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Delivering **quality**...



A.K. CAPITAL SERVICES LTD.

BUILDING BONDS

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Mr. Subhash Chandra Bhargava**

Non-Executive Chairman (Independent Director)

**Mr. A. K. Mittal**

Managing Director & CEO

**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

South Indian 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 42390900, Fax: +91 11 27215530, website: [www.abhipra.com](http://www.abhipra.com)

### REGISTERED OFFICE

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

Tel: +91 11 23381561, Fax: +91 11 23385189, 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 66100594, website: [www.akcapindia.com](http://www.akcapindia.com)

**DIRECTORS' REPORT**

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

The Directors have pleasure in presenting their 20<sup>th</sup> Annual Report on the business and operations of the Company together with the audited statement of accounts for the financial year 2012-13:

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

(₹ in Crore except per share data)

Particulars	2012-13	2011-12
Total Income	197.35	198.49
Total Expenditure	128.33	139.94
<b>Profit Before Tax</b>	<b>69.02</b>	<b>58.55</b>
Provision For Taxes	22.84	20.22
<b>Profit After Tax</b>	<b>46.18</b>	<b>38.33</b>
Less: Share Of Minority Interest And Adjustment On Account Of Further Investment In Subsidiary Company	0.22	0.23
<b>Profit For The Year</b>	<b>45.96</b>	<b>38.10</b>
Add: Surplus Brought Forward From Previous Year	184.03	154.93
<b>Profit Available For Appropriation</b>	<b>229.99</b>	<b>193.03</b>
Less: Appropriations		
Proposed Dividend	3.96	3.96
Transfer To Reserves	3.25	3.25
Transfer To Special Reserves	2.65	1.15
Dividend Distribution Tax	0.67	0.64
<b>Surplus Carried To The Balance Sheet</b>	<b>219.46</b>	<b>184.03</b>
Earnings Per Equity Share (Face Value ₹ 10 Per Share)		
Basic (₹)	69.74	57.65
Diluted (₹)	69.74	57.65

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

(₹ in Crore except per share data)

Particulars	2012-13	2011-12
Total Income	110.53	143.51
Total Expenditure	62.99	96.46
<b>Profit Before Tax</b>	<b>47.54</b>	<b>47.05</b>
Provision For Taxes	15.87	15.97
<b>Profit After Tax</b>	<b>31.67</b>	<b>31.08</b>
Add: Surplus Brought Forward From Previous Year	173.37	150.14
<b>Profit Available For Appropriation</b>	<b>205.04</b>	<b>181.22</b>
Less: Appropriations		
Proposed Dividend	3.96	3.96
Transfer To General Reserves	3.25	3.25
Dividend Distribution Tax	0.67	0.64
<b>Surplus Carried To The Balance Sheet</b>	<b>197.16</b>	<b>173.37</b>
Earnings Per Equity Share (Face Value ₹ 10 Per Share)		
Basic (₹)	47.98	47.09
Diluted (₹)	47.98	47.09

## FINANCIAL PERFORMANCE

On consolidated basis, your Company earned gross income of ₹ 197.35 Crore during the year under review as against ₹ 198.49 Crore in the previous year. The consolidated profit before tax is ₹ 69.02 Crore as against ₹ 58.55 Crore in the previous year. After providing for tax, the consolidated net profit of your Company is ₹ 46.18 Crore as against ₹ 38.33 Crore in the previous year. On standalone basis, your Company earned gross income of ₹ 110.53 Crore during the year under review as against ₹ 143.51 Crore reported in the previous year. The profit before tax is ₹ 47.54 Crore as against ₹ 47.05 Crore during the previous year. After providing for tax, the net profit of your Company is ₹ 31.67 Crore as against the net profit of ₹ 31.08 Crore in the previous year.

## DIVIDEND ON EQUITY SHARES

Your 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 2012-13. The amount of dividend on equity shares and tax thereon aggregates to ₹ 4.63 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 Tuesday, August 13, 2013. The Register of Members and Share Transfer Books will remain closed from Wednesday, August 14, 2013 to Saturday, August 17, 2013, both days inclusive. The Annual General Meeting of the Company is scheduled to be held on Saturday, August 17, 2013.

## CREDIT RATING

Your Company enjoys the credit rating for long term bank facilities of "CARE A+" [Single A Plus] of ₹ 100.00 Crore from Credit Analysis & Research Limited (CARE).

## TRANSFERTO RESERVES

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

## SUBSIDIARIES

Currently, the Company's subsidiaries are 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 ₹ 197.35 Crore and a consolidated profit after tax (after minority interest) of ₹ 46.03 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 May 25, 2013 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 on any working day, except Saturdays, between 11.00 a.m. and 3.00 p.m. 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 Chandra Bhargava and Mrs. Anshu, Directors of the Company, retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

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

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, 2013 and of the profit of the Company for the financial year 2012-13;
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 for the financial year 2012-13 and the report on Corporate Governance as required under Clause 49 of the Listing Agreement executed with the Stock exchange where the shares of the Company are listed, 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, Chartered Accountants (Firm Registration No:121750W) confirming compliance with the conditions of Corporate Governance stipulated in Clause 49 is annexed to the report on Corporate Governance.

### STATUTORY AUDITORS

M/s. Suresh Surana & Associates, Chartered Accountants, (Firm Registration No:121750W), Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. They have confirmed that their appointment, if made, at the ensuing Annual General Meeting, will be within the limits prescribed under sub-section (1B) of Section 224 of the Companies Act, 1956.

M/s. Suresh Surana & Associates, Chartered Accountants, (Firm Registration Number 121750W), Statutory Auditors of the Company have sought reappointment and confirmation that their reappointment shall be within the limits of Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for re-appointment within the meaning of Section 226 of the said Act.

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

### PUBLIC DEPOSITS

During the financial year 2012-13, 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.

### 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 the Company.

The Company has no foreign exchange earnings during the financial year 2012-13. The information on foreign exchange outgo is furnished in the Notes to the financial statements no. 28, forming 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 September 29, 2012 (date of last Annual General Meeting) on the website of the Company ([www.akcapindia.com](http://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.

On behalf of the Board of Directors

A. K. Mittal  
Managing Director

Anshu  
Director

Place: Mumbai  
Date : July 1, 2013



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### MACRO-ECONOMIC & BOND MARKET DEVELOPEMENT:

The financial year 2012-13 experienced persistent slow down in the Indian economy. With growth slowdown, elevated inflation levels and the twin deficit risks came to the fore, the space for a favorable interest rate scenario remained limited.

With output expansion of only 4.5% in Q3 of FY12-13, cumulative GDP growth for the period April 2012 to December 2012 declined to 5.0% from 6.6% a year ago. Most of the slow down was largely a factor of delay in Government's fiscal policy reform measures and part of the slowdown has been due to global factors with weak external demand impacting the manufacturing activities.

On the domestic front, the service sector activity decelerated which is considered to be the backbone of India's recent growth story. Further, Industrial growth virtually faced stagnation resulting from a combination of factors, most notably the investment cycle downturn, supply-side bottlenecks, governance problems and weak external demand. The recent quarters slow down in the private consumption demand is also dragging down growth.

However, with the introduction of government's concerted policy action and reforms during second half of FY12-13, the risk of further slow down in the coming fiscal FY13-14 seems limited and might lead to a slow-paced recovery.

On the other hand, monetary policy space in FY12-13 was constrained by elevated inflation and risk of higher twin deficits. The headline Wholesale Price Index (WPI) hovered in the band of 7.0% - 8.0% band for most of the year before moderating to about 6.0% by the end of FY12-13. However, a more perceptible fall in non-food manufactured product inflation along with marked progress in addressing fiscal risks provided headroom for monetary policy to start easing. Using the available space, the RBI lowered policy rates cumulatively by 100 bps, Cash Reserve Ratio (CRR) by 75 basis points (bps) (on top of a 125 bps reduction in Q4 of 2011-12) and Statutory Liquidity Ratio (SLR) by 100 bps.

Considering the recent macro-economic dynamics, the economic recovery would critically depend on supply-side action to remove a host of micro-constraints and structural bottlenecks that impede production and investment, especially in growth-driving sectors such as road, power, housing & other infra projects. The year 2014 being the election year might lead to a slow pace fiscal implementation, thus tightening the scope of Central Bank in going more aggressive for further rate cuts to support growth.

The Indian Bond market witnessed genuine intention both from the Government and Central Bank's end to make it more robust and vibrant. The same has been reflected through implementation of a host of measures starting from truncating the time window for bidding in the primary auction; changing the settlement cycle of primary auctions in Treasury Bills (T-Bills) from T+2 to T+1; conduct of primary auctions in g-secs as a mix of both uniform-price and multiple-price formats; re-issuances of existing securities in state development loans; standardizing interest rate swap (IRS) contracts to facilitate centralized clearing and settlement of these contracts; reduction in withholding taxes to 5% on FII debt investments in to India & curtailing the SLR holdings to 23% under banker's held to maturity (HTM) category.

In the light of above and with a thrust to attract more participation towards India's key economic sectors more specifically the infrastructure, the role of Debt Capital Market is expected to play a pivotal role in the coming years.

### 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 amongst 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 10 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 (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) not 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.

### FINANCIAL PERFORMANCE

#### Consolidated Financial Highlights

The consolidated total income was ₹ 197.35 crore in FY 2012-13 as compared to ₹ 198.49 crore in FY 2011-12. The Profit after tax and minority interest was ₹ 46.03 in FY 2012-13 as compared to ₹ 38.05 crore in FY 2011-12. Basic EPS was ₹ 69.74 and Diluted EPS was ₹ 69.74 in FY 2012-13 as compared to ₹ 57.65 and ₹ 57.65 in FY 2011-12 respectively.



## Standalone Financials

The merchant banking fees was ₹ 95.38 crore during FY 2012-13 as compared to ₹ 122.76 crore during FY 2011-12. Merchant banking fee income primarily includes fund raising fees from clients, financial advisory fees and third party referral fees.

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 2012-13 was ₹ 11.42 crore as compared to ₹ 14.96 crore in FY 2011-12. During the FY 2012-13 the investment income was impacted due to increase in interest rates.

The profit after tax for FY 2012-13 was ₹ 31.67 as compared ₹ 31.08 crore in FY 2011-12. The profit after tax was increased due to effective management of 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 was ₹ 23.11 crore in FY 2012-13 as compared to ₹ 23.82 crore in FY 2011-12. Other expenses primarily include rent, taxes, lighting, advertisement and publicity, repairs and maintenance, professional fees, sub arrangers fees, etc. Other expenses decreased by 57.43% to ₹ 27.94 crore in FY 2012-13 from ₹ 65.62 crore in FY 2011-12. The decrease in other expenses was primarily due to effective management of expenses.

The Company has maintained a strong and liquid balance sheet. Equity share capital and reserves increased to ₹ 288.62 crore in FY 2012-13 from ₹ 261.58 crore in FY 2011-12 primarily due to ploughing back current year profits (after provision of proposed dividend) back into the business. The Book Value per share rose to ₹ 437.30 in FY 2012-13 from ₹ 396.33 in FY 2011-12. The Non Current liabilities increased to ₹ 33.84 crore in FY 2012-13 from ₹ 4.88 crore in FY 2011-12. The Current liabilities decreased to ₹ 81.07 crore in FY 2012-13 from ₹ 135.64 crore in FY 2011-12. During the year the net block of fixed assets increased by ₹ 1.27 crore to ₹ 41.77 crore. The Non Current assets increased to ₹ 307.76 crore in FY 2012-13 from ₹ 245.76 crore in FY 2011-12. The increase was primarily due to increase in investment in equity share capital of subsidiary company. The Current assets decreased to ₹ 95.77 crore in FY 2012-13 from ₹ 156.33 crore in FY 2011-12.

## Outlook and Strategy

In a short span of time, AK Capital 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. AK Capital 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 200 professionals, spread across the length and breadth of the country, with deep market insights enables AK Capital to foresee the future market trends and take initiatives to leverage the market opportunities. Each specialist at AK Capital 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 are witnessing exponential growth in the Country. While there were 485 institutional issuances of corporate bonds aggregating ₹ 48,424 Crore in FY 2002-03, the numbers grew to 1,169 issuances aggregating ₹ 3,06,520 Crore in FY 2012-13 which symbolizes the growing awareness of fixed income securities amongst the institutional investor community.
- This growth has been possible with policy measures undertaken by the Government and the market regulator (SEBI) from time to time to provide impetus to growth of corporate bond markets 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, rationalization of standard disclosure norms, laying down norms for credit default swaps, defining policy framework governing interest rate futures etc.
- Besides evolution of institutional demand for corporate bonds, retail demand is also picking up gradually for fixed income securities. While there were 8 retail debt issuances of corporate bonds aggregating ₹ 4,693 Crore in FY 2002-03, the numbers grew to 20 issuances aggregating ₹ 16,982 Crore in FY 2012-13 which symbolizes growing percolation of fixed income securities amongst retail investor community.
- Extension of applications supported by blocked amount ("ASBA") to public debt offers, online uploading of applications, limited time frame for execution of allotment of debt securities are some of the key initiatives undertaken by SEBI for penetration of fixed income securities to retail class of investors.
- The fixed income markets are poised to witness increased participation from a large number of issuers including corporates, PSUs, NBFCs, FIIs and Banks on one hand and diverse segment of investors such as Banks, Financial Institutions, Insurance Companies,



Mutual Funds, Corporates, High Networth Individuals, Retail Investors on the other hand.

### Challenges

- Like any other market, bond markets are subjected 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 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 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 in 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 Mangers) 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 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.

## CORPORATE GOVERNANCE REPORT

### (A) OUR PHILOSOPHY

Corporate Governance is a set of systems and practices to ensure that the affairs of the Company are being managed in a way which ensures accountability, transparency, fairness in all its transactions in the widest sense and meet its shareholders' aspirations and societal expectations.

At A. K. Capital, good corporate governance is intrinsic to the management of company affairs. We endeavour to enhance long-term shareholder value and respect minority rights in all our business decisions. The Company fosters a culture in which high standards of ethical behavior, individual accountability and transparent disclosure are ingrained in all its business dealings and shared by its Board of Directors, management and employees.

Good Corporate Governance stems from the culture and mindset of the organization and at A. K. Capital, we are committed to meet the aspirations of all our shareholders. The essence of Corporate Governance lies in promoting and maintaining integrity, transparency and accountability in the higher echelons of management.

The Report on Corporate Governance, as per the applicable provisions of Clause 49 of the Listing Agreement is as under:

### (B) BOARD OF DIRECTORS

The Board of Directors ("the Board") is at the core of our corporate governance practice and oversees how the management serves and protects the long-term interests of all our shareholders. Our Board exercises its fiduciary responsibilities in the widest sense of the term.

#### (1) Composition of the Board of Directors

The Company has a policy of maintaining an optimum combination of Executive and Non-Executive Directors which is in conformity with Clause 49 of the Listing Agreement. The Board comprises of six Directors of which two are Executive Directors, one is 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.

None of the Directors on the Board is Chairman of more than 5 committees and member of more than 10 committees of all public limited companies in which he/she is a Director, as stipulated in Clause 49 of the Listing Agreement. All the Directors have made the requisite disclosures regarding committee positions held by them in other public limited companies. All the Independent Directors of the Company have confirmed that they qualify to be Independent Director as stipulated in Clause 49 of the Listing Agreement.

#### (2) Board Meetings

The Board meets at least once in a quarter and the time gap between two Board Meetings is not more than four calendar months. The Company Secretary sends a detailed agenda along with other explanatory notes and papers to each Director sufficiently before the Board Meetings. The Managing Director of the Company appraises the Board at every meeting on the overall performance of the Company. The Company Secretary records the minutes of the proceedings of each Board Meeting and Committee Meeting. The minutes of the Board Meetings of the Company's subsidiaries and a statement of all significant transactions and arrangements entered into by the subsidiaries are placed before the Board.

During the financial year 2012-13, five Board Meetings were held on the following dates:

May 11, 2012; August 11, 2012; August 25, 2012; November 3, 2012 and February 9, 2013.

The names and categories of directors, their relationship with other directors, attendance at the Board Meetings held during the financial year 2012-13 and at the last Annual General Meeting (AGM) as also the number of directorships and committee positions held by them in all public limited companies as on March 31, 2013 are as under:

Name of Director	Category of Director	Relationship with other Directors	No. of Board Meetings		Attendance at the last AGM held on September 29, 2012	No. of Directorships and committee membership/ chairmanship		
			Held	Attended		Directorships *	Committee membership **	Committee chairmanship **
Mr. Subhash Chandra Bhargava	Chairman, Non-Executive Independent Director	None	5	5	No	11	5	1
Mr. A. K. Mittal	Managing Director, Executive (Promoter)	Husband of Mrs. Anshu	5	5	Yes	5	1	-
Mr. Deepak Mittal	Whole time Director, Executive	None	5	5	Yes	2	2	-