the Company's Registrar and Share Transfer Agent and in case of members holding their shares in electronic form, this information should be given to their Depository Participants immediately.
7. Pursuant to Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to download the nomination form (Form 2B) from the Companies Website under the section "Investors Relation" and send their requests in Form No. 2B in duplicate to the R&T Agent.
8. Members are requested to send their queries, if any on the accounts or operations of the Company, to reach the Company Secretary at the Company's Registered Office, at least 7 (seven) working days prior to the meeting, so that the information can be compiled in advance.
9. Members are requested to mention their Folio Number/Client I.D./DP I.D. Number (in case of shares held in dematerialized form) in all their correspondence with the Company/Depository Participant in order to facilitate response to their queries promptly.
10. Members/Proxies are requested to kindly take note of the following :
 - (i) copies of Annual Report will not be distributed at the venue of the meeting;
 - (ii) attendance slip, as sent herewith, is required to be produced at the venue duly filled-in and signed, for attending the meeting;
 - (iii) entry to the hall will be strictly on the basis of produce of duly completed and signed Attendance Slips; and
 - (iv) in all correspondence with the Company and/or the R&T Agent, Folio No./DP & Client ID no. must be quoted.
11. Members who are holding shares in identical order of names in more than one folio are requested to write to the Company enclosing their share certificate to enable the Company to consolidate their holdings in one folio.
12. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
13. Corporate Members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
14. Link Intime India Private Limited ("Link") is the Registrar & Share Transfer Agent of the Company. All investor related communication may be addressed to "Link" at the following address :

Link Intime India Private Limited
59C, Chowringhee Road, 3rd Floor
Kolkata - 700 020
Phone : +91 33 2289 0539/40
Fax : +91 33 2289 0539
15. Non-resident Indian Members are requested to inform "Link", immediately of :
 - (a) Change in their residential status on return to India for permanent settlement.
 - (b) Particulars of their Bank Account maintained in India with complete name, branch, account type, account number and address of the Bank with pincode no., if not furnished earlier.

Notice

16. Members are requested to visit the website of the Company 'www.microsec.in' for viewing the quarterly & annual financial results and for more information on the Company.
17. For any investor-related queries, communication may be sent by e-mail to 'investors@microsec.in'.
18. The the Ministry of Corporate Affairs, Government of India has introduced a 'Green Initiative in the Corporate Governance' by allowing paperless compliances by the companies for service of documents to their members through electronic mode, which will be in compliance with section 53 of the Companies Act, 1956.

Your Company whole-heartedly welcomed and supported the Green Initiative taken by the MCA and in the year 2011, your Company gave option to its shareholders to register/update their email IDs with the Company or the concerned depository to allow the Company to send documents in electronic form.

The response of the shareholders who had registered their email ID was quite encouraging and they appreciated the endeavor of the Company to protect the environment by saving papers. The shareholders who have not yet registered their e-mail IDs with the Company/RTA are once again requested to register the same for receiving the Report and Accounts, Notices etc. in electronic mode.

Please also note that as a shareholder of the Company, you are always entitled to request and receive, free of cost, a copy of Annual Report and other documents in accordance with the provisions of the Companies Act, 1956.

Registered Office :

Shivam Chambers, 1st Floor
53 Syed Amir Ali Avenue
Kolkata - 700 019
Date : May 23, 2012

By Order of the Board
Microsec Financial Services Limited

Biplab Kumar Mani
Company Secretary

Details of Mr. Parimal Kumar Chattaraj seeking re appointment at the forth coming Annual General Meeting :

Name of Director	Mr. Parimal Kumar Chattaraj
Date of Birth	29th September, 1945
Date of Appointment on the Board	2nd April, 2007
Expertise in specific functional Area	Finance, Human Resouce and Strategic Management
Qualification	BSc, PGDM, LL.B.
Directorship in limited Companies	Tantia Constructions Limited Microsec Capital Limited Microsec Commerze Limited Microsec Insurance Brokers Limited Microsec Technologies Limited
Membership of Committees in public limited companies	Microsec Financial Services Limited: 1. Audit Committee - Chairman 2. Shareholders/Investors Grievance Committee - Member 3. Remuneration Committee - Chairman Tantia Constructions Limited : 1. Remuneration Committee - Chairman
Shareholding of Director in the Company	NIL

Directors' Report

To the Members,

Your Directors have pleasure in presenting the 23rd Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2012.

FINANCIAL HIGHLIGHTS

A summary of Consolidated Financial results of the Company and its subsidiaries for the year ended 31st March, 2012 is given below :-

(Rs. in Lacs)		
Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Income	5782.63	7849.07
Profit before Interest, Depreciation & Tax	2886.50	4627.18
Less : Depreciation	603.25	255.86
Less : Interest	51.97	76.26
Profit before Taxation	2231.28	4295.06
Less : Provision for Taxation		
- Current Tax	774.68	991.67
- Deferred Tax	(49.28)	25.39
- Excess Provision of Income Tax for earlier years, written back	(18.51)	—
Profit for the year	1524.39	3278.00
Balance brought forward from previous year	7420.30	4902.51
Balance Available for Appropriation	8944.69	8180.51
Less : Appropriations		
- Proportionate share of Loss of Associate Company	120.63	—
- Transfer to Reserve under Section 45-IC of the RBI Act, 1934	232.00	376.00
- Transfer to Debenture Redemption Reserve	12.50	12.50
- Transfer to Capital Redemption Reserve	—	2.00
- Proposed Dividend	318.11	318.11
- Dividend Tax thereon	51.60	51.60
Balance of Profit carried forward	8209.85	7420.30

Directors' Report

A summary of Standalone Financial results for the year ended 31st March, 2012 is given below :

(Rs. in Lacs)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Income	2289.45	2724.31
Profit before Interest, Depreciation & Tax	2023.25	2458.78
Less : Depreciation	441.36	95.10
Less : Interest	—	12.12
Profit before Taxation	1581.89	2351.56
Less : Provision for Taxation		
- Current Tax	612.07	553.15
- Deferred Tax	(109.48)	(0.07)
- Excess Tax Provision relating to earlier years no longer required written back	(11.94)	—
Profit for the year	1091.24	1798.48
Balance brought forward from previous year	2594.26	1525.49
Balance Available for Appropriation	3685.50	3323.97
Less : Appropriations		
Transfer to Reserve under section 45-IC of the RBI Act, 1934	219.00	360.00
Proposed dividend	318.11	318.11
Dividend Tax thereon	51.60	51.60
Balance of Profit carried forward	3096.79	2594.26

REVIEW OF OPERATIONS

The Company's performance during the year was affected due to adverse capital market scenerio which prevailed during most part of the year. On consolidated basis, the total income of the Company for the financial year ended March 31, 2012 decreased by 26.33% to Rs. 5782.63 Lacs and the profit after tax was Rs. 1524.39, down by 53.50% over previous year.

The detailed results of operations of the Company are given in the Management Discussion & Analysis forming part of this Report.

DIVIDEND

Keeping in view the overall performance during the year, your Directors are pleased to recommend a dividend of Re 1 per Equity Share on the face value of Rs. 10 each being 10%, which if approved at the ensuing Annual General Meeting, payable to those members whose names appear in the Register of Members as on the Book Closure Date. The Dividend will absorb a sum of Rs. 369.71 lacs including dividend distribution tax.

KEY INITIATIVES

Microsec Mutual Fund :

Your Company operates as an integrated financial service provider and covers retail, High Networth Individuals (HNIs), Corporate & Institutions. The Asset Management business is an integral part of the business and the Company foresee good growth opportunity in the business. Portfolio Management Services (PMS) and Mutual Fund Advisory related services are already being provided to the clients. The Directors think that starting Mutual Fund Company will strengthen the business model. As you are aware that the Company has taken the approval from the Board of Directors in its meeting held on 9th February, 2012 to enter into Mutual Fund business, we are pleased to share with you that the Company has filed an application to SEBI for registration as Mutual Fund.

Directors' Report

SUBSIDIARY COMPANIES AND CONSOLIDATED RESULTS OF OPERATIONS

As at March 31, 2012, the Company's subsidiaries and step-down subsidiaries are as follows :

Sl. No.	Name
1	Microsec Capital Limited
2	Microsec Resources Private Limited
3	Microsec Technologies Limited
4	Microsec Commerze Limited
5	Microsec Insurance Brokers Limited
6	PRP Technologies Limited

During the year under review, Microsec Capital Limited (MCap), the 'Material Non-listed Subsidiary' of the Company earned the revenues of Rs. 2130.12 Lacs and has incurred a loss of Rs. 25.20 Lacs.

In terms of the Circular No. 2/2011 dated February 8, 2011 issued by the Ministry of Corporate Affairs, Government of India, a general exemption has been granted from the compliance of Section 212 of the Companies Act, 1956, requiring holding companies to attach with their balance sheet, a copy of the balance sheet, profit and loss account and other documents of each of its subsidiaries, provided that the Board of Directors of such companies have given consent, by way of a resolution, for not attaching the Accounts & Reports of the subsidiary companies concerned with the balance sheet of the Company and that the conditions prescribed in the said Circular are complied with. Your Board at their meeting held on May 23, 2012 have given their consent for not attaching, inter alia, the balance sheet, statement of profit and loss and other relevant reports and statements of its subsidiary companies to the balance sheet of your Company as on March 31, 2012 and have also agreed to comply with the conditions prescribed in the said Circular.

In view of the above Circular, the balance sheet, statement of profit and loss and other documents and statements of the aforesaid subsidiaries have not been attached to the Balance Sheet as on March 31, 2012 of your Company. The Annual Reports-2012 of the aforesaid subsidiaries will be made available to the shareholders of the Company and its subsidiaries upon receipt of written requests from them. The Annual Reports-2012 of the aforesaid subsidiary companies will also be kept for inspection by the shareholders of the Company at the Registered Office of the Company between 10.30 a.m. and 1.30 p.m. on any working day.

In compliance with the requirements of the aforesaid Circular and Accounting Standard AS- 21 read with AS-23, a Statement showing relevant details for the year ended March 31, 2012 of the wholly owned subsidiaries of the Company have been included in the Consolidated Financial Statements of the Company which forms part of this Annual Report.

DIRECTORS

Prof. (Dr.) Gourav Vallabh, resigned as an Independent Director from the Board of the Company on September 21, 2011.

In accordance with the provisions of Section 255 and 256 of the Companies Act, 1956 and the Articles of Association of the Company Mr. Parimal Kumar Chattaraj, retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer himself for reappointment.

Brief resume of the Director seeking appointment, reappointment, nature of his expertise in specific functional areas and names of companies in which he hold directorships and memberships/chairmanships of Board Committees, as stipulated under Clause 49 of the Listing Agreement, are provided in the Report on Corporate Governance forming part of the Annual Report.

Based on the confirmations received, none of the Directors are disqualified for appointment under Section 274(1)(g) of the Companies Act, 1956.

Directors' Report

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors confirm that :

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2012 and of the Profit of the Company for the year ended on that date;
- (iii) 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
- (iv) the annual accounts have been prepared on a going concern basis.

AUDIT COMMITTEE

The Audit Committee presently comprises of :

Mr. Parimal Kumar Chattaraj - Chairman
Mr. Raj Narain Bhardwaj,
Mr. Deba Prasad Roy and
Mr. Ravi Kant Sharma

SHAREHOLDERS/INVESTORS' GRIEVANCE AND SHARE TRANSFER COMMITTEE

The Shareholders/Investors' Grievance and Share Transfer Committee of the Board of Directors presently comprises of:

Mr. Raj Narain Bhardwaj - Chairman
Mr. Banwari Lal Mittal and
Mr. Parimal Kumar Chattaraj

REMUNERATION/COMPENSATION COMMITTEE

The Remuneration/Compensation Committee of the Board of Directors presently comprises of:

Mr. Parimal Kumar Chattaraj - Chairman
Mr. Raj Narain Bhardwaj and
Mr. Deba Prasad Roy.

CORPORATE GOVERNANCE REPORT

The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report.

Certificate from the Statutory Auditors M/s S. R. Batliboi & Co., Chartered Accountants regarding compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges is annexed to the report.

Your Company has taken adequate steps for strict compliance with the Corporate Governance guidelines, as amended from time to time.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges in India, is presented in a separate section forming part of the Annual Report.

CEO AND CFO CERTIFICATION

In accordance with the provisions of the Listing Agreement pertaining to corporate governance norms, Mr. Ravi Kant Sharma, MD & CEO and Mr. Giridhar Dhelia, CFO have certified inter-alia, about review of financial statements and

Directors' Report

establishing & maintaining internal control to the financial reporting for the year ended 31st March, 2012. The said certificate forms an integral part of annual report.

AUDITORS AND AUDITORS' REPORT

M/s S. R. Batliboi & Co. (Regn. No. 301003E), Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received letter from the auditor to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for re-appointment within the meaning of Section 226 of the said Act.

The Notes on Accounts referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

DEPOSITS AND LOANS/ADVANCES

During 2011-12, your Company did not accept/renew any deposits within the meaning of Section 58A of the Companies Act, 1956 and the rules thereunder and as such, no amount of principal or interest was outstanding as on the balance sheet date.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The Information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo as per 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, is appended as Annexure "A" and forms part of this Report.

PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND RULES FRAMED THEREUNDER

As required under Section 217(2A) of the Companies Act, 1956 and Rules thereunder, no such employee of the Company's were in receipt of remuneration of more than Rs. 60,00,000 during the year ended 31st March, 2012 or of more than Rs. 5,00,000 per month during any part thereof.

HUMAN RESOURCE MANAGEMENT

Your Company places strong emphasis on its Human Resources and truly believes that they are its assets and a key competitive advantage. Efforts have been put in by your Company to ensure that best talent is recruited, continuously developed and retained. The Company is constantly working on providing the best working environment to its Human Resources with a view to inculcate leadership, autonomy and towards this objective, your Company spends large efforts on training. Your Company shall always place all necessary emphasis on continuous development of its Human Resources. Your Company strongly believes in fostering a culture of trust and mutual respect in all its employee relations endeavours.

ACKNOWLEDGMENT

Your Board place on record their sincere appreciation for the cooperation and support received from investors, shareholders, customers, business associates, bankers, vendors as well as regulatory and government authorities.

Your Board is very grateful to the independent Directors who despite their busy schedules have given their contributions and shared their valuable experience and knowledge with the management to take the Company forward. Your Board would also like to thank all the employees and staff of the Company and wish the management all the best for achieving even greater heights in the future.

Your directors are also deeply grateful to our shareholders for the confidence and faith placed in us.

Place : Kolkata
Date : 23rd May, 2012

For and on behalf of the Board
B. L. Mittal
Chairman & Managing Director

Directors' Report

ANNEXURE - A

DISCLOSURE OF THE PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS REQUIRED UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

A) CONSERVATION OF ENERGY :

As the Company does not fall under any of the industries listed out in the Schedule appended to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, particulars required to be disclosed with respect to conversation of energy are not applicable to the Company.

The Company is engaged in providing financial services and as such its operations do not account for substantial energy consumption. However, the Company is taking all possible measures to conserve energy by using efficient computer systems and procuring energy efficient equipment. As an ongoing process, your Company evaluates new technologies and techniques to make its infrastructure more energy efficient.

B) TECHNOLOGY ABSORPTION :

From B : Disclosure of particulars with respect to absorption			
Research & Development (R & D)-			
Specific areas in which R & D carried out by the company		The Company is engaged in financial services and so there were no activities in the nature of research and development involved in the business. Being in financial services, we provide financial and equity research to the customers which is not in the nature of research and development.	
Benefits derived as a result of the above R&D			
Future plan of action			
Sr. No.	Expenditure on R & D	2011-12 (Rs.)	2010-11 (Rs.)
1.	Capital Expenditure	NIL	NIL
2.	Recurring Expenditure	NIL	NIL
	Total	NIL	NIL
	Total R & D expenditure as a percentage of total turnover	N.A.	N.A.
Technology, absorption, adaptation and innovation			
Efforts, in brief, made towards technology absorption, adaptation and innovation		There is no change in technology used by the company <	

C) FOREIGN EXCHANGE EARNING AND OUTGO :

	FY 2011-12	FY 2010-11
Foreign Exchange earnings	NIL	NIL
Foreign Exchange outgo (Travelling Expenses)	Rs. 1,46,023	Rs. 1,05,026

Directors' Report

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES

(Figure in Rs.)

						The net aggregate amount of profit/(loss) so far it concerns the members of Holding Company			
						Not dealt with in the Holding Company Accounts		Dealt with in the Holding Company Accounts	
Sl. No.	Name of the Subsidiary Company	Immediate Holding Company	Financial year ending of the Subsidiary Company	Date from which they became Subsidiary Company	Extent of Holding	For the Financial Year/Period ended 31st March, 2012 of the subsidiary companies since they became holding company's subsidiaries	For the previous financial year/period of the subsidiary Companies since they became holding Company's subsidiaries	For the Financial Year/Period ended 31st March, 2012 of the subsidiary companies since they became holding company's subsidiaries	For the previous Financial year/period of the subsidiary Companies since they became Holding Company's Subsidiaries
1.	Microsec Capital Limited	Microsec Financial Services Limited	31st March, 2012	24th Nov., 2005	100%	(25,20,318)	2,27,83,582	–	–
2.	Microsec Resources Private Limited	Microsec Financial Services Limited	31st March, 2012	1st Feb., 2006	100%	57,11,830	71,11,915	–	–
3	Microsec Technologies Limited	Microsec Financial Services Limited	31st March, 2012	30th March, 2006	100%*	2,48,02,493	4,80,65,863	–	–
4	Microsec Commerze Limited	Microsec Capital Limited	31st March, 2012	5th Oct., 2005	100%	9,86,648	81,90,154	–	–
5	Microsec Insurance Brokers Limited	Microsec Capital Limited	31st March, 2012	7th March, 2003	100%	(16,13,733)	13,36,904	–	–
6	PRP Technologies Limited	Microsec Technologies Limited	31st March, 2012	9th Feb., 2009	100%	95,24,827	5,45,95,692	–	–

* 67% held by Microsec Financial Services Limited and balance 33% held by wholly owned subsidiary (Microsec Capital Ltd) of Microsec Financial Services Limited.

Management Discussion and Analysis Report

MACRO-ECONOMIC OUTLOOK

Global Overview

The world economy has changed dramatically since September 2011. European growth has slowed sharply, and many economies in the region are now in or close to recession. In the Middle East and North Africa (MENA), unrest has spread, further depressing the outlook for the region even as some economies rebuild after earlier conflicts. The U.S. has seen a spate of encouraging economic news, with GDP growth increasing and Unemployment falling. Asia has weathered the global slowdown well and looks headed for a soft landing.

Eurozone Crisis : Following the collapse of Lehman Brothers in September 2008, when the global economy was reverting to the normalcy, another crisis in the nature of sovereign debt crisis surfaced. The growing debts of many European sovereigns caused sustainability concerns forcing investors to withdraw from these markets which led to significant escalation of their credit default swap (CDS) spreads.

The crisis which emerged in late 2009 has engulfed the entire Eurozone by end of 2011. Although, Greece, Ireland and Portugal remain at the heart of the crisis, it strongly affected Italy and Spain, where economic activity contracted markedly in Q4 of 2011. In other European economies, inside and outside the euro area, activity weakened, dipping into or stopping just short of mild recession territory. GDP growth basis in the Euro Area declined by 1.2% Q-o-Q in Q4 of 2011.

The possibility that the crisis will escalate again remains a major downside risk to growth and financial sector stability until the underlying issues are resolved.

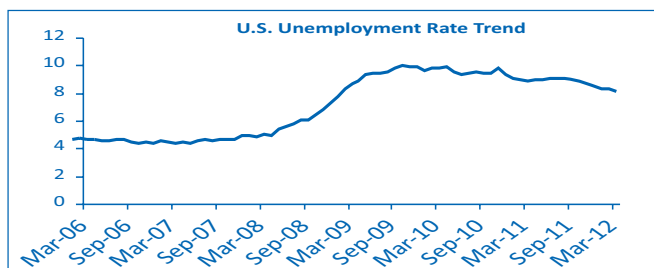
Soft landing for Asia, gradual recovery likely : Despite the source and the immediate impact being localised in Eurozone, the knock-on effects of the crisis are felt all across the globe. Financial conditions have deteriorated, growth prospects dimmed and downside risks have escalated. Activity across Asia slowed during the last quarter of 2011, reflecting both external and domestic developments. The effect of spillovers from Europe can be seen in the weakness of Asia's exports to that region. In some economies, domestic factors also contributed to the slowdown. In China, GDP growth declined from an average of 9.6% YoY in the first half of 2011 to 8.1% YoY in Q1 of 2012 - slowest in 11 quarters. However, monthly data have given mixed signals about the economy's direction – March Imports were weak, but Industrial Production was strong. The manufacturing PMIs point in different directions. So in China, even with the drag from external demand, growth is projected to be above 8% YoY in 2012 and 2013 because consumption and investment are expected to remain robust.

Outlook improving but downside risk persist for U.S. : The U.S. economic activities have improved more than elsewhere. In the U.S., the GDP growth accelerated to 2.2% annualised rate in Q4 of 2011 against 0.4% annualised rate in the same



Management Discussion and Analysis Report

quarter of last year. Consumer Spending has been improving and Unemployment rate has been trending down. The U.S. unemployment rate fell to 8.2% in March 2012, the lowest since January 2009. Moreover, lingering threats to the recovery, however, will prevent the Fed from tightening policy until late 2014.

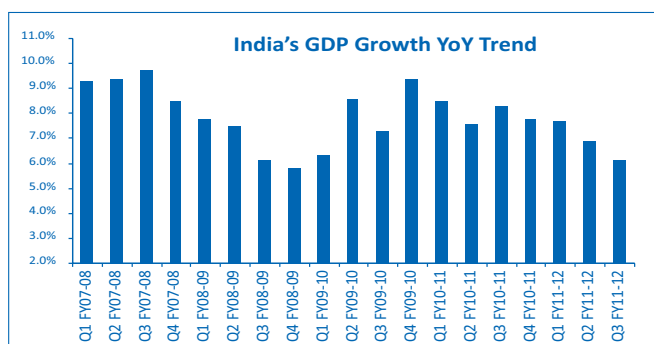


Although, the risks to the outlook are more balanced in the U.S. but still tend to the downside given fiscal uncertainty, weakness in the housing market and potential spillovers from Europe. Although the U.S. banks are in a fairly strong position, the U.S. economy would not be completely immune to a euro-zone break-up. Moreover, while recent labor market outcomes have been promising, the outlook is for only modest increases in employment during 2012 and 2013. IMF's World Economic Outlook projected a GDP growth of 2% YoY in 2012 and 2½% YoY in 2013. Finally, the upshot is that the U.S. economy probably won't be weak enough to prompt the Fed into launching a third round of quantitative easing but equally, it won't be strong enough to force the Fed into raising interest rates before its selfimposed guideline of late-2014.

Domestic Overview

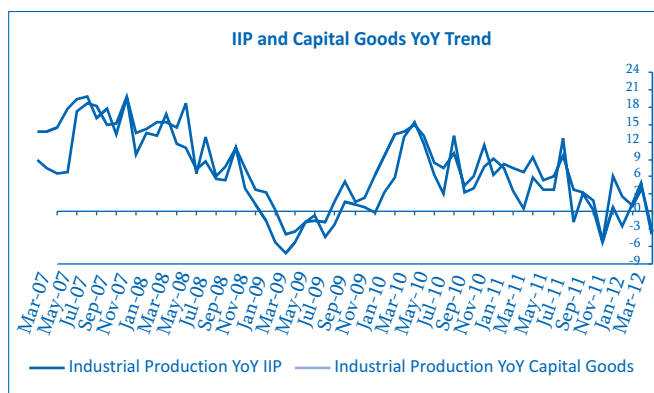
Along with the external headwinds, policy logjam, higher Inflation, moderating GDP growth, falling Industrial output, weak rupee, fund outflows and higher interest led the domestic economy towards a difficult end in FY2011-12. Though inflation has moderated in recent months, it remains sticky and above the tolerance level. These trends are occurring in a situation in which concerns over the Fiscal Deficit, Current Account Deficit and deteriorating asset quality loom large. In this context, the challenge is to maintain its vigil on controlling Inflation while being sensitive to risks to growth and other vulnerabilities.

Despite a downward revision in base, India's GDP came in at its lowest level in almost three years. India's GDP growth moderated to 6.1% YoY during Q3 of 2011-12 from 6.9% YoY in Q2 and 8.3% YoY in the corresponding quarter of 2010-11. Considering the contraction in Industrial Production number for March 2012, India's GDP growth could slow to 6.5% YoY in 2011-12, in the absence of data revision, which has been the norm for the past few quarters. Earlier, in its advance estimate of the GDP, the Government has predicted a growth of 6.9% YoY for FY2011-12.



On the demand side, Gross Fixed Capital Formation contracted in Q2 (-4.0% YoY) and Q3 (-1.2% YoY) of 2011-12. The Government's Final Consumption Expenditure increased by 6.1% YoY in Q2 and 4.4% YoY in Q3. Private Final Consumption increased by 2.9% YoY in Q2 and 6.2% YoY in Q3.

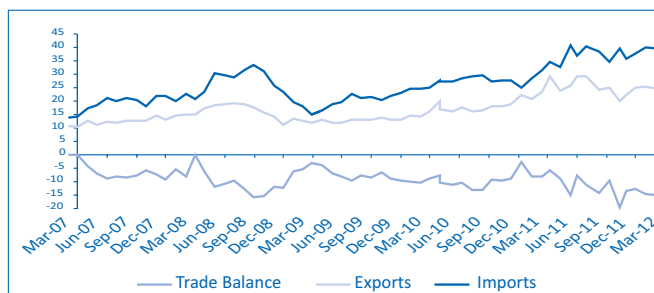
India's Industrial Output contracted by a shocking 3.5% YoY in March 2012. This decline was driven by particularly poor performance of the Manufacturing sector. Among the use-based segment, Capital Goods, Basic Goods and Intermediate Goods witnessed sharp slide in yearly growth numbers, confirming that business investment is subdued. Consumption activities also remained quiet. Despite of these, role of higher base of last year also cannot be denied as March 2011 had seen a sharp uptick (9.4% YoY growth). The overall growth for FY2011-12 (April-March) stood at 2.8% YoY (against 3.9% YoY expected in Government advance



Management Discussion and Analysis Report

estimate), much slower than 8.2% YoY in the year-ago period. Going forward, April's IIP number may witness a turnaround but overall economic activities are expected to remain subdued. Sentiments are likely to remain weak on account of Government's sluggish reform progress, higher Inflation, depreciating rupee, worsening Current Account and Fiscal Account balance.

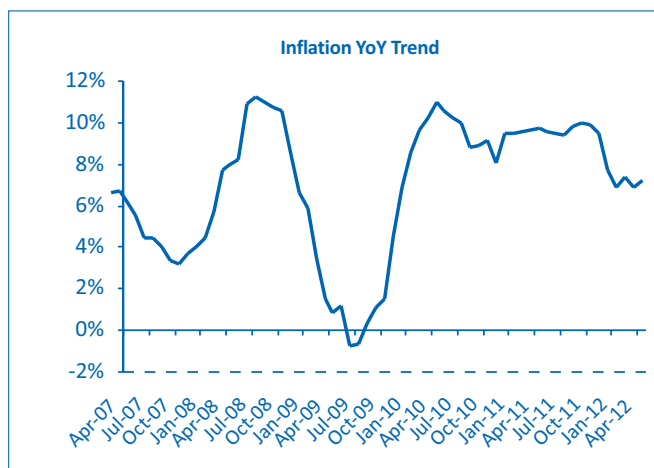
The adverse global developments are reflected in the external sector transactions in India, with exports fell for the first time since 2009. During the month of March 2012, India's Exports fell by 5.7% YoY to USD28.68 billion while Imports surged 24.3% YoY to USD42.59 billion, leaving a monthly Trade Deficit of USD13.91 billion. Moderation in exports is in expected lines on slowdown in economic activities in India's two biggest markets - the U.S. and Europe, accounting for about 30% of total shipments.



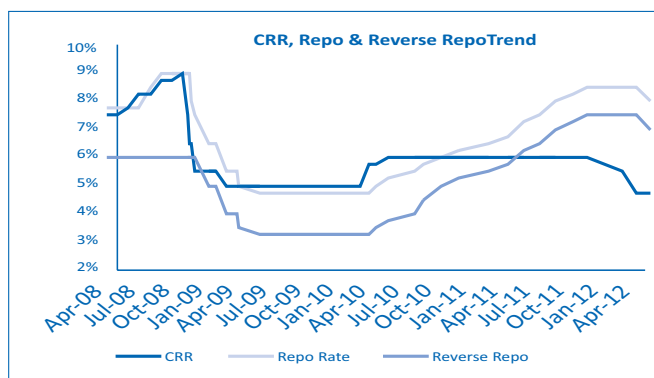
Despite a YoY decline in March, India's Exports surpassed the USD300 billion target in 2011-12. Total Exports grew by 20.9% YoY to USD303.72 billion and total Imports grew by 32.1% YoY to USD488.64 billion in 2011-12. Trade Deficit widened to a record USD184.92 billion in 2011-12, substantially higher than the Government's target of USD150 billion and USD118.63 billion recorded in the previous fiscal.

Inflation accelerated further to above 7% YoY level. After moderating to 6.89% YoY by the March end from above 9% YoY level in April-November 2011, India's Inflation came in at a shocking 7.23% YoY in April 2012. Inflation accelerated mainly on costlier food prices.

Going forward, the inflation scenario remains challenging. Any hike in fuel prices will further contribute to the Inflationary pressure. If diesel prices are increased by INR 2/litre, Inflation would be directly pushed up by 25-30 basis points followed by an indirect impact of a similar magnitude. There also remains an element of suppressed Inflation in respect of coal and electricity. Rupee weakness and rising raw material prices will continue to pose pressure on Manufacturing Inflation.



As a result of these domestic as well as global headwinds, the risk of economic stability increase. Growth weaken and fiscal outlook deteriorate on account of higher market borrowing and lower than expected collection of revenue. Declining profit margins have increased the stress in corporate sector. Against this backdrop, moderation in Core Inflation provided the headroom to Reserve Bank of India (RBI) to reduce the Repo rate by 50 basis points at its Annual Monetary Policy Review. The RBI has reduced the Repo Rate, Reverse Repo Rate under the Liquidity Adjustment Facility (LAF) by 50 bps to 8.0% and 7.0% respectively. However, going forward, space for further reduction in policy rates is inherently limited, given the upside risk on Inflation. We expect RBI will go for 50-75 bps Repo Rate cut for the entire 2012.



Management Discussion and Analysis Report

OUTLOOK

It must be emphasised that, apart from global headwinds, the main reason for the apparent decline in the trend rate of growth relative to the pre-crisis period is the emergence of significant supply bottlenecks on a variety of fronts – infrastructure, energy, minerals and labour. A strategy to increase the economy's potential by focussing on these constraints is an imperative. So the Government should take appropriate policy decisions to improve economic sentiments otherwise, GDP growth may remain subdued for next 2-3 years at 6-7%.

INDUSTRY OVERVIEW

Equity Market Overview

Indian Markets stumbled for most of the trading sessions in the FY2011-12 due to lack of any significant trigger which could boost the markets and maintained a sustainable rally. In a way it's been a pretty disappointing year for the investors.

The FY 2011-12 was pretty much volatile for the Indian equity markets owing to both global as well as domestic issues, as detailed in MACRO Economics Outlook. The Sensex and Nifty ended the FY12 at 17404.20 and 5295.55 registering a loss of around 10.50% and 9% respectively.

FII flows remained positive during the FY 2011-12 despite the prevailing economic and fiscal situations were not compelling enough to generate confidence. Net investment by FIIs during FY 11-12 was INR 27820.77cr compared to INR 111811.90cr in FY 10-11. On the other hand, DII have net investment worth INR -41805.70 cr in FY 11-12 as against INR -18722.30 cr in FY 10-11.

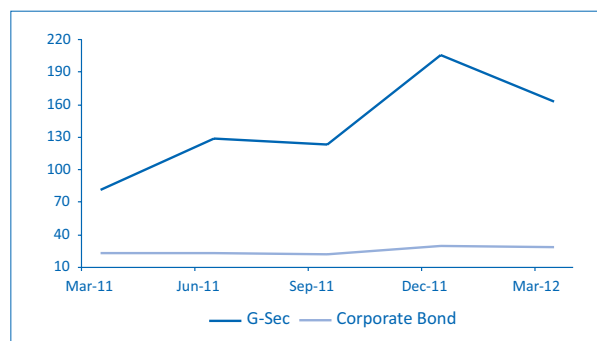
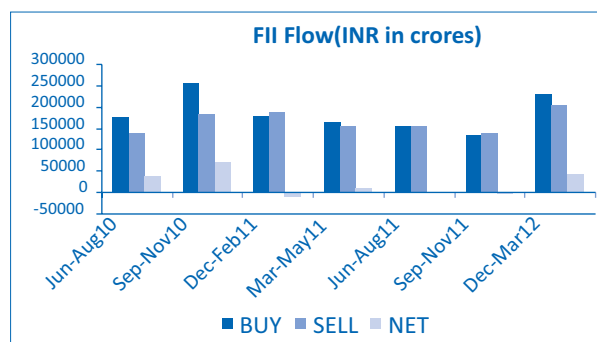
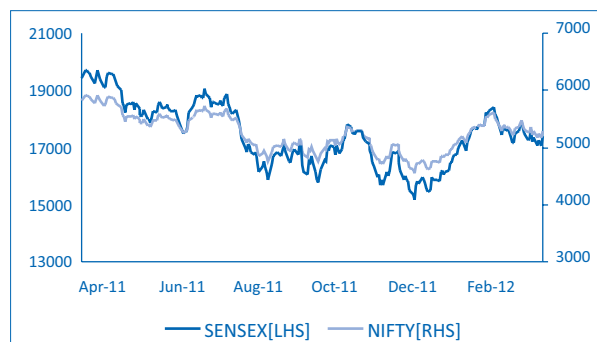
Debt/Bond Market Overview

The Indian bond market is yet to mature in its full scale despite seeing some improvements in the past few years. The infrastructure has improved with dematerialization, a similar number of primary dealers as in most major countries, an electronic trading platform and a central clearing house.

The reason for low turnover is that the market is dominated by constrained institutional investors, who are obliged to own government bonds. Banks have to keep 24% of their net demand and time liabilities in government bonds and 4.75% with the RBI, which itself holds part of its assets in the form of government bonds. The largest insurance company, the wholly-government-owned Life Insurance Company of India, must hold at least 50% of its investible funds in government bonds. Overall the constrained holders own 80% of the stock of central government debt. Such owners generally do not trade their securities.

The corporate bond market has not developed to its full potential in India, mainly because of the absence of fully developed and liquid government bond market. In terms of the ratio of issued corporate debt to GDP, even the most developed and largest markets in the Asia Pacific region like China (10%) and Japan (42%) are still far smaller than the U.S. (129%), but India is less than 5%. Moreover, the market is illiquid and suffers from not having standardized issue terms.

Recently, the government has taken steps to improve the bond market. The government has set the cumulative debt investment limit in corporate bonds including Infra Bonds for FIIs at USD45 billion and at USD15 billion in government



Management Discussion and Analysis Report

securities. The FIIs can now invest up to USD 15 billion in government securities (G-secs) market instead of USD10 Bn and also pump USD20 billion in corporate bonds market. However, they can also invest in long-term infrastructure bonds, upto USD 25 billion.

We believe higher limit would give a major boost to infrastructure funding as large portion of fresh debt issuance would come from infrastructure companies and the money would directly go towards execution of projects.

INITIAL PUBLIC OFFERING (IPO)/FOLLOW ON PUBLIC OFFERINGS (FPO)

The IPO/FPO market in the FY12 remained dull with fewer companies tapping this route to garner capital. The poor market sentiment led by deteriorating macroeconomic indicators forced companies to either postpone their IPO's or put capital requirements on hold. Even the government's target to mop up INR 40000 crores went short by a huge gap.

The IPO & FPO market in the FY2012 managed to garner Rs. 24,937 crores from 37 issues in FY2012 against Rs. 49,159 crores from 58 issues in FY2011. Among the major IPOs of the year, L&T Finance Holdings raised Rs. 1,245 crore, gold loan company Muthoot Finance garnered Rs. 900 crore, Future Ventures mopped up Rs. 750 crore and commodity bourse MCX raked in Rs. 663 crore. ONGC had raised Rs. 12,767 crore through FPO. The share sale was subscribed 98.3 per cent. LIC had subscribed to 84 per cent of the shares on offer. The volatility factor in the stock market has taken its toll overall with as many as 58 Indian companies to let go of regulatory approval for their IPOs to lapse FY2011-12.

QUALIFIED INSTITUTIONAL PLACEMENTS (QIP)

The QIP market was no better in the FY2011-12. The total amount placed in FY2012 from 11 issues was Rs. 1,713 crores against Rs. 24,550 crores collected from 47 issues in FY 2011. The curtailment in the QIP happened primarily on weak to flat market conditions due to persistent short term economic and expected corporate headwinds.

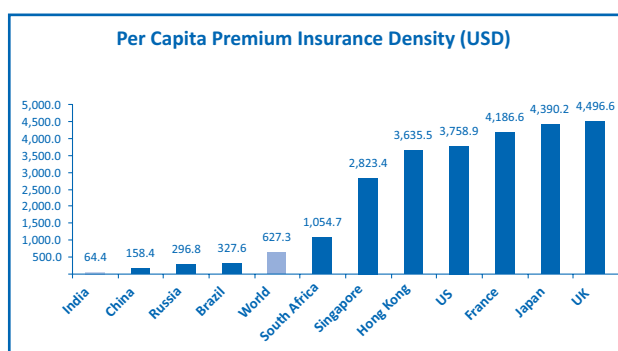
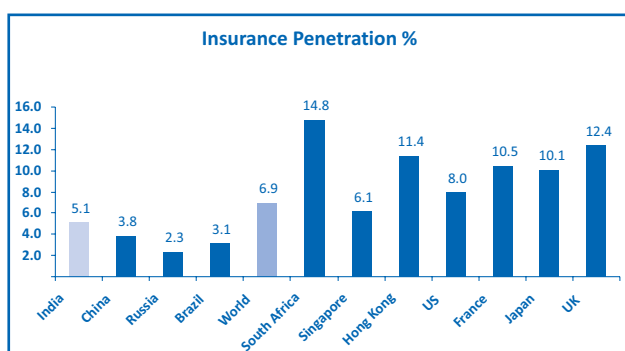
WEALTH MANAGEMENT, FINANCIAL PLANNING & INSURANCE DISTRIBUTION

The financial services industry which mainly comprises the BFSI industry, that is, banking, financial services (such as mutual funds, bonds, trading activities, etc) and insurance has immense scope and potential to grow exponentially. Introduction of mobile application, social media platforms, technologies like cloud computing tend to drive the growth of the industry. The financial services industry has made a lateral shift in not only the way the services were delivered to the end-consumer but also how the services were offered to the end-consumer. This shift has given way for financial planning, which has now gained recognition and importance in the industry. All this has made many financial services houses and institutions revamp their operational infrastructure and business delivery models.

There are 24 Life and 25 Non-Life Insurance companies operating in India having an Asset Under Management (AUM) of INR 25.44 trillion during FY 2010-11, which registered a growth of 18.60% over FY 2009-10. The Insurance penetration in India is very less comparing to that of banking industry which stands at 5.10% in the year 2010 (penetration for life insurance is 4.40% and non-life insurance is 0.71%). General/Non-Life Insurance penetration and density are even lesser than that of Life Insurance.

During FY2011-12, the new business premium (first year premium) of life insurance industry stood at INR 1.14 trillion which saw a decline of 9.52%. Besides, the total premium (first year premium) collected by the 24 life insurance companies saw a decline of 9.21% to INR 0.12 trillion in FY 2011-12 against INR 1.26 trillion in FY 2010-11.

The Indian Non-Life Insurance Industry is poised to grow with the increasing awareness programs conducted both by the regulator and the companies on products such as Health, Critical Illness and other various forms of insurance products.



Management Discussion and Analysis Report

According to a report by BRIC data, the market size of Indian life insurance industry is anticipated to touch US\$111.9 billion in 2015 from US\$66.5 billion in 2011, marking a compounded annual growth rate (CAGR) of 14.1 percent. The report estimates that India would be the third-largest market for life insurance in the world by 2015, only after China and Japan. At present, India stands 12th among the top global markets for life insurance.

The Rs 6.70 trillion Indian Mutual Fund (MF) Industry has 44 Asset Management Companies (AMCs). Recent data released by the Association of Mutual Funds in India (AMFI) indicated that average Assets Under Management (AUM) reported by these fund houses amounted to Rs. 6,68,824 crore in 2011-12.

HDFC Mutual Fund maintained its top position as the country's biggest MF with an average AUM of Rs. 89,879 crore, followed by Reliance MF Rs. 78,112 crore, ICICI Prudential MF Rs. 68,718 crore, Birla Sunlife MF Rs. 61,143 crore and UTI MF Rs. 58,922 crore.

OPPORTUNITIES AND THREATS

Opportunities :

- Healthy and sustainable economic growth rate with sound macro-economic fundamentals;
- Low penetration of financial services and products in India.
- Regulatory reforms would aid greater participation of all class of investors;
- Favourable demographics like huge middle class, larger younger population with disposable income and investible surplus, change in attitude from wealth protection to wealth creation and risk taking abilities of the youth, etc.;
- Corporate are looking at expanding in overseas/domestic markets through merger & acquisitions and Corporate advisory services;

Threats :

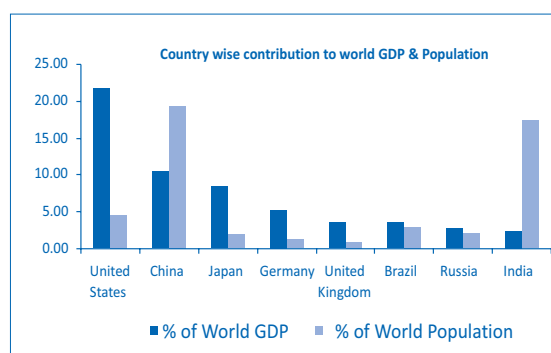
- Increased competition from local and global players operating in India;
- Continuous downward pressure on the fees, commissions and brokerages caused by an overbanked market and willingness of most players to deliver services at very low fees.
- Regulatory changes impacting the landscape of business;
- Unfavourable economic condition

DRIVERS FOR THE GROWTH OF FINANCIAL SERVICES SECTOR IN INDIA

Several factors make us believe that the growth of the Indian Financial services Sector is in a cusp of a sweet spot which is likely to outpace growth of several other sectors. These thoughts are prompted primarily on three broad reasons: Shift in the demographic factors which is likely to create employment, growth and consumption, increasing efforts by the government to increase literacy through education for all policy initialization and media penetration across the length and breadth of the country which will prompt people to take recourse to proper financial planning because of regular media campaign towards the same.

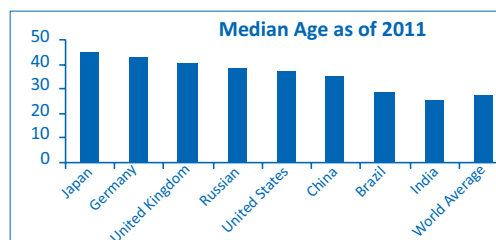
INDIA'S ECONOMIC GROWTH PROSPECTS

India's population is more than 17.2% of global population but Its GDP constitutes less than 2.5% of global GDP. With several Growth measures in place with demographic advantage this ratio is expected to change for the better.

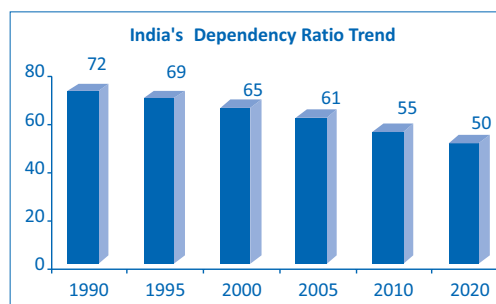


Management Discussion and Analysis Report

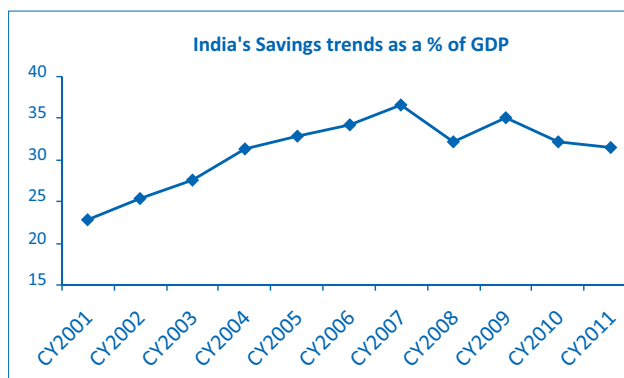
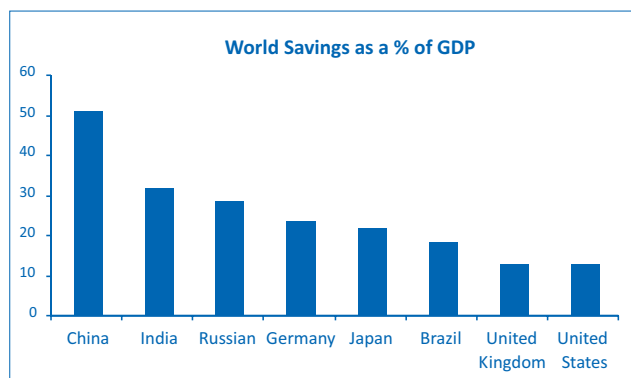
Low Median Age : India's population is the youngest among leading developed and developing economies. The median age of India is as low as 25.9 years compared to global average which is 27.7 and its nearest peer China where it is 35.2 years. This age group is the most aspirant group which will help drive consumption and workforce. This demographic dividend has never been seen in this country before and in all probability may surpass in the long term even developed economies where Population is aging, median age is high and overall population much lower than India.



Improving dependency ratio : Dependency ratio is a measure that shows the number of dependents (aged 0-14 years and over the age of 65) to the total population (aged 15-64). This indicator gives insight into the number of people of non-working age compared to the number of those of working age. A high ratio means those of working age - and the overall economy - face a greater burden in supporting the aging population. The dependency ratio that is for every 100 people in India, which was 72 in 1990 has come down to 55 in 2010 and is further expected to fall to 50 in 2020. This is happening due to increase in the level of the standard of living, nuclear families, awareness of work culture and the rising needs of individuals. This helps Increase employment, consumption and savings.



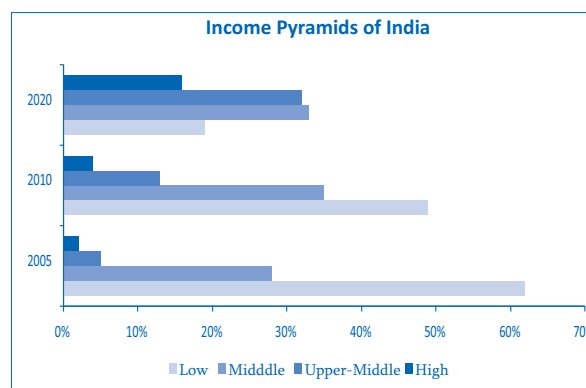
Savings as a percentage of GDP : Savings as a percentage of GDP for India is higher than most other economies of the world. The savings as a percentage of GDP in India is also on the rise as indicated in the template. Indians are traditionally known for their habits for savings. With minimal support from the government in their old age or for dependents, Indians save more than most global countries. The savings rate to GDP is among the highest in the world.



Household savings pattern : Though Savings as percentage of GDP is higher in India in comparison with other economies but the household savings pattern in India is not so matured. Around 25% of the savings finds its way towards Financial Instruments, with rest being kept at home or either as bank deposits. The Equity investment in US, direct and indirect constitutes of more than 60% percent where as in India it is less than 3%. Also, the number of depository accounts in the country is around 1% compare to China which is 10% and South Korea 11% which simply explains the visibility of growth in the segment.

Management Discussion and Analysis Report

Income Pyramid - Rise in consumer groups : The income Pyramid below shows that the population earning low income is declining steadily whereas those earning high income are on a steady rise and projected to increase sharply. Low income group that is population that earns upto USD2500 a year that constituted more than 60% in 2005 has fallen to less than 50% in 2010 and is expected to fall further to less than 20% by 2020 which clearly indicates the population that is coming out of poverty. Similarly, the high income group of more than USD10000 per annum has gone up from 2% in 2005 to 4% in 2010 and is projected to scale up to 16% till 2020, which gives us clear visibility of the kind of income growth in the country.

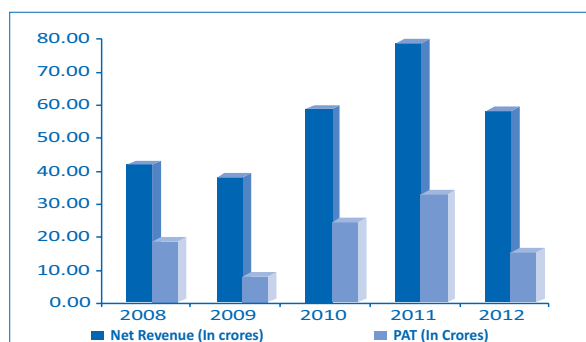


MICROSEC – FINANCIAL & BUSINESS OVERVIEW

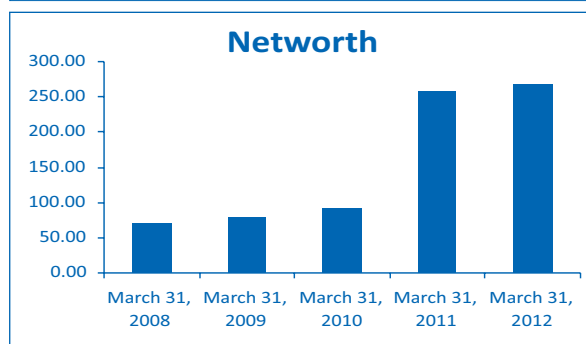
Financial Overview

Performance : The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India. Our management accepts responsibility for the integrity and objectivity of these financial statements, as well as for the various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present out state of affairs, profits and cash flows for the year. As a significant part of the business is being carried on through subsidiaries, we have used consolidated financial figures in our management discussion and analysis as we feel that the consolidated financial figures provide more accurate information on the performance of the company.

The revenue during the year was Rs. 55.18 Cr. The present revenue mix of your company is highly dependent on the state of Capital Markets. Weak global economic prospects and continuing uncertainties in the international financial markets therefore, have had their impact on the emerging market economies including India. We are hopeful towards the future prospects of all our business segments and expect recovery in the business sentiments from next financial year.

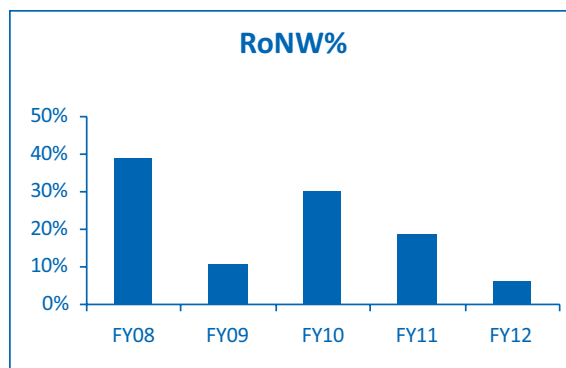


The network of your Company on consolidated basis have grown up from Rs. 70.47 Cr as on 31.03.2008 to Rs. 268.17 Cr as on 31.03.2012.



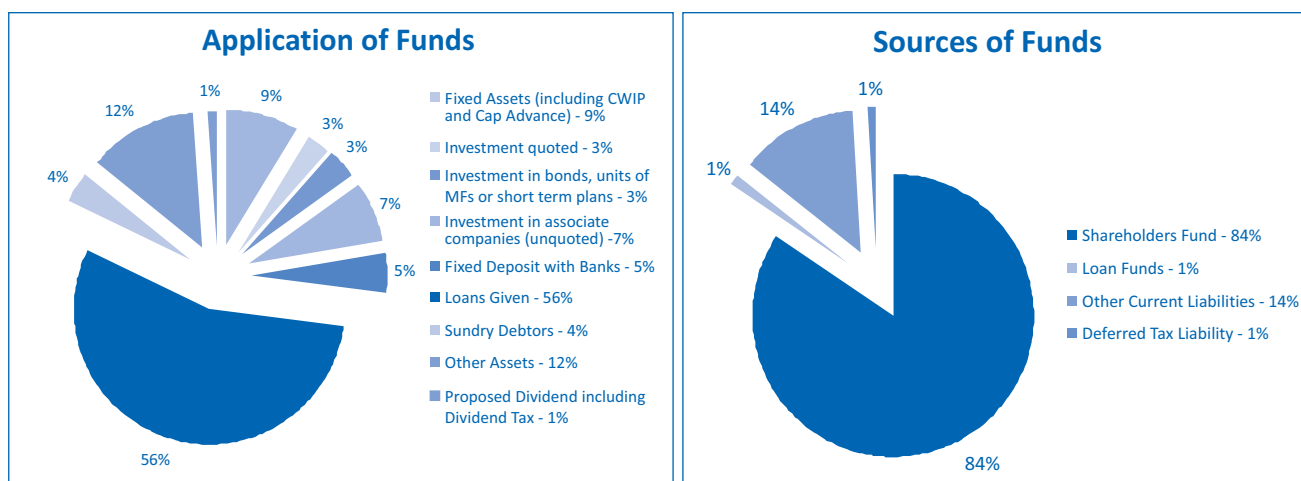
Management Discussion and Analysis Report

The adverse global & domestic economy situation impacted the performance of the Company during FY 2012. For the year ended FY 2012, the Company posted a Return on Networth of 5.44%. The performance of the Company is hugely dependent upon the state of Capital Market.

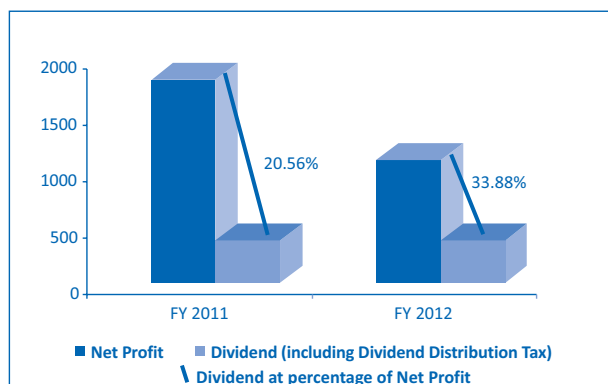


* The Return on Networth has been calculated by taking average of opening and closing net worth and impact in Equity share capital from date of new issue or buy back.

Capital Allocation : Enhancement of shareholders' value through efficient use of capital in all business segments via proper business mix and its proper management always remained top priority of your Company. Your Company is a debt free Company and is in a position to leverage itself for any expansion plans.



Dividend : An amount of Rs. 369.71 Lacs (including dividend distribution tax) has been recommended to be distributed as dividend for FY 2012, which is 33.88% of consolidated net profit of FY 2012.



Management Discussion and Analysis Report

Business Overview

An overview of various business segments and their future strategies are presented below :

Financing : The financing segment of the Company mainly consists of Loan against Shares (LAS) activities. We offer loan against shares to our clients, secured by liquid and marketable securities at appropriate margin levels. The LAS business helps the clients to leverage their equity market positions to take increased exposure. The LAS business along the line of leverage requirement of brokerage clients offers attractive business opportunity in our segment. However, the yield in LAS business depends mostly on state of capital market. Due to dull capital market scenario the yield has come down due to low transactions by LAS clients in Cash Market Segment. The interest yield in Loans against good quality stocks have also come down. As your Company is focused on financing against good quality stocks only, there has been pressure on the interest yield on this segment.

Brokerage : Our Brokerage services include equity, commodities & currency derivatives broking for institutional and individual clients supported by a strong research platform.

During the year, the BSE Sensex has gone down by 10.50% on YoY basis. The BSE and NSE combined Cash volumes were INR 34706.21 billion in 2011-12 against INR 46619.77 billion last year, registering a fall of 25.55%. Out of the total volume registered in the exchanges, 90.24% contributed by F&O segment in FY11-12 against 86.20% registered in FY 10-11. The lackluster movement of the market during most part of FY 2012 resulted in lower participation of Non-Institutional Clients in Cash Market Segment except last quarter of FY 2012 wherein some participation was seen. The beginning of the new FY 2013 is also witnessing the same lackluster participation & volume. We foresee tremendous scope for Brokerage business in medium to long term, however global developments along with domestic policy responses to the concern detailed in Macro- Economic Outlook are likely to make 2012 – 2013 also a challenging year for brokerage business. Our view on future growth prospects in medium to long term is very positive and hence we have formulated desired action plan to take benefit of medium to long term growth and simultaneously to shield ourselves in short term if the current trend continues in the near term.

As on 31st March 2012, we had more than 32,000 registered clients for our Equity Brokerage Services and were operating through 225 outlets.

In Institutional business, we were successful in getting empanelment with 20 institutions as at 31st March, 2012. The research team & sales team coordinate with the trading department of institutional clients on regular basis. Our edge in research will assist in procuring sizeable business from institutional clients as well empanelment also from other institutions.

The Commodities exchange provides opportunity to the investors to diversify their portfolio as well as hedging also. The natural affection of Indians towards precious metal – Gold & Silver presents cross business opportunity and your Company is geared up for the same.

Investment Banking : Our Investment Banking Division works very closely in conjunction with Management of our SME clients and provides regular Corporate Advisory services to them along with equity debt raising transaction based services. The approach facilitates in procuring transaction based services like Equity-Debt Raising.

The segment is highly correlated with the Capital Market and the subdued sentiments in last year specifically towards primary issues had an impact on the earnings of your company. The year 2011-2012 was eventful in terms of building relationships with dozens of SME corporates with whom we expect to do good business in the year 2012 – 2013.

Wealth Management, Insurance Broking, Financial Planning & Distribution : We foresee huge scope in this segment which will be mainly driven by the advisory functions. The young demography of India, Improving dependency ratio, internet penetration, rising middle class brightens the prospects of this division. Your Company has taken a number of initiatives to strengthen this division.

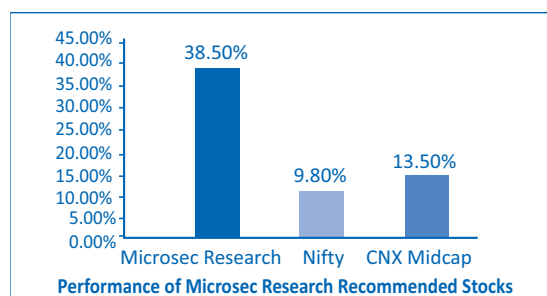
Management Discussion and Analysis Report

Club Kautliya, the knowledge based distribution model, launched by the Company during FY 2012 is being appreciated by the clients. The unique approach towards Financial Planning, in our model, applies Wisdom of Chanakya with modern tools & technologies. The division has added more than 100 business partners during FY 2012. Club Kautliya is an unique concept and may revamp the financial product distribution business by shifting the focus from selling to advisory.

Your Company has also filed an application to SEBI for registration as Mutual Fund.

Research : Your Company lays profound emphasis on Research and Knowledge across the gamut of financial services. Investment Research and Advisory play an important role to build a lasting relationship with clients and associates and help augment the performance of the company. Besides using the traditional tools to value companies, the forte of research lies in its abilities to think out of the box and give investment leads which are ahead of the times.

The research team members are sought after by leading print and electronic/web media for their views/inputs on various sectors/companies/market strategies. Our Research is also sought after by leading Institutional/HNI/Retail investors on a regular basis. Our Research is available on Bloomberg and Reuters and leading financial web pages.



Your Company ensures that the research is done with accountability and hence we benchmark our research performance against the performance of Benchmark indices. Microsec research has given an aggregate return of 38.50% across 145 companies since mid 2008 on an equal weighted basis, against Nifty performance of 9.80% and CNXMIDCAP performance of 13.5% (closing date 31/03/12- Details uploaded on website www.microsec.in). The performance is regularly updated on our Website www.microsec.in

RISK MANAGEMENT

The objective of risk management is to balance the tradeoff between risk and return and ensure optimum risk adjusted return on capital. The Risk Management Policies related to Financing, Debtors and Investments are in place and properly documented and reviewed continuously. The processes have been laid down to oversee the implementation of the policies and continuous monitoring of the same.

Our Board level Committees viz. Audit Committee and Risk Management Committee oversee risk management policies and procedures. It reviews the credit and operational risks, reviews policies in relation to investment strategy and other risks like interest rate risk, compliance risk and liquidity risk.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Our internal control systems are adequate and provide, among other things, reasonable assurance of recording transactions of operations in all material respects and of providing protection against significant misuse or loss of company assets.

Internal audit is conducted to assess the adequacy of our internal controls procedures and processes, and their reports are reviewed by the Audit Committee of the Board. Policy and process corrections are undertaken based on inputs from the internal auditors.

HUMAN RESOURCES

Your Company's multi-business context poses unique challenges to the Human Resource function. The Company's businesses are managed by a team of competent and passionate leaders, capable of enhancing your Company's standing in the competitive market. The Company's employees have a defining role in significantly accelerating its growth and transformation, thereby enhancing its position as one of the largest corporate houses. The Company has a structured recruitment process,

Management Discussion and Analysis Report

the focus is on recruiting people who have the right mindset for working at Microsec, supported by structured training programmes and internal growth opportunities.

The total employee strength was 560 as on March 31, 2012.

CAUTIONARY STATEMENT

Statements in the Management discussion and analysis, describing the Company's objectives, outlook, opportunities and expectations may constitute "Forward Looking Statements" within the meaning of applicable laws and regulations. The Actual result may vary materially from those expressed or implied in the statement. Several factors make a significant difference to the company's operations including the government regulations, taxation and economic scenario affecting demand and supply condition and other such factors over which the Company does not have any direct control.

Corporate Governance Report

1. CORPORATE GOVERNANCE PHILOSOPHY

Microsec's Corporate Governance principles are based on the principles of transparency, responsibility, accountability, knowledge and commitment to values. The Company adheres to good corporate practices and is constantly striving to better them and adopt emerging best practices. Best results are achieved when the companies begin to treat the Corporate Governance system not as a mere structure but as a way of corporate life. The Company firmly believes that these aspects as well as compliances of applicable legislations and timely disclosures enhance the image of the Company and the long term value of all Shareholders and Stakeholders. Broadly, however, good corporate governance practices should aim at striking a balance between interest of various stakeholders on the one hand and the duties and responsibilities of the Board and senior management in overseeing the affairs of the Company on the other. The Company's Board of Directors has framed a Code of Conduct for its Senior Managers including the Board Members. The Code of Conduct is available on the Company's website www.microsec.in.

2. BOARD OF DIRECTORS

Composition of the Board

The Board of Directors in Microsec has been constituted in a manner which ensures appropriate mix of Executive/Non-Executive and independent directors to ensure proper governance and management. The Board members have collective experience in diverse fields like finance, banking, legal, technology etc.

The Company's Board comprised of five members. The Company has an Executive Chairman, and thus, at least 50% of the total number of Directors should comprise of Independent. The number of Independent Directors is more than 50% of the total number of Directors. The management of the Company is headed by the Chairman & Managing Director who operates under the supervision and control of the Board. The Board reviews and approves strategy and oversees the actions and results of management to ensure that the long-term objectives of enhancing stakeholder value are met. Mr. Banwari Lal Mittal is the Chairman and Managing Director of the Company. Mr. Ravi Kant Sharma, Managing Director & CEO is also the Managing Director of the Microsec Capital Limited (MCap), an unlisted material subsidiary company, and draw remuneration from MCap.

Number of Board Meetings

The Board of Directors met four times during the year ended 31st March, 2012; on 27th May, 2011, 5th August, 2011, 11th November, 2011 and 9th February, 2012. All meetings were well attended. The maximum interval between any two meetings was well within the maximum allowed gap of four months.

Directors' Attendance Record and Directorship Held

The table below gives the names and categories of Directors, their attendance at the Board Meetings held during the year and at the last Annual General Meeting and also the number of Directorships and Committee positions held by them in other Public Limited Companies as on 31st March, 2012 :

Corporate Governance Report

Name of Directors	Category	No. of Board Meetings		Attendance at the Previous AGM	No. of Directorships and Committee Memberships/Chairmanships (including the company)		
		Held	Attended		Directorships*	Committee Memberships**	Committee Chairmanships**
B. L. Mittal	Chairman & Managing Director	4	4	Yes	6	1	-
R. K. Sharma	Managing Director & CEO	4	4	Yes	6	1	-
P. K. Chattaraj	Independent	4	3	No	6	1	1
R. N. Bhardwaj	Independent	4	4	No	10	6	4
D. P. Roy	Independent	4	4	Yes	5	2	-
Prof. (Dr.) Gourav Vallabh***	Independent	4	2	Yes	-	-	-

* Excludes directorship in Private Limited Companies, Foreign Companies and Government Companies.

** Only memberships/chairmanships of the Audit Committees and Shareholders Grievance Committees in various public limited companies, considered.

*** Prof. (Dr.) Gourav Vallabh has resigned from the Board w.e.f. 21st September, 2011.

Note : In the above statement the Directorship and Committee Membership of Directors have been computed with reference to Section 275 of the Companies Act, 1956 read with Clause 49 of the Listing Agreement with Stock Exchanges. No Director is related to any Director on the Board.

The Company sends a detailed agenda folder to each Director sufficiently before Board and Committee meetings. To enable the Board to discharge its responsibilities effectively, the Managing Director apprises the Board at every meeting on the overall performance of the Company, followed by the detailed presentation. The Board also, inter alia, considers and reviews investment and exposure limits, adoption of quarterly/half-yearly/annual results, transactions pertaining to purchase/disposal of property, major accounting provisions and write-offs, minutes of meetings of the Audit and other Committees of the Board and information on recruitment of officers just below the Board level, including the Compliance Officer.

The Board periodically reviews compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances, if any. In addition to the above, pursuant to the Clause 49, the minutes of the Board meetings of your Company's subsidiaries and a statement of all significant transactions and arrangements entered into by the subsidiaries are also placed before the Board.

Code of Conduct

The Board has laid down the Code of Conduct for its members and for designated Senior Management Personnel of the Company. The Code has been posted on the Company's website www.microsec.in. All Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct.

Risk Management

The Company has a well-defined risk management policy in place. The risk management policy adopted by the Company is discussed in detail in the Management Discussion and Analysis chapter of this Annual Report. The Board assesses the risk and the procedures being followed by the Company and steps taken by it to mitigate these risks.

The Board has also constituted a Risk Management Committee which ensure that the management controls risks through means of a properly defined framework.

Corporate Governance Report

3. COMMITTEES OF THE BOARD

The Board Committees play a crucial role in the governance structure of the Company and have been constituted to deal with specific areas/activities which concern the Company and need a closer review. The Board has constituted various Committees, some of them are Audit Committee, Remuneration/Compensation Committee, Shareholders'/Investors' Grievance Committee, Risk Management Committee, Nomination Committee and Asset Liability Management Committee. Meetings of each of these Committees are convened by the respective Chairman. Matters requiring Board's attention/approval are placed before the Board. The Minutes of the meetings of all the Committees are placed before the Board for review. Details of role and composition of these Committees including the number of meetings held during the financial year and the related attendance details are provided hereunder.

A) AUDIT COMMITTEE

As on 31st March, 2012, the Audit Committee comprised of four Directors out of which three are Independent Directors and one is Executive Director. The Committee comprises of :-

- i) Mr. Parimal Kumar Chattaraj, *Independent Director (Chairman)*
- ii) Mr. Raj Narain Bhardwaj, *Independent Director*
- iii) Mr. Deba Prasad Roy, *Independent Director*
- iv) Mr. Ravi Kant Sharma, *Managing Director & CEO*

The Audit Committee of the Board, inter alia, provides reassurance to the Board on the existence of an effective internal control environment that ensures :

- Efficiency and effectiveness of operations, both domestic and overseas;
- Safeguarding of assets and adequacy of provisions for all liabilities;
- Reliability of financial and other management information and adequacy of disclosures;
- Compliance with all relevant statutes.

The Audit Committee is empowered, pursuant to its terms of reference, inter-alia, to :

- investigate any activity within its terms of reference and to seek information any information it requires from any employee;
- obtain legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, when considered necessary.

The role of the Committee includes the following :

- (a) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- (b) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- (c) Reviewing, with the management, the annual financial statements before submission to the Board, focusing primarily on :
 - i. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - ii. Changes, if any, in accounting policies and practices and reasons for the same.
 - iii. Major accounting entries involving estimates based on the exercise of judgment by management.

Corporate Governance Report

- iv. Significant adjustments made in the financial statements arising out of audit findings.
 - v. Compliance with listing and other legal requirements relating to financial statements.
 - vi. Disclosure of any related party transactions.
 - vii. Qualifications in the draft audit report.
- (d) Reviewing, with the management, the quarterly financial statements before submission to the board for approval
- (e) Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- (f) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- (g) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- (h) Discussion with internal auditors any significant findings and follow up there on.
- (i) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- (j) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- (k) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividends) and creditors.
- (l) To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- (m) Approval of appointment of CFO (i.e., the Whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
- (n) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Prof. (Dr.) Gourav Vallabh, the then Chairman of the Committee was present at the previous Annual General Meeting of the Company.

During the financial year ended 31st March, 2012, the Audit Committee met four times on 27th May, 2011, 5th August, 2011, 11th November, 2011 and 9th February, 2012.

The details of the Composition of the Committee, Number of meetings held and the attendance of the Directors thereat is given herein below :

Name of members	Category	No. of meeting	
		Held	Attended
Parimal Kumar Chattaraj	Independent	4	3
Raj Narain Bhardwaj	Independent	4	4
Deba Prasad Roy	Independent	4	4
Ravi Kant Sharma	Executive	4	4
Prof. (Dr.) Gourav Vallabh *	Independent	4	2

* (Resigned from the Board w.e.f. 21/09/2011)

Corporate Governance Report

Statutory Auditors, Internal Auditors, Chief Financial Officer and the Executive Director are regularly invited to attend the Audit Committee meeting. The Company Secretary is the Secretary to the Committee. Minutes of each Audit Committee meeting are placed and discussed in the next meeting of the Board.

All the members of the Audit Committee possess strong accounting and financial management expertise.

B) REMUNERATION/COMPENSATION COMMITTEE

As of 31st March, 2012, the Remuneration/Compensation Committee comprised of 3 members. The Committee comprises of :-

- i) Mr. Parimal Kumar Chattaraj, *Independent Director, (Chairman)*
- ii) Mr. Raj Narain Bhardwaj, *Independent Director*
- iii) Mr. Deba Prasad Roy, *Independent Director*

The Remuneration/Compensation Committee deals with the entire gamut of remuneration package for the Executive Director(s) and revise their remuneration suitably within the limits prescribed under the Companies Act, 1956, decide on commission payable to the Directors within the prescribed limits and as approved by the shareholders of the Company and to formulate and administer Employees Stock Option Scheme.

The Committee met once during the year under review on 27th May, 2011. The attendance details of the Committee Meetings is given herein below :

Name of members	Category	No. of meeting	
		Held	Attended
Parimal Kumar Chattaraj	Independent	1	1
Raj Narain Bhardwaj	Independent	1	1
Deba Prasad Roy	Independent	1	1

Remuneration Policy

The success of the organisation in achieving good performance and good governing practice depends on its ability to attract and retain individuals with requisite knowledge and excellence as executive and non-executive Directors.

With this objective, the Board, Remuneration/Compensation Committee decides on the remuneration to be paid to the Executive and Non-Executive Directors.

While deciding on the remuneration to the Directors, the Board and Remuneration/Compensation Committee considers the performance of the Company, the current trends in the industry, the qualifications of the appointee, his experience, level of responsibility, past performance and other relevant factors.

Payment of remuneration to the Executive Director is covered by the terms and condition of their appointment as recommended by the remuneration Committee and approved by the Board subject to the approval of the Shareholders and the Central Government where ever applicable.

Remuneration paid to Directors

The Company pays to the Independent Directors sitting fee of Rs. 12,500 for every Meeting of the Board and Rs. 7,500 for every meeting of the Audit Committee and Rs. 5,000 for every meeting of the other Committees of the Board attended by them. No sitting fee is paid to Mr. Banwari Lal Mittal and Mr. Ravi Kant Sharma, the Non-Independent Directors of the Company.

During 2011-12, the Company did not advance any loans to any of its Directors.

Corporate Governance Report

Details of the sitting fees paid to Independent Directors during the year ended 31st March, 2012 is as under :-

Name of the Directors	Category	Sitting Fees (Rs.)
Parimal Kumar Chattaraj	Independent	80,000
Raj Narain Bhardwaj	Independent	1,05,000
Deba Prasad Roy	Independent	85,000
Prof. (Dr.) G. Vallabh*	Independent	40,000

* Prof. (Dr.) Gourav Vallabh has resigned from the Board w.e.f. 21st September, 2011.

No commission was paid to the Directors during the year ended 31st March, 2012.

Remuneration to the Chairman & Managing Director

During the year under review, the details of remuneration paid to Executive Director is appended below :

Name of Director	Salary and Advances (Rs.) per annum	Performance linked incentives (Rs.)	Monetary value of perquisites (Rs.)	Sitting Fees (Rs.)	Total (Rs.)
Banwari Lal Mittal	35,21,241	—	—	—	35,21,241

No remuneration is paid to Mr. Ravi Kant Sharma, Managing Director & CEO during the financial year 31st March, 2012.

Mr. Sharma is also designated as the Managing Director of Microsec Capital Limited (MCap), a Material Non-listed Subsidiary of the Company and draws remuneration from MCap.

Shares held by the Non-Executive Directors

The table below gives details of the Equity Shares of the Company held by the Non-Executive Directors as on 31st March, 2012.

Name of the Directors	Category	Number of Equity Shares held
Parimal Kumar Chattaraj	Independent Director	NIL
Raj Narain Bhardwaj	Independent Director	NIL
Deba Prasad Roy	Independent Director	NIL

C) SHAREHOLDERS/INVESTORS' GRIEVANCE AND SHARE TRANSFER COMMITTEE

The Shareholders/Investors' Grievance and Share Transfer Committee constituted by the Board presently comprised of three directors. The Committee met at regular intervals and specifically looks into the aspect of redressal of Shareholders/Investors Grievance. During the year under review, the Committee met four times on 27th May, 2011, 5th August, 2011, 11th November, 2011 and 9th February, 2012. The Composition of the Shareholders/Investors Grievance Committee Meeting held and attended thereof are as below :

Name of Directors	Category	Position held	No. of meeting	
			Held	Attended
Mr. Raj Narain Bhardwaj	Independent Director	Chairman	4	4
Mr. Banwari Lal Mittal	Chairman and Managing Director	Member	4	4
Mr. Parimal Kumar Chattaraj	Independent Director	Member	4	3

Mr. Biplab Kumar Mani, Company Secretary is designated as the Compliance Officer pursuant to Clause 47(a) of the Listing Agreement with Stock Exchanges.

Corporate Governance Report

In view of the SEBI Circular No. CIR/OIAE/2/2011 dated June 3, 2011, the Company has obtained a user id and password for processing the investor complaints in a centralized web based SEBI Complaints Redress System 'SCORES'. This enables the investors' online viewing of the actions taken by the Company on the complaints and its current status by logging on to the SEBI's website i.e. www.sebi.gov.in.

Details of queries and grievances received and attended to by the Company during the year 2011-12 is given herein below :

Sl. No.	Nature of Complaint	Pending as on 31.03.2011	Received during the year	Redressed during the year	Pending as on 31.03.2012
1.	Letters from Investors - Non allotment of shares and refund of application money	NIL	06	06	NIL
2.	Letter from Investor in respect of Correction in Refund order	NIL	NIL	NIL	NIL
3.	Letter from SEBI - Non allotment of shares and refund of application money	NIL	14	14	Nil
4.	Letter from BSE - Refund of application money	NIL	01	01	NIL

The Name, designation and address of Compliance Officer of the Company is as under :

Name and Designation : Mr. Biplab Kumar Mani, Company Secretary & Compliance Officer
Address : Azimganj House, 2nd Floor, 7 Camac Street, Kolkata - 700 017
Contacts : Phone : +91 33 2282 9330, Fax : +91 33 2282 9335
E-mail : investors@microsec.in

D) RISK MANAGEMENT COMMITTEE

The Risk Management Committee comprises of four members- Mr. Banwari Lal Mittal, Mr. Ravi Kant Sharma, Mr. Bajrang Lal Agarwal and Mr. Vinit Pagaria.

The Committee was constituted in accordance with the Corporate Governance guidelines promulgated by the Reserve Bank of India. The Risk Management Committee is required to manage the integrated risk and inform the Board from time to time the progress made in putting place a progressive risk management system, risk management policy and strategy followed by the Company. The terms of reference of the Risk Management Committee includes devising policies and guidelines for identification, measurement, monitoring and control for all major risk categories; ensuring that resources allocated for risk management are adequate given the size, nature and volume of the business. It also ensures that the managers and staff, who implement, monitor and control, risk, possess sufficient knowledge and expertise and presence of robust Management information system relating to risk reporting.

E) NOMINATION COMMITTEE

The Nomination Committee comprises of 2 members - Mr. Banwari Lal Mittal and Mr. Ravi Kant Sharma.

The Committee was constituted as per the Corporate Governance guidelines of the Reserve Bank of India and is primarily responsible to formulate and assist the Board of Directors in fulfilling its responsibilities by recommending to the Board the composition and structure of the Board, criteria for Board membership, evaluation of the corporate policies relating to the recruitment of Board.

F) ASSET LIABILITY MANAGEMENT COMMITTEE

The Asset Liability Management Committee comprises of three members namely Mr. Banwari Lal Mittal, Mr. Ravi Kant Sharma and Mr. Giridhar Dhelia.

The Committee was constituted in accordance with the Corporate Governance guidelines promulgated by the Reserve Bank of India. The Committee is primarily responsible to review and monitor the structure/composition of the company's

Corporate Governance Report

assets and liabilities, short term borrowings, assessment of opportunity costs, maintenance of liquidity, funding and capital planning, evaluation of market risks, liquidity risk, interest rate risk, investment risk and business risk, forecasting and analysing future business environment and preparation of contingency plans.

4. SUBSIDIARY COMPANIES

Clause 49 defines a "Material Non-listed Indian subsidiary" as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year. Under this definition, the Company has one 'Material Non-listed Indian subsidiary' i.e. Microsec Capital Limited (MCap). Mr. Parimal Kumar Chattaraj, an Independent Director on the Board of the Company is also a Director on the Board of MCap.

The financial statements including particulars of investments made by all the unlisted subsidiary companies are reviewed by the Audit Committee.

Your Company has a system of placing the minutes and statements of all the significant transactions of all the unlisted subsidiary companies in the Meeting of Board of Directors.

5) SHAREHOLDERS

Reappointment of Directors

Pursuant to the Articles of Association of the Company, at every Annual General Meeting of the Company, 1/3rd of the rotational directors retire by rotation.

Accordingly Mr. Parimal Kumar Chattaraj retires by rotation and being eligible, has offered himself for reappointment at the forthcoming Annual General Meeting.

Details of Mr. Parimal Kumar Chattaraj seeking re appointment at the forth coming Annual General Meeting :

Name of Director	Mr. Parimal Kumar Chattaraj
Date of Birth	29th September, 1945
Date of Appointment on the Board	2nd April, 2007
Expertise in specific functional Area	Finance, Human Resouce and Strategic Management
Qualification	BSc, PGDM, LL.B.
Directorship in limited Companies	Tantia Constructions Limited Microsec Capital Limited Microsec Commerze Limited Microsec Insurance Brokers Limited Microsec Technologies Limited
Membership of Committees in public limited companies	Microsec Financial Services Limited: 1. Audit Committee - Chairman 2. Shareholders/Investors Grievance Committee- Member 3. Remuneration Committee - Chairman Tantia Constructions Limited : 1. Remuneration Committee - Chairman
Shareholding of Director in the Company	NIL

Mr. Chattaraj has over 30 years of experience in the field of Finance, Human Resources and Strategic Management in the global environment. He also has extensive experience of leading and managing high caliber teams of professionals. He has worked in areas of development of people like executive coaching to improve organization effectiveness. He also has hands on experiences in various management positions in India and abroad contributing to business strategy, aligning employee

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skill to business, creating learning organization & leadership development and was associated with management institutes and business schools including IIM Kolkata, XLRI Jamshedpur and XISS, Ranchi. He is also enrolled as an advocate with the Bar Council of High Court of Calcutta and provides legal advice to corporate houses and selective clients.

It is proposed to re-appoint Mr. Chattaraj as Director retire by rotation at the forthcoming Annual General Meeting of the Company.

GENERAL BODY MEETING :

(a) The following table gives the details of the last three Annual General Meetings of the Company :

Year	AGM date and time	Venue	No. of special resolutions passed
2010-11	4th August, 2011 at 11.00 a.m.	"Gyan Manch", 11 Pretoria Street, Kolkata - 700 071	One
2009-10	15th July, 2010 at 11.30 a.m.	Shivam Chambers, 1st Floor, 53 Syed Amir Ali Avenue, Kolkata - 700 019	One
2008-09	30th September, 2009 at 11.30 a.m.	Shivam Chambers, 1st Floor, 53 Syed Amir Ali Avenue, Kolkata - 700 019	Two

- (b) No extra-ordinary general meeting of the shareholders was held during the year.
- (c) No resolution was passed through postal ballot during the previous year.
- (d) None of the business proposed to be transacted at the ensuing Annual General Meeting require passing a resolution through postal ballot.

6. DISCLOSURES

- i) Transactions with related parties as per requirements of Accounting Standard 18, Related Party Disclosure are disclosed elsewhere in this Annual report.

The Company has not entered into any other transaction of a material nature with the Promoters, Directors or the Management, their subsidiaries or relatives etc. that may have a potential conflict with the interests of the Company at large.

- ii) The Company has complied with all the requirements of regulatory authorities. No penalties/strictures were imposed on the Company by stock exchanges or SEBI or any statutory authority on any matter related to capital market since the listing of the Company's equity shares.
- iii) The Company has complied with the mandatory requirements of the Clause 49 of the Listing Agreement. The details of these compliances have been given in the relevant sections of this report. The status on compliance with the Non-mandatory requirements are given at the end of the Report.
- iv) The Company has followed the Guidelines of Accounting Standards laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.

Code for Prevention of Insider-Trading Practices

In compliance with the SEBI Regulations on prevention of insider trading, the Company has framed a comprehensive Code of Conduct for prevention of Insider Trading for its designated employees. The Code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of the Company, and cautioning them of the consequences of violations.

Corporate Governance Report

7. MEANS OF COMMUNICATION WITH SHAREHOLDERS

- i) **Publication of Results** : The Company publishes quarterly, half-yearly and annual results in widely circulated national newspapers and local dailies such as Business Standard and Sakal Bela.
- ii) **News, Release etc** : The Company has its own website <http://www.microsec.in> and all vital information relating to the Company and its performance including financial results and corporate presentations, etc. are regularly posted on the website.
- iii) **Investors' Relation** : The Company's website contains a separate dedicated section "Investor Relation" where Shareholders' information is available.
- iv) Management Discussion and Analysis Report is annexed to the Directors Report, which forms part of this Annual Report.

8. GENERAL SHAREHOLDER INFORMATION

i. Annual General Meeting :

Date : 3rd August, 2012

Time : 10.30 am

Venue : "Rotary Sadan" (Shripati Singhania Hall), 94/2, Chowringhee Road, Kolkata - 700 020

ii. Financial calendar (tentative) :

Financial Year April 1, 2012 to March 31, 2013

23rd Annual General Meeting - 3rd August, 2012

Particulars	Quarter/Half year/ Year ending	Tentative schedule
Unaudited Financial Result (1st Quarter)	Quarter ended 30.06.2012	On or before 14th August, 2012
Unaudited Financial Result (2nd Quarter)	Quarter ended 30.09.2012	On or before 15th November, 2012
Unaudited Financial Result (3rd Quarter)	Quarter ended 31.12.2012	On or before 15th February, 2013
Audited Financial Result (Annual)	Year ended 31.03.2013	On or before 30th May, 2013

iii. Book closure date :

Information about the Book Closure dates has been provided in the Notice convening the AGM, which forms a part of the Annual Report.

iv. Dividend Payment date :

Subject to the approval of the members, the dividend of Re. 1 (One) per share as recommended by the Board of Directors shall be paid to the eligible shareholder of the Company well before the stipulated 30 days period after the AGM as provided under the Companies Act.

v. Company Registration Details :

The Company is registered in the State of West Bengal, India. The Corporate Identification No. (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is L65993WB1989PLC047002.

vi. Listing of equity shares on stock exchanges :

The Company's Shares are listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). The requisite listing fees for 2012-13 has been paid in full to BSE and NSE.

vii. Stock Code & ISIN No. :

BSE : 533259

NSE : MICROSEC

Corporate Governance Report

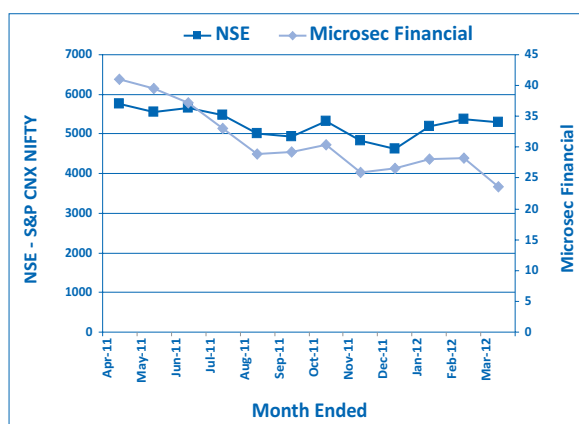
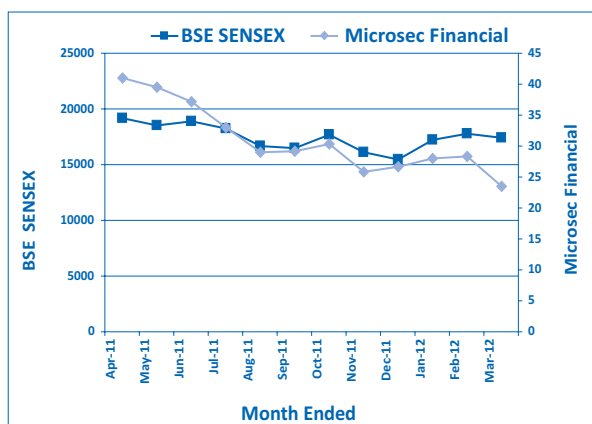
The International Securities Identification Number (ISIN) allotted to our shares under the depository system is INE019J01013.

viii. Market Price Data :

High, Low during each month in the last financial year at BSE and NSE :-

Month	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2011	45.65	40.00	45.70	40.00
May, 2011	48.60	38.15	48.70	38.00
June, 2011	43.60	35.55	43.50	36.00
July, 2011	42.20	32.80	42.40	32.50
August, 2011	35.30	24.05	35.45	24.05
September, 2011	32.00	27.25	31.95	25.30
October, 2011	32.40	27.50	32.00	28.05
November, 2011	33.80	24.50	33.80	24.50
December, 2011	27.90	25.35	27.65	25.50
January, 2012	32.55	26.00	31.75	25.50
February, 2012	31.90	26.90	32.00	27.00
March, 2012	29.25	23.20	28.95	23.20

ix. Performance in comparison to broad-based indices such as BSE SENSEX, etc. :



x. Registrar & Transfer Agent :

Link Intime India Private Limited

59C, Chowringhee Road, 3rd Floor, Kolkata - 700 020

Phone : +91 33 2289 0539/40 Fax : +91 33 2289 0539

E-mail : kolkata@linkintime.co.in

Corporate Governance Report

xi. Share Transfer System :

Trading in Equity Shares of the Company is permitted only in dematerialised form. Shares sent for transfer in physical form are registered and returned within a period of thirty days from the date of receipt of the documents, provided the documents are valid and complete in all respects. With a view to expediting the process of share transfers Mr. Biplab Kumar Mani, Company Secretary and Authorised Representative of Link Intime India Private Limited be and is hereby severally authorised to approve transfer of equity shares and the same shall be ratified in the next meeting of the Shareholders/Investors Grievance Committee. The Shareholders/Investors Grievance Committee meets as and when required to consider the other transfer, transmission of shares, etc. and attend to shareholder grievances.

xii Distribution of shareholding and shareholding pattern as on 31st March, 2012 :

a) Distribution of Shareholding :

No. of equity shares held (range)	No. of shareholders	% of shareholders	No. of shares	% of shareholders
1 - 500	23513	94.32	22,16,136	6.97
501 - 1000	681	2.73	5,49,685	1.73
1001 - 2000	339	1.36	5,11,898	1.61
2001 - 3000	130	0.52	3,35,209	1.05
3001 - 4000	50	0.20	1,81,435	0.57
4001 - 5000	41	0.16	1,92,917	0.61
5001 - 10000	83	0.33	6,05,798	1.90
10001 and more	91	0.37	2,72,17,422	85.56
TOTAL	24928	100.00	3,18,10,500	100.00

b) Shareholding Pattern :

Sl. No.	Description	Number of shares	Percentage of Capital
I	Promoter and Promoter Group	1,94,48,074	61.14
II	Financial Institutions/Banks	16,515	0.05
III	Foreign Institutional Investors/Foreign Companies/ Foreign Venture Capital	16,04,205	5.04
IV	Bodies Corporate	18,89,264	5.94
V	NRIs/OCBs/NRNs	1,01,848	0.32
VI	Trust	18,19,190	5.72
VII	Resident Individuals	68,08,742	21.40
VIII	Clearing Member	1,22,662	0.39
	TOTAL	3,18,10,500	100.00

xiii Dematerialisation of shares and liquidity :

As on 31st March, 2012, 94.39% of the total equity share capital was held in dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited. The market lot is one share as the trading in equity shares of the Company is permitted only in dematerialised form. Other than the capital, which is, locked post-IPO for the specified periods, the stock is liquid.

Corporate Governance Report

xiv. Outstanding convertible instruments, conversion date and likely impact on equity :

As on March 31, 2012, the Company did not have any outstanding GDRs/ADRs/Warrants or any Convertible instruments.

xv. Plant Locations :

The Company is in the business of providing financial services, therefore, it does not have any manufacturing plants.

xvi. Address for Correspondence :

For any assistance, queries, regarding transfer or transmission of shares, dematerialisation, non receipt of dividend on shares, non receipt of share application money, non credit of shares in demat account and any other queries relating to the shares of the Company and Annual Report, the investors may please write to the following :

i) The Company Secretary

Microsec Financial Services Limited
Azimganj House, 2nd Floor
7 Camac Street, Kolkata - 700 017
Tel : +91 33 2282 9330, Fax : +91 33 2282 9335
E-mail : investors@microsec.in

ii) Link Intime India Private Limited

59C, Chowringhee Road, 3rd Floor, Kolkata - 700 020
Phone : +91 33 2289 0539/40 Fax : +91 33 2289 0539
E-mail : kolkata@linkintime.co.in

9) NON-MANDATORY REQUIREMENTS

(A) Non-Executive Chairman

The requirement of maintenance of an office for the non executive Chairman and the reimbursement of expenses to him are not applicable to the Company presently as the Company has an executive Chairman.

(B) Remuneration Committee

The Company has a properly constituted Remuneration Committee in place. For details as to the constitution of the Remuneration Committee and the functional responsibility vested in it, please refer to point no.3(B) in the earlier part of this report.

(C) Shareholders Rights

The Company is getting its quarterly/half yearly and Annual financial results published in leading newspapers with wide distribution across the country and regularly updates other important information on its public domain website.

(D) Audit Qualifications

During the year under review, there is no audit qualification in the Company's financial statements. The Company continues to adopt best practices to ensure regime of unqualified financial statements.

At present the Company has not adopted the non mandatory requirements as to any of the other matters recommended under Annexure 1D to the Clause 49 of the Listing Agreements with the Stock Exchanges.

The Company can also be visited at its website <http://www.microsec.in>

Corporate Governance Report

Auditors' Certification

To
The Members of
Microsec Financial Services Limited

We have examined the compliance of conditions of corporate governance by Microsec Financial Services Limited, for the year ended on 31st March, 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **S. R. BATLIBOI & CO.**
Firm Registration Number : 301003E
Chartered Accountants

per **R. K. Agrawal**
Partner

Membership No. : 16667

Place : Kolkata
Date : 23rd May, 2012

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification

We, Ravi Kant Sharma, Managing Director & CEO and Giridhar Dhelia, Chief Financial Officer of Microsec Financial Services Limited, to the best of our knowledge and belief, certify that :

- a) We have reviewed the financial statements and the cash flow statement for the year ended 31st March, 2012 and that to the best of our knowledge and belief :
 - (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the Auditors and the Audit Committee :
 - (i) Significant changes in internal control during the year;
 - (ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control.

Kolkata, May 23, 2012

Ravi Kant Sharma
Managing Director & CEO

Giridhar Dhelia
Chief Financial Officer

Annual Certificate under Clause 49(I)(D) of the Listing Agreement with the Stock Exchange(s)

I, Banwari Lal Mittal, Chairman & Managing Director of the Company declare that all Board Members and Senior Management of the Company have affirmed compliance with the Code of Conduct during the year ended 31st March, 2012.

Place : Kolkata
Date : May 23, 2012

Banwari Lal Mittal
Chairman & Managing Director

Auditors' Report

To

The Members of Microsec Financial Services Limited

1. We have audited the attached Balance Sheet of Microsec Financial Services Limited ('the Company') as at March 31, 2012 and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, statement of profit and loss and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - v. On the basis of the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2012;
 - b) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S. R. BATLIBOI & CO.

Chartered Accountants

Firm Registration Number : 301003E

per **R. K. Agrawal**

Partner

Membership No. : 16667

Place : Kolkata

Date : May 23, 2012

Annexure to the Auditors' Report

ANNEXURE TO THE AUDITORS' REPORT (REFERRED TO IN OUR REPORT OF EVEN DATE TO THE MEMBERS OF MICROSEC FINANCIAL SERVICES LIMITED AS AT AND FOR THE YEAR ENDED MARCH 31, 2012)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed Assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) The Company does not have any inventory and hence clauses (ii) (a) to (c) of the Companies (Auditor's Report) Order, 2003 (as amended), are not applicable.
- (iii) (a) The Company has granted loans to four companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 52,10,86,017 and the year-end balance of loans granted to such parties was Rs. 1,29,25,805.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (c) The loans granted are re-payable on demand. As informed, the Company has received repayment of loans during the year to the extent demanded and thus, there has been no default on the part of the parties to whom money has been lent. The payment of interest has been regular.
- (d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (e) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas. The Company has not made any purchase of inventory or sale of goods during the year and hence, this clause is not applicable with respect to the same.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under the above section, have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding the value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public within the purview of Section 58A and 58AA of the Companies Act, 1956 and the Rules framed there under.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- (viii) To the best of our knowledge and as explained, the Company is not in the business of sale of any goods. Therefore, in our opinion, the provisions of clause 4(viii) of the Order are not applicable to the Company.
- (ix) (a) The Company has generally been regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth tax, service tax, cess and other material statutory dues with the appropriate authorities *though there has been slight delays in few cases*. The provisions relating to customs duty, sales tax and excise duty are not applicable to the Company.

Annexure to the Auditors' Report

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income tax, wealth tax, service tax, cess and other statutory material dues were outstanding, as on the Balance Sheet date, for a period of more than six months from the date they became payable. The provisions relating to customs duty, sales tax and excise duty are not applicable to the Company.
- (c) According to the records of the Company, the dues outstanding of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess on account of any dispute are as follows :-

Name of the statute	Nature of Dues	Amount (Rs.)	Period to which the amount relate	Forum where dispute is pending
The Income Tax Act, 1961	Disallowances of certain expenses	43,00,960	Assessment Year 2009-10	Commissioner of Income Tax (Appeals)

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) The Company has not taken any loan from financial institution or bank nor there has been any outstanding debentures during the year. Therefore, the provisions of clause 4(xi) of the Order, are not applicable.
- (xii) Based on our examination of the documents and records, we are of the opinion that the Company has maintained adequate records in respect of loans and advances granted on the basis of security by way of pledge of shares. As informed, no loans and advances have been granted by the Company on the basis of security by way of pledge of debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order, are not applicable.
- (xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- (xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by its wholly owned subsidiaries from banks or financial institutions, the terms and conditions whereof, in our opinion, are not prima-facie prejudicial to the interest of the Company.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) We have verified that the end use of money raised by public issue is as disclosed in the notes to the financial statements.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **S. R. BATLIBOI & CO.**
Chartered Accountants
Firm Registration Number : 301003E

per **R. K. Agrawal**
Partner
Membership No. : 16667

Place : Kolkata
Date : May 23, 2012

Balance Sheet as at March 31, 2012

(Amount in Rs.)

	Notes	As at 31.03.2012	As at 31.03.2011
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital	3	31,81,05,000	31,81,05,000
(b) Reserves and Surplus	4	1,82,96,50,018	1,75,74,97,160
2. Non-current Liabilities			
(a) Deferred Tax Liabilities (Net)	5	–	60,70,652
3. Current Liabilities			
(a) Trade Payables	6	16,39,339	20,16,860
(b) Other Current Liabilities	7	1,90,231	7,06,996
(c) Short Term Provisions	8	5,76,92,261	4,55,96,762
		2,20,72,76,849	2,12,99,93,430
II. ASSETS			
1. Non Current Assets			
(a) Fixed Assets	9		
(i) Tangible Assets		4,94,72,746	4,80,92,389
(ii) Intangible Assets		2,258	3,98,68,843
(b) Non Current Investments	10	43,96,39,385	39,06,91,896
(c) Deferred Tax Assets (Net)	5	48,77,827	–
(d) Long Term Loans and Advances	11	82,31,416	58,65,482
2. Current Assets			
(a) Current Investments	12	–	5,17,48,921
(b) Trade Receivables	13	–	69,90,131
(c) Cash and Bank Balances	14	3,49,29,561	9,22,18,972
(d) Short Term Loans and Advances	15	1,66,98,48,270	1,49,43,05,942
(e) Other Current Assets	16	2,75,386	2,10,854
		2,20,72,76,849	2,12,99,93,430
Summary of significant Accounting Policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For **S. R. BATLIBOI & CO.**

Firm Registration No. : 301003E

Chartered Accountants

R. K. Agrawal

Partner

Membership No. 16667

Place : Kolkata

Date : May 23, 2012

For and on behalf of the Board of Directors

B. L. Mittal

Chairman & Managing Director

Ravi Kant Sharma

Managing Director & CEO

Giridhar Dhelia

Chief Financial Officer

Biplab Kumar Mani

Company Secretary

Statement of Profit and Loss for the year ended March 31, 2012

(Amount in Rs.)

	Notes	2011-12	2010-11
I. Revenue from Operations	17	22,82,19,233	27,12,60,170
II. Other Income	18	7,26,221	11,71,142
III. Total Revenue		22,89,45,454	27,24,31,312
IV. Expenses			
Employee Benefits Expense	19	1,01,92,180	1,06,53,084
Finance Costs	20	–	12,12,173
Depreciation and Amortisation expense	21	4,41,35,615	95,09,727
Other Expenses	22	1,38,86,059	1,22,00,399
Share of Loss of Limited Liability Partnership on retirement (Refer Note 26)		20,42,591	–
Provision for Standard Assets		5,00,239	36,99,761
		7,07,56,684	3,72,75,144
V. Profit before Tax		15,81,88,770	23,51,56,168
VI. Tax Expenses :			
(a) Current Tax		6,12,07,312	5,53,14,723
(b) Excess Tax Provision relating to earlier years no longer required written back		(11,93,879)	–
(c) Deferred Tax credit		(1,09,48,479)	(6,956)
		4,90,64,954	5,53,07,767
VII. Profit for the year		10,91,23,816	17,98,48,401
VIII. Earnings Per Equity Share :			
Basic & Diluted (Nominal Value per Share Rs. 10)	23	3.43	7.04
Summary of significant Accounting Policies	2		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For **S. R. BATLIBOI & CO.**
Firm Registration No. : 301003E
Chartered Accountants

R. K. Agrawal
Partner
Membership No. 16667

Place : Kolkata
Date : May 23, 2012

For and on behalf of the Board of Directors

B. L. Mittal
Chairman & Managing Director

Giridhar Dhelia
Chief Financial Officer

Ravi Kant Sharma
Managing Director & CEO

Biplab Kumar Mani
Company Secretary

Cash Flow Statement for the year ended March 31, 2012

(Amount in Rs.)

Particulars	2011-12	2010-11
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax	15,81,88,770	23,51,56,168
Adjustments for :		
Interest on Fixed Deposits and Others	(6,72,254)	(11,69,908)
Liabilities no longer required written back	(53,967)	(1,234)
Loss on sale of Fixed Assets	1,72,083	–
Provision for Standard Assets	5,00,239	36,99,761
Depreciation and amortization expense	4,41,35,615	95,09,727
Operating Profit before Working Capital Changes	20,22,70,486	24,71,94,514
(Decrease) in long-term provisions	–	(60,989)
(Decrease) in trade payables	(3,77,521)	(40,19,726)
Increase/(Decrease) in other current liabilities	(3,96,865)	40,73,005
(Increase)/Decrease in trade receivables	69,90,131	(45,08,381)
(Increase)/Decrease in long-term loans and advances	54,67,284	(56,74,725)
(Increase) in other current assets	(76,893)	–
(Increase) in short-term loans and advances	(17,48,74,420)	(1,18,76,88,179)
(Increase) in non-current investments	(4,89,47,489)	(23,11,80,716)
(Increase)/Decrease in current investments	51,748,921	(5,17,48,921)
Cash generated from Operations	41,803,634	(1,23,36,14,118)
Direct tax paid	(4,90,85,922)	(4,80,99,487)
Net cash flow (used in) Operating Activities	(72,82,288)	(12,8,17,13,605)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets (including capital advances)	(1,39,09,688)	(8,71,461)
Proceeds from sale of fixed assets	2,55,000	–
Investment in Fixed Deposits (having original maturity of more than three months)	(78,82,589)	(35,73,75,000)
Encashment of Fixed Deposits (having original maturity of more than three months)	73,75,000	35,00,00,000
Interest on Fixed Deposits and others	6,84,615	7,51,168
Net Cash Flow (used in) Investing Activities	(1,34,77,662)	(74,95,293)

Cash Flow Statement for the year ended March 31, 2012

(Amount in Rs.)

Particulars	2011-12	2010-11
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of Equity Share Capital	–	12,50,00,000
Proceeds from Securities Premium on issue of Equity Share Capital	–	1,35,00,00,000
Dividend Paid	(3,17,23,033)	–
Tax on Dividend Paid	(51,60,617)	–
Proceeds from short-term borrowings	–	32,86,00,000
Repayment of short-term borrowings	–	(32,86,00,000)
IPO Related expenses	–	(10,63,30,328)
Net Cash Flow from/(used in) Financing Activities	(3,68,83,650)	1,36,86,69,672
D. Net increase in Cash and Cash Equivalents (A+B+C)	(5,76,43,600)	7,94,60,774
E. Cash and Cash Equivalents at the beginning of the year	8,46,47,620	51,86,846
F. Cash and Cash Equivalents at the end of the year	2,70,04,020	8,46,47,620
Components of cash and cash equivalents as indicated in Note 14 comprises of :		
Cash on Hand	11,401	7,489
Balances with scheduled banks *	2,68,96,107	8,46,40,131
Cheques on Hand	96,512	–
TOTAL	2,70,04,020	8,46,47,620

* Excludes balance of Rs. 42,952 (Rs. 1,96,352) with a bank for which refund instruments have been issued to the investors but are yet to be encashed and Rs. 78,82,589 (Rs. 73,75,000) of Fixed Deposits with restricted use or maturity for more than three months.

As per our report of even date

For **S. R. BATLIBOI & CO.**

Firm Registration No. : 301003E

Chartered Accountants

R. K. Agrawal

Partner

Membership No. 16667

Place : Kolkata

Date : May 23, 2012

For and on behalf of the Board of Directors

B. L. Mittal

Chairman & Managing Director

Ravi Kant Sharma

Managing Director & CEO

Giridhar Dhelia

Chief Financial Officer

Biplab Kumar Mani

Company Secretary

Notes to the Financial Statements as at and for the year ended March 31, 2012

1. Basis of preparation

The financial statements have been prepared to comply in all material aspects with the Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956 and the directives as prescribed by the Reserve Bank of India for Non Banking Financial Companies. The financial statements have been prepared under the historical cost convention on an accrual basis. However, income is not recognized and also provision is made in respect of non-performing assets as per the prudential norms prescribed by the Reserve Bank of India. Except otherwise mentioned, the accounting policies applied by the Company, are consistent with those used in the previous year.

2. Summary of Significant Accounting Policies

i. Change in Accounting Policy

During the year ended 31st March 2012, the Revised Schedule VI notified under the Companies Act, 1956 has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of Revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also re-classified the previous year's figures in accordance with the Revised Schedule VI requirements applicable in the current year.

ii. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the date of financial statements and the results of operations during the reporting year end. Although these estimates are based upon the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amount of assets and liabilities in future periods.

iii. Revenue Recognition

- a. Fees from Investment Banking activities which include Mergers & Acquisitions, Investment and other advisory services are recognized as and when the services are rendered to the customers and when there is reasonable certainty of its ultimate realisation/collection. The Company collects service tax on behalf of the Government and, therefore, it is not an economic benefit flowing to the Company. Hence, it is excluded from revenue.
- b. Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- c. Dividend income is recognized when the shareholder's right to receive dividend is established by the balance sheet date.
- d. Income from Royalty is recognised on an accrual basis in accordance with the terms of the relevant agreement.

iv. Tangible Fixed Assets

Tangible Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

v. Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses, if any.

vi. Depreciation and Amortization on tangible and intangible fixed assets

- a. Depreciation on fixed assets is provided using written down value method as per the useful life of the assets estimated by the management which is as per the rates specified in Schedule XIV to the Companies Act, 1956.
- b. Depreciation on Fixed Assets added/disposed off during the year is provided on prorata basis with reference to the date of addition/disposal.
- c. Copyrights are amortized on straight-line basis over a period of three years from the date the assets become available for use (Refer Note 27).
- d. Computer softwares are amortized on straight line basis over a period of three years from the date the assets become available for use.

vii. Impairment of tangible and intangible fixed assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment based on external/internal factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and 'Value in use' of the assets. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, depreciation/amortization is provided on the revised carrying amount of the assets over its remaining useful lives.

A previously recognized impairment loss is increased or reversed depending on the changes in the circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation/amortization if there was no impairment.

viii. Borrowing Costs

Borrowing costs relating to acquisition/construction of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

ix. Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as Current Investments. All other Investments are classified as Long term Investments. Current Investments are stated at lower of cost and market rate on an individual investment basis. Long term investments are considered "at cost" on individual investment basis, unless there is a decline other than temporary in the value, in which case adequate provision is made against such diminution in the value of investments.

x. Provisions

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past event and it is probable that there will be an outflow of resources and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation, at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

xi. Contingent Liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

xii. Taxation

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred Income Tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

The deferred tax for timing differences between the book and tax profit for the year is accounted for using the tax rates and laws that have been substantively enacted as of the Balance Sheet date. Deferred tax asset is recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised. If the Company has carry forward unabsorbed depreciation and tax losses, deferred tax asset is recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient taxable income will be available in future against which such deferred tax asset can be realised.

The carrying amount of deferred tax asset is reviewed at each Balance Sheet date. The Company writes down the carrying amount of a Deferred Tax Asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

At each Balance Sheet date, the Company recognizes the unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax asset can be realized.

Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in the guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the statement of profit and loss and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal Income Tax during the specified period.

xiii. Provisioning on Standard Assets

The Reserve Bank of India (RBI) vide Notification No. DNBS 223/CGM (US) - 2011 dated January 17, 2011 has issued direction to all NBFCs to make provision of 0.25% on standard assets. Accordingly, the Company has made provision @0.25% on standard assets in accordance with RBI directions.

xiv. Segment Reporting

a) Identification of Segments :

The Company has identified that its business segments are the primary segments. The Company's operating businesses are organized and managed separately according to the nature of products/services provided, with each segment representing a strategic business unit that offers different products/services and serves different markets. The analysis of geographical segments is based on the areas in which the operating divisions of the company operates.

b) Allocation of Common Costs :

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common cost. Revenue and expenses which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis are included under the head "Unallocated-Common".

The accounting policies adopted for segment reporting are in line with those of the Company.

xv. Retirement and other employees benefits

- a. Retirement benefits in the form of provident funds are defined contribution schemes and the contributions are charged to the statement of profit and loss for the year when is due.
- b. Gratuity Liability being a defined benefit obligation is provided for on the basis of actuarial valuation on projected unit credit method at the end of each financial year.
- c. Short term compensated absences are provided for based on estimates.
- d. Actuarial gains/losses are immediately taken to statement of profit and loss and are not deferred.

xvi. Earnings Per Share

Basic Earnings Per Share is calculated by dividing the net profit or loss for the year attributable to equity shareholders, by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

xvii. Cash and Cash Equivalents

Cash and Cash Equivalents in the cash flow statement comprise of Cash at Bank and Cash/Cheque on Hand and fixed deposits with an original maturity of three months or less.

Notes to the Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	As at 31.03.2012	As at 31.03.2011
3. SHARE CAPITAL		
Authorised		
3,50,00,000 (3,50,00,000) Equity Shares of Rs. 10 each	35,00,00,000	35,00,00,000
	35,00,00,000	35,00,00,000
Issued, Subscribed and Paid-up		
3,18,10,500 (3,18,10,500) Equity Shares of Rs. 10 each fully paid	31,81,05,000	31,81,05,000
	31,81,05,000	31,81,05,000

(a) Reconciliation of shares outstanding at the beginning and at the end of the reporting period

Equity Shares	As at 31.03.2012		As at 31.03.2011	
	Nos.	Rs.	Nos.	Rs.
At the beginning of the year	3,18,10,500	31,81,05,000	1,93,10,500	19,31,05,000
Issued during the year	–	–	1,25,00,000	12,50,00,000
Outstanding at the end of the year	3,18,10,500	31,81,05,000	3,18,10,500	31,81,05,000

(b) Terms/Rights attached to the equity shares

The Company has only one class of equity shares having par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended March 31, 2012, the amount of per share dividend recognised as distribution to equity share holders is Re. 1 (Re. 1).

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Details of shareholders holding more than 5% shares in the Company

Name of the shareholder	As at 31.03.2012		As at 31.03.2011	
	No. of shares	% of holding	No. of shares	% of holding
Equity shares of Rs. 10 each full paid up				
Banwari Lal Mittal	1,08,16,000	34.00	1,08,03,000	33.96
Top View Enclaves LLP	41,29,699	12.98	–	–
Luv Kush Projects Limited	20,45,675	6.43	42,65,675	13.41
Microsec Vision Employees Trust	17,83,400	5.61	17,83,400	5.61

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

(d) Aggregate number of bonus shares issued and shares bought back during the period of five years immediately preceding the reporting date

Particulars	As at 31.03.2012	As at 31.03.2011
Equity shares allotted as fully paid bonus shares by capitalisation of securities premium, capital redemption reserve and surplus in the statement of profit and loss	57,00,000	1,43,88,060
Equity shares bought back by the Company	10,00,000	10,00,000

Notes to the Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	As at 31.03.2012	As at 31.03.2011
4. RESERVES AND SURPLUS		
Capital Redemption Reserve (As per last account)	1,00,00,000	1,00,00,000
Securities Premium Account		
As per last Account	1,38,98,71,136	15,15,00,500
Additions during the year	–	1,35,00,00,000
Less : Share Issue Expenses	–	11,16,29,364
	1,38,98,71,136	1,38,98,71,136
Reserve under Section 45-IC of the Reserve Bank of India Act, 1934		
As per last Account	9,82,00,000	6,22,00,000
Add : Amount transferred from the Statement of Profit and Loss	2,19,00,000	3,60,00,000
	12,01,00,000	9,82,00,000
According to Section 45-IC of the Reserve Bank of India Act, 1934, every NBFC shall create a reserve fund and transfer therein a sum not less than 20% of its Net Profit every year as disclosed in the statement of profit and loss and before declaration of dividend.		
Surplus in the Statement of Profit and Loss		
As per Last Account	25,94,26,024	15,25,48,740
Add : Profit for the year	10,91,23,816	17,98,48,401
	36,85,49,840	33,23,97,141
Less : Appropriations		
Transferred to Reserve under Section 45-IC of the RBI Act, 1934	2,19,00,000	3,60,00,000
Proposed final Equity Dividend [Amount per share Re. 1 (Re. 1)]	3,18,10,500	3,18,10,500
Tax on proposed equity dividend	51,60,458	51,60,617
	30,96,78,882	25,94,26,024
	1,82,96,50,018	1,75,74,97,160

5. DEFERRED TAX ASSETS / (LIABILITIES) (NET)		
Deferred Tax Liability		
Timing Difference in Depreciable assets	–	72,71,039
Gross Deferred Tax Liability (A)	–	72,71,039
Deferred Tax Asset		
Timing Difference in Depreciable Assets	35,14,927	–
Provision for standard assets	13,62,900	12,00,387
Gross Deferred Tax Asset (B)	48,77,827	12,00,387
Net Deferred Tax Asset/(Liabilities) (B-A)	48,77,827	(60,70,652)

Notes to the Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	As at 31.03.2012	As at 31.03.2011
6. TRADE PAYABLES		
Due to Micro and Small Enterprises *	–	–
Due to Others	16,39,339	20,16,860
	16,39,339	20,16,860

* Based on the information/documents available with the Company, no creditor is covered under Micro, Small and Medium Enterprise Development Act, 2006. As a result, no interest provisions/payments have been made by the Company to such creditors, if any, and no disclosures thereof are made in these financial statements.

7. OTHER CURRENT LIABILITIES		
Unclaimed Dividend	87,467	–
Unpaid Share Application Money *	42,952	1,96,352
Other Payables		
Statutory Dues	59,812	5,10,644
	1,90,231	7,06,996

* Represents refund instruments issued to the investors but yet to be encashed. This does not include any amount, due and outstanding to be credited to Investors Education and Protection Fund.

8. SHORT TERM PROVISIONS		
For taxation [Net of Advances Rs. 10,16,87,913 (Rs. 7,58,78,374)]	1,65,21,303	49,25,884
For Standard Assets (Refer Note 25)	42,00,000	36,99,761
Proposed Equity Dividend	3,18,10,500	3,18,10,500
Tax on proposed Equity Dividend	51,60,458	51,60,617
	5,76,92,261	4,55,96,762

Notes to the Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

9. FIXED ASSETS

A. Tangible Assets

Particulars	Office Premises	Residential Flat	Computers	Furniture and Fixtures	Office Equipments	Vehicles	Total
Gross Block							
At April 1, 2010	4,63,99,370	-	53,54,035	1,23,45,730	69,76,038	10,50,836	7,21,26,009
Additions	-	-	2,94,323	-	59,700	5,17,438	8,71,461
Disposals	-	-	-	-	-	-	-
At March 31, 2011	4,63,99,370	-	56,48,358	1,23,45,730	70,35,738	15,68,274	7,29,97,470
Additions	-	55,52,350	1,15,076	15,890	3,93,154	-	60,76,470
Disposals	-	-	-	-	-	10,50,835	10,50,835
At March 31, 2012	4,63,99,370	55,52,350	57,63,434	1,23,61,620	74,28,892	5,17,439	7,80,23,105
Depreciation							
At April 1, 2010	74,86,619	-	41,07,274	58,34,914	26,48,440	3,20,980	2,03,98,227
Charge For the Year	19,45,638	-	5,43,643	11,78,458	6,13,820	2,25,295	45,06,854
Disposals	-	-	-	-	-	-	-
At March 31, 2011	94,32,257	-	46,50,917	70,13,372	32,62,260	5,46,275	2,49,05,081
Charge For the Year	18,48,356	2,43,411	4,20,038	9,81,047	5,37,807	2,38,371	42,69,030
Disposals	-	-	-	-	-	6,23,752	6,23,752
At March 31, 2012	1,12,80,613	2,43,411	50,70,955	79,94,419	38,00,067	1,60,894	2,85,50,359
Net Block							
At March 31, 2011	3,69,67,113	-	9,97,441	53,32,358	37,73,478	10,21,999	4,80,92,389
At March 31, 2012	3,51,18,757	53,08,939	6,92,479	43,67,201	36,28,825	3,56,545	4,94,72,746

Notes to the Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

9. FIXED ASSETS (Contd.)

B. Intangible Assets

Particulars	Copyrights-Right on Web Application Portal-Personal Resource Planning	Software	Total
Gross Block			
At April 1, 2010	5,00,01,000	34,37,630	5,34,38,630
Purchase	—	—	—
At March 31, 2011	5,00,01,000	34,37,630	5,34,38,630
Purchase	—	—	—
At March 31, 2012	5,00,01,000	34,37,630	5,34,38,630
Amortization			
At April 1, 2010	51,37,088	34,29,826	85,66,914
Charge For the Year	50,00,100	2,773	50,02,873
At March 31, 2011	1,01,37,188	34,32,599	1,35,69,787
Charge For the Year	3,98,63,812*	2,773	3,98,66,585
At March 31, 2012	5,00,01,000	34,35,372	5,34,36,372
Net Block			
At March 31, 2011	3,98,63,812	5,031	3,98,68,843
At March 31, 2012	—	2,258	2,258

* Refer Note 27

	No. of Shares/ Units	Face value Per share/ Unit	As at 31.03.2012	As at 31.03.2011
10. NON CURRENT INVESTMENTS				
Trade Investments (Valued at Cost unless stated otherwise)				
Unquoted equity shares (fully paid up)				
In Subsidiary Companies				
Microsec Capital Limited	22,63,561	10	27,36,53,867	27,36,53,867
Microsec Resources Private Limited	3,20,000	10	1,31,00,000	1,31,00,000
Microsec Technologies Limited	50,000	10	5,00,000	5,00,000
Total (a)			28,72,53,867	28,72,53,867
Unquoted preference shares (fully paid up)				
In Subsidiary Company				
5% Redeemable Optionally Convertible Non Cumulative Preference Shares				
Microsec Technologies Limited	52,940 (—)	10	8,99,98,000	—
Total (b)			8,99,98,000	—

Notes to the Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	No. of Shares/ Units	Face value Per share/ Unit	As at 31.03.2012	As at 31.03.2011
10. NON CURRENT INVESTMENTS (Contd.)				
Non Trade Investments (Valued at Cost unless stated otherwise)				
In Subsidiary Entity				
In Limited Liability Partnership				
Microsec Invictus Advisors LLP (Limited Liability Partnership)				
Capital Account (Refer Note 26)			–	9,00,000
Total (c)			–	9,00,000
Quoted equity shares (fully paid up)				
Coal India Limited	15,200 (-)	10	60,69,532	–
Deevee Commercial Limited	1,88,500	10	2,82,750	2,82,750
Emami Limited	60,000 (75,000)	1	2,68,79,309	3,53,57,187
Hindusthan Unilever Limited	26,750 (-)	10	1,06,28,950	–
Moil Limited	13,892	10	67,67,276	67,67,276
WABCO - TVS (India) Limited	3,121 (3,300)	5	28,23,701	29,85,650
CRISIL	– (250)	10	–	14,78,698
Exide India Limited	– (20,000)	1	–	20,80,556
ITC Limited	– (11,000)	1	–	14,49,382
Petronet LNG Limited	– (16,000)	10	–	20,30,020
Tata Motors Limited	– (6,200)	10	–	45,18,100
Colgate Palmolive Limited	– (10,149)	1	–	68,79,909
Himadri Chemicals and Industries Limited	– (2,00,188)	1	–	97,13,398
Hindustan Door Oliver Limited	– (37,000)	2	–	38,46,389
NMDC Limited	– (3,400)	1	–	15,16,861
ONGC Limited	– (14,800)	5	–	50,24,475
Punjab and Sind Bank	– (79,464)	10	–	1,02,05,085
State Bank of Travancore	– (11,900)	10	–	84,02,293
Total (d)			5,34,51,518	10,25,38,029

Notes to the Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	No. of Shares/ Units	Face value Per share/ Unit	As at 31.03.2012	As at 31.03.2011
10. NON CURRENT INVESTMENTS (Contd.)				
Quoted Bonds (Fully Paid up)				
Housing and Urban Development Corporation Limited	5,000 (-)	1,000	50,00,000	-
Indian Railway Finance Corporation Limited	1,088 (-)	1,000	10,88,000	-
Power Finance Corporation Limited	2,848 (-)	1,000	28,48,000	-
Total (e)			89,36,000	-
Total Investments (a+b+c+d+e)			43,96,39,385	39,06,91,896
Aggregate Value of Investments				
Quoted			6,23,87,518	10,25,38,029
Unquoted			37,72,51,867	28,81,53,867
Market Value of Quoted Investments			5,78,37,324	9,51,23,567

Note : Diminution of Rs. 69,32,214 (Rs. 1,16,07,536) based on the market value, in the value of certain long term quoted investments as on the balance sheet date, being temporary in nature, has not been provided.

	As at 31.03.2012	As at 31.03.2011
11. LONG TERM LOANS AND ADVANCES		
(Unsecured Considered good, unless otherwise stated)		
Capital Advances (Refer Note 33)	78,33,218	-
Advance to a Related Party		
Microsec Invictus Advisors LLP (Maximum amount outstanding at any time during the year Rs. 72,79,630 (Rs. 53,42,511))	-	53,42,511
Gratuity (Refer Note 30)	2,07,441	3,32,214
Security Deposits	1,90,757	1,90,757
	82,31,416	58,65,482

Loans and advances due by related parties

	Amount Due (Rs.)		Maximum Amount Due at any time during the year (Rs.)	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
i) Companies under the Same Management (Subsidiaries)				
Advances				
Subsidiaries				
Microsec Technologies Limited	-	-	1,00,00,000	-

Notes to the Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	No. of Units	Face value Per Unit	As at 31.03.2012	As at 31.03.2011
12. CURRENT INVESTMENTS				
(At Lower of Cost and Market Value)				
Unquoted Mutual Funds (fully paid up)				
HDFC Cash Management Fund - Treasury Advantage Plan - Retail - Growth	— (15,325.81)	10	—	3,14,834
IDBI Ultra Short Term Fund - Growth	— (28,98,494.72)	10	—	3,00,00,000
Sundaram Money Fund Super Institutional Growth	— (10,44,099.04)	10	—	2,14,34,087
			—	5,17,48,921
Aggregate Value of Investments				
Unquoted			—	5,17,48,921
Aggregate Net Asset Value of Mutual Fund Units			—	5,21,96,520

13. TRADE RECEIVABLES		
(Unsecured, Considered good)		
Debts outstanding for a period exceeding six months from the date they are due for payment	—	—
Other Receivable		
PRP Technologies Limited (Maximum Amount Outstanding at any time during the year Rs. 69,90,131 (Rs. 69,90,131))	—	69,90,131
	—	69,90,131

14. CASH AND BANK BALANCES		
(i) Cash and Cash Equivalents		
Cash on Hand	11,401	7,489
Balances with Scheduled Banks		
On Current Accounts	2,68,08,640	8,46,40,131
Unclaimed Dividend Account	87,467	—
	2,69,07,508	8,46,47,620
Cheques on Hand	96,512	—
(ii) Other Bank Balances		
IPO Refund Account *	42,952	1,96,352
Deposits with original maturity for more than 3 months but less than 12 months (Receipt pledged with HDFC Bank Limited as security against bank guarantee to Bombay Stock Exchange)	78,82,589	73,75,000
	3,49,29,561	9,22,18,972

* Represents balance with a bank for which refund instruments have been issued to the investors but are yet to be encashed by the investors.

Notes to the Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	As at 31.03.2012	As at 31.03.2011
15. SHORT TERM LOANS AND ADVANCES		
(Considered Good, unless otherwise stated)		
A. Loans (Bearing Interest)		
Secured		
To related parties (Refer Note 34)	1,29,25,805	30,82,11,685
To other parties	1,34,55,06,865	1,16,63,70,283
	1,35,84,32,670	1,47,45,81,968
Unsecured		
To employees	62,982	–
To related parties (Refer Note 34)	29,48,41,306	–
To other parties	–	52,73,979
(A)	1,65,33,36,958	1,47,98,55,947
B. Advances		
(Unsecured considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received or pending adjustments	3,42,078	6,21,493
Advance Tax and Tax Deducted at Source	15,46,659	8,78,751
Deposit with Exchange	73,75,000	73,75,000
Deposits with Government Authorities	72,47,575	55,74,751
(B)	1,65,11,312	1,44,49,995
Total (A + B)	1,66,98,48,270	1,49,43,05,942

Loans and advances due by related parties

	Amount Due (Rs.)		Maximum Amount Due at any time during the year (Rs.)	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
i) Companies under the same management (Subsidiaries)				
Loans				
Subsidiaries				
Microsec Technologies Limited	–	58,57,748	1,42,05,266	25,00,00,000
PRP Technologies Limited	64,30,756	4,82,58,071	25,25,23,418	15,00,00,000
Microsec Commerze Limited	–	65,36,616	67,98,083	15,00,00,000
Microsec Resources Private Limited	64,95,049	24,75,59,250	24,75,59,250	25,00,00,000
Associates				
Myjoy Fun and Food Private Limited	29,48,41,306	–	29,61,57,614	–
Advances				
Subsidiaries				
Microsec Technologies Limited	–	–	–	65,00,000
PRP Technologies Limited	–	–	–	40,00,000
Microsec Capital Limited	–	–	–	16,00,00,000
Microsec Resources Private Limited	–	–	–	6,00,000

Notes to the Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	As at 31.03.2012	As at 31.03.2011
16. OTHER CURRENT ASSETS		
Accrued Interest on Fixed Deposits	1,98,493	2,10,854
Accrued interest on Bonds	76,893	—
(A)	2,75,386	2,10,854
Miscellaneous Expenditure		
(To the extent not written off or adjusted)		
Share Issue Expenses as per last account	—	93,70,807
Additions during the year	—	10,22,58,557
	—	11,16,29,364
Less : Adjusted/Written off during the year	—	11,16,29,364
(B)	—	—
(A + B)	2,75,386	2,10,854

Notes to the Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	2011-12	2010-11
17. REVENUE FROM OPERATIONS		
(a) Interest		
On Loans (Gross) [TDS Rs. 1,98,91,908 (Rs. 1,03,40,977)]	21,60,65,237	11,73,98,859
On tax-free PSU Bonds	76,893	–
(b) Other Financial Services		
Investment Banking Revenue [TDS Rs. 46,326 (Rs. 70,74,931)]	4,20,000	6,74,45,831
Profit on Sale of Non-Trade Investments (Net)		
Long Term	2,43,282	6,62,14,338
Current	77,25,149	1,19,03,455
Dividend from Long Term Non-Trade Investments	12,89,257	5,30,870
Income from Royalty [TDS Rs. 2,39,942 (Rs. 7,76,682)]	23,99,415	77,66,817
	22,82,19,233	27,12,60,170

18. OTHER INCOME		
(a) Interest Income		
On Fixed Deposits [TDS Rs. 55,025 (Rs. 96,202)]	5,50,253	9,62,022
On Income Tax Refund	–	2,07,886
Others [TDS Rs. 10,291 (Rs. Nil)]	1,22,001	–
(b) Other Non Operating Income		
Liabilities no longer required, written back	53,967	1,234
	7,26,221	11,71,142

19. EMPLOYEE BENEFITS EXPENSE		
Salary, Bonus etc.	98,11,819	1,05,42,368
Contribution to Provident and other funds	1,24,103	–
Contribution to Employees' State Insurance	18,156	–
Gratuity expense	1,29,973	95,222
Employees' Welfare Expenses	1,08,129	15,494
	1,01,92,180	1,06,53,084

20. FINANCE COSTS		
Interest Expense		
On Fixed Loans	–	11,45,598
Miscellaneous	–	66,575
	–	12,12,173

21. DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation of Tangible Assets	42,69,030	45,06,854
Amortisation of Intangible Assets	3,98,66,585	50,02,873
	4,41,35,615	95,09,727

Notes to the Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	2011-12	2010-11
22. OTHER EXPENSES		
Advertisement and Publicity	34,72,655	46,29,822
Communication Expenses	1,13,920	1,28,086
Repairs and Maintenance - Others	5,05,934	1,68,278
Rates and Taxes	2,67,822	3,26,182
Filing Fees	2,560	3,500
Directors Sitting Fee	3,10,000	2,72,500
Insurance Premium	59,128	84,167
Printing and Stationery	15,08,061	1,86,562
Bank and Demat charges	2,69,246	52,077
Business Promotion Expenses	12,00,050	7,93,225
Travelling and Conveyance	10,00,335	9,16,676
Legal and Professional fees	14,91,179	8,85,081
Listing Fee	1,81,384	—
Auditors' Remuneration		
As Auditors		
Audit Fees	6,50,000	11,00,000
Limited Reviews	4,50,000	7,50,000
In other capacity for certificates & other services	3,00,000	7,50,000
Reimbursement of expenses (including service tax)	1,05,612	32,164
Loss on sale of fixed assets	1,72,083	—
Miscellaneous expenses	18,26,090	11,22,079
	1,38,86,059	1,22,00,399

23. EARNINGS PER SHARE		
Basis for calculation of Basic and Diluted Earnings Per Share is as under :		
Profit after tax (Rs.)	10,91,23,816	17,98,48,401
Weighted Average Number of Equity Shares (Nos.)	3,18,10,500	2,55,43,377
Nominal Value of each Equity Share (Rs.)	10.00	10.00
Basic and Diluted Earnings Per Share (Rs.)	3.43	7.04

Notes to the Financial Statements as at and for the year ended March 31, 2012

24. Contingent Liabilities :

- (a) The Company has provided Corporate Guarantee of Rs. 20,00,00,000 (Rs. 25,00,00,000) and has created equitable mortgage of Rs. 4,16,50,000 (Rs. 4,16,50,000) over its property at Kolkata as security for the said guarantee for credit facility extended by a scheduled bank to Microsec Capital Limited (a wholly owned subsidiary company). Against the above, the credit facility availed and the bank guarantees issued by the banks as on March 31, 2012 are Rs. Nil (Rs. 56,298) and Rs. 20,00,00,000 (Rs. 25,00,00,000) respectively.
 - (b) The Company has provided Corporate Guarantee of Rs. 10,19,00,000 (Rs. 10,19,00,000) for credit facility extended by a scheduled bank to Microsec Technologies Limited (an ultimate wholly owned subsidiary company). Against the above, the credit facility availed as on 31st March 2012 is Rs. 3,00,00,000 (Rs. 1,00,00,000).
 - (c) Bank Guarantee outstanding in favour of Bombay Stock Exchange - Rs. 73,75,000 (Rs. 73,75,000).
 - (d) Income Tax demand under appeal - Rs. 58,00,960 (Rs. Nil). The management believe that the Company has a good case for success in this matter and therefore no provision thereagainst is considered necessary.
25. The Reserve Bank of India through notification no. DNBS 223/CGM (US) - 2011 dated January 17, 2011 directed all Non Banking Financial Companies to make a provision of 0.25% on Standard assets and accordingly the Company has made a provision of Rs. 42,00,000 (Rs. 36,99,761) as at March 31, 2012.
 26. The Reserve Bank of India vide notification no. DNBS.PD/CC.NO.214/03.02.2002/2010-11 dated March 30, 2011 has issued a direction that no Non Banking Financial Company shall contribute to the capital of a partnership firm or become a partner of such firm. Accordingly, the Company has retired from partnership in Microsec Invictus Advisors LLP w.e.f. March 15, 2012. In accordance with the terms and conditions of the limited liability partnership, the Company has shared loss of Rs. 20,42,591 which has been debited to the statement of profit and loss of the Company.
 27. Till the last year, the Company was amortizing copyrights on a straight line basis over a period of ten years from the date these assets became available for use. In the current year, the Company has re-assessed the estimated useful life of such intangible assets and has written it off over the useful life of three years. Because of the above change, the profit before tax for the year and carrying value of copyrights is lower by Rs. 3,48,63,712.
 28. The Company has submitted an application on December 16, 2011 to the Regional Provident Fund Commissioner, West Bengal for registration for provident fund which was allotted by the Provident Fund authorities on January 31, 2012, with retrospective effect from October 1, 2011. On registration, the Company has deposited all provident fund contributions for the period from October 2011 to January 2012 on February 13, 2012.
 29. The Company has submitted an application on December 30, 2011 to the Regional Employees' State Insurance Corporation, West Bengal for registration for Employees' State Insurance which was allotted by the Employees' State Insurance authorities on January 10, 2012, with retrospective effect from October 1, 2011. On registration, the Company has deposited all Employees' State Insurance contributions for the period from October 2011 to December 2011 on January 18, 2012.
 30. The Company has a defined benefit gratuity plan. Every employee, who has completed five years or more of services, is entitled to gratuity on terms not less favorable than the provisions of the payment of Gratuity Act, 1972. The scheme is funded with Life Insurance Corporation of India.

The following tables summarise the components of gratuity expenses recognised in the Statement of Profit and Loss and the funded status and amounts recognized in the balance sheet for the plan.

Notes to the Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	2011-12	2010-11
(i) Net Employee Expense/(benefit)		
Current service cost	1,46,185	1,36,498
Interest cost on benefit obligation	35,210	23,166
Expected return on plan assets	59,716	22,382
Net Actuarial (gain)/loss recognised in the year	8,294	(42,060)
Total employer expense recognised in Statement of Profit and Loss	1,29,973	95,222
(ii) Actual Return on Plan Assets	68,312	29,435
(iii) Benefit Asset/(Liability)		
Defined benefit obligation	6,12,519	4,14,234
Fair value of Plan Assets	8,19,960	7,46,448
Benefit Asset/(Liability)	2,07,441	3,32,214
(iv) Movement in benefit liability		
Opening defined benefit obligation	4,14,234	2,89,577
Interest cost	35,210	23,166
Current service cost	1,46,185	1,36,498
Benefits paid	—	—
Actuarial (gains)/losses on obligation	16,890	(35,007)
Closing benefit obligation	6,12,519	4,14,234
(v) Movement in fair value of plan assets		
Opening fair value of plan assets	7,46,448	2,79,771
Expected Return on plan assets	59,716	22,382
Contributions by employer	5,200	4,37,242
Benefits paid	—	—
Actuarial (gains)/losses on plan assets	(8,596)	(7,053)
Closing fair value of plan assets	8,19,960	7,46,448
(vi) Major categories of plan assets as a percentage of the fair value of total plan assets		
Investments in insurance managed fund	100%	100%
(vii) The principal actuarial assumptions are as follows		
Discount Rate	8.50%	8.00%
Expected rate of return on plan assets	8.00%	8.00%
Salary increase	5.00%	5.00%
Withdrawal rates	1.00%	1.00%
(viii) Amount incurred as expense for defined contribution plans		
Contribution to Provident/Pension fund	1,24,103	Not Applicable

- (ix) The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
- (x) The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.
- (xi) The Company expects to contribute Rs. 2,00,000 (Rs. 5,00,000) to Gratuity Fund during April, 2012 to March, 2013.

Notes to the Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	Year Ended March 31, 2012	Year Ended March 31, 2011	Year Ended March 31, 2010
(xii) Amounts for the current year and previous years are as follows :*			
Defined Benefit Obligation	6,12,519	4,14,234	2,89,577
Plan Assets	8,19,960	7,46,448	2,79,771
Surplus/(Deficit)	2,07,441	3,32,214	(9,806)
Experience adjustments on plan liabilities	16,890	(35,007)	13,544
Experience adjustments on plan assets	8,596	7,053	3,285

* The Company had started recording gratuity liability based on actuarial valuation from the year 2009-10 and therefore disclosure has been made only for the aforesaid years.

31. Minimum Alternate Tax (MAT) credit entitlement of Rs. 27,98,703 related to financial year 2010-11 although available as tax credit for set off in future years as per Income Tax Act, 1961, has not been accounted for in view of accounting policy specified in Note 2(xii) herein.

32. Expenditure in Foreign Currency (on accrual basis)

	2011-12	2010-11
Travelling Expense	1,46,023	105,026
	1,46,023	105,026

33. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) - Rs. 25,66,863 (Rs. Nil).

34. In terms of Accounting Standard 18, notified by the Companies Accounting Standard Rules, 2006, the related party disclosures are given below :

Name of related parties & description of relationship

Subsidiary Companies (Enterprise where control exists)

Microsec Capital Limited (MCap)
Microsec Insurance Brokers Limited
Microsec Commerce Limited
PRP Technologies Limited
Microsec Resources Private Limited
Microsec Technologies Limited

Associate Company

Myjoy Fun and Food Private Limited (w.e.f. August 16, 2011)

Limited Liability Partnership (Entity over which control is exercised)

Microsec Invictus Advisors LLP (upto March 15, 2012)

Key Management Personnel

Mr. Banwari Lal Mittal (Chairman and Managing Director)
Mr. Ravi Kant Sharma (Director) (upto August 4, 2011)
Mr. Ravi Kant Sharma (Managing Director & CEO) (w.e.f. August 5, 2011)
Mr. Giridhar Dhelia (Chief Financial Officer) (w.e.f. November 9, 2010)
Mr. Pankaj Kumar Kedia (Chief Financial Officer) (upto October 20, 2010)

Enterprises in which Key Management Personnel Exercise Significant Influence

Luv-Kush Projects Limited

Notes to the Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)											
	Subsidiary Companies/Entity (Enterprise over which control exists)						Associate Company	Key Management Personnel			Enterprise where Key Management Personnel exercise significant influence
	Microsec Resources Private Limited	Microsec Technologies Limited	PRP Technologies Limited	Microsec Commerce Limited	Microsec Capital Limited	Microsec Invictus Advisors LLP	MyJoy Fun and Food Private Limited	Mr. Banwari Lal Mittal	Mr. Giridhar Dhelia	Mr. Pankaj Kumar Kedia	Luv Kush Projects Limited
Loans Given	97,33,000 (51,94,00,000)	92,00,000 (35,40,00,000)	31,07,00,000 (20,40,00,000)	66,50,000 (15,00,00,000)	- (-)	- (-)	14,06,25,000 (-)	- (-)	- (-)	- (-)	- (-)
Repayment of Loans Given	25,29,79,997 (27,85,00,000)	1,53,76,046 (35,00,00,000)	36,11,79,282 (15,65,00,000)	1,34,34,840 (14,45,00,000)	- (-)	- (-)	40,00,000 (-)	- (-)	- (-)	- (-)	- (-)
Advances Given	- (11,00,000)	1,00,00,000 (1,14,32,000)	- (40,00,000)	- (-)	- (16,16,40,000)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Repayment of Advances Given	- (11,00,000)	1,00,00,000 (1,14,32,000)	- (40,00,000)	- (-)	- (16,16,40,000)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Inter Corporate Deposit Taken (Interest Bearing)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (9,00,00,000)
Repayment of Inter Corporate Deposit Taken (Interest Bearing)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (9,00,00,000)
Director's Remuneration	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	35,21,241 (38,33,856)	- (-)	- (-)	- (-)
Remuneration	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	10,63,921 (4,61,255)	- (6,78,987)	- (-)
Interest Income (73,99,167)	24,25,329 (20,64,164)	3,53,665 (8,42,301)	96,13,296 (11,51,796)	2,75,805 (-)	- (-)	- (-)	1,70,14,806 (-)	- (-)	- (-)	- (-)	- (-)
Income from Royalty	- (-)	- (-)	23,99,415 (77,66,817)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Service Charges	- (-)	- (-)	- (-)	- (-)	1,19,855 (2,16,590)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Interest Paid	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (66,575)

Notes to the Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	Subsidiary Companies/Entity (Enterprise over which control exists)							Associate Company	Key Management Personnel			Enterprise where Key Management Personnel exercise significant influence
	Microsec Resources Private Limited	Microsec Technologies Limited	PRP Technologies Limited	Microsec Commerce Limited	Microsec Capital Limited	Microsec Invictus Advisors LLP	MyJoy Fun and Food Private Limited	Mr. Banwari Lal Mittal	Mr. Giridhar Dhelia	Mr. Pankaj Kumar Kedia	Luv Kush Projects Limited	
Investment made during the year	- (-)	8,99,98,000 (-)	- (-)	- (-)	- (15,50,00,000)	- (9,00,000)	- (-)	- (-)	- (-)	- (-)	- (-)	
Refund of Investments	- (-)	- (-)	- (-)	- (-)	- (-)	9,00,000 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	
Advance to Limited Liability Partnership	- (-)	- (-)	- (-)	- (-)	- (-)	19,87,119 (53,42,511)	- (-)	- (-)	- (-)	- (-)	- (-)	
Repayment of Advance to Limited Liability Partnership	- (-)	- (-)	- (-)	- (-)	- (-)	73,29,630 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	
Share of Loss of Limited Liability Partnership	- (-)	- (-)	- (-)	- (-)	- (-)	20,42,591 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	
Balance Receivable	64,95,049 (24,75,59,250)	- (58,57,748)	64,30,756 (5,52,48,202)	- (65,36,616)	- (-)	- (-)	29,48,41,306 (-)	- (-)	- (-)	- (-)	- (-)	
Corporate Guarantee Given	- (-)	10,19,00,000 (10,19,00,000)	- (-)	- (-)	24,16,50,000 (29,16,50,000)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	
Corporate Guarantee Withdrawn	- (-)	- (-)	- (-)	- (-)	5,00,00,000 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	

Notes to the Financial Statements as at and for the year ended March 31, 2012

35. Segment Reporting

The Company's segment information as at and for the year ended March 31, 2012 are as below :

(Figures in Rs.)

Particulars	Financing & Investment	Investment Banking & Related Services	Total
Segment Revenue	22,77,99,233 (20,38,14,339)	4,20,000 (6,74,45,831)	22,82,19,233 (27,12,60,170)
Segment Results	16,30,93,090 (17,89,19,217)	3,83,492 (6,24,72,166)	16,34,76,582 (24,13,91,383)
Less : Unallocated expenses net of unallocated income			52,87,812 (62,35,215)
Profit Before Taxation			15,81,88,770 (23,51,56,168)
Less : Provision for Taxation			
Current Tax			6,12,07,312 (5,53,14,723)
Excess Provision for earlier years written back			-11,93,879 (-)
Deferred Tax			-1,09,48,479 (-6,956)
Profit after Tax			10,91,23,816 (17,98,48,401)
Segment Assets	1,76,57,62,910 (1,71,78,51,948)	- (1,21,96,018)	1,76,57,62,910 (1,73,00,47,966)
Unallocated Corporate Assets			44,15,13,939 (39,99,45,464)
Total Assets			2,20,72,76,849 (2,12,99,93,430)
Segment Liabilities	48,57,313 (39,84,455)	- (94,211)	48,57,313 (40,78,666)
Unallocated Corporate Liabilities			5,46,64,518 (5,03,12,604)
Total Liabilities			5,95,21,831 (5,43,91,270)
Capital Expenditure	1,39,09,688 (6,54,782)	- (2,16,679)	1,39,09,688 (8,71,461)
Depreciation/Amortization	4,41,35,615 (83,88,458)	- (11,21,269)	4,41,35,615 (95,09,727)
Non-cash expenses included in segment expenses for arriving at segment results	5,00,239 (36,99,761)	- (-)	5,00,239 (36,99,761)

Notes :

- I. Business Segments : The business segment has been identified on the basis of the services of the Company. Accordingly, the Company has identified "Financing & Investment" and "Investment Banking & related Services" as business segments.
 - a) Financing & Investment - Consists of financing of loans and investments in shares & securities and Income from Royalty.

Notes to the Financial Statements as at and for the year ended March 31, 2012

b) Investment Banking & related Services - Consists of financial consultancy and debt syndication.

II. Geographical Segments : The Company operates in only one geographical segment i.e. 'Within India' and no separate information for geographical segment has been given.

36. Pursuant to the provision of section 61 of the Companies Act, 1956, the shareholders of the Company in the Annual General Meeting held on August 4, 2011, have approved the variation in the utilisation of the Issue Proceeds from Initial Public Offer (IPO), arising out of the issue of equity shares allotted pursuant to the prospectus dated September 24, 2010.

(i) The utilization of the Issue Proceeds as per Prospectus dated September 24, 2010 as follows :

(Amount in Rs.)

Particulars	Amount to be utilized as per prospectus
Expansion of financing business of the Company	1,13,00,00,000
Expansion of MCaps domestic operations by increasing network of branches	8,00,00,000
Enhance MCaps existing technological capacity	7,50,00,000
General Corporate Purposes	8,03,30,000
Issue related Expenses	10,96,70,000
Total	1,47,50,00,000

(ii) The revised utilization of the Issue Proceeds as approved in Annual General Meeting held on August 4, 2011 is as follows :

(Amount in Rs.)

Deployment	Amount utilized
Financing (includes both Secured & Unsecured loans), Investments, Branding, Purchase of Fixed Assets and General Corporate purpose	1,13,00,00,000
Expansion of MCap Business by increasing network of branches, enhancing technological capacity, utilization towards stock exchange margin deposits, working capital requirements and investment	15,50,00,000
General Corporate Purpose	7,83,71,000 *
Issue related Expenses	11,16,29,000
Total	1,47,50,00,000

* The Board at its meeting held on August 5, 2011 has approved the utilization of the money lying un-utilized in the "General Corporate Purpose" towards financing (includes both secured and unsecured loans) and investments and the same has been accordingly utilized in the current year.

(iii) The utilization of the Issue Proceeds from Initial Public Offer (IPO) as at March 31, 2011 was as follows :

(Amount in Rs.)

Particulars	Funds allocated for the activity as per prospectus	Amount utilized upto March 31, 2011
Gross Proceeds of the Issue	1,47,50,00,000	1,47,50,00,000
Less : Issue related Expenses	10,96,69,000	11,16,29,364
Net Proceeds of the Issue ("Net Proceeds")	1,36,53,31,000	1,36,33,70,636

Notes to the Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

Particulars	Funds allocated for the activity as per prospectus	Amount utilized upto March 31, 2011
Deployment		
Expansion of financing business of the company	1,13,00,00,000	1,10,27,32,297
Expansion of Microsec Capital Limited's domestic operations by increasing network of branches	8,00,00,000	15,50,00,000*
Enhance Microsec Capital Limited's existing technological capacity	7,50,00,000	
General Corporate Purpose	8,03,31,000	34,95,632
Short Term Investments in mutual funds and bank balance pending utilization	—	10,21,42,707
Total	1,36,53,31,000	1,36,33,70,636

* Represents the amount invested in equity shares of Microsec Capital Limited (MCap) which is lying unutilized by MCap and thus invested in fixed deposits and bonds.

37. Additional information as per guidelines issued by the Reserve Bank of India in respect of Non - Banking Financial (Non Deposit Accepting or Holding) systemically important (NBFC-ND-SI) are given in Annexure - I attached herewith.

38. Previous year's figures including those in brackets have been regrouped and/or rearranged wherever necessary.

As per our report of even date

For **S. R. BATLIBOI & CO.**

Firm Registration No. : 301003E

Chartered Accountants

R. K. Agrawal

Partner

Membership No. 16667

Place : Kolkata

Date : May 23, 2012

For and on behalf of the Board of Directors

B. L. Mittal

Chairman & Managing Director

Ravi Kant Sharma

Managing Director & CEO

Giridhar Dhelia

Chief Financial Officer

Biplab Kumar Mani

Company Secretary

Notes to the Financial Statements as at and for the year ended March 31, 2012

Annexure I of Note 37 to the financial statement of a Non Banking Financial Company

(a) Capital to Risk Assets Ratio (CRAR)

Items	As at 31st March, 2012	As at 31st March, 2011
(i) CRAR (%)	103.81	105.90
(ii) CRAR - Tier I Capital (%)	103.55	105.66
(iii) CRAR - Tier II Capital (%)	0.26	0.24

(b) Exposure to real estate sector, both direct and indirect.

Category	As at 31st March, 2012 (Rs.)	As at 31st March, 2011 (Rs.)
(a) Direct exposure		
(i) Residential Mortgages -		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to Rs. 15 lacs may be shown separately)	—	—
(ii) Commercial Real Estate -		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	—	—
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures -		
a. Residential	—	—
b. Commercial Real Estate	—	—
(b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	—	—

(c) The Company does not have any exposure in gold as on March 31, 2012.

Notes to the Financial Statements as at and for the year ended March 31, 2012

(d) Asset Liability Management

Maturity pattern of certain items of assets and liabilities :

(Figures in Rs.)

	1 day to 30/31 days (one month)	Over one month and upto 2 months	Over 2 months and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Liabilities									
Borrowings from Banks	-	-	-	-	-	-	-	-	-
Market Borrowings	-	-	-	-	-	-	-	-	-
Assets									
Advances*	1,65,33,36,958 (1,47,98,55,947)	- -	- -	- -	- -	- -	- -	- -	1,65,33,36,958 (1,47,98,55,947)
Investments	- (5,17,48,921)	- -	- -	- -	- -	5,34,51,518 (10,25,38,029)	- -	38,61,87,867 (28,81,53,867)	43,96,39,385 (44,24,40,817)

* Represents interest bearing loans. Since the loans are repayable on demand, the same has been categorized in the bracket of 1 day to 30/31 days (one month).

Schedule to the Balance Sheet of a Non-Banking Financial Company as required in terms of paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007

(Figures in Rs.)

Particulars		
Liabilities Side :		
	Amount Outstanding As at 31st March, 2012	Amount Overdue As at 31st March, 2012
1 Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid :		
(a) Debentures : Secured	-	-
: Unsecured (other than falling within the meaning of public deposits)	-	-
(b) Deferred Credits	-	-
(c) Term Loans	-	-
(d) Inter-corporate loans and borrowing	-	-
(e) Commercial Paper	-	-
(f) Cash Credit from Banks	-	-

Notes to the Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

Assets Side :		Amount outstanding As at 31st March, 2012
2	Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :	
	(a) Secured	1,35,84,32,670
	(b) Unsecured	31,99,22,402
3	Break up of Leased Assets and stock on hire and other assets counting towards AFC activities :	
	(i) Lease Assets including lease rentals under Trade Receivable :	
	(a) Financial Lease	—
	(b) Operating Lease	—
	(ii) Stock on Hire including hire charges under Trade Receivable :	
	(a) Assets on Hire	—
	(b) Repossessed Assets	—
	(iii) Other loans counting towards AFC activities	
	(a) Loans where assets have been repossessed	—
	(b) Loans other than (a) above	—
4	Break-up of Investments :	
	Current Investments :	
	1. Quoted :	
	(i) Shares : (a) Equity	—
	(b) Preference	—
	(ii) Debentures and Bonds	—
	(iii) Units of mutual funds	—
	(iv) Government Securities	—
	(v) Others (please specify)	—
	2. Unquoted :	
	(i) Shares : (a) Equity	—
	(b) Preference	—
	(ii) Debentures and Bonds	—
	(iii) Units of mutual funds	—
	(iv) Government Securities	—
	(v) Others (please specify)	—
	Long Term investments :	
	1. Quoted :	—
	(i) Shares : (a) Equity	5,34,51,518
	(b) Preference	—
	(ii) Debentures and Bonds	—
	(iii) Units of mutual funds	—

Notes to the Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

Assets Side :	Amount outstanding As at 31st March, 2012
(iv) Government Securities	89,36,000
(v) Others (please specify)	—
2. Unquoted :	
(i) Shares : (a) Equity	28,72,53,867
(b) Preference	8,99,98,000
(ii) Debentures and Bonds	—
(iii) Units of mutual funds	—
(iv) Government Securities	—
(v) Others	—
SUB-TOTAL	43,96,39,385
GRAND TOTAL (2 + 3 + 4)	2,11,79,94,457

5 Borrower group-wise classification of assets financed as in (2) and (3) above :

Category	Amount net of provisions		
	Secured	Unsecured	Total As at 31st March, 2012
1. Related Parties			
(a) Subsidiaries	1,29,25,805	—	1,29,25,805
(b) Companies in the same group	—	—	—
(c) Other related parties	—	29,48,41,306	29,48,41,306
2. Other than related parties	1,34,55,06,865	2,50,81,096	1,37,05,87,961
Total	1,35,84,32,670	31,99,22,402	1,67,83,55,072

6 Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) :

Category	Market Value/ Break up or fair value or NAV as at 31st March, 2012	Book Value (Net of Provisions) as at 31st March, 2012
1. Related Parties		
(a) Subsidiaries	77,92,00,245	37,72,51,867
(b) Companies in the same group	—	—
(c) Other related parties	—	—
2. Other than related parties	6,23,87,518	6,23,87,518
Total	84,15,87,763	43,96,39,385

Notes to the Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

7 Other information

Particulars	Total as at 31st March, 2012
(i) Gross Non-Performing Assets	
(a) Related parties	—
(b) Other than related parties	—
(ii) Net Non-Performing Assets	
(a) Related parties	—
(b) Other than related parties	—
(iii) Assets acquired in satisfaction of debt	—

Information regarding Subsidiary Companies

STATEMENT UNDER SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES IN TERMS OF THE CIRCULAR NO. 2/2011 DATED FEBRUARY 8, 2011 ISSUED BY THE MINISTRY OF CORPORATE AFFAIRS, GOVERNMENT OF INDIA

(Amount in Rs.)

Sl. No.	Particulars	Microsec Capital Limited		Microsec Commerce Limited		Microsec Insurance Brokers Limited		Microsec Resources Private Limited		Microsec Technologies Limited		PRP Technologies Limited	
		31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011
a.	Capital												
	Authorised	30,000,000	30,000,000	16,100,000	16,100,000	5,200,000	5,200,000	10,100,000	10,100,000	2,000,000	2,000,000	1,000,000	1,000,000
	Issued and Subscribed/ Partnership Fixed Capital												
b.	Reserve	22,635,610	22,635,610	16,029,500	16,029,500	5,160,600	5,160,600	3,200,000	3,200,000	1,536,400	1,007,000	1,000,000	1,000,000
		419,518,504	422,038,822	90,583,817	89,597,169	10,645,344	12,259,077	40,611,343	34,899,513	257,534,824	143,263,732	92,870,879	83,346,052
c.	Total Assets	743,714,240	628,279,287	181,134,972	152,445,179	16,151,974	18,000,084	141,651,315	368,119,987	294,397,126	162,253,032	118,720,191	141,258,978
d.	Total Liability	301,560,126	183,604,855	74,521,655	46,818,510	346,030	580,407	97,839,972	330,020,474	35,325,902	17,982,300	24,849,312	56,912,926
e.	Details of Investment (except investment in subsidiary)												
	In Quoted Bonds (Non-Current)	100,001,750	-	-	-	-	-	-	-	-	-	-	-
	In Quoted Bonds (Current)	-	100,001,750	-	-	-	-	-	-	-	-	-	-
	In Unquoted Bonds (Non Current)	-	-	-	-	-	1,730,866	-	-	-	-	-	-
	In Units of Mutual Fund (Current)	2,000,000	2,000,000	-	-	-	-	-	395,273	-	-	-	414,748
	In Quoted Equity Shares (Non-Current)	-	-	34,637,816	68,759,916	-	-	-	-	4,203,441	4,824,559	1,064,250	48,267,002
	In Unquoted Equity Shares (Non-Current)	-	-	30,000,000	-	-	-	-	-	105,000,000	-	115,000,000	-
f.	Turnover	189,777,793	258,723,334	31,155,754	29,188,873	6,678,849	13,195,382	20,354,752	29,159,297	50,618,759	94,000,000	23,994,151	77,668,166
g.	Profit before taxation	-361,081	34,719,183	1,897,867	10,728,731	-1,596,546	1,845,082	7,329,549	10,669,345	31,100,131	60,057,827	16,552,817	68,183,613
h.	Provision for taxation	2,159,237	11,935,601	911,219	2,538,577	17,187	508,178	1,617,719	3,557,430	6,297,638	11,991,964	7,027,990	13,587,921
i.	Profit after taxation	-2,520,318	22,783,582	986,648	8,190,154	-1,613,733	1,336,904	5,711,830	7,111,915	24,802,493	48,065,863	9,524,827	54,595,692
j.	Proposed Dividend	-	-	-	-	-	-	-	-	-	-	-	-

Auditors' Report on Consolidated Financial Statements

To

The Board of Directors of Microsec Financial Services Limited

1. We have audited the attached consolidated balance sheet of Microsec Financial Services Limited ('the Company') its subsidiaries and associate, as at 31st March 2012, and also the consolidated statement of profit and loss and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries (namely Microsec Commerce Limited, Microsec Insurance Brokers Limited, Microsec Technologies Limited, Microsec Resources Private Limited, PRP Technologies Limited and Microsec Invictus Advisors LLP), whose financial statements reflect total assets of Rs.75,29,49,168 as at 31st March 2012, total revenue of Rs.13,76,75,560 and cash flows amounting to Rs.66,61,412 for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
4. We did not audit the financial statements of the associate company, namely, Myjoy Fun and Food Private Limited whose share of net loss of Rs.1,20,63,294 is included in the consolidated financial statements. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on the report of other auditors.
5. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards (AS) 21, "Consolidated financial statements" and Accounting Standards (AS) 23, "Accounting for Investments in Associates in Consolidated Financial Statements" notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended).
6. Based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view, in conformity with the accounting principles generally accepted in India :
 - (a) in the case of the consolidated balance sheet, of the consolidated state of affairs of the Company, its subsidiaries and associates as at 31st March 2012;
 - (b) in the case of the consolidated statement of profit and loss, of the consolidated profit of the Company, its subsidiaries and associate company for the year ended on that date; and

Auditors' Report on Consolidated Financial Statements

- (c) in the case of the consolidated cash flow statement, of the consolidated cash flows of the Company, its subsidiaries and associate company for the year ended on that date.

For **S. R. BATLIBOI & CO.**

Chartered Accountants

Firm Registration Number : 301003E

per **R. K. Agrawal**

Partner

Membership No. : 16667

Place : Kolkata

Date : May 23, 2012

Consolidated Balance Sheet as at March 31, 2012

(Amount in Rs.)

	Notes	As at 31.03.2012	As at 31.03.2011
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital	3	31,81,05,000	31,81,05,000
(b) Reserves and Surplus	4	2,36,45,44,329	2,26,11,39,666
2. Non-current Liabilities			
(a) Long-term Borrowings	5	1,65,00,000	1,00,00,000
(b) Deferred Tax Liabilities (Net)	6	2,36,12,060	2,41,07,922
3. Current Liabilities			
(a) Short-term Borrowings	7	2,50,72,361	56,298
(b) Trade Payables	8	11,23,31,861	13,60,02,479
(c) Other Current Liabilities	9	25,78,46,379	9,37,12,723
(d) Short Term Provisions	10	6,19,29,623	4,78,29,969
		3,17,99,41,613	2,89,09,54,057
II. ASSETS			
1. Non Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	11	13,58,36,748	11,88,12,470
(ii) Intangible Assets	11	5,05,72,292	9,08,12,800
(iii) Capital Work in Progress		5,56,83,437	3,17,42,658
(b) Non Current Investments	12	44,02,31,481	22,61,20,371
(c) Deferred Tax Assets (Net)	13	49,47,855	5,15,966
(d) Long Term Loans and Advances	14	11,88,51,526	8,71,71,658
(e) Other Non Current Assets	15	10,49,92,678	4,84,50,052
2. Current Assets			
(a) Current Investments	16	20,00,000	15,45,60,692
(b) Trade Receivables	17	11,94,45,213	14,04,39,244
(c) Cash and Bank Balances	18	11,76,41,915	25,26,46,417
(d) Short Term Loans and Advances	14	2,02,52,10,992	1,73,08,92,143
(e) Other Current Assets	15	45,27,476	87,89,586
		3,17,99,41,613	2,89,09,54,057
Summary of significant Accounting Policies	2		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For **S. R. BATLIBOI & CO.**

Firm Registration No. : 301003E

Chartered Accountants

R. K. Agrawal

Partner

Membership No. 16667

Place : Kolkata

Date : May 23, 2012

For and on behalf of the Board of Directors

B. L. Mittal

Chairman & Managing Director

Ravi Kant Sharma

Managing Director & CEO

Giridhar Dhelia

Chief Financial Officer

Biplab Kumar Mani

Company Secretary

Consolidated Statement of Profit and Loss for the year ended March 31, 2012

(Amount in Rs.)

	Notes	2011-12	2010-11
I. Revenue from Operations	19	52,20,27,579	75,90,16,263
II. Other Income	20	5,62,35,144	2,58,91,226
III. Total Revenue (I+II)		57,82,62,723	78,49,07,489
IV. EXPENSES			
Employee Benefits Expense	21	17,42,36,753	17,67,41,240
Finance Costs	22	51,97,014	76,26,674
Depreciation and Amortisation expense	23	6,03,24,832	2,55,85,778
Other Expenses	24	11,53,76,314	14,08,44,667
Provision for Standard Assets		—	46,03,290
		35,51,34,913	35,54,01,649
V. PROFIT BEFORE TAX (III - IV)		22,31,27,810	42,95,05,840
VI. Tax Expenses :			
(a) Current Tax (Including Rs. 40,627 (Rs. 73,608) for earlier years)		7,74,67,792	9,91,66,938
(b) Excess Tax Provision relating to earlier years no longer required written back		(18,51,146)	—
(c) Deferred Tax Charge / (Credit)		(49,27,751)	25,39,351
		7,06,88,895	10,17,06,289
VII. Profit for the year		15,24,38,915	32,77,99,551
VIII. Earnings Per Equity Share :			
Basic and Diluted (Nominal Value per Share Rs. 10)	25	4.79	12.83
Summary of significant Accounting Policies	2		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For **S. R. BATLIBOI & CO.**

Firm Registration No. : 301003E

Chartered Accountants

R. K. Agrawal

Partner

Membership No. 16667

Place : Kolkata

Date : May 23, 2012

For and on behalf of the Board of Directors

B. L. Mittal

Chairman & Managing Director

Ravi Kant Sharma

Managing Director & CEO

Giridhar Dhelia

Chief Financial Officer

Biplab Kumar Mani

Company Secretary

Consolidated Cash Flow Statement for the year ended March 31, 2012

(Amount in Rs.)

Particulars	2011-12	2010-11
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax	22,31,27,810	42,95,05,840
Adjustments for :		
Loss on sale/discard of Fixed Assets	1,28,156	6,90,433
Provision for Standard Assets	–	46,03,290
Excess provision for standard assets written back	(73,693)	–
Depreciation/amortization	6,03,24,832	2,55,85,778
Interest Expenses	25,55,454	53,50,479
Interest on Fixed deposits and Others	(2,83,12,465)	(1,40,25,523)
Irrecoverable debts/advances written off	16,45,955	8,44,686
Unspent liabilities no longer required written back	(1,25,100)	(2,314)
Operating Profit before Working Capital Changes	25,92,70,949	45,25,52,669
Movements in working capital :		
Increase / (Decrease) in trade payables	(2,36,70,618)	2,68,94,349
Increase / (Decrease) in long-term provisions	–	(3,57,543)
Increase / (Decrease) in short-term provisions	(29,487)	41,50,046
Increase / (Decrease) in other current liabilities	15,07,99,872	68,67,339
(Increase) / Decrease in Non-Current Investments	(22,61,74,404)	(13,95,49,219)
(Increase) / Decrease in Current Investments	15,25,60,692	(15,42,23,851)
(Increase) / Decrease in other current assets	(76,893)	–
(Increase) / Decrease in long-term Loans and Advances	(95,14,460)	(7,54,78,925)
(Increase) in short-term Loans & Advances	(29,16,39,134)	(1,17,63,34,066)
(Increase) / Decrease in trade receivables	1,93,48,076	(5,20,46,607)
Cash generated from operations	3,08,74,593	(1,10,75,25,808)
Income tax paid	(6,40,93,368)	(9,44,15,077)
Net cash generated from Operating Activities	(3,32,18,775)	(1,20,19,40,885)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	7,93,388	7,32,716
Purchase of fixed assets (including intangible assets, Capital Work in Progress and capital advances)	(8,41,36,333)	(4,47,81,890)
Encashment of Fixed Deposits (having original maturity of more than three months)	38,68,65,033	56,93,78,554
Investment in Fixed Deposits (having original maturity of more than three months)	(36,14,48,418)	(62,02,33,038)
Interest on Fixed Deposits and Others	1,73,58,842	1,20,34,330
Net cash (used in) from Investing Activities	(4,05,67,488)	(8,28,69,328)

Consolidated Cash Flow Statement for the year ended March 31, 2012

(Amount in Rs.)

Particulars	2011-12	2010-11
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of Equity Share Capital	–	12,50,00,000
Proceeds from Securities Premium on issue of Equity Share Capital	–	1,35,00,00,000
Repayment of long-term Borrowings	–	(36,87,13,127)
Proceeds from long-term Borrowings	2,00,00,000	33,86,57,298
Proceeds from short-term Borrowings	2,50,16,063	–
Dividend Paid	(3,17,23,033)	–
Tax on Dividend Paid	(51,60,617)	–
Interest Paid	(25,30,637)	(56,39,364)
IPO Related expenses	–	(10,63,30,328)
Net cash (used in) from Financing Activities	56,01,776	1,33,29,74,479
D. Net change in Cash and Cash Equivalents (A+B+C)	(6,81,84,487)	4,81,64,266
E. Cash and Cash Equivalents – Opening Balance	12,40,76,994	7,59,12,728
F. Cash and Cash Equivalents – Closing Balance	5,58,92,507	12,40,76,994
Cash and Cash Equivalents as indicated in Note 18 comprises of :		
Cash in Hand	1,77,034	1,81,564
Balances with Scheduled Banks *	5,56,18,961	12,38,95,430
Cheques in Hand	96,512	–
Total	5,58,92,507	12,40,76,994

* Excludes balance of Rs. 42,952 (Rs. 1,96,352) with a bank for which refund instruments have been issued to the investors but are yet to be encashed and Rs. 6,17,06,456 (Rs. 12,83,73,071) of Fixed Deposits with restricted use or maturity for more than three months.

As per our report of even date

For **S. R. BATLIBOI & CO.**

Firm Registration No. : 301003E

Chartered Accountants

R. K. Agrawal

Partner

Membership No. 16667

Place : Kolkata

Date : May 23, 2012

For and on behalf of the Board of Directors

B. L. Mittal

Chairman & Managing Director

Ravi Kant Sharma

Managing Director & CEO

Giridhar Dhelia

Chief Financial Officer

Biplab Kumar Mani

Company Secretary

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

1. Basis of consolidation

The Consolidated Financial Statements which relate to Microsec Financial Services Ltd. (the Company) and its subsidiaries have been prepared on the following basis :

- The financial Statements of the Company and its subsidiaries have been consolidated in terms of Accounting Standard - 21, "Consolidated Financial Statements" notified by the Companies Accounting Standard Rules, 2006, on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenditure after fully eliminating intra group balances, intra group transactions and any unrealized profit/loss included therein.
- The excess/shortfall of cost to the Company of its investment over equity in the subsidiary companies as on the date of investment is recognized in the financial statements as goodwill/capital reserve as the case may be.
- The consolidated financial statements have been prepared using uniform accounting policies, for like transactions and are presented to the extent possible, in the same manner as the Company's separate financial statements.
- The Subsidiary Companies considered in the financial statements are as under :

Name	Country of Incorporation	% of Voting Power/Ownership interest	
		As at 31.03.2012	As at 31.03.2011
Microsec Capital Limited	India	100	100
Microsec Commerze Limited	India	100	100
Microsec Insurance Brokers Limited	India	100	100
Microsec Technologies Limited	India	100	100
Microsec Resources Private Limited	India	100	100
PRP Technologies Limited	India	100	100
Microsec Invictus Advisors LLP	India	100 *	100

*Microsec Invictus Advisors LLP has been consolidated as a subsidiary of the company by virtue of control over composition of the governing body of Limited Liability Partnership by Microsec Technologies Limited.

- The associate company considered in the financial statement is as follows :

Name	Country of Incorporation	% of Voting Power/Ownership interest	
		As at 31.03.2012	As at 31.03.2011
MyJoy Fun and Food Private Limited	India	49.02% *	Nil

*through subsidiary companies.

- Investment in associate have been accounted for using the equity method in accordance with Accounting Standards (AS) - 23 "Accounting for Investments in Associates in Consolidated Financial Statements" as notified by the Companies Accounting Standard Rules, 2006 (as amended).
- The Company accounts for its shares of the change in net assets of the associates, post acquisition, after eliminating unrealized profit /losses resulting from the transactions between the Company and its associates to the extent of its share, through its Statement of Profit and Loss to the extent such change is attributable to the associate's Statement of Profit and Loss.
- The difference between the cost of investment in the associate and the share of net assets at the time of acquisition of shares in the associate is identified in the financial statements as goodwill/capital reserve, as the case may be.

2. Basis of preparation

The financial statements have been prepared to comply in all material aspects with the Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956 and the directives as prescribed by the Reserve Bank of India for Non Banking Financial Companies. The financial statements have been prepared under the historical cost convention on an accrual basis. However, income is not recognized and also provision is made in respect of non-performing assets as per the prudential norms prescribed by the Reserve Bank of India. Except otherwise mentioned, the accounting policies applied by the Company, are consistent with those used in the previous year.

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

i) Change in Accounting Policy

During the year ended March 31, 2012, the Revised Schedule VI notified under the Companies Act, 1956 has become applicable to the Company and its subsidiaries, for preparation and presentation of its financial statements. The adoption of Revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company and its subsidiaries has also re-classified the previous year's figures in accordance with the Revised Schedule VI requirements applicable in the current year.

ii) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the date of financial statements and the results of operations during the reporting year end. Although these estimates are based upon the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amount of assets and liabilities in future periods.

iii) Revenue Recognition

- Revenue from share brokerage activities is accounted for on trade date basis and excludes service tax and Securities Transaction Tax. Annual Maintenance Charges in respect of depository services are collected from the customers at the time of account opening and every quarter thereafter and accounted for as income under the head Brokerage and related income, on a proportionate basis.
- Fees from Investment Banking activities which include issue Management, Mergers and Acquisitions, Investment and other advisory services etc. are recognised as and when the services are rendered to the customers and when there is reasonable certainty of its ultimate realisation/collection. The Company collects service tax on behalf of the Government and, therefore, it is not an economic benefit flowing to the Company. Hence, it is excluded from revenue.
- Commission on insurance policies sold is recognized, when an insurance policy sold by the Company is accepted by the principal insurance company.
- Commission and Incentive income on primary market activities, included in Investment Banking revenue is recognized on receipt of confirmation from the concerned party after completion of the public issue.
- Dividend income is recognized when the shareholder's right to receive payment is established by the balance sheet date.
- Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

- Penal Charges for delayed receipt of dues from the clients are credited on accrual basis, as per management's judgement, as to the reasonable certainty in realisation thereof.
- Service charge is recognised as and when services are rendered to the customers and when there is reasonable certainty for its ultimate realisation/collection.
- Fees from professional service is recognised as and when the services are rendered to the customers and there is reasonable certainty for its ultimate realisation/collection.

iv) Tangible Fixed Assets

Tangible Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

v) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses, if any.

vi) Depreciation and Amortization of tangible and intangible fixed assets

- Depreciation on fixed assets is provided using written down value method as per the useful life of the assets estimated by the management which is as per the rates specified in schedule XIV to the Companies Act, 1956.
- Depreciation on Fixed Assets added/disposed off during the year is provided on prorata basis with reference to the date of addition/disposal.
- Goodwill on consolidation is not amortized but tested for impairment.
- Copyrights are amortized on straight-line basis over a period of three years from the date the assets become available for use (Refer Note 30)
- Computer softwares are amortized on straight line basis over a period of three/five years as the case may be from the date the assets become available for use.

vii) Impairment of tangible and intangible fixed assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment based on external/internal factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and 'Value in use' of the assets. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, depreciation/amortization is provided on the revised carrying amount of the assets over its remaining useful lives.

A previously recognized impairment loss is increased or reversed depending on the changes in the circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation/amortization if there was no impairment.

viii) Borrowing Costs

Borrowing costs relating to acquisition/construction of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one

that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

ix) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as Current Investments. All other Investments are classified as Long term Investments. Current Investments are stated at lower of cost and market rate on an individual investment basis. Long term investments are considered "at cost" on individual investment basis, unless there is a decline other than temporary in the value, in which case adequate provision is made against such diminution in the value of investments.

x) Fixed Assets Acquired under lease

Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of the ownership of the leasehold assets are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit and loss.

xi) Provisions

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past event and it is probable that there will be an outflow of resources and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation, at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

xii) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognize a contingent liability but discloses its existence in the financial statements.

xiii) Taxation

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred Income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

The deferred tax for timing differences between the book and tax profit for the year is accounted for using the tax rates and laws that have been substantively enacted as of the Balance Sheet date. Deferred tax asset is recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised. If the Company has carry forward unabsorbed depreciation and tax losses, deferred tax asset is recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient taxable income will be available in future against which such deferred tax asset can be realised.

The carrying amount of deferred tax asset is reviewed at each Balance Sheet date. The company writes down the carrying amount of a Deferred Tax Asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax

asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

At each Balance Sheet date, the company recognizes the unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax asset can be realized.

Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in the guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the statement of profit and loss and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal Income Tax during the specified period.

xiv) Provisioning on Standard Assets

The Reserve Bank of India (RBI) vide Notification No. DNBS 223/CGM (US) - 2011 dated January 17, 2011 has issued direction to all NBFCs to make provision of 0.25% on standard assets. Accordingly, the Company has made provision @ 0.25% on standard assets in accordance with RBI directions.

xv) Segment Reporting :

(a) Identification of Segments :

The Company has identified that its business segments are the primary segments. The Company's operating businesses are organized and managed separately according to the nature of products/services provided, with each segment representing a strategic business unit that offers different products/services and serves different markets. The analysis of geographical segments is based on the areas in which the operating division of the company operates.

(b) Allocation of Common Costs :

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common cost. Revenue and expenses which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis are included under the head "Unallocated -Common".

The accounting policies adopted for segment reporting are in line with those of the Company.

xvi) Retirement and other employees benefits

- a) Retirement benefits in the form of provident funds are defined contribution schemes and the contributions are charged to the statement of profit and loss for the year when is due.
- b) Gratuity liability being a defined benefit obligation is provided for on the basis of actuarial valuation on projected unit credit method at the end of each year.
- c) Short term compensated absences are provided for based on estimates.
- d) Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

xvii) Earnings per Share

Basic Earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders, by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

xviii) Cash and Cash equivalents

Cash and cash equivalents in the cash flow statement comprise of Cash at Bank and Cash/Cheque on hand and short-term investments with an original maturity of three months or less.

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	As at 31.03.2012	As at 31.03.2011
3. SHARE CAPITAL		
Authorised		
3,50,00,000 (3,50,00,000) Equity Shares of Rs. 10 each	35,00,00,000	35,00,00,000
	35,00,00,000	35,00,00,000
Issued, Subscribed and Paid-up		
3,18,10,500 (3,18,10,500) Equity Shares of Rs. 10 each fully paid	31,81,05,000	31,81,05,000
	31,81,05,000	31,81,05,000

(a) Reconciliation of shares outstanding at the beginning and at the end of the reporting period

Equity Shares	As at 31.03.2012		As at 31.03.2011	
	Nos.	Rs.	Nos.	Rs.
At the beginning of the year	3,18,10,500	31,81,05,000	1,93,10,500	19,31,05,000
Issued during the year	—	—	1,25,00,000	12,50,00,000
Outstanding at the end of the year	3,18,10,500	31,81,05,000	3,18,10,500	31,81,05,000

(b) Terms / Rights attached to the equity shares

The Company has only one class of equity shares having par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended March 31, 2012, the amount of per share dividend recognised as distribution to equity share holders is Re. 1 (Re. 1).

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Details of shareholders holding more than 5% shares in the Company

Name of the shareholder	As at 31.03.2012		As at 31.03.2011	
	No. of shares	% of holding	No. of shares	% of holding
(Equity shares of Rs. 10 each full paid-up)				
Banwari Lal Mittal	1,08,16,000	34.00	1,08,03,000	33.96
Top View Enclaves LLP	41,29,699	12.98	—	—
Luv Kush Projects Limited	20,45,675	6.43	42,65,675	13.41
Microsec Vision Employees Trust	17,83,400	5.61	17,83,400	5.61

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

(d) Aggregate number of bonus shares issued and shares bought back during the period of five years immediately preceeding the reporting date

Particulars	As at 31.03.2012	As at 31.03.2011
Equity Shares allotted as fully paid bonus shares by capitalisation of securities premium, capital redemption reserve and surplus in the statement of profit and loss	57,00,000	1,43,88,060
Equity shares bought back by the Company	10,00,000	10,00,000

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	As at 31.03.2012	As at 31.03.2011
4. RESERVES AND SURPLUS		
Capital Reserve (Arisen on Consolidation)	36,43,980	36,43,980
Capital Redemption Reserve		
As per last Account	1,02,00,000	1,00,00,000
Add : Transferred from statement of profit and loss on redemption of preference shares	–	2,00,000
	1,02,00,000	1,02,00,000
Securities Premium Account		
As per last Account	1,38,98,44,136	15,14,73,500
Additions during the year	–	1,35,00,00,000
Less : Share Issue Expenses	–	11,16,29,364
	1,38,98,44,136	1,38,98,44,136
Debenture Redemption Reserve		
As per last Account	1,22,91,666	1,10,41,666
Add : Transferred from the Statement of Profit and Loss	12,50,000	12,50,000
	1,35,41,666	1,22,91,666
Reserve under Section 45-IC of the Reserve Bank of India Act, 1934		
As per last Account	10,31,30,000	6,55,30,000
Add : Amount transferred from the Statement of Profit and Loss	2,32,00,000	3,76,00,000
	12,63,30,000	10,31,30,000
According to Section 45-IC of the Reserve Bank of India Act, 1934, every NBFC shall create a reserve fund and transfer therein a sum not less than 20% of its Net Profit every year as disclosed in the statement of profit and loss and before declaration of dividend.		
Surplus in the Statement of Profit and Loss		
As per Last Account	74,20,29,884	49,02,51,450
Add : Profit for the year	15,24,38,915	32,77,99,551
	89,44,68,799	81,80,51,001
Less : Appropriations		
Proportionate share of loss of the Associate Company	1,20,63,294	–
Transferred to Reserve under Section 45-IC of the RBI Act, 1934	2,32,00,000	3,76,00,000
Transferred to Debenture Redemption Reserve	12,50,000	12,50,000
Transferred to Capital Redemption Reserve	–	2,00,000
Proposed final Equity Dividend [Amount per share Re. 1 (Re. 1)]	3,18,10,500	3,18,10,500
Tax on proposed equity dividend	51,60,458	51,60,617
	82,09,84,547	74,20,29,884
	2,36,45,44,329	2,26,11,39,666

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	Non Current Portion		Current Maturities	
5. LONG TERM BORROWINGS	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Term Loan from banks (secured)	1,65,00,000	1,00,00,000	1,35,00,000	–
Amount disclosed under the head				
"Other current Liabilities" (Refer Note 9)	–	–	(1,35,00,000)	–
	1,65,00,000	1,00,00,000	–	–

Term Loan of Rs. 3,00,00,000 (Rs. 1,00,00,000) was taken during the financial year 2010-11 and carries interest @ Base Rate + 4% + 0.75% p.a. The total sanctioned amount of loan of Rs. 10,19,00,000 is repayable in 3 quarterly instalments of Rs. 45,00,000 each and 17 quarterly instalment of Rs. 52,00,000 each from September 2012. The loan is secured by way of mortgage of immovable property (office premises) of a subsidiary company at Rajarhat, Kolkata, personal guarantee of one director of the Company and Corporate Guarantee of the Company.

	As at 31.03.2012	As at 31.03.2011
6. DEFERRED TAX LIABILITIES (NET)		
Deferred Tax Liability		
Timing Difference in Depreciable assets	16,40,963	77,51,644
Timing difference of accrued interest on bonds	11,01,081	–
Discount on Deep Discount Debentures	2,12,79,656	1,79,71,298
Gross Deferred Tax Liability (A)	2,40,21,700	2,57,22,942
Deferred Tax Asset		
Expenses Allowable against taxable income in future years	4,09,640	4,14,633
Provision for standard assets	–	12,00,387
Gross Deferred Tax Asset (B)	4,09,640	16,15,020
Net Deferred Tax Liabilities (A-B)	2,36,12,060	2,41,07,922

7. SHORT-TERM BORROWINGS		
Working Capital Facility (secured)	2,50,72,361	56,298
	2,50,72,361	56,298

- Working Capital Facility aggregating to Rs. 1,80,36,427 (Rs. Nil) secured by pledge of Fixed Deposits Receipts of Rs. 2,00,00,000 held by a subsidiary company, is repayable on demand and carries interest @ Fixed Deposit interest +1%, presently 9.5% per annum.
- Working Capital Facility of Rs. 13,062 (Rs. Nil) secured by pledge of NABARD Bond of Rs. 1,85,35,773 held by a subsidiary company, is repayable on demand and carries interest @ 13.25% per annum.
- Working Capital Facility of Rs. Nil (Rs. 56,298) is secured by properties (office premises) of a subsidiary company, Company and one of the fellow subsidiary company and corporate guarantee of the Company and one of the fellow subsidiary company, was repayable on demand and carried interest @ 13% per annum.
- Working Capital Facility of Rs. 70,22,872 (Rs. Nil) is secured by pledge of Fixed Deposits of Rs. 78,50,000 of a subsidiary company. Working Capital Facility is repayable on demand and carried interest @ Fixed Deposit + 1%, presently 9.88% per annum.

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	As at 31.03.2012	As at 31.03.2011
8. TRADE PAYABLES		
Due to Micro and Small Enterprises *	–	–
Amount Payable to Clients	9,91,95,416	12,36,13,881
Amount Payable to Stock Exchanges	23,77,942	25,13,960
Due to Others	1,07,58,503	98,74,638
	11,23,31,861	13,60,02,479

* Based on the information/documents available with the Company, no creditor is covered under Micro, Small and Medium Enterprise Development Act, 2006. As a result, no interest provisions/payments have been made by the company to such creditors, if any, and no disclosures thereof are made in the financial statements.

9. OTHER CURRENT LIABILITIES		
Current Maturities of long-term borrowings (Refer Note 5)	1,35,00,000	–
Margin from Clients	22,69,01,107	7,23,97,792
Security Deposits	81,16,041	82,91,941
Unclaimed Dividend	87,467	–
Interest accrued but not due on long term borrowings	24,817	–
Unpaid Share Application Money *	42,952	1,96,352
Temporary Book overdraft from Scheduled Banks	–	71,85,926
Other Payables		
For Fixed Assets	61,23,793	–
Statutory Dues	30,50,202	56,40,712
	25,78,46,379	9,37,12,723

* Represents refund instruments issued to the investors but yet to be encashed. This does not include any amount, due and outstanding to be credited to Investors Education and Protection Fund.

10. SHORT-TERM PROVISIONS		
Provision for Employee Benefits		
Provision for Gratuity (Refer Note 31)	6,61,112	6,90,599
Other Provisions		
For Taxation [Net of Advances Rs. 11,90,57,171 (Rs. 8,88,27,356)]	1,97,67,956	55,64,963
For Standard Assets (Refer Note 28)	45,29,597	46,03,290
Proposed Equity Dividend	3,18,10,500	3,18,10,500
Tax on proposed Equity Dividend	51,60,458	51,60,617
	6,19,29,623	4,78,29,969

11. FIXED ASSETS										
A. Tangible Assets										
Particulars	Freehold Land	Leasehold Land	Residential Flat	Office Premises	Computer and Allied Equipments	Furniture and Fixtures	Office Equipments	Vehicles	Total	(Amount in Rs.)
Gross Block										
At April 1, 2010	40,22,289	–	–	8,73,85,395	3,00,43,653	3,05,09,204	1,84,29,075	38,15,949	17,42,05,565	
Additions	–	–	–	–	70,53,559	57,54,267	45,86,712	65,23,116	2,39,17,654	
Disposals	–	–	–	–	14,92,442	–	2,85,437	13,70,550	31,48,429	
At March 31, 2011	40,22,289	–	–	8,73,85,395	3,56,04,770	3,62,63,471	2,27,30,350	89,68,515	19,49,74,790	
Additions	–	1,70,49,432	55,52,350	–	52,58,652	41,42,543	20,23,308	6,36,396	3,46,62,681	
Disposals	–	–	–	–	51,250	2,13,510	2,11,289	23,99,757	28,75,806	
At March 31, 2012	40,22,289	1,70,49,432	55,52,350	8,73,85,395	4,08,12,172	4,01,92,504	2,45,42,369	72,05,154	22,67,61,665	
Depreciation										
At April 1, 2010	–	–	–	1,54,38,934	2,08,81,399	1,61,70,556	66,21,627	23,58,655	6,14,71,171	
Charge For the Year	–	–	–	35,97,323	51,81,279	39,45,534	24,83,201	13,98,535	1,66,05,872	
Disposals	–	–	–	–	11,03,353	–	1,16,202	6,95,168	19,14,723	
At March 31, 2011	–	–	–	1,90,36,257	2,49,59,325	2,01,16,090	89,88,626	30,62,022	7,61,62,320	
Charge For the Year	–	56,935	2,43,411	3,417,457	57,34,759	36,07,179	21,91,583	14,65,535	1,67,16,859	
Disposals	–	–	–	–	20,965	1,16,955	73,337	17,43,005	19,54,262	
At March 31, 2012	–	56,935	2,43,411	2,24,53,714	3,06,73,119	2,36,06,314	1,11,06,872	27,84,552	90,924,917	
Net Block										
At March 31, 2011	40,22,289	–	–	6,83,49,138	1,06,45,445	1,61,47,381	1,37,41,724	59,06,493	11,88,12,470	
At March 31, 2012	40,22,289	1,69,92,497	53,08,939	6,49,31,681	1,01,39,053	1,65,86,190	1,34,35,497	44,20,602	13,58,36,748	

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

11. FIXED ASSETS (Contd.)

B. Intangible Assets

Particulars	Goodwill on Consolidation	Computer Software	Web Application Portal	Copyrights- Right on Web Application Portal- Personal Resource Planning	Business and Membership Rights	Total
Gross Block						
At April 1, 2010	4,63,30,413	3,21,55,606	41,89,748	5,00,01,000	45,15,579	13,71,92,346
Purchase	—	8,20,670	1,36,826	—	—	9,57,496
Sale	—	1,37,82,200	—	—	—	1,37,82,200
At March 31, 2011	4,63,30,413	1,91,94,076	43,26,574	5,00,01,000	45,15,579	12,43,67,642
Purchase	—	33,67,465	—	—	—	33,67,465
At March 31, 2012	4,63,30,413	2,25,61,541	43,26,574	5,00,01,000	45,15,579	12,77,35,107
Amortization						
At April 1, 2010	—	2,75,59,942	11,68,326	51,37,088	43,02,337	3,81,67,693
Charge For the Year	—	23,75,985	14,37,154	50,00,100	1,66,667	89,79,906
Sale	—	1,35,92,757	—	—	—	1,35,92,757
At March 31, 2011	—	1,63,43,170	26,05,480	1,01,37,188	44,69,004	3,35,54,842
Charge For the Year	—	22,55,539	14,42,047	3,98,63,812 *	46,575	4,36,07,973
At March 31, 2012	—	1,85,98,709	40,47,527	5,00,01,000	45,15,579	7,71,62,815
Net Block						
At March 31, 2011	4,63,30,413	28,50,906	17,21,094	3,98,63,812	46,575	9,08,12,800
At March 31, 2012	4,63,30,413	39,62,832	2,79,047	—	—	5,05,72,292

* Refer Note 30

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	Face value Per share/ Unit	No. of Shares/ Units	As at 31.03.2012	As at 31.03.2011
12. NON CURRENT INVESTMENTS				
Non Trade investments (valued at cost unless stated otherwise)				
Quoted Equity Shares (fully paid up)				
Coal India Limited	10	15,200 (-)	60,69,532	-
Emami Limited	1	60,000 (2,00,014)	2,68,79,309	8,25,62,274
MOIL Limited	10	24,261 (21,461)	1,06,07,010	96,05,651
State Bank of Travancore	10	1,980 (25,610)	14,27,957	1,80,10,473
Hindusthan Unilever Limited	10	26,750 (-)	1,06,28,950	-
WABCO - TVS (India) Limited	5	3,121 (3,300)	28,23,701	29,85,650
Deevee Commercials Limited	10	1,88,500	2,82,750	2,82,750
Adhunik Metaliks Limited	10	2,60,000 (2,60,000)	3,01,18,254	3,01,18,254
CRISIL Limited	10	- (250)	-	14,78,698
Emami Infrastructure Limited	2	2 (2)	229	229
Elgi Equipments Limited	1	- (24,776)	-	21,89,721
Colgate Palmolive (India) Limited	1	- (10,149)	-	68,79,909
Exide India Limited	1	- (20,000)	-	20,80,556
ITC Limited	1	- (11,000)	-	14,49,382
NMDC Limited	1	- (3,400)	-	15,16,861
Himadri Chemical and Industries Limited	1	86,804 (6,50,188)	45,19,333	3,31,97,328
Hindustan Door Oliver Limited	2	- (37,000)	-	38,46,389
ONGC Limited	5	- (14,800)	-	50,24,475
Powergrid Corpn. Of India Limited	10	- (58,150)	-	52,33,500
Punjab and Sind Bank	10	- (89,249)	-	1,13,79,285
Petronet LNG Limited	10	- (16,000)	-	20,30,020
Tata Motors (DVR)	10	- (6,200)	-	45,18,100
(A)			9,33,57,025	22,43,89,505

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	Face value Per share/ Unit	No. of Shares/ Units	As at 31.03.2012	As at 31.03.2011
12. Non Current Investments (Contd...)				
Quoted Bonds (fully paid Up)				
National Bank for Agriculture and Rural Development *	20,000	10,811 (-)	10,00,01,750 **	-
Housing and Urban Development Corporation Limited	1,000	5,000 (-)	50,00,000	-
Indian Railway Finance Corporation Limited	1,000	1,088 (-)	10,88,000	-
Power Finance Corporation Limited	1,000	2,848 (-)	28,48,000	-
(B)			10,89,37,750	-
Trade Investments (Valued at cost unless stated otherwise)				
Unquoted Equity Shares (fully paid up)				
In Associate Company				
Myjoy Fun and Food Private Limited (Including Goodwill of Rs. 13,30,30,565)		12,50,000 (-)	25,00,00,000	-
Less : Share of Loss			(1,20,63,294)	-
(C)			23,79,36,706	-
Unquoted Bonds (fully paid up)				
HUDCO Bonds (Tax free) (unquoted)	5,00,000	- (3)	-	17,30,866
(D)			-	17,30,866
(A+B+C+D)			44,02,31,481	22,61,20,371
Aggregate Value of Investments				
Quoted			20,22,94,775	22,43,89,505
Unquoted			23,79,36,706	17,30,866
Market value of Quoted Investments			15,85,49,284	21,12,30,500

Note : Diminution of Rs. 2,78,74,263 (Rs. 2,17,21,603) , based on the market value, in the value of certain long term quoted investments as on the balance sheet date, being temporary in nature, has not been provided.

	As at 31.03.2012	As at 31.03.2011
*pledged with the following Scheduled banks as security against bank guarantee and working capital facility		
HDFC Bank Limited	6,66,09,250	-
IndusInd Bank Limited	3,33,92,500	-
	10,00,01,750	-

** Since the market value of the investment is not available, Cost price has been considered as market value.

The Board of Directors at its meeting held on 28th September, 2011 has decided to hold NABARD Bonds for long term and accordingly, the aforesaid investment have been reclassified as "Long-term Investments" as at 31st March, 2012 as against "Current Investments" as at 31st, March, 2011 as the same was intended to be held for a temporary period at that point of time.

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	As at 31.03.2012	As at 31.03.2011
13. DEFERRED TAX ASSETS (NET)		
Deferred Tax Liability		
Timing Difference in Depreciable assets	31,817	67,037
Gross Deferred Tax Liability (A)	31,817	67,037
Deferred Tax Asset		
Expenses Allowable against taxable income in future years	–	2,89,853
Timing Difference in Depreciable assets	35,14,927	–
Provision for standard assets	14,64,745	2,93,150
Gross Deferred Tax Asset (B)	49,79,672	5,83,003
Net Deferred Tax Assets (B-A)	49,47,855	5,15,966

	Non Current		Current	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
14. LOANS AND ADVANCES				
A. Loans (Bearing Interest)				
(Considered Good, unless otherwise stated)				
– Secured				
To others	–	–	1,47,73,45,676	1,52,03,81,301
– Unsecured				
To employees	–	–	62,982	–
To others	–	–	–	16,44,09,965
To Related Party (Refer Note 39)	–	–	29,48,41,306	–
(A)	–	–	1,77,22,49,964	1,68,47,91,266
B. Advances				
(Unsecured Considered good, unless otherwise stated)				
Capital Advances (Refer Note 35)	3,38,58,141	1,16,92,733	–	–
Advances to a related party (Refer Note 39)	–	–	–	3,76,360
Advance Recoverable in cash or kind or value to be received or pending adjustments	25,42,436	3,28,849	8,21,41,174	2,03,71,283
Deposits with Government Authorities and Others	16,57,936	1,64,27,028	92,63,763	58,32,299
Deposits with Exchanges	8,07,93,013	5,87,23,048	14,67,30,441	73,75,000
Advance Income tax and Tax Deducted at Source [net of Provision Rs. 6,71,88,704 (Rs. 6,04,30,868)]	–	–	1,48,25,650	1,21,45,935
(B)	11,88,51,526	8,71,71,658	25,29,61,028	4,61,00,877
(A + B)	11,88,51,526	8,71,71,658	2,02,52,10,992	1,73,08,92,143

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	Non Current		Current	
15. OTHER ASSETS	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Non Current Bank Balances (Refer Note 18)	8,86,71,089	4,74,21,089	–	–
Accrued Interest on Fixed Deposits	61,40,534	10,28,963	44,50,583	86,66,528
Accrued Interest on Bonds	1,01,81,055	–	76,893	1,23,058
(A)	10,49,92,678	4,84,50,052	45,27,476	87,89,586
Miscellaneous Expenditure				
(To the extent not written off or adjusted)				
Share issue expenses as per last account	–	–	–	93,70,807
Additions during the year	–	–	–	10,22,58,557
	–	–	–	11,16,29,364
Less : Adjusted/written off during the year	–	–	–	11,16,29,364
(B)	–	–	–	–
(A + B)	10,49,92,678	4,84,50,052	45,27,476	87,89,586

	No. of Units	Face value Per Unit	As at 31.03.2012	As at 31.03.2011
16. CURRENT INVESTMENTS				
(Valued at lower of cost and market value, unless stated otherwise)				
Quoted Bonds (Fully Paid)				
National Bank for Agriculture & Rural Development (Refer Note 12)	– (10,811)	20,000	–	10,00,01,750
(A)			–	10,00,01,750
Unquoted Mutual Funds (Fully Paid)				
HDFC Cash Management Fund - Treasury Advantage Plan - Retail - Growth	9,87,85.433 (13,32,00.50)	10	20,00,000	27,10,107
Sundra Ultra Short Term Fund	– (32,829.71)	10	–	414,748
Sundaram Money Fund Super Inst. Growth	– (10,44,099.04)	10	–	2,14,34,087
IDBI Ultra Short Term Growth	– (28,98,494.72)		–	3,00,00,000
(B)			20,00,000	5,45,58,942
(A + B)			20,00,000	15,45,60,692
Aggregate Value of Investments				
Quoted			–	10,00,01,750
Unquoted			20,00,000	5,45,58,942
Market value of Quoted Investments			–	10,00,01,750*
Aggregate Net Asset Value of Mutual Fund Units			22,86,102	5,51,37,301

* Since the market value of the investment was not available, Cost price had been considered as market value.

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	As at 31.03.2012	As at 31.03.2011
17. TRADE RECEIVABLES		
(Considered good unless otherwise stated)		
Outstanding for a period exceeding six months from the date they are due for payment		
Secured	1,11,46,788	9,26,192
Unsecured	22,21,310	31,18,470
Other receivables		
Secured	9,98,23,265	12,83,93,760
Unsecured	62,53,850	80,00,822
	11,94,45,213	14,04,39,244

	Non Current		Current	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
18. CASH AND BANK BALANCES				
(i) Cash and Cash Equivalents				
Cash on Hand	–	–	1,77,034	1,81,564
Balances with Scheduled Banks				
On Current Accounts	–	–	5,55,31,494	12,38,95,430
Unclaimed Dividend Account	–	–	87,467	–
	–	–	5,57,95,995	12,40,76,994
Cheques on Hand	–	–	96,512	–
(ii) Other Bank Balances				
IPO Refund Account *	–	–	42,952	1,96,352
Fixed Deposits with original maturity for more than 12 months (Refer Note 27)	8,86,71,089	4,74,21,089	4,87,60,000	11,59,40,033
Deposits with original maturity for more than 3 months but less than 12 months (Refer Note 27)	–	–	1,29,46,456	1,24,33,038
Amount disclosed under "other non-current assets" (Refer Note 15)	(8,86,71,089)	(4,74,21,089)	–	–
	–	–	11,76,41,915	25,26,46,417

* Represents balance with a bank for which refund instruments have been issued to the investors but are yet to be encashed by the investors

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	2011-12	2010-11
19. REVENUE FROM OPERATIONS		
(i) Interest Income		
On Loans (Gross) (TDS Rs. 2,19,24,609 (Rs. 1,20,18,576))	22,37,24,140	13,41,75,158
On tax-free PSU Bonds	76,893	—
(A)	22,38,01,033	13,41,75,158
(ii) Other Financial Services		
- Stock/Commodity Broking		
Brokerage and Related Income (TDS Rs. 94,334 (Rs. 1,03,868))	19,98,27,644	23,34,43,676
Penal Charges Collected from clients (TDS Rs. 71,966 (Rs. 1,20,088))	1,26,93,795	1,52,35,670
(B)	21,25,21,439	24,86,79,346
- Investment		
Profit on Sale of Non-Trade Investments (Net)		
- Long Term	49,71,593	6,88,92,683
- Current	77,26,853	1,22,61,806
Dividend from Long Term Non-Trade Investments	20,09,499	12,15,673
(C)	1,47,07,945	8,23,70,162
- Wealth Management, Financial Planning and Distribution		
Insurance Brokerage and Related Income [TDS Rs. 6,45,856 (Rs. 12,75,320)]	66,78,849	1,31,95,382
Service Charges [TDS Rs. 19,78,750 (Rs. 77,09,970)]	2,39,94,151	6,99,00,000
Profit from Trading in Securities	—	7,32,041
(D)	3,06,73,000	8,38,27,423
- Investment Banking Revenue [TDS Rs. 13,02,353 (Rs. 1,03,33,934)]	88,32,108	11,44,46,858
- Professional Fees [TDS Rs. 60,54,674 (Rs. 1,03,74,450)]	3,14,92,054	9,55,17,316
(E)	4,03,24,162	20,99,64,174
Total (A + B + C + D + E)	52,20,27,579	75,90,16,263

20. OTHER INCOME		
Interest Income on		
On Loan [TDS Rs. 27,65,982 (Rs. 11,46,645)]	2,76,63,093	1,14,66,421
Fixed Deposits [TDS Rs. 17,61,126 (Rs. 13,55,274)]	1,75,12,752	1,36,07,354
Long-Term Bonds (Non Trade)	1,03,11,473	—
Income Tax Refund	3,66,239	2,38,919
Others (TDS Rs. 10,291 (Rs. 960))	1,22,001	1,79,250
Other Non Operating Income		
Liabilities no longer required written back	1,25,100	2,314
Excess Provision for Standard Assets no longer required written back	73,693	—
Miscellaneous Income	60,793	3,96,968
	5,62,35,144	2,58,91,226

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	2011-12	2010-11
21. EMPLOYEE BENEFITS EXPENSE		
Salary, Bonus etc.	16,74,94,556	16,99,47,803
Contribution to Provident and other funds	4,86,602	–
Contribution to Employees' State Insurance	11,49,652	6,09,090
Gratuity Expense	9,07,710	17,35,251
Employees' Welfare Expenses	41,98,233	44,49,096
	17,42,36,753	17,67,41,240

22. FINANCE COSTS		
Interest Expense		
On Fixed Loans	–	21,05,923
On Working Capital Facilities	19,60,203	39,47,709
Miscellaneous	5,95,251	66,575
Other Borrowing Costs		
Bank Guarantee Charges	26,41,560	15,06,467
	51,97,014	76,26,674

23. DEPRECIATION AND AMORTIZATION EXPENSE		
Depreciation of Tangible Assets	1,67,16,859	1,66,05,872
Amortisation of Intangible Assets	4,36,07,973	89,79,906
	6,03,24,832	2,55,85,778

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

	2011-12	2010-11
24. OTHER EXPENSES		
Membership Fees and Subscription	8,74,841	9,01,963
Software Maintenance charges	47,20,840	41,57,044
Stock / Commodity Exchange charges	61,76,169	83,42,922
SEBI Turnover Fees	1,95,747	3,36,779
Depository Transaction charges	12,40,264	18,09,578
Advertisement and Publicity	71,61,800	1,35,50,771
Communication Expenses	89,37,195	99,00,613
Electricity Expenses	55,49,825	44,63,634
Repairs and Maintenance - Others	48,59,978	49,25,956
Rent	1,24,18,308	92,06,615
Rates and Taxes	8,15,994	8,85,414
Filing Fees	5,360	17,850
Directors Sitting Fee	3,10,000	2,72,500
Insurance Premium	3,62,741	4,00,355
Printing and Stationery	47,91,626	48,56,894
Bank and Demat charges	2,75,125	1,48,259
Business Promotion Expenses	12,00,050	7,93,225
Travelling and Conveyance	66,29,018	63,40,839
Postage and Courier Expenses	20,02,228	28,88,219
Legal and Professional Fees	51,80,016	1,32,80,369
Listing Fees	1,81,384	–
Irrecoverable debts/advances written off	16,45,955	8,44,686
Loss on Fixed Assets sold/discarded (Net)	1,28,156	6,90,433
License and Statutory Fees	66,977	68,701
Service Charges		
Market Research and Analysis Services	19,96,342	75,30,225
Facility Services, etc.	1,78,75,240	3,50,09,464
Commission to Authorised Person and Others	1,39,76,978	–
Auditor's Remuneration		
As Auditors		
Audit Fees	12,31,545	21,81,545
Tax Audit Fee	4,000	33,273
Limited Reviews	4,50,000	7,50,000
In other capacities for certificates and other services	6,02,000	13,05,000
Reimbursement of expenses (including service tax)	1,13,862	51,964
Miscellaneous Expenses	33,96,750	48,99,577
	11,53,76,314	14,08,44,667
25. EARNINGS PER SHARE		
Basis for calculation of Basic and Diluted Earnings Per Share is as under :		
Net Profit after tax (Rs.)	15,24,38,915	32,77,99,551
Weighted Average Number of Equity Shares (Nos.)	3,18,10,500	2,55,43,377
Nominal Value of each Equity Share (Rs.)	10.00	10.00
Basic and Diluted Earnings Per Share (Rs.)	4.79	12.83

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

26. Contingent Liabilities :

- (a) The Company has provided Corporate Guarantee of Rs. 30,19,00,000 (Rs. 35,19,00,000) and has created equitable mortgage of Rs. 4,16,50,000 (Rs. 4,16,50,000) over its property at Kolkata as security for the said guarantee for credit facility extended by a scheduled bank to its wholly owned subsidiaries. Against the above, the credit facility availed and the bank guarantees issued by the banks as on March 31, 2012 are Rs. 3,00,00,000 (Rs. 1,00,56,298) and Rs. 20,00,00,000 (Rs. 25,00,00,000) respectively.
- (b) Microsec Resources Private Limited (a subsidiary company) has provided Corporate Guarantee of Rs. Nil (Rs. 50,00,000) in favour of a bank for guarantee issued by the bank to a third party.
- (c) Counter Guarantee by Microsec Capital Limited (a wholly owned subsidiary company) in favour of a Bank for guarantees issued by them in favour of Commodity Exchange on behalf of a wholly owned subsidiary company - Rs. 25,00,000 (Rs. 75,00,000).
- (d) Bank Guarantee outstanding in favour of Bombay Stock Exchange - Rs. 73,75,000 (Rs. 73,75,000).
- (e) Claims of Rs. 21,05,961 (Rs. 19,06,710) against the Company not acknowledged as debts. The management believes that the Company has a good case for success in the above matters and hence no provision thereagainst is considered necessary.
- (f) Income Tax demand under appeal - Rs. 1,21,21,260 (Rs. 63,20,300). The management believe that the Company has a good case for success in this matter and therefore no provision thereagainst is considered necessary.
- (g) Service Tax demand under appeal - Rs. 19,29,972 (Rs. 19,29,972). The management believe that the Company has a good case for success in this matter and therefore no provision thereagainst is considered necessary.
- (h) Bank Guarantee in favour of Sales Tax Department Rs. 1,23,867 (Rs. 58,038).

27. Fixed Deposits with Banks aggregating to Rs. 14,87,69,956 (Rs. 16,82,94,160) are pledged as follows :

(Amount in Rs.)

	As at 31.03.2012	As at 31.03.2011
Pledged with		
National Stock Exchange of India Limited	8,00,000	8,00,000
National Securities Clearing Corporation Limited	85,00,000	25,00,000
HDFC Bank Limited (As security against credit facilities/Bank Guarantees)	9,19,35,000	7,18,65,033
United Bank of India (As security against Bank Guarantee/Lien as per IRDA Regulation 22)	14,21,089	61,71,089
Axis Bank Limited (As security against Overdraft Facilities)	2,00,00,000	2,00,00,000
Indus Ind Bank Limited (As security against credit facilities/Bank Guarantee)	2,50,00,000	5,01,00,000
MCX Stock Exchange Limited	8,00,000	1,20,50,000
National Commodity Derivative Exchange	Nil	45,00,000
National Spot Exchange Limited	2,50,000	2,50,000
Axis Bank Limited (As security against Bank guarantee)	63,867	58,038
Total	14,87,69,956	16,82,94,160

28. The Reserve Bank of India through notification no. DNBS 223/CGM (US) - 2011 dated January 17, 2011 directed all Non Banking Financial Companies to make a provision of 0.25% on Standard assets and accordingly the Company has made a provision of Rs. 45,29,597 (Rs. 46,03,290) as at March 31, 2012.

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

29. The Reserve Bank of India vide notification no. DNBS.PD/CC.NO.214/03.02.2002/2010-11 dated March 30, 2011 has issued a direction that no Non Banking Financial Company shall contribute to the capital of a partnership firm or become a partner of such firm. Accordingly, the Company has retired from partnership in Microsec Invictus Advisors LLP w.e.f. March 15, 2012 and another subsidiary viz. Microsec Technologies Limited has been appointed as the new partner w.e.f. the same date. In accordance with the terms and conditions of the limited liability partnership, the Company has shared loss of Rs. 20,42,591.

The details of investment in Limited Liability Partnership are as follows :

Name of the Firm: Microsec Invictus Advisors LLP

Total Capital (100% invested by Microsec Technologies Limited) : Rs. 9,00,000

Partners Name and their share

Name of the Partner	Share of Profit	Share of Loss
Microsec Technologies Limited (w.e.f. March 16, 2012)	50%	100%
Microsec Financial Services Limited (upto March 15, 2012)	50%	100%
Mr. Debashish Ghosal	50%	—

30. Till last year, the Company was amortizing copyrights on a straight line basis over a period of ten years from the date these assets became available for use. In the current year, the Company has re-assessed the estimated useful life of such intangible assets and has written it off over the useful life of three years. Because of the above change, the profit before tax for the year and carrying value of copyrights is lower by Rs. 3,48,63,712.
31. The Company and its subsidiaries have a defined benefit gratuity plan. Every employee, who has completed five years or more of services, is entitled to gratuity on terms not less favorable than the provisions of the payment of Gratuity Act, 1972. The scheme is funded with Life Insurance Corporation of India.

The following tables summarise the components of net benefit expenses recognised in the Statement of Profit and Loss and the funded status and amounts recognized in the balance sheet for the plan.

	2011-12 (Rs.)	2010-11 (Rs.)
(i) Net Employee Expense/(Benefit)		
Current service cost	20,29,876	20,16,484
Interest cost on benefit obligation	4,60,302	2,78,623
Expected return on plan assets	3,79,342	(2,29,638)
Net Actuarial (gain)/loss recognised in the year	(12,03,126)	(3,30,218)
Total employer (income)/expense recognised in Profit and Loss Account	9,07,710	17,35,251
(ii) Actual return on plan assets	4,31,358	2,72,175
(iii) Benefit Asset/(Liability)		
Defined benefit obligation	67,14,186	54,90,221
Fair value of Plan Assets	60,53,074	47,99,622
Benefit Asset/(Liability)	(6,61,112)	(6,90,599)
(iv) Movement in benefit liability		
Opening defined benefit obligation	54,90,221	34,82,795
Interest cost	4,60,302	2,78,623
Current service cost	20,29,876	20,16,484
Benefits paid	1,15,103	-
Actuarial (gains)/losses on obligation	(11,51,110)	(2,87,681)
Closing benefit obligation	67,14,186	54,90,221

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

	2011-12 (Rs.)	2010-11 (Rs.)
(v) Movement in fair value of plan assets		
Opening fair value of plan assets	47,99,622	28,70,471
Expected Return on plan assets	3,79,342	2,29,638
Contributions by employer	9,37,197	16,56,976
Benefits paid	1,15,103	-
Actuarial (gains)/losses on plan assets	52,016	(42,537)
Closing fair value of plan assets	60,53,074	47,99,622
(vi) Major categories of plan assets as a percentage of the fair value of total plan assets		
Investments in insurance managed fund	100%	100%
(vii) The principal actuarial assumptions are as follows		
Discount Rate	8.50%	8.00%
Expected rate of return on plan assets	8.00%	8.00%
Salary increase	5.00%	5.00%
Withdrawal rates	1.00%	1.00%
(viii) Amount incurred as expense for defined contribution plans		
Contribution to Provident/Pension fund	4,86,602	Not Applicable
Contribution to Employees State Insurance	11,49,652	6,09,090

- (ix) The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factor, such as supply and demand in the employment market.
- (x) The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.
- (xi) The Company expects to contribute Rs. 18,50,000 (Rs. 18,60,000) to Gratuity fund during April 2012-March, 2013.
- (xii) Amounts for the current year and previous years are as follows : *

	2011-12 (Rs.)	2010-11 (Rs.)	2009-10 (Rs.)
Gratuity			
Defined Benefit Obligation	67,14,186	54,90,221	34,82,795
Plan Assets	60,53,074	47,99,622	28,70,471
Surplus/(Deficit)	(6,61,112)	(6,90,599)	(6,12,324)
Experience adjustments on plan liabilities	(11,51,110)	(2,87,681)	(5,64,132)
Experience adjustments on plan assets	52,016	42,537	35,027

*The Company and its subsidiaries had started recording gratuity liability based on actuarial valuation from the year 2009-10 and therefore disclosure has been made only for the aforesaid years.

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

32. a) The Company has submitted an application on December 16, 2011 to the Regional Provident Fund Commissioner, West Bengal for registration for provident fund which was allotted by the Provident Fund authorities on January 31, 2012, with retrospective effect from October 1, 2011. On registration, the Company has deposited all provident fund contributions for the period from October 2011 to January 2012 on February 13, 2012.
- (b) Microsec Capital Limited (wholly owned subsidiary) submitted an application on September 19, 2011 to the Regional Provident Fund Commissioner, West Bengal for registration for provident fund which was allotted by the Provident Fund authorities on October 10, 2011. On registration, the Company has deposited all provident fund contributions.
33. The Company and one of its subsidiary viz. Microsec Commerce Limited submitted an application on December 30, 2011 to the Regional Employees' State Insurance Corporation, West Bengal for registration for Employees' State Insurance which was allotted by the Employees' State Insurance authorities on January 10, 2012, with retrospective effect from October 1, 2011. On registration, the Company has deposited all Employees' State Insurance contributions for the period from October 2011 to December 2011 on January 18, 2012.

34. **Expenditure in Foreign Currency (on accrual basis)**

	2011-12 (Rs.)	2010-11 (Rs.)
Travelling Expense	1,46,023	1,05,026
	1,46,023	1,05,026

35. **Capital Commitments**

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) - Rs. 5,58,28,241 (Rs. 4,47,65,569).

36. Capital work in progress represents Building under construction at Rajarhat, Kolkata.
37. Minimum Alternate Tax (MAT) credit entitlement of Rs. 3,16,67,294 (Rs. 3,15,60,343) related to financial years 2008-09 to 2011-12 although available as tax credit for set off in future years as per Income Tax Act, 1961, has not been accounted for in view of accounting policy specified in Note 2.1 (xiii) herein.
38. Facility Service charges of Rs. 1,78,75,240 (Rs. 3,50,09,464) as indicated in Note 24 include payments made by certain subsidiaries to various parties for use of their infrastructure facilities like office space, office equipments, computers, furniture & fixtures, telephones and manpower services etc. in relation to maintenance of their offices/branches.
39. In terms of Accounting Standard 18 -the related party disclosure is given below :

Name of related parties and description of relationship

Key Management Personnel

Mr. Banwari Lal Mittal (Chairman and Managing Director)
 Mr. Ravi Kant Sharma (Managing Director & CEO) (w.e.f. August 5, 2011)
 Mr. Ravi Kant Sharma (Director) (upto August 4, 2011)
 Mr. Ajai Kumar Agrawal (Managing Director in PRP Technologies Limited)
 Mr. Ajay Jaiswal (Director in PRP Technologies Limited)
 Mr. Shamik Bose (Executive Director in Microsec Commerce Limited)
 Mr. Pankaj Harlalka (Executive Director in Microsec Capital Limited)
 Mr. Pankaj Kumar Kedia (Chief Financial Officer) (upto October 20, 2010)
 Mr. Giridhar Dhelia (Chief Financial Officer) (w.e.f. November 9, 2010)
 Mr. Debashish Ghoshal (Managing Partner in Microsec Invictus Advisors LLP) w.e.f. July 19, 2010

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

Relatives of Key Management Personnel

Mrs. Abha Mittal (Wife of Mr. Banwari Lal Mittal)
 Mr. Narsingh Mittal (Brother of Mr. Banwari Lal Mittal)
 Mr. Sajjan Kumar Sharma (Father of Mr. Ravi Kant Sharma)
 Mrs. Bharti Sharma (Wife of Mr. Ravi Kant Sharma)
 Mrs. Rasmi Harlalka (Wife of Mr. Pankaj Harlalka)
 Mrs. Kanta Devi Sharma (Mother of Mr. Ravi Kant Sharma)
 Mr. Man Mohan Harlalka (Father of Mr. Pankaj Harlalka)
 Mr. Arjun Mittal (Brother of Mr. Banwari Lal Mittal)
 Mrs. Sushila Devi Khaitan (Sister of Mr. Banwari Lal Mittal)
 Mrs. Gomti Devi Mittal (Mother of Mr. Banwari Lal Mittal)
 Mrs. Bhagwati Agarwal (Sister of Mr. Banwari Lal Mittal)
 Mrs. Deepika Agarwal (Sister of Mr. Banwari Lal Mittal)
 Mr. Krishna Mittal (Son of Mr. Banwari Lal Mittal)
 Mr. Rajiv Sharma (Brother of Mr. Ravi Kant Sharma)
 Mrs. Kanta Harlalka (Mother of Mr. Pankaj Harlalka)
 Mr. Niraj Harlalka (Brother of Mr. Pankaj Harlalka)
 Mrs. Laxmi Gupta (Sister of Mr. Pankaj Harlalka)

Associate Company

Myjoy Fun and Food Private Limited (w.e.f. August 16, 2011)

Enterprises in which Key Management Personnel Exercise Significant Influence

Luv-Kush Projects Limited
 Micro Resources Private Limited
 B.L.Mittal (HUF) (Mr. Banwari Lal Mittal being the Karta)
 Top View Enclaves LLP

(Amount in Rs.)

Particulars	Key Management Personnel	Relatives of Key Management	Enterprise in which Key Management Personnel Exercise Significant Influence	Associate Company	Total
Director's Remuneration					
Mr. B. L. Mittal	35,21,241 (38,33,856)	— (—)	— (—)	— (—)	35,21,241 (38,33,856)
Mr. Ravi Kant Sharma	29,81,897 (33,43,376)	— (—)	— (—)	— (—)	29,81,897 (33,43,376)
Mr. Pankaj Harlalka	16,37,079 (17,41,400)	— (—)	— (—)	— (—)	16,37,079 (17,41,400)
Mr. Ajai Kumar Agrawal	7,32,857 (5,22,611)	— (—)	— (—)	— (—)	7,32,857 (5,22,611)
Mr. Shamik Bhose	20,53,200 (9,00,000)	— (—)	— (—)	— (—)	20,53,200 (9,00,000)
Mr. Debashish Ghoshal	1,50,000 (1,50,000)	— (—)	— (—)	— (—)	1,50,000 (1,50,000)

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

Particulars	Key Management Personnel	Relatives of Key Management	Enterprise in which Key Management Personnel Exercise Significant Influence	Associate Company	Total
Remuneration					
Mr. Pankaj Kumar Kedia	— (6,78,987)	— (—)	— (—)	— (—)	— (6,78,987)
Mr. Giridhar Dhelia	10,63,921 (4,61,255)	— (—)	— (—)	— (—)	10,63,921 (4,61,255)
Mrs. Rashmi Harlalka	— (—)	1,72,300 (3,36,300)	— (—)	— (—)	1,72,300 (3,36,300)
Brokerage and Related Income					
Luv Kush Projects Limited	— (—)	— (—)	4,09,430 (5,18,884)	— (—)	4,09,430 (5,18,884)
Topview Enclaves LLP	— (—)	— (—)	2,01,280 (—)	— (—)	2,01,280 (—)
Others	37,091 (48,545)	47,708 (1,33,139)	9,878 (—)	— (—)	85,851 (1,81,684)
Repayment of Advances Given					
Myjoy Fun and Food Private Limited	— (—)	— (—)	— (—)	30,00,000 (—)	30,00,000 (—)
Mr. Pankaj Harlalka	4,42,463 (2,83,404)	— (—)	— (—)	— (—)	4,42,463 (2,83,404)
Ravi Kant Sharma	4,96,622 (—)	— (—)	— (—)	— (—)	4,96,622 (—)
Repayment of Inter Corporate Deposits Taken (Interest Bearing)					
Luv Kush Projects Limited	— (—)	— (—)	— (9,00,00,000)	— (—)	— (9,00,00,000)
Advances Given					
Myjoy Fun and Food Private Limited	— (—)	— (—)	— (—)	30,00,000 (—)	30,00,000 (—)
Mr. Pankaj Harlalka	4,46,730 (2,72,852)	— (—)	— (—)	— (—)	4,46,730 (2,72,852)
Mr. Ravi Kant Sharma	1,20,262 (3,76,360)	— (—)	— (—)	— (—)	1,20,262 (3,76,360)
Mr. Debashish Ghoshal	— (15,00,000)	— (—)	— (—)	— (—)	— (15,00,000)
Others	71,821 (—)	35,700 (—)	— (—)	— (—)	1,07,521 (—)

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

(Amount in Rs.)

Particulars	Key Management Personnel	Relatives of Key Management	Enterprise in which Key Management Personnel Exercise Significant Influence	Associate Company	Total
Repayment of Loans Given					
Myjoy Fun and Food Private Limited	– (–)	– (–)	– (–)	40,00,000 (–)	40,00,000 (–)
Loans Given					
Myjoy Fun and Food Private Limited	– (–)	– (–)	– (–)	14,06,25,000 (–)	14,06,25,000 (–)
Interest Income					
Myjoy Fun and Food Private Limited	– (–)	– (–)	– (–)	1,71,69,878 (–)	1,71,69,878 (–)
Inter Corporate Deposit Taken (Interest Bearing)					
Luv Kush Projects Limited	– (–)	– (–)	– (9,00,00,000)	– (–)	– (9,00,00,000)
Interest Paid					
Luv Kush Projects Limited	– (–)	– (–)	– (66,575)	– (–)	– (66,575)
Balance Receivable					
Myjoy Fun and Food Private Limited	– (–)	– (–)	– (–)	29,48,41,306 (–)	29,48,41,306 (–)
Mr. Ravi Kant Sharma	– (3,76,360)	– (–)	– (–)	– (–)	– (3,76,360)
Mr. Debashish Ghoshal	– (3,75,000)	– (–)	– (–)	– (–)	– (3,75,000)
Balance Payable					
Mr. Pankaj Harlalka	6,285 (10,552)	– (–)	– (–)	– (–)	6,285 (10,552)

40. One of the Company's subsidiary has invested in deep discount bonds redeemable after a period of 20 years issued by another fellow subsidiary company. The investor company has not accounted for income on such deep discount bonds whereas the investee company has accounted for interest expense in its books. As per policy consistently followed, the investor company will account for such interest income at the time of redemption of the bonds in their books. However, at the time of consolidation, to follow uniform accounting policies for like transactions, income accrued on such bonds has been duly considered as a consolidated adjustment and eliminated with the corresponding expenses recognised by another subsidiary. The consequential deferred tax liability of Rs. 2,12,79,656 (Rs. 1,79,71,298) on such interest income has also been considered in these consolidated financial statements.
41. Pursuant to the provision of section 61 of the Companies Act, 1956, the shareholders of the Company in the Annual General Meeting held on August 4, 2011, have approved the variation in the utilisation of the Issue Proceeds from Initial Public Offer (IPO), arising out of the issue of equity shares allotted pursuant to the prospectus dated September 24, 2010.

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

- (i) The utilization of the Issue Proceeds as per Prospectus dated September 24, 2010 was as follows :

(Amount in Rs.)

Particulars	Amount to be utilized as per prospectus
Expansion of financing business of the Company	1,13,00,00,000
Expansion of MCaps domestic operations by increasing network of branches	8,00,00,000
Enhance MCaps existing technological capacity	7,50,00,000
General Corporate Purposes	8,03,30,000
Issue related Expenses	10,96,70,000
Total	1,47,50,00,000

- (ii) The revised utilization of the Issue Proceeds as approved in Annual General Meeting held on August 4, 2011 is as follows :

(Amount in Rs.)

Deployment	Amount utilized
Financing (includes both Secured & Unsecured loans), Investments, Branding, Purchase of Fixed Assets and General Corporate purpose	1,13,00,00,000
Expansion of MCap Business by increasing network of branches, enhancing technological capacity, utilization towards stock exchange margin deposits, working capital requirements and investment	15,50,00,000
General Corporate Purpose	7,83,71,000 *
Issue related Expenses	11,16,29,000
Total	1,47,50,00,000

*The Board at its meeting held on August 5, 2011 has approved the utilization of the money lying un utilized in the "General Corporate Purpose" towards financing (includes both secured and unsecured loans) and investments and the same has been accordingly utilized in the current year.

- (iii) The utilization of the Issue Proceeds from Initial Public Offer (IPO) as at March 31, 2011 was as follows :

(Amount in Rs.)

Particulars	Funds allocated for the activity as per prospectus	Amount utilized upto March 31, 2011
Gross Proceeds of the Issue	1,47,50,00,000	1,47,50,00,000
Less : Issue related Expenses	10,96,69,000	11,16,29,364
Net Proceeds of the Issue ("Net Proceeds")	1,36,53,31,000	1,36,33,70,636
Deployment		
Expansion of financing business of the company	1,13,00,00,000	1,10,27,32,297
Expansion of Microsec Capital Limited's domestic operations by increasing network of branches	8,00,00,000	15,50,00,000*
Enhance Microsec Capital Limited's existing technological capacity	7,50,00,000	
General Corporate Purpose	8,03,31,000	34,95,632
Short Term Investments in mutual funds and bank balance pending utilization		10,21,42,707
Total	1,36,53,31,000	1,36,33,70,636

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

*Represents the amount invested in equity shares of Microsec Capital Limited (MCap) which is lying un-utilized by MCap and thus invested in fixed deposits and bonds.

42. Segment Reporting

The Company's segment information as at and for the year ended March 31, 2012 are as below : (Amount in Rs.)

Particulars	Financing & Investment	Investment Banking & Related Services	Brokerage (Equity, Commodities Currency) & related services, including Depository Services	Wealth Management, Insurance Broking, Financial Planning, Distribution and related services	Total
Segment Revenue	23,85,08,978 (21,65,45,320)	4,03,24,162 (20,99,64,174)	21,25,21,439 (24,86,79,346)	3,06,73,000 (8,38,27,423)	52,20,27,579 (75,90,16,263)
Segment Results	18,33,39,566 (19,06,33,467)	-1,84,54,602 (13,07,88,994)	1,44,29,254 (4,26,72,731)	83,56,908 (6,59,76,640)	18,76,71,126 (43,00,71,832)
Add: Unallocated Income net of unallocated expenses					3,54,56,684 (-5,65,992)
Profit Before Tax					22,31,27,810 (42,95,05,840)
Current Tax					7,74,67,792 (9,91,66,938)
Deferred Tax					-49,27,751 (25,39,351)
Excess Provision of Income Tax for earlier years, written back					-18,51,146 (-)
Profit after Tax					15,24,38,915 (32,77,99,551)
Segment Assets	1,94,09,61,030 (2,06,61,31,715)	13,84,35,396 (10,67,72,223)	42,44,06,359 (28,07,70,188)	1,49,38,198 (67,95,633)	2,51,87,40,983 (2,46,04,69,759)
Unallocated Corporate Assets					66,12,00,630 (43,04,84,298)
Total Assets					3,17,99,41,613 (2,89,09,54,057)
Segment Liabilities	52,24,305 (83,94,154)	60,42,584 (26,29,072)	34,77,27,478 (22,10,56,024)	10,04,729 (6,43,866)	35,99,99,096 (23,27,23,116)
Unallocated Corporate Liabilities					13,72,93,188 (7,89,86,275)
Total Liabilities					49,72,92,284 (31,17,09,391)
Capital Expenditure	2,09,25,745 (6,54,782)	4,70,90,272 (1,54,88,237)	78,47,039 (1,60,89,363)	82,73,277 (13,98,008)	8,41,36,333 (3,36,30,390)
Depreciation/Amortization	4,42,56,569 (85,87,090)	42,55,808 (44,97,173)	95,85,582 (96,22,087)	22,26,873 (28,79,428)	6,03,24,832 (2,55,85,778)
Non Cash expenses	5,00,239 (46,03,290)	3,71,457 (2,44,734)	12,25,362 (7,37,027)	- (5,53,358)	20,97,058 (61,38,409)

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

Notes :

I. Business Segments :

The business segment has been identified on the basis of the services of the group. Accordingly, the group has identified "Financing & Investment", "Investment Banking & related Services", "Brokerage (Equity, Commodities & Currency including Depository Services) & related services," and "Wealth Management, Insurance Broking, Financial Planning, Distribution and related Services" as business segments.

- a. Financing & Investment : consists of financing of loans and investments in shares and securities
- b. Investment Banking & related services : consists of financial consultancy, professional fees and debt syndication
- c. Brokerage (Equity, Commodities & Currency including Depository Services) & related service : Consists of Brokerage and related Services.
- d. Wealth Management, Insurance Broking, Financial Planning, Distribution and related services: Consists of Brokerage from Insurance activities, distribution and Financial planning Services.

II. Geographical Segments :

The Company operates in only one geographical segment i.e. 'Within India' and no separate information for geographical segment has been given.

43. Operating Lease :

Certain office premises are obtained on operating lease. The lease term is for 1 to 3 years and renewal for further period either mutually or at the option of the Company. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no sub-leases. The leases are cancellable.

The details of lease payments are as follows :

(Amount in Rs.)

Particulars	2011-12	2010-11
Lease payments made for the year	1,24,18,308	92,06,615
Contingent rent recognised in the Statement of Profit and Loss	Nil	Nil

44. Additional information as per guidelines issued by the Reserve Bank of India in respect of Non - Banking Financial (Non Deposit Accepting or Holding) systemically important (NBFC-ND-SI), are given in Annexure - I attached herewith.

45. Previous year's figures including those in brackets have been regrouped and/or rearranged wherever necessary.

As per our report of even date

For **S. R. BATLIBOI & CO.**

Firm Registration No. : 301003E

Chartered Accountants

R. K. Agrawal

Partner

Membership No. 16667

Place : Kolkata

Date : May 23, 2012

For and on behalf of the Board of Directors

B. L. Mittal

Chairman & Managing Director

Ravi Kant Sharma

Managing Director & CEO

Giridhar Dhelia

Chief Financial Officer

Biplab Kumar Mani

Company Secretary

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

Annexure I of Note 44 to the financial statement of Microsec Financial Services Limited, a Non Banking Financial Company

(a) Capital to Risk Assets Ratio (CRAR)

Items	As at 31st March, 2012	As at 31st March, 2011
(i) CRAR (%)	103.81	105.90
(ii) CRAR - Tier I Capital (%)	103.55	105.66
(iii) CRAR - Tier II Capital (%)	0.26	0.24

(b) Exposure to real estate sector, both direct and indirect.

Category	As at 31st March, 2012 (Rs.)	As at 31st March, 2011 (Rs.)
(a) Direct exposure		
(i) Residential Mortgages -		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to Rs. 15 lacs may be shown separately)	—	—
(ii) Commercial Real Estate -		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	—	—
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures -		
a. Residential	—	—
b. Commercial Real Estate	—	—
(b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	—	—

(c) The Company does not have any exposure in gold as on March 31, 2012.

Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2012

(d) Asset Liability Management

Maturity pattern of certain items of Assets and Liabilities :

(Amount in Rs.)

	1 day to 30/31 days (one month)	Over one month and upto 2 months	Over 2 months and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Liabilities									
Borrowings from Banks	-	-	-	-	-	-	-	-	-
Market Borrowings	-	-	-	-	-	-	-	-	-
Assets									
Advances*	1,65,33,36,958 (1,47,98,55,947)	- -	- -	- -	- -	- -	- -	- -	1,65,33,36,958 (1,47,98,55,947)
Investments	- (5,17,48,921)	- -	- -	- -	- -	5,34,51,518 (10,25,38,029)	- -	38,61,87,867 (28,81,53,867)	43,96,39,385 (44,24,40,817)

* Represents interest bearing loans. Since the loans are repayable on demand, the same has been categorized in the bracket of 1 day to 30/31 days (one month).

MICROSEC FINANCIAL SERVICES LIMITED

Regd. Office : "Shivam Chambers", 1st Floor, 53, Syed Amir Ali Avenue, Kolkata - 700 019
Phone : +91 33 3051 2100, Fax No : +91 33 3051 2020

Dear Shareholder(s),

Date : May 23, 2012

Sub: Green Initiative in Corporate Governance

The Ministry of Corporate Affairs ("MCA") has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by companies and has issued circulars on April 21, 2011 and April 29, 2011 inter-alia stating that a company would have complied with Section 53 of the Companies Act, 1956, if the service of document has been made through electronic mode.

To take part in the Green Initiative, we propose to send documents such as Notices, Annual Report etc. through electronic mode to the e-mail addresses which are made available to us by the Depositories and also which are registered and/or otherwise available with the Company's Registrar and Share Transfer Agents, Link Intime India Private Limited ("Link") from time to time. The full text of all documents and communications will also be available on our website, www.microsec.in

We earnestly request you to register your e-mail id with your Depository Participant, or where you desire to have the above documents at any alternative e-mail address, then you may accordingly register/update your email-id with your Depository Participant (for shares held in electronic form) or with the Company's Registrar and Share Transfer Agents at kolkata@linkintime.co.in or with the Company at investors@microsec.in

Further, in case email address of any member has not been registered then the service of documents, etc. will be effected by other mode of service as provided under Section 53 of the Companies Act, 1956.

We are sure that you would appreciate the "Green Initiative" taken by MCA and your company's desire to participate in such initiatives. It will not only be step to a Greener Earth but it will also be a faster mode of communication and there will be no chance of loss in postal transit.

Please communicate your choice at investors@microsec.in

Thank you for cooperating with us, as always.

For **Microsec Financial Services Limited**

Biplab Kumar Mani
Company Secretary

MICROSEC FINANCIAL SERVICES LIMITED

Regd. Office : "Shivam Chambers", 1st Floor, 53, Syed Amir Ali Avenue, Kolkata - 700 019

Phone : +91 33 3051 2100, Fax No : +91 33 3051 2020

ATTENDANCE SLIP

Ledger Folio No.

D. P. ID *

No. of Shares held

Client ID *

1. Full name of Member/Proxy

2. If Proxy, full name of Member

I hereby record my presence at the Twenty Third Annual General Meeting of the Members of the Company at 'Rotary Sadan', (Shripati Singhanian Hall), 94/2 Chowringhee Road, Kolkata - 700 020, on Friday, 3rd August, 2012, at 10.30 a.m. and at any adjournment thereof.

Date

Signature

Important : This attendance slip should be signed and handed over at the entrance of the Meeting Hall.

* Applicable for Members holding shares in Electronic Form _ _ _ _ _

MICROSEC FINANCIAL SERVICES LIMITED

Regd. Office : "Shivam Chambers", 1st Floor, 53, Syed Amir Ali Avenue, Kolkata - 700 019

Phone : +91 33 3051 2100, Fax No : +91 33 3051 2020

PROXY FORM

Ledger Folio No.

D. P. ID *

No. of Shares held

Client ID *

I/We _____ of _____

_____ being a member/members of Microsec Financial Services Limited hereby appoint

_____ of _____

_____ (or failing him/her _____ of _____)

as my/our proxy to attend and vote for me/us on my/our behalf at the Twenty Third Annual General Meeting of the Members of the Company to be held at 'Rotary Sadan', (Shripati Singhanian Hall), 94/2 Chowringhee Road, Kolkata - 700 020, on Friday, 3rd August, 2012, at 10.30 a.m. or and at any adjournment thereof.

Signed this day of 2012

Signature of Proxy

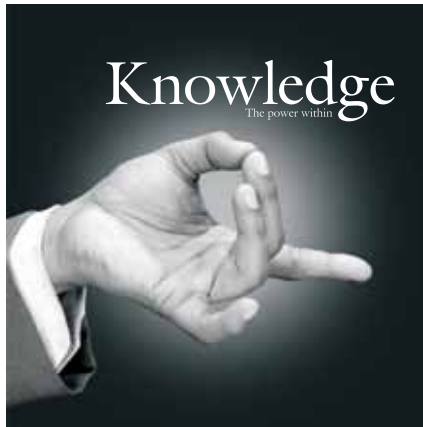
Note : 1) This instrument of Proxy must be deposited at the Registered Office of the Company not less than forty eight hours before the time for holding the meeting.

2) A Proxy need not be a member.

* Applicable for Members holding shares in Electronic Form

Core Values

◀ To facilitate financial transactions with commitment and transparency
by adding value to achieve financial goals ▶



Kolkata

Investment Banking

Azimganj House, 2nd Floor
7 Camac Street
Kolkata - 700 017
Ph: 91 033 2282 9330
Fax: 91 033 2282 9335

Brokerage, Wealth Management & Research

Shivam Chambers, 1st Floor
53, Syed Amir Ali Avenue
Kolkata - 700 019
Ph: 91 033 3051 2000
Fax: 91 033 3051 2020

Club Kautilya

2nd Floor
15, Ashutosh Mukherjee Road
Kolkata - 700 020
Ph: 91 033 7105 1000
Fax: 91 033 7105 1111

Mumbai

42A & 74A, Mittal Tower, 7th Floor
210 Nariman Point, Mumbai - 400 021
Ph: 91 022 2285 5544
Fax: 91 022 2285 5548

E-mail: info@microsec.in

Website: www.microsec.in



अग्यफलमैश्वर्यम्

Prosperity is the outcome of wisdom
-Kautilya

If undelivered, please return to
Microsec Financial Services Ltd. Shivam Chambers, 1st Floor,
53, Syed Amir Ali Avenue, Kolkata –700 019

