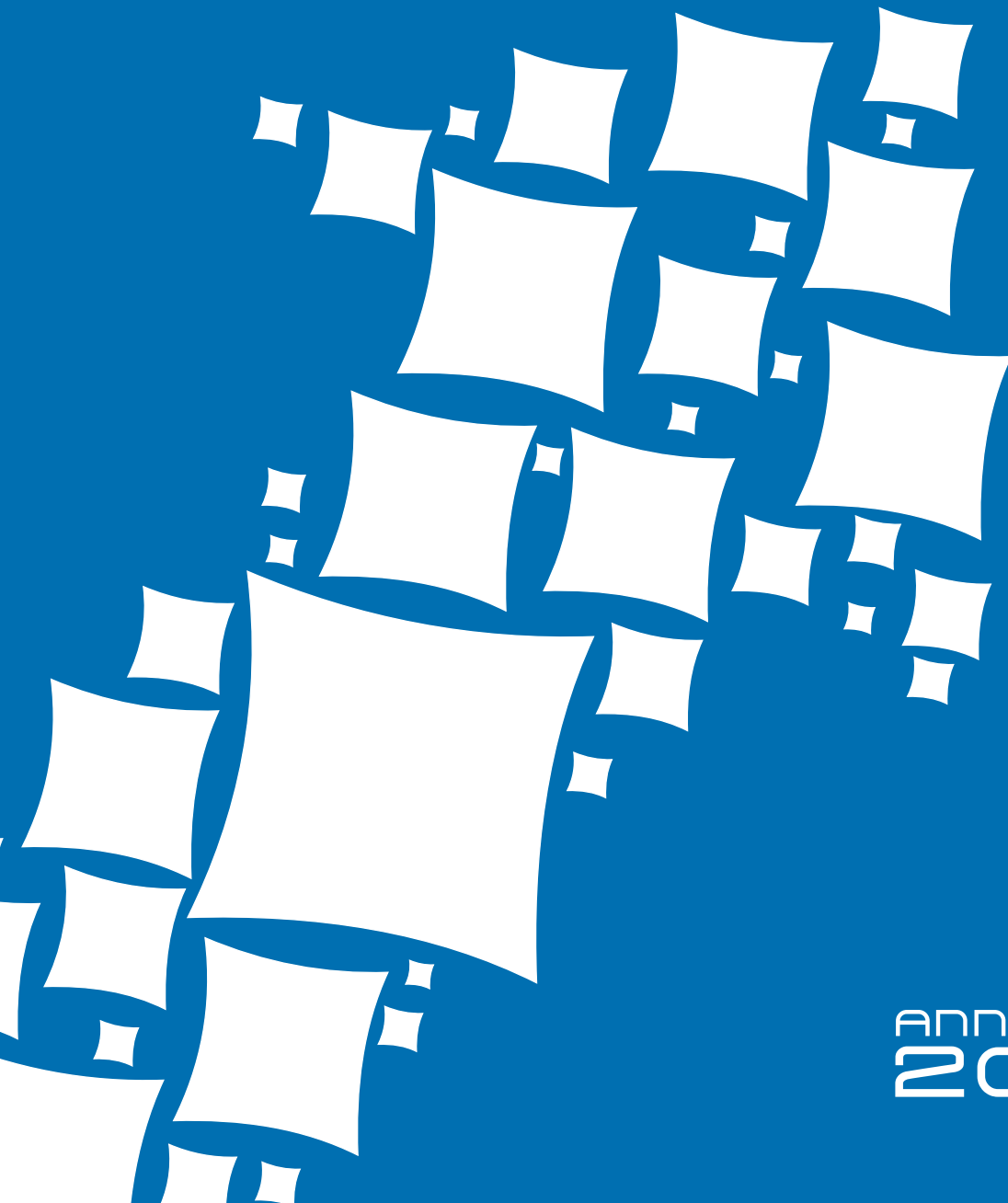




A. K. Capital Services Limited

BUILDING BONDS



ANNUAL REPORT
2013 - 14

CONTENTS

Corporate Information.....	1
A. K. CAPTIAL SERVICES LIMITED	
Directors' Report	2
Management Discussion and Analysis Report	6
Corporate Governance Report.....	9
STANDALONE FINANCIAL STATEMENT	
Independent Auditors' Report	21
Financial Statement.....	24
CONSOLIDATED FINANCIAL STATEMENT	
Independent Auditors' Report	41
Financial Statement	42
FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES.....	63

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Subhash Chandra Bhargava

Non-Executive Chairman, Independent Director
(DIN: 00020021)

Mr. A. K. Mittal

Managing Director
(DIN: 00698377)

Mr. Deepak Mittal

Whole-time Director
(DIN: 00043685)

Mr. Subhash Chander Madan

Independent Director
(DIN: 00785025)

Mr. Raghubinder Rai

Independent Director
(DIN: 00851994)

Mrs. Anshu

Non-Executive Director
(DIN: 01227279)

CHIEF FINANCIAL OFFICER

Mr. Vikas S Agarwal

COMPANY SECRETARY

Ms. Kanchan Singh

STATUTORY AUDITORS

M/s. Suresh Surana & Associates LLP
Chartered Accountants
[Firm Registration No. 121750W/W-100010]

BANKERS

Bank of India
HDFC Bank

REGISTRAR AND SHARE TRANSFER AGENT

Abhipra Capital Limited
Abhipra Complex, A-387, Dilkhush Industrial Area, G.T. Karnal Road, Azadpur, New Delhi – 110 033
Tel: +91 11 42390909, Fax: +91 11 27215530, website: www.abhipra.com

CORPORATE IDENTIFICATION NUMBER

L74899DL1993PLC055524

REGISTERED OFFICE

Flat N, Sagar Apartment, 6, Tilak Marg, New Delhi – 110 001
Tel: +91 11 23381561, Fax: +91 11 23385189, website: www.akcapindia.com

CORPORATE OFFICE

30-39, 3rd Floor, Free Press House, Free Press Journal Marg, 215 Nariman Point, Mumbai – 400 021
Tel: +91 22 66349300, Fax: +91 22 66100594, website: www.akcapindia.com

DIRECTORS' REPORT

To the Members of A. K. Capital Services Limited,

The Directors of your Company take pleasure in presenting the 21st Annual Report on the business and operations of your Company along with the audited statement of accounts for the financial year 2013-14:

FINANCIAL HIGHLIGHTS

A summary of the financial performance of the Company, both on consolidated and standalone basis, for the financial year 2013-14 as compared to the previous financial year is given below:

Consolidated financial highlights of A. K. Capital Services Limited and its subsidiaries

(₹ in Crore except per share data)

Particulars	2013-14	2012-13
Total income	244.98	197.35
Total expenditure	191.90	128.33
Profit before tax	53.08	69.02
Provision for taxes	17.69	22.84
Profit after tax	35.39	46.18
Less: Share of minority interest and adjustment on account of further investment in Subsidiary Company	0.20	0.22
Profit for the year	35.19	45.96
Add: Surplus brought forward from previous year	219.46	184.03
Profit available for appropriation	254.65	229.99
Less: Appropriations		
Proposed dividend	3.96	3.96
Transfer to general reserves	2.10	3.25
Transfer to special reserves	2.63	2.65
Dividend distribution tax	0.67	0.67
Surplus carried to the balance sheet	245.29	219.46
Earnings per equity share (face value ₹ 10 per share)		
Basic (₹)	53.32	69.74
Diluted (₹)	53.32	69.74

Standalone financial highlights of A. K. Capital Services Limited

(₹ in Crore except per share data)

Particulars	2013-14	2012-13
Total income	97.55	110.53
Total expenditure	66.73	62.99
Profit before tax	30.82	47.54
Provision for tax	10.53	15.87
Profit after tax	20.29	31.67
Add: Surplus brought forward from previous year	197.16	173.37
Profit available for appropriation	217.45	205.04
Less: Appropriations		
Proposed dividend	3.96	3.96
Transfer to general reserves	2.10	3.25
Dividend distribution tax	0.67	0.67
Surplus carried to the balance sheet	210.72	197.16
Earnings per equity share (face value ₹ 10 per share)		
Basic (₹)	30.74	47.98
Diluted (₹)	30.74	47.98

FINANCIAL PERFORMANCE

The consolidated turnover of your Company stood at ₹ 244.98 Crore for the financial year ended March 31, 2014 as against ₹ 197.35 Crore for the previous year. The consolidated profit before tax is ₹ 53.08 Crore for the current year as against ₹ 69.02 Crore in the previous year. After making provision for tax, the consolidated net profit of your Company is ₹ 35.39 Crore as against ₹ 46.18 Crore in the previous year.

On standalone basis, your Company earned gross income of ₹ 97.55 Crore during the year under review as against ₹ 110.53 Crore reported in the previous year. The profit before tax is ₹ 30.82 Crore as against the ₹ 47.54 Crore during the previous year. After making provision for tax, the net profit of your Company is ₹ 20.29 Crore as against the net profit of ₹ 31.67 Crore in the previous year.

DIVIDEND ON EQUITY SHARES

The Board of Directors are pleased to recommend a final dividend of 60% i.e. ₹ 6 per equity share (on the face value of ₹ 10 per equity share) on 6,600,000 equity shares for the financial year 2013-14. The amount of dividend on equity shares and tax thereon aggregates to ₹ 4.63 Crore.

The payment of the final dividend is subject to the approval of the members which is being sought at the forthcoming Annual General Meeting and shall be paid to those members whose names appear in the Register of Members as on Wednesday, September 17, 2014. The Register of Members and Share Transfer Books will remain closed from Thursday, September 18, 2014 to Saturday, September 20, 2014, both days inclusive. The Annual General Meeting of the Company is scheduled to be held on Saturday, September 20, 2014.

TRANSFERTO RESERVES

The Company proposes to transfer ₹ 2.10 Crore to the General Reserve.

SUBSIDIARIES

As on March 31, 2014, your Company had 5 subsidiaries viz. A. K. Stockmart Private Limited, A. K. Capital Corporation Private Limited, A. K. Wealth Management Private Limited, A. K. Capital (Singapore) Pte. Ltd., and A. K. Capital Finance Private Limited.

Your Company incorporated a wholly owned subsidiary at Singapore i.e. A. K. Capital (Singapore) Pte. Ltd. on July 29, 2013

On consolidated basis, your Company posted consolidated revenue of ₹ 244.98 Crore and a consolidated profit after tax (after minority interest) of ₹ 35.19 Crore.

The Consolidated Financial Statements has been prepared in accordance with the Accounting Standard 21 - Consolidated Financial Statements prescribed by the Companies (Accounting Standards) Rules, 2006 and forms part of this Annual Report.

In terms of the general exemption granted by the Ministry of Corporate Affairs vide Circular No. 2/2011 dated February 8, 2011 the Board of Directors of the Company had at their meeting held on May 25, 2014 approved attaching the Consolidated Financials of all the Subsidiaries of the Company along with that of the Company. The financial information of the Subsidiaries has been furnished under 'Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies' and forms part of this Annual Report. A statement pursuant to Section 212 of the Companies Act, 1956 is set out as an annexure to this Annual Report.

Pursuant to the aforesaid Circular, the copies of the Balance Sheet, Profit and Loss Account, Directors' Report and Auditors' Report of each of the Subsidiary Companies has not been attached to this Annual Report. The Company shall make available these details/documents to those members who wish to have copies of the same upon written request by the member to the Company Secretary and also the details/documents shall be kept open for inspection by any member at the Company's registered office on any working day except on Saturdays, between 11.00 a.m. to 3.00 p.m. upto the date of the ensuing Annual General Meeting.

DIRECTORS

As on March 31, 2014, the Board of Directors of your Company comprised of six Directors of which two are Executive Directors, one Woman Director who is a Non-Executive Non-Independent Director and three are Non-Executive Independent Directors. The Chairman of the Company is Non-Executive Independent Director and 50% of the total number of Directors are Independent Directors. The composition of the Board is in consonance with Clause 49 of the Listing Agreement, as amended from time to time, and in accordance with the applicable provisions of the Companies Act, 2013.

In accordance with the provisions of Section 149 and other applicable provisions of the Companies Act, 2013, your Company is seeking appointment of Mr. Subhash Chander Madan (DIN: 00785025), Mr. Raghubinder Rai (DIN: 00851994) and Mr. Subhash Chandra Bhargava (DIN: 00020021) as Independent Directors for five consecutive years. The said Directors fulfill the conditions specified in section 149 of the Companies Act, 2013 and the rules made thereunder for appointment as an Independent Director of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

1. the Company has, in the preparation of the annual accounts, followed the applicable accounting standards along with proper explanation relating to material departures, if any;
2. the Directors have selected such accounting policies and applied them consistently and 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 at March 31, 2014 and of the profit of the Company for the financial year 2013-14;
3. the Directors have taken proper and sufficient care to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. the annual accounts have been prepared on a going concern basis.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

In accordance with the provisions of section 135 of the Companies Act, 2013, the Board of Directors of the Company have constituted the Corporate Social Responsibility Committee (CSR Committee) comprising of the following Directors as members:

- Mr. A. K. Mittal (DIN: 00698377)
- Mr. Deepak Mittal (DIN: 00043685)
- Mr. Subhash Chander Madan (DIN: 00785025) - (Independent Director)

The terms of reference of the CSR Committee include the matters specified in Section 135 of the Companies Act, 2013 and shall be responsible to carry out the duties and obligations as may be specified in the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014

POLICY FOR PREVENTION, PROHIBITION AND REDRESSAL OF SEXUAL HARASSMENT OF WOMEN AT WORKPLACE

The Company's policy on Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace is in accordance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

In accordance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 the Company has constituted an Internal Complaint Committee. The committee is responsible for dealing with the complaints of Sexual Harassment received from the employees of the Company.

WHISTLEBLOWER POLICY AND ESTABLISHMENT OF VIGIL MECHANISM

In accordance with the provisions of Section 177 of the Companies Act, 2013 and amended Clause 49 of the Listing Agreement, the Company has established Vigil Mechanism and also adopted a Whistleblower Policy under the surveillance of the Audit Committee. The Company has adopted work culture which ensures highest standards of professionalism, honesty, integrity, moral and ethical behavior.

MANAGEMENT DISCUSSION & ANALYSIS AND CORPORATE GOVERNANCE REPORTS

The Management Discussion and Analysis for the financial year 2013-14 and the report of the Directors on Corporate Governance as required under Clause 49 of the Listing Agreement, are given in separate sections forming part of the Annual Report.

A certificate from the Statutory Auditors of the Company, M/s. Suresh Surana & Associates LLP, Chartered Accountants (Firm Registration No. 121750W/W-100010) confirming compliance with the conditions of Corporate Governance stipulated in Clause 49 of the Listing Agreement is annexed to the report of the Directors on Corporate Governance.

STATUTORY AUDITORS

M/s. Suresh Surana & Associates LLP, Chartered Accountants, (Firm Registration No. 121750W/W-100010), Mumbai, Statutory Auditors of your Company, retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Company has received a confirmation from M/s. Suresh Surana & Associates LLP, Chartered Accountants, (Firm Registration No. 121750W/W-100010), to the effect that their appointment, if made, would be within the limits prescribed under Section 139 of the Companies Act, 2013 and the rules framed thereunder and that they satisfy the criteria given under Section 141 of the Companies Act, 2013. They have also confirmed that they hold a valid peer review certificate as prescribed under Clause 41(1)(h) of the Listing Agreement.

The Audit Committee and Board of Directors have recommended the re-appointment of M/s. Suresh Surana & Associates LLP, Chartered Accountants, (Firm Registration No. 121750W/W-100010), as the Statutory Auditors of your Company.

PUBLIC DEPOSITS

During the financial year 2013-14, your Company did not accept any public deposits.

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

The provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to conservation of energy and technology absorption are not applicable to your Company.

Your Company has no foreign exchange earnings during the financial year 2013-14. The information on foreign exchange outgo is furnished in the "Notes to the Financial Statements" under note no. 28 which forms part of this Annual Report.

TRANSFER OF AMOUNTS TO INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to the provisions of Section 205A(5) and 205C of the Companies Act, 1956, relevant amounts which remained unpaid or unclaimed for a period of 7 years have been transferred by the Company to the Investor Education and Protection Fund. Pursuant to the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on August 17, 2013 (date of last Annual General Meeting) on the website of the Company (www.akcapindia.com), as also on the Ministry of Corporate Affairs website.

PARTICULARS OF EMPLOYEES

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended from time to time, the names and other particulars of the employees are set out in the annexure to the Directors' Report. Having regard to the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. The Annexure is available for inspection at the Registered Office of the Company. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

ACKNOWLEDGEMENT

Your Directors would like to express their appreciation for the assistance and co-operation received from the Government Authorities, Regulators, Stock Exchanges, Bankers of the Company, Other Statutory Bodies, etc. during the year under review. Your Directors would also like to take this opportunity to express their gratitude to the members of the Company for their trust and support. The Board also wishes to thank the employees of the Company and its subsidiaries at all levels for the dedicated services rendered by them. Your Directors look forward to your continuing support.

On behalf of the Board of Directors

A. K. Mittal
Managing Director
(DIN: 00698377)

Deepak Mittal
Whole-time Director
(DIN: 00043685)

Date : August 2, 2014
Place: Mumbai

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

MACRO-ECONOMIC & BOND MARKET DEVELOPMENT

Since January 2014 the RBI monetary policy statement, global growth outlook has remained broadly unchanged though weaker initial data to some extent clouded optimism. Global economic activity had strengthened in the second half of FY 2012-13. On the current reckoning, global growth is likely to be in the vicinity of 3.5% in FY 2013-14, about half a percentage point higher than in 2012-13.

Growth in the Indian economy had been on a consistent decline from the high of 9.6% seen in Q4 of 2010-11. It troughed at 4.4% for three quarters from Q3 of FY 2012-13 to Q1 of FY 2013-14. Since then there are signs of growth bottoming out with marginal improvement recorded during Q2 and Q3 of FY 2013-14 to 4.8% and 4.7% respectively. However, this improvement has been feeble and clear signs of recovery are yet to emerge, even as the economy seems to be gearing for a modest recovery during FY 2014-15.

The easing course of monetary policy was disrupted by 'tapering' fears in May 2013 that caused capital outflows and exchange rate pressures amid unsustainable Current Account Deficit (CAD), as also renewed inflationary pressures on the back of the rupee depreciation and a vegetable price shock. The Reserve Bank resorted to exceptional policy measures for further tightening the monetary policy. As a first line of defense, short-term interest rates were raised by increasing the marginal standing facility (MSF) rate by 200 basis points (bps) and curtailing liquidity available under the liquidity adjustment facility (LAF) since July 2013. As orderly conditions were restored in the currency market by September 2013, the Reserve Bank quickly moved to normalise the exceptional liquidity and monetary measures by lowering the MSF rate by 150 bps in three steps. However, with a view to containing inflation that was once again rising, the policy repo rate was hiked by 75 bps in three steps.

The developments in lead indicators of the services sector activity signaled improvement in most segments except cement production and in commercial vehicle sales. Weak consumer confidence has impacted the sale of passenger cars, commercial vehicles and three wheelers. The reduction in excise duty on passenger vehicles and two wheelers in the interim budget for 2014-15 are expected to provide some boost to this sector.

The outlook for the Indian economy has improved over the past two months with cautiously positive business sentiments, improved consumer confidence, expectations of a modest recovery in growth and decline in inflation numbers. The challenge for maintaining disinflationary momentum over the medium term, however, remains. GDP growth at 4.7% in Q3 of FY 2013-14, was slightly higher than that in the corresponding quarter of the previous year, but it has not been enough to suggest that the advanced estimates of 4.9% during FY 2013-14 could be realised. The economy will now have to record a 5.5% growth in Q4 to realise that growth, which on current assessment looks difficult.

Risks to inflation are more on the upside. They largely emanate from any adverse outcome on the monsoon, resurfacing of geopolitical risks that could lift commodity prices, sharper-than-anticipated tapering that could lead to exchange rate pass-through pressures and return of pricing power as the output gap narrows.

The Indian bond market witnessed several initiatives from the Reserve Bank of India (RBI) which could directly or indirectly help in the further strengthening of the bond market. Many announcements such as launch of inflation indexed bonds linked to wholesale inflation and later similar instrument linked to retail inflation was aimed at broad basing the participants in the market. Measures to allow banks to offer partial credit enhancements to corporate bonds by way of providing credit facilities and liquidity facilities to the corporate rather than providing just the guarantee was another initiative by the central bank. The launch of dedicated debt trading platform on the exchange was aimed at improving liquidity and transparency to the participants. Also launch of Cash Settled 10-year Interest Rate Futures Contracts will go a long way in deepening the bond markets.

OUR BUSINESS

The Group commenced operations in October 1993 by incorporating A. K. Capital Services Private Limited, which subsequently changed to A. K. Capital Services Limited (AKCSL) on December 21, 1994. The Company got registered with Securities and Exchange Board of India (SEBI) as Category I Merchant Banker in the year 1998. Over the period of 16 years the Company progressed to gain position amongst top participants in Indian debt market. The merchant banking activities are conducted in AKCSL which involves corporate debt raising through private placement of bonds and debentures, initial public issue of bonds and debentures, project financing, working capital financing, financial advisor, etc. AKCSL also invests in bonds out of its surplus funds and/or for fulfilling merchant banking obligations and generates investment income and interest income.

The group consists of 5 subsidiaries and conducts its operations through a branch network of 10 offices in 9 cities of India. The Company diversified into number of financial service businesses by setting up subsidiaries. AKCSL conducts its business of stock broking, IPO distribution, third party product distribution and depository services through its subsidiary A. K. Stockmart Private Limited (AKSMPL). AKSMPL is SEBI registered NSE and BSE stock broker governed by SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 and is SEBI registered Depository participant with CDSL. AKSMPL is also registered with SEBI Wholesale Debt Market Segment.

The Non Banking finance activities are conducted through A. K. Capital Finance Private Limited (AKCFPL) which is registered with Reserve Bank of India as Non Banking Finance Company (NBFC) non accepting public deposits. AKCFPL is a systematically important NBFC which is into the business of lending to corporates, investment and trading in debt securities and investment in shares.

A. K. Wealth Management Private Limited is registered with SEBI as portfolio management service provider. The Company is in the process of starting its operations in PMS debt. A. K. Capital Corporation Private Limited is into investment of its funds into financial instruments. A. K. Capital (Singapore) Pte. Ltd. wholly owned subsidiary of AKCSL was incorporated on July 29, 2013 having its presence in Singapore.

FINANCIAL PERFORMANCE

Consolidated Financial Highlights

The consolidated total income was ₹ 244.98 crore in FY 2013-14 as compared to ₹ 197.35 crore in FY 2012-13. The Profit after tax and minority interest was ₹ 35.19 crore in FY 2013-14 as compared to ₹ 46.03 crore in FY 2012-13. Basic EPS was ₹ 53.32 and diluted EPS was ₹ 53.32 in FY 2013-14 as compared to ₹ 69.74 and ₹ 69.74 in FY 2012-13 respectively.

Standalone Financials

The merchant banking fees was ₹ 87.19 crore during FY 2013-14 as compared to ₹ 95.38 crore during FY 2012-13. Merchant banking fee income primarily includes fund raising fees from clients, financial advisory fees and third party referral fees. The merchant banking fees impacted is due to adverse market conditions in the Indian debt market.

Our treasury operation team manages the funds of the Company with an aim to optimize the yields and maintain the safety of the capital. The Company invests its surplus funds mostly into rated debt securities. The Investment income comprises of income from sale of investments acquired out of its surplus funds and/or to fulfill merchant banking obligations. Investment income for FY 2013-14 was ₹ 7.53 crore as compared to ₹ 11.42 crore in FY 2012-13. During the FY 2013-14 the investment income was impacted due to increase in interest rates. The profit after tax for FY 2013-14 was ₹ 20.29 crore as compared to ₹ 31.67 crore in FY 2012-13. The Company even after the high interest rate and tight liquidity conditions demonstrates the Company's ability to perform across cycles in consistent manner and yet be able to convert growth opportunities into business whenever they re-emerge.

Employee expenses was ₹ 20.09 crore in FY 2013-14 compared to ₹ 23.11 crore in FY 2012-13. Other expenses primarily include rent, taxes, lighting, advertisement and publicity, repairs and maintenance, professional fees, sub arrangers fees, etc. Other expenses was ₹ 32.94 crore in FY 2013-14.

The Company has maintained a strong and liquid balance sheet. Equity share capital and reserves increased to ₹ 304.27 crore in FY 2013-14 from ₹ 288.62 crore in FY 2012-13 primarily due to ploughing back current year profits (after provision of proposed dividend) back into the business. The Book Value per share rose to ₹ 461.02 in FY 2013-14 from ₹ 437.30 in FY 2012-13. The Non Current liabilities decreased to ₹ 33.63 crore in FY 2013-14 from ₹ 33.84 crore in FY 2012-13. The Current liabilities increased to ₹ 109.48 crore in FY 2013-14 from ₹ 81.07 crore in FY 2012-13. During the year the net block of fixed assets decreased by ₹ 1.35 crore to ₹ 40.42 crore. The Non-Current assets increased to ₹ 309.47 crore in FY 2013-14 from ₹ 307.76 crore in FY 2012-13. The Current assets increased to ₹ 137.92 crore in FY 2013-14 from ₹ 95.77 crore in FY 2012-13.

Outlook and Strategy

In a short span of time, AKCSL has emerged as one of India's leading Merchant Bankers in the Indian Fixed Income Market through management of private placements as well as public issues. AKCSL is acknowledged for its unmatched Management Consultancy, Advisory Services, Financial Restructuring, etc. and is one of the few Merchant Bankers who has direct access as counterparty to almost each and every domestic bank/ institution. An experienced team of over 250 professionals, spread across the length and breadth of the country, with deep market insights enables AKCSL to foresee the future market trends and take initiatives to leverage the market opportunities. Each specialist at AKCSL brings in a varied experience in the marketing and sales of Bonds, Debentures and other Financial Products to ensure coverage of maximum spread of Investors.

We intend to capitalize on the potential of debt market and act as a catalyst that shall transform a nascent Indian debt market into a strong and globally preferred investment hub. Considering the fact that in all the developed nations the size of fixed income segment is manifold vis-à-vis equity segment unlike India where the fixed income market is quite nascent, we believe there is a still a lot of untapped potential in the fixed income segment of the Indian capital market. Further, mobilization of long-term funding for the infrastructure sector critically depends on a deep and liquid debt market with a large set of diverse and sophisticated investors and a wide array of instruments not only to provide vehicles of investment but also to manage the risk entailed.

With the debt market developing in terms of liquidity, transparency and evolution of the electronic platform, we envision ourselves as a catalyst in developing an electronic platform, improve liquidity and set benchmarks to facilitate transactions in fixed income markets. We wish to continuously innovate and present new avenues and structures of fixed income instruments to institutional and retail investors.

OPPORTUNITIES AND CHALLENGES

Opportunities

- Debt markets have witnessed an exponential growth in the Country over last decade which may be seen from the tables given below:

Table-1: Private Placement of Debt (Non-Convertible Debentures/ Bonds)

(₹ in crore)

2013-14*		2003-04	
No. of Issues	Amount	No. of Issues	Amount
859	2,13,507.70	337	43,599.23
Growth over last decade : 389.70%			

* provisional/ tentative

Table-2: Public Issue of Debt (Non-Convertible Debentures/ Bonds)

(₹ in crore)

2013-14*		2003-04	
No. of Issues	Amount	No. of Issues	Amount
35	42,382.99	6	4,323.54
Growth over last decade : 880.28%			

* provisional/ tentative

- Volume in private placement of debt has surged by whooping 389% over last decade and that of public issue of debt has surged by 880% during the period.
- Growth of volume in public issue of debt reflects the growing awareness, acceptability and percolation of fixed income securities to retail class of investors.
- The Government and SEBI have introduced a host of measures to promote orderly development of debt markets in the country, the major ones being, enhancement of ceiling limits for investment by FIIs, evolution of debt trading platform on stock exchanges, allowing repo in corporate bonds, allocation of large amount of tax free bonds, simplification of disclosure norms, introducing credit default swaps, interest rate futures etc.
- Fixed income markets are poised to witness increased participation from a large classes of issuers including private corporates, public sector undertakings, non-banking finance companies, housing finance companies, financial institutions and banks on one hand and diverse segment of investors such as banks, financial institutions, life and general insurance companies, foreign institutional investors, mutual funds, private corporates, high networth individuals, retail investors on the other hand.
- There is still a large territory of investors which are relatively un-tapped and are likely to participate in issues of fixed income securities and provide stable source of funding to the diverse set of issuers.

Challenges

- Like any other market, bond markets are subject to volatility in interest rates.
- Like any other market, our operations may be vulnerable to competition thereby affecting margins.
- Like any other market, debt market operations are vulnerable to credit risk.

HUMAN RESOURCES

At AKCSL, we believe that the employees are the drivers of growth, efficiency, productivity and success. Your Company is an equal opportunity employer and is committed to ensuring that the work environment at all its locations is conducive to fair, safe and harmonious relations between employees. It strongly believes in maintaining the dignity of all its employees, irrespective of their gender or seniority. The Company believes in focusing on employee training and development, rigorous leadership engagement, enhanced communication and participative decision making.

RISK MANAGEMENT

AKCSL focuses on protecting the capital and having a healthy balance sheet and has adequate risk management system across all the business. Timely and effective risk management is of prime importance to our continued success. The risk awareness culture and respecting risk has enabled us to build business on strong foundation and manage the volatility across cycles. The risk management is overseen by the Board of Directors, Audit Committee, Internal Audit Department and Compliance Department of the Company. Operational risk due to increase in competition by entry of newer foreign and domestic financial services companies is mitigated by our strong brand image, wide client base, through knowledge of products and services offered which differentiate ourselves from our competitors. We conduct our business with high level of diligence, using best practices in fair and transparent manner and endeavor to disseminate timely information to the clients, investors and regulator to mitigate the reputation risk and regulatory risk.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company maintains adequate internal control systems, which is designed to provide assurance regarding the effectiveness and efficiency of operations, the adequacy of safeguards of assets, the reliability of financial controls and compliance with applicable laws and regulations.

The Company has implemented suitable controls to ensure all the resources are utilized optimally, financial transactions are reported with accuracy and that there is strict compliance with applicable laws and regulations.

Recognizing the important role of internal scrutiny, the Company has an internal audit function which is empowered to examine the adequacy of, and compliance with, policies, plans and statutory requirements. It is also responsible for assessing and improving the effectiveness of risk management, control and governance process.

CAUTIONARY STATEMENT

The statements made in this report describe the Company's objectives and projections that may be forward looking statement within the meaning of applicable laws and regulations. The actual result might differ materially from those expressed or implied depending in the economic conditions, government policies and other incidental factors which are beyond the control of the Company. A. K. Capital Services Limited has obtained all market data and other information from sources believed to be reliable or its internal estimates, although its accuracy or completeness cannot be guaranteed.