

Annual Report 2009-2010



A.K. CAPITAL SERVICES LTD.

BUILDING *Special* BONDS

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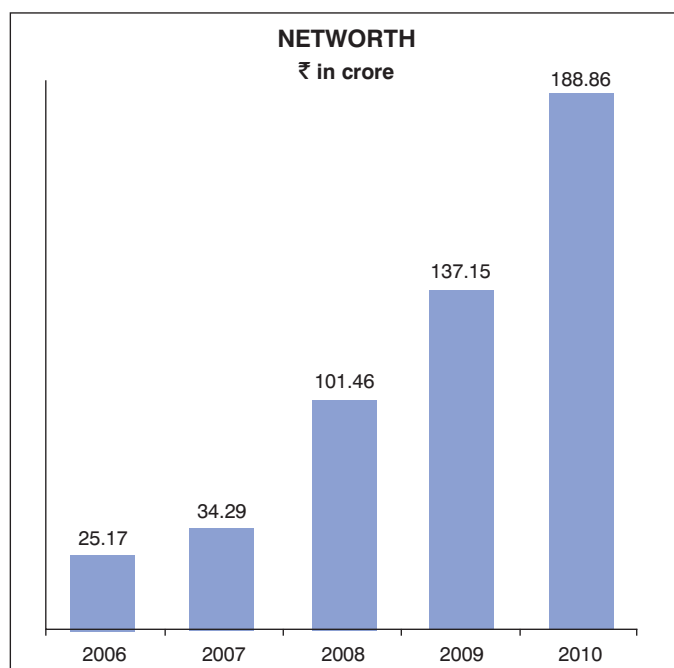
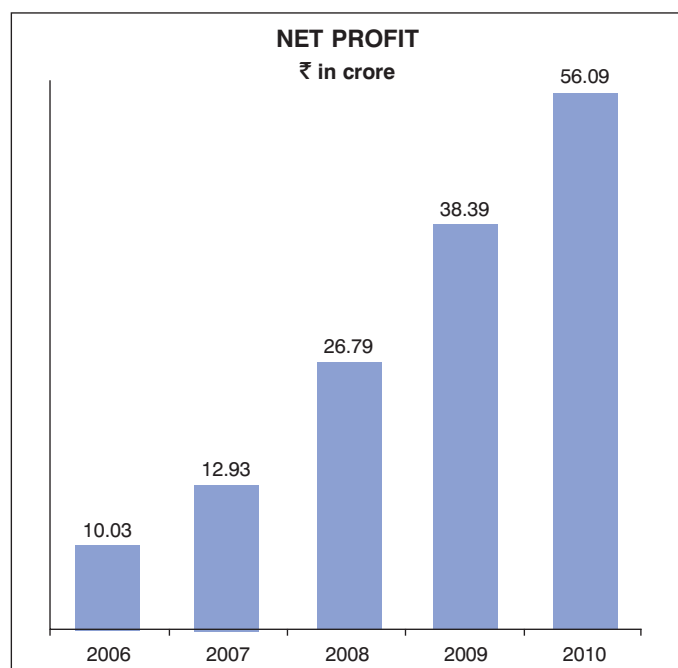
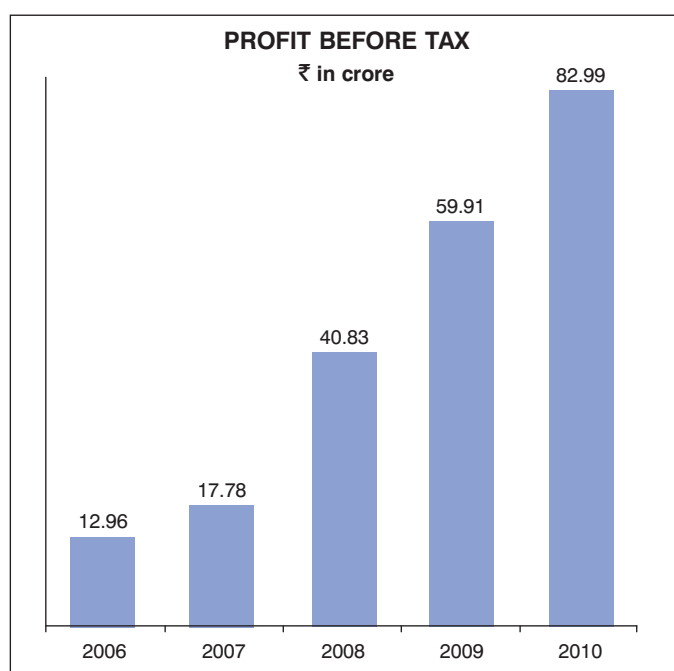
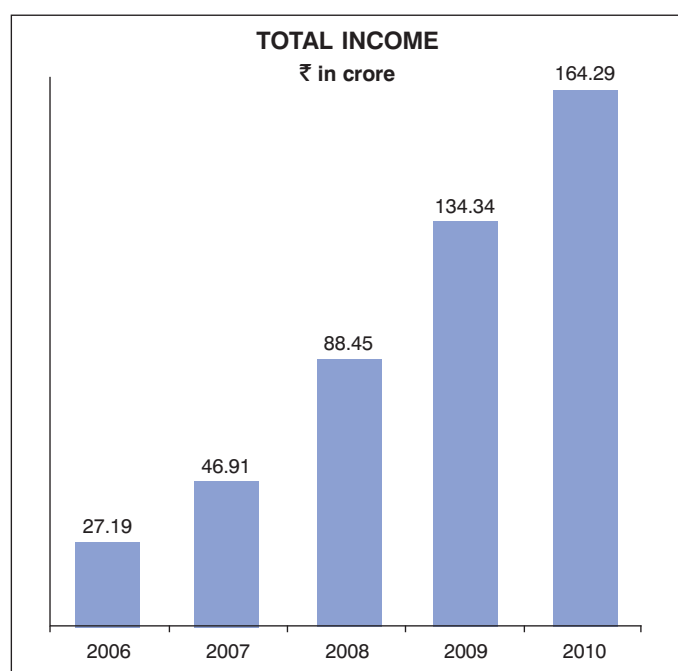
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Consolidated Financial Performance of A. K. Capital Services Limited and its Subsidiaries

(₹ in crore except per share data)

Year Ended March 31,	2010	2009	2008	2007	2006
Total Income	164.29	134.34	88.45	46.91	27.19
Total Expenditure	81.30	74.43	47.62	29.13	14.23
Profit Before Tax	82.99	59.91	40.83	17.78	12.96
Tax Expenses	26.83	21.29	14.03	4.10	2.93
Net Profit (after Tax and Minority Interest)	56.09	38.39	26.79	12.93	10.03
Paid-Up Equity Share Capital	6.60	5.80	5.80	5.00	5.00
Face Value Per Share (₹)	10	10	10	10	10
Networth (after Minority Interest)	188.86	137.15	101.46	34.29	25.17
Basic Earning Per Share (₹)	85.39	66.59	48.76	27.36	20.07
Book Value Per Share (₹)	286.15	207.80	153.73	68.58	50.34
Equity Dividend per share (₹)	6.00	3.50	3.50	3.50	2.50



CORPORATE INFORMATION

BOARD OF DIRECTORS OF A. K. CAPITAL SERVICES LIMITED

Subhash Chandra Bhargava

Non Executive Chairman (Independent Director)

A. K. Mittal

Managing Director

Deepak Mittal

Wholetime Director

Subhash Chandra Madan

Independent Director

Raghubinder Rai

Independent Director

Anshu

Non Executive Director

COMPANY SECRETARY

Niki Shingade

AUDITORS

M/s Suresh Surana & Associates

BANKERS

Bank of India

Punjab National Bank

Allahabad Bank

HDFC Bank

Corporation Bank

REGISTRAR AND SHARE TRANSFER AGENT

Abhipra Capital Limited

Abhipra Complex, A-387, Dilkhush Industrial Area, G. T. Karnal Road, New Delhi - 110 033

Tel: +91 11 42390990, Fax: +91 11 42390911

REGISTERED OFFICE

Flat No. N, Sagar Apartments, 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, Nariman Point, Mumbai - 400 021

Tel: +91 22 66349300, Fax: +91 22 66360977

LOCATIONS OF A. K. CAPITAL SERVICES LIMITED

Ahmedabad	Hyderabad
Bangalore	Kolkata
Chennai	Mumbai
Delhi	Pune



DIRECTORS REPORT

Dear Shareowners of A. K. Capital Services Limited

Your Directors have pleasure in presenting the 17th Annual Report on the business and operations of the Company together with the Audited Statement of Accounts of the Company for the financial year ended March 31, 2010.

FINANCIAL HIGHLIGHTS

Standalone financial result of A. K. Capital Services Limited

(₹ in crore except per share data)

Particulars	Current year	Previous year	Growth
Total income	158.74	131.34	21%
Profit before tax	80.00	58.33	37%
Provision for taxes	25.75	20.74	24%
Profit after tax	54.26	37.59	44%
Net worth	185.91	136.16	37%
Dividend including dividend tax	4.63	2.70	71%
Earning per share (face value ₹ 10 per share)			
Basic (in ₹)	82.53	64.82	27%
Diluted (in ₹)	82.53	39.16	111%

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

(₹ in crore except per share data)

Particulars	Current year	Previous year	Growth
Total income	164.29	134.34	22%
Profit before tax	82.99	59.91	39%
Provision for taxes	26.83	21.29	26%
Profit after tax & minority interest	56.09	38.39	46%
Net worth	188.86	137.15	38%
Earning per share (face value ₹ 10 per share)			
Basic (in ₹)	85.39	66.59	28%

FINANCIAL PERFORMANCE

Information of financial performance of your Company is given in the Management Discussion and Analysis Report which is annexed to this Annual Report and has been prepared in accordance with Clause 49 of the Listing Agreement.

DIVIDEND

Your Directors have recommended a Dividend of ₹ 6 per equity share on 6,600,000 equity shares of the face value of ₹ 10 each for the financial year ended March 31, 2010. The dividend on equity shares together with tax thereon will have a payout of ₹ 4.63 crore.

The dividend, if approved at the ensuing Annual General Meeting will be paid to all those equity shareholders whose names appear in the register of members as on Wednesday, September 1, 2010. The register of members and share transfer books will remain closed from Thursday, September 2, 2010 to Saturday, September 4, 2010, both days inclusive.

SUBSIDIARIES

The subsidiaries of the Company are: A. K. Stockmart Private Limited, A. K. Capital Corporation Private Limited and A. K. Capital Finance Private Limited (formerly known as Girdhar Vanijya Private Limited).

Your Company posted consolidated revenue of ₹ 164.29 crore (up 22% as compared to FY 2008-09) and a consolidated profit after tax (after minority interest) of ₹ 56.09 crore (up 46% as compared to FY 2008-09).

The consolidated financial statements of your Company and its subsidiaries are prepared in accordance with the Accounting Standard 21 - Consolidated Financial Statements prescribed by the Companies (Accounting Standards) Rules, 2006, forms part of this Annual Report and are reflected in the consolidated accounts of the Company. The audited statement of accounts of the subsidiaries forms part of this Annual Report.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, Mr. Subhash C. Madan and Mr. Raghubinder Rai, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

DIRECTORS RESPONSIBILITY STATEMENT

In pursuance of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, the Directors confirm 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, 2010 and of the profit of the Company for the financial year ended March 31, 2010;
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.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report for the year under review, as required under Clause 49 of the Listing Agreement, is presented in a separate section which forms part of this Annual Report.

CORPORATE GOVERNANCE

The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement, forms part of this Annual Report. A certificate from the auditors of the Company, M/s. Suresh Surana & Associates, Chartered Accountants, confirming the compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is annexed to this Annual Report.

AUDITORS

M/s. Suresh Surana & Associates, Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The retiring auditors have, under Section 224(1B) of the Companies Act, 1956, furnished certificate of their eligibility for the re-appointment.

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

PUBLIC DEPOSITS

The Company has not accepted any public deposit during the year under review.

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

The provision 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 or technology absorption is not applicable to the Company.

The Company has no foreign exchange earnings during the financial year ended March 31, 2010. The information on foreign exchange outgo is furnished in the Notes to Accounts - Schedule "O", forming part of Annual Report.



PARTICULARS OF EMPLOYEES

The information required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is set out as separate annexure. The Directors' Report and Audited Financial Statements are being sent to all the shareholders of the Company along with the aforesaid annexure.

APPRECIATION

Your Directors place on record their sincere appreciation for the assistance and guidance provided by the government, regulators, stock exchanges, other statutory bodies and yours Company's bankers for their assistance, cooperation and encouragement extended to your Company.

Your Company's employees are instrumental in your company scaling new heights year after year. Their commitment and contribution is deeply acknowledged. Your involvement as share holders is also greatly valued. Your directors look forward to your continuing support.

For and on behalf of the Board of Directors

A. K. Mittal
Managing Director

Place : Mumbai
Date : August 04, 2010

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENTS

The economy of India improved impressively during financial year 2009-10. The combination of a stable and sound financial system, effective regulatory oversight and a prompt and appropriate policy stimulus response helped the economy withstand much of the adverse effects of the global slowdown. Strong internal demand for consumer goods, government spending and investment has been the main reason for insulating the economy and nurturing the growth momentum. While government spending was likely to have grown by 8.2% last year, private consumption growth is expected to have been at around 4.6% and private investment growth is also expected to have recovered to 5.2% from 4% a year ago. Liquidity remained in surplus in 2009-10 and thus the money market conditions remained largely orderly.

In 2008-2009 the monetary policy was prioritized toward arresting moderation in growth and by the end-March 2009, RBI reduced the CRR and the Repo Rate by 400 bps each (to 5% for both) from its peak levels while the Reverse Repo rate was reduced from 6% to 3.25%, a drop of 275 bps. In the course of 2009-10 the stance of monetary policy was geared towards supporting early recovery of the growth momentum while facilitating the large borrowing programme of the Government. RBI has been continuously monitoring the inflation and has taken steps during the year to address these. In October 2009, the mandatory SLR requirement water stored back to its earlier level of 25% of NDTL. The CRR requirement was raised by 75bps on January 29th to end FY10 at 5.75%. On the other hand, the Repo as also the Reverse rates was increased by 25bps each on 19th March 2010. While the Reverse Repo rate at the end of the FY was at 3.5%, the Repo rate ended the FY at 5%.

10-year G-Sec yields movements can be categorized into 3 distinct phases. In the first phase (April 2009), 10-years G-Sec yield dropped sharply from 7.01% to 6.23% in the 2nd phase (May-August 2009), benchmark 10-year yield started to increase as the size of primary auctions were higher (from Rs. 12,000 crore to Rs. 15,000 crore) By end-September the 10-year yield rose to 7.17%. In the 3rd phase G-sec yields witnessed ranged trades before exhibiting a hardening bias on the back of lack of OMO purchase auctions in the second half of the FY; consequently the 10-year G-sec yield was at 7.72% by mid-January 2010 and also increased to above 8% in early March, 2010. 10-year yield softened to close the FY10 at around 7.85%. The weighted average yield of dated securities in H1 of 2009-10 was at 7.18% which increased to 7.72% in H2, bringing the average for the year at 7.36%. The higher weighted average yield in H2 was due to the lengthening of the borrowing maturity in H2 to 11.70 years compared to 10.93 years in H1. For the full year 2009-10 the weighted average maturity was at 11.16 years.

The Indian equities market rallied sharply during the last financial year due to the general improvement in global risk appetite. India ranked amongst the fastest growing economies in the world and benefited immensely during this phase. FIIs pumped in about USD23 billion (net inflows) into the stock markets in FY 2009-10. the Benchmark BSE sensex, which has dipped to 8100 in March 2009, saw a steep recovery to close at 17527 as on March 31, 2010. The total market capitalization of the companies listed on Bombay Stock exchange and National Stock exchange as on March 31, 2010 almost doubled to ₹ 6,165,619 crore and ₹ 6,009,173 crore respectively.

OUR BUSINESS

A. K. Capital Services Limited, is a SEBI registered Category 1 Merchant Banker. The Company together with its subsidiaries offer a range of financial products and services such as:-

- Corporate debt raising through private placement of bonds and debentures, initial public issue of bonds and debentures, project financing and working capital finance.
- Investment banking including raising equity capital through Initial Public offerings (IPO), Follow on Public offerings (FPO), Rights Issues, Qualified Institutional placements (QIP). The equity capital market activities involve providing advisory and placement services pertaining to the raising of equity and quasi equity funds for its corporate clients.
- The stock broking and Distribution services include offering product such as equities, derivatives, depository services, distribution of mutual funds, etc are carried out through its subsidiary A. K. Stockmart Private Limited (AKSM). AKSM is member of -
 - Cash segment, Future & Option Segment and Wholesale Debt market segment of National Stock Exchange of India.
 - Cash segment of Bombay Stock Exchange of India.
 - Depository member of CDSL
- Investment in bond and debentures through treasury operations.
- The non banking financing activities are being carried out through its subsidiary, A. K. Capital Finance Private Limited (formally known as Girdhar Vanijya Private Limited), which is registered with Reserve Bank of India as Non Banking Finance Company not accepting public deposits.

OUR VALUES AND PRINCIPLES

Our core values drives our culture of compliance, ethical decision making and accountability. Our core values shape the culture and define the character of our Company. They guide how we behave and make decisions.



Client value creation - Our principle is to build long term relationships with our clients based on delivering value. We commit to what we can deliver and deliver what we commit. We seek to understand our client expectations and strive to meet or exceed them. Our client relationships are rooted in trust and delivering real value. We base our advice, recommendations and solutions on objective criteria and the needs of the client, not on convenience or self interest.

Attracting and developing best talent for our business - We provide a fair and positive environment in which people can grow and succeed. We create a positive, energetic environment to enable our employees to grow, succeed and build confidence from what they achieve. We understand and respect the different roles that each employee plays in success of A. K. Capital. We develop our people by providing an empowering environment. Our employees career paths are driven by their talents, skills and ability to perform.

Integrity - We inspire trust by taking responsibility, acting ethically and encouraging open debate. We communicate accurate, timely and relevant information to our stakeholders. We prepare and provide complete and accurate financial and other reports and records. We protect the propriety information of our clients and handle insider information appropriately and lawfully.

OUR STRENGTHS

Brand Image - A. K. Capital Services Limited is one of the leading domestic financial services group in India. The Company has well established Brand and efforts are on to strengthen further the strong brand that the group has built over a period of time.

Building relationship - We respect relationships with the clients, employees and shareholders. We want everyone associated with us to be progress for their relationship with us.

Management team - Our management team consists of strategic thinkers able to see the big picture, have diverse experience, demonstrate leadership attributes, combines business insight with technical savvy, and be committed to continuous learning. They have a common vision of the future, are good team players who are committed to creating superior value of all stakeholders, customers, employees, investors and society as a whole - by getting the best from their people and leading continuous innovation.

Risk management - Capital markets are changing rapidly, and professionals who work in these markets need a sound understanding of market structures, instruments and the increasing importance of regulation and compliance. We constantly update ourself with regulatory changes and also proactive in aligning ourselves in terms of adherence to compliance requirements.

Emphasis on growth - A focused approach, strong balance sheet, consistent profit margins, a successful time tested business model and well diversified income streams helped us deliver sound results in challenging times. Our constant focus to rationalize costs and maintain our margins (and thus returns) for the business delivered results.

FINANCIAL PERFORMANCE

Consolidated Financial Highlights for FY 2009-10

Revenue of ₹ 164.29 crore (₹ 134.34 crore for FY 2008-09)

Profit after tax and minority interest of ₹ 56.09 crore (₹ 38.39 crore for FY 2008-09)

Basic EPS ₹ 85.39 (₹ 66.26 in FY 2008-09)

Diluted EPS ₹ 85.39 (₹ 40.03 in FY 2008-09)

Standalone Financials

The financial positions of A. K. Capital Services Limited continues to remain strong. Your Company recorded growth of 21% in the total revenue to ₹ 158.74 crore in FY 2009-10 from ₹ 131.34 crore in FY 2008-09. The Company has continued to retain its leadership position in the domestic debt market and during FY 2009-10 has handled debt mobilization assignments aggregating to (approximately) ₹ 48,870 crore having a market share of (approximately) 28%. Income from merchant banking fees during FY 2009-10 was ₹ 75.72 crore. 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 mostly into rated debt securities. In spite of volatility in the bond market the Company maximized profits and the portfolio yield. Our Investment income grew by 60% to ₹ 80.34 crore in FY 2009-10 from ₹ 50.17 crore in FY 2008-09.

The profit after tax registered a growth of 44% to ₹ 54.26 crore during FY 2009-10 against ₹ 37.59 crore during FY 2008-09. Our constant focus to rationalize cost and promise resources helped us to deliver constant growth year on year and increasing PAT margins at 34%.

Employee cost is one of the single largest expenses of your Company at ₹ 12.83 crore for the FY 2009-10, an increase of 27% over the previous year. Administrative expenses increased by ₹ 5.18 crores. Your Company has policy to grow through acquisitions and tie-ups. The Company has tie-ups with many chartered accountants, stock broking companies, financial companies, etc called as business associates for introduction of clients, investors, etc. The Company believes that with tie-ups the Company can leverage its existing strength and growth will be much faster. Your Company's policy to have growth through tie-ups have proved itself which is evident from the fact that the topline of the Company has grown at 21% in FY 2009-10 when compared to FY 2008-09 even in times of extremely difficult economic conditions across the globe. Depreciation expenses during the year is ₹ 1.50 crore.

The Company have maintained a strong and liquid Balance Sheet. The Company's paid up Share Capital is ₹ 6.60 crore. The Company's net worth grew to ₹ 185.91 crore in FY 2009-10 from ₹ 136.16 crore in FY 2008-09. The Book value per share rose to ₹ 281.68 in FY 2009-10 from ₹ 206.30 in FY 2008-09. During the year, the Company's gross block of fixed assets rose by ₹ 1.34 crore