

# the equity of debt



A.K. CAPITAL SERVICES LTD.

BUILDING BONDS

Annual Report 2011-12

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Mr. Subhash Chandra Bhargava**

Non-Executive Chairman (Independent Director)

**Mr. A. K. Mittal**

Managing Director

**Mr. Deepak Mittal**

Whole-time Director

**Mr. Subhash Chander Madan**

Independent Director

**Mr. Raghubinder Rai**

Independent Director

**Mrs. Anshu**

Non Executive Director

### CHIEF FINANCIAL OFFICER

Mr. Vikas S. Agarwal

### COMPANY SECRETARY

Ms. Kanchan Singh

### STATUTORY AUDITORS

M/s. Suresh Surana & Associates

Chartered Accountants

### BANKERS

Bank of India

HDFC Bank

Corporation 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 42390990, Fax: +91 11 42390911, website: [www.abhipra.com](http://www.abhipra.com)

### REGISTERED OFFICE

Flat No. N, Sagar Apartments, 6, Tilak Marg, New Delhi - 110 001

Tel: +91 11 23739628, Fax: +91 11 23739627, website: [www.akcapindia.com](http://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 66360977, website: [www.akcapindia.com](http://www.akcapindia.com)



## DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the 19th Annual Report of your Company with the Audited Accounts for the financial year 2011-12.

### FINANCIAL HIGHLIGHTS

#### Standalone financial highlights of A. K. Capital Services Limited

(₹ in crore except per share data)

Particulars	2011-12	2010-11
Total income	143.51	156.63
Total expenditure	96.46	75.56
Profit before tax	47.05	81.07
Provision for taxes	15.97	27.27
Profit after tax	31.08	53.80
Add: Surplus brought forward from previous year	1,501.45	1,069.53
Less: Appropriations		
Interim dividend	–	1.98
Proposed dividend	3.96	1.98
Transfer to reserves	3.25	6.00
Dividend distribution tax	0.64	0.65
Surplus carried to the Balance Sheet	1,733.72	1,501.45
Earning per share (face value ₹ 10 per share)		
Basic (in ₹)	47.09	81.52
Diluted (in ₹)	47.09	81.52

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

(₹ in crore except per share data)

Particulars	2011-12	2010-11
Total income	198.49	166.40
Total expenditure	139.94	82.06
Profit before tax	58.55	84.34
Provision for taxes	20.22	27.89
Profit after tax	38.33	56.45
Less: Share of minority interest and adjustment on account of further investment in subsidiary company	0.28	(0.41)
Profit for the year after minority interest	38.05	56.87
Earning per share (face value ₹ 10 per share)		
Basic (in ₹)	57.65	86.16
Diluted (in ₹)	57.65	86.16

### FINANCIAL PERFORMANCE

The financial performance of your Company is elaborated in the Management Discussion and Analysis Report which forms part of this Annual Report and has been prepared in accordance with Clause 49 of the Listing Agreement of the stock exchange where the shares of the Company are listed.

## DIVIDEND ON EQUITY SHARES

Your Directors are pleased to recommend a final dividend of 60% i.e. ₹ 6 per equity share (face value of ₹ 10 per equity share) on 6,600,000 equity shares for the financial year 2011-12. The amount of dividend on equity shares and tax thereon aggregates to ₹ 4.60 crore.

The payment of the aforesaid dividend is subject to the approval of the Members to be obtained at the ensuing Annual General Meeting and shall be paid to all those equity shareholders whose names appear in the Register of Members as on Wednesday, September 26, 2012. The Register of Members and Share Transfer Books will remain closed from Thursday, September 27, 2012 to Saturday, September 29, 2012, both days inclusive. The Annual General Meeting of the Company is scheduled to be held on Saturday, September 29, 2012.

## TRANSFER TO RESERVES

The Company proposes to transfer ₹ 3.25 crore to the General Reserve.

## SUBSIDIARIES

During the financial year 2011-12, the Company had four subsidiaries namely:

A. K. Stockmart Private Limited

A. K. Capital Corporation Private Limited

A. K. Capital Finance Private Limited

A. K. Wealth Management Private Limited

On consolidated basis, your Company posted consolidated revenue of ₹ 198.49 crore and a consolidated profit after tax (after minority interest) of ₹ 38.05 crore.

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 August 25, 2012 approved attaching the Consolidated Financials of all the Subsidiaries of the Company along with that of the Company.

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 will make available these documents / details upon written request by any Member of the Company to the Company Secretary in this regard. These documents / details will also be available for inspection by any Members of the Company at the Registered Office of the Company and also at the Registered Office of the concerned Subsidiaries. The financial information of the Subsidiaries has been furnished under 'Statement pursuant to Section 212 of the Companies Act, 1956, related to Subsidiary Companies' and forms part of this Annual Report.

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.

A statement pursuant to Section 212 of the Companies Act, 1956 is set out as an annexure to this Annual Report.

## DIRECTORS

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

A brief resume of these Directors along with the nature of their expertise in specific functional areas, names of Companies in which they hold Directorship and/or Membership/Chairmanship of Committees of the Board and the number of shares held by them in the Company, as stipulated under Clause 49 of the Listing Agreement is given in the notice of the ensuing Annual General Meeting.

## DIRECTORS' RESPONSIBILITY STATEMENT

As required by Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, your 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, 2012 and of the profit of the Company for the financial year 2011-12;
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 & ANALYSIS AND CORPORATE GOVERNANCE REPORTS:

The Management Discussion and Analysis report and the Corporate Governance report for the year under review, together with a certificate from the Statutory Auditors of the Company on compliance of the conditions of Corporate Governance, as stipulated under Clause 49 of the Listing Agreement forms part of this Annual Report.

### STATUTORY AUDITORS

M/s. Suresh Surana & Associates, Chartered Accountants, (Firm Registration Number 121750W), Statutory Auditors of the Company retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

M/s. Suresh Surana & Associates, Chartered Accountants, (Firm Registration Number 121750W), Statutory Auditors of the Company have sought re-appointment and confirmation that their re-appointment shall be within the limits of Section 224(1B) of the Companies Act, 1956 was received from them. The Audit Committee and Board of Directors recommend the re-appointment of M/s. Suresh Surana & Associates, Chartered Accountants, (Firm Registration Number 121750W) as the Statutory Auditors of the Company.

### PUBLIC DEPOSITS

During the financial year 2011-12, the Company did not accept any deposits from the public within the meaning of Section 58A of the Companies Act, 1956 and the rules made thereunder.

### CONVERSION 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 the Company.

The Company has no foreign exchange earnings during the financial year 2011-12. The information on foreign exchange outgo is furnished in the Notes to the financial statements no. 28, forming part of this Annual Report.

### PARTICULARS OF EMPLOYEES

The information required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended from time to time, is set out as separate annexure which forms part of this Annual Report. The Annual Report of the Company is being sent to all the Members of the Company along with the aforesaid annexure.

### APPRECIATION

The Board of Directors place on record their sincere appreciation for the assistance and guidance provided by the government, regulators, stock exchanges, other statutory bodies and Company's bankers for the assistance, cooperation and encouragement extended to the Company. The Directors recognise and acknowledge the unstinted support provided by the employees at all levels and also for their sincerity, commitment and professionalism. We look forward for their continued patronage and encouragement in all our future endeavours.

On behalf of the Board of Directors

A. K. Mittal  
Managing Director

Anshu  
Director

Place : Mumbai  
Date : August 25, 2012

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### MACRO-ECONOMIC SCENARIO & DEBT MARKET DEVELOPEMENT:

The Indian economy is going through a challenging phase in wake of weak macro economic data points. With lower growth, higher inflation, depreciating rupee, weakening CAD and uncertain economic development, the economy is heading towards a stagflation in the medium term.

The growth rate moderated sequentially over the quarters to a low of 5.3 per cent in Q4 FY 2011-12, thus dragging the overall growth rate to 6.5 per cent for the whole fiscal. The deceleration in the industrial production and weak investment has contributed to the growth slowdown. Even as the manufacturing Purchasing Managers' Index (PMI) towards the end of the fiscal suggested some expansion in the industrial activities, there is no question that the pace of expansion has slowed significantly.

During 2011-12, headline inflation level as measured through WPI declined from a peak of 10.0 per cent in September 2011 to 7.7 per cent in March 2012. However, during 2012-13 so far, provisional data suggests a rebound from 7.2 per cent in April to 7.3 per cent in June, largely driven by food and fuel prices.

With food prices contributing so heavily to headline inflation both WPI & CPI & a deficient monsoon progress as of now, the inflationary expectation over the course of FY 2012-13 are expected to be under pressure. Further, the probability of domestic pass in fuel cost is considered to be inflationary in the near-mid term.

However, the trend down in core inflation (non-food manufactured products) to around 5.0 per cent level is the positive development signaling no major threat to the demand pressure in the economy for the time being.

The Current Account Deficit (CAD) during 2011-12 widened visibly in the face of worsening global economic and financial conditions, exerted downward pressure on the rupee. Further with lack of clarity on GAAR & subsequent delay in necessary fiscal reforms led to capital outflows thus putting further strain on the local currency. Prospects for increasing capital inflows depend on both global conditions, particularly a credible resolution of the euro area situation, and an improvement in the domestic investment climate.

We see the current fiscal year would experience a low growth high inflation scenario. Though the consistent rate hikes in the past seems to have effective in containing the demand side price pressure, corresponding fiscal action would help in lowering price risk with improved investment demand in the economy.

The improvement in the sovereign yield curve would be more dependent up on expenditure structuring and focus on anti-inflationary reforms from the Central Government's end. Though further rate cuts by the RBI in the rest of the fiscal will be there, the timing & quantum would solely depend on the Government reform activities.

Over the past two decades, Indian bond markets have come a long way. The annual gross market borrowing of the Central Government and the State Governments increased from ₹ 122.83 billion in 1991-92 to ₹ 5,833.92 billion in 2010-11. The amount of outstanding Government of India securities increased from ₹ 780.23 billion in 1991-92 to ₹ 21,569.14 billion in 2011-12. Government securities market (G-Sec) has become broad-based in terms of participation and the sovereign yield curve now spans up to 30 years. What is quite encouraging the substantial growth in the corporate bond market. The trading volumes have increased manifold from ₹ 1,458.28 billion in 2008-09 to ₹ 5,986.04 billion in 2010-11. Simultaneously the number of public issuances in the Corporate Bond segment substantially increased (more than 3 times) to ₹ 356.10 billion in 2011-12 over ₹ 94.51 billion in 2010-11.

Further the year 2011-12 saw constructive effort in reviving the bond market by introducing various policy reforms & initiatives. Setting up of Infrastructure Debt Fund, introducing Credit Default Swap for Corporate Bonds, raising the debt investment limit for FIIs, broad basing the foreign investor definition to invest in domestic bonds, uplifting the tenure & maturity restrictions for foreign investors etc. are some of the major developments that took shape in the domestic bond space.

We expect more reforms & innovative steps would take place in the current fiscal to support the higher fiscal borrowings & to give a boost to the emerging corporate bonds.

### 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 15 years the Company progressed to gain position amount top 5 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 adviser, 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 4 subsidiaries and conducts its operations through a branch network of 9 offices in 9 cities of India. The Company diversified into number of financial service businesses by setting up subsidiaries. A. K. Capital conducts its business of stock broking, IPO distribution, third party product distribution and depository services through its subsidiary A. K. Stockmart Private



Limited (AKSM). AKSM 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. AKSM is also registered with SEBI Wholesale Debt Market Segment.

The Non Banking finance activities are conducted through A. K. Capital Finance Private Limited (AKCF) which is registered with Reserve Bank of India as Non Banking Finance Company (NBFC) not accepting public deposits. AKCF is systematically important NBFC 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 its funds into financial instruments.

Land mark transactions of the group during financial year 2011-12

- Lead Manager to NHAI's Public Issue of Tax Free Bonds aggregating to ₹ 10,000 crores, AK Capital demonstrated its mobilization strengths by mobilizing maximum number of applications and maximum amount in the Issue amongst the team of Lead Managers.
- Lead Manager to PFC's Public Issue of Tax Free Bonds aggregating to ₹ 4,033.13 crores, AK Capital demonstrated its mobilization strengths by mobilizing maximum number of applications and maximum amount in the Issue, amongst the team of Lead Managers.
- Lead Manager to IRFC's Public Issue of Tax Free Bonds aggregating to ₹ 6,268.89 crores, AK Capital demonstrated its mobilization strengths by mobilizing maximum number of applications and maximum amount in the Issue, amongst the team of Lead Managers.
- Lead Manager to REC's Public Issue of Tax Free Bonds aggregating to ₹ 3,000 crores, AK Capital demonstrated its mobilization strengths by mobilizing maximum number of applications and maximum amount in the Issue, amongst the team of Lead Managers.

## FINANCIAL PERFORMANCE

### Consolidated Financial Highlights

The consolidated total income was increased to ₹ 198.49 crore in FY 2011-12 as compared to ₹ 166.40 crore in FY 2010-11. The Profit after tax and minority interest was ₹ 38.05 crore in FY 2011-12 as compared to ₹ 56.87 crore in FY 2010-11. Basic EPS was ₹ 57.65 and Diluted EPS was ₹ 57.65 in FY 2011-12 as compared to ₹ 86.16 and ₹ 86.16 in FY 2010-11 respectively.

### Standalone Financials

The merchant banking fees was ₹ 122.76 crore during FY 2011-12 as compared to ₹ 84.50 crore during FY 2010-11, registering growth of 45%. Merchant banking fee income primarily includes fund raising fees from clients, financial advisory fees and third party referral fees. The increase in merchant banking fees is due to increased focus of the company to private corporate sector. The increase in fees is also due to fees income received from tax free public debt issues of NHAI, PFC and others done by the Company. Increased demand from corporates for raising funds from bond market also contributed in the rise in merchant banking fees of the Company.

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 2011-12 was ₹ 14.96 crore as compared to ₹ 67.22 crore in FY 2010-11. During the FY 2011-12 the investment income was impacted due to increase in interest rates.

The profit after tax for FY 2011-12 was ₹ 31.08 crore as compared ₹ 53.80 crore in FY 2010-11. The profit after tax was impacted due to fall in investment income and increase in expenses. 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 increased by 58% to ₹ 23.83 crore in FY 2011-12 from ₹ 15.04 crore in FY 2010-11. Employee expenses increased primarily due to addition of employees, annual increase in salaries. Other expenses primarily include rent, taxes, lighting, advertisement and publicity, repairs and maintenance, professional fees, sub arrangers fees, etc. Other expenses increased by 34% to ₹ 65.62 crore in FY 2011-12 from ₹ 48.89 crore in FY 2010-11. The increase in other expenses was primarily due to increase in selling expenses due to payment of sub brokerage to the consortium members for marketing the tax free public issue of debt.

The Company has maintained a strong and liquid balance sheet. Equity share capital and reserves increased to ₹ 261.58 crore in FY 2011-12 from ₹ 235.10 crore in FY 2010-11 primarily due to ploughing back current year profits (after provision of proposed dividend) back into the business. The Book Value per share rose to ₹ 396.33 in FY 2011-12 from ₹ 356.22 in FY 2010-11. The Non Current liabilities increased to ₹ 4.88 crore in FY 2011-12 from ₹ 4.27 crore in FY 2010-11. The Current liabilities increased to ₹ 135.64 crore in FY 2011-12 from ₹ 43.69 crore in FY 2010-11. During the year the net block of fixed assets decreased by ₹ 0.97 crore to ₹ 40.50 crore. The Non Current assets increased to ₹ 245.76 crore in FY 2011-12 from ₹ 118.66 crore in FY 2010-11. The increase was primarily due to increase in investment in equity share capital of subsidiary company. The Current assets decreased to ₹ 156.33 crore in FY 2011-12 from ₹ 164.40 crore in FY 2010-11.



## Outlook and Strategy

Today, A. K. Capital Services Limited is a well established brand in the financial services space. Our corporate values, execution, in-depth product knowledge and integrity have helped us to grow our business manifold in last one and half decade. The group's strength originates primarily from its main mantra - building bonds and relationships. Our experienced top and middle management and their experience of operating through various market cycles positions us as one of the strongest market player having capability to face the ever evolving market dynamics and capitalize on market opportunities.

India is one of the largest emerging economies in the world. The country posted growth in GDP even during the global financial crises. Besides conventional mode of bank financing, the country requires innovative funding solutions to optimize cost of funds for growth of infrastructure and other key sectors. Banks and Financial Institutions would need to shore up their capital base through innovative capital structures to meet the ambitious disbursement targets. Bond markets would flourish to gain a lion's share in the Indian financial markets. The regulatory authorities such as Reserve Bank of India, Securities and Exchange Board of India etc. have been proactively extending support to lay down regulatory framework and standards for smooth functioning of bond markets in the country.

AK Capital always believes in expanding business through diversified revenue streams. We believe that growth of Indian economy would provide rising opportunities to the Company in terms of debt as well as capital raising. Regulatory initiatives such as interest rate futures, online trading platform for corporate bonds, credit default swaps, repo in corporate bonds, standardization of disclosure norms, would deepen the market size of corporate bonds and we should see rising number of public issues of debt which would percolate the cult of fixed income securities to emerging high net worth individuals, corporates and other retail investors.

AK Capital clearly emphasizes on increasing its market share in India's expanding financial service industry by following a diversified business model spread across the various facets of the industry. The strategy revolves around continuously developing new and innovative products / services that reduces the cost of borrowing for the issuer and optimizes benefits to the investors.

## OPPORTUNITIES AND CHALLENGES

### Opportunities

- It may be observed that size of debt markets is many times the size of equity markets in developed economies. Indian economy being one of largest emerging economy is certain to witness exponential growth in size and depth of bond markets.
- Introduction of screen based trading in debt securities would provide impetus to growth of volume in debt markets. Participation in fixed income securities that was largely restricted to institutional investors is now percolating to the retail individual investors.
- Regulatory initiatives such as interest rate futures, online trading platform for corporate bonds, credit default swaps, repo in corporate bonds, standardization of disclosure norms have thrown a host of opportunities in terms of structuring of transactions as per requirements of varied investor segments.
- The untested territory of raising debt from retail investors through public issue route was first explored by the leading Non-Banking Finance Companies ("NBFCs") which has been further explored by Public Sector Undertakings to raise large amount of tax free bonds in FY 2011-12. The target amount of tax free bonds has been doubled from ₹ 30,000 crore to ₹ 60,000 crore in FY 2012-13. This is likely to provide safe investment and tax saving opportunities to the retail investors throughout the year.
- Introduction of e-application (online applications) and ASBA in debt public issues would reduce paperwork and make the functioning of debt markets more transparent and convenient from the investor's point of view.
- With evolution and transformation of the debt markets, increasing number of corporates are likely to raise debt through bond route and enhance retail participation in debt issues.

### Challenges

- Like any other market, bond markets are subjected to volatility in interest rates.
- Like any other market, our operations remain vulnerable to fierce competition thereby affecting margins.
- Like any other market, debt market operations are vulnerable to system related risks.

## HUMAN RESOURCES

At A. K. Capital, we believe that the employees are the drivers of growth, efficiency, productivity and success. The Company nurtures employees as its critical assets through healthy working atmosphere that ensures equal opportunity for growth and challenge to all the employees. The Company believes in focusing on employee training and development, rigorous leadership engagement, enhanced communication and participative decision making.

## RISK MANAGEMENT

A. K. Capital Services Limited has focuses on protecting the capital and having a healthy balance sheet. A. K. Capital Services Limited is a SEBI Registered Category I Merchant Banker and is governed by SEBI (Merchant Banking) Regulations, 1992. AK Capital conducts the business of stock broking through its subsidiary A. K. Stockmart Private Limited, which is governed by SEBI (Stock Brokers and Sub Brokers) Regulations, 1992. A. K. Stockmart Private Limited is a SEBI registered Depository participant with CDSL.



A. K. Stockmart Private Limited is also registered with SEBI Wholesale Debt Market Segment. The non banking financing activities are being carried out through its subsidiary, A. K. Capital Finance Private Limited which is registered with Reserve Bank of India as Non Banking Finance Company not accepting public deposits. A. K. Wealth Management Private Limited is SEBI registered Portfolio Manager governed under SEBI (Portfolio Managers) Regulations, 1993.

AK Capital 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 endeavour 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 financials 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.