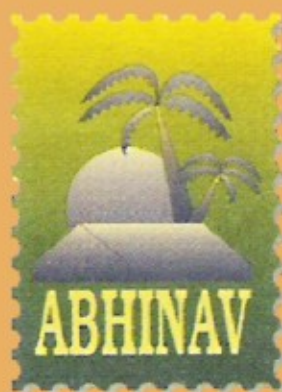


# **Abhinav Capital Services Limited**

**ANNUAL REPORT**  
**2009 - 2010**



**Registered Office :**

**Athenna House, Row house No.4, Rajnigandha, Gokuldham, Goregoan (E), Mumbai - 400063.**

**Tel: 28425907 • Fax : 2842 6526 • E-mail : [abhinavcapital@yahoo.co.in](mailto:abhinavcapital@yahoo.co.in)**



- Board Of Directors** : 1. Mr. Chetan Karia - Chairman  
2. Mr. Kamlesh Kotak – Executive Director  
3. Mr. Girish Desai - Independent Director  
4. Late Mr. A. K. Jain - Independent Director  
(Expired on 27th May, 2010)
- Bankers** : **Bank of India**  
Stock Exchange Branch, Mumbai-400023.
- Auditors** : **M/s BRV & Associates**  
Chartered Accountants  
7/10, Botawala Building, 1st Floor,  
Horniman Circle, Fort, Mumbai 400 001.
- Share Transfer Agent** : **Adroit Corporate Services Private Limited**  
19, Jaferbhoy Industrial Estate, Makwana Road,  
Marol Naka, Andheri (East), Mumbai 400 059.  
Tel No. : 2859 4060 / 2859 6060  
Fax No. : 2850 3748
- Registered Office of Company:** : **Athena House, Row house No.4,**  
Rajnigandha, Gokuldham, Goregaon (E.),  
Mumbai-400063.  
Tel. 28425907  
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**NOTICE**

NOTICE is hereby given that the Annual General Meeting of the members of ABHINAV CAPITAL SERVICES LIMITED will be held on Thursday 30th September, 2010 at 11.00 A.M. at Company's Registered Office at Athena House, Row House No. 4, Rajnigandha, Gokuldharm, Goregaon (East), Mumbai 400 063 to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Profit and Loss Account for the financial year ended on 31st March 2010 and Balance Sheet as on that date.
2. To appoint a Director in place of Mr. Chetan Karia, who retires by rotation and being eligible, offers him for re-appointment.
3. To appoint M/s. BRV & Associates, Chartered Accountants, retiring auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration

For and on behalf of the Board of Directors,  
For **Abhinav Capital Services Limited**

Place: Mumbai  
Date 31st May, 2010

**Chetan Karia**  
Chairman

**Note:**

1. Proxies in order to be valid must reach to the Registered Office of the Company not less than 48 hours before the date of the meeting.
2. Members are requested to intimate immediately any change in the Residential Address of the Company.
3. The relevant Explanatory Statement pursuant to section 173 of the Companies Act, 1956 is annexed hereto
4. The Register of members and Share Transfer Books of the Company will remain closed from 27.09.2010 to 30.09.2010 (both days inclusive)

**DIRECTORS' REPORT**

Your Directors have pleasure in presenting the Annual Report of ABHINAV CAPITAL SERVICES LIMITED with the Audited Statement of Accounts for the year ended on March 31, 2010.

**Financial Highlights:**

The financial performance of the Company for the year ended 31st March 2010 is summarized below:

(Rupees in Lakhs)

	<b>Current Year</b>	<b>Previous Year</b>
Gross Total Income	17.11	32.88
Total Expenditure	51.67	53.14
Profit before Taxation	(34.56)	(20.26)
Less : Loss on sale of Investments	(25.51)	-
Loss before taxation	(60.07)	(20.26)
Provision for Taxation/Deferred Taxation	(00.33)	0.22
Fringe benefit Tax	-	0.26
Profit After Taxation	(59.74)	(20.74)

**Performance of the Company**

During the year under review, the Company has suffered loss of Rs.59.74 lakhs in compared to last year loss of Rs 20.26 lakhs. The loss is mainly due to loss of Rs.25.51 Lakhs on sale of Investments. Your Company has stopped its trading activities in the market. The Company has started making investment in good scripts and Company is reconstructing its entire business activities. Your Directors expects turnaround in current financial year.

**Future Prospects**

The Indian economy started recovery in second half of Financial Year 2009-10 has since shown sustained improvements. Strong Stock market is the parameter of strong economy of the Country, It is hoped that the market will improve further which shall enable the company to tap the opportunities, for the growth of the company and its investors.

**Directors**

Your Directors express their profound grief on the unexpected sudden demise of Shri A.K. Jain, Director of the Company.

The Board placed on record its deep sense of appreciation for the invaluable contribution made by Shri A.K. Jain during his tenure as a Director of the Company.

Mr. Chetan Karia Director is retiring by rotation at the ensuing Annual General Meeting of the Company and is eligible for re-appointment & he has offered himself for re-appointment.

**Dividend**

In view of loss during the year under review, the Directors do not recommend the payment of dividend for the year under review.

**Public Deposits**

During the year under review, the Company has not accepted any public deposits as defined under section 58A of the Companies Act, 1956.

**Particulars regarding Foreign Exchange Earning and outgo, Conservation of Energy and Technology absorption**

Information pursuant to Foreign Exchange, Conservation of Energy and Technology absorption as required under the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars





in the Report of the Board of Directors) Rules, 1988 is not applicable to the Company.

**Particulars of Employees**

The Company does not have any employee whose particulars are required to be given pursuant to the provisions of Section 217(2A) of the Company read with the Companies (Particulars of Employees) Rules, 1975.

**Auditors**

The retiring auditors, M/s. BRV & Associates, Chartered Accountants, retires at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment. The members are requested to re-appoint them.

**Audit Committee**

The Company has appointed Audit Committee as required under Section 292A of the Companies Act, 1956. The Audit Committee has met regularly and forwarded its reports. There are no adverse marks given by the Audit Committee.

**RBI Guidelines**

Your Company is Complying with all the requirements of Reserve Bank of India for Non Banking Finance Company. In terms of paragraph 9BB of the NBFC Regulations, the particulars as applicable to the company are appended to the Balance sheet.

**Directors' Responsibility Statement**

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Board of Directors of the Company do hereby confirmed as follows:

- i) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) That the Directors had prepared the annual accounts on a going concern basis.

**Corporate Governance & Management Discussion & Analysis Statement**

The Company has taken adequate steps to ensure that the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreements of the Stock Exchange are complied with. A detailed report on Corporate Governance has been included in this report along with a certificate from the auditors of the company regarding compliance of conditions of Corporate Governance. Further, a separate Management Discussion and Analysis report is also given in this report.

**Acknowledgement**

Your Directors thank the clients for the confidence in the Company, which has enabled the Company to reach to a new level of customer satisfaction. The Board places acknowledgment to the employees for their teamwork and professional approach for the Company's image.

Your Directors would like to express their gratitude for the continuous support and guidance received from Company's lenders, bankers, the Government departments, and SEBI and Stock Exchange officials.

For and on behalf of the Board of Directors,  
For **Abhinav Capital Services Limited**

Place: Mumbai  
Date: 31st May 2010

**Chetan Karia**  
Chairman

**MANAGEMENT DISCUSSION & ANALYSIS****INDUSTRY STRUCTURE AND DEVELOPMENTS.****BUSINESS SCENARIO**

Non-Banking Finance Companies (NBFCs) are an integral part of the country's financial system because of their complementary as well as competitive role. They act as a critical link in the overall financial system catering to a large market of niche customers. As a result of consolidation and restructuring in the financial sector and liberalisation and globalisation of markets only few strong NBFCs now remain in business. However, competition continues to be intense, as the Indian and foreign banks have entered the retail lending business in a big way, thereby exerting pressure on margins. The erstwhile providers of funds have now become competitors. NBFCs can sustain in this competitive environment only through optimization of funding costs, identification of potential business areas, widening geographical reach, and use of technology, cost efficiencies, strict credit monitoring and raising the level of customer service.

On the regulatory front, NBFCs are regulated by the Reserve Bank of India (RBI) almost at par with banks. All the prudential norms for asset classification, income recognition, provisioning etc., are applicable to NBFCs in India.

The Indian economy exhibited momentum in recovery, and despite the impact of a deficient monsoon on agricultural production, GDP growth for FY 2009-10 has been estimated at 7.2%, up from 6.7% recorded in FY 2008-09. The recovery has also been broad based, excluding "agriculture" and "community, social and personal services". The deceleration in Agricultural & allied activities was due to adverse impact of deficient monsoon on the agricultural output. The Index of Industrial Production (IIP) has shown double digit growth and lead indicators for services activities have shown overall improvement. The Economic Survey data also suggests pick up in capacity utilisation levels, which however, remain below their previous peaks.

India's external sector also witnessed improvement as reflected in the turnaround in exports, buoyancy in capital inflows and further accretion to the country's foreign exchange reserves. India's balance of payments position during April-December 2009 remained comfortable with a modest increase in current account deficit, despite a lower trade deficit. There has been a turnaround in capital inflows, mainly led by portfolio inflows, reflecting the buoyant growth prospects of the Indian economy. India's foreign exchange reserves stood at US\$ 279.1 billion as at end-March 2010 up by US\$ 27.1 billion during FY 2009-10. As a result, the Indian Rupee (INR) also appreciated against the major currencies during FY 2009-10.

The Wholesale Price Index (WPI) inflation, which moderated in the first half of FY 2009-10, firmed up in the second half of the year. It accelerated from 0.26% in March 2009 to 9.9% in March 2010. The deficient monsoon, combined with the firming up of global commodity prices and incipient demand side pressures led to acceleration in the overall inflation rate - both of the WPI and Consumer Price Index (CPI). This is evident from the acceleration of inflation in non-food manufactured products from (-) 0.4% in November 2009 to 4.7% in March 2010. With the recovery in growth gaining momentum, the Reserve Bank of India's (RBI) policy emphasis has shifted to ensure price stability and anchoring inflation expectations.

The Company's main object is Non-banking Finance activities. The market for this activity offers high potential for growth. The Company has already started Giving loan & Inter Corporate Deposit to the corporate clients

Company is operating business from Mumbai.

**Economy Overview**

The monetary policy response in India, in the wake of the global economic crisis, was aimed at instilling confidence in market participants, mitigating the adverse impact of the global financial crisis on the economy and ensuring an early return to the path of recovery. However, in view of the rising food inflation and the risk of broader inflationary expectations, the Reserve Bank began the process of exit from the expansionary monetary policy, beginning October 2009. SLR and CRR were hiked by 100 basis points each, between October 2009 and April 2010, while repo and reverse repo rates were raised by 50 basis points each during the same period. In India, the economic recovery, which began around the second quarter of 2009-10, has since shown sustained improvement. Industrial recovery



has become more broad-based and is expected to continue in the wake of rising domestic and external demand. Reversing a nearly yearlong decline, exports and imports have both grown since October/ November 2009. Flow of credit from both bank and non-bank sources has picked up and overall business sentiment has turned distinctively positive. India's GDP growth in 2009-10 has been estimated at 7.4%, driven by 9.3% growth in the industrial sector and 8.5% in the services sector. The abundance of liquidity in the system ensured that interest rates remained reasonable for most part.

The developments on the inflation front are, however, far from encouraging. The wholesale price index (WPI) inflation climbed steeply from 1.5 per cent in October 2009 to 9.9 per cent by March 2010. What was initially a problem driven by food prices has now become more generalised. This is reflected in non-food manufactured products inflation rising from (-) 0.4 per cent in November 2009 to 4.7 per cent in March 2010. The Reserve Bank in its Annual policy statement 2010-11, has warned that the current episode of inflation, which was triggered by supply side factors, could develop into a wider inflationary process, with demand side pressures becoming clearly discernible. The fiscal deficit as of February 2010 had been estimated as 6.5% of GDP on a rolling basis, slightly below the full year's estimate of 6.7%. In the Budget for 2010-11, the fiscal deficit for FY 2011 has been estimated at 5.5% of Gdp, a reduction of 1.2% from last year's estimate.

### **OPPORTUNITIES AND THREATS**

The performance of capital market in India has a direct correlation with the prospect of economic growth and political stability. Though the growth projections for FY 2010-11 appear reassuring, there are certain downside risks such as pace and shape of global recovery, effect of withdrawal of fiscal stimulus and hardening of commodity prices. Accommodative monetary policies in advanced economies, coupled with better growth prospects in Emerging Markets (EMs) including India, are expected to trigger large capital inflows in EMs which in turn could lead to inflationary pressures and asset price bubble. Our business performance may also be impacted by increased competition from local and global players operating in India, regulatory changes and attrition of employees. With growing presence of players offering advisory service coupled with provision of funds for the clients' needs, we would face competition of unequal proportion. We continuously tackle this situation by providing increasingly superior customized services.

In financial services business, effective risk management has become very crucial. As an NBFC, Your Company is exposed to credit risk, liquidity risk and interest rate risks. Your company has in place suitable mechanisms to effectively reduce such risks. All these risks are continuously analysed and reviewed at various levels of management through an effective information system.

The Company is having excellent Research Department. The Company is having team of Expert advisor, who is helping the Company in making good Investment. The Company is exposed to all risks & threat which Financial Market & Non Banking Finance Company faces. The company is also facing risk of heavy ups and down in stock market which can be minimize due to risk management system of our company.

### **Review Of Operations**

During the year total income of the company is Rs.17.10 Lakhs as compared to previous year figure of Rs.32.88 lakhs The Company has suffered a loss of RS.25.51 lakhs on sale of investments As a result of which company has suffered a loss of Rs. 59.74lakhs in comparison to previous year loss of Rs. 20.74 Lakhs Over the years, your company has created a good port folio hence your management expects this will continue to yield better prospects to the mutual interest of both the small investors and the company.

### **SEGMENT-WISE PERFORMANCE**

The Company's main business is Investments & Inter Corporate Deposit to the Corporate Sector.

During the year under review, the Company suffered a loss of Rs. 59.74 Lakhs due to loss on sale of Investments The Company's total investments made by the company were Rs10.72 crores. All Investments are made in listed and non-listed securities (As annexed to schedule 'D' attached with Balance sheet) During the year the Company has mainly concentrated on Investment in Stock Market & Capital Market. Further Company is diversifying its activities





from Investment in shares to Corporate Loan & deposit.

**SUBSIDIARY COMPANY**

As there are no subsidiaries of the company, investment made in subsidiaries is NIL

**OUTLOOK 2010-11**

The Indian economy is firmly on the recovery path and the key indicators support the perception of a consolidating recovery. The improved performance of the industrial and services sector is also reflected in the improved profitability in the corporate sector. Acceleration of reforms and capital inflows will spur investment; however, the risks from high inflation, higher cost of capital arising from high fiscal deficit and exit from the expansionary monetary policy could have a dampening effect on the growth. India's growth prospects remain bright with its growth being well balanced and largely driven by domestic consumption. With strengthening of the economy and stable economic environment, the Indian capital market is expected to perform well. With strengthening of the economy and stable economic environment, the Indian capital market is expected to perform well. The current year has begun on an encouraging note. The Financial & Capital market appears to be maintaining the growth trajectory that was witnessed in the second half of last year, amidst optimistic growth projections from the industry, for the current year. The general tone for the industry is one of optimism and most indicators appear positive. A significant portion of the company's income arises from investment and trading operation, which are largely dependent on the conditions of the stock market. The stock market activity depends largely upon the economic growth momentum and a combination of several factors like low inflation, growing domestic savings, surging portfolio investments into India etc. The unusual developments in the global economy indicate heightened uncertainties and new challenges for the emerging market economies like India.

The management is of the view that the company will be able to reasonably perform in the context of given economic environment by continuing its efforts to reach new client segment with the service capability.

**RISKS & CONCERNS.**

In today's complex business environment, almost every business decision requires executives and managers to balance risk and reward. Effective risk management is therefore critical to an organisation's success. Globalization, with increasing integration of markets, newer and more complex products & transactions and an increasingly stringent regulatory framework has exposed organisations to newer risks. As a result, today's operating environment demands a rigorous and integrated approach to risk management. Timely and effective risk management is of prime importance to our continued success. Increased competition and market volatility has enhanced the importance of risk management in Share Trading business. The sustainability of the business is derived from the following:

- \* Identification of the diverse risks faced by the company.
- \* The evolution of appropriate systems and processes to measure and monitor them.
- \* Risk management through appropriate mitigation strategies within the policy framework.
- \* Monitoring the progress of the implementation of such strategies and subjecting them to periodical audit and review.
- \* Reporting these risk mitigation results to the appropriate managerial levels.

There is the risk of loss from inadequate or failed systems, processes or procedures. These may be attributed to human failure or technical problems given the increased use of technology and staff turnover.

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUENCY**

As part of the effort to evaluate the effectiveness of the internal control systems, your Company's internal audit department reviews all the control measures on a periodic basis and recommends improvements, wherever appropriate. The internal audit department is manned by highly qualified and experienced personnel and reports directly to the Audit Committee of the Board. The Audit Committee regularly reviews the audit findings as well as



the , an Information Security Assurance Service is also provided by independent external professionals. Based on their recommendations, the Company has implemented a number of control measures both in operational and accounting related areas, apart from security related measures.

**FULFILMENT OF RBI NORMS AND STANDARDS**

The Company has fulfilled all RBI Norms and complied with it.

**CAUTIONARY STATEMENT**

This report describing the companies' activities, projections about future estimates, assumptions with regard to global economic conditions, government policies, etc may contain "forward looking statements" based on the information available with the company. Forward-looking statements are based on certain assumptions and expectations of future events. These statements are subject to certain risks and uncertainties. The company cannot guarantee that these assumptions and expectations are accurate or will be realized. The actual results may be different from those expressed or implied since the company's operations are affected by the many external and internal factors, which are beyond the control of the management. Hence the company assumes no responsibility in respect of forward-looking statements that may be amended or modified in future on the basis of subsequent developments, information or events.

Company follows all Mandatory Accounting Standards.

For and on behalf of the Board of Directors,  
For **Abhinav Capital Services Limited**

Place: Mumbai

Date: 31st May, 2010

**Chetan Karia**  
Chairman