



BNK CAPITAL MARKETS LTD.



**EIGHTEENTH ANNUAL REPORT
2003-04**

BNK CAPITAL MARKETS LTD.**BOARD OF DIRECTORS**

Dr. N. K. Sengupta, *Chairman*
 Mr. R. S. Khandelwal, *Vice-Chairman*
 Mr. P. Brahmachari
 Mr. P. Chakravarti
 Mr. S. Khandelwal
 Mr. Ajit Khandelwal, *Managing Director*

AGM on 8th Sept. 2004
'Infinity' Towers, 4th Floor,
A3, Block-GP, Sector-V, Salt Lake City
Kolkata - 700 091 at 4.00 p.m.

AUDITORS

M/s R. Bhattacharya & Associates
Chartered Accountants
 7, Panchanantala Road
 Calcutta - 700 029.

BANKERS

American Express Bank Ltd.
 HDFC Bank Ltd.
 Oriental Bank of Commerce

REGISTERED OFFICE

Mayfair Towers
 2, Palm Avenue
 Kolkata - 700 019, India.

**REGISTRAR & SHARE
TRANSFER AGENTS**

CB Management Services (P) Limited
 P-22, Bondel Road, Kolkata - 700 019.

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BNK CAPITAL MARKETS LTD.**NOTICE**

Notice is hereby given that the 18th Annual General Meeting of the Company will be held on Wednesday, 8th September, 2004 at 'Infinity' Towers, 4th Floor, A3, Block-GP, Sector-V, Salt Lake City, Kolkata - 700 091, at 4.00 p.m. to transact the following business :

As Ordinary Business

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March 2004, alongwith the Balance Sheet as at that date together with the report of the Directors and Auditors thereon.
2. To elect the Directors in place of those retiring by rotation.
3. To appoint Auditors and to fix their remuneration.

As Special Business

To consider and if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution :

4. "Resolved that pursuant to the provisions of sections 269, 309 and other applicable provisions, if any, of the Companies Act 1956 including Schedule XIII of the Act as amended upto date, consent of the Company be and is hereby accorded to the reappointment of Mr. Ajit Khandelwal as Managing Director for a further period of three years with effect from April 1st 2004 on the terms and conditions as annexed in the Explanatory Statement".

Registered Office :
Mayfair Tower
2, Palm Avenue
Kolkata - 700 019, India.
Dated : 27th July 2004

By order of the Board

M.K. Singh
Asst. Company Secretary

Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself, and the proxy need not be a member of the Company. The instrument appointing proxy should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the Meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 1st September to 8th September, 2004 (both days inclusive).
3. Members are requested to :
 - a) Notify immediately any change in their address to the Company.
 - b) Bring their copy of the Annual Report to the Meeting.
 - c) Members desiring any information on the business to be transacted at the Meeting are requested to write to the Company atleast 10 days in advance to enable the Management to keep the information, as far as possible, ready at the Meeting.
4. A copy of the Memorandum and Articles of Association and other relevant documents are available for inspection at the Registered Office of the Company on any working day from 1st September to 7th September 2004 between 11.00 a.m. to 1.00 p.m.
5. The Equity Shares of the Company are now traded on the stock exchanges only in dematerialised form. It is in the interest of the share holders to get their physical Share certificates dematted.

Explanatory Statements pursuant to Section 173(2) of the Companies Act 1956 :

ITEM No.4	: The Board of Directors in their meeting held on 31st January 2004 has reappointed Mr. Ajit Khandelwal as their Managing Director of the Company with effect from 1 st April 2004 for a further period of three years on the following terms and conditions within the purview of Schedule XIII, subject to the approval of the same in the Annual General Meeting :
Salary	: In the range of Rs. 30,000-5,000-40,000 per month.
Perquisites :	
Accommodation	: The Company shall provide unfurnished accommodation. Alternatively Mr. Khandelwal will be entitled for House rent allowance which shall not exceed Rs.15,000/- per month. He shall also be entitled for reimbursement of expenses for electricity, maintenance and repairs, furnishing etc., on actual basis.
LTC	: For Self and family once during the year to any place in India or abroad.
Medical	
Reimbursement	: Restricted to one month's salary in a year or three months salary in a block of three years for self and family.
Club fees	: Not more than two clubs including admission fee.
Personal accident Insurance	: Premium not exceeding Rs.15,000/- per annum.
Car and Telephone	: Company shall provide a car for his use and shall reimburse the salary of the driver and cleaning expenses of the car not exceeding Rs.4,000/- per month and reimbursement of petrol expenses of Rs.4,000/- per month. Free Telephone facilities at residence however personal long distance calls to be recovered.

No sitting fee shall be paid for attending the Board or Committee Meetings. He shall be entitled for reimbursement of all expenses incurred by him for business purpose during normal course of his duties. The re-appointment and remuneration of Mr. Khandelwal require approval of members of the Company in General Meeting under Section 309 of the Companies Act, 1956. No Director of the Company except Mr. Khandelwal is concerned or interested in the resolution.



BNK CAPITAL MARKETS LTD.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors present before you the 18th Annual Report together with Audited Accounts for the year ending 31st March, 2004.

Financial Results

During the year under review, your Company's performance was as under:

	Year Ended 31/3/2004 (Rs. in '000s)	Year Ended 31/3/2003 (Rs. in '000s)
Net Sales Income from Operations	77053	79640
Total Expenditure	54496	41639
a. (Increase) Decrease in Stock	7186	2486
b. Purchases	45333	32239
c. Staff Cost	324	333
d. Other Expenditure	1654	6581
Interest & Finance Charges	18935	37267
Earnings after Interest but before Depreciation & Tax	3621	734
Depreciation	277	238
Profit Before Tax	3344	496
Provision for Tax (Current Tax)	1	182
Provision for Tax (Deferred Tax)	(1)	
Profit After Tax	3344	314
Balance Brought Forward	8027	8491
Short provision of earlier years	—	778
Profit available for Appropriation	11371	8027
Balance carried to Balance Sheet	11371	8027

Your Directors do not recommend any payment of Dividend for the year ended 31st March, 2004 to conserve the resources of the Company's business.

Operation and Future Prospects

During the period under review, the Indian economy performed quite impressively emerging as one of the fastest growing economies in the world. The economic reforms launched by the country more than a decade ago have had profound influence on the economy showing positive signs of growth, which reflected in a vibrant capital market. The overall business environment during the year remained healthy, but in the last quarter of the financial year a down trend was marked in capital market due to which there is a decrease in the value of stock - in - trade of the company. However your Directors are taking steps to utilise resources of the Company in a more productive manner. The change of the Government at the centre has brought some uncertainty and as a result the capital markets have reacted adversely. The Union Budget on 8th July had an adverse effect on account of the proposed tax on transactions to which the market participants reacted sharply. However the market improved significantly after the Union Finance Minister diluted the Transaction Tax.

Investments, Diversifications & Subsidiary Company

BNK-e-Solutions Pvt. Ltd., a subsidiary of the company has setup an International Call Center at Infinity Tower, Salt Lake, Kolkata. The company has commenced commercial operation in March 2002. BNK-e-Solutions Pvt. Ltd. has doubled its capacity in the year under review. The Financial Statements etc are attached in this annual report.

This year a new subsidiary company M/s. BNK COMDEX Pvt. Ltd. has been formed in December, 2003 which has acquired the membership of NCDEX (National Commodities and Derivatives Exchange of India), a commodity exchange promoted by NSE, ICICI, PNB, LIC, NABARD etc. The company will start its operation in the fiscal year 2004-05 and the directors are very much optimistic about the growth of Commodity Market in near future.

Fixed Deposits

The Company has not raised any Fixed Deposits during the year.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company Mr. Prabir Chakravarti and Shri. Ajit Khandelwal, Directors of the Company, retire by rotation at the conclusion of the forthcoming Annual General Meeting, and being eligible offer themselves for reappointment. Shri Ajit Khandelwal has also been reappointed as Managing Director of the company for a period of three years w.e.f 1st April, 2004. Necessary resolutions are proposed for their re-appointments.

Auditors

M/s. R.Bhattacharya & Associates, Chartered Accountants, Auditors of the Company, retire at the Conclusion of the forthcoming Annual General Meeting, and being eligible, offer themselves for Appointment.

Corporate Governance

Your Directors re-affirm their commitment to the Corporate Governance standards prescribed by Securities and Exchange Board of India (SEBI) codified as clause 49 of the Listing Agreement with Stock Exchanges. Corporate Governance and Management Discussion and Analysis Report as well as Corporate Governance compliance certificate by Auditor are set out in separate Annexures to this report.

Directors' Responsibility Statement:

Pursuant to Section 217 (2AA) of the Companies Act, 1956 your Directors confirm:

- That in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departure;
- That they have selected such accounting policies and applied them consistently and made judgements 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;
- That they have taken proper and sufficient care 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;
- That they have prepared the Annual Accounts on a 'going concern' basis.

Statutory Information

The provision relating to conservation of energy and technology absorption does not apply to the Company. The Company has no foreign exchange earning during the year under report. There is no employee of the Company as covered under Section 217(2A) of the Companies Act, 1956, for which a separate disclosure is Required.

ACKNOWLEDGEMENT

Your Directors take this opportunity to express their grateful appreciation for the co-operation received from Central Govt., State Govt., Bankers as well as the shareholders during the year under review. Your Directors also wish to place on record their appreciation of the devoted and dedicated service rendered by all the employees of the company.

For and on behalf of the Board

Place : Kolkata

Dr. N.K.Sengupta

Dated : 27th July, 2004.

Chairman

BNK CAPITAL MARKETS LTD.



REPORT ON CORPORATE GOVERNANCE

The Company has put in place the SEBI guidelines pertaining to Corporate Governance effective from Financial year 2002-2003. The report on Corporate Governance for the year 2003-04 is as under :

Corporate Governance – Philosophy

The basic objective of the Corporate Governance policies adopted by your Company is to focus on good Corporate Governance –which is the pivotal driver of sustainable corporate growth and long term value creation for the shareholders, other stakeholders and society at large.

1. Board Of Directors

As on 31st March 2004 Board of the Company comprised of Six directors of which Five are Non-executive including the non-executive Chairman. Fifty percent of the directors are independent directors. The independent directors have no professional and / or business relationship with the Company. They are eminent professionals, drawn from amongst persons with experience in business, finance, law and corporate management. The composition of the board during the year is tabulated below:

Director	Executive/Non-Executive /Independent	Other Directorships held
Dr.N.K.Sengupta	Chairman, Non-Executive & Independent	10
Mr.R.S.Khandelwal	Vice-Chairman & Non-Executive	7
Mr.P.Chakravarti	Non-Executive & Independent	12
Mr.P.Brahmachari	Non-Executive & Independent	4
Mr.S.Khandelwal	Non-Executive	4
Mr.A.Khandelwal	Managing Director	9

2. Audit Committee

The Company has an Audit Committee at the Board level functioning since 30th May, 2002. The Committee, inter alia, provides reassurance to the Board on the existence of an effective internal control system. It also oversees financial disclosures compliance with all relevant statutes, safeguarding of assets and adequacy of provisions for all liabilities and generally accepted accounting principles by the Company.

The Committee carries out the role as laid down in sub paragraph D of paragraph II of clause 49 of the Listing Agreement with Stock Exchanges. The Audit Committee comprised of three members, all members including the Chairman of the Committee are non-executive and independent. The Statutory Auditor, Managing Director of the Company are permanent invitees to all Audit Committee meetings. Mr. M. K. Singh, Asst. Company Secretary is the Secretary to the Audit Committee.

The Composition of the Audit Committee and the details of meeting held by it are as follows:

Director	Position	Meeting held	Meeting Attended
Mr.P.Chakravarti	Chairman	4	4
Mr.R.S.Khandelwal	Member	4	4
Mr.P.Brahmachari	Member	4	2

3. Remuneration Committee

The Board of Directors of the Company at their meeting held on 30.5.2002 constituted a Remuneration Committee of Directors mainly for the purposes of recommending the Company's policy on Remuneration Package for Managing executive Directors, reviewing the structure, design and implementation of remuneration policy in respect of key management personnel and approving, reviewing and evaluating Employees' Stock Option Plan.

The composition of the Remuneration Committee and the details of meeting held by it is as follow :-

Director	Position	Meeting held	Meeting Attended
Mr.R.S.Khandelwal	Chairman	1	1
Mr.P.Brahmachari	Member	1	1
Mr. P. Chakravarti	Member	1	1

Mr. M. K. Singh, Asst. Company Secretary is the Secretary to the Remuneration Committee.

4. Remuneration to Directors

Director	Designation	Remuneration paid during 2004 (All figures in Rupees)		
		Sitting fees	Salary & Perks	Total
Dr.N.K.Sengupta	Chairman	5000	—	5000
Mr.R.S.Khandelwal	Vice-Chairman	10000	—	10000
Mr.P.Chakravarti	Director	10000	—	10000
Mr.P.Brahmachari	Director	5000	—	5000
Mr.S.Khandelwal	Director	5000	—	5000
Mr.A.Khandelwal	Managing Director	—	345000	345000

4. Shareholders / Investors Grievance & Transfer Committee

The Company has "SHAREHOLDERS / INVESTERS GRIEVANCE & TRANSFER COMMITTEE" under the chairmanship of a non-executives / independent director to specifically look into shareholder issue including share transfer, transmission, issue of duplicate certificates and redressing of shareholder complaints like non receipt of balance sheet, declared dividend etc.

Details of the composition of Shareholders/Investors Grievance & Transfer Committee are as follows:

Director	Position	Meeting held	Meeting Attended
Mr.P.Brahmachari	Chairman	4	2
Mr.P.Chakravarti	Member	4	4
Mr.A.Khandelwal	Member	4	4

M/S.C. B. Management Services (P) Ltd., the Company's Registrar and Share Transfer Agent among others, expedites the process of transfer of shares under supervision of Asst. Company Secretary. Thereafter, the proposals are placed before the Shareholders / Investors Grievances & Transfer Committee for approval.

Mr. M. K. Singh is the Compliance Officer of the Company and is also the Secretary to the committee.

Details of complaints received, number of shares transferred as well as average time taken for transfers are highlighted in the "Shareholder Information" section of the Annual Report separately.

6. Number of Board Meetings and Board Procedures.

Your Company's Board met 5 (Five) times during the year and details of the meeting are high lighted below. Agenda papers along with explanatory statements were circulated to the Directors well in advance of the meeting. The senior management of your Company were invited to participate in matters of interest, importance and relevance. The Board has access to any information within your Company and every effort is made to ensure that the information is adequate and appropriate to enable the Board to take considered decisions on issues.

Your Company has placed all relevant information before the Board as per Annexure I of Clause 49 of the Listing Agreement.

Date of Board Meeting	City
1. The 29 th May 2003	Kolkata
2. The 19 th July 2003	Kolkata
3. The 27 th September 2003	Kolkata
4. The 31 st October 2003	Kolkata
5. The 31 st January 2004	Kolkata

Directors	No. of Meetings		
	Held	Attended	Attended/Last AGM
Dr.N.K.Sengupta	5	5	Yes
Mr.R.S.Khandelwal	5	5	Yes
Mr.P.Chakravarti	5	5	Yes
Mr.P.Brahmachari	5	2	Yes
Mr.S.Khandelwal	5	5	Yes
Mr.A.Khandelwal	5	5	Yes

7. Management Discussions and Analysis Report

As a part of the disclosure related to Management, in addition to the Directors' Report, Management Discussion and Analysis Report forms part of the Annual Report to the shareholders as per specification of SEBI.



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8. Directors' Membership / Chairmanship in Committees

No Director is a member of more than 10 committees or Chairman of more than 5 committees across all companies in which he is a Director. The details are as under:

Director	No. of Committees in which	
	Member	Chairman
Dr.N.K.Sengupta	2	-
Mr.R.S.Khandelwal	-	1
Mr.P.Chakravarti	2	1
Mr.P.Brahmachari	2	1
Mr.S.Khandelwal	-	-
Mr.A.Khandelwal	2	1

(The above includes committee positions in BNK Capital Markets Limited)

9. Disclosure regarding Directors' Appointment and Re-Appointment

A brief resume, expertise in specific functional areas, directorships / membership of committees held in other companies in respect of Directors retiring by rotation / being appointed at the ensuing Annual General Meeting is as under :

Name of Director	Mr. Ajit Khandelwal	Mr. Prabir Chakravarti
Date of Birth	10 th November, 1957	13 th April, 1934.
Date of appointment	17 th April, 1986	28 th August, 1993
Experience in specific functional areas	Businessman	Professional
Qualifications	B.Com (Hons.)	MA (Econ.), LLB, MBA.
List of outside	1. Rakesh Textiles Ltd.	1. Sinclair Hotels & Transportn. Ltd.
Directorships held	2. Kothari Plantations & Industries Ltd.	2. Bagmari Tea Co. Ltd.
Excluding Alternate	3. Eastern Silk & Industries Ltd.	3. Bharuka Aluminium Ltd
Directorship and of	4. Ellenbarrie Industrial Gases Ltd.	4. Nicco Corp. Ltd.
Private Companies	5. Executive to Committee Member of Bharat Chamber of Commerce.	5. Reliance Jute Mill (International) Ltd. 6. SPS Steel Rolling Mills Ltd. 7. GPI textiles Ltd. 8. BESCO Ltd. 9. Jayshree Chemicals Ltd. 10. Nicco Financial Services Ltd.

10. Material Contracts / Transactions Concerning Director's Interest

The Company had not entered into any arrangement with any body other than with BNK Securities Private Limited, dealing in shares and securities where the Promoter Directors are interested. The disclosure to this effect was made at the relevant meeting of the Board of Directors. There was no arrangement of material nature other than stated above that may have a potential conflict with interest of your Company. Your company is also a promoter of the said BNK Securities Pvt. Ltd.

11. Code For Prevention Of Insider Trading

In accordance with the Securities & Exchange Board of India (Prohibition of Inside Trading) Regulation, 1992, as amended in February, 2002, the Board of Director of the Company has formulated the code of conduct for prevention of inside trading in shares of Company by its employees.

12. Other Disclosures

i. Details Of Annual General Meetings

a. Location and time, where last three AGMs held

Year	Location	Date	Time
2000-2001	Infinity Towers, 4 th Floor, A3, Block- GP, Sector-V, Saltlake, Kolkata - 700 091.	25 th Aug, 2001	11.00 AM

2001-2002 Infinity Towers, 4th Floor, A3, Block- GP, Sector-V, Saltlake, Kolkata - 700 091. 14th Sep, 2002 11.30 AM

2002-2003 Infinity Towers, 4th Floor, A3, Block- GP, Sector-V, Saltlake, Kolkata - 700 091. 27th Sep, 2003 11.00 AM

b. Whether special resolution were put through postal ballot last year? NO

c. Are votes proposed to be conducted through postal ballot this year? NO

ii. Means of Communication

- Half year report / highlights sent to each Household of shareholders No. Published in specified newspapers.
- Quarterly results, which newspapers Normally published in Asain Age (English) Danik Lipi (Bengali)
- Any website, where displayed None at present but likely to Be commissioned soon.
- Whether it also displays official news Realize N.A.
- Whether MD&A is a part of Annual Report Yes
- Whether shareholder information section forms part of Annual Report Yes

iii. Shareholder Information

1. Annual General Meeting

- * Date and Time : 8th September, 2004 at 4.00 p.m.
- * Venue : Infinity Towers, 4th Floor, A3, Block- GP, Sector-V, Saltlake, Kolkata - 700 091.

2. Financial Calender

For the Financial Year ended 31st March 2004.

- * Financial Reporting for the Quarter ending 30th June, 2003. : 19th July, 2003.
- * Financial Reporting for the Quarter ending 30th September, 2003. : 31st October, 2003.
- * Financial Reporting for the Quarter ending 31st December, 2003. : 31st January, 2004.
- * Financial Reporting for the Quarter ending 31st March, 2004. : 29th June, 2004.

3. Date of Book Closure 1st Sept. 2004 to 8th Sept. 2004. (Both days inclusive)

4. Dividend Payment Date Not applicable since no dividend has been recommended.

5. Registered Office

Mayfair Tower, 2 Palm Avenue, Kolkata: 700 019
Tel : (033) 2281 - 0560 / 61, Fax : (033) 2280- 0457

6. Listing Details (Equity Share)

The Calcutta Stock Exchange Association Ltd.

7, Lyons Range, Kolkata-700 001.

The Stock Exchange, Mumbai

Phiroze Jeejeebhoy Tower, Dalal, Street, Mumbai 400 023.

The Company has paid the Listing Fees for the year 2003 - 2004 to all the Stock Exchanges.

7. Registrar & Transfer Agent

C B Management Services (P) Ltd,
P-22, Bondel Road, Kolkata:700 019
Tel No.: (033) 2280-6692 / 6693, Fax No.: (033) 2247-0263
E-mail : cbmsl 1 @cal2.vsnl.net.in

8. Share Transfer System

A Committee of Directors (Shareholders / Investors Grievance & Transfer Committee) has been constituted to approve the transfer

BNK CAPITAL MARKETS LTD.



and transmission of shares, issue of duplicate share certificates and allied matters. To ensure transfer of shares in physical form within 15 days of receipt, a sub-committee has been constituted comprising of Chairman and Managing Director. Share Certificates in physical form are dispatched within prescribed time after complying with the requirement of SEBI guidelines on transfer cum dematerialization of shares.

9. Investor Services

Complaints received during the year

Nature of Complaints	2003-2004		2002-2003	
	Received	Cleared	Received	Cleared
Relating to Transfer, Transmission etc., Dividend, Interest, Redemption etc., Change of Address, Demat – Remat and Others	Nil	Nil	Nil	Nil
Received from SEBI, Stock Exchanges and Other Statutory Authorities	Nil	Nil	Nil	Nil
Total	Nil	Nil	Nil	Nil

The Company endeavors to settle all shareholder complaints in the minimum possible time.

10. Distribution of Shareholding as on 31st March 2004. (See table No.1)

11. Categories of Shareholding as on 31st March 2004. (See table No.2)

12. Dematerialization of shares & liquidity

Over 18.88 % of equity shares have been dematerialized as on 31.03.2004.

Trading in equity shares of your Company on CSEA and BSE is permitted only in dematerialized mode w.e.f. 25th November 2000 as per notification issued by SEBI.

To facilitate the investors in having easy access to Demat system, the Company has signed agreements with both the depositories viz. National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).

13. Details on use of public fund obtained in the last three years

: N.A

14. Investors Correspondence

Address for correspondence :-

Registered Office :

Mayfair Tower, 2 Palm Avenue, Kolkata: 700 019

Tel : (033) 2281 – 0560 / 61, Fax : (033) 2280- 0457

or

C B Management Services (P) Ltd.,

P-22, Bondel Road, Kolkata: 700 019

Tel No.: (033) 2280-6692 / 6693, Fax No.: (033) 2247-0263

E-mail : cbmsl1 @cal2.vsnl.net.in

15. Per Share Data

	2003-2004	2002-2003
EPS (Rs.)	0.67	0.06
EPS Growth (%)	1017 %	-92%
Book Value per share (Rs.)	19.64	18.91
Share price as on 31 st March 2004	1.33 (BSE)	3.40 (CSE)

Table 1

Share held	No. of share holders	% of share holders	2003 - 2004		No. of share holders	% of share holders	2002 - 2003	
			Share amount	% of share amount			Share amount	% of share amount
1 – 500	2815	87.42	6695220	13.39	2915	87.65	6888990	13.78
501 – 1000	176	5.47	1462000	2.93	177	5.32	1468010	2.94
1001 – 2000	98	3.04	1554500	3.11	100	3.01	1579000	3.16
2001 – 3000	41	1.27	1112660	2.22	42	1.26	1143000	2.29
3001 – 4000	14	0.43	510040	1.02	13	0.39	476000	0.95
4001 – 5000	16	0.50	751080	1.50	17	0.51	815000	1.63
5001 – 10000	16	0.50	1077000	2.15	18	0.54	1211000	2.42
10001 & Above	44	1.37	36837500	73.68	44	1.32	36419000	72.83
TOTAL	3220	100	50000000	100	3326	100	50000000	100

Table 2

Category	2003 - 2004			2002 - 2003		
	No. of share holders	No. of share held	% of share holding	No. of share holders	No. of share held	% of share holding
01. Promoter Company	2	531700	10.64	2	531700	10.64
02. Director	3	1325600	26.51	3	1325600	26.51
03. Directors Relative	8	653500	13.07	8	653500	13.07
04. Mutual Fund	—	—	—	—	—	—
05. F.I.I.	—	—	—	—	—	—
06. Financial Institution	—	—	—	—	—	—
07. N.R.I	21	26200	0.52	24	28600	0.57
08. Other Bodies Corp.	63	823250	16.46	69	574400	11.49
09. Bank	—	—	—	—	—	—
10. Resident Individual	3123	1639750	32.80	3193	1886200	37.72
11. Clearing Members	—	—	—	—	—	—
TOTAL	3220	50000000	100	3326	50000000	100

Auditor's Certificate

To The Members of BNK Capital Markets Ltd.

We have examined the compliance of conditions of corporate governance by BNK Capital Markets Ltd., for the year ended on 31st March, 2004, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreements.

As per representation received from the Registrars of the Company, we state that as per records maintained by the Shareholders/Investors Grievance Committee, no investor grievance is remaining unattended/pending for more than 30 days.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For R. BHATTACHARYA & ASSOCIATES

Chartered Accountants

Kolkata

27th July, 2004.

(R. BHATTACHARYA)

Proprietor



BNK CAPITAL MARKETS LTD.

Management Discussion & Analysis Report

01. Overview : The Capital markets showed improvement during the period under review except slight downtrends in the last quarter of the year. The Stock Markets and the investments sentiments has improved. The performance of the Company has been improved this year in comparison to last year. The change of the Government at the centre has brought some uncertainty and as a result the capital markets have reacted adversely. Your Directors expect improvement in Industrial growth and capital investment levels in coming year, which will have a positive impact on the Capital Market.

02. Opportunities and Threats : With increasing liberalization and industrial growth we forecast improvement in Capital Market. The scope of Investment will increase in coming years.

The key threats include the change in policies of Government for Investments, changes in Tax structure, Governing rules of SEBI and RBI etc., which effect the capital market potentially.

03. Business Segment Analysis : During the period under review the Company performed only in Capital Market segment. However the Company has formed a subsidiary company in the name of 'BNK Comdex Pvt. Ltd.' and acquired the membership of National Commodities and Derivatives Exchange of India, and your directors are expecting very good response in commodity market in coming year.

04. Financial Performance	Year Ended 31st March 2004 (Rs. in '000s)	Year Ended 31st March 2003 (Rs. in '000s)
Total Income	77053	79640
Operating Expenses	54497	41639
Operating Profit	22556	38001
Interest & Finance Charges	18935	37267
Depreciation	277	238
Profit Before Tax	3344	496

Provision for Tax (Current tax)	1	182
Provision for Tax (Deferred tax)	(1)	—
Profit After Tax	3344	314
Balance Brought Forward	8027	8491
Short provision of earlier years	Nil	778
Profit available for Appropriation	11371	8027

Comment on current year's performance:

Revenue : Revenue of the Company has been increased in comparison to previous year.

Operating Expenses : Your Directors have tried to reduce the operating expenses as compared to previous year.

Operating Profit : Operating profit has increased in comparison to last year.

Net Interest Expenses : Interest Expenses has been decreased during the year.

Depreciation : Depreciation has increased due to addition of assets during the year.

Net Profit : Net profit has shown a rapid growth during the period under review.

Sales : Sales has been increased due to improvement in the capital market in first three quarters of the year.

Purchases : Purchase has been increased in line with the rise in sales during the year.

05. Human Resources : The Company's human resource strategy, which is in line with the group strategy, revolves around the development of the individual

06. Internal Controls : The Company has a proper and adequate system of internal controls befitting its size to ensure that all its assets are safeguarded and protected against loss from unauthorized use and disposal and that all transactions are authorized and reported correctly.

The internal controls are supplemented by internal audits, reviewed by Management and Audit Committee of Board of Directors. The internal control ensures that appropriate financial records are available for preparing financial statements and other data for showing a true and fair picture of the state of affairs of the Company.

AUDITORS' REPORT

TO THE MEMBERS OF BNK CAPITAL MARKETS LTD.

- We have audited the attached Balance Sheet of BNK CAPITAL MARKETS LTD. as at 31st March 2004 and also the Profit & Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
- We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- As required by the Companies (Auditor's Report) Order 2003 issued by the Central Government of India in terms of sub-section 4(A) of section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us during the course of our audit, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
- Further to our comments in the Annexure referred to above, we report that :
 - We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

BNK CAPITAL MARKETS LTD.

- (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section 3(C) of Section 211 of the Companies Act, 1956;
- (e) On the basis of the written representations received from the Directors, as on 31st March, 2004 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2004 from being appointed as a Director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;
- (f) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) In the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2004;
 - (ii) In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Annexure To Auditors' Report

Annexure referred to in Paragraph 3 of the Auditors' Report of Even Date to the Members of BNK Capital Markets Ltd.

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) The Fixed Assets of the Company are physically verified according to a phased programme designed to cover all items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. A portion of the Fixed Assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- ii. (a) The Inventory (Stock of Securities) of the company has been physically verified by the management during the year. In our opinion the frequency of verification is reasonable.
- (b) The procedures of physical verification of Inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on verification between the physical stocks and the book records.
- iii. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of securities, fixed assets and with regard to the sale of securities. During the course of our audit we have not observed any continuing failure to correct major weaknesses in internal control. The fixed assets of the Company have not been revalued during the year.
- v. (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at

the relevant time.

- vi. The Company has not accepted any deposits from the public within the meaning of sections 58A and 58AA of the Companies Act, 1956 and the rules framed there under.
- vii. In our opinion, the company has an internal audit system commensurate with the size and nature of its business. the company and the nature of its business for the purchases of shares/securities, equipment and other assets and for sale of securities/shares.
- viii. The provisions of section 209 (1)(d) of the Companies Act, 1956 for the maintenance of cost records are not applicable to the company.
- ix. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, Income Tax, Wealth Tax, Sales Tax, Custom Duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
- (b) According to the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Excise duty and Cess which have not been deposited on account of any dispute.
- x. The company has no accumulated losses as at 31st March, 2004 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holder as at the balance sheet date.
- xii. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the company.
- xiv. In our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts in respect of dealing or trading in shares, securities, debentures and other investments and timely entries have been made therein and also the shares, securities, debentures and other securities have been held by the company in its own name except to the extent of the exemption, if any, granted u/s 49 of the Companies Act, 1956.
- xv. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xvi. The Company has not obtained any term loans.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.
- xviii. According to the information and explanations given to us no preferential shares have been allotted by the company to parties and companies covered in the register maintained u/s 301 of the Companies Act, 1956.
- xix. During the course of our audit the Company has not created securities in respect of debentures issued.
- xx. During the course of our audit the Company has not raised any money by public issues.
- xxi. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For R. BHATTACHARYA & ASSOCIATES
Chartered Accountants
(R. BHATTACHARYA)
Proprietor

Kolkata
29th June, 2004.

**BNK CAPITAL MARKETS LTD.****BALANCE SHEET AS AT 31ST MARCH, 2004**

	Schedule	Current Year (Rs. in 000s)	Previous Year (Rs. in 000s)
I. SOURCES OF FUNDS			
1. Shareholder's Fund			
a) Share Capital	1	50000	50000
b) Reserves & Surplus	2	48239	44827
		<u>98239</u>	<u>94827</u>
II. APPLICATION OF FUNDS			
1. Fixed Assets	3		
a) Gross Block		2686	2662
b) Less : Depreciation		1756	1866
c) Net Block		<u>930</u>	<u>796</u>
2. Investments	4	<u>66447</u>	<u>61247</u>
3. Current Assets, Loans & Advances	5		
a) Stock-in-trade		85027	92213
b) Sundry Debtors		—	45
c) Cash and Bank Balances		(38965)	(59579)
d) Loan and Advances		189398	98694
e) Other Current Assets		65164	19449
		<u>300624</u>	<u>150822</u>
Less : Current Liabilities & Provisions	6		
a) Current Liabilities		269648	117201
b) Provisions		183	1102
Net Current Assets		<u>30793</u>	<u>32519</u>
4. Deferred Tax Assets		69	—
5. Miscellaneous Expenditure (to the extent not written off or adjusted)		—	265
		<u>98239</u>	<u>94827</u>
ACCOUNTING POLICIES & NOTES ON ACCOUNTS	8		

The Schedules referred to above form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our report of even date.

R.BHATTACHARYA & ASSOCIATES
Chartered Accountants

R. Bhattacharya
Proprietor

Kolkata, June 29, 2004

ON BEHALF OF THE BOARD

Dr. N.K. Sengupta
Chairman

A. Khandelwal
Managing Director

R.S. Khandelwal
Vice-Chairman

P. Chakravarti
S. Khandelwal
Directors