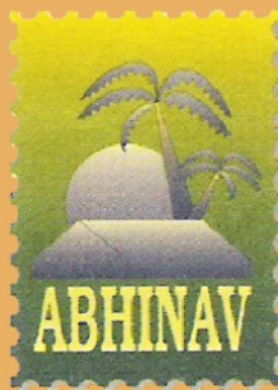


# **Abhinav Capital Services Limited**

**ANNUAL REPORT**  
**2010 - 2011**



**Registered Office :**

**Athenna House, Row house No.4, Rajnigandha, Gokuldham, Goregoan (E), Mumbai - 400063.**  
**Tel: 28425907 • Fax : 2840 6189 • E-mail : [abhinavcapital@yahoo.co.in](mailto:abhinavcapital@yahoo.co.in)**



<b>Board Of Directors</b>	:	1. Mr. Chetan Karia - Chairman 2. Mr. Kamlesh Kotak – Executive Director 3. Mr. Girish Desai - Independent Director
<b>Bankers</b>	:	<b>Bank of India</b> Stock Exchange Branch, Mumbai-400023.
<b>Auditors</b>	:	<b>M/s BRV &amp; Associates</b> Chartered Accountants 7/10, Botawala Building, 1st Floor, Horniman Circle, Fort, Mumbai 400 001.
<b>Share Transfer Agent</b>	:	<b>Adroit Corporate Services Private Limited</b> 19, Jaferbhoy Industrial Estate, Makwana Road, Marol Naka, Andheri (East), Mumbai 400 059. Tel No. : 2859 4060 / 2859 6060 Fax No. : 2850 3748
<b>Registered Office of Company:</b>	:	Athena House, Row house No.4, Rajnigandha, Gokuldhama, Goregaon (E.), Mumbai-400063. Tel. 28425907 Fax: 28406189 E-mail: abhinavcapital@yahoo.co.in complaint@abhinavcapital.com

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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 Friday 30th September, 2011 at 11.00 A.M. at Company's Registered Office at Athena House, Row House No. 4, Rajnigandha, Gokuldham, 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 2011 and Balance Sheet as on that date.
2. To appoint a Director in place of Mr. Kamlesh Kotak 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, 2011

**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 here to.
4. The Register of members and Share Transfer Books of the Company will remain closed from 28.09.2011 to 30.09.2011 (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, 2011.

**Financial Highlights:**

The financial performance of the Company for the year ended 31st March 2011 is summarized below:

(Rupees in Lakhs)

	<b>Current Year</b>	<b>Previous Year</b>
Gross Total Income	333.58	17.10
Total Expenditure	38.33	51.66
Profit : (Loss) before taxation	295.25	(34.56)
Loss: (Loss) on sale of Investments	—	(25.51)
Profit before taxation	295.25	(60.07)
Provision for Taxation/Deferred Taxation	56.73	(00.33)
Fringe benefit Tax	-	--
Profit After Taxation	238.52	(59.74)

**Performance of the Company**

During the year under review, the Company has earned profit of ₹.238.52 lakhs in compared to last year loss of ₹ 59.74 lakhs. The Company has earned excellent return on total investment of the Company. Your Company is very selective in making investment in various segments. The Company has started making investment in good scripts and Company is reconstructing its entire business activities. Your Directors expects good turnaround in current financial year

**Future Prospects**

India continued to maintain its high growth trajectory – advanced GDP estimates suggest a growth of 8.5% in FY 11 compared to 8.0% in FY 10. The sustained economic growth has led to positive sentiments in various industries. 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**

Mr Kamlesh Kotak 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**

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 2011

**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. India continued to maintain its high growth trajectory – advanced GDP estimates suggest a growth of 8.5% in FY 11 compared to 8.0% in FY 10. The growth in the core infrastructure sectors in FY 11 continued to be in line with the over 5.5% growth in FY 10. The sustained economic growth has led to positive sentiments in various industries. India is also facing the pressure of food and commodity price-based inflation. Given the continuously high levels of inflation through FY 11, the Reserve Bank of India (RBI) has no option but to tighten monetary policies. This has resulted in an increase in domestic interest rates. One can see that inflation continues to be over 8% for most of FY 11, while the repo rate (benchmark interest rate) has increased from 4.75% in January 2010 to 6.5% in January 2011. The environment of high interest rates has a negative impact on sentiments of industries.

During 2010, global financial conditions broadly improved, amid lingering vulnerabilities. Equity markets rose, risk spreads continued to tighten and bank lending conditions in major advanced economies eased, even for small and medium-sized firms. Financial turbulence re-emerged in the periphery of the Euro area in the last quarter of 2010. Concerns about banking sector losses and fiscal sustainability — triggered this time by the situation in Ireland — led to widening spreads in these countries, in some cases reaching highs not seen since the launch of the European Economic and Monetary Union. During this bout of turbulence, markets have been more discriminating. Measures of risk aversion have not risen, equity markets in most regions have posted significant gains and financial stresses have been limited.

Indian economy exhibited momentum in recovery, and despite the impact of a deficient monsoon on agricultural production, GDP growth for 2011 has been estimated at 8.5%, up from 8% recorded in 2010. This slight dip in overall GDP growth can be attributed to weaker performance in sectors such as 'mining and quarrying', 'manufacturing', 'trade, hotels, transport and communication' and 'financing, insurance, real estate and business services' than anticipated earlier.

Weakness in industrial production trend continues. In April 2011, IIP registered a growth of 6.3 percent. In April 2010, growth in IIP was to the tune of 13.1 percent.

In case of the agriculture and allied activities sector, we find that the revised estimates have pegged growth in 2010-11 at 6.6 percent, which is much higher compared to the advance estimates that had put growth at 5.4 percent.

**FOREIGN TRADE**

The strong momentum in exports, seen particularly during the second half of 2010-11, has continued in the year 2011-12 as well. In April 2011 exports totaled US\$ 23.8 billion and represented a growth of 34.4 percent over the same month of the previous year when exports totaled US\$ 17.7 billion. While this strong start in 2011-12 is encouraging, there are indications that this high growth will not be sustained in the months



ahead. In 2010-11, foreign investment flows into India saw a dip of about 17 percent over the previous year. Further this dip is largely on account of a slowdown seen in case of FDI. In 2009-10, FDI inflows into India totaled US\$ 37.7 billion. In 2010-11, this figure came down to US\$ 27 billion. Data also shows that of out of the top 25 sectors, 15 sectors have seen a dip in FDI flows during April – Feb 2010-11 compared to the same period in 2009-10. Sectors like services, construction, housing and real estate, telecommunication and agricultural services are the ones where investment flows have slowed down considerably.

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**

There have been a number of causes behind growth of Indian economy in last couple of years. A number of market reforms have been instituted by Indian government and there has been significant amount of foreign direct investment made in India. Much of this amount has been invested into several businesses including knowledge process outsourcing industries.

India's foreign exchange reserves have gone up in last few years. Real estate sector as well as information technology industries of India have taken off. Capital markets of India are doing pretty well too. All these factors have contributed to growth of Indian economy.

Data for April 2011 shows a perceptible decline in performance of the core sector with growth dipping from 8.5 percent in April 2010 to 4.6 percent in April 2011. Sectors like natural gas, fertilizers, cement and steel are largely responsible for this poor performance. Growth in the coal sector however moved from (-) 2.9 percent in April 2010 to 2.8 percent in April 2011.

The inflation situation in the economy continues to be a cause for concern. Despite large scale tightening of the monetary policy by the RBI and other steps taken by the government, inflation continues to remain close to the double digit mark. In May 2011, WPI based headline inflation stood at 9.1 percent. This is higher than 8.7 percent inflation recorded in April 2011. Core inflation too has moved up from 8 percent in April 2011 to 8.6 percent in May 2011. High international oil prices, likely decontrol of diesel prices, high global food prices and hike in Minimum Support Prices for the upcoming agriculture season are some of the factors that constitute the upside risks to inflation

#### **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 under review, the Company has earned profit of Rs.238.52 lakhs in compared to last year loss of Rs 59.74 lakhs. 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 good turnaround in current financial year

#### **SEGMENT-WISE PERFORMANCE**

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

During the year under review, the Company has earned profit of Rs.238.52 lakhs in compared to last year loss of Rs 59.74 lakhs The Company's total investments made by the company were Rs11.55 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 2011-12**

Indian Economy outlook for 2011-12 is not encouraging .. Inflation rate is very high. Country's growth pegged at 8.2 percent for 2011-12. Indian Industry to expand by 7.1 percent, slower than the rate of 7.9 percent last year. Global economic and financial situation unlikely to improve in 2011-12. Current account deficit of the India is projected at \$54 billion or 2.7 percent of GDP. 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 organization'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.

#### **INTERENAL 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, 2011

Chetan Karia  
Chairman