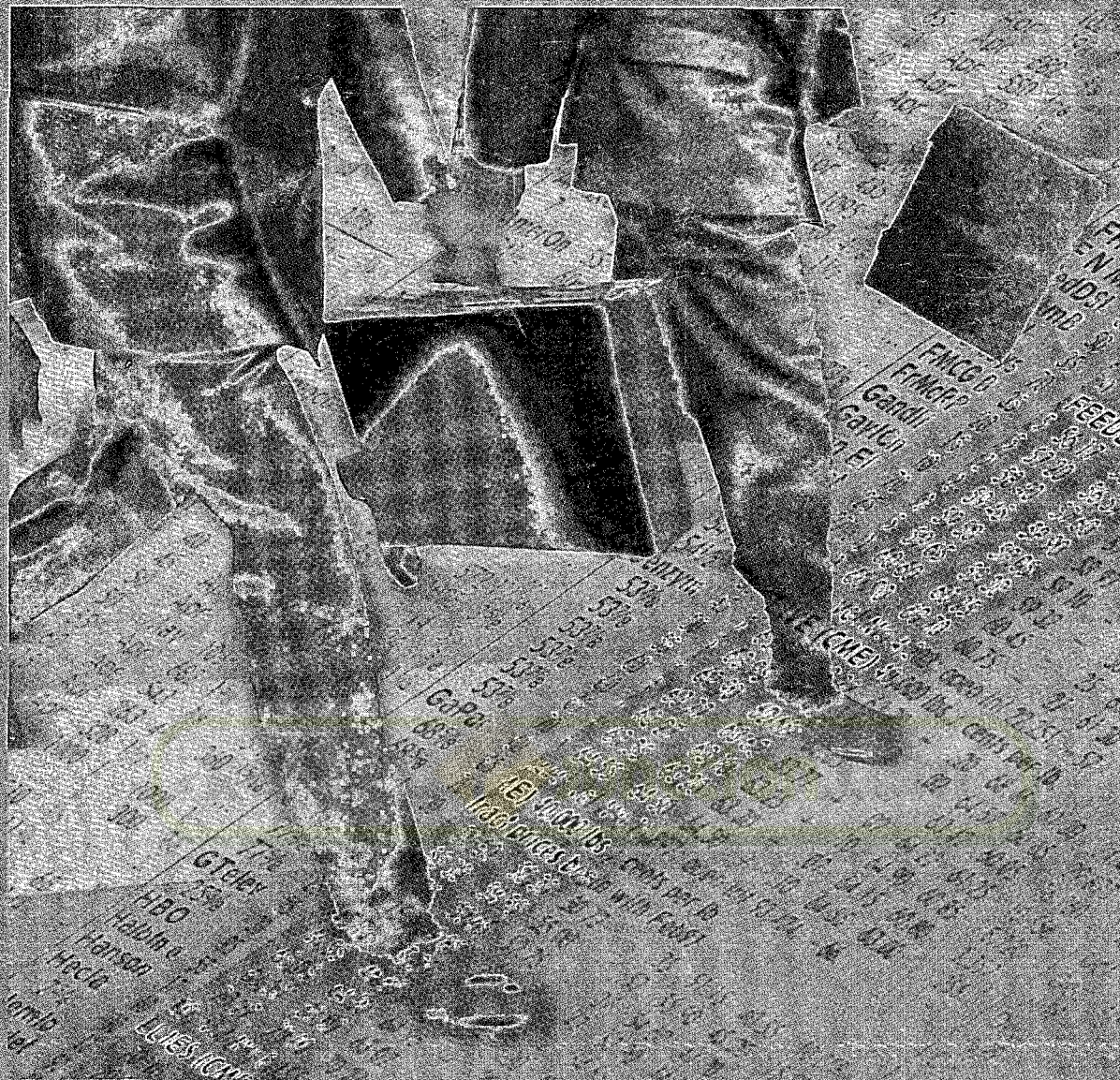


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Consolidated Securities Limited • Annual Report 2006-07

SEIZING THE OPPORTUNITY

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Corporate Information

BOARD OF DIRECTORS

Rohit Gupta	Managing Director
Kapil Aggarwal	Director
Anil Kumar Chaddha	Director
Sanjeev Mahajan	Director
Ashok Kumar Kathuria	Director

BOARD COMMITTEES

Audit Committee

Sanjeev Mahajan	Chairman
Kapil Aggarwal	Member
Ashok Kumar Kathuria	Member
Representative of Statutory Auditors	Invitee

Investor Relations & Share Transfer Committee

Ashok Kumar Kathuria	Chairman
Rohit Gupta	Member

COMPLIANCE OFFICER

Rohit Gupta
 Tel: 011-42503441
 Fax : 011-42503445
 E-mail : csl@consolidated.in

REGISTRAR & SHARE TRANSFER AGENTS

MAS Services Limited
 AB-4 Safdarjung Enclave
 New Delhi 110029

BANKERS

HDFC Bank Limited

AUDITORS

R. Mahajan & Associates
 Chartered Accountants
 402 Jain Bhawan, W.E.A.
 Karol Bagh
 New Delhi 110005

REGISTERED OFFICE

8/19, 3rd Floor, W.E.A.
 Pusa Lane, Karol Bagh
 New Delhi 110005
 Tel : 011-42503441-444
 Fax: 011-42503445
 e-mail: csl@consolidated.in

Date of AGM : 29th September, 2007
Time : 9:30 A.M.
Venue : Hotel Swati Deluxe Banquet Hall,
 17A/32, Gurudwara Road
 W.E.A., Karol Bagh, New Delhi-110005

Managing Director's letter to shareholders

Dear Shareholders

I have great pleasure in informing our esteemed shareholders that 2006-07 was a year of manifold achievement along with an increased profitability for your Company.

Financials

While the detailed financials are given separately in the Annual Report, I wish to highlight a few salient features of the financial performance of the Company in 2006-07.

(Rs. in crore)

Particulars	2006-07	2005-06	% growth
Total income	104.50	30.97	237.42
Profit before taxes	16.37	4.36	275.46
Profit after taxes	11.38	3.07	270.68
Earnings per share (Rs.)	28.42	7.67	270.53
Total assets	17.86	6.50	174.76
Total net worth	17.00	6.42	177.25

The year in retrospect

The year 2006-07 was the first full year of operations under the present management and was largely a year of evolution and consolidation. The endeavour was to capitalise on the foundation laid by them in the previous year. The business model of the Company transformed into a more stable and sustainable footing. There was an increasing focus on de-risking and streamlining of the business model. I am happy to state that your Company was largely successful in its pursuit of the above. During the year, your Company tried its hand on arbitrage, in all its forms and the overall trading turnover of your Company stood at a whopping Rs. 55,000 crore. These activities have helped catapult your Company into a different league in terms of scale.

The year also witnessed another turning point in the evolution of your Company as it forayed into strategic investment activities with a focus on special situations investing.

The idea was to generate long-term shareholder value through deep value investing and complement robust treasury operations.

Your Company acquired a strategic stake in Asian Oilfield Services Ltd. (AOSL), a Bombay Stock Exchange listed Company by subscribing to 16.5 lakh equity shares of Rs. 10 each, at a price of Rs. 20.50 per share. It further subscribed to 12.7 lakh warrants of AOSL at Rs. 20.50 per warrant, with each warrant

carrying a right to subscribe to equal number of equity shares. Following that, your Company gave an open offer to acquire 17.15 lakh fully paid-up shares of Rs. 10 each of AOSL, at an offer price of Rs. 21.06 per share. The offer opened on 3rd May, 2007 and closed on 22nd May, 2007. Your Company holds 23.55% of the current equity capital of Asian Oilfield Services Limited, and its stake will go up further on the conversion of the warrants.

AOSL is a niche player in the oil and gas sector of India. The Company provides seismic data acquisition services in India and is one of the only two pure-play listed Indian companies in this domain.

AOSL came to our notice when we were scouting for reasonably priced asset players in the oil and gas sector of India, in the wake of a compelling macro-perspective. It was clear to us that the demand for energy was in a secular uptrend and the global oil and gas producers were failing to keep up with the demand. Oil prices crossed US\$70 per barrel and there were talks about serious disruptions in supplies.

It was a unique confluence of our scouting for a good opportunity in the oil and gas sector and the promoters' need for growth capital that made this deal happen. While the investment amount was probably too small to interest an institutional investor or a private equity fund, we sensed that this small company could blossom into something really big with time. The performance of AOSL in the last year vindicated our stand and we look forward to an exciting growth ahead.

We believe that the business of oil drilling and seismic services will continue to be attractive because the availability of oil and gas is likely to remain central to the energy needs of the world and is a key driver of the economic engine. The per capita oil consumption in India is 0.8 barrels per annum as compared with 25 barrels per annum for the US. We believe the demand for energy in India is bound to catch up with the more developed countries, given the accelerating growth rates of the economy. Consequently, the demand for support services to the E&P business is expected to grow in leaps and bounds in the coming year.

This is the first time that we took a substantial stake in a

company. We invested with the clear agenda of letting the current management steer the Company. We sensed a compelling opportunity emerging in this sector and asked the promoters to work to the best of their abilities and focus on getting more business, without limiting themselves due to any financial or capital constraints. Our investment team spends a considerable amount of time in strategising with them on future growth plans. The results are visible to all and we see our investment in AOSL as the crown jewel that will pay rich dividends in the near future.

AOSL is ably led by Mr. Krishna Kant and Mr. Avinash Manchanda, two of the most professional and competent persons whom we have come across. A big part of the success at AOSL is largely because of their untiring efforts. We are very fortunate to have the group of managers associated with AOSL and look forward to an improved performance from them.

Since our investment, AOSL has made progress on all fronts.

- It successfully completed five seismic data acquisition contracts.
- The Company reported a significant improvement in its performance in 2006-07 over 2005-06, reflected in the following numbers:
 - 161.75% increase in the total income from Rs. 10.54 crore to Rs. 27.60 crore.
 - 405.53% increase in EBIDTA from Rs. 1.57 crore to Rs. 7.93 crore.
 - 591.69% increase in PAT from Rs. 0.62 crore to Rs. 4.30 crore.
 - 548% increase in EPS from Rs. 1.16 to Rs. 7.52.
- It acquired its first seismic data recording unit and is planning to acquire two more in 2007.
- Planning a CAPEX of Rs. 36 crore.
- The Company became the first private outfit to successfully complete a seismic data acquisition project in Nagaland.

- It is planning to diversify into drilling and data processing activities.

We are very happy with the success of this strategic investment and look forward to clinching some more deals in the coming years.

As a strategy, we are looking for undervalued companies, managed by competent people available in growing sectors. We have a value-seeking mindset with a focus on small to medium listed companies that integrate sufficient value with strong long-term growth fundamentals.

Future growth drivers

Our future growth will be propelled by the quality of our human capital. Technology, together with human and intellectual capital will be the key differentials for the growth of our Company.

We assure our stakeholders that we would work tirelessly to maintain the growth momentum of your Company in future, thereby maximising your wealth. We are confident of growing our business manifold and with your support and the hard work of your Company's employees, we shall achieve the same.

To conclude, I thank all the shareholders for their support and confidence in the Company and I am sure that we will continue to receive your continued support in the years to come.

Currently the promoters' stake stands at 52%. Your promoters intend to increase their holding as per the SEBI guidelines under the creeping acquisition route. As and when your promoters intend to consolidate their stake, they may, subject to the availability of funds and the right environment, acquire up to 2.9% further stake in your Company.

With warm wishes,

Place: New Delhi
Date: 11th August, 2007

Rohit Gupta
Managing Director

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of the Members of Consolidated Securities Limited will be held on Saturday, the 29th day of September, 2007 at 9.30 am at Hotel Swati Deluxe Banquet Hall, 17A/32 Gurudwara Road, W.E.A., Karol Bagh, New Delhi 110005 to transact the following business:

Ordinary business

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007 and the Profit & Loss Account for the year ended on that date, together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Ashok Kumar Kathuria, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Anil Kumar Chaddha, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. R. Mahajan & Associates, Chartered Accountants, New Delhi, the retiring auditors, to hold office as auditors from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Special business

5. Appointment of Mr. Rohit Gupta as Managing Director

To consider and, if thought fit, to pass with or without

modification, the following resolution as an ordinary resolution:

“RESOLVED THAT pursuant to the provisions of Section 269 and other applicable provisions, if any, of the Companies Act, 1956 (“the Act”), the Company hereby approves of the appointment of Mr. Rohit Gupta as Managing Director of the Company for a period of five years w.e.f. 11th August, 2007 upon the terms and conditions, as set out in the Explanatory Statement annexed to the Notice convening this meeting with liberty to the Directors to alter and vary the terms and conditions of the said appointment in such a manner as may be agreed to between the Board of Directors and Mr. Rohit Gupta.”

“RESOLVED FURTHER THAT Managing Director shall not be liable to retire by rotation during his tenure as Managing Director and shall function under the Superintendence, Direction and Control of the Board of Directors.”

“RESOLVED FURTHER THAT the Board of Directors or a committee thereof of the Company, be and is hereby authorised to take all such steps as may necessary, proper and expedient to give effect to this Resolution.”

By Order of the Board

Place: New Delhi

Dated: 11th August, 2007

Rohit Gupta

Managing Director

Registered Office:

8/19, 3rd Floor, W.E.A.

Pusa Lane, Karol Bagh

New Delhi – 110005

Notes

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote (on a poll only) instead of himself and the proxy need not be a member of the Company. Proxies, in order to be effective, must be received at the registered office of the Company, not less than 48 hours before the commencement of the Annual General Meeting.
2. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business under Item No. 5 set out above is annexed herewith.
3. Corporate members are requested to send a duly certified copy

of the Board Resolution to the Registered Office of the Company, pursuant to Section 187 of the Companies Act, 1956, authorising their representative to attend and vote at the Annual General Meeting.

4. Pursuant to Section 154 of the Companies Act, 1956, the Register of Members and Share Transfer Books of the Company will remain closed from Monday, 24th September, 2007 to Saturday, 29th September, 2007 (both days inclusive).

5. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their own copies to the meeting. We hope you

will help us in our endeavor to control cost.

6. In accordance with Article 89 of the Articles of Association of the Company, Mr. Ashok Kumar Kathuria and Mr. Anil Kumar Chaddha will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Mr. Kathuria and Mr. Chaddha do not hold any shares in the Company.

7. Additional information, in terms of Clause 49 of the Listing Agreement with Stock Exchanges, on Directors recommended by the Board of Directors for appointment/reappointment or seeking election at the Annual General Meeting is appearing in the reports and accounts.

8. Members are requested to produce the enclosed attendance slip duly signed at the entrance of the meeting hall. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for identification.

9. Members having multiple folios in identical names or in joint names in the same order are requested to send the share certificate(s) to the Company's Registrar & Transfer Agents, M/s. MAS Services Limited, for consolidation of all such shareholding into one folio to facilitate better service.

10. Members desirous of raising queries at the Annual General Meeting are requested to send in their questions so as to reach the Company's Registered Office at least seven days in advance before the Annual General Meeting so that the same can be adequately replied.

11. The members are requested to notify the change of address, if any, immediately to the Company/Registrar, quoting their folio numbers in respect of shares held in certificate form and to the respective Depository Participants (DPs) in case of shares held in electronic mode.

12. Non-Resident Indian Shareholders are requested to inform M/s. MAS Services Limited immediately:

- a) The change in the residential status on return to India for permanent settlement.
- b) The particulars of the bank account maintained in India with complete name, branch, account type, account number and address of the bank, if not furnished earlier.

13. Shareholders holding shares in certificate form are requested to de-materialise their holding in electronic form.

By Order of the Board

Place: New Delhi

Dated: 11th August, 2007

Registered Office:

8/19 3rd Floor, W.E.A.

Pusa Lane, Karol Bagh

New Delhi 110005

Rohit Gupta

Managing Director

Explanatory statement

The following Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 (the Act), sets out all material facts relating to the business mentioned at Item No. 5 of the accompanying Notice dated 11th August, 2007.

Item No. 5

The Board of Directors of the Company appointed Mr. Rohit Gupta as a non-rotational non-executive Promoter-Director of the Company effective 29th October, 2005, pursuant to applicable provisions of the Companies Act, 1956 and Article 80 of the Articles of Association of the Company.

The Board of Directors had appointed Mr. Rohit Gupta as Managing Director of the Company for a period of five years w.e.f. 11th August, 2007, subject to the approval of shareholders in the ensuing Annual General Meeting.

Mr. Rohit Gupta is the promoter of Mundra Credit & Investment Private Limited, which is the holding Company of your Company. He is a Fellow of the Institute of Chartered Accountants of India. He carries around 15 years of rich experience in securities market and financial services. His exceptional leadership skills, outstanding commitment and strong understanding of capital markets have helped your Company become one of the leading

players in his field. A brief resume of Mr. Gupta is included later in the report.

The Board of Directors at their meeting held on 11th August, 2007 approved the terms of appointment of Mr. Rohit Gupta as Managing Director of the Company, inter alia, on the following terms:

i) **Tenure of Agreement:** For a period of five years commencing from 11th August, 2007.

ii) **Nature of Duties:** Mr. Rohit Gupta ("the Appointee") will carry out such duties as may be entrusted to him by the Board from time to time and exercise such powers as may be assigned to him, subject to superintendence, control and directions of the Board in connection with the Company.

iii) **Remuneration, perquisites and allowances:** NIL

iv) The terms and conditions of appointment with the Appointee also include clauses pertaining to adherence with Consolidated Securities Limited Code of Conduct, including no conflict of interest with the Company, non-competence and maintenance of confidentiality.

v) The terms and conditions of the said appointment may be altered and varied from time to time by the Board as it may, in its discretion deem fit, in accordance with the provisions of the Act or any amendments made hereafter in this regard and subject to

such approvals as may be required.

vi) This appointment may be terminated by either party by giving to the other party six months' notice of such termination.

In compliance with provisions of Sections 269 and other applicable provisions of the Act, the terms of appointment specified above are now being placed before the members for their approval.

The Directors recommend the resolution at Item No. 5 of the accompanying notice for approval of the members of the Company.

Except Mr. Rohit Gupta, none of the other Directors is concerned or interested in Item No. 5 of the Notice.

By Order of the Board

Place: New Delhi

Dated: 11th August, 2007

Rohit Gupta

Managing Director

Registered Office:

8/19, 3rd Floor, W.E.A.

Pusa Lane, Karol Bagh

New Delhi 110005

Your Directors

Name of the Director	Profile	Other Directorships
Mr. Rohit Gupta	<p>Mr. Rohit Gupta had been a Chairman and Non-Executive Promoter-Director of the Company since 29th October, 2005.</p> <p>The Board of Directors has appointed Mr. Rohit Gupta as Managing Director of the Company for a period of five years w.e.f. 11th August, 2007, subject to the approval of shareholders in the ensuing Annual General Meeting.</p> <p>He is a commerce graduate and a Fellow of the Institute of Chartered Accountants of India. He has around 15 years of rich experience in the field of Merchant Banking, Corporate Finance and Restructuring, Project Finance and Stock Markets. He does not hold any shares in the Company. He does not hold committee membership of any other Company.</p>	<p>Rajasthan Global Securities Limited</p> <p>Samrat Forgings Limited</p> <p>Mundra Credit and Investment Private Limited</p> <p>Deep Deposits and Leasing Private Limited</p> <p>Moongipa Securities Limited</p>

Name of the Director	Profile	Other Directorships
Mr. Kapil Aggarwal	<p>Mr. Kapil Aggarwal was appointed as a Non-Executive Independent Director of the Company on 15th December, 2005.</p> <p>The Board of Directors has appointed Mr. Aggarwal as the New Chairman of the Board in place of Mr. Rohit Gupta w.e.f. 11th August, 2007.</p> <p>He is a commerce graduate and a fellow of the Institute of Chartered Accountants of India. He has more than two decades of experience in Audit, Finance, Taxation and legal matters. He is a very renowned figure in taxation matters. He does not hold any shares in the Company and is not a committee member of any other Company.</p>	Surbhi Wears Private Limited
Mr. Ashok Kumar Kathuria	<p>Mr. Ashok Kumar Kathuria was appointed as a Non-Executive Promoter-Director of the Company on 29th October, 2005.</p> <p>He is an arts graduate. He has more than 20 years of experience in the field of administration. He does not hold any shares in the Company and is not a committee member of any other Company.</p>	<p>Mundra Credit and Investment Private Limited</p> <p>R.G. Stock Broking & Management Consultants Private Limited</p>
Mr. Anil Kumar Chaddha	<p>Mr. Anil Kumar Chaddha was appointed as a Non-Executive Promoter Director of the Company on 29th October, 2005.</p> <p>He is a commerce graduate, a fellow of the Institute of Cost and Work Accountants of India and the Institute of Company Secretaries of India. He has more than 25 years of experience in the field of Corporate Finance, Stock Market and Company Law matters. He does not hold any shares in the Company and does not hold committee membership of any other Company.</p>	<p>Euro Financial Services Limited</p> <p>Mundra Credit and Investment Private Limited</p> <p>Rainy Investments Private Limited</p> <p>Space Power Controls Private Limited</p>
Mr. Sanjeev Mahajan	<p>Mr. Sanjeev Mahajan was appointed as a Non-Executive Independent Director of the Company on 15th December, 2005.</p> <p>He is a commerce graduate and a fellow of the Institute of Chartered Accountants of India. He has 13 years of experience in the field Audit, Taxation and Merchant Banking. He is a very renowned figure in taxation matters. He does not hold any shares in the Company and does not hold committee membership of any other Company.</p>	R-K. Securities Private Limited

Directors' Report

To
The Members,

Your Directors have pleasure in presenting the fifteenth Annual Report together with the audited annual accounts of your Company for the year ended 31st March, 2007.

1. Financial results

(Rs. in cr)

Particulars	Current year ended 31.03.2007	Previous year ended 31.03.2006
Total income	104.57	30.97
Gross profit	16.39	4.37
Less : Depreciation	0.01	0.08
Profit before tax	16.37	4.36
Provision for taxation	4.99	1.29
Net profit	11.38	3.07
Profit/loss brought forward from the previous year	1.77	(-)0.69
Profit available for appropriation	13.15	2.38
Transfer to general reserve	Nil	Nil
Transfer to reserve fund in terms of Section 451C(1) of R.B.I. Act, 1934	2.28	0.61
Proposed dividend	Nil	Nil
Balance carried forward	10.87	1.77

2. Dividend

Your Directors do not recommend any dividend for the year ended 31st March, 2007 to conserve its resources for the future.

We take this opportunity to communicate our dividend policy to our shareholders.

As per Indian tax laws, dividend distribution currently attracts a 17% dividend distribution tax (inclusive of education cess). Since our shareholders are co-owners of our Company, we see dividend distribution tax as the cost that must be paid by an owner to transfer into his own pocket the annual earnings achieved by the business - a contributory to investors' misery.

We believe that we can consistently utilise internally our funds at rates we believe are attractive for majority of investing community. Our record indicates even better prospects for profitable employment of capital. We therefore have a corporate policy of reinvesting earnings for growth, diversity and strength, which has the incidental effect of minimising the current imposition of explicit taxes on our shareholders. We do not intend to declare dividends

till such time as our stance on our ability to gainfully deploy incremental capital internally does not fall below our threshold levels.

3. Operational performance

During the year under review, your Company has shown excellent results. The total income for the year ended 31st March, 2007 has increased to Rs. 104.57 crore as compared with the previous years' Rs. 30.97 crore, registering a growth of 238%. The operating profit (PBIT) of the Company increased by 275% to Rs. 16.37 crore during the year, up from Rs. 4.36 crore in the previous year. The provision for taxation during the year was Rs. 4.99 crore. The net profit for the year increased by 271% to Rs. 11.38 crore, up from Rs. 3.07 crore in the previous year. An amount of Rs. 2.28 crore was transferred to the statutory reserve fund, pursuant to Section 451C of the Reserve Bank of India Act, 1934.

Your Company took advantage of the market movements and channelled its portfolios with the expertise of its Directors and earned a higher income from operations and profit on the sale of shares.

Most companies define "record" earnings as a new high in earnings per share. Since businesses customarily add from year to year to their equity base, we find nothing particularly noteworthy in a management performance combining, say, a 10% increase in equity capital and a 5% increase in earnings per share. After all, even a totally dormant savings account will produce steadily rising interest earnings each year because of compounding.

Except for special cases (for example, companies with unusual debt-equity ratios or those with important assets carried at unrealistic balance sheet values), we believe a more appropriate measure of managerial economic performance to be return on equity capital. The primary test of managerial economic performance is the achievement of a high earnings rate on equity capital employed (without undue leverage, accounting gimmickry, etc.) and not the achievement of consistent gains in earnings per share.

We are happy to inform you that benchmarked against the return on capital employed (ROCE) parameter, our Company has done