

JRG Securities Limited | Annual Report 2011-12

BUILDING A STRONGER PLATFORM



| Capital Benefits TM |

JRG Securities Limited

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Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipates’, ‘estimates’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’ and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

CORPORATE INFORMATION

Board Members

- Mr. Rahul Bhasin, Chairman
- Mr. Munish Dayal, Director
- Mr. P. Viswanathan, Director
- Mr. Pradeep Mallick, Director
- Mr. B.R Menon, Director
- Mr. Gopi Chand S, Managing Director

Chief Operating Officer,
Company Secretary &
Legal Head

Mr. Harjit Singh Sidhu

Statutory Auditors

M/s B S R & Associates
KPMG House, No 10
Mahatma Gandhi Road,
Nungambakkom, Chennai- 600034

Bankers

HDFC Bank Ltd
The Federal Bank Ltd
ICICI Bank
Axis Bank
State Bank of Travancore
The South Indian Bank Ltd

Registered Office

JRG House, Ashoka Road,
Kaloor, Kochi-682017, Kerala
Tele: +91 484 3006000
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E mail: jrg@jrg.co.in
Website: www.inditrade.com

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Global economic uncertainties, reforms slowdown, depreciating Rupee and slower consumer offtake enhanced the volatility of the Indian financial market in 2011-12.

This impacted the earnings of JRG Securities Limited.

Rather than complain about the external environment, we embarked on various initiatives to strengthen our enterprise.

So even as the prospects of the country's financial markets appear grim, we are optimistic that the country's long-term growth story will continue to remain attractive and will capitalise on the projected reality through the creation of a more sustainable business model.



CORPORATE IDENTITY



JRG Securities is one of the emerging companies in the Indian financial services intermediary segment, helping provide innovative financial solutions on the one hand and helping customers in making informed decision making on the other hand.

Lineage

- Incorporated in 1994 as a financial services intermediary to provide equity and commodity brokerage services in South India
- Acquired by Duckworth Limited, a subsidiary of Baring India Private Equity Fund II Limited, in 2007 through the acquisition of a 46% stake
- JRG Securities today, has grown into a leading financial and investment services enterprise, offering the most extensive range of financial products and services

Services offered

Equity brokerage: Comprises equity intermediation services

Commodity brokerage: Comprises dealings in agro-products, precious metals, metals, bullion and energy

Insurance: Comprises services under life insurance, general insurance, pension plans and health insurance

Non-banking financial services:

Comprises services under margin finance, loan against shares, loan against commodities, gold loan plans, mutual funds, IPO services and tax filing

Internet trading and phone-based services: Comprises online/telephonic mutual fund, depository and fund management services

Commitment

We are a professional services provider

We ensure a delightful customer experience

We are a dynamic and motivated team with rich product expertise

We are reliable partners as our dealings are transparent

We invest in long-term partnerships with stakeholders

We differentiate ourselves as smart solution providers

Subsidiaries

- JRG Wealth Management Limited
- JRG Fincorp Limited
- JRG Insurance Broking (P) Limited
- JRG Business Investment Consultants Limited

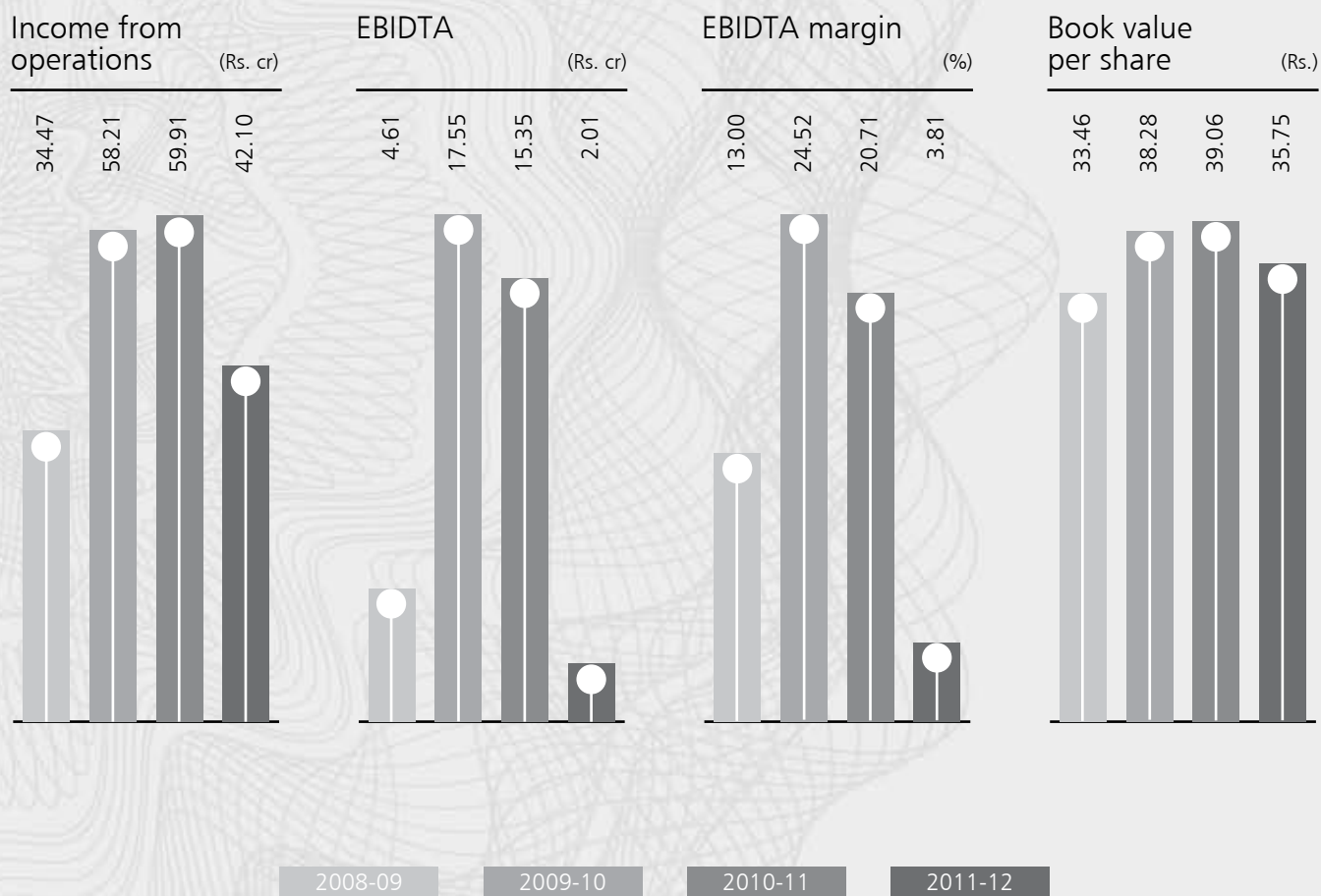
Memberships and affiliations

- Depository participant with NSDL and CDSL
- Member of NSE and BSE for equity trading
- Affiliation with MCX, NMCE, NCDEX, IPSTA and NCMSL
- Complies with all regulatory requirements of SEBI, IRDA, FMC and RBI

Location

Headquartered in Kochi, Kerala
Network of 300 branches and sub-brokers/ associates across Kerala, Tamil Nadu, Andhra Pradesh, Karnataka and Maharashtra

FINANCIAL HIGHLIGHTS



Based on consolidated numbers



CHAIRMAN'S STATEMENT



Dear Shareholders,

Things have not got better. Times are tougher. Globally, in countries like the US, Japan, the U.K and most of the Anglo Saxon world, de-leveraging-driven deflation is being countered with virtually zero interest rates, maintaining a precarious balance. In Southern Europe, profligate governments and banking systems stretched by over exposure to construction, real estate, etc, coupled with rising dependency ratios have made governments insolvent creating cleavages in the fabric of sustainability of the Eurozone. All this combined creates volatility on the availability of the capital we import to sustain our twin deficits, exposing savers to higher beta in capital markets. Given the Indian households low per capita income and concomitant low risk tolerance and sustained institutionalised bias against equity investors has kept your Company's ecosystem challenged. Investors have preferred the relative safe haven of bank accounts but threatened with structurally higher inflation embedded into our policy framework, and have sought refuge in real estate and gold.

The ingrained institutionalised bias against equity investors with

regulators not recognising them as relevant consequential stakeholders has persisted. SEBI worries about customers of financial products but not the consequences of their actions on investors in the financial service firms. RBI treats non-banks as stepchildren in the financial system and acts inimically to their interests without giving them a voice. Competition commission does not act against violators but against companies in a manner that hurts minority shareholders. Pension trustees do not allow investments into equity. Numerous ministries routinely prescribe price caps in industries where the norm does not mean basic cost of capital over cycles. Government-controlled companies routinely make minority investors bear part of the governments subsidy burden. MNC's routinely charge royalty for brands built at the cost of minority shareholders and transfer away profits in related party transactions. Local promoter groups capture disproportionate economics under the fig leaf of the independent director elected by the majority shareholder regime. Investment bankers act of inducements to over price issuance are hidden behind legalese and accounting firms cannot be held responsible

for what they sign under their own charter. The socialistic conditioning of the powers that be precludes seeing investors as essential stakeholders in the formation and sustenance of risk capital and they continue to privately dismiss them as speculators. This mindset and hence the structural bias is unlikely to change soon and hence other than for a liquidity driven asset price inflation, it would be unduly optimistic to imagine a widespread equity cult developing in our country.

As true realisation of the structural bias against him have dawned, hope and aspiration of capital appreciation have dimmed and the local saver has systematically withdrawn from participating in the capital markets with delivery volumes at the lowest level since 2007 (a phenomenon vastly hidden by a substantial increase in programme trading and large cap focussed international flows). This has reduced the catchment of customers for all players in the industry. Lower volumes and steeply negative operating leverage in an industry with a predominantly fixed cost structure has led to a mutually destructive price cutting spiral. Matters have been made worse by exchanges continuously

This mindset and hence the structural bias is unlikely to change soon and hence other than for a liquidity-driven asset price inflation, it would be unduly optimistic to imagine a widespread equity cult developing in our country.



reducing entry barriers to promote their own volumes and revenue and by increasing costs of compliance and customer service brought upon by the net settlement rules imposed by SEBI. The low revenue yield and high fixed costs of branches have left your Company with no choice but to suspend growth of high fixed cost physical branches and focus on enhancing productivity, efficiency and customer satisfaction in existing cost centres (and prune those which it felt would not be able to withstand a sustained downturn). This has been facilitated by large investments in IT. The back end risk management and low cost scalability backbone has already been put in place but the piece enhancing customer interface is currently work in progress. ROI for conventional customer acquisition models have become unattractive and hence new initiatives focus on productivity of the selling process and on using technology and centralisation to enhance its efficacy. The business model is increasingly been evolved onto the web platform with lower fixed costs, lower opex and enhanced customer experience after an initial familiarisation stage. The ideal being sought is to

minimise fixed cost drag in the ensuing period of low revenue productivity while ensuring good customer experience and distribution and platform so that your Company is in a position to address market needs on any uptrend.

A pilot for corporate real estate advisory has been successful and will be scaled. The proclivity of savers to hide from inflation by buying gold will be addressed by facilitated by distributing bonds of the asset class. The Company is attempting to facilitate investments and offerings in a wide array of fixed income instruments and mutual funds as well as facilitate access for insurance needs of customers. Fixed cost defrayment is also being attempted by providing service as a DSA's to third parties to meet loan requirements of our customer franchise. Though we have treaded a very risk-averse path in managing our own balance sheet in the light of multiple uncertainties we are now seeking to enhance the yield and productivity on that. Increased focus on centralised dealing as well as enhancement of service standards and customer franchise extension especially in the currency and commodity should allow us to enhance productivity in the coming year.

Talent acquisition has been substantial specially at senior levels, largely driven by the untiring efforts of Mr. Tandon and aided by Mr. Manohar. Compliance and risk management standards have improved specially on the disaster recovery parameter with migration of the back office to a third party provider. Accounting controls and standards have continuously improved under the able supervision of the head of your audit committee Mr. P.V. Viswanathan.

The prognosis is not bright in the short term. We have charged the management team with the challenge of increasing productivity and building muscle and increasing customer relevance such that we can win big if the tide turns. I want to thank you all for your continued indulgence in very trying times.

Sincerely,

Rahul Bhasin
Chairman

OUR VALUE DRIVERS





Investor base

Duckworth Limited, a subsidiary of Baring India Private Equity Fund II Limited, a leading Indian private equity firm of international repute is the single largest investor in JRG. Baring India, it enjoys a proven track record of creating value across companies acquired by it through a strong focus on corporate governance, regulatory compliance, talent management and execution of strategic growth plans.

Professional management

JRG's management team comprises professionals drawn from within the Company and elsewhere. The team brings in a high level of entrepreneurial energy coupled with professional integrity.

Strong network

JRG extended its reach in South India and associated with its customers through 300 touch-points, catering to the needs of Tier-I, II and III cities.

Internet trading

JRG's new online trading platform, www.inditrade.com, has attracted young, Internet-savvy retail investors from across the country. The Company possesses a growing base of Internet customers and is looking to scale this platform. Call-and-trade is also gaining popularity among customers.

Technology

Technology is the centre of most of JRG's investments. The Company has completely automated its services, minimising duplication of work and human intervention. It also possesses cutting-edge technology with direct wired exchange connectivity powered by back-ups, best-in-class trading servers, fastest storage backbone and robust and secure back office systems. The Company has a dedicated IT help desk and enjoys a 99.9% uptime with multiple connectivity solutions.

One-stop convenience

JRG provides one-stop convenience by providing a bouquet of services under equity, commodity and currency brokering, life and non-life insurance products, portfolio and wealth management services, financial advisory and currency trading.

Talent

JRG believes in creating and sharing value. The organisation has been built based on the philosophy of 'professional entrepreneurship' and aims to become a preferred employer in the industry. The Company invests in training employees on a regular basis to improve the quality of services.

Trust and transparency

JRG enjoys an industry experience of over 17 years. It possesses best-in-class compliance and risk management systems and a credible investor/management team that inspires trust. Besides, within a short span, Inditrade emerged as a trustworthy and customer-focused brand.

EQUITY BROKERAGE

Revenue, 2011-12: Rs. 20.77 cr

Proportion of total revenue, 2011-12: 51.78%

Segment status: Largest

Overview

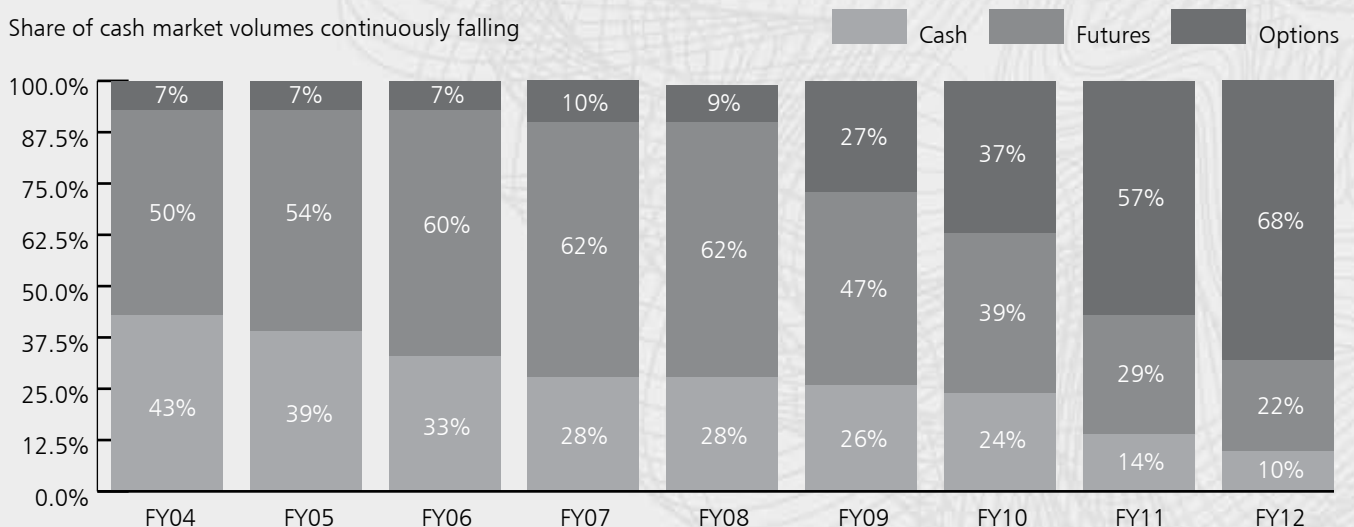
In 2011-12, the overall Indian equity market volumes increased a nominal 5% as compared with 46% in the previous year. While the high-yielding cash and futures volumes declined in absolute numbers, the growth was supported by volumes on options trading. The drop in the high-yielding cash market volumes sharply impacted the overall equity brokerage revenue pool, which declined 20% in 2011-12.

The increasing cost of regulatory compliance further exacerbated the pressure on profitability of broking companies. With the persistence of these industry dynamics, market players also continued to focus on containing costs and restructuring business models with relatively larger players (with access to capital) exploring alternate sources of revenue and profits.

With the rapid growth in options volumes, the share of the future and

options (F&O) segment in overall market volumes continued to increase. Cash trading volumes declined from Rs. 46,824 bn in 2010-11 to Rs. 28,008 bn in 2011-12. However, the F&O segment continued to rise with trading volumes increasing from Rs. 2.92 lakh bn in 2010-11 to Rs. 3.13 lakh bn with its share increasing to 90% of total volumes in 2011-12 leading to further pressure on yields (Source: NSE and BSE).

Share of cash market volumes continuously falling



After a smart post-2008 crisis recovery, when the Indian equity market increased 81% in 2009 and 18% in 2010, 2011 was a disappointment. While global factors such as the European crisis and slow recovery in the US were the main triggers, inflation in India as well as delay in government policy-making were the main reasons behind the country's disappointing year. The benchmark Sensex fell around 23% since the beginning of the year (*Source: Hindustan Times, December 30, 2011*).

The year 2011-12 remained subdued marked by international economic crisis and high headline inflation combined with growing interest rates. This resulted in a large number of retail clients shying away from the market. JRG's retail volumes fell as clients stayed away for most of the year. Our services comprise the following:

Retail

Retail broking: The Company has embraced an advisory model for its equity brokerage services, unleashing the value of its in-house research provided by its team of analysts. This team also includes dedicated dealers and advisors who provide personalised trade and execution services to active traders, retail investors and high net worth investors. The Company invested in best-in-class technology, research and analytics services, transparency and compliance measures, call-and-trade

facilities, customer service, reach and delivery.

Highlights, 2011-12

- Extended the equity brokerage business across 300 physical touch points (100 branches and 200 sub-brokers/ associates) across South India and Maharashtra

Retail broking – online equity portal (www.inditrade.com): The Company launched its Internet trading brand, christened Inditrade in 2009-10. In view of the increasing popularity of online trading, the portal offers a superior user-interface and empowers customers to trade online and invest in various of products comprising equities, commodities, currencies, mutual funds and insurance. The brand is positioned along the lines of superior execution and best-in-class technology powered by a dedicated team.

Highlights, 2011-12

- Registered a pool of over 6,000 Internet clients (as on March 31, 2012)

Depository services

JRG provides depository services through its DP (depository participant) status with the NSDL and CDSL and facilitates trading and settlement of dematerialised shares, performing clearing services for all security transactions. It also offers depository services to create a seamless transaction platform, executing trade under JRG

Securities and settling these transactions under JRG Depository Services.

Services

- Transfer of shares from one account to another, both online and off-market
- Pledging and un-pledging shares
- Dematerialisation and rematerialisation of shares
- Offer various tariff plans to suit every investor category – traders, investors, HNIs, corporates and NRIs, among others

Highlights, 2011-12

- Over 90,445 depository accounts with NSDL and 5,256 accounts with CDSL (as on March 31, 2012)

Outlook

Financial brokerage in India is going through sweeping changes with new players looking to be a part of the highly competitive brokerage market, leading to dwindling income. Many existing players were forced to undercut operations due to a lack of revenue while others survive on the basis of consolidation. The market is also witnessing new and stringent guidelines issued by regulatory authorities from time to time.

Road ahead

Going ahead, the Company will focus on expanding its business by strengthening client relationship.

COMMODITY BROKERAGE



Revenue, 2011-12: Rs. 15.32 cr

Proportion of total revenue, 2011-12: 36.38%

Segment status: Second largest

Overview

JRG provides commodity broking through its subsidiary JRG Wealth Management Limited, which is a member of MCX, NCDEX, NMCE, IPSTA and NCDX spot exchanges. The commodity broking business comprises actively traded agro-commodities (pepper, rubber, cardamom, turmeric, chili, jeera and refined soya), base metals, metals, bullion (gold and silver) and energy.

During 2011-12, the Company's commodity futures trading volumes declined owing to high volatility across all commodities including bullion, agriculture and metals. The highest turnover of Rs. 14,802.48 cr was recorded in Silver trading followed by Rs. 12,293.48 cr in Gold and Rs. 9641.06 cr in Crude oil. Trading volumes in the Indian commodity exchanges rose 54% from Rs. 112,867 bn in 2010-11 to Rs. 173,696 bn in 2011-12.

Highlights 2011-12

- Enlisted over 80 commodity dealers and 26,599 clients

- Maintained active client rate at more than 80% of the clientele

- Received 'Zee Best Agri Analyst of the Year' award for the second consecutive time

Research

JRG's nine member analyst team covers the active listed stocks, currencies and commodities, with comprehensive research reports issued on a regular basis. The Company's research wing offers the following:

Qualified professionals dedicated to various segments (bullion, base metals and agri research), supported by services (trading and investment advisory as well as daily, weekly and monthly reports) and risk management services

- Relationship management team conducting seminars, workshops and investment camps for investors
- A single screen customised market watch for MCX and NCDEX along with NSE/ BSE real-time commodity information and client ledger positions

Initiatives

- Reintroduced the advisory desk across its three zones to offer superior customer service
- Minimised attrition through robust customer loyalty
- Restructured the centralised dealer desk to facilitate evening shift trading to relieve partial load of branch dealers (the evening shift accounts for a large volume of trading and can be dealt easily through the centralised dealer desk) and achieved around 6% of the total trading volume within four months of starting the service
- Introduced disciplined trading for clients through adopting long to mid-term strategies
- Commenced webinars at the branch and franchisees
- Conducted various customer awareness programmes along with MCX and NSE
- Tied-up with FMC for investor education programmes

Road ahead

- Expect to undertake franchisee development as only 70 among the 195 outlets are engaged in commodity trading
- Increase commodity-based franchisees in the relatively under-penetrated markets of Andhra Pradesh, Karnataka and Maharashtra

Optimism

- Consumer spending in India is likely to grow four-fold to touch USD 3.6 tn by 2020, driven by rising incomes and aspirations, widespread media

proliferation and better physical reach (Source: IBEF)

- The wealth of high net worth individuals in India is set to grow by a 23% CAGR over the next four years and will touch a staggering USD 4.69 tn (Source: IBEF)
- Close to 65% of Indians between the age of 20-60 years are working, leading to higher disposable incomes and lifestyle aspirations. Among BRIC nations, India is expected to remain the youngest with its working age population estimated to rise 70% of the total demographic by 2030 – the

largest in the world. Some estimates suggest that India will see 70 mn new entrants into its workforce over the next five years

- The salary of the average Indian grew 12% in 2012, higher than most other global nations. India's per capita income stood at Rs. 60,972 in 2011-12 (Source: Deccan Herald). In line with economic growth, estimates suggest that private final consumption expenditure (PFCE) is expected to scale from USD 790 bn in 2010 to USD 3.6 tn by 2020 (Source: ENAM)

India – A growth story

As per the United Nations (UN), India is projected to see a faster growth of 7.5% this fiscal on the back of higher savings and investment rates, even as most of the Asia-Pacific economies are likely to expand at a slower pace (Source: IBEF).

Meanwhile, India continued its ascent as a top destination for private clean energy investments, according to a research report released by The Pew Charitable Trusts. Clean energy investments (excluding research and development) have grown 600% since 2004.

India's clean energy sector continued to flourish in 2011, with private investment increasing 54% to USD 10.2 bn, placing the country sixth among the G20 nations. This was the second highest growth rate among the G20 nations (Source: IBEF).

The World Economic Forum plans to establish permanent physical presence in India by setting up an office in the next 12 months (Source: IBEF).

CURRENCY TRADING



Overview

The foreign exchange market witnessed higher volatility in 2011-12. The currency has lost a fifth of its value vis-à-vis the US dollar over the last year (Source: *Business Line*).

The rupee plunged, breaching the psychological barrier of 50 a USD amidst a mood of negativity. (Source: *The Hindu*).

The RBI sold USD 2.92 bn in the foreign exchange market during November 2011, the highest monthly dollar sales in two-and-a-half years. The central bank also sold USD 1.6 bn in the forward market for the first time in the current financial year to arrest the fall of the Rupee. The Rupee was Asia's worst performing currency in 2011 as it depreciated by almost 19%. (Source: *Business Standard*).

On December 15, 2012, the RBI restricted rebooking of cancelled forward contracts and reduced the net overnight open position limits (trading limits) for banks in the foreign exchange market. The move was aimed to curb volatility in the foreign exchange market, which had nearly doubled in less than six months (Source: *Business Standard*).

After a hands-off approach for nine months, the RBI intervened in the foreign exchange market in September 2011 by selling USD 845 mn. In October 2011 alone, it sold USD 943 mn (Source: *Business Standard*).

Highlights, 2011-12

- Possessed 12 currency terminals (as on 31 March 2012)

Services

- Customised foreign exchange hedging strategies for large, small and medium enterprises
- For the investing and trading community, the trading desk provides linear and non-linear trading strategies on domestic pairs across currency majors as EUR/ USD, GBP/ USD and USD/ JPY as well as major crosses like EUR/ GBP, EUR/ JPY and GBP/ JPY

Road ahead

- Identify key talent for active engagement in customer awareness programmes for currency trading
- Tie-up with NSE and MCX to hold customer awareness programmes
- Target SMEs and conduct seminars to increase corporate participation

Strengths

- Possesses strong product development skills
- The research desk is well-equipped to provide timely information to market participants
- Embraces effective risk management practices
- Appointed dedicated relationship managers for retail and corporate customers

NBFC

Accounted for 15%
of revenues in 2011-12

Overview

JRG entered the NBFC (non-banking financial company) space in 2007-08 through its subsidiary JRG Fincorp, which is registered with the RBI as an NBFC not accepting public deposits, to complement its large pool of financial products and services.

The Company is one of the leading players among the organised private sector companies and provides agro-commodity and capital market loans in Kerala. It is growing its presence in the commodity loans segment in Maharashtra, Kerala and Andhra Pradesh and has also signed a collateral management agreement with NCMSL, a subsidiary of NCDEX.

The Company offers a diverse range of products under the capital and commodity segments which comprises:

Margin funding

Key features

- Borrowing is available against extensive list of shares

- Leverage up to two times
- Simplified documentation
- No processing fees
- Quick loan processing, option to take delivery beyond the ordinary trade cycle
- Attractive interest rates
- Facility to convert to alternative borrowing options

JRG Fincorp's margin funding book size as on March 31, 2012 stood at Rs. 34.89 cr with 1,045 clients.

Loan against shares

Key features:

- Borrowing is available against extensive list of shares
- Simplified documentation
- Repayment possible through various models such as EMI, flexible and bullet
- Quick loan processing with attractive interest rates
- No penalty on prepayment

JRG Fincorp's LAS (loan-against-shares)

book size as on March 31, 2012 stood at Rs. 15.97 cr comprising 1.033 clients.

Gold loans

Key features:

- Providing finance with appropriate margins at attractive interest rates
- Post loan repayment, the client enjoys the flexibility to get back the pledged gold in demat or physical form

JRG Fincorp's gold loan book size as on March 31, 2012 was Rs. 83,098 comprising two clients.

Commodity funding: JRG Fincorp provides funding for cardamom, pepper, rubber, chili, steel, gold and silver. The commodity funding book size as on March 31, 2012 was Rs. 18.86 cr comprising six clients.

Road ahead

- Create a dedicated sales team
- Establish 12 new branches in the coming months
- Focus on SME loans

INSURANCE AND SUPPORT SERVICES

Accounted for 1.45%
of our revenues in 2011-12

Overview

Increasing GDP and demand growth has opened up a plethora of opportunities for India's insurance industry. India currently has 24 general insurance companies including the ECGC and Agriculture Insurance Corporation of India and 23 life insurance companies. S&P's rating services has rightly described India's non-life insurance industry as a 'goldmine of growth potential' (Source: IBEF).

According to IRDA, the total insurance penetration, which is the ratio of insurance premium as a percentage of GDP, has increased from 2.32 in 2000-01 to 5.10 in 2010-11. Life insurance penetration in 2010-11 was 4.40 whereas the non-life insurance penetration has increased from 0.60 in 2009-10 to 0.71 in 2010-11 (Source: IBEF).

As far as the conventional plans of Life Insurance policies are concerned, a growth of 11% in policies and 22% in premiums was witnessed as on February 29, 2012, according to the Ministry

of State for Finance. The Indian health insurance market accounted for 3.2% of the overall insurance industry in 2011 (Source: IBEF).

JRG provides insurance services through its subsidiary JRG Insurance Broking (P) Limited, registered with the IRDA as a direct insurance broker to distribute life and non-life products of all insurance companies in India. The Company leverages its distribution strength to cross-sell products across five states (Kerala, Karnataka, Tamil Nadu, Maharashtra and Andhra Pradesh). The product offerings include life insurance, general insurance, pension and health insurance.

Highlights, 2011-12

- Over 1,186 insurance clients (as on March 31, 2012)
- Income from insurance broking declined to Rs. 0.089 cr
- Enjoys four IRDA-certified branches
- Premium from life insurance increased in the last two quarters with the acquisition of 170 clients

- Initiated Inditrade Financial Planning Fellowship Programme-1 aimed to build the base for financial planning approach for the promotion of 3rd party products.

- Developed rubber plantation insurance in association National Insurance Company Ltd.

- Got mandate from MPEDA – Marine Products Export Development Authority – CtrlS among others for GI business.

Initiatives

Inditrade Financial Planning Fellowship programme

- 120 people have joined the programme of which 80 people had attended the training.
- It was designed to support them at dealing with different categories namely Trading, Life Insurance, General Insurance and Other Investment products.
- Points were awarded to them on the basis of their contribution to the categories.

Double revenue credit contest for Bharti Axa MIP and JAIHO Contest

- While Double revenue credit contest for Bharti Axa MIP to enhance branch revenue credit by doubling revenue for each block of 30k premium collection, JAIHO Contest were initiated offering the branches opportunity to win surprising gifts on a weekly basis.

Outlook

The market size of the Indian life insurance industry is expected to touch USD 111.9 bn by 2015 from USD 66.5

bn in 2011, recording a 14.1% CAGR. The report estimates that India would emerge as the third-largest market for life insurance in the world by 2015. At present, India stands twelfth among the top global markets for life insurance. Also, the number of policies sold is expected to increase to 85.21 mn in 2015 from 53.23 mn in 2010 (*Source: IBEF*).

A McKinsey report predicts an exponential growth for the Indian insurance industry in 2012 due to such factors as increasing household

incomes, higher premiums (as a percentage of GDP) and a total market premium growth estimated to be close to USD 100 bn.

Road ahead

- Tie up with two life insurance companies as Collection Vendors
- Business through Franchisees and Remisers

New products introduced by the Company in 2011-12

- Rubber plantation insurance in GI space
- Bharti AXA Life MIP a Life Insurance Product
- Apollo Munich Optima Restore Health Insurance.
- 80 CCF Bonds/ Can Robeco Tax saver targeting tax payers
- Muthoot NCD in the fixed income segment.

MARKETING

Highlights 2011-12

- During the year, the customer acquisition model underwent a paradigm shift from the traditional model in which the client acquisition endeavour was led by the dealing team into a model where a sales team was set up with the express purpose of acquiring customers
- Initiatives were undertaken to consolidate the sales network through the closure of unprofitable branches and disengagement with non-performing business partners

Key initiatives

- Services were productised and branded with the intention of facilitating the sales process. For instance the broking services were rechristened 'IndiInvest' and the insurance broking was rechristened 'IndiProtect'

- A full-time PR agency was contracted to give voice and coverage to many of the strategic and tactical initiatives undertaken by the Company. Taking cognizance of the fact that JRG has significant retail presence in smaller urban centres, the emphasis of the PR effort was on the vernacular media

- New avenues for promoting JRG services were initiated through electronic mailers and printed material. The execution of the promotional material was conducted by a professional creative agency

- Various investor conferences were conducted in association with MCX and NSE. These seminars sensitised the prospect to various aspects on investing in commodities and currencies

- In-branch seminars were conducted extensively; JRG product teams used the Internet to interact with these prospects and respond to queries

Strengths

- A large part of JRG retail network is concentrated in the smaller urban centres. It therefore gives us the unique opportunity to not only help investors in these communities diversify their investments but also introduce new financial products

Road ahead

- Continue to strengthen marketing initiatives
- Augment brand salience
- Envisage that the new customer acquisition model will mature during the year and place us in the pole position to take advantage of the upturn when it arrives

OPERATIONS

Highlights 2011-12

- Added 8,459 new clients
- Opened 5,442 accounts in the capital segment

Initiatives

Redesigned business processes through the following initiatives:

- Mapped the 'as-is' process where all processes in the existing condition were assessed and critical ones identified
- Identified and integrated processes identical for each product segment (for example, KYC for each product segment was consolidated into one entity resulting in higher accuracy and lower cost)
- Defined turn-around-time (TAT) for each process and measured the response and the resolution time. The result was 99% compliance of the defined TAT for all processes

- Started taking feedback from customers on calls made to the call centre through a quality assurance agency and received 100% satisfaction feedback

Technology support

Identified technologies required for rolling out new processes, installed new software for back office operations and strengthened ERP and client interface.

Rationalising cost

- Created cross-domain flexible manpower to save costs
- Started in-sourcing KYC without adding manpower, which resulted in savings of Rs. 25 lakhs. Besides, also enhanced information accuracy with almost nil errors (substantiated by the concurrent audit done in 2011-12)
- Localisation of mailing room executed from Chennai to Cochin resulting in cost savings and better mailing efficiencies

Network consolidation

JRG undertook network consolidation and selected two vendors (from eight previously) for voice and data usage in order to rationalise costs. Around 33% of the branches have already been integrated in the network and it is expected that 100% integration will be completed by the end of 2012-13.

Road ahead

- Embrace 100% digitisation of all documents to facilitate data security and superior data management
- In the process of creating automated financial asset register system for recording and tracking all assets under the JRG Group; every asset more than Rs. 2,000 will be physically bar coded and identified for better utilisation and tracking

HUMAN RESOURCE MANAGEMENT

Highlights 2011-12

- Inducted new dealers and relationship managers
- Maintained attrition below the prevailing industry rates

Key initiatives

- Formulated key strategies for recruitment of dealers and relationship managers
- Continued to undertake specific performance appraisal through the balance score card method and drew out the strategy of compensation package review
- Started a unique training initiative where the branch managers and assistant managers were called to assess interactions with clients and employees. Based on the observations, they were given feedback and training

- All training programs were uploaded on the Company's Intranet for widening accessibility

- The HR team created checklists for every employee and uploaded it on the Company's intranet. The checklist comprised the JD, key required product knowledge and Company knowledge and client interaction skills. The employees were assessed regularly and provided training if any gap was identified.

Road ahead

- The Company is contemplating flexible remuneration package for better employee engagement. It is also working out a plan to introduce flexible working hours for better employee productivity
- It is rolling out a unique incentive plan where the incentive cheque is sent

to respective employees in advance and can only be encashed at the end of the set time period and achieving the desired target. This is expected to inspire employees to work harder. Employees will also be awarded foreign tours if they achieve higher than the set target

- The Company is also contemplating longevity bonuses where a particular employee is working in the Company for a certain period of time and performing consistently

- It is also creating more designation levels to create better career progression path

INFORMATION TECHNOLOGY

Highlights 2011-12

- Replaced the back office software with Synergy, which can be accessed by all Company branches
- Implemented the ERP software integrating sales and marketing, accounts and human resources
- Installed expense management system across branches to monitor expenses
- Shifted data centre to Mumbai as a disaster recovery site
- Completed firewall upgradation of the Mumbai data centre
- Implemented Kaseya for inventory management and endpoint security to enable USB blocking, application protection, system inventory and system change information

Infrastructure

The new data centre in Mumbai is a four-tier centre with six zones of protection. All business applications

are hosted in the new data centre with uptime of 99.95% and are completely on private cloud on VMware. The server and storage consolidation has already been achieved. The shift has enabled the following savings:

- Reduction of servers from 78 (Cochin) to 10 (Mumbai)
- Lower AMC cost
- Lower electricity bills
- Superior infrastructure maintenance
- Better space utilisation
- Lower manpower dependency

The system enjoys a scheduled auto backup facility ensuring data safety.

Networking

- Upgraded firewall to FortiGate at Mumbai DC
- Implemented intrusion prevention and gateway level antivirus along

with network usage and performance monitoring tools, which enlists network utilisation and load. It has also implemented website blocking at the RO. The Company has DC and DR, which is working in synchronised mode using Oracle data guard

All applications are virtualised by using Citrix to improve performance and device independence

Road ahead

- Redesign the website and create a new portal for trading with enriched trading application for high networth customers
- Enabling MPLS connectivity to other branches (only 33% of the branches are covered presently)
- Create a new portal for real estate business
- Shift of mobile, PRI and landline connection to a single vendor to create a single sign for opening all applications

Achievements – ERP and back office applications

Description	Status
Changes in LAS application	Completed
No limitation on branch/ franchisee modules access	Completed
Around 150 + changes are accommodated in back office application without extra cost	Completed
Franchise revenue sharing module	Completed
NBFC ageing reports – mandatory for auditors	Completed

RISK MANAGEMENT

Risk is defined as an expression of the uncertainty about events that can have a significant impact on performance and profitability.

JRG's risk management strategy

At JRG, risk management is a continuous process of identifying, assessing and evaluating risks and taking proactive measures to minimise or eliminate potential losses arising due to an exposure to particular risks. The consistent implementation of this framework is monitored through audits and reviews, resulting in an accurate understanding of JRG's competitive position. In doing so, the Company takes decisions that balance risk and reward.

Industry risk

1

Risk explanation

A sectoral slowdown can affect the Company's business prospects

Risk mitigation

- The Company focused on de-risking the business by continued diversification into strategic businesses comprising commodities and currencies broking, proprietary trading, capital market financing, mortgage financing and gold loans, among others
- It is also planning to expand its reach in Tier-II and III locations mainly through the franchisee route besides expanding its commodity broking business beyond retail

- Leveraging in-house knowledge, it also entered real estate broking in September 2011

Competition risk

2

Risk explanation

Increased competition could affect realisations and impact the Company's market share

Risk mitigation

- JRG expanded its reach through 300 owned branches and associates across South India and intends to add another 12 associates in 2012-13. This widening footprint is expected to translate into higher revenues and market share in the areas of the Company's presence

- It provides diversified products and services, de-risking itself from competition

- It enjoys a competitive edge through its twin service options: its back office is available online, wherein clients can check their complete portfolio (daily sales, purchase and ledger) while offline customers can access the same from a 24-hour customer desk

Liquidity risk

3

Risk explanation

Non-availability of adequate funds could hamper day-to-day operations

Risk mitigation

- JRG possesses an efficient margin

collections team to reinforce cash flow. It also possesses adequate credit exposure with banks for both fund-based and non fund-based limits

- The Company ensures client collaterals comprises liquid scrips and that there is adequate safety margin between collateral value and positions taken; besides, the Company monitors scrip movement so that alerts are triggered as soon as buffer limits are infringed upon

- It streamlined collection methodology through accelerated dispute resolution and hassle-free information dissemination, dispatching contract notes to clients and providing customer support through SMSes to insulate against liquidity volatility

Interest rate risk 4

Risk explanation

Increase in interest rates could affect the cash flow adversely

Risk mitigation

- JRG borrows funds at competitive rates towards low-cost funding

Regulatory risk 5

Risk explanation

Non-compliance with regulatory guidelines could enable authorities to take action against the Company

Risk mitigation

- JRG has a dedicated team which

keeps a check on the compliance of all regulatory guidelines

- The compliance discipline covers client identification, transaction execution, transaction settlement and money transfer

- There have been no compliance cases registered against the Company in the past

Client default risk 6

Risk explanation

A customer default can affect the Company's profitability

Risk mitigation

- JRG is cautious in selecting clients and appraises them in detail

- It has adopted a practice of grading clients on the basis of their past records, which helps in setting funding limits. Besides, client shareholding patterns, debit balances and stock grades serve as benchmarks that influence client scoring. The system is completely automated, resulting in accurate client mapping

- The Company's automated client surveillance tracks ongoing client behaviour. This makes it possible to cap positions and promptly deactivate trading accounts when they are assumed to have crossed reasonable levels

Proprietary trading risk 7

Risk explanation

The Company's investment positions may result in losses, affecting shareholder returns

Risk mitigation

- As a rule, JRG does not trade in the financial markets. The Company has formulated an employee trading policy that prevents them from trading on their or the Company's account

- Employees require permissions to open their accounts as per policy guidelines

Technology obsolescence risk 8

Risk explanation

The dominant online nature of the Company's business model makes technology selection and management critical

Risk mitigation

- The Company's disaster recovery plan comprises the provision of 100% data and software back up

- It increased its capacity to 1 TB of annual data storage to handle growing volumes

Inditrade, its proprietary trading platform, is user-friendly and has rich features that are superior to other trading platforms

JRG Securities Limited

Regd & Corporate Office: JRG House, Ashoka Road, Kaloor, Cochin-682017

NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of the members of the Company will be held at Hotel Presidency, Paramara Road, Kochi, Kerala - 682018, at 10.00 am on Wednesday, September 12th, 2012, to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2012, the Profit and Loss Account for the year ended on that date together with the Report of the Directors' and the Auditors' thereon.
2. To appoint a Director in place of Mr. P. Viswanathan, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Pradeep Mallick, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration

"RESOLVED THAT M/s B S R & Associates, KPMG House, No 10, Mahatma Gandhi Road, Nungambakkam, Chennai- 600034 (Firm Regn no: 116231W) be re-appointed as the Statutory Auditors of the Company to hold office till the conclusion of next Annual General meeting on such remuneration as may be determined by the Board of Directors."

Special Business:

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Gopichand S who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 on January 25, 2012 with effect from that date and who holds the said office up to the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing, under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose him as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company whose office shall be liable to retirement by rotation."

"RESOLVED FURTHER THAT the Company Secretary of the Company be and is hereby authorised to do such acts, deeds and things as may be necessary and to file necessary forms with the statutory authorities to give effect to the above resolution"

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309,

310 and other applicable provisions of the Companies Act, 1956, ("the Act") read with Schedule XIII of the Act and subject to such approvals as may be necessary, the approval of the Members be and is hereby accorded for appointment of Mr. Gopichand S, as Managing director for a period of One year with effect from 25th January 2012 on a remuneration of Rs. 30 lakhs per annum"

"RESOLVED FURTHER THAT subject to such approvals as may be necessary in the event of inadequacy of profits, the approval of the Company be and is hereby accorded to pay such maximum remuneration under Para B Section II Part II of Schedule XIII of the Companies Act, 1956 depending on the effective capital of the Company on a year-to-year basis as the minimum remuneration payable to him during the period of his tenure."

"RESOLVED FURTHER THAT the Company Secretary of the Company be and is hereby authorised to do all necessary acts, deeds and things, which may be usual, expedient or proper to give effect to the above resolutions."

By order of the Board

Harjit Singh Sidhu

C.O.O, Company Secretary & Legal Head

Place: Hyderabad

Date: July 26, 2012

Notes:

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business Item No. 5 & 6 is annexed hereto. Particulars of Directors who are seeking re-appointment have been given separately at the end of these notes.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY [IES] TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.** Proxy (ies) in order to be effective must be received by the Company at its registered office not less than forty-eight hours before the time fixed for commencement of meeting.
3. Corporate Members are requested to send the duly certified copy of the Board Resolution authorising their representative(s) to attend and vote at the Annual General Meeting.
4. Attendance slip and Proxy Form are given at the end of annual report.
5. Members intending to seek explanation / clarification at the meeting about the information contained in the annual report are requested to inform the Company atleast a week in advance of their intention to do so, so that relevant information may be made available, if the Chairman permits such information to be furnished.
6. The Register of Members and the Share Transfer books of the Company will remain closed from the closure of business hours on 03rd September 2012 to the closure of business hours on 12th September 2012.
7. The Company or its Registrars cannot act on any request received directly from the shareholders holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the shareholders.
8. In case of joint holders attending the meeting, only such joint holder who is higher in order of names will be entitled to vote.
9. Members holding shares in physical form are requested to notify any change in their addresses or any other particulars to the Company's Registrars and Transfer Agents, M/s. Big Share Services Pvt Ltd, E-2, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri East, Mumbai-400 072; Tel: 022-28470652; Fax: 022-28475207
10. Members who have opted for receipt of physical copy of annual report are requested to bring their copy of the annual report at the time of meeting for reference and discussion. The attendance slip duly signed by the member or proxy should be deposited at the venue of the meeting.

By order of the Board

Harjit Singh Sidhu

C.O.O, Company Secretary & Legal Head

Place: Hyderabad

Date: July 26, 2012

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 5 & 6

Mr. Gopichand S was appointed as an Additional Director by the Board of Directors in its meeting held on 25th January 2012. The Board also appointed him as a Managing Director for a period of 1 (one) year with effect from that day, subject to the approval of Members at their General Meeting,

on a remuneration as given in the resolution above.

He is a graduate in Commerce with extensive top/senior management experience of over 25 years in the fields of Personal Financial Services including Wealth Management in the areas of Capital Markets, Derivative Markets and MF Distribution. Mr. Gopichand S

before joining JRG was associated with Karvy Stock Broking Limited (Member of NSE, BSE & HSE) as the Vice President and Country Head for tenure of over 8 years. He is having an in-depth knowledge of financial service markets and has been instrumental in identification of new opportunities in financial and commodities markets

with the advent of advanced telecom and computing technologies, devised strategies to take advantage by expanding operations across the region/ country through a network of branches, sub brokers/ franchisees and clients (comprising of retail, MNI, HNI and Corporates).

Pursuant to Section 260 of the Companies Act, 1956 Mr. Gopichand S shall hold office only up to the date of the ensuing Annual General Meeting of the Company. The Company has received a notice in writing from a member under Section 257 of the Act proposing the candidature of Mr.

Gopichand for the office of Director of the Company and hence the resolution in item no. 5 is proposed.

Your Directors recommend the resolution for approval of the members by passing an ordinary resolution.

Statement as per proviso (iv) of Part (B) of Part II of Schedule XIII to the Companies Act, 1956

I. General Information:

Sl. No.	Particulars	Details		
a.	Nature of the industry	Equity share Broking		
b.	Date or expected date of commencement of commercial production	Not applicable		
c.	In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus	Not applicable		
d.	Financial performance based on the given indicators	2009-10	2010-11	2011-12
	Income from operations (Rs. in crore)	40.93	32.67	20.77
	EBITDA (Rs. in crore)	10.16	1.04	(1.27)
	EBITDA margin	25%	3.18%	6.11%
	Profit after tax (Rs. in crore)	1.46	5.11	(9.25)
	Book value per share	Rs. 37.2	Rs. 35.07	Rs. 31.18
	Dividend paid (Rs. in crore)	-	-	-
e.	Export performance and net foreign exchange collaboration	Not applicable		
f.	Foreign Investments or collaborations, if any	M/s Duckworth Limited, a company registered under the rules of Mauritius is holding 45.59% of the Equity Share Capital of the Company		
		Baring India Private Equity Fund III Listed Investments Limited is holding 3.79% of the Equity Share Capital of the Company		

II. Information about the appointee

Sl No	Particulars	Mr. Gopichand S
a	Background details	Graduate in Commerce with extensive top/senior management experience of over 25 years in the fields of Personal Financial Services including Wealth Management in the areas of Capital Markets, Derivative Markets and MF Distribution.
b	Past remuneration	Rs. 60 lakhs per annum
c	Recognitions and Awards	--
d	Job Profile and his suitability	25 years of experience in the areas of Capital Markets, Derivative Markets and MF Distribution. He was previously associated with M/s Karvy Stock Broking Limited, a leading stock broking company listed with NSE, BSE & HSE. His vast experience and expertise would be extremely beneficial to the Company to become a leading player in the Capital Market.
e	Remuneration proposed	Rs. 30 lakhs per annum
f	Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person	The package is competitive and is at par with the packages offered in the industry of this size.
g	Pecuniary relationship with the Company	He does not have any material pecuniary relationship with the Company.
h	Relationship with the managerial personnel	He is not related to any other managerial personnel of the Company

III. Other Information:

Sl No	Particulars	Details
a.	Reasons for loss or inadequate profits	General Economy slow down which had affected The Capital Market business.
b.	Steps taken or proposed to be taken for improvement	Aggressive steps have been taken to improve revenue from all the business verticals under JRG Group
c.	Expected increase in productivity and profits in measurable terms	The Business model is predominantly aligned with Market, every step is being taken to improve the profitability of the Company

Information about your Company, industry and corporate governance aspects have been fully set out in the Corporate Governance section and under Management Discussion and Analysis.

The above statement and particulars shall be treated as the abstract under Section 302 of the Companies Act, 1956. In accordance with the

provisions of Para B of Section II of Part II of Schedule XIII to the Companies Act, 1956, the resolution set out under the above item of the notice is required to be passed as Special Resolution.

Your Directors recommend the resolution, as set out in item no. 6, for approval by the members by way of Special Resolution.

Except Mr. Gopichand S, none of the other Directors of the Company are interested in the resolutions.

By order of the Board

Harjit Singh Sidhu
C.O.O, Company Secretary & Legal Head
Place: Hyderabad
Date: July 26, 2012

BRIEF PARTICULARS OF DIRECTORS SEEKING RE-APPOINTMENT

Mr. P. Viswanathan

Particulars	Mr. P. Viswanathan
Age	61 yrs, DOB 08.09.1950
Date of First Appointment as a Director	15.09.2009
Educational Qualification	Chartered Accountant
Experience / expertise	<p>He has got over 35 years of post qualification experience. His past experience include:-</p> <ul style="list-style-type: none"> • association with WIPRO as CFO; • C.E.O of Sanmar group • Retired as a Managing Director of Sanmar Shipping Limited • Co-founded Alacrity Housing Ltd, a leading real estate player • Independent consultant and financial advisor at Shriram Properties limited • Have had P & L accountability for over 20 years in various businesses
Functional Areas	Non Executive Independent Director
Directorships of other companies	<p>JRG Fincorp Limited</p> <p>JRG Wealth Management Limited</p> <p>JRG Business Investment Consultants Limited</p>
Memberships of committees	Audit Committee Chairman
Shares held in the Company	Nil
Any other important information	No

Mr. Pradeep Mallick

Particulars	Mr. Pradeep Mallick
Age	69 yrs, DOB 20.11.1942
Date of First Appointment as a Director	29.04.2009
Educational Qualification	Graduate in Electrical Engineering from IIT, Madras. Diploma in Business Management from UK. Chartered Engineer, Fellow of the Institution of Engineering & Technology (FIET), London
Experience / expertise	<p>He has got over 22 years of industrial experience. His past experience includes:</p> <ul style="list-style-type: none"> • Experience in Companies in the field of Power Distribution & Power Transmission, primarily in managing large turnkey projects in India, Gulf, West Asia and North Africa. • Was the Managing Director of Wartsila India Limited • Past Chairman of Confederation of Indian Industry (CII), Western Region • Past President of Bombay Chamber of Commerce & Industry
Functional Areas	Non Executive Independent Director
Directorships of other companies	<ol style="list-style-type: none"> 1. Automotive Stampings and Assemblies Ltd. 2. Blue Star Limited 3. ELANTAS Beck India Ltd. 4. ESAB India Ltd. 5. Mount Everest Mineral Water Ltd 6. Tube Investments of India Ltd. 7. IRIS Business Services Ltd 8. FOSECO India Limited
Memberships of committees	Member of Audit Committee, Investor Grievance Committee, ESOP & Remuneration Committee
Shares held in the Company	NIL
Any other important information	No

DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting to you the 18th Annual Report and the audited annual statement of accounts for the year ended 31.03.2012.

Financial results

(Amount in Rs.)

Particulars*	2011-12	2010-11
Total Revenue	261,565,255	386,296,812
Profit/(Loss)Before Tax	(80,586,577)	(55,325,217)
Provision For Taxes/Deferred Tax Benefit	-	(4,232,130)
Exceptional Item	11,819,512	--
Profit /(Loss)After Tax	(92,406,089)	(51,093,087)
Appropriations	NIL	NIL
Surplus Transferred To Balance Sheet	(85,304,645)	7,101,444

* On a standalone basis

Overview

On a standalone basis, the Company earned revenue of Rs. 26.15 crores during the year under review as against Rs. 38.69 crores in the previous year. The expenditure stood at Rs. 34.21 crores resulting in a loss of Rs. 8.06 crores before considering exceptional items and tax. After considering exceptional items of Rs. 1.18 crore, the loss for the year stood at Rs. 9.24 crores as against a loss of Rs. 5.10 crores during the previous year.

Business Updates

During the year under review, the Company, along with its subsidiaries provided a bouquet of services to its clients. The services include, equity broking, derivatives trading, commodities derivatives trading, currency derivatives trading, insurance services, real estate services, NBFC products like margin funding, loan against shares, loan against commodities and host of other third party products. The main thrust of the Company has been to provide the services to Tier-II and

Tier-III cities and other smaller town to the retail investors. The main areas of the business operations were confined to the five states like Kerala, Tamil Nadu, Karnataka, Maharashtra and Andhra Pradesh. Bulk of the business came from the state of Kerala as we continue to be the dominant player in the state.

The Company has successfully migrated the state-of-the-art Data Centre to Mumbai. This would provide the cost-effective and faster trading service to our clients.

Subsidiaries, Associates and their operations

The commodity subsidiary JRG Wealth Management Ltd recorded revenue of Rs. 16.50 crores as against Rs. 20.13 crores in the previous year. The total expenditure incurred was Rs. 13.30 crores resulting in a profit of Rs. 3.19 crores before prior period items and taxes, as against loss of Rs. 0.78 crores in the previous year. After provision for taxes the profit for the year stood at Rs. 2.19 crores as against loss of Rs. 1.84 crores during the corresponding previous year.

JRG Insurance Broking (P) Ltd, recorded revenue of Rs. 64.55 lakhs as against Rs. 71.82 lakhs in the previous year. The expenditure during the period was Rs. 75.34 lakhs which has resulted in a loss of Rs.10.78 lakhs as against loss of Rs.4.56 lakhs during the previous year.

JRG Fincorp Ltd recorded revenue of Rs.8.01 crores as against Rs.12.56 crores during the corresponding previous year. The expenditure during the period stood at Rs. 6.63 crores, resulting in profit for the year of Rs. 1.38 crores. After provision for tax and deferred tax charge, the profit for the year was Rs. 1.27 crores as against the profit of Rs. 7.40 crores during the previous year.

JRG Business Investment Consultants Ltd registered revenue of Rs. 3.19 crores as against Rs. 2.08 crore in the previous year. The expenditure during the year was Rs. 4.96 crores resulting in a loss of Rs. 1.84 crores after taxes as against profit of Rs. 32.09 lakhs in the previous year.

The consolidated revenue for the year 2011-12 stood at Rs. 52.81 crores and the expenditure was Rs. 57.74 crores as against Rs. 73.62 crores revenue and Rs. 66.44 crores expenditure during the corresponding previous year. The consolidated loss before exceptional items and taxes was Rs. 4.93 crores as against a profit of Rs. 7.17 crores during the previous year. After considering exceptional items, taxes and minority interest, the consolidated loss for the year stood at Rs. 7.89 crores against a profit of Rs. 1.57 crores in the previous year.

Accounts of Subsidiaries

The Ministry of Corporate Affairs vide its General Circular No. 02/ 2011 dated February 08, 2011 has granted general exemption from attaching the financial statements of its subsidiaries along with the accounts of holding company subject to fulfillment of condition specified in the said circular.

Accordingly, your Company is not

attaching the financial statement of its subsidiaries viz. JRG Wealth Management Limited, JRG Insurance Broking Private Limited, JRG Fincorp Limited and JRG Business Investment Consultants Limited along with the Balance Sheet of your Company for the year under review.

Further, the Company assures that annual accounts of the subsidiary companies and the related detailed information shall be made available to shareholders of the Company and its subsidiary companies seeking such information at any point of time. The annual accounts of the subsidiary companies shall also be kept for inspection by any shareholders at the Registered Office of the Company and of the subsidiary companies concerned. The Company shall furnish a hard copy of its details of accounts of subsidiaries to any shareholder on demand.

Dividend

The Company plans for major expansion in the near future which entails funds for the investment requirements. It was therefore decided not to pay dividend to the shareholders for the financial year 2011-12.

IPO fund utilisation

A statement of utilisation of IPO proceeds is given below:

(Rs. in lakhs)

Particulars	Envisaged in the prospectus	Change in utilisation*	Amount unutilised as on 31st March 2011	Utilised during the year 2011-12	Total fund Utilised (Including change in utilisation)	Amount remaining to be utilised
	A	B	C	D		
Middle Eastern Operations	560.00	(366.66)	193.34	-	193.34	-
Technology upgradation						
Computer software	160.00	-	110.00	-	110.00	-
Computer hardware			50.00		50.00	
Regional offices	600.00		628.81		628.81	-
Issue expenses	130.00		147.86		147.86	-
Opening new branches in India	-	200.00	100.53	8.08	108.61	91.39
Infrastructure development for i-trade	-	40.00	9.53	-	9.53	30.47
Other infrastructural requirements.	-	126.66	108.06	13.68	121.74	4.92
Total	1,450.00		1348.13	21.76	1369.89	126.78
Means of finance						
Issue proceeds					1323.22	
Internal accruals					46.67	
Total utilised					1369.89	

* In the Annual General meeting of the Company held on 25 July 2009, the shareholders had consented for the change in the utilisation of the aforesaid monies totaling to Rs.366.66 lacs, raised by the Company during the IPO of its shares, from those specified in the object clause in the prospectus, inter alia to utilise for expansion activities of the Company in India for opening new branches, infrastructure development for i-trade and other infrastructural requirements.

Amount pending utilisation as on 31 March 2012 has been maintained in fixed deposits with the banks.

Corporate Governance

It has been our endeavour to ensure good Corporate Governance practices in all facets of your Company's activities. In compliance with the listing agreement, the Management Discussion and Analysis Report and Report on Corporate Governance with

Auditors' Certificate on Compliance with conditions of Corporate Governance are provided in this Annual Report.

Audit Committee

The Audit Committee comprises of four Directors viz. Mr. P. Viswanathan, Mr. Munish Dayal, Mr. Pradeep Mallick and Mr. B. R. Menon as members. Except Mr. Munish Dayal the other three members are Non-Executive

Independent Directors. The roles and powers of the Committee are in conformity with the requirements of the Companies Act, 1956, read with Clause 49 of the Listing Agreement.

Directors

Presently the Board consists of six Directors of which three are Independent Non-Executive Directors, in compliance with Clause 49 of the Listing Agreement with BSE. As part of

Pursuant to the resignation of Mr. Gaurav Vivek Soni who was appointed as Managing Director, the Board at its meeting held on 25th January 2012 appointed Mr. Gopichand S as Managing Director for a period of 1 year w.e.f 25th January 2012 subject to shareholders' approval.

Mr. Pradeep Mallick and Mr. P. Viswanathan, Directors, would be liable to retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for reappointment. The Board of Directors of your Company recommends their reappointment.

Employee Stock Option Plan (ESOP)

In order to attract and retain talent in the Company, ESOP scheme (JRG ESOP 2008) is in place. This will encourage our employees to participate in the growth of the Company. Disclosure as per Clause 12 of the SEBI (Employees Stock Option Scheme and Employees Stock Option Purchase Scheme) Guidelines, 1999 is annexed to this report as Annexure A.

Fixed deposits

Your Company did not accept any fixed deposits from the public.

Particulars of employees

No employee of the Company was in receipt of remuneration exceeding the amount prescribed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, during the financial year 2011-12.

Auditors

M/s. B S R & Associates, KPMG House, No. 10, Mahatma Gandhi Road,

Nungambakkam, Chennai - 600034, (Regn No.116231W) were appointed as the Statutory Auditors of your Company for the year 2011-12. The Board of Directors recommends the reappointment of M/s. B S R & Associates, Chennai - 600034 as the Statutory Auditors of the Company for the year 2012-13.

Response by Management for Comments in Companies Auditors' Report Order 2003 (CARO)

- i. Management would take adequate steps to ensure that the statutory payments are made on time and;
- ii. Aggressive steps would be taken to improve revenue from all the business verticals to improve cash position.

Information under Section 217(1) (e) of the Companies Act, 1956

A. Conservation of energy

The operations of your Company are not energy-sensitive in nature. However, measures are introduced to reduce the energy consumption at all levels in the organisation by optimal use of technology.

B. Technology absorption

The Company adopted the latest state of-the-art software and hardware tools available in the market for rendering stock-broking and other services more efficiently and effectively.

C. Foreign exchange earning and outgo

There was no foreign exchange earning and outgo during the year 2011-12.

Directors' Responsibility Statement

In accordance with the provisions of

Section 217 (2AA) of the Companies Act, 1956, the Board of Directors affirm

(a) That in the preparation of the Accounts for the year ending March 31, 2012 the applicable Accounting Standards were followed and there are no material departures there from.

(b) That the accounting policies have been selected and applied consistently and have made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31, 2012 and of the loss of the Company for the year ended on that date.

(c) That proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

(d) That the accounts for the year ended March 31, 2012 were prepared on a 'going concern' basis.

Acknowledgments

Your Directors wish to express their gratitude and thanks to the customers, investors, regulatory authorities, clients and bankers for their continued support and services. Your Directors place on record their appreciation of the contribution made by employees of JRG at all levels, enabling the Company to maintain service levels of a high order.

For and on behalf of the Board

Place: Hyderabad

Rahul Bhasin

Date: 26th July, 2012

Chairman

ANNEXURE A

Disclosure pursuant to Reg 12 of SEBI (ESOP & ESPS) Guidelines 1999

Particulars	Grant till date 2008 scheme							
Options granted	100000	210000	52500	10000	38000	282250	184802	107105
Pricing formula	Fair value based on market price	Fair value based on market price	Fair value based on market price	Fair value based on market price	Fair value based on market price	Fair value based on market price	Fair value based on market price	Fair value based on market price
Options vested	43750	45250	6375	1250	3250	Nil	Nil	Nil
Options exercised	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total no. of shares arising as result of exercise of Options	Nil	67125	Nil	Nil	Nil	Nil	Nil	Nil
Options lapsed or forfeited	100000	118500	34000	5000	25000	174000	Nil	Nil
Variation of terms of Options	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Money realised by exercise of Options	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total number of Options in force	Nil	91500	18500	5000	13000	108250	184802	107105
Employee-wise details of options granted to:								
(i) Senior Management Personnel	No. of options							
Biju Xaviour - Vice President	Nil	15000				7500		
Gijo T Rockey - Vice President (Operations)	Nil	10000				7500		
Binumon Joseph - Ste Head Kerala	Nil	10000				7500		

Particulars	Grant till date 2008 scheme							
(ii) Any other employee who receives a grant in any one year of Options amounting to 5% or more of Options granted during that year	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
(iii) Identified employees who were granted Options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
Diluted earnings per share pursuant to issue of shares on exercise of Options calculated in accordance with AS 20 'Earnings per Share'				-3.85				
Weighted average exercise price of Options granted during the year				36				
Weighted average fair value of Options granted during the year				10.15				
Description of method and significant assumptions used to estimate the fair value of Options	Fair value of Options granted has been estimated using the Black Scholes Option pricing Model							
Risk-free interest rate	6.15%	6.15%	6.15%	7%	7%	8.50%	8.50%	8.50%
Expected life				7years				
Expected volatility	33%	33%	33%	45%	45%	45%	45%	45%
Expected dividend				0%				
The price of the underlying share in the market at the time of Options grant	Rs. 37.73	Rs. 39.90	Rs. 39.90	Rs. 41.00	Rs. 49.00	Rs. 35.90	Rs. 34.70	Rs. 15.80

REPORT ON CORPORATE GOVERNANCE

The Company's report on Corporate Governance for the year ended 31.03.2012 as required under Clause 49 of the Listing Agreement entered into with Stock Exchanges is presented as under:

Corporate Governance Philosophy

"Promoting good governance in all its aspects including, ensuring the rule of law, improving the efficiency and accountability and tackling corruption are essential elements of a framework within which companies can prosper."

Securities and Exchange Board of India (SEBI) has formulated a formal code of conduct of Corporate Governance through Clause 49 of the Listing Agreement. SEBI through this clause continuously upgrades the Corporate Governance code so as to ensure that the best international practices are adopted by the Indian listed companies. We at JRG believe that this code is minimum requirement for the governance of your Company. Your Company follows the same in letter and spirit, as well. The Company feels that following the Corporate Governance code stems one's mindset and we believe in following the question "Is it Legal?" with the question "Is it Right?". We feel that good Corporate Governance can be equated with 'art of good housekeeping'.

Corporate Governance is all about commitment to values and ethical business conduct. It is primarily based on the principles of integrity, transparency, fairness, accountability, full disclosures and independent monitoring of the state of affairs. Strong Corporate Governance is indispensable to resilient and vibrant capital markets and is an important instrument of investor protection. Good governance practice emanates from the culture and attitude of an organisation. At JRG Securities Limited, we are committed to the adoption of best governance practices and its adherence in the true spirit, at all times. We are constantly striving to expand our horizons, synergising efforts to attain excellence and enhance value for our stakeholders.

Your Company views Corporate Governance in its widest sense like a trusteeship, a philosophy to be embraced, a value to be imbibed and an ideology to be ingrained into the corporate culture. The Corporate Governance arrangements of the Company are under constant review. The Board of Directors performs the pivotal role in the governance system and they are primarily responsible for Corporate Governance of the Company. The decision-making process at the Company is transparent and documental evidence is available

for each and every transaction of the Company. The Board has formed several Committees to assist them in specific areas resulting in sharper focus on good governance. This ensures that the endeavour to maximise value for the entire spectrum of its stakeholders leads to long-term benefits to society at large. It is also ensured that accurate and timely financial and managerial information is given to the present and potential investors.

The details of provisions of Clause 49 of the Listing Agreement complied by the Company are as follows:-

1. Composition of the Board

As on March 31, 2012 the Company's Board comprised six Directors, of which three are Independent Non-Executive Directors. The Chairman of the Board Mr. Rahul Bhasin is a Non-Executive Director. The Board's composition is in compliance with the requirements of Clause 49 of the Listing Agreement, requiring that not less than half the Board should comprise Independent Directors.

2. Number of Board Meetings

The Board of Directors met five times during 2011-12 on May 12, 2011, July 8, 2011, July 26, 2011, November 10, 2011 and January 25, 2012. The maximum gap between any two meetings was less than four months.

3. Directors' Attendance Record and Directorship held

Name	Category	No. of Board meetings held in 2011-12	No. Board meetings attended In 2011-12	Whether attended Last AGM	No. of directorship in other public companies	No of Committee membership in other public companies ##	No. of Chairmanships of Committees in other public companies
Mr. Rahul Bhasin	Chairman and Non- Executive Director	5	5	Yes	1	-	-
Mr. T M Venkataraman*	Independent Non- Executive Director	5	4	No	2	1	1
Mr Pradeep Mallick	Independent Non- Executive Director	5	4	Yes	8	9	2
Mr. B R Menon	Independent Non- Executive Director	5	3	Yes	-	-	-
Mr. Munish Dayal	Non- Executive Director	5	5	Yes	2	1	-
Mr. P Viswanathan	Independent Non- Executive Director	5	5	Yes	3	2	2
Mr. Regi Jacob**	Non- Executive Director	5	3	Yes	-	-	-
Mr. Gaurav Vivek Soni***	Executive Director (Managing Director)	5	4	Yes	3	-	-
Mr. Gopichand S****	Executive Director (Managing Director)	5	1	No	-	-	-

Membership of Audit Committee and Investor Grievance Committees are considered for the purpose.

* Resigned on 16.12.2011

** Resigned on 26.09.2011

***Resigned on 25.01.2012

****Appointed on 25.01.2012

As mandated by the Clause 49, none of the Directors is a member of neither more than ten Board level Committees nor are they Chairman of more than five Committees in which they are members.

4. Information supplied to the Board

The Board has complete access to all information regarding the Company. All the information stipulated under

Clause 49 is regularly provided to the Board as part of the agenda papers well in advance of the Board meetings, or are tabled with the permission of the Chairman in the course of the

Board meeting. There is a structured manner in which agenda items are created and materials are distributed for Board meetings.

5. Board materials distributed in advance

Information and data that is important to the Board's understanding of matters on the agenda, is distributed in writing or electronically to the Board prior to the Board meetings in order to permit adequate review. The Board acknowledges that sensitive subject matters may be discussed at the Board meeting without written materials being distributed in advance or at the meeting.

The Board also periodically reviews internal control and compliance with

laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances. In addition to the above, pursuant to the Clause 49, the minutes of the Board meetings of Company's unlisted Subsidiary Company (ies) are also placed before the Board for information.

6. Code of Conduct

The Company's Board has laid down a Code of Conduct for all Board members and senior management of the Company. The Code of Conduct is available on the website of the

Company www.inditrade.com. All Board members and senior management personnel have affirmed compliance with the Code of Conduct. A declaration signed by the Managing Director to this effect is enclosed at the end of this Report.

7. Risk Management

The Company laid down procedures to inform Board members about the risk assessment and minimisation procedures. The Company has a Risk Management policy in place and has appointed a risk officer.

8. Remuneration paid to Directors

Name of Director	Details of remuneration paid to Directors				
	Salary	Perquisites	Retirals	Sitting Fees Paid (in Rs.)	Commission (in Rs.)
Mr. Rahul Bhasin	-	-	-	-	-
Mr.T M Venkataraman*	-	-	-	102500	-
Mr. Pradeep Mallick	-	-	-	95000	-
Mr. B R Menon	-	-	-	27500	-
Mr. Munish Dayal	-	-	-	-	-
Mr. P Viswanathan	-	-	-	115000	-
Mr. Gaurav Vivek Soni#	2,492,200	-	-	-	-
Mr. Gopichand S##	396,202	-	-	-	-

* Resigned on 16.12.2011

Resigned on 25.01.2012

Appointed as Managing Director on 25.01.2012

9. Details of shares held by Directors as on 31.03.2012

Name of Director	Category	No of Shares held
Mr. Rahul Bhasin	Chairman and Non-Executive Director	Nil
Mr. Pradeep Mallick	Independent Non-Executive Director	Nil
Mr. B R Menon	Independent Non-Executive Director	22,149
Mr. Munish Dayal	Non-Executive Director	Nil
Mr. P Viswanathan	Independent Non-Executive Director	Nil
Mr. Gopichand S	Executive Director (Managing Director)	Nil

10. Committees of the Board

During 2011-12, the Company had three Board Committees – Audit Committee, ESOP / Remuneration Committee and Investors Grievance Committee. Each Committee has an assigned scope of responsibilities, duties, and authority, which is reviewed by the Board from time to time to determine the appropriateness of the purpose for which the Committee was formed in the changing business environment. The Committees' compositions conform to

applicable laws and regulations. Minutes of all the Committee meetings are placed for information in the subsequent Board meeting. All decisions pertaining to the constitution of Committees and fixing of terms of service for Committee members are taken by the Board of Directors.

Details on the role and composition of these Committees, including the number of meetings held during the financial year and the related attendance, are provided below:

i. Audit Committee

As on 31.03.12, the Audit Committee comprises of four members of which three are Independent Non-Executive Directors. The Audit Committee met six times during the year 2011-12 on 11 May 2011, 8 July 2011, 26 July 2011, 10 November 2011, 22 December 2011 and 24 January 2012. The composition of the Audit Committee and information regarding attendance at Committee meetings is as follows:

Name	Position	Category	No. of meetings attended
Mr. T M Venkataraman*	Chairman	Independent Non-Executive Director	4
Mr. B R Menon	Member	Independent Non-Executive Director	2
Mr. Pradeep Mallick	Member	Independent Non-Executive Director	4
Mr. P Viswanathan	Member	Independent Non-Executive Director	6
Mr. Munish Dayal	Member	Non-Executive Director	6

*Resigned from the Board on 16.12.2011.

The Audit Committee has been constituted in line with the provisions of Clause 49 of the Listing Agreement, and also meets the requirements of Section 292A of the Companies Act, 1956. The representative of the Statutory Auditors and Internal Auditors are regularly invited by the Audit Committee to its meetings. The Company Secretary is the Secretary to the Committee.

All members of the Audit Committee have accounting and financial management knowledge. Mr. P. Viswanathan, Chairman of the Audit Committee has accounting and financial management expertise. He is a Chartered Accountant by profession and has got over 35 years of experience in the field of finance and accounting.

The terms of reference of Audit Committee cover all matters specified

under Clause 49 of the Listing Agreement of the Stock Exchanges. The Audit Committee is empowered, pursuant to its terms of reference, to:

- Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment of any other related services.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing the annual financial statements with the Management before submission to the Board, focusing primarily on:

- 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
- Any changes in accounting policies and practices
- Major accounting entries based on exercise of judgment by the Management
- Qualifications in the draft Audit Report
- Significant adjustments arising out of audit
- The 'going concern' assumption
- Compliance with accounting standards
- Compliance with stock exchange and legal requirements concerning financial statements

- | | | |
|---|--|---|
| <p>i. Any related party transactions i.e. transactions of the Company of material nature, with promoters or the Management and their subsidiaries or relatives, among others, that may have potential conflict with the interest of the Company at large.</p> <p>v. Review with the Management, external and internal auditors, the adequacy of internal control systems</p> <p>vi. Review the adequacy of internal audit function, including the structure of the internal audit department staffing and seniority of the official heading the department, reporting structure</p> | <p>coverage and frequency of internal audit.</p> <p>vii. Discussions with internal auditors any significant findings and follow-up thereon.</p> <p>viii. Review 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.</p> <p>ix. Discussions with external auditors before the audit commence nature and scope of audit.</p> <p>x. Review the Company's financial and Risk Management policies</p> <p>xi. To look into the reasons for</p> | <p>defaults in the payment of dividend to shareholders, payment to creditors among others</p> <p>xii. Approval of appointment of CFO after assessing the qualifications, experience and background of the candidate.</p> <p>ii. Remuneration/ESOP Committee
As on 31.03.12, the Committee comprised three members of which two are Independent Non-Executive Directors. The Committee met three times during the year 2011-12 on 11 May 2011, 26 July 2011 and 25 January 2012. The Composition of the Remuneration/ESOP Committee and attendance at Committee meetings is as follows:</p> |
|---|--|---|

Name	Position	Category	No. of meetings attended
Mr. B R Menon	Chairman	Independent Non-Executive Director	1
*Mr. T M Venkataraman	Member	Independent Non-Executive Director	2
Mr. Pradeep Mallick	Member	Independent Non-Executive Director	2
Mr. Rahul Bhasin	Member	Non-Executive Director	3

*Resigned from the Board on 16.12.2011.

The Remuneration/ESOP Committee determines and recommends to the Board, the amount of remuneration payable to the members of the Board including Executive Directors. This Committee has also been empowered to administer Employees Stock Option 2008 Scheme, of the Company.

iii. Investor Grievance Committee

The Investor Grievance Committee comprises of three members of which two are Independent Non-Executive Directors. The Committee met three times in the year under review on 11 May 2011, 26 July 2011 and 10 November 2011.

The Company Secretary is the Compliance Officer.

The Composition of the Investor Grievance Committee and attendance at Committee meetings is as follows:

Name	Position	Category	No. of meetings attended
Mr. T M Venkataraman*	Chairman	Independent Non-Executive Director	3
Mr. B R Menon	Member	Independent Non-Executive Director	2
Mr. Munish Dayal **	Member	Non-Executive Director	1

*Resigned from the Board on 16.12.2011.

** Appointed w.e.f 10.11.2011

Investor Grievance Committee shall review and redress shareholders' grievances.

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

Status of Complaints Received and Attended During 2011-12

Pending as on 01/04/2011	Received during the year	Answered during the year	Pending as on 31/03/2012
Nil	4	4	Nil

11 Management Discussion and Analysis

The Management Discussion and Analysis is given separately and forms part of this Annual Report.

12. Disclosures on related party transactions

During the year, the Company did not enter into any transaction of material nature with its promoters, the Directors or the Management and their subsidiaries or relatives, among others. The details of related party transactions are set out in Notes to Financial Statement, Note No: 3.23.

13. Disclosure of accounting treatment in preparation of financial statements

The financial statements are prepared to comply in all material aspects with all the applicable accounting principles in India, the applicable accounting standards notified under Section 211 (3 C) of the Companies Act, 1956 ('the Act') and the relevant provisions of the Act.

14. Details of utilisation of IPO proceeds:

(Rs. in lacs)

Particulars	Envisaged in the prospectus	Change in utilisation*	Amount unutilised as on 01 April 2011	Utilised during the year 2011-12	Total fund Utilised (Including change in utilisation)	Amount remaining to be utilised
	A	B	C	D		
Middle East operations	560.00	(366.66)	193.34	-	193.34	-
Technology Upgradation						
Computer software	160.00	-	110.00	-	110.00	-
Computer hardware			50.00		50.00	
Regional offices	600.00		628.81		628.81	-
Issue expenses	130.00		147.86		147.86	-
Opening new branches in India	-	200.00	100.53	8.08	108.61	91.39
Infrastructure development for i-trade	-	40.00	9.53	-	9.53	30.47
Other infrastructural requirements	-	126.66	108.06	13.68	121.74	4.92
Total	1,450.00		1348.13	21.76	1369.89	126.78
Means of finance						
Issue proceeds					1323.22	
Internal accruals					46.67	
Total utilised					1369.89	

Amount pending utilisation as on 31 March 2012 has been maintained in fixed deposits with the banks.

15. Details of compliances by the Company

During the year the Company has complied with all the requirements of regulatory authorities and no penalties/strictures were imposed on the Company by stock exchanges or SEBI or any statutory authority on any matter related to capital market.

16. Details of shares lying in the name of 'BIGSHARE SERVICES PVT LTD ESCROW AC FOR JRG SECURITIES LTD IPO'

As per Clause 5A of the Listing Agreement with BSE every Company is required to report the details of the shares, which are unclaimed in the Initial Public Offering and lying in the demat account opened in the name of the Company. The Company has opened a demat account as required and has credited the unclaimed shares to this account. The details of shares in the demat suspense account are as follows:

Particulars	Number of shareholders	Number of equity shares
Aggregate number of shareholders and the outstanding shares in the suspense account lying as on 1st April, 2011	3	450
Number of shareholders who approached the Company for transference of shares from suspense account during the year	Nil	Nil
Number of shareholders to whom shares were transferred from the suspense account during the year	Nil	Nil
Aggregate number of shareholders and the outstanding shares in the suspense account lying as on 31st March, 2012	3	450

Note: The voting right on these shares lying in the demat suspense account shall remain frozen till the rightful owners of such shares claim the shares.

17. Code for prevention of insider trading practices

In compliance with the SEBI regulation on prevention of insider trading, the Company instituted a comprehensive Code of Conduct for its Management and staff in line with the SEBI Insider Trading Guidelines. 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.

18. MD/CFO certification

The Managing Director of the Company gives annual certification on financial reporting and internal controls to the Board in terms of Clause 49. The Managing Director also gives quarterly certification on financial results while placing the financial results before the Board in terms of Clause 41.

19. Subsidiary companies

Clause 49 defines a 'material non-listed Indian subsidiary' as an unlisted subsidiary, incorporated in India, whose turnover or networth (i.e. paid-up capital and free reserves) exceeds 20 per cent of the consolidated turnover or networth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year. Under this definition, JRG Wealth Management Limited and JRG Fincorp Limited are material non-listed subsidiary company of the Company.

Pursuant to Clause 49 of the Listing Agreement, JRG Fincorp Limited and JRG Wealth Management Limited, which are material non-listed subsidiary companies of JRG Securities Ltd., has on its Board, Mr. P. Viswanathan who is a Non-Executive Independent Director of the holding Company.

The accounts and minutes of Board

Meetings of all subsidiary companies are placed before the Board of the Company

20. Reappointment/appointment of Directors

As per the requirements of Section 256 of the Companies Act, two-thirds of the Board shall comprise retiring Directors, out of which one-third shall retire at every Annual General Meeting. Accordingly, Mr. Pradeep Mallick and Mr. P.Viswanathan, Directors, shall retire and seek reappointment in the ensuing Annual General Meeting of the Company.

21. Means of Communication with Shareholders

The quarterly and half-yearly/annual financial results are forthwith communicated to the Bombay Stock Exchange Limited (BSE) where the shares of the Company are listed, as soon as they are approved and taken on record by the Board of Directors.

Public notices and financial results have been published in leading newspapers, namely, Business Line in English and Mangalam in Malayalam. The financial

results and public notices are also put up on Company's website www.inditrade.com. For investors, the Company has created a separate e-mail

id investorassistance@jrg.co.in

The following table gives details of the publications of the financial results in the year under review.

Quarter/Annual	Date of Board Meeting to approve the result	Date of Publication	English News Paper	Malayalam Newspaper
Annual	11.05.2011	13.05.2011	Business Line	Mangalam
Quarterly	26.07.2011	28.07.2011	Business Line	Mangalam
Quarterly	10.11.2011	12.11.2011	Business Line	Mangalam
Quarterly	25.01.2012	27.01.2012	Business Line	Mangalam

22. General Meetings

Details of last three Annual General Meetings are given below:

Details of last three Annual General Meetings				
Meeting	Date	Time	Venue	No of special Resolution Passed
17th	26.09.2011	10.00 A.M	Hotel Presidency, Cochin - 682018	1
16th	23.07.2010	4.P M	Hotel Presidency, Cochin - 682018	Nil
15th	25.07.2009	11.30 A M	Golden Jubilee Hall, Pala - 686575	4

The following Special Resolutions were passed in the last three AGMs, with requisite majority.

Sl No	Financial year to which AGM relates	Date of AGM	Issue	Type of Resolution
1	2010-11	26.09.2011	Fixing remuneration of Managing Director	Special Resolution
2	2009-10	23.07.2010	No Special Resolution passed	Nil
3	2008-09	25.07.2009	Appointment of Mr. Gaurav Vivek Soni as Managing Director	Special Resolution
			Utilisation of IPO proceeds for the expansion activities of the Company	Special Resolution
			Amendment of ESOP 2008	Special Resolution
			Alteration of Articles of Association of the Company by inserting Article 157A	Special Resolution

23. Compliance

i. Mandatory requirements

The Company has complied with all the mandatory requirements as stipulated under Clause 49 of the Listing Agreement. A certificate from the Statutory Auditors to this effect has been included in this report.

ii. Adoption of non-mandatory requirements

The Company has adopted non mandatory requirements to the extent and in the manner as stated under the appropriate headings detailed below:

a. Chairman's office

The need for implementing this non-mandatory requirement has not arisen

b. Remuneration Committee

The details of Remuneration Committee have been discussed elsewhere in this report.

c. Audit qualifications

The auditors have issued an unqualified opinion on the statutory financial statements of the Company.

**d. Training of Board Members/
mechanism for evaluating Non-
Executive Directors**

All the Non-Executive Directors have rich experience and expertise in functional areas and attend various programs in their personal capacities that keep them abreast of relevant developments. There is no formal

system of evaluating individual Directors.

e. Whistleblower policy

The Company has setup a whistleblower policy, which is known to all employees and in terms of such policy, all issues and concerns, may be raised to Mr. Gopi Chand S, Managing Director, who will act as the

Compliance Officer for the purposes of this policy. In exceptional cases, employees are provided direct access to the Chairman of Audit Committee as specified in the list of non-mandatory requirements given in Annexure I D to Clause 49. During the year, there was no Whistleblower in terms of the policy.

iii. General shareholder information

AGM Date	12th September 2012
Time and venue	10 AM Hotel Presidency, Paramara Road Cochin, Kerala - 682018
Date of Book Closure	From Closing of business hours on 3rd Sept, 2012 to 12th Sept. 2012.
Financial Year	1st April 2012 to 31st March 2013
Approval of financial results proposed	QE : 30 June 2012: 3rd or 4th week of July 2012 QE : 30 Sep 2012 : 3rd or 4th week of October 2012 QE : 31 Dec 2012 : 3rd or 4th week of January 2013 YE : 31 Mar 2013 : 3rd or 4th week of May 2013
Listing on Stock Exchanges	The Bombay Stock Exchange Limited The listing fees for the financial year 2012-13 were duly paid to the above Stock Exchange

Name of the Stock Exchange	Stock Code
The Bombay Stock Exchange Limited	532745
ISIN allotted by depositories	INE347H01012

iv. Stock market price data

Month	High Price	Low Price	Total Turnover (Rs.)
April-11	27.95	24.40	38,88,874
May-11	27.90	20.65	21,74,634
June-11	25.65	21.10	22,24,048
July-11	24.70	20.50	23,65,106
August-11	22.75	15.55	23,66,548
September-11	21.00	16.15	14,05,687
October-11	18.85	15.65	7,11,293
November-11	17.80	12.00	9,57,214
December-11	14.20	11.75	11,15,811
January-12	18.50	12.10	12,26,884
February-12	22.05	16.00	43,58,801
March-12	20.90	14.30	13,07,755

Shareholders may communicate the change in addresses and other general grievances to Registrars and Transfer Agents:

M/s. Big Share Services (P) Ltd.

E-2, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (E), Mumbai – 400 072.

Tel: 022 – 28470652,

Fax: 022 – 28475207

Website: www.bigshareonline.com.

v. Share transfer system

a. The Company appointed M/s. Big Share Services (P) Ltd as its Registrar and Share Transfer Agents.

b. Share transfers are processed and approved, subject to receipt of all requisite documents.

c. The Company seeks to ensure that all transfers are approved for registration within the stipulated period. Pursuant to Clause 47 (c) of the Listing Agreement with Stock Exchanges, certificates on half-yearly basis have been issued by a Practicing Company Secretary for due compliance of share transfer formalities by the Company.

d. Pursuant to SEBI (Depositories and Participants) Regulations, 1996, certificates have also been received

from a Practicing Company Secretary for timely dematerialisation of the shares of the Company and for conducting a Reconciliation of Share Capital Audit on a quarterly basis for reconciliation of the Share Capital of the Company.

e. With a view to expediting the approval process, the Board of Directors authorised the Share Transfer Committee to approve the transfer of shares.

Details of shareholding of the Company as on 31 March 2012

Distribution of shareholding as on 31 March 2012				
No. of shares	Shareholders		No. of shares	
	No.	% of total	No.	% of total
001-5000	6040	97.45	2047755	8.77
5001-10000	52	0.84	393083	1.68
10001-20000	42	0.67	591433	2.53
20001-30000	13	0.20	335931	1.44
30001-40000	10	0.16	358456	1.53
40001-50000	4	0.06	179824	0.78
50001-100000	16	0.26	1154127	4.94
100001 and above	21	0.36	18292017	78.33
TOTAL	6198	100.00	23352626	100

The Company has not issued any ADR, GDR, and SDR.

vi. Dematerialisation of Shares

99.84 per cent of the total equity share capital has been dematerialised up to 31.03.2012. The remaining 0.16 per cent shares are also being taken up for dematerialisation. The Company's shares are actively traded in BSE.

Investors' correspondence may be addressed to:

Registered and Corporate Office

JRG Securities Ltd.
'JRG House', Ashoka Road
Kaloor, Kochi – 682 017.
Ph: 0484 3006000

vii. Request to Investors

Investors are requested to communicate change of address, if any, directly to the Registrar and Share Transfer Agent of the Company.

Investors holding shares in electronic

form are requested to deal only with their respective depository participant for change of address, nomination facility, bank account number, among others.

For and on behalf
of the Board of Directors

Hyderabad
26-07-2012

Rahul Bhasin
Chairman

AUDITORS' CERTIFICATION ON CORPORATE GOVERNANCE

To
The members of JRG Securities Limited

We have examined the compliance of conditions of Corporate Governance by JRG Securities Limited ("the Company") for the year ended 31 March 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with Bombay Stock Exchange.

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 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 informations 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 Agreements.

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 B S R & Associates
Chartered Accountants
Firm registration No: 116231W

S Sethuraman
Partner
Membership No: 203491

Hyderabad
19 May 2012

DECLARATION BY MANAGING DIRECTOR UNDER CLAUSE 49

To
The Members of JRG Securities Limited

Declaration by the Managing Director under Clause 49 of the Listing Agreement

I, Gopichand S, Managing Director of JRG Securities Limited, to the best of my knowledge and belief, declare that all the members of the Board of Directors and senior management personnel have affirmed compliance with Code of Conduct for the year ended 31st March 2012.

Hyderabad
14 May, 2012

Gopichand S
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY OVERVIEW

Global Economic Scenario

"Growth Resuming, Dangers Remain"

This is what the 2012 publication by International Monetary Funds, states in its cover page regarding the world economic outlook. Things have started looking little better for the world economy after a turbulent 2011. The downside looks to have been arrested as world output is showing the signs of recovery. Though the growth for the advanced economies remained at 1.6 per cent, but what surprised the economist was the recovery for the emerging and the developing Economies which during the year 2011 stood at 6.2 per cent.

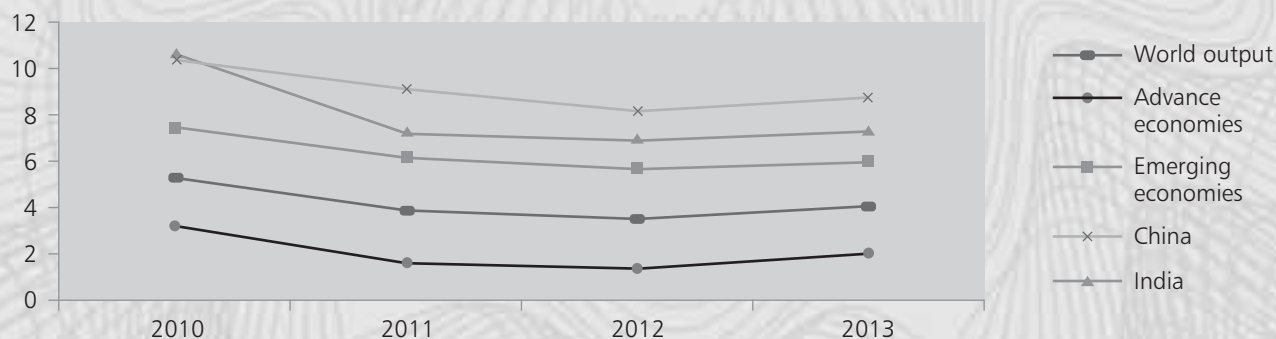
The global economy slowed in 2011, reporting 3.8 per cent growth, lower than 5.2 per cent achieved in 2010 and is expected to grow by 3.5 per cent in 2012. The emerging economies grew 6.2 per cent in 2011 (7.3 per cent in 2010) and are expected to grow at 5.7 per cent in 2012, while advanced

economies grew 1.6 per cent in 2011 (3.2 per cent in 2010) and are expected to grow at 1.2 per cent in 2012. (Source: Economic survey 2011-12)

But, despite this recovery trend there's no other saving grace. Economies around the world have never been so tightly linked. The fate of the world hangs in balance because of the U.S. and European economies. Until they turn the corner, the emerging economies of the world will remain in slow motion. Six of the 17 countries that use the euro are in recession. The most immediate risk to the global recovery is that delayed or insufficient policy action which will further escalate the eurozone crisis. There are continued doubts about the durability of the euro. The latest World Economic Outlook projects that the global economy will grow 3.5 percent this year and 3.9 percent in 2013.

Emerging markets face challenges both at home and from abroad. China's economy is undergoing a soft landing; growth hit a three-year low in the

second quarter at 7.5 percent and is expected to moderate to around 8 percent for 2012. Brazil's growth was less than half a percent yet again. Globally, this seems to be one of the worst summers in recorded history. The global average temperature for May was the second hottest ever since 1880 - the year records started being compiled. Brazil is in the midst of its worst drought in five decades and the United States experienced its worst drought in the since the 1950s. Unemployment is already at extreme levels in Europe and the United States. Emerging and developing economies are projected to grow at 5.7 per cent in 2012 and at 6.0 per cent in the year 2012. Among the emerging and developing economies, China and India are projected to lead the table with 8.2 per cent and 6.9 per cent growth respectively in the year 2012. (World Economic Outlook, April 2012, An International Monetary Fund Publication).



Indian Economic Scenario

The year 2011-12 has been tough with the Indian economy reporting a growth of 6.5 per cent. This is a significant decline as compared to past few years. With the gross domestic product (GDP) growth slowing to 6.5 per cent in the current fiscal (FY 2011-12) from 8.4 per cent in the previous two fiscals, India has witnessed a slowdown due to weak industrial activity coupled with a contraction in investments. Factors such as persistent and high inflation, monetary tightening, expansion of trade deficits, weakening of the rupee, negative global developments and domestic political uncertainty have all contributed to the decline. Policy paralysis and government inefficiencies have become everyday phrases. Negative headwinds from the eurozone have caused a steep deceleration in exports and a reversal of portfolio inflows. India's trade position with the rest of the world deteriorated in the March quarter to its worst level in 20 years. The RBI is reluctant to cut rates. Erratic monsoon in the entire country has further added to the woes of the policy makers and is further adding to inflation as the food products output is

going to be severely hit particularly in the kharif crop.

Sector-wise, agriculture and allied activities after growing at a healthy rate of 7.0 per cent last year grew by only 2.5 per cent during the year. The industrial output was also down from 6.8 per cent to 3.6 per cent during 2011-12. The manufacturing sector's growth remained volatile and highly concentrated, with seven out of the 22 industry groups showing negative growth during April-February 2011-12. The eight core industries grew at a subdued pace of 2.2 per cent in April 2012 compared to 4.2 per cent a year ago. The overall core sector output had expanded 4.4 per cent in 2011-12, the lowest in last three years. The non-performance of infrastructure industries shows that basic inputs are getting scarcer throughout the economy, indicating that both supply choke-points and weak demand are going forward. (Source: Economic Times)

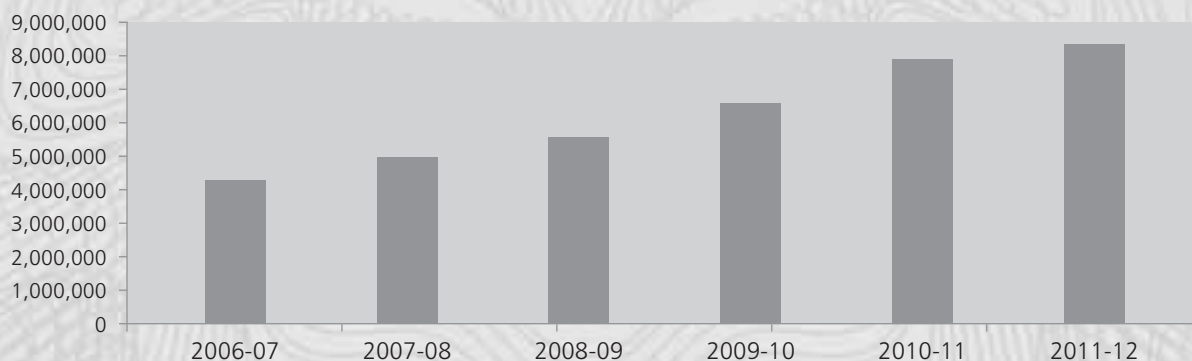
The high rates of inflation continued from last year and stayed close to and even beyond 10 per cent for the first half of the current fiscal. The wholesale price index (average from April 2011 to January 2012) was as high as 9.1 per

cent. The main drivers were food inflation (primary articles) and global commodities which spiraled onto money wages and other expenses resulting in increased prices of manufactured goods. To curtail the spiraling inflation, the Reserve Bank of India tightened the monetary policy by increasing interest rates leading to deceleration of growth. Further, depreciation of the currency in the latter half of the year further fueled the import prices of necessary items.

Is there a silver lining? Yes --to see it, we have to stop looking in the rear-view mirror depicting accumulated problems and negative trends. It is only the policy bottlenecks and the slow pace of reforms that seem to be putting a spanner in India's wheels and once those are removed, we should be back to notching up attractive long-term growth rates. This can be done by - controlling the fiscal deficit, achieving clarity on tax matters, reviving the mutual funds and insurance industries, clearing a backlog of foreign investment proposals and boosting infrastructure.

However, despite the slowdown which was driven largely by the uncertain

India's GDP Growing Every Year- in INR- Crores, Base Year 2004-05



Source: Reserve Bank of India- Handbook of Statistics, 2011-12

global economic scenario, higher interest rates, lower external demand, policy uncertainty, India remains among the frontrunners, globally, in any cross-country comparison. Numerous indicators suggest that the economy is turning around as core sectors as well as manufacturing show signs of recovery. India's GDP growth in 2012-13 is expected to be 7.3 per cent approximately.

The Government of India has approved 14 Foreign Direct Investment (FDI) proposals amounting to US\$ 288.05 million, based on the recommendations of Foreign Investment Promotion Board (FIPB). India's foreign exchange (Forex) reserves increased by US\$ 1.4 billion in the week ended April 20, 2012, according to data released by the RBI. The reserves have increased US\$ 205 million since the start of this financial year. (Source: IBEF)

The Government had liberalised investments made by registered foreign institutional investors (FIIs) under the Portfolio Investment Scheme (PIS) from April 10, 2012. Earlier, these investments required Government approval. (Source: IBEF)

Financial Intermediation and Markets

During the financial year 2011-12, the

growth percentages in Scheduled Commercial Banks (SCBs) for bank credit, aggregate deposits and investments were 8.2, 8.9 and 11.8 percent respectively. While there is year-on-year growth for aggregate deposits and investments, there has been a moderation in the bank credit deposit ratio between March 2011 and December 2011. Among the major sectors, the growth of bank credits in agriculture, industry and wholesale trade has declined vis-a-vis last year.

The total number of Non-Banking Financial Companies (NBFCs) registered with the RBI declined during the current fiscal as a result of exit of many NBFCs from deposit taking activities and consolidation in the sector. As a part of prudential regulations of non-deposit taking NBFCs, a separate category for NBFC-Micro-Finance institution has been created and specific directions have been issued. The ratio of deposits of reporting NBFCs to aggregate deposits of Scheduled Commercial Banks dropped to 0.21 percent at the beginning of the year.

The longest 'bull run' in the capital market indices came to a end during 2011-12 declining by almost 21 percent. The mean size of Initial Public Offerings decreased to INR 1.68 billion for the year 2011-12 as compared to

INR 6.71 billion registered during last year. The major policy initiatives undertaken during this fiscal include access for Qualified Foreign Investor to Indian equity market, increase in limit for Foreign Institutional Investors (FII) to invest in Government Securities and Corporate Bonds, liberalising the External Commercial Borrowing (ECB) policy, among others.

Industry Structure and Development

Primary Equity Market- Not leading the way now

Historically, Indian financial markets have observed robust growth in primary markets and that has led to the overall growth in the financial markets. Primary and secondary markets complement and supplement each other that what has happened in Indian capital market. Mobilisation of the resources from primary markets has been the handsome source both for the government and corporate houses. However, the trend seems to have been reversed and primary markets have taken the back seat. During the year 2008-09, the markets fell and there was decline in primary market mobilisation and similar trend was also observed during the year 2011-12 onward. The following table shows the growth during the last five years.

Funds mobilised in Primary Market

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
(A) Public issues	54510	2082	49264	48653	10482
a) IPOs	42101	2082	24696	35558	5903
b) FPO's	11915	0	20041	13095	4578
c) Debt	0	1500	2500	9541	35623
(B) Rights issue	32518	12637	8318	9503	2375
(C) QIP	25525	188	42729	0	0
Total	112554	16408	100312	67608	48440

Source: SEBI Bulletin: Capital Market Review, Various Publications

Secondary trading

The Indian capital market has evolved over a period of time from over-the-counter trading and three -weekly settlement system to state-of-the-art online trading systems, dematerialised share trading along with T+2 daily settlement system. This has led to the Indian capital markets undergoing rapid consolidation driven by increased number of market intermediaries (viz, brokers, sub-brokers, foreign institutional investors, mutual funds), increased trading volumes, increased compliance and prudent regulation introduced by regulatory bodies, customer sophistication, availability of better technology and increased back-office requirements. There was a significant decrease in Market Capitalisation (Capital Market Segment) in respect of BSE & NSE when compared to the previous year 2010-11. The Market Capitalisation reduced by Rs. 6,27,344 Cr as on 31st March 2012 in BSE, thereby, the trading volumes remained under pressure and observed decline in both the indices i.e. Sensex and Nifty.

■ Internet trading

As on March 31, 2012 NSE registered 52,49,202 clients for web based access.

During the year 21.25% of trading value in the Capital Market Segment on the NSE was routed and executed through the internet based trading.

Our Competitive Strengths And Opportunities

■ One-stop shop – an integrated service provider

The Company offers bouquet of services to clients through its vast network of branches, franchisees, Head Office, Registered Office and DSA. The services company offers are equity trading, commodity trading, trading in currency derivatives, insurance broking, real estate products, variety of loan products (loan against shares, margin funding, commodity funding, IPO financing among others), distribution of mutual funds and online trading and other third party products.

■ Commodities broking services

In order to provide value-added services to our valued clients, the Company has subsidiary companies, that provide specialised services to its clients. We offer specialised and retail commodity broking facilities through our subsidiary, i.e. JRG Wealth Management Limited. JRG Wealth Management Limited is a member of

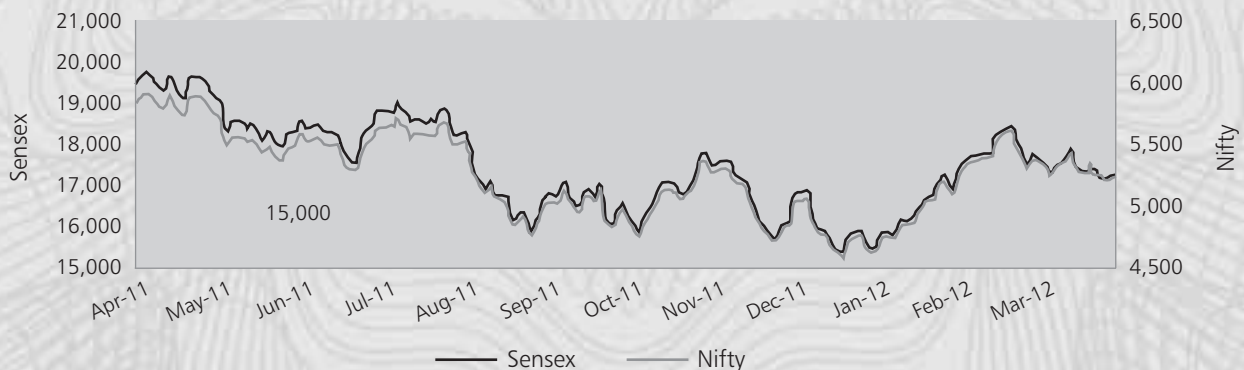
NMCEIL, NCDEX, MCX, and IPSTA. Our product portfolio for commodity broking business comprises agro-commodities, metals, bullion and energy. We have an in-house research team of experienced analysts to track developments in the commodities markets.

■ Online trading platform

In order to reach out to masses at an affordable price, we have further strengthened internet trading services. The online trading platform is made accessible through our website, www.inditrade.com, and was launched in April 2010. Our online trading platform is targeted towards internet-savvy investors, and provides them the flexibility to trade anywhere from the world. There has been significant growth in terms of usage of internet trading facilities. As on March 2012, 6088 clients have registered for availing Internet Based Trading facility offered by the Company.

■ Significant presence in southern India

From being a Kerala-centric broking firm, we have expanded our base to over 100 (as on 31st March 2012) branches across Kerala, Tamil Nadu,



Source: SEBI Bulletin, April, 2012

Andhra Pradesh, Karnataka and Maharashtra. This network caters to a large retail customer base in smaller towns as well in Tier-I, II and III cities. Our strategy has been to expand our branch network in different cities of southern India. We believe that our understanding of the market dynamics equips us with a competitive advantage, in southern India. The Company is also looking for the expansion in northern India as well so as to increase its areas into newer geographies.

■ **Backed by Baring India Private Equity, a leading private equity firm in India**

Duckworth Limited and Baring India Private Equity Fund III Listed Investments Limited holds 49.38 per cent of our paid-up equity capital.

■ **Our employees, our people, our stakeholder.**

We believe that our employees are the biggest assets and stakeholders. All the employees are important to us, irrespective of the level they are working. The Company has invested in acquiring and retaining the best of

blend and right candidates for each position. We consider them as important stakeholders involved in the growth of the Company.

Opportunities

■ Global economy has shown the signs of the recovery, and is projected to grow at around 3.9 per cent, and that is likely to lead a healthy rate to investment/ capital market, hence scope for growth in the capital market of the country.

■ With the revival of the Indian economy, the household savings are likely to show an upward trend and capital market can take benefit of that.

■ India has one of the highest household savings rates in the world at 30 per cent, only next to China and Malaysia. This is a good trend and with literacy rate improving, financial markets may observe increased activity in the years to come.

Risks, concerns and threats

Financial market business in which we are, is subject to various risks and uncertainties, some of the important factors that have affected and we

expect will continue to affect our results of operations, financial condition and cash flows are discussed below:

■ **Global uncertainties:**

No financial markets in the world can work in isolation. Anything that happens in one part of the globe directly affects the other part. Sub-prime crisis, recession of economies in Europe, eurozone crisis, failure of bailout of Greece, international terrorism, all these incidents happened elsewhere in the world, but had an adverse impact on the Indian economy and Indian financial markets.

■ **Indian economic uncertainties**

We derive most of our revenues from operations in India and particularly in the southern states. Our business is directly depending upon the market condition and sentiments. If the markets are up, so will be the mood of the investors and consequently, there would be jump in our trading business and brokerage income. Our business therefore largely depends upon the Indian economic policies that determine the flow of funds to the financial markets.

Percentage of gross domestic savings to GDP



■ Stock market trends

A significant portion of our consolidated revenues are derived from broking business. Our revenues, level of operations and, consequently, profitability are dependent on favourable capital market conditions and other factors that affect the volume of stock trading in India. In recent years, the Indian and world securities markets have been volatile and have been observing the downward trend. Our revenues are directly dependent on the trading volumes in the stock market which are outside our control and which may adversely affect our financial condition and operating results. Government had taken some positive initiatives to boost the market participation by allowing QFIs to invest in India, introduced Uniform KYC norms by bringing in KYC Registration Agency Regulations, 2011 and lowering of STT from 0.125% to 0.1% on cash delivery trades. These steps may have positive impact on the market participation.

■ Consolidation in the financial services industry

The financial services industry, both domestically and internationally, is undergoing a change that has resulted in increasing consolidation or dropping out. The markets have also observed number instances where broking industry has downsized and closed down their business. This has also led the increased pressure on the reduction of the broking income percentage. This could cause us to lose customers, revenue and market share.

■ Recruitment and retention of employees

We are in retail broking business which is people driven. We are dependent on our senior management and other key managerial personnel. There is high demand in the Indian financial services industry for senior management and qualified employees and we must reward our employees in line with the market to remain competitive and to retain as well as attract well-qualified individuals. As we expand our business, we will need to hire additional staff at the locations where we set up new branch offices and strengthen our sales and marketing team.

■ Competition

Indian financial brokerage industry has been witnessing the structural changes during the last couple of years, and revenue for the brokerage houses has been under severe competition, and the year 2011-12 has been no different. On the back of these structural changes coupled with competition and global recession, the clients preferred to stay away and as a result there has been decline in the overall broking revenue for the industry as a whole. Your Company is no exception and also faced downturn on the broking revenue. At the one side, there has been decline in the broking revenue, on the other side, the expenses during the year rose on account of increased manpower cost and also on account of high cost associated with the building of the capacities. We feel the year 2012-13 would be no different as the profits would be under pressure due to highly competitive brokerage industry coupled with ever increasing cost of compliance and high cost of retaining the talent. However, the Company

expects to arrest the downslide of the revenue by exploring the expansion into other states and by diversifying into other revenue streams.

■ Technology

We understand that technology is needed to manage the operations in an efficient manner and keep costs controlled in a competitive scenario. Considering this we have invested in technology in order to provide cost-efficient state-of-the-art services to our clients. We always believe that enhancements in technology will enable us to provide a more efficient trading platform for our customers.

Financial performance

On a standalone basis, the Company earned revenue of Rs. 26.15 crores during the year under review as against Rs. 38.69 crores in the previous year. The expenditure stood at Rs. 34.21 crores resulting in a loss of Rs. 8.06 crores before considering exceptional items and tax. After considering exceptional item of Rs. 1.18 crore, the loss for the year stood at Rs. 9.24 crores as against a loss of Rs. 5.10 crores during the previous year.

The commodity subsidiary JRG Wealth Management Ltd recorded revenue of Rs. 16.50 crores as against Rs. 20.13 crores in the previous year. The total expenditure incurred was Rs. 13.30 crores resulting in a profit of Rs. 3.19 crores before prior period items and taxes, as against loss of Rs. 0.78 crores in the previous year. After provision for taxes the profit for the year is at Rs. 2.19 crores as against loss of Rs. 1.84 crores in the previous year.

JRG Insurance Broking (P) Ltd, recorded

revenue of Rs. 64.55 lakhs as against Rs. 71.82 lakhs in the previous year. The expenditure during the period was Rs. 75.34 lakhs which has resulted in a loss of Rs. 10.78 lakhs as against Rs.4.56 lakhs during the previous year.

JRG Fincorp Ltd recorded revenue of Rs. 8.01 crores as against Rs. 12.56 crores during the previous year. The expenditure during the period is Rs. 6.82 crores, resulting in profit for the year of Rs. 1.18 crores. After provision for tax and deferred tax charge, the profit for the year was Rs.1.08 crores as against the profit of Rs. 7.33 crores during the previous year.

JRG Business Investment Consultants Ltd has registered revenue of Rs. 3.19 crores as against Rs. 2.08 crore in the previous year. The expenditure during the year was Rs. 4.96 crores resulting in a loss of Rs. 1.84 crores after taxes as against profit of Rs. 32.09 lakhs in the previous year.

The consolidated revenue for the year 2011-12 stood at Rs. 52.81 crores and the expenditure was Rs. 57.74 crores as against Rs. 73.62 crores revenue and Rs. 66.44 crores expenditure during the previous year. The consolidated loss before exceptional items and taxes was Rs. 4.93 crores as against a profit of Rs. 7.17 crores during the previous year. After considering exceptional items and taxes, the consolidated loss for the year stood at Rs. 7.89 crores against a profit of Rs. 1.57 crores in the previous year.

Outlook

For 2012-13, GDP is likely to grow at a slower rate of 7 per cent, while inflation

is expected to ease to 5.8 per cent in 2012-13 as compared to an expected 9.2 per cent in the current year. Fiscal deficit is likely to remain high at 5.5 per cent of GDP, while current account deficit is expected to come at 3 per cent. Rupee is expected to appreciate to around 46.5 levels by March-end 2013 due to return of FII flows in second-half of 2012 in tandem with a global recovery. This again depends upon our own growth and policies which would determine the future outlook of the country.

Internal control system

JRG has a comprehensive and effective internal control environment to safeguard the Company's assets against losses including loss from unauthorised use and to ensure proper authorisation of financial transactions, the Company has appointed M/s Haribhakti & Co Chartered Accountants, as the internal auditors of the Company for the financial year 2011-12. The management duly considers and takes appropriate action on the recommendations made by the statutory auditors and internal auditors.

Segment-wise reporting

On a standalone basis the Company has only one segment primarily consisting of stock broking, Depository and related services and the operations are primarily located in India.

Human resource development

The Company continues to attract, retain and motivate its employees. During the year, the Company has hired top professionals from the industry at

various places. Your Company has tapped quality talent available in this market in order to strengthen its position. To recognise people's contributions, the Company launched an ESOP Scheme for the employees. The scheme ensures employees' participation in the Company's growth and rewards them for their participation. KRAs are well-defined and performance appraisal system is in force. On a consolidated basis, the total number of employees as on date is 641.

Cautionary statement

Statements in the Management Discussion and Analysis describing the Company's projections, estimates, or expectations may be forward-looking predictions within the meaning of applicable securities, laws and regulations. Actual results may differ from such estimates and projections, among others, whether expressed or implied. Factors which would make a significant difference to the Company's operations include changes in economic conditions of the country, changes in government regulations and tax laws, and other environmental factors over which the Company does not have any control.

For and on behalf of the
Management of JRG Securities Ltd.

Place: Hyderabad **Gopichand S**
Date: 26.07.2012 Managing Director



FINANCIAL SECTION



Auditors' Report

To the members of
JRG Securities Limited

We have audited the attached Balance Sheet of JRG Securities Limited ("the Company") as at 31 March 2012, the Statement of Profit and Loss and also 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.

We conducted our audit in accordance with 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 ('the Order') as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ("the Act"), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the annexure referred to above, we report that:

- a) we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
- b) 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;
- c) the balance sheet, the statement of profit and loss and the

cash flow statement dealt with by this report are in agreement with the books of account;

- d) in our opinion, the balance sheet, statement of profit and loss and the cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
- e) on the basis of written representations received from the directors, as at 31 March 2012 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31 March 2012 from being appointed as director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and
- f) in our opinion and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Act in the manner so required, and give a true and fair view, in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2012; and
 - (ii) in the case of the statement of profit and loss, of the loss of the Company for the year ended on that date.
 - (iii) in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

for **B S R & Associates**
Chartered Accountants
Firm registration no: 116231W

Hyderabad
Date: 19 May 2012

S Sethuraman
Partner
Membership No: 203491

Annexure to Auditors' Report

(Referred to our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. However the Company is in process of updating its records so as to include quantitative details and situation of fixed assets in relation to certain class of fixed assets.
- (b) The Company has a regular program of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme certain fixed assets were verified during the year and no material discrepancies were noticed on such verification.
- (c) Fixed assets disposed of during the year were not substantial, as to affect the going concern assumption.
- (ii) The Company is a service company, primarily rendering services as brokers to various stock exchanges. Accordingly it does not hold any physical inventories. Thus, paragraph 4(ii) of the Order is not applicable.
- (iii) According to the information and explanations given to us, we are of the opinion that there are no companies, firms or other parties covered in the register required under section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii) of the Order is not applicable.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that the purchases of certain items of fixed assets are for the Company's specialized requirements and similarly services rendered are for the specialized requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of services. In our opinion and according to the information and explanations given to us, there is

no continuing failure to correct major weaknesses in internal control system. The activities of the Company do not involve purchase of inventory and sale of goods.

- (v) In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any of the services rendered by the Company.
- (ix) a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including, Income-tax, Provident fund, Employees' State Insurance, Wealth tax and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. *However there have been delays ranging from 3 to 150 days in certain case towards payment of Service tax, Employees' State Insurance and Stamp duty, to the appropriate authorities.* As explained to us, the Company did not have any dues on account of Customs duty, Investor Education and Protection Fund, Sales tax and Excise duty.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Service tax, wealth tax and other material statutory dues were in arrears as at 31 March 2012 for a period of more than six months from the date they became payable.

- b) According to the information and explanations given to us, there are no dues of Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and Cess which have not been deposited with the appropriate authorities on account of any dispute except for the following:

Name of the Statute	Nature of the Dues	Amount (Rs.)	Financial Year to which the amount relates	Forum where dispute is pending
Income Tax Act	Disallowed Expenditure	772,890*	2006-2007	Commissioner Appeals
Income Tax Act	Disallowed Expenditure	10,319,170	2007-2008	Commissioner Appeals
Income Tax Act	Disallowed Expenditure	1,946,600	2008-2009	Commissioner Appeals

*Net of Rs. 600,000 paid under dispute

- | | |
|--|--|
| <p>(x) The Company does not have accumulated losses at the end of the financial year which has exceeded fifty percent of its net worth. <i>The Company has incurred cash losses in the current financial year.</i> The Company has not incurred cash losses in the immediately preceding financial year.</p> <p>(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions. The Company did not have any outstanding debentures during the year.</p> <p>(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.</p> <p>(xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund/society.</p> <p>(xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures or other instruments.</p> <p>(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.</p> <p>(xvi) The Company did not have any term loans outstanding during the year.</p> | <p>(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.</p> <p>(xviii) The Company has not made any preferential allotment of shares to companies covered in the register maintained under Section 301 of the Companies Act, 1956.</p> <p>(xix) The Company did not have any outstanding debentures during the year.</p> <p>(xx) We have verified the end-use of money raised by public issues as disclosed in the notes to the financial statements.</p> <p>(xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit during the current year.</p> |
|--|--|

for B S R & Associates
Chartered Accountants
Firm registration no: 116231W

S Sethuraman
Partner
Membership No: 203491

Hyderabad
Date: 19 May 2012

Balance Sheet as at March 31, 2012

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Note No.	As at March 31, 2012	As at March 31, 2011
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share Capital	3.1	232,855,010	232,855,010
(b) Reserves and surplus	3.2	495,363,220	586,086,683
		728,218,230	818,941,693
(2) Non-current liabilities			
(a) Other long-term liabilities	3.4	12,059,703	16,345,966
		12,059,703	16,345,966
(3) Current liabilities			
(a) Short-term borrowings	3.5	119,878,555	—
(b) Trade payables	3.3	108,195,027	262,481,817
(c) Other current liabilities	3.4	29,470,821	26,689,328
		257,544,403	289,171,145
Total		997,822,336	1,124,458,804
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
Tangible assets	3.6	61,090,948	92,541,632
Intangible assets	3.7	17,047,925	40,342,819
Capital work in progress		278,680	—
		78,417,553	132,884,451
(b) Non-current investments	3.8	366,935,250	371,917,266
(c) Long-term loans and advances	3.9	90,415,064	81,637,553
(d) Other non-current assets	3.10	—	25,407,255
		457,350,314	478,962,074
(2) Current assets			
(a) Trade receivables	3.11	59,696,319	69,246,635
(b) Cash and bank balances	3.12	285,909,462	327,912,223
(c) Short-term loans and advances	3.9	110,589,170	112,464,499
(d) Other current assets	3.10	5,859,518	2,988,922
		462,054,469	512,612,279
Total		997,822,336	1,124,458,804
Summary of significant accounting policies	2		

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

As per our report attached
for **B S R & Associates**
Chartered Accountants
Firm registration No : 116231W

For and on behalf of Board of Directors
of **JRG Securities Limited**

S Sethuraman
Partner
Membership No: 203491

Gopichand S
Managing Director

Munish Dayal
Director

Harjit Singh Sidhu
COO, Company Secretary
and Legal Head

Place: Hyderabad
Date: 19-May-2012

Place: Hyderabad
Date: 19-May-2012

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

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Note No.	Year ended March 31, 2012	Year ended March 31, 2011
Income			
Revenue from operations			
Sale of services	3.13	207,681,230	326,658,524
Other operating revenues	3.14	10,362,251	22,279,083
		218,043,481	348,937,607
Other income	3.15	43,521,774	37,359,205
Total revenue		261,565,255	386,296,812
Expenses			
Operating expenses	3.16	60,423,810	109,498,316
Employee benefit expenses	3.17	93,369,064	141,268,120
Finance cost	3.18	9,919,901	1,684,391
Depreciation and amortization expenses	3.6 & 3.7	55,822,744	60,592,543
Other expenses	3.19	122,616,313	128,578,659
Total expenses		342,151,832	441,622,029
Loss before exceptional item and tax		(80,586,577)	(55,325,217)
Exceptional item	3.33	11,819,512	-
Loss before tax		(92,406,089)	(55,325,217)
Tax expense			
Current tax		-	-
Deferred tax		-	(4,232,130)
Total tax expense		-	(4,232,130)
Loss after tax		(92,406,089)	(51,093,087)
Earnings per equity share	3.25		
Basic		(3.97)	(2.19)
Diluted		(3.97)	(2.19)
Nominal value of equity shares (Rs)		10	10
Summary of significant accounting policies	2		

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

As per our report attached
for **B S R & Associates**
Chartered Accountants
Firm registration No : 116231W

For and on behalf of Board of Directors
of **JRG Securities Limited**

S Sethuraman
Partner
Membership No: 203491

Gopichand S
Managing Director

Munish Dayal
Director

Harjit Singh Sidhu
*COO, Company Secretary
and Legal Head*

Place: Hyderabad
Date: 19-May-2012

Place: Hyderabad
Date: 19-May-2012

Cash Flow Statement for the year ended March 31, 2012

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Note No.	Year ended March 31, 2012	Year ended March 31, 2011
CASH FLOW FROM OPERATING ACTIVITIES			
Net (loss) before tax		(92,406,089)	(55,325,217)
<i>Adjustments for:</i>			
Depreciation and amortization		55,822,744	60,592,543
Provision for doubtful loans and advances		4,285,289	14,209,853
Provision for doubtful trade receivables		763,179	1,027,763
Bad debts written off		212,055	-
Loss on sale of assets (net)		1,509,864	1,271,542
Interest income		(22,572,398)	(19,433,275)
Employee stock compensation expenses		1,682,626	4,226,253
Unrealized foreign exchange (gain) (net)		(1,848,421)	(52,187)
Stamps in hand written off		560,120	-
Provision for diminution in value of investments other than temporary		4,982,016	-
Dividend income		(343,714)	(2,392,629)
Provisions / liabilities no longer required written back		(10,579,280)	(13,827,139)
Interest expense		9,919,901	1,684,391
Operating (loss) before working capital changes		(48,012,108)	(8,018,102)
<i>Adjustments for:</i>			
(Increase)/decrease in trade receivables		8,575,082	86,684,938
(Increase) / decrease in loans and advances		34,094,327	(16,293,230)
(Decrease)/increase in current, non- current liabilities and provisions		(145,212,280)	(86,687,989)
Cash (used in) / from operations		(102,542,871)	(16,296,281)
Net cash used in operating activities (A)		(150,554,979)	(24,314,383)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets (tangible and intangible assets, capital work in progress)		(3,490,606)	(10,901,847)
Proceeds from sale of fixed assets		624,896	654,369
Investment in bank deposits (having original maturity of more than three months)		40,300,721	(273,642,806)
Stamps in hand		300	(560,420)
Purchase of investments - Mutual funds		-	(557,392,629)
Proceeds from sale of investments- Mutual funds		-	607,482,941
Dividend income received from investments		343,714	2,392,629
Interest received		26,038,743	38,571,160
Net cash from / (used in) investing activities (B)		63,817,768	(193,396,603)

Cash Flow Statement for the year ended March 31, 2012 (Contd...)

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Note No.	Year ended March 31, 2012	Year ended March 31, 2011
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of equity shares		—	—
Proceeds from short-term borrowings		56,000,000	—
(Increase) / decrease in loan to subsidiary companies		39,515,492	(21,288,637)
Finance cost paid		(9,919,901)	(1,684,391)
Net cash used in financing activities (C)		85,595,591	(22,963,028)
Net increase / (decrease) in cash and cash equivalents (A+B+C)		(1,141,620)	(240,674,014)
Cash and cash equivalents at the beginning of the year		78,708,997	319,383,011
Cash and cash equivalents at the end of the year	3.12	77,567,377	78,708,997
Summary of significant accounting policies	2		

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

As per our report attached
for **B S R & Associates**
Chartered Accountants
Firm registration No : 116231W

For and on behalf of Board of Directors
of **JRG Securities Limited**

S Sethuraman
Partner
Membership No: 203491

Gopichand S
Managing Director

Munish Dayal
Director

Harjit Singh Sidhu
*COO, Company Secretary
and Legal Head*

Place: Hyderabad
Date: 19-May-2012

Place: Hyderabad
Date: 19-May-2012

Notes to financial statements for the year ended March 31, 2012

1. COMPANY OVERVIEW

JRG Securities Limited ("JRG" or "the Company") was incorporated on 17 October 1994. The Company is primarily engaged in the business as brokers for securities trading in various stock exchanges and to act as a depository participant.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the relevant provisions of Companies Act, 1956 and guidelines issued by Securities and Exchange Board of India.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956.

2.2 Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the financial statements and reported amounts of income and expenses during the period. Actual figures may differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

2.3 Fixed assets and depreciation

Tangible assets

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

Depreciation on tangible assets is provided on Straight Line method. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the management's estimate of the useful life of a tangible asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life/remaining useful life. The rates of depreciation followed by the Company are as follows:

Category	Rates per annum (%)
Furniture and fittings	20.00%
Office equipments	20.00%
Computers	16.21%
Electrical fittings	20.00%
Motor vehicle	20.00%
V- Sat equipments	16.21%

Depreciation in respect of leasehold improvements is provided on the straight-line method over a period of 5 years since the management is reasonably certain of renewal of lease terms.

Individual assets costing Rs 5,000 or less are depreciated as per the provisions of Companies Act, 1956.

Intangible assets

Intangible assets representing computer software are recorded at the consideration paid for acquisition. Software is amortized over their estimated useful lives of five years on a straight-line basis, commencing from the date the asset is available to the Company for its use. Non-compete fee paid and capitalized is amortized on a progressively decreasing basis over the 3 years non-compete period.

Advances paid towards acquisition of fixed assets and the cost of assets not ready to be put to use before the year end are disclosed under long term loans and advances, and capital work in progress respectively.

2.4 Impairment

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount (higher of net realizable value and value in use) of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than the

Notes to financial statements for the year ended March 31, 2012

carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

2.5 Revenue

Brokerage income in relation to securities broking activity is recognised on the trade date of transaction (net of service tax), upon confirmation of trade by the stock exchange.

Depository income (net of service tax) pertains to income (including account opening fees) from depository services rendered by the Company and is recognised on accrual basis.

2.6 Other Income

Dividend income is recognized when the shareholders' right to receive payment is established by the balance sheet date.

Interest income is recognized on time proportion basis.

2.7 Investments

Investments are either classified as current or long-term based on the management's intention. Current investments are carried at the lower of cost and fair value. In case of investments in mutual funds, the net asset value of units declared by the mutual funds is considered as the fair value. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

2.8 Foreign currency transactions

Foreign currency transactions are accounted at the exchange rates prevailing on the date of the relevant transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account of the year. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. The resultant exchange differences are recognized in the statement of profit and loss.

2.9 Operating lease

Operating lease payments are recognized as an expense in the statement of profit and loss on a straight line basis over the lease term.

2.10 Employee benefits

Short term employee benefit plans

All short term employee benefit plans such as salaries, wages, bonus, special awards and, medical benefits which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits are recognized on an undiscounted basis and charged to the statement of profit and loss.

Defined contribution plan

Contributions to the provident funds are made monthly at a predetermined rate to the regional provident fund commissioner and debited to the statement of profit and loss on an accrual basis.

Defined benefit plan

Provision is made for gratuity based on actuarial valuation, carried out by an independent actuary as at the balance sheet date, using the projected unit credit method. All actuarial gains and losses arising during the year are recognized in the statement of profit and loss of the year.

2.11 Taxation

Income-tax expense comprise current tax (i.e. amount of tax for the period determined in accordance with the income-tax law), and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is a reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed as at the balance sheet date and written down or written up to reflect the amount that is

Notes to financial statements for the year ended March 31, 2012

reasonably/virtually certain (as the case may be) to be realized. Current tax and deferred tax assets and liabilities are offset to the extent to which the Company has a legally enforceable right to set off and they relate to taxes on income levied by the same governing taxation laws.

2.12 Provisions, contingent liabilities and contingent assets

The Company creates a provision when there is present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are neither recognised nor disclosed in the financial statements.

2.13 Employee stock options plan

In accordance with the Securities and Exchange Board of India guidelines, the fair value of the options as at the date of grant of options under the employee stock option scheme, is treated as employee compensation and amortised over the vesting period.

2.14 Cash flow

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the Company are segregated.

2.15 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

2.16 Earnings per share

Basic earnings per share is computed by dividing net profit or loss for the period attributable to equity shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share amounts are computed after adjusting the effects of all dilutive potential equity shares. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares, which could have been issued on the conversion of all dilutive potential shares. The diluted potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

3 NOTES TO FINANCIAL STATEMENTS

3.1 Share Capital

(All amounts are in Indian Rupees except share data or as stated)

Particulars	As at March 31, 2012	As at March 31, 2011
Authorised		
40,000,000 (Previous year: 40,000,000) equity shares of Rs 10 each	400,000,000	400,000,000
Issued subscribed and paid-up		
23,352,626 (Previous Year: 23,352,626) equity shares of Rs 10 each fully paid up	233,526,260	233,526,260
Less : Shares held by the Employees Stock option payment trust ("JRG ESOP Trust")(Refer note no 3.32)	(671,250)	(671,250)
	232,855,010	232,855,010

a) Reconciliation of the shares outstanding at the beginning and at the end of the year

Particulars	As at March 31, 2012		As at March 31, 2011	
	No. of shares	Value	No. of shares	Value
At the beginning of the year	23,352,626	233,526,260	23,306,376	233,063,760
Add : Shares issued during the year to the JRG ESOP trust	-	-	46,250	462,500
At the end of the year	23,352,626	233,526,260	23,352,626	233,526,260

Notes to financial statements for the year ended March 31, 2012

Reconciliation of the number of shares outstanding in JRG ESOP Trust

Particulars	As at March 31, 2012		As at March 31, 2011	
	No. of shares	Value	No. of shares	Value
At the beginning of the year	67,125	671,250	21,875	218,750
Add : Shares issued during the year to the JRG ESOP trust	–	–	46,250	462,500
Less : Options converted into shares by employs of the Company	–	–	1,000	10,000
At the end of the year	67,125	671,250	67,125	671,250

b) Terms / rights attached to equity shares

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

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

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

Name of the shareholder	As at March 31, 2012		As at March 31, 2011	
	No. of shares	% holding	No. of shares	% holding
Duckworth Limited , Mauritius.	10,646,995	45.59%	10,646,995	45.59%
Regi Jacob	1,564,777	6.70%	1,564,777	6.70%
Giby Mathew	1,026,215	4.39%	1,349,950	5.78%

d) Details of the shares reserved for issue under options

The Company issued options under the Employees stock option plan 2005 ("2005 Plan") in the financial year 2005-2006. The 2005 Plan covers all non- promoter directors and employees of the Company (collectively referred to as "eligible employees") and its subsidiaries. Under the plan, the Company granted 179,100 options on 3 September 2005. The Compensation Committee granted the options on the basis of performance, criticality and potential of the employees as identified by management.

The Company had computed the fair value of the options for the purpose of accounting of employee compensation cost/ expense over the vesting period of the options. The estimated fair value of each stock option granted on 3 September 2005 was Rs.0.28. This has been calculated based on independent valuation report, which has been estimated under the Black Scholes option pricing model. The exercise price for these options granted is Rs.10. The inputs were the share price at grant date of Rs.10.67, exercise price of Rs.10, expected volatility of 0% (the Company was not listed at the time of grant of options), expected dividends 7.5%, contractual life of 4.05 years, and a risk-free interest rate of 6.59%. The vesting period for these options granted under the 2005 plan varies from 12 months to 36 months. Out of the 179,100 options granted on 3 September 2005, 50,220 options were forfeited and 110,005 options were exercised up to 31 March 2010.

Summary of the status of options granted under ESOP 2005 Plan which was subsequently merged under ESOP 2008 Plan to employees as at 31 March 2012 is presented below:

Number of Options	31-March-2012	31-March-2011
Options granted and outstanding at the beginning of the year	17,875	18,875
Add: Options granted during the year	–	–
Less: Exercised during the year	–	1,000
Less: Forfeited during the year	–	–
Options granted and outstanding at the end of the year	17,875	17,875
Exercisable options at the end of the year	17,875	17,875

Notes to financial statements for the year ended March 31, 2012

During the financial year 2007-2008, the 2005 plan was merged with JRG Employee Stock option plan 2008 ("2008 Plan"). The 2008 Plan was approved on 15 July 2008 at the annual general meeting of shareholders and was effective from the same date. The objective of this 2008 Plan is to encourage ownership of the Company's equity by its employees on an ongoing basis. The ESOP 2008 is intended to reward the employees for their contribution to the successful operation of JRG Securities Limited and to provide an incentive to continue contributing to the success of the company. The new plan provides that the lock-in period and other terms and conditions of this scheme shall apply ipso facto as they applied to the options issued under 2005 Plan.

Basic terms of the options granted under 2008 Plan are presented below:

Grant date	29-Jul-08	25-May-09	25-Jul-09	27-Oct-09	25-May-10	10-Nov-10	01-Apr-11
Option granted	100,000	262,500	10,000	38,000	282,250	184,802	107,105
Exercise price (Rs./Option)	38.00	34.00	38.00	46.00	36.00	36.00	36.00
Number of personnel in the option programme	8	63	2	2	98	1	1

The fair value of stock options has been determined using the Black Scholes option pricing model.

Presumptions used in fair value computations:

Grant date	29-Jul-08	25-May-09	25-Jul-09	27-Oct-09	25-May-10	10-Nov-10	01-Apr-11
Vesting period	12 Months to 48 Months						
Expected option life	7 years	7 years	7 years	7 years	7 years	7 years	7 years
Expected volatility	33%	33%	45%	45%	45%	45%	45%
Expected dividend	0%	0%	0%	0%	0%	0%	0%
Risk free rate	6.15%	6.15%	7%	7%	8.50%	8.50%	8.50%
Share price at grant date	37.73	39.90	41.00	49.00	35.90	34.70	15.80
Fair value (Rs / option)	18.00	22.00	25.00	29.00	21.00	17.80	10.15

Summary of the status of options granted under 2008 Plan to employees as at 31 March 2012 is presented below :

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Options granted and outstanding at the beginning of the year	698,802	339,500
Add: Options granted during the year *	107,105	467,052
Less: Exercised during the year	—	—
Less: Forfeited during the year	270,750	107,750
Options granted and outstanding at the end of the year	535,157	698,802
Exercisable options at the end of the year**	67,438	99,500

*includes 107,105 options (previous year: 345,302 options) granted under the scheme for subsidiary company employees.

**Nil options (previous year: 45,250 options) has been issued to JRG ESOP Trust but have not been exercised by the employees.

Notes to financial statements for the year ended March 31, 2012

3.2 Reserves and surplus

(All amounts are in Indian Rupees except share data or as stated)

Particulars	As at March 31, 2012	As at March 31, 2011
I. Capital reserve	71,954,736	71,954,736
II. Securities premium account		
At the commencement of the year	497,322,134	497,322,134
Add: Premium received during the year on exercise of employees stock options	–	975,995
Less: Premium on shares held by the trust (Refer note no 3.32)	–	(975,995)
At the end of the year	497,322,134	497,322,134
III. Employee stock option outstanding		
Balance at the beginning of the year	13,123,165	7,300,875
Add: Options granted during the year	1,087,116	9,623,290
Less: Options forfeited during the year	(2,235,377)	(3,801,000)
Less: Transfer to general reserve on account of forfeiture	(2,362,188)	–
Balance at the end of the year A	9,612,716	13,123,165
Deferred stock compensation cost		
Balance at the beginning of the year	5,414,796	3,818,759
Add: Options granted during the year	1,087,116	9,623,290
Less: Amortization during the year	(1,682,626)	(4,226,253)
Less: Options forfeited during the year	(2,235,377)	(3,801,000)
Balance at the end of the year B	2,583,909	5,414,796
Employee stock option outstanding (net) A-B	7,028,807	7,708,369
IV. General reserve		
Balance at the beginning of the year	2,000,000	2,000,000
Add: Transfer from employee stock option reserve	2,362,188	–
Balance at the end of the year	4,362,188	2,000,000
V. Surplus / (deficit) in the statement of profit and loss		
Balance at the beginning of the year	7,101,444	58,194,531
Net loss after tax transferred from statement of profit and loss	(92,406,089)	(51,093,087)
Amount available for appropriations	(85,304,645)	7,101,444
Less : Appropriations	–	–
Balance at the end of the year	(85,304,645)	7,101,444
VI. Total reserves and surplus	495,363,220	586,086,683

3.3 Trade payable*

(All amounts are in Indian Rupees except share data or as stated)

Particulars	As at March 31, 2012	As at March 31, 2011
Payable to clients**	100,674,105	245,595,473
Business incentive payable	7,520,922	16,886,344
	108,195,027	262,481,817

* For Micro, small and medium enterprises, refer note 3.29

** Includes payable to the subsidiary, JRG Fincorp Limited amounting to Rs.259,369

Notes to financial statements for the year ended March 31, 2012

3.4 Other liabilities

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Non-current		Current	
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
Others liabilities				
Unclaimed dividend	-	-	540,897	342,236
Other payables				
Security deposits	12,059,703	16,345,966	2,707,276	997,500
Provision for expenses	-	-	15,246,157	10,227,763
Salary and bonus payable	-	-	4,068,961	6,358,559
Income received in advance	-	-	725,248	1,839,432
Creditors for capital goods	-	-	48,320	201,153
Payable to exchanges	-	-	3,342,525	1,753,716
Others	-	-	2,791,437	4,968,969
	12,059,703	16,345,966	28,929,924	26,347,092
Total other liabilities	12,059,703	16,345,966	29,470,821	26,689,328

(a) There are no amounts due for payment to the Investor Education and Protection Fund under Section 205C of the Companies Act, 1956 as at the year end.

(b) Also refer to note no. 3.29

3.5 Short term borrowings

(All amounts are in Indian Rupees except share data or as stated)

Particulars	As at March 31, 2012	As at March 31, 2011
Secured loan:		
Loan from bank (secured against pledge of Company's fixed deposit)	56,000,000	-
Unsecured loan:		
Loan from JRG Fincorp Limited (subsidiary company)	63,878,555	-
	119,878,555	-

3.6 Tangible assets

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Furniture and Fittings	Office Equipments	Computers	Electrical Fittings	Motor Vehicles	V-Sat Equipments	Total
Gross Block							
Balance as at 1 April 2010	70,589,677	36,612,790	62,481,851	8,801,569	886,524	20,745,440	200,117,851
Additions	2,035,099	3,499,390	6,088,044	483,330	-	-	12,105,863
Deletions / write off	15,410,855	4,087,550	10,581,488	842,626	2,550	302,669	31,227,738
Balance as at 31 March 2011	57,213,921	36,024,630	57,988,407	8,442,273	883,974	20,442,771	180,995,976
Additions	804,504	701,964	374,246	306,212	-	-	2,186,926
Deletions / write off	2,756,569	426,644	334,039	-	-	302,669	3,819,921
Balance as at 31 March 2012	55,261,856	36,299,950	58,028,614	8,748,485	883,974	20,140,102	179,362,981
Accumulated depreciation							
Balance as at 1 April 2010	33,755,863	12,686,373	32,769,589	2,704,081	295,794	5,229,058	87,440,758
Additions	11,082,483	6,235,767	8,415,669	1,530,639	149,212	2,901,643	30,315,413
Deletions / write off	14,222,488	3,870,646	10,489,052	593,618	2,550	123,473	29,301,827
Balance as at 31 March 2011	30,615,858	15,051,494	30,696,206	3,641,102	442,456	8,007,228	88,454,344
Additions	10,585,264	16,373,572	-	1,566,728	145,945	3,024,870	31,696,379
Deletions / write off	1,385,243	208,571	137,409	-	-	147,467	1,878,690
Balance as at 31 March 2012	39,815,879	31,216,495	30,558,797	5,207,830	588,401	10,884,631	118,272,033
Net Block							
As at 31 March 2011	26,598,063	20,973,136	27,292,201	4,801,171	441,518	12,435,543	92,541,632
As at 31 March 2012	15,445,977	5,083,455	27,469,817	3,540,655	295,573	9,255,471	61,090,948

Notes to financial statements for the year ended March 31, 2012

3.7 Intangible assets

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Computer Software	Non compete fee*	Total
Gross Block			
Balance as at 1 April 2010	79,430,272	50,000,000	129,430,272
Additions	4,874,012	-	4,874,012
Deletions / write off	-	-	-
Balance as at 31 March 2011	84,304,284	50,000,000	134,304,284
Additions	1,025,000	-	1,025,000
Deletions / write off	898,880	-	898,880
Balance as at 31 March 2012	84,430,404	50,000,000	134,430,404
Accumulated ammortization			
Balance as at 1 April 2010	40,767,668	22,916,667	63,684,335
Additions	12,916,852	17,360,278	30,277,130
Deletions / write off	-	-	-
Balance as at 31 March 2011	53,684,520	40,276,945	93,961,465
Additions	15,097,198	9,029,167	24,126,365
Deletions / write off	705,351	-	705,351
Balance as at 31 March 2012	68,076,367	49,306,112	117,382,479
Net Block			
As at 31 March 2011	30,619,764	9,723,055	40,342,819
As at 31 March 2012	16,354,037	693,888	17,047,925

* Represents non-compete fee paid under an agreement with certain promoters for a period of 3 years commencing from 29 April 2009

3.8 Non-current investments

(All amounts are in Indian Rupees except share data or as stated)

Particulars	As at March 31, 2012	As at March 31, 2011
Trade investments (valued at cost)		
I. Investments in equity instruments (unquoted)		
Investment in subsidiaries		
99,994 (Previous year : 99,994) shares of Rs.10 each fully paid up in JRG Business Investment Consultants Limited	999,940	999,940
1,647,100 (Previous year : 1,647,100) shares of Rs.10 each fully paid up in JRG Wealth Management Limited	41,309,850	41,309,850
24,999,994 (Previous year : 24,999,994) shares of Rs.10 each fully paid up in JRG Fincorp Limited	249,999,940	249,999,940
	292,309,730	292,309,730
II. Investments in preference shares (unquoted)		
Investment in subsidiaries		
7,462,427 (Previous year : 7,462,427) preference shares of Rs.10 each fully paid up in JRG Wealth Management Limited	74,624,270	74,624,270
III. Other investments (unquoted)		
1 (Previous year : 1) share of Rs.1,250 fully paid up in Cochin Stock Exchange	900,000	900,000
Less : Provision for diminution other than temporary.	(898,750)	(898,750)
	1,250	1,250
400 (Previous year : 400) shares of AED 1000 each fully paid up in JRG International Brokerage DMCC, Dubai	4,982,016	4,982,016
Less : Provision for diminution other than temporary	(4,982,016)	-
	-	4,982,016
	1,250	4,983,266
Total non-current investments	366,935,250	371,917,266
Aggregate amount of unquoted investments	372,816,016	372,816,016
Aggregate amount of provision for diminution in the value of investments	5,880,766	898,750

Notes to financial statements for the year ended March 31, 2012

3.9 Loans and advances

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Non-current		Current	
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
I. Capital advances (Unsecured, considered good)	7,468,029	698,937	-	-
II. Deposits (Unsecured)				
Considered good				
Deposits with exchanges	38,871,620	38,871,620	19,045,478	27,071,884
Rental deposits	14,013,886	16,585,924	2,599,000	4,996,215
Electricity, telephone and other deposits	2,865,489	2,866,788	-	-
Considered doubtful				
Rental deposits	-	-	3,751,214	1,654,934
	55,750,995	58,324,332	25,395,692	33,723,033
Provision for doubtful deposits	-	-	(3,751,214)	(1,654,934)
	55,750,995	58,324,332	21,644,478	32,068,099
III. Loans and advances to related parties (Unsecured, considered good)				
JRG Business Investment Consultants Limited	-	-	61,281,420	15,237,895
JRG Wealth Management Limited	-	-	-	9,435,000
JRG Fincorp Limited	-	-	-	12,245,462
	-	-	61,281,420	36,918,357
IV. Advances recoverable in cash or kind (Unsecured)				
Considered good	1,026,000	1,098,000	25,694,848	32,865,542
Considered doubtful	-	-	9,466,372	9,125,784
	1,026,000	1,098,000	35,161,220	41,991,326
Provision for doubtful advances	-	-	(9,466,372)	(9,125,784)
	1,026,000	1,098,000	25,694,848	32,865,542
V. Other loans and advances				
Considered good				
Advance tax (net of provisions)	24,311,783	21,071,798	-	-
Prepaid expenses	-	-	1,381,574	8,220,411
Gratuity (net of liability)	1,858,257	444,486	-	-
Due from a former managing director*	-	-	490,500	-
Others	-	-	96,350	1,901,589
Considered doubtful				
Loan to JRG International Brokerage DMCC, Dubai	-	-	14,595,537	12,747,116
	26,170,040	21,516,284	16,563,961	22,869,116
Provision for doubtful loan and advances	-	-	(14,595,537)	(12,747,116)
	26,170,040	21,516,284	1,968,424	10,122,000
VI. Loan and advances due by director*	-	-	-	490,500
Total loans and advances	90,415,064	81,637,553	110,589,170	112,464,499

* Refer note no 3.23

Notes to financial statements for the year ended March 31, 2012

3.10 Other assets

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Non-current		Current	
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
Non current bank balances (Refer note 3.12)	-	25,000,000	-	-
Interest accrued on fixed deposits	-	407,255	5,859,518	2,988,922
	-	25,407,255	5,859,518	2,988,922

3.11 Trade receivables

(All amounts are in Indian Rupees except share data or as stated)

Particulars	As at March 31, 2012	As at March 31, 2011
I. Outstanding for a period exceeding six months from the date they are due for payment		
Secured, considered good	11,253,455	1,806,432
Unsecured, considered doubtful	5,788,223	5,327,763
	17,041,678	7,134,195
Provision for doubtful trade receivables	(5,788,223)	(5,327,763)
	11,253,455	1,806,432
II. Outstanding for a period less than six months from the date they are due for payment		
Secured, considered good	46,405,894	52,344,311
Unsecured, considered good	2,036,970	15,095,892
Unsecured, considered doubtful	302,719	-
	48,745,583	67,440,203
Provision for doubtful trade receivables	(302,719)	-
	48,442,864	67,440,203
Total trade receivables (net)	59,696,319	69,246,635

3.12 Cash and bank balances

(All amounts are in Indian Rupees except share data or as stated)

Particulars	As at March 31, 2012	As at March 31, 2011
I. Cash and cash equivalents		
Cash on hand	154,740	206,092
Balances with banks		
On current accounts**	41,786,313	78,160,669
On unpaid dividend account	540,897	342,236
Deposits with original maturity of less than 3 months	35,085,427	-
	77,567,377	78,708,997
II. Other balances		
Deposits with original maturity for more than 3 months but less than 12 months*	143,516,334	88,523,738
Deposits with original maturity for more than 12 months*	64,825,451	185,119,068
Less : Amount disclosed under non current asset (Refer note 3.10)	-	(25,000,000)
Stamps in hand	300	560,420
	208,342,085	249,203,226
Total cash and bank balances	285,909,462	327,912,223
*Includes deposits pledged with banks as security for loans and guarantees issued by banks in favor of various stock / commodity exchanges and the secured loan given to Company	132,904,806	169,203,461
** Balance in current account includes the following amounts in the name of JRG ESOP Trust.	281,378	281,378

Notes to financial statements for the year ended March 31, 2012

3.13 Sale of services

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Income from broking and related services	190,589,930	306,528,440
Income from depository participant services	17,091,300	20,130,084
	207,681,230	326,658,524

3.14 Other operating income

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Income from financial distribution support services	1,968,464	683,806
Interest / Penal charges for delayed payment	8,393,787	21,595,277
	10,362,251	22,279,083

3.15 Other income

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Interest income		
Interest on fixed deposits	25,537,241	18,923,435
Other interest income	2,964,843	509,840
Dividend income		
Dividend income on current investments	343,714	2,392,629
Exchange fluctuation gain (net)	1,848,421	52,187
Provision/ liabilities no longer required written back	10,579,280	13,827,139
Other non-operating income	2,248,275	1,653,975
	43,521,774	37,359,205

3.16 Operating expenses

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Business incentive	49,575,253	87,896,440
Turnover charges	6,994,677	11,529,414
Other trading expenses	3,853,880	10,072,462
	60,423,810	109,498,316

3.17 Employee benefit expenses

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Salaries and wages *	83,520,251	122,264,948
Contribution to provident and other funds	3,936,830	7,806,682
Expenses on employee stock option scheme	1,682,626	4,226,253
Staff welfare expenses	3,349,937	1,412,723
Staff incentive expenses	879,420	5,557,514
	93,369,064	141,268,120

* net of recoveries from the group companies during the current and previous year aggregating to Rs.10.4 million each year

Notes to financial statements for the year ended March 31, 2012

3.18 Finance cost

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Interest expense	9,919,901	1,684,391
	9,919,901	1,684,391

3.19 Other expenses

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Advertisement and business promotion	2,069,836	4,725,999
Communication expenses	18,071,028	17,369,096
Registration and renewals	263,384	359,672
Rent*	22,280,430	20,134,921
Rates and taxes	113,665	26,017
Repair and maintenance - others*	12,506,030	18,092,378
Travelling expenses	6,165,002	5,583,115
Insurance charges	308,042	343,727
Directors sitting fees	340,000	430,000
Loss on sale of fixed assets	1,509,864	1,271,542
Office and branch expenses	8,800,079	9,657,023
Power and fuel	11,133,460	10,442,463
Printing and stationery	4,204,645	3,806,295
Professional and consultancy charge (Refer note no 3.21)	10,137,409	11,106,823
Shared service expenses	2,460,438	-
Provision for doubtful trade receivables	763,179	1,027,763
Provision for doubtful loans and advances	4,285,289	14,209,853
Provision for diminution in the value of the investment	4,982,016	-
Stamps in hand written off	561,629	-
Bad debts written off	212,055	-
Bank and other charges	2,140,481	3,456,567
Miscellaneous expenses	9,308,352	6,535,405
	122,616,313	128,578,659

* net of recoveries from the group companies during the current and previous year aggregating to Rs.8.5 million each year

3.20 Contingent liabilities and commitments

(All amounts are in Indian Rupees except share data or as stated)

Particulars	As at March 31, 2012	As at March 31, 2011
I. Contingent liabilities		
a) Guarantees		
- Guarantee issued by the bank	117,500,000	252,500,000
- Guarantees on behalf of subsidiary companies	120,000,000	120,000,000
Other money for which the company is contingently liable		
- Income tax matters	13,638,660	10,319,170
b) Claims against the company not acknowledged as debt	10,671,264	10,259,025
c) In addition to above, the Company is also in the process of replying / has responded to show cause notices and queries from regulatory authorities including Securities and Exchange Board of India , which arise in the ordinary course of the business. However there are no such matters pending that the Company expects to be material in relation to its business.		
II. Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for	10,868,095	513,446
Other commitments	272,882	-

Notes to financial statements for the year ended March 31, 2012

3.21 Payment to auditor (excluding service tax)

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
As Auditor :		
Statutory audit	650,000	650,000
Consolidation and Limited Review	475,000	475,000
Tax audit	50,000	50,000
Other services (proposed rights issue related services)	4,100,000	-
For other services	380,000	250,000
For reimbursement of expenses	131,080	152,195

3.22 Deferred taxes

The major components of deferred tax assets and liabilities are outlined below:

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Deferred tax assets		
Provision for doubtful trade receivables	1,976,206	1,769,750
Provision for loans and advances	9,023,968	7,815,358
Preliminary expenses	-	982,287
Bonus payable	253,071	1,183,508
Carry forward loss	13,913,913	3,797,936
A	25,167,158	15,548,839
Deferred tax liabilities		
Depreciation	6,431,122	1,334,249
B	6,431,122	1,334,249
Net deferred tax asset *	A-B	-

* In the absence of virtual certainty of realization of deferred tax asset, as there is carry forward loss and unabsorbed depreciation, deferred tax asset is recognized to the extent of the available deferred tax liability

3.23 Related party disclosures

Names of related parties and nature of relationship:

Company having significant influence	Duckworth Limited, Mauritius
Subsidiary and step down subsidiary Companies	JRG Wealth Management Limited JRG Insurance Broking Private Limited JRG Fincorp Limited JRG Business Investment Consultants Limited
Key managerial personnel	Gopichand S (Managing Director from 25 January 2012) Gaurav Vivek Soni (Managing Director from 29 April 2009 to 25 January 2012)

Notes to financial statements for the year ended March 31, 2012

Transactions and balance with related parties

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Transactions during year ended 31-March-2012	Amount (payable)/ receivable as at 31-March-2012
Equity contribution		
JRG Business Investment Consultants Limited	-	999,940
JRG Wealth Management Limited (Equity Shares)	-	41,309,850
JRG Wealth Management Limited (Preference Shares)	-	74,624,270
JRG Fincorp Limited	-	249,999,940
Loan given / (taken) to Subsidiaries (net)		
JRG Business Investment Consultants Limited**	48,725,419	63,487,420
JRG Fincorp Limited *	(76,628,390)	(69,466,820)
Reimbursement of expenses (net)		
JRG Wealth Management Limited	826,152	-
JRG Fincorp Limited	158,630	-
JRG Business Investment Consultants Limited	687,890	-
Payable to JRG Fincorp Limited on account of sale of equity shares	-	(259,369)
Interest (Expense) / Income (net)		
JRG Fincorp Limited	(5,133,996)	-
JRG Wealth Management Limited	(116,712)	-
JRG Business Investment Consultants Limited	2,964,843	-
Shared service expenses (including service tax)		
JRG Fincorp Limited	(10,963,337)	(5,495,537)
JRG Wealth Management Limited	(9,375,500)	-
JRG Business Investment Consultants Limited	2,206,000	(2,206,000)
Demat Income charged to JRG Fincorp Limited	92,728	92,728
Remuneration paid		
Salaries, other allowances and perquisites -		
Gopichand S	396,202	-
Gaurav Vivek Soni	2,492,200	490,500#

* Includes interest payable to the extent of Rs.4,060,263 as at 31-March-12

** Includes interest outstanding of Rs.2,668,348 as at 31-March-12

The remuneration payable to the former managing director of the Company was in excess of the limits approved by the share holders at the Annual General Meeting by Rs.490,500. The excess amount of Rs.490,500 paid to him has been shown as recoverable under loans and advances.

Notes to financial statements for the year ended March 31, 2012

Transactions and balance with related parties

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Transactions during year ended 31-March-2011	Amount (payable)/ receivable as at 31-March-2011
Equity contribution		
JRG Business Investment Consultants Limited	-	999,940
JRG Wealth Management Limited (Equity Shares)	-	41,309,850
JRG Wealth Management Limited (Preference Shares)	-	74,624,270
JRG Fincorp Limited	-	249,999,940
Loan given / (taken) to Subsidiaries (net)		
JRG Business Investment Consultants Limited	(391,825)	15,237,895
JRG Fincorp Limited	(2,172,970)	-
Reimbursement of expenses (net)		
JRG Wealth Management Limited	2,094,418	59,500
JRG Fincorp Limited	1,809,431	-
JRG Business Investment Consultants Limited	(535,825)	-
Brokerage Income received from JRG Fincorp Limited on sale of shares	379,787	(613,619)
Interest (Expense) / Income (net)		
JRG Fincorp Limited	403,932	-
JRG Wealth Management Limited	61,471	-
Shared service expenses (including service tax)		
JRG Fincorp Limited	(11,471,200)	11,471,200
JRG Wealth Management Limited	(9,375,500)	9,375,500
Demat Income charged to JRG Fincorp Limited	774,262	774,262
Remuneration paid		
Salaries, other allowances and perquisites -		
Gaurav Vivek Soni	3,000,000	490,500*

* The remuneration payable to the former managing director of the Company was in excess of the limits approved by the share holders at the Annual General Meeting by Rs.490,500. The excess amount of Rs.490,500 paid to him has been shown as recoverable under loans and advances.

3.24 Segment reporting

a) Primary segment information (by business segments)

The Company is engaged in the business of providing broking and broking related services i.e. depository participant services to predominantly retail clients. Accordingly the primary segments have been identified as broking (including broking related services) Thus, it operates in a single primary segment.

b) Secondary segment reporting (by geographical segments)

The Company caters only to the needs of the domestic market. Hence there are no reportable geographical segments.

Notes to financial statements for the year ended March 31, 2012

3.25 Earnings per share

(All amounts are in Indian Rupees except share data or as stated)

Particulars		Year ended March 31, 2012	Year ended March 31, 2011
Earnings			
Net (loss) for the year	A	(92,406,089)	(51,093,087)
Shares			
Number of shares at the beginning of the year		23,285,501	23,284,501
Add: Equity shares issued and exercised by employees under ESOP 2005 plan		-	1,000
Total number of shares at the end of the year		23,285,501	23,285,501
Weighted average number of equity shares outstanding during the year- basic	B	23,285,001	23,285,001
Add: Weighted average number of shares arising out of stock options that has dilutive effect		-	13,148
Add: Weighted average number of shares arising out of shares issued to trust under ESOP 2008 plan but not exercised by employees		67,125	59,583
Weighted average number of equity shares outstanding during the year- diluted	C	23,352,126	23,357,732
Basic earnings per share	A / B	(3.97)	(2.19)
Diluted earnings per share	A / C	(3.97)	(2.19)

3.26 Security margins from clients.

In order to secure the performance by the clients of their obligations, commitments and liabilities to the Company, securities etc are placed as margins by creation of pledge in favour of/transfer to the Company's depository account. Such securities etc are held by the Company in a fiduciary capacity on behalf of its clients and are not recognised in the financial statements. In case such margins are received in cash, the same are disclosed under current liabilities.

3.27 Employee benefit

Details of actuarial valuation of gratuity pursuant to the Accounting Standard 15 (Revised);

	Year ended March 31, 2012	Year ended March 31, 2011
Change in projected benefit obligation		
Projected benefit obligation at the beginning of the year	4,428,837	3,769,741
Service cost	666,825	1,194,805
Interest cost	376,451	320,411
Actuarial gain	(1,893,821)	(580,273)
Benefits paid	(513,086)	(275,647)
Projected benefit obligation at the end of the year	3,065,206	4,428,837
Change in plan assets		
Fair value of plan assets at beginning of the year	4,873,323	2,303,136
Expected return on plan assets	428,358	292,675
Actuarial (gain)/ loss	5,415	(2,692)
Contributions	129,453	2,555,851
Benefits paid	(513,086)	(275,647)
Fair value of plan assets at the end of the year	4,923,463	4,873,323

Reconciliation of present value of obligation on the fair value of plan assets

	Year ended March 31, 2012	Year ended March 31, 2011
Change in projected benefit obligation		
Present value of projected benefit obligation at the end of the year	3,065,206	4,428,837
Funded status of the plans	4,923,463	4,873,323
Funded status amount of liability recognized in the balance sheet (refer note no. 3.9)	(1,858,257)	(444,486)

Notes to financial statements for the year ended March 31, 2012

The components of net gratuity costs are reflected below:

	Year ended March 31, 2012	Year ended March 31, 2011
Change in projected benefit obligation		
Service cost	666,825	1,194,805
Interest cost	376,451	320,411
Expected return on plan assets	(428,358)	(292,675)
Recognized net actuarial (gain)/ loss	(1,899,236)	(577,581)
Net gratuity costs	(1,284,318)	644,960

Financial Assumptions as at the Balance Sheet date:

	Year ended March 31, 2012	Year ended March 31, 2011
Change in projected benefit obligation		
Discount rate	8.50%	8.50%
Long-term rate of compensation increase	7.50%	7.50%
Rate of return on plan assets	9.50%	8.50%
Attrition rate	5% at younger ages and reducing to 1% at older ages according to graduated scale	

The Company assesses these assumptions with the projected long-term plans of growth and prevalent industry standards.

3.28 Statement of utilisation of Initial Public Offering ('IPO') as on 31 March 2012

In April 2006, the Company approached the capital market by way of an IPO. The utilisation of the proceeds from IPO in the current year is set out below :

<i>Amount in Lacs</i>						
Particulars	Envisaged in the prospectus	Change in utilization *	Utilized as on 1-Apr-2011	Utilized during the year	Total fund Utilised (Including change in utilization)	Amount remaining to be utilized 31 March 2012
Middle East operations	560.00	(366.66)	193.34	-	193.34	-
Technology upgradation						
Computer software	160.00	-	110.00	-	110.00	-
Computer hardware			50.00		50.00	
Regional Office	600.00	-	628.81	-	628.81	-
Issue expenses	130.00	-	147.86	-	147.86	-
Opening new branches in India	-	200.00	100.53	8.08	108.61	91.39
Infrastructure development for I-trade	-	40.00	9.53	-	9.53	30.47
Other infrastructural requirements	-	126.66	108.06	13.68	121.74	4.92
Total	1,450.00	-	1,348.13	21.76	1,369.89	126.78
Means of finance						
Issue proceeds					1,323.22	
Internal accruals					46.67	
Total utilized					1,369.89	

* In the Annual General meeting of the Company held on 25 July 2009, the shareholders had consented for the change in the utilization of the aforesaid monies totaling to Rs.366.66 lakhs, raised by the Company during the IPO of its shares, from those specified in the object clause in the prospectus, inter alia to utilise for expansion activities of the Company in India for opening new branches, infrastructure development for I-Trade and other infrastructural requirements.

Amount pending utilization as on 31 March 2012 has been maintained in fixed deposits with the banks.

Notes to financial statements for the year ended March 31, 2012

3.29 Micro, Small and Medium Enterprises Development Act, 2006

The management has identified enterprises which have provided goods and services to the Company and which qualify under the definition of "Micro and Small Enterprises" as defined under Micro, Small and Medium Enterprises Development Act, 2006 ("the Act"). Accordingly, based on the information received and available with the Company, there are no amounts payable to such enterprises as at 31 March 2012.

3.30 Foreign Currency Forward Contracts

The Company does not use foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations.

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Particulars	As at	As at
	March 31, 2012	March 31, 2011
Amount receivable in foreign currency USD	282,484	282,484
Amount equivalent in INR	14,595,537	12,747,116

3.31 On 7 June 2010, Mr. Regi Jacob, Mr. Giby Mathew and Mr. Jiji Antony ("Original Promoters") filed a petition under Section 397 and Section 398 of the Companies Act before the Company Law Board ("CLB") to prevent the misuse of management powers by the Company and prayed for an injunction to stop the Company from going ahead with a proposed rights issue. The Original Promoters alleged that the Company is proposing the rights issue to bring the shareholding of the Original Promoters below the prescribed limits so that their special rights cease to exist while they continue to remain obligated to not compete. The Original Promoters also alleged that the resolution approving the proposed rights issue dated 25 May 2010 was in contravention of the Articles of Association, oppressive, invalid, null and void.

The Company denied the allegations in entirety and filed its comprehensive response to the CLB. The CLB granted stay on the matter on 6 July 2010 ("Interim Injunction"). The CLB, vide order dated 11 October 2010, vacated the Interim Injunction and allowed the Company to proceed with the rights issue specifically mentioning that the veto power of the Original Promoters is not applicable in the case of rights issue ("the Order").

Aggrieved by the Order, the Original Promoters appealed before the High Court of Kerala on 19 October 2010 ("Appeal"). The Court vide order dated 1 December 2010, disposed off the Appeal and directed the Original Promoters to approach CLB with a direction to the CLB to dispose of the matter within three months. Such order passed by CLB was further upheld by Hon'ble Kerala High Court. The Original Promoters filed an amended petition under Section 397/398. The Company and the other respondents filed a reply to the amended petition under Section 397/398 of the Companies Act, 1956 on 26 April 2012. The matter is now listed on 28 June 2012 for filing of rejoinder and arguments with the CLB.

3.32 JRG ESOP Trust

As per the requirements of Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 ("SEBI guidelines"), since the stock option plan is administered through a trust, the accounts of the Company are prepared as if the Company itself is administering the employee stock option plan. Pursuant to such requirement of the SEBI guidelines the equity shares issued to the JRG ESOP Trust and not exercised by the employees as on 31 March 2012 have been presented as a deduction from the share capital. The bank balance of the JRG ESOP Trust as on 31 March 2012 net of the loan granted and capital contribution to the JRG ESOP Trust by the Company has been presented as bank balance of the Company.

3.33 Exceptional item represents expenses incurred in relation to the deferred rights issue of equity shares.

Notes to financial statements for the year ended March 31, 2012

3.34 Prior year comparatives

Till the year ended 31 March 2011, the company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company. The company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of balance sheet.

As per our report attached
for **B S R & Associates**
Chartered Accountants
Firm registration No : 116231W

S Sethuraman
Partner
Membership No: 203491

Place: Hyderabad
Date: 19-May-2012

For and on behalf of Board of Directors
of **JRG Securities Limited**

Gopichand S
Managing Director

Munish Dayal
Director

Harjit Singh Sidhu
*COO, Company Secretary
and Legal Head*

Place: Hyderabad
Date: 19-May-2012

Auditors' Report

To the Board of Directors of

JRG Securities Limited on the consolidated financial statements of JRG Securities Limited and its subsidiaries.

We have audited the attached consolidated balance sheet of JRG Securities Limited ("the Company") and its subsidiaries (collectively referred to as the "JRG Group") as at 31 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 consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21 – Consolidated

Financial Statements prescribed by the Company's (Accounting Standard Rules), 2006.

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the consolidated balance sheet, of the consolidated state of affairs of the JRG Group as at 31 March 2012;
- (ii) in the case of consolidated statement of profit and loss, of the loss of the JRG Group for the year ended on that date; and
- (iii) in the case of consolidated cash flow statement, of the consolidated cash flows of the JRG Group for the year ended on that date.

for B S R & Associate
Chartered Accountants
Firm registration no: 116231W

Hyderabad
Date: 19 May 2012

S Sethuraman
Partner
Membership No: 203491

Balance Sheet as at March 31, 2012

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Note No.	As at March 31, 2012	As at March 31, 2011
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	3.1	232,855,010	232,855,010
(b) Reserves and surplus	3.2	601,994,944	679,275,978
		834,849,954	912,130,988
(2) Minority Interest		292,359,484	285,663,526
(3) Non-current liabilities			
(a) Deferred tax liabilities	3.23	452,688	-
(b) Other long term liabilities	3.3	16,639,775	22,839,441
(c) Long term provisions	3.4	1,020,583	241,529
		18,113,046	23,080,970
(4) Current Liabilities			
(a) Short term Borrowings	3.5	56,000,000	-
(b) Trade Payables	3.3	262,273,273	421,581,151
(c) Other current liabilities	3.3	56,908,214	46,389,571
(d) Short term provisions	3.4	10,013,661	3,215,035
		385,195,148	471,185,757
		1,530,517,632	1,692,061,241
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
Tangible assets	3.6	74,366,684	112,158,364
Intangible assets	3.7	31,594,004	40,542,351
Capital work in progress		278,680	-
Intangible assets under development		963,782	1,032,130
		107,203,150	153,732,845
(b) Goodwill on consolidation		17,720,414	17,720,414
(c) Non-current investments	3.8	1,250	85,213,121
(d) Deferred tax asset (net)	3.23	3,816,216	3,463,829
(e) Long term loans and advances	3.9	110,520,707	101,505,870
(f) Other non-current assets	3.10	211,830	31,559,036
		132,270,417	239,462,270
(2) Current assets			
(a) Current investments	3.11	66,632,464	163,010,705
(b) Inventories	3.12	186,530,771	19,603,654
(c) Trade receivables	3.13	70,319,825	75,185,726
(d) Cash and bank balances	3.14	474,974,512	578,557,811
(e) Short term loans and advances	3.9	480,402,034	456,213,322
(f) Other current assets	3.10	12,184,459	6,294,908
		1,291,044,065	1,298,866,126
		1,530,517,632	1,692,061,241
Summary of significant accounting policies	2		

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

As per our report attached
for **B S R & Associates**
Chartered Accountants
Firm registration No : 116231W

For and on behalf of Board of Directors
of **JRG Securities Limited**

S Sethuraman
Partner
Membership No: 203491

Gopichand S
Managing Director

Munish Dayal
Director

Harjit Singh Sidhu
COO, Company Secretary
and Legal Head

Place: Hyderabad
Date: 19-May-2012

Place: Hyderabad
Date: 19-May-2012

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

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Note No.	Year ended March 31, 2012	Year ended March 31, 2011
INCOME			
Revenue from operations			
Sale of services	3.15	420,967,739	599,141,219
Other operating revenue	3.16	36,488,291	43,277,560
		457,456,030	642,418,779
Other income	3.17	70,639,573	93,756,808
		528,095,603	736,175,587
EXPENSES			
Operating expenses	3.18	122,387,059	201,915,842
Employee benefit expenses	3.19	207,083,427	208,942,253
Finance costs	3.20	4,721,495	7,454,898
Depreciation/ amortization	3.6 & 3.7	64,760,862	69,143,187
Other expenses	3.21	178,517,095	176,949,792
		577,469,938	664,405,972
(Loss) / Profit before exceptional item and tax		(49,374,335)	71,769,615
Exceptional items	3.34	11,819,512	-
(Loss) / Profit before tax		(61,193,847)	71,769,615
Tax expense			
Current tax		13,570,148	30,714,932
Deferred tax expense / (benefit)		100,301	(5,477,073)
Minimum alternate tax credit		(2,596,594)	(1,076,180)
(Loss) / Profit before minority interest		(72,267,702)	47,607,936
Less: Minority interest in share of profit and loss (net)		6,695,958	31,840,125
Net (Loss) / Profit after minority interest		(78,963,660)	15,767,811
Earnings per equity share	3.26		
Basic		(3.39)	0.68
Diluted		(3.39)	0.68
Nominal value of equity shares		10	10
Summary of significant accounting policies	2		

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

As per our report attached
for **B S R & Associates**
Chartered Accountants
Firm registration No : 116231W

For and on behalf of Board of Directors
of **JRG Securities Limited**

S Sethuraman
Partner
Membership No: 203491

Gopichand S
Managing Director

Munish Dayal
Director

Harjit Singh Sidhu
COO, Company Secretary
and Legal Head

Place: Hyderabad
Date: 19-May-2012

Place: Hyderabad
Date: 19-May-2012

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

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Note No.	Year ended March 31, 2012	Year ended March 31, 2011
CASH FLOW FROM OPERATING ACTIVITIES			
Net (loss) / profit before tax		(61,193,847)	71,769,615
Adjustments for:			
Depreciation and amortization		64,760,862	69,143,187
Provision for doubtful loans and advances		7,162,703	14,702,225
Provision for doubtful trade receivables		3,928,859	3,944,587
Bad debts written off		271,631	778,802
Loss on sale of assets (net)		1,623,003	1,627,867
Interest income		(38,053,720)	(30,217,684)
Dividend income		(2,109,098)	(5,150,776)
Employee stock compensation expenses		1,682,626	4,226,253
Unrealized foreign exchange (gain) (net)		(1,848,421)	(52,187)
Mark-to-market (loss) / gain on mutual fund investments		615,136	(792,791)
Assets written off		560,720	-
Provision for non performing assets		1,040,922	1,187,480
Provisions / liabilities no longer required written back		(11,234,150)	(14,685,769)
Profit on sale of long term and current investments		(14,367,773)	(35,617,463)
Interest expense		4,721,495	7,454,898
Operating (loss) / profit before working capital changes		(42,439,052)	88,318,244
Adjustments for:			
(Increase)/Decrease in Inventories		(166,927,117)	(19,603,654)
(Increase)/decrease in trade receivables		665,411	82,501,135
(Increase) /decrease in loans and advances		(6,606,504)	79,175,007
(Decrease)/increase in current, non- current liabilities and provisions		(138,518,042)	(52,825,715)
Cash (used) / from in operations		(311,386,252)	89,246,773
Income tax paid / Income tax refund		(10,685,732)	30,590,994
		(322,071,984)	58,655,779
Net cash (used in) / from operating activities (A)		(364,511,036)	146,974,023
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets (tangible, intangible assets, capital work in progress and intangible assets under development)		(20,672,666)	(20,187,150)
Proceeds from sale of fixed assets		818,496	782,771
Purchase of investments - mutual funds		(895,597,650)	(1,258,769,000)
Proceeds from the sale of investments - mutual funds		1,005,150,806	1,149,590,665
Investment in bank deposits (having original maturity of more than three months)		18,330,887	(365,520,521)
Stamps in hand		300	(560,420)
Purchase of investments - equity shares		(16,443,494)	(85,211,872)
Proceeds from the sale of investments - equity shares		103,234,139	83,559,987
Purchase of investments - equity derivative instrument		(427,690,312)	-
Proceeds from the sale of investments - equity derivative instrument		426,689,260	-
Repayment of bonds		-	110,000,000
Dividend income received from investments		2,109,098	5,150,776
Interest received		32,611,375	48,123,054
Net cash from / (used) in investing activities (B)		228,540,239	(333,041,710)

Consolidated Cash Flow Statement (contd...) for the year ended March 31, 2012

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Note No.	Year ended March 31, 2012	Year ended March 31, 2011
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of equity shares		-	10,000
Proceeds from borrowings		56,000,000	(48,556,643)
Finance cost paid		(4,721,495)	(7,454,898)
Net cash from / (used) in financing activities (C)		51,278,505	(56,001,541)
Net (decrease) in cash and cash equivalents (A+B+C)		(84,692,292)	(242,069,228)
Cash and cash equivalents at the beginning of the year		243,576,870	485,646,098
Cash and cash equivalents at the end of the year	3.14	158,884,578	243,576,870
Summary of significant accounting policies	2		

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

As per our report attached
for **B S R & Associates**
Chartered Accountants
Firm registration No : 116231W

For and on behalf of Board of Directors
of **JRG Securities Limited**

S Sethuraman
Partner
Membership No: 203491

Gopichand S
Managing Director

Munish Dayal
Director

Harjit Singh Sidhu
*COO, Company Secretary
and Legal Head*

Place: Hyderabad
Date: 19-May-2012

Place: Hyderabad
Date: 19-May-2012

Notes to consolidated financial statements for the year ended March 31, 2012

1. COMPANY OVERVIEW

JRG Securities Limited ("JRG" or "the Company") along with its subsidiaries (hereinafter the above said companies are collectively referred to as 'JRG group') are primarily engaged in the business of retail broking (securities and commodity broking), direct insurance agents, financial services, marketing support services and dealing in stocks and commodities. The Company's equity shares are listed in Bombay Stock Exchange.

JRG's subsidiaries, step-down subsidiaries are listed below:

Name of the subsidiaries	Country of Incorporation	Percentage of Holding
JRG Wealth Management Limited ('JRG Wealth')	India	91.51%
JRG Insurance Broking Private Limited ('JRG Insurance')	India	Wholly owned subsidiary of JRG Wealth.
JRG Fincorp Limited ('JRG Fincorp')	India	57.00%
JRG Business Investment Consultants Limited ('JRG BIC')	India	100.00%

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of JRG Securities and its subsidiaries (collectively referred as 'the group') have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of the Institute of Chartered Accountants of India, the provisions of Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India.

All assets and liabilities have been classified as current or non-current as per the Company's and subsidiary Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956.

2.2 Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the financial statements and reported amounts of income and expenses during the period. Actual figures may differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

2.3 Use of estimates

The consolidated financial statements include the financial statements of JRG Securities Limited, the parent company and all of its subsidiaries (collectively referred to as "the Group" or "JRG group"), in which the Company has more than one-half of the voting power of an enterprise or where the Company controls the composition of the board of directors.

The consolidated financial statements have been prepared on the following basis:

The financial statements of the parent company and the subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions and resulting unrealized profits in full. Unrealized losses resulting from intra-group transactions have also been eliminated except to the extent that recoverable value of related assets is lower than their cost to the group. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the parent company and its share in the post-acquisition increase in the relevant reserves of the subsidiaries.

The Group accounts for investments by the equity method of accounting where it is able to exercise significant influence over the operating and financial policies of the investee. Inter company profits and losses have been proportionately eliminated until realized by the investor or investee.

The excess / deficit of cost to the parent company of its investment in the subsidiaries over its portion of equity at the respective dates on which investment in such entities were made are recognized in the financial statements as goodwill / capital reserve. The parent company's portion of equity in such entities is determined on the basis of the book values of assets and liabilities as per the financial statements of such entities as on the date of investment and if not available, the financial statements for the immediately preceding period adjusted for the effects of significant transactions, up to the date of investment.

The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent company for its separate financial statements.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Notes to consolidated financial statements for the year ended March 31, 2012

2.4 Fixed assets and depreciation

Tangible assets

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

Depreciation on tangible assets is provided on straight line method. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the management's estimate of the useful life of a tangible asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life/remaining useful life. The rates of depreciation followed by the Company are as follows:

Category	Rates per annum (%)
Furniture and fittings	20.00%
Office equipments	20.00%
Computers	16.21%
Electrical fittings	20.00%
Motor vehicle	20.00%
V- Sat equipments	16.21%

Depreciation in respect of leasehold improvements is provided on the straight-line method over a period of 5 years since the management is reasonably certain of renewal of lease terms.

Individual assets costing Rs 5,000 or less are depreciated as per the provisions of Companies Act, 1956.

Intangible assets and amortization

Intangible assets representing computer software are recorded at the consideration paid for acquisition. Software is amortized over their estimated useful lives of five years on a straight-line basis, commencing from the date the asset is available to the Company for its use. Non-compete fee paid and capitalized is amortized on a progressively decreasing basis over the 3 years non-compete period.

Advances paid towards acquisition of fixed assets and the cost of assets not ready to be put to use before the year end are disclosed under long term loans and advances, and capital work in progress and intangibles assets under development respectively.

2.5 Impairment of assets

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount (higher of net selling price and value in use) of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than the carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

2.6 Revenue

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured.

Brokerage income in relation to securities and commodities broking activity is recognized on the trade date of transaction (net of service tax), upon confirmation of trade by the stock exchange/commodity exchange.

Depository income (net of service tax) pertains to income (including account opening fees) from depository services rendered by the Company and is recognized on an accrual basis.

Insurance brokerage income is recognized on an accrual basis at the inception of the insurance policy based on the terms agreed with the insurance companies. Insurance broking income on renewed policy is recognized on the date of receipt of renewal premium from the insurance companies.

Interest income from loan business is accounted on an accrual basis except for non performing / doubtful assets, interest in respect of which is recognized, considering prudential norms for income recognition issued by the Reserve Bank of India (RBI) for Non-Banking Financial Companies on receipt basis.

Income from financial distribution, marketing support and other services is recognized as the relevant services are rendered in accordance with the terms of arrangement with the customers.

Notes to consolidated financial statements for the year ended March 31, 2012

The commodities acquired with the intention of short-term holding and trading positions are considered as stock-in-trade and disclosed as current assets and are valued at cost or net realisable value, whichever is lower.

Profit or loss on sale of equity and commodities are determined based on the first in first out method. Profit or loss on closed positions of derivative instruments is recognized on final settlement or squaring up of the contracts.

2.7 Other Income

Dividend income is recognized when the shareholders' right to receive payment is established by the balance sheet date.

Interest income is recognized on time proportion basis.

2.8 Provision for doubtful loans and advances

The policy of provisioning against non performing loans and advances has been decided by the management considering prudential norms prescribed by the RBI for Non Banking Financial Companies. As per the policy adopted, the provision against sub standard assets are fixed on a conservative basis, taking into account management's perception of the higher risk associated with the business of the Company. Non performing loans and advances which when are considered as loss assets and full provision will be made against such assets.

2.9 Investments

Investments are either classified as current or long-term based on the management's intention. Current investments are carried at the lower of cost and fair value. In case of investments in mutual funds, the net asset value of units declared by the mutual funds is considered as the fair value. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

2.10 Stock- in- trade

The commodities acquired with the intention of short-term holding and trading positions are considered as stock-in-trade and disclosed as current assets and are valued at cost or net realisable value, whichever is lower.

2.11 Derivatives : equity index / stock - futures and commodities stock – futures

Equity index / stock / commodities futures are marked-to-market on a daily basis. Debit or credit balance disclosed under loans and advances or current liabilities respectively, in the "Mark-to-Market Margin – equity index / stock / commodities stock futures account", represents the net amount paid or received on the basis of movement in the prices of equity index / stock / commodities futures till the balance sheet date.

As on the balance sheet date, profit or loss on open positions in equity index / stock / commodities futures are accounted for as follows:

- Credit balance in the "Mark-to-Market Margin – equity index / stock / commodities stock futures account", being anticipated profit, is ignored and no credit for the same is taken in the statement of profit and loss.
- Debit balance in the "Mark-to-Market Margin – equity index / stock / commodities stock futures account", being anticipated loss, is adjusted in the statement of profit and loss.

On final settlement or squaring-up of contracts for equity index / stock / commodities futures, the profit or loss is calculated as the difference between settlement/ squaring-up price and contract price. Accordingly, debit or credit balance pertaining to the settled/ squared-up contract in "Mark-to-Market Margin – equity index / stock / commodities stock futures account" is recognised in the profit and loss account upon expiry of the contracts. When more than one contract in respect of the relevant series of commodity futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using first in first out method for calculating profit / loss on squaring-up.

"Initial Margin – equity index / stock / commodities stock futures account", representing initial margin paid, and "Margin Deposits – equity index / stock / commodities stock futures account", representing additional margin over and above initial margin, for entering into contracts for equity index / stock / commodities futures, which are released on final settlement/squaring-up of underlying contracts, are disclosed under loans and advances.

2.12 Foreign currency transactions

Foreign currency transactions are accounted at the exchange rates prevailing on the date of the relevant transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account of the year. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange

Notes to consolidated financial statements for the year ended March 31, 2012

rates on that date. The resultant exchange differences are recognized in the statement of profit and loss.

2.13 Operating lease

Operating lease payments are recognized as an expense in the statement of profit and loss on a straight line basis over the lease term.

2.14 Employee benefits

Short term employee benefit plans

All short term employee benefit plans such as salaries, wages, bonus, special awards and, medical benefits which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits are recognized on an undiscounted basis and charged to the statement of profit and loss.

Defined contribution plan

Contributions to the provident funds are made monthly at a predetermined rate to the regional provident fund commissioner and debited to the statement of profit and loss on an accrual basis.

Defined benefit plan

Provision is made for gratuity based on actuarial valuation, carried out by an independent actuary as at the balance sheet date, using the projected unit credit method. All actuarial gains and losses arising during the year are recognized in the statement of profit and loss of the year.

2.15 Taxation

Income-tax expense comprise current tax (i.e. amount of tax for the period determined in accordance with the income-tax law), and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is a reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed as at the balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.

Current tax and deferred tax assets and liabilities are offset to the extent to which the Company has a legally enforceable right to set off and they relate to taxes on income levied by the same governing taxation laws.

Minimum alternate tax ("MAT") paid in accordance with tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the company would pay normal income tax in the future years and accordingly, MAT is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the company and the asset can be measured reliably. MAT credit entitlement is reviewed at each balance sheet date and written down to the extent there is no convincing evidence to the effect that the Company will pay normal income tax during the specified period.

2.16 Provisions, contingent liabilities and contingent assets

The Company creates a provision when there is present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are neither recognised nor disclosed in the financial statements.

2.17 Employee stock options plan

In accordance with the Securities and Exchange Board of India guidelines, the fair value of the options as at the date of grant of options under the employee stock option scheme, is treated as employee compensation and amortised over the vesting period.

2.18 Cash flow

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the Company are segregated.

2.19 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

Notes to consolidated financial statements for the year ended March 31, 2012

2.20 Earnings per share

Basic earnings per share is computed by dividing net profit or loss for the period attributable to equity shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share amounts are computed after adjusting the effects of all dilutive potential equity shares. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares, which could have been issued on the conversion of all dilutive potential shares. The diluted potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

3.1 Share Capital

(All amounts are in Indian Rupees except share data or as stated)

Particulars	As at March 31, 2012	As at March 31, 2011
Authorised		
40,000,000 (Previous year: 40,000,000) equity shares of Rs 10 each	400,000,000	400,000,000
Issued subscribed and paid-up		
23,352,626 (Previous year: 23,352,626) equity shares of Rs 10 each fully paid up	233,526,260	233,526,260
Less : Shares held by the Employees Stock option payment trust ("JRG ESOP Trust")	(671,250)	(671,250)
(Refer note no 3.32)	232,855,010	232,855,010

a) Reconciliation of the shares outstanding at the beginning and at the end of the year

Particulars	As at March 31, 2012		As at March 31, 2011	
	No. of shares	Value	No. of shares	Value
At the beginning of the year	23,352,626	233,526,260	23,306,376	233,063,760
Add : Shares issued during the year to the JRG ESOP Trust	-	-	46,250	462,500
At the end of the year	23,352,626	233,526,260	23,352,626	233,526,260

Reconciliation of the number of shares outstanding in JRG ESOP Trust

Particulars	As at March 31, 2012		As at March 31, 2011	
	No. of shares	Value	No. of shares	Value
Number of shares at the beginning of the year	67,125	671,250	21,875	218,750
Add : Shares issued during the year to the JRG ESOP Trust	-	-	46,250	462,500
Less : Options converted into shares by employees of the Company	-	-	1,000	10,000
Number of shares at the end of the year	67,125	671,250	67,125	671,250

b) Terms / rights attached to equity shares

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

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

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

Name of the shareholder	As at March 31, 2012		As at March 31, 2011	
	No. of shares	% holding	No. of shares	% holding
Duckworth Limited, Mauritius.	10,646,995	45.59%	10,646,995	45.59%
Regi Jacob	1,564,777	6.70%	1,564,777	6.70%
Giby Mathew	1,026,215	4.39%	1,349,950	5.78%

Notes to consolidated financial statements for the year ended March 31, 2012

d) Details of the shares reserved for issue under options

The Company issued options under the Employees stock option plan 2005 ("2005 Plan") in the financial year 2005-2006. The 2005 Plan covers all non-promoter directors and employees of the Company (collectively referred to as "eligible employees") and its subsidiaries. Under the plan, the Company granted 179,100 options on 3 September 2005. The Compensation Committee granted the options on the basis of performance, criticality and potential of the employees as identified by management.

The Company had computed the fair value of the options for the purpose of accounting of employee compensation cost/expense over the vesting period of the options. The estimated fair value of each stock option granted on 3 September 2005 was Rs.0.28. This has been calculated based on independent valuation report, which has been estimated under the Black Scholes option pricing model. The exercise price for these options granted is Rs.10. The inputs were the share price at grant date of Rs.10.67, exercise price of Rs.10, expected volatility of 0% (the Company was not listed at the time of grant of options), expected dividends 7.5%, contractual life of 4.05 years, and a risk-free interest rate of 6.59%. The vesting period for these options granted under the 2005 plan varies from 12 months to 36 months. Out of the 179,100 options granted on 3 September 2005, 50,220 options were forfeited and 110,005 options were exercised up to 31 March 2010.

Summary of the status of options granted under ESOP 2005 Plan which was subsequently merged under ESOP 2008 Plan to employees as at 31 March 2012 is presented below:

Number of Options	31-March-2012	31-March-2011
Options granted and outstanding at the beginning of the year	17,875	18,875
Add: Options granted during the year	-	-
Less: Exercised during the year	-	1,000
Less: Forfeited during the year	-	-
Options granted and outstanding at the end of the year	17,875	17,875
Exercisable options at the end of the year	17,875	17,875

During the financial year 2007-2008, the 2005 plan was merged with JRG Employee Stock option plan 2008 ("2008 Plan"). The 2008 Plan was approved on 15 July 2008 at the annual general meeting of shareholders and was effective from the same date. The objective of this 2008 Plan is to encourage ownership of the Company's equity by its employees on an ongoing basis. The ESOP 2008 is intended to reward the employees for their contribution to the successful operation of JRG Securities Limited and to provide an incentive to continue contributing to the success of the company. The new plan provides that the lock-in period and other terms and conditions of this scheme shall apply ipso facto as they applied to the options issued under 2005 Plan.

Basic terms of the options granted under 2008 Plan are presented below:

Grant date	29-Jul-08	25-May-09	25-Jul-09	27-Oct-09	25-May-10	10-Nov-10	01-Apr-11
Option granted	100,000	262,500	10,000	38,000	282,250	184,802	107,105
Exercise price (Rs./Option)	38.00	34.00	38.00	46.00	36.00	36.00	36.00
Number of personnel in the option programme	8	63	2	2	98	1	1

The fair value of stock options has been determined using the Black Scholes option pricing model.

Presumptions used in fair value computations:

Grant date	29-Jul-08	25-May-09	25-Jul-09	27-Oct-09	25-May-10	10-Nov-10	01-Apr-11
Vesting period	12 Months to 48 Months						
Expected option life	7 years	7 years	7 years	7 years	7 years	7 years	7 years
Expected volatility	33.00%	33.00%	45.00%	45.00%	45.00%	45.00%	45.00%
Expected dividend	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk free rate	6.15%	6.15%	7.00%	7.00%	8.50%	8.50%	8.50%
Share price at grant date	37.73	39.90	41.00	49.00	35.90	34.70	15.80
Fair value (Rs / option)	18.00	22.00	25.00	29.00	21.00	17.80	10.15

Notes to consolidated financial statements for the year ended March 31, 2012

Summary of the status of options granted under 2008 Plan to employees as at 31 March 2012 is presented below :

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Options granted and outstanding at the beginning of the year	698,802	339,500
Add: Options granted during the year *	107,105	467,052
Less: Exercised during the year	-	-
Less: Forfeited during the year	270,750	107,750
Options granted and outstanding at the end of the year	535,157	698,802
Exercisable options at the end of the year**	67,438	99,500

*includes 107,105 options (previous year: 345,302 options) granted under the scheme for subsidiary company employees.

**Nil options (previous year: 45,250 options) has been issued to JRG ESOP Trust but have not been exercised by the employees.

3.2 Reserves and surplus

(All amounts are in Indian Rupees except share data or as stated)

Particulars	As at March 31, 2012	As at March 31, 2011
I. Capital reserve	120,010,470	120,010,470
II. Securities premium account		
Balance at the beginning of the year	497,322,134	497,322,134
Add: Premium received during the year on exercise of employees stock options	-	975,995
Less: Premium on shares held by the trust (Refer Note 3.31)	-	(975,995)
At the end of the year	497,322,134	497,322,134
III. Employee stock option outstanding		
Balance at the beginning of the year	13,123,165	7,300,875
Add: Options granted during the year	1,087,116	9,623,290
Less: Options forfeited during the year	(2,235,377)	(3,801,000)
Less: Transfer to general reserve on account of forfeiture	(2,362,188)	-
Balance at the end of the year A	9,612,716	13,123,165
Deferred stock compensation cost		
Balance at the beginning of the year	5,414,796	3,818,759
Add: Options granted during the year	1,087,116	9,623,290
Less: Amortization during the year	(1,682,626)	(4,226,253)
Less: Options forfeited during the year	(2,235,377)	(3,801,000)
Balance at the end of the year B	2,583,909	5,414,796
Employee stock option outstanding (net) A - B	7,028,807	7,708,369
IV. General reserve		
Balance at the beginning of the year	3,746,498	3,746,498
Add: Transfer from employee stock option reserve	2,362,188	-
Balance at the end of the year	6,108,686	3,746,498
V. Statutory reserve		
Balance at the beginning of the year	18,420,453	10,060,400
Add: Transfer from statement of profit and loss*	1,232,424	8,360,053
Balance at the end of the year	19,652,877	18,420,453
VI. Surplus / (deficit) in the statement of profit and loss		
Balance at the beginning of the year	32,068,054	24,660,296
Net (loss) / profit after tax transferred from statement of profit and loss	(78,963,660)	15,767,811
Amount available for appropriations	(46,895,606)	40,428,107
Less : Appropriations		
Transfer to statutory reserve *	1,232,424	8,360,053
Balance at the end of the year	(48,128,030)	32,068,054
Total reserves and surplus	601,994,944	679,275,978

*Amount of appropriation to statutory reserve under section 45-IC of the Reserve Bank of India Act, 1934 is computed on the profit after tax (including deferred tax impact)

Notes to consolidated financial statements for the year ended March 31, 2012

3.3 Trade payable and other liabilities

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Non-current		Current	
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
Trade payable				
Payable to clients	-	-	252,685,019	400,834,482
Business incentive payable	-	-	9,588,254	20,746,669
	-	-	262,273,273	421,581,151
Other liabilities				
Unclaimed dividend	-	-	540,897	342,236
Other payables				
Security deposit	16,639,775	22,839,441	4,898,634	2,537,955
Provision for expenses	-	-	21,500,571	15,453,370
Payable to employees	-	-	9,221,116	8,665,093
Income received in advance	-	-	725,248	2,388,967
Creditors for capital goods	-	-	4,780,320	201,153
Payable to exchanges	-	-	4,766,225	2,552,501
Others	-	-	10,475,204	14,248,296
	16,639,775	22,839,441	56,908,214	46,389,571
Total trade payable and other liabilities	16,639,775	22,839,441	319,181,487	467,970,722

(a) There are no amounts due for payment to the Investor Education and Protection Fund under Section 205C of the Companies Act, 1956 as at the year end.

(b) Also refer to note 3.31

3.4 Provisions

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Long-term		Short-term	
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
Provision for employee benefits				
Provision for gratuity (net)	1,020,583	241,529	31,005	-
Other provisions				
Provision for tax (net of advance tax)	-	-	3,326,704	2,027,555
Provision for non performing and doubtful assets	-	-	2,228,402	1,187,480
Provision for mark to market on commodity futures	-	-	4,427,550	-
	1,020,583	241,529	10,013,661	3,215,035

3.5 Short term borrowings

(All amounts are in Indian Rupees except share data or as stated)

Particulars	As at March 31, 2012	As at March 31, 2011
Secured loan:		
Loan from bank (Secured against pledge of Company's fixed deposits)	56,000,000	-
	56,000,000	-

Notes to consolidated financial statements for the year ended March 31, 2012

3.6 Tangible assets

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Furniture and Fittings	Office Equipments	Computers	Electrical Fittings	Motor Vehicles	V-Sat Equipments	Total
Gross Block							
Balance as at 1 April 2010	89,414,368	41,164,366	78,395,769	14,689,373	1,386,743	25,720,380	250,770,999
Additions	2,886,544	4,265,427	6,284,192	883,857	-	-	14,320,020
Deletions / write off	16,503,765	4,404,458	14,044,046	1,609,615	2,550	302,669	36,867,103
Balance as at 31 March 2011	75,797,147	41,025,335	70,635,915	13,963,615	1,384,193	25,417,711	228,223,916
Additions	871,366	891,015	1,145,537	389,012	-	124,000	3,420,930
Deletions / write off	3,720,474	426,644	352,639	-	-	302,669	4,802,426
Balance as at 31 March 2012	72,948,039	41,489,706	71,428,813	14,352,627	1,384,193	25,239,042	226,842,420
Accumulated depreciation							
Balance as at 1 April 2010	41,521,852	13,962,207	43,309,743	4,624,637	343,109	8,721,920	112,483,468
Additions	14,212,086	7,060,522	10,432,092	2,484,107	247,723	3,602,021	38,038,551
Deletions / write off	15,275,384	4,141,246	13,897,640	1,016,174	2,550	123,473	34,456,467
Balance as at 31 March 2011	40,458,554	16,881,483	39,844,195	6,092,570	588,282	12,200,468	116,065,552
Additions	13,724,381	7,697,506	11,334,668	2,522,743	244,457	3,440,885	38,964,640
Deletions / write off	2,061,009	208,571	137,409	-	-	147,467	2,554,456
Balance as at 31 March 2012	52,121,926	24,370,418	51,041,454	8,615,313	832,739	15,493,886	152,475,736
Net Block							
As at 31 March 2011	35,338,593	24,143,852	70,635,915	7,871,045	795,911	13,217,243	112,158,364
As at 31 March 2012	20,826,113	17,119,288	20,387,359	5,737,314	551,454	9,745,156	74,366,684

3.7 Intangible assets

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Computer Software	Non compete fee*	Total
Gross Block			
Balance as at 1 April 2010	85,011,599	50,000,000	135,011,599
Additions	4,874,012	-	4,874,012
Deletions / write off	1,273,039	-	1,273,039
Balance as at 31 March 2011	88,612,572	50,000,000	138,612,572
Additions	17,041,404	-	17,041,404
Deletions / write off	898,880	-	898,880
Balance as at 31 March 2012	104,755,096	50,000,000	154,755,096
Accumulated ammortization			
Balance as at 1 April 2010	45,321,957	22,916,667	68,238,624
Additions	13,744,358	17,360,278	31,104,636
Deletions / write off	1,273,039	-	1,273,039
Balance as at 31 March 2011	57,793,276	40,276,945	98,070,221
Additions	16,767,055	9,029,167	25,796,222
Deletions / write off	705,351	-	705,351
Balance as at 31 March 2012	73,854,980	49,306,112	123,161,092
Net Block			
As at 31 March 2011	30,819,296	9,723,055	40,542,351
As at 31 March 2012	30,900,116	693,888	31,594,004

* Represents non-compete fee paid under an agreement with certain promoters for a period of 3 years commencing from 29 April 2009.

Notes to consolidated financial statements for the year ended March 31, 2012

3.8 Non-current investments

(All amounts are in Indian Rupees except share data or as stated)

Particulars	As at March 31, 2012	As at March 31, 2011
Non trade investments (valued at cost)		
I. Investment in equity instruments (Quoted)		
NIL (Previous year : 2,015) equity shares of Rs.10 each fully paid up in Bosch Limited	-	9,846,959
NIL (Previous year : 199,000) equity shares of Rs.10 each fully paid up in Dabur India Limited	-	20,204,914
NIL (Previous year : 32,788) equity shares of Rs.10 each fully paid up in ESAB India Limited	-	20,068,655
NIL (Previous year : 23,615) equity shares of Rs.10 each fully paid up in On Mobile Global Limited	-	10,036,459
NIL (Previous year : 5,562) equity shares of Rs.10 each fully paid up in Nestle India Limited	-	16,486,681
NIL (Previous year : 48,850) equity shares of Rs.10 each fully paid up in Balmer Lawrie Investment Limited	-	7,906,948
NIL (Previous year : 2,699) equity shares of Rs.10 each fully paid up in Coal India Limited	-	661,255
	-	85,211,871
II. Other investments (unquoted)		
1 (Previous year : 1) share of Rs.1,250 fully paid up in Cochin Stock Exchange	900,000	900,000
Less : Provision for diminution other than temporary, in the value of investment	898,750	898,750
	1,250	1,250
400 (Previous year : 400) shares of AED 1,000 fully paid up in JRG International Brokerage DMCC, Dubai (previously known as JRG Metals & Commodities DMCC, Dubai)	-	-
	1,250	1,250
Total of non-current investments	1,250	85,213,121
Aggregate book value of quoted investments	-	85,211,871
Aggregate market value of quoted investments	-	82,566,937
Aggregate book value of unquoted investments	900,000	900,000
Aggregate amount of provision for diminution in the value of investments	898,750	898,750

Notes to consolidated financial statements for the year ended March 31, 2012

3.9 Loans and advances

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Non-current		Current	
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
I. Capital Advances				
Unsecured, considered good	7,468,029	3,698,937	-	-
II. Security deposits (Unsecured)				
Considered good				
Rental deposits	16,827,086	19,451,624	3,449,000	6,323,715
Deposits with exchanges	39,421,620	39,421,620	88,045,478	62,071,884
Electricity, telephone and other deposits	3,648,476	3,647,775	2,100,000	-
Considered doubtful				
Rental deposits	-	-	4,386,176	2,316,896
Other deposit	-	-	40,588	40,588
	59,897,182	62,521,019	98,021,242	70,753,083
Less : Provision for doubtful deposits	-	-	4,426,764	2,357,484
	59,897,182	62,521,019	93,594,478	68,395,599
III. Advances recoverable in cash or in kind (Unsecured)				
Considered good	1,167,000	1,253,100	29,223,554	35,581,408
Considered doubtful	-	-	9,466,372	11,623,022
	1,167,000	1,253,100	38,689,926	47,204,430
Provision for doubtful advances	-	-	9,466,372	11,623,022
	1,167,000	1,253,100	29,223,554	35,581,408
IV. Loans				
Secured, considered good	-	-	342,780,592	332,968,475
Unsecured, considered good	-	-	387,483	-
Unsecured, considered doubtful	-	-	882,540	-
	-	-	344,050,615	332,968,475
Provision for doubtful loans	-	-	882,540	-
	-	-	343,168,075	332,968,475
V. Other Loans and Advances (Unsecured)				
Considered good				
Gratuity	2,109,572	749,745	-	-
Advance tax (net of provisions)	32,782,330	28,783,069	541,348	6,125,876
Minimum alternate tax credit entitlement	2,596,594	-	1,076,180	1,076,180
Prepaid expenses	-	-	2,257,078	9,522,040
Balance with government authorities	-	-	7,099,136	51,655
Due from a former managing director (Refer note 2 below)	-	-	490,500	-
Others	-	-	1,851,685	1,901,589
Considered doubtful	-	-	-	-
Loan to JRG International Brokerage DMCC, Dubai	-	-	14,595,537	12,747,116
Advance paid to creditors	-	-	1,831,374	-
	37,488,496	29,532,814	29,742,838	31,424,456
Provision for doubtful advance	-	-	16,426,911	12,747,116
	37,488,496	29,532,814	13,315,927	18,677,340
VI. Loan and advances due by director of the the Company and the subsidiary company) (Refer note 1 and 2 below)				
	4,500,000	4,500,000	1,100,000	590,500
Total loans and advances	110,520,707	101,505,870	480,402,034	456,213,322

- The remuneration payable to the managing director of the subsidiary company, JRG Fincorp Limited, is in excess of the limits prescribed under the Companies Act, 1956 by Rs.1,100,000. The subsidiary company has made an application to the Central Government for approval in respect of such excess amount. Pending such approval the excess amount of Rs.1,100,000 paid to him has been shown as recoverable.
- Refer note 3.24

Notes to consolidated financial statements for the year ended March 31, 2012

3.10 Other assets

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Non-current		Current	
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
Non current bank balances (Refer Note 3.14)	200,000	31,100,000	-	-
Interest accrued on fixed deposits	11,830	459,036	12,184,459	6,294,908
Total other assets	211,830	31,559,036	12,184,459	6,294,908

3.11 Current investments

(All amounts are in Indian Rupees except share data or as stated)

Particulars	As at March 31, 2012	As at March 31, 2011
Non trade investments (valued at cost)		
I. Investment in equity instruments (Quoted, Valued at cost)		
10,000 (Previous year : NIL) units of Rs.10 each fully paid up in the equity shares of Essar Ports Limited	657,218	-
5,000 (Previous year : NIL) units of Rs.10 each fully paid up in the equity shares of Triveni Turbine Limited	212,893	-
	870,111	-
II. Investment in mutual funds (Unquoted)		
NIL (Previous year : 9,088,972) units of Rs.10 each fully paid up of LIC Nomura MF Liquid fund - growth plan	-	163,010,705
2,518,354 (Previous year : NIL) units of Rs.10 each fully paid up of Reliance Liquid Fund -Treasury Plan	65,762,353	-
	65,762,353	163,010,705
Total current investments	66,632,464	163,010,705
Aggregate book value of quoted investments	870,111	-
Aggregate market value of quoted investments	1,064,000	-
Aggregate amount of unquoted investments	65,762,353	163,010,705

3.12 Inventories

(All amounts are in Indian Rupees except share data or as stated)

Particulars	As at March 31, 2012	As at March 31, 2011
Stock in trade (Refer Note No : 3.29)	186,530,771	19,603,654
	186,530,771	19,603,654

Notes to consolidated financial statements for the year ended March 31, 2012

3.13 Trade receivables

(All amounts are in Indian Rupees except share data or as stated)

Particulars	As at March 31, 2012	As at March 31, 2011
Outstanding for a period exceeding six months from the date they are due for payment		
Secured, considered good	11,253,455	1,806,432
Unsecured, considered good	-	54,266
Unsecured, considered doubtful	11,619,268	10,795,942
	22,872,723	12,656,640
Less: Provision for doubtful trade receivables	11,619,268	10,795,942
	11,253,455	1,860,698
Outstanding for a period less than six months from the date they are due for payment		
Secured, considered good	51,439,876	56,638,053
Unsecured, considered good	7,626,494	16,686,975
Unsecured, considered doubtful	1,707,009	-
	60,773,379	73,325,028
Less: Provision for doubtful trade receivables	1,707,009	-
	59,066,370	73,325,028
Total trade receivables	70,319,825	75,185,726

3.14 Cash and bank balances

(All amounts are in Indian Rupees except share data or as stated)

Particulars	As at March 31, 2012	As at March 31, 2011
I. Cash and cash equivalents		
Cash on hand	192,208	271,431
Balances with banks		
On current accounts**	117,959,601	222,963,203
Deposits with original maturity of less than 3 months	40,191,872	20,000,000
On unpaid dividend account	540,897	342,236
	158,884,578	243,576,870
II. Other balances		
Deposits with original maturity for more than 12 months *	205,477,360	233,472,331
Deposits with original maturity for more than 3 months but less than 12 months	110,812,274	132,048,190
Less : Amount disclosed under non current asset (Refer note 3.10) *	(200,000)	(31,100,000)
Stamps in hand	300	560,420
	316,089,934	334,980,941
Total cash and bank balances	474,974,512	578,557,811
*Includes deposits pledged with banks as security for loans and guarantees issued by banks in favour of various stock / commodity exchanges and the secured loan given to Company	199,050,169	243,093,775
** Balance in current account includes the amounts in the name of JRG ESOP Trust	281,378	281,378

Notes to consolidated financial statements for the year ended March 31, 2012

3.15 Sale of services

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Income from equity broking and related services	190,589,930	306,528,440
Income from depository participant services	16,998,572	20,130,084
Income from commodity broking	150,837,492	184,870,927
Income from insurance broking	6,074,674	6,886,995
Interest income from lending operations	50,591,558	79,766,440
Income from financial distribution, marketing support and other services	5,875,513	958,333
	420,967,739	599,141,219

3.16 Other operating income

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Income from sale of commodities	23,806,651	19,415,304
Interest / penal charges for delayed payment	10,713,176	23,178,450
Others	1,968,464	683,806
	36,488,291	43,277,560

3.17 Other income

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Interest earned on fixed deposits	34,705,377	26,959,910
Interest income on current investments	-	1,932,114
Interest income-Others	3,348,343	1,325,660
Dividend income from current investments	343,714	3,011,874
Dividend income from long term investments	1,765,384	2,138,902
Net gain / (loss) on sale of long term investment	4,229,172	34,896,801
Net gain / (loss) on sale of current investment	10,138,601	720,662
Mark-to-market (loss) / gain on mutual fund investments	(615,136)	792,791
Exchange fluctuation gain (net)	1,848,421	52,187
Liabilities no longer required written back	11,234,150	14,685,769
Other non-operating income	3,641,547	7,240,138
	70,639,573	93,756,808

3.18 Operating expenses

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Business incentive	84,519,684	144,056,272
Turnover charges	24,325,564	34,812,666
Other trading expenses	6,868,579	13,222,731
Loss on trading in commodity derivative instruments	6,673,232	9,824,173
	122,387,059	201,915,842

Notes to consolidated financial statements for the year ended March 31, 2012

3.19 Employee benefit expenses

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Salaries, wages and bonus	190,926,780	184,202,895
Contributions to provident and other funds	9,790,734	10,171,766
Employee stock compensation expenses	1,682,626	4,226,253
Staff welfare expenses	3,503,867	1,683,825
Employee sales incentives	1,179,420	8,657,514
	207,083,427	208,942,253

3.20 Finance cost

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Interest expense	4,721,495	7,454,898
	4,721,495	7,454,898

3.21 Other expenses

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Power and fuel	12,766,262	12,320,928
Rent	32,232,505	31,753,860
Rates and taxes	472,950	14,110
Repair and maintenance- others	18,043,192	22,956,240
Traveling expenses	13,927,194	9,193,834
Communication expenses	20,543,468	20,273,365
Printing and stationery	4,777,916	4,457,381
Office and branch expenses	12,450,007	12,355,582
Professional and consultancy charge	23,344,698	15,717,394
Bad debts written off	271,631	778,802
Loss on sale of fixed assets	1,623,003	1,627,867
Provision for doubtful trade receivables	3,928,859	3,944,587
Provision for non performing assets	1,040,922	1,187,480
Provision for doubtful loans and advances	7,162,703	14,702,225
Assets written off	561,629	-
Bank and other charges	3,780,889	5,129,964
Miscellaneous expenses	21,589,267	20,536,173
	178,517,095	176,949,792

Notes to consolidated financial statements for the year ended March 31, 2012

3.22 Contingent liabilities and commitments

(All amounts are in Indian Rupees except share data or as stated)

Particulars	As at March 31, 2012	As at March 31, 2011
I. Contingent liabilities		
a) Bank guarantees outstanding	345,500,000	374,000,000
b) Other money for which the company is contingently liable		
- Income tax matters	13,638,660	10,319,170
c) Claims against the company not acknowledged as debt	20,830,525	16,203,450
d) In addition to the above, the Company is also in the process of replying / has responded to show cause notices and queries from regulatory authorities including Securities and Exchange Board of India (SEBI) which arise in the ordinary course of the business. However there are no such matters pending that the Company expects to be material in relation to its business.		
II. Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for	10,868,095	10,513,446
Other commitments	310,382	-

3.23 Deferred taxes

The major components of deferred tax assets and liabilities are outlined below:

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Deferred tax assets		
Provision for doubtful trade receivables	1,366,059	1,663,146
Provision for gratuity	168,171	45,071
Preliminary expenses	-	179,776
Others	227,910	394,451
Depreciation	2,811,986	1,213,075
A	4,574,126	3,495,519
Deferred tax liabilities		
Depreciation	1,037,167	-
Others	173,431	31,690
B	1,210,598	31,690
Net deferred tax asset	A-B	3,363,528

The net deferred tax asset of Rs.3,363,528 (Previous year: Rs.3,463,829) has been presented in the balance sheet as follows :

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Deferred tax asset	3,816,216	3,463,829
Deferred tax liability	(452,688)	-
Net Deferred tax asset	3,363,528	3,463,829

Notes to consolidated financial statements for the year ended March 31, 2012

3.24 Related party disclosures

Company having significant influence	Duckworth Limited, Mauritius
Key managerial personnel	Gopichand S (Managing Director from 25 January 2012) Gaurav Vivek Soni (Managing Director from 29 April 2009 to 25 January 2012) Samson K J (Managing Director of JRG Wealth Management Limited) Sriram Chandran, (Wholetime Director of JRG Fincorp Limited, resigned on 31 Mar 11) Anand Tandon, (Managing Director of JRG Fincorp Limited (w.e.f 1 February 2012)) Harish Gallipelli, (Wholetime Director of JRG Fincorp Limited (w.e.f 1 April 2011)) Vijayakumaran V K, (Manager of JRG Insurance Broking Private Limited)

Transactions and balance with related parties *(All amounts are in Indian Rupees except share data or as stated)*

Particulars	Transactions during year ended 31-March-2012	Amount receivable as at 31-March-2012
Remuneration paid		
Salaries and other allowances		
Gopichand S	396,202	-
Gaurav Vivek Soni	2,492,200	490,500*

Note: Salaries and other allowances paid to Managing director and manager of subsidiary companies aggregates to Rs 14,061,104

(All amounts are in Indian Rupees except share data or as stated)

Particulars	Transactions during year ended 31-March-2011	Amount receivable as at 31-March-2011
Remuneration paid		
Salaries and other allowances		
Gaurav Vivek Soni	3,000,000	490,500*

Note: Salaries and other allowances paid to Managing director and manager of subsidiary companies aggregates to Rs 2,259,151.

* The remuneration payable to the managing director of the Company was in excess of the limits approved by the share holders at the Annual General Meeting by Rs.490,500 . The excess amount of Rs.490,500 paid to him has been shown as recoverable under loans and advances.

3.25 Segment reporting

a) Primary segment information (by business segments)

The Group's business is organized and management reviews the performance based on the business segment as mentioned below:-

Equity broking- Equity broking, demat and related services

Commodity broking- Commodity broking and related services

Insurance broking- Insurance product distribution services

Client financing- Margin financing to broking clients, gold loans and loan against shares, commodities etc

Financial distribution, marketing support and other services

Income for each segment has been specifically identified. Expenditure, assets and liabilities are either specifically identifiable with individual segments or have been allocated to segments on a systematic basis.

Notes to consolidated financial statements for the year ended March 31, 2012

b) Secondary segment reporting (by geographical segments)

The Group predominantly caters only to the needs of the domestic market. Hence there are no reportable geographical segments.

Particulars	Equity broking services		Commodity broking services		Insurance broking services		Client financing		Financial distribution, marketing support and other services		Eliminations		Consolidated total	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Segment revenue	218,043,481	384,642,837	153,156,881	195,120,886	6,074,674	6,967,948	63,260,617	84,253,615	29,682,164	21,711,880	(16,171,927)	(5,069,020)	454,045,890	687,628,146
Unallocated corporate income													74,049,713	48,547,441
Total income	218,043,481	384,642,837	153,156,881	195,120,886	6,074,674	6,967,948	63,260,617	84,253,615	29,682,164	21,711,880	(16,171,927)	(5,069,020)	528,095,603	736,175,587
Segment result	(126,276,774)	(55,970,452)	20,173,303	26,493,567	(1,459,162)	(670,949)	(3,057,123)	54,370,124	(19,902,957)	3,341,429	-	-	(130,522,713)	27,563,718
Unallocated corporate (expenses) / Income													58,180,096	10,099,765
Operating profit / (loss)													(72,342,617)	37,663,483
Interest expense													(4,712,965)	(7,454,898)
Dividend income on investments													2,109,098	5,150,776
Profit / (loss) on redemption of mutual funds (net)													14,367,773	35,617,463
MTM gain on mutual fund investmenst													(615,136)	792,791
Profit / (loss) before taxes and minority interest													(61,193,847)	71,769,615
Income taxes charge / (credit)													11,073,855	24,161,679
Profit / (loss) after taxes but before minority interest													(72,267,702)	47,607,936
Minority interest in share of profit and losses (net)													6,695,958	31,840,125
Net profit / (loss) after minority interest													(78,963,660)	15,767,811
Other information														
Segment assets	978,486,570	1,103,387,007	255,646,591	262,808,991	11,753,143	9,962,487	616,621,559	427,549,952	206,574,441	21,930,152	(668,028,898)	(407,780,137)	1,401,053,406	1,417,858,453
Unallocated corporate assets													121,368,952	284,567,795
Total assets													1,522,422,358	1,702,426,248
Segment liabilities	269,598,106	305,517,112	179,216,246	192,252,261	1,004,264	990,195	11,768,949	14,777,983	171,355,654	29,678,728	(226,094,898)	(25,846,137)	406,848,321	517,370,142
Unallocated corporate liabilities													-	-
Total Liabilities													406,848,321	517,370,142
Capital expenditure	3,211,926	16,979,875	436,982	2,195,588	26,000	-	15,638,800	18,571	1,148,625	-	-	-	20,462,333	19,194,034
Depreciation	55,822,744	60,592,542	5,605,160	6,869,699	1,655,990	1,679,984	110,143	961	1,566,825	-	-	-	64,760,862	69,143,187
Non-cash expenses other than depreciation	13,996,658	20,735,411	2,801,236	1,626,958	496,931	400,485	3,860,328	2,679,282	2,035,060	1,738,077	-	-	23,190,213	26,467,213

Notes to consolidated financial statements for the year ended March 31, 2012

3.26 Earnings per share

(All amounts are in Indian Rupees except share data or as stated)

Particulars		Year ended March 31, 2012	Year ended March 31, 2011
Earnings			
Net (loss) / profit for the year	A	(78,963,660)	15,767,811
Shares			
Number of shares at the beginning of the year		23,285,501	23,284,501
Add: Equity shares issued and exercised by employees under ESOP 2005 plan		-	1,000
Total number of shares at the end of the year		23,285,501	23,285,501
Weighted average number of equity shares outstanding during the year- basic	B	23,285,001	23,285,001
Add: Weighted average number of shares arising out of stock options that has dilutive effect		-	13,148
Add: Weighted average number of shares arising out of shares issued to trust under ESOP 2008 plan but not exercised by employees		67,125	59,583
Weighted average number of equity shares outstanding during the year- diluted	C	23,352,126	23,357,732
Basic earnings per share	A / B	(3.39)	0.68
Diluted earnings per share	A / C	(3.39)	0.68

3.27 Employee benefit

Details of actuarial valuation of gratuity pursuant to the Accounting Standard 15 (Revised);

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Projected benefit obligation at the beginning of the year	5,504,350	5,048,136
Service cost	1,563,095	1,647,664
Interest cost	467,870	423,664
Actuarial gain	(1,917,934)	(897,401)
Curtailment	-	(56,761)
Benefits paid	(642,725)	(660,752)
Projected benefit obligation at the end of the year	4,974,656	5,504,550
Change in plan assets		
Fair value of plan assets at beginning of the year	6,012,566	3,644,475
Expected return on plan assets	525,056	393,544
Actuarial (gain)/ loss	8,290	3,633
Contributions	129,453	2,631,666
Benefits paid	(642,725)	(660,752)
Fair value of plan assets at the end of the year	6,032,640	6,012,566

Reconciliation of present value of obligation on the fair value of plan assets

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Present value of projected benefit obligation at the end of the year	4,974,656	5,504,350
Funded status of the plans	6,032,640	6,012,566
Funded status amount of liability recognized in the balance sheet	(1,057,984)	(508,216)
Recognised under :		
Provisions (Long term) (Refer Note No : 3.4)	1,020,583	241,529
Provisions (Short term) (Refer Note No : 3.4)	31,005	-
Loans and advances (Long term) (Refer Note No : 3.9)	(2,109,572)	(749,745)
	(1,057,984)	(508,216)

Notes to consolidated financial statements for the year ended March 31, 2012

The components of net gratuity costs are reflected below:

	Year ended March 31, 2012	Year ended March 31, 2011
Change in projected benefit obligation		
Service cost	1,563,095	1,647,664
Interest cost	467,870	423,664
Expected return on plan assets	(525,056)	(393,544)
Recognized net actuarial (gain)/ loss	(1,926,224)	(901,034)
Net gratuity costs	(420,315)	776,750

Financial Assumptions as at the Balance Sheet date:

	Year ended March 31, 2012	Year ended March 31, 2011
Change in projected benefit obligation		
Discount rate	8.50%	8.50%
Long-term rate of compensation increase	7.50%	7.50%
Rate of return on plan assets	9.50%	8.50%
Attrition rate	5% at younger ages and reducing to 1% at older ages according to graduated scale	

The Company assesses these assumptions with the projected long-term plans of growth and prevalent industry standards.

3.28 Foreign Currency Forward Contracts

The Group does not use foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations.

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Particulars	As at March 31, 2012	As at March 31, 2011
Amount receivable in foreign currency : USD	282,484	282,484
Amount equivalent in INR	14,595,537	12,747,116

3.29 Open interest in futures entered as at the balance sheet date

Sr. No.	Name of future (short position)	Series of Future	Number of Contracts	Measurement Unit	No of units involved
1	Rubber	13-April-2012	1	Quintal	181
2	Rubber	15-May-2012	1	Quintal	105
3	Pepper	20-April-2012	1	Quintal	138
4	Chilli	20-April-2012	1	Quintal	3
5	Chilli	20-June-2012	1	Quintal	7
6	Cardamom	15-June-2012	1	Quintal	14
7	Cardamom	14-July-2012	1	Quintal	16
8	Maize	20-April-2012	1	Quintal	137
9	Maize	18-May-2012	1	Quintal	480
10	Cotton seed cake	20-April-2012	1	Quintal	4
11	Cotton seed cake	18-May-2012	1	Quintal	106
12	Soybeab	20-April-2012	1	Quintal	15
13	Turmeric	20-April-2012	1	Quintal	44

3.30 Security margins from clients

In order to secure the performance by the clients of their obligations, commitments and liabilities to the Group, securities/ bank guarantees are placed as margins by creation of pledge in favour of/transfer to the Company's depository account. Such securities are held by the Company in a fiduciary capacity on behalf of its clients and are not recognised in the financial statements. In case such margins are received in cash, the same are disclosed under current liabilities.

Notes to consolidated financial statements for the year ended March 31, 2012

3.31 Micro, Small and Medium Enterprises Development Act, 2006

The management has identified enterprises which have provided goods and services to the Company and which qualify under the definition of "Micro and Small Enterprises" as defined under Micro, Small and Medium Enterprises Development Act, 2006 ("the Act"). Accordingly, based on the information received and available with the Company, there are no amounts payable to such enterprises as at 31 March 2012.

3.32 JRG ESOP Trust

As per the requirements of Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 ("SEBI guidelines"), since the stock option plan is administered through a trust, the accounts of the Company are prepared as if the Company itself is administering the employee stock option plan. Pursuant to such requirement of the SEBI guidelines the equity shares issued to the JRG ESOP Trust and not exercised by the employees as on 31 March 2012 have been presented as a deduction from the share capital. The bank balance of the JRG ESOP Trust as on 31 March 2012 net of the loan granted and capital contribution to the JRG ESOP Trust by the Company has been presented as bank balance of the Company.

3.33

On 7 June 2010, Mr. Regi Jacob, Mr. Giby Mathew and Mr. Jiji Antony ("Original Promoters") filed a petition under Section 397 and Section 398 of the Companies Act before the Company Law Board ("CLB") to prevent the misuse of management powers by the Company and prayed for an injunction to stop the Company from going ahead with a proposed rights issue. The Original Promoters alleged that the Company is proposing the rights issue to bring the shareholding of the Original Promoters below the prescribed limits so that their special rights cease to exist while they continue to remain obligated to not compete. The Original Promoters also alleged that the resolution approving the proposed rights issue dated 25 May 2010 was in contravention of the Articles of Association, oppressive, invalid, null and void.

The Company denied the allegations in entirety and filed its comprehensive response to the CLB. The CLB granted stay on the matter on 6 July 2010 ("Interim Injunction"). The CLB, vide order dated 11 October 2010, vacated the Interim Injunction and allowed the Company to proceed with the rights issue specifically mentioning that the veto power of the Original Promoters is not applicable in the case of rights issue ("the Order").

Aggrieved by the Order, the Original Promoters appealed before the High Court of Kerala on 19 October 2010 ("Appeal"). The Court vide order dated 1 December 2010, disposed off the Appeal and directed the Original Promoters to approach CLB with a direction to the CLB to dispose of the matter within three months.

Such order passed by CLB was further upheld by Hon'ble Kerala High Court. The original promoters filed an amended petition under Section 397/398. The Company and the other respondents filed a reply to the amended petition under Section 397/398 of the Companies Act, 1956 on 26 April 2012. The matter is now listed on 28 June 2012 for filing of rejoinder and arguments with the CLB.

3.34 Exceptional item represents expenses incurred in relation to the deferred rights issue of equity shares.

3.35 Prior year comparatives

Till the year ended 31 March 2011, the company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company. The Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of balance sheet.

As per our report attached
for **B S R & Associates**
Chartered Accountants
Firm registration No : 116231W

S Sethuraman
Partner
Membership No: 203491

Place: Hyderabad
Date: 19-May-2012

For and on behalf of Board of Directors
of **JRG Securities Limited**

Gopichand S
Managing Director

Munish Dayal
Director

Harjit Singh Sidhu
*COO, Company Secretary
and Legal Head*

Place: Hyderabad
Date: 19-May-2012