



Investing in the future

Consolidated Securities Limited ■ Annual Report 2007-08

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Corporate Information

1

Board of Directors

Kapil Aggarwal, *Chairman*
Rohit Gupta, *Managing Director*
Anil Kumar Chaddha, *Director*
Sanjeev Mahajan, *Director*
Ashok Kumar Kathuria, *Director*
B L Gupta, *Director*

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
Website: www.consolidated.in

Auditors

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

Bankers

HDFC Bank Limited

Registrar & Share Transfer Agents

MAS Services Limited
AB-4, Safdarjung Enclave
New Delhi-110029

Company Secretary & Compliance Officer

Ms Anju Batra

Chief Financial Officer

Mr Rohit Gupta

Vice-President-Strategy

Mr Kunal Mahendra Bhakta



Managing Director's Review

Dear Shareholders --

I have great pleasure to inform all the esteemed shareholders of CSL that 2007-08 was another great year for the Company.

While the detailed financials are given in the Annual Report, I wish to highlight the financial performance of the Company during 2007-08.

(Rs in crores)

Particulars	2007-08	2006-07	% of growth
Total income	177.3	104.6	69.5
Profit before taxes	25.3	16.4	56.4
Profit after taxes	18.1	11.4	59.2
Earning per share (Rs)	45.2	28.4	59.3
Total assets	36.0	17.9	101.7
Total net worth	35.9	17.8	101.9

The Indian economy has grown at unprecedented levels over the last four years, which has resulted in a lot of optimism with many predicting that this growth can be sustained in the years to come.

The last quarter of FY2008 brought with it quite a bit of bad news and the global capital markets reacted to it very sharply. The high prices of oil and other commodities, the uncontrolled inflation resulting in tightening monetary policies by the central banks along with the sub-prime crisis have resulted in moderation of growth along with uncertainty about the future.

Despite these short-term anomalies, the RBI is still predicting that the Indian GDP will grow at 8% in FY2009.

Over the last three years, CSL has built a prudent risk management policy which has held it in good stead. CSL was able to manage the financial events of the last six months in an admirable manner and has not suffered any major losses even though the BSE Sensex corrected 35% from its peak levels.

CSL's risk management strategy is based on two major principles. Firstly, we invest according to a detailed understanding of the various industry sectors backed by strong capability of the management of invested companies. Secondly, we have been prudent and exited from investments and other capital exposures in a timely and planned manner.

Going forward, the CSL management has taken a cautious view of the future and has decided to scale back its arbitrage business. Our business is such that the outcomes of our effort are largely dependent on future perceptions, backed by underlying macro factors. We are acutely aware that in our fiduciary capacity, we act as custodians of shareholders' funds and aim to address the perceived risk elements based on our analysis of what the future will look like.

We are consolidating the gains that we have made over the last few years and will focus on building the organisation. One of our key priorities would be to institutionalise our investing framework and make it independent of any one individual. I strongly feel that CSL can only scale its business once it is able to achieve this successfully.

I thank all the shareholders for the unstinted support provided to the management. I end on a note of cautious optimism about the future of the financial services industry in India and hope that some of the long-pending reforms in the financial services sector are carried out.

With best wishes

Place: New Delhi
Date: 31 July 2008

Rohit Gupta
Managing Director



Notice

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of the Members of Consolidated Securities Limited will be held on Tuesday, the 30th day of September, 2008 at 10.30 a.m. 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 31 March 2008 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 Sanjeev Mahajan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr Kapil Aggarwal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration and in this regard, to consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s R. Mahajan & Associates, Chartered

Accountants, New Delhi, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors of the Company.

Special Business

5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an "Ordinary Resolution":

"RESOLVED THAT Mr Bhushan Lal Amaranth Gupta, who was appointed as Additional Director under Section 260 of the Companies Act, 1956 and Article 80 of the Articles of Association of the Company on 5 October 2007 and in respect of whom a notice from a member proposing his name for the Directorship of the Company has been received, together with a deposit of Rs 500/- under Section 257 of the Companies Act, 1956, be and is hereby appointed as Director of the Company, liable to retire by rotation."

By Order of the Board

Sd/-

Place: New Delhi
Date: 31 July 2008

Anju Batra
Company Secretary

Notes

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL 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. 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 relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 with regard to special business set out in Item no. 5, 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. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, 24 September 2008, to Tuesday, 30 September 2008 (both days inclusive).
5. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members



CONSOLIDATED SECURITIES LIMITED

are requested to bring their own copies to the meeting. We hope you will help us in our endeavour to control cost.

6. Additional information, in terms of Clause 49 of the Listing Agreement with the Stock Exchanges, regarding appointment/reappointment of Directors as set out in Item no. 2, 3 and 5 of the Notice, is also annexed hereto separately and forms part of the Notice.
7. Members desirous of any information/clarification on the accounts are requested to write to the Company at least 10 days in advance so as to enable the management to keep the same ready at the Annual General Meeting.
8. Please send your requests for transfer/ transmission/ consolidation and demat of shares, change of address to our Registrar and Transfer Agents (RTA) - MAS Services Ltd. at AB-4, Safdarjung Enclave, New Delhi-110029.
9. 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.

10. Members attending the meeting are requested to bring with them their Client ID and DP ID Numbers/Folio Numbers for identification. Further, members/proxies should bring the attendance slip duly filled in for attending the meeting.
11. Members having multiple folios in identical names or 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.
12. Shareholders holding shares in certificate form are requested to dematerialise their holding in electronic form.
13. The Company has designated an exclusive email id viz. investor@consolidated.in to enable the investors to post their queries/suggestions/grievances and monitor their redressal.

By Order of the Board

Sd/-

Anju Batra

Company Secretary

Place: New Delhi

Date: 31 July 2008

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956

Item no. 5

Mr Bhushan Lal Amarnath Gupta was appointed as Additional Director of the Company on 5 October 2007, pursuant to Section 260 of the Companies Act, 1956 and Article 80 of the Articles of Association of the Company. He will hold office only up to the date of the ensuing Annual General Meeting. The Company has received a notice from a member pursuant to Section 257 of the Companies Act, 1956 in writing along-with the requisite deposit of Rs 500/-, proposing him as a candidate for the office of Director of the Company, liable to retire by rotation.

Your Directors recommend the appointment for your approval.

The proposed resolution is to be passed as Ordinary Resolution.

Except Mr Bhushan Lal Amaranth Gupta, no other Director is concerned or interested in this resolution.

By Order of the Board

Sd/-

Anju Batra

Company Secretary

Place: New Delhi

Date: 31 July 2008



Annexure to the Notice

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Details of Directors seeking appointment/re-appointment in the ensuing Annual General Meeting to be held on 30 September 2008, pursuant to the requirement of Clause 49 of the Listing Agreement:

Name of Director	Sanjeev Mahajan	Kapil Aggarwal	Bhushan Lal Amarnath Gupta
Date of birth	16 June 1967	14 June 1959	13 January 1938
Nationality	Indian	Indian	Indian
Date of appointment	15 December 2005	15 December 2005	5 October 2007
Qualification	B.Com (H), FCA	B.Com (H), FCA	M.Com, D.S.W., CAIIB
Expertise in specific functional areas	15 years of rich experience in audit, taxation and merchant banking	He has more than two decades of experience in audit, taxation and legal matters. He is a very renowned figure in taxation matters.	He has a rich experience of around 33 years in the service sector.
Shareholding in CSL	Nil	Nil	Nil
List of outside directorships	1. R K Securities Pvt. Limited	1. Surbhi Wears Pvt. Limited	1. Amforge Industries Limited 2. Uniflex Cables Limited 3. MTZ Polyfilms Limited 4. MTZ Industries Limited
Chairmanship/membership of the committee of the Board of the Company	Chairman-Audit Committee	Member-Audit Committee	NA
Chairmanship/membership of the committee of the Board of other companies	NA	NA	1. Chairman-Audit Committee- Amforge Industries Ltd. 2. Member- Shareholder Committee- Amforge Industries Ltd. 3. Chairman-Remuneration Committee- Amforge Industries Ltd. 4. Chairman- Grievance Committee- Amforge Industries Ltd. 5. Chairman- Audit Committee- Uniflex Cables Ltd. 6. Member- Share Transfer Committee- Uniflex Cables Ltd. 7. Member- Audit Committee- MTZ Polyfilms Ltd. 8. Member- Share Transfer Committee- MTZ Polyfilms Ltd. 9. Member- Audit Committee- MTZ Industries Ltd. 10. Member- Share Transfer Committee- MTZ Industries Ltd.



Director's Report

Dear Shareholders --

Your Directors have pleasure in presenting the 16th Annual Report together with the audited annual accounts of your Company for the year ended 31 March 2008.

1. Financial results

(Rs in crores)

Particulars	Current year ended 31.03.2008	Previous year ended 31.03.2007
Total income	177.3	104.6
Gross profit	25.6	16.4
Less : Depreciation	0.0	0.0
Profit before tax	25.6	16.4
Provision for taxation	7.5	5.0
Net profit	18.1	11.4
Profit /(Loss) brought forward from previous year	10.9	1.8
Profit available for appropriation	29.0	13.2
Transfer to Reserve fund in terms of Section 451C(1) of R.B.I Act, 1934	3.6	2.3
Proposed dividend	Nil	Nil
Balance carried forward	25.4	10.9

2. Business operations

During the year under review, your Company has registered significant results by fetching a total income of Rs 177.3 crores, as compared to the previous year's income of Rs 104.6 crores and yielding the operating profit (PBIT) of Rs 25.6 crores, as compared to Rs 16.4 crores of the previous year.

During the year, the stock market conditions were very good and favourable. The BSE Sensex touched the new peak of 21,000 in January 2008. Your Company has utilised the favourable conditions of the market to its fullest extent, earning higher income from share-trading and on the sale of shares.

3. Dividend

The Company believes that it has done a commendable job in allocating capital and has received good returns on the capital employed ever since the new management took over. Its past track record and the opportunities that lie ahead have

provided the management the confidence to look for more growth opportunities, which require an increasing amount of capital. Therefore, your Directors do not recommend any dividend for the year ended 31 March 2008.

4. Conservation of energy and technology absorption

Being an investment company, these provisions are not applicable to the Company.

5. Foreign exchange earnings and outgo

There were no foreign exchange earnings and outgo during the year under report.

6. Particulars of employees

There are no employees whose particular are required to be given under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975. Therefore this clause is not applicable.

7. Director's responsibility statement

Pursuant to Section 217(2AA) of the Companies Act, 1956 with respect to the Director' responsibility statement, it is hereby confirmed:

- that in the preparation of the annual accounts for the financial year ended 31 March 2008, the applicable accounting standards have been followed
- that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review
- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities
- that the Directors have prepared the annual accounts for the financial year ending 31 March 2008 on a 'going concern' basis.

8. Directors

In accordance with the provisions of the Companies Act,



1956 and Article 89 of the Articles of Association of the Company, Mr Sanjeev Mahajan and Mr Kapil Aggarwal, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Board recommends their re-appointment as Directors on the Board of the Company in this Annual General Meeting.

During the year under review, Mr Bhushan Lal Amarnath Gupta was appointed as the Additional Director of the Company on 5 October 2007. His tenure of office expires at this Annual General Meeting and he is eligible for appointment as the Director, liable to retirement by rotation. Further notice under Section 257 has been received from a member signifying his candidature for the office of the Director, along with the deposit of fees of Rs 500. Your Directors recommend his appointment as the Director on the Board of the Company.

9. Audit Committee

In compliance with Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement, an Audit Committee was formed consisting of Mr Sanjeev Mahajan, Mr Kapil Aggarwal and Mr Ashok Kumar Kathuria.

10. Public deposits

The Company has not accepted any deposits from the public during the year and the Board passed a resolution to the same effect as required by RBI guidelines.

11. Auditors' Report and Auditors

The observations of the auditors and notes on the statement of accounts are self-explanatory.

The auditors, M/s R. Mahajan & Associates, Chartered Accountants, New Delhi, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. They have given a certificate that their appointment, if made, will be within the limits under Section 224 (1-B) of the Companies Act, 1956. The Board recommends their re-appointment.

12. Reserve Bank of India's guidelines

Your Company, being a Non-Banking Finance Company (NBFC), has duly complied with all the applicable rules, regulations and guidelines issued by the Reserve Bank of India from time to time.

13. Listing

The equity shares of the Company are listed on the Bombay Stock Exchange (BSE) and the Delhi Stock Exchange (DSE). The BSE possesses nation-wide terminals and therefore

provide full liquidity to the investors.

14. Management Discussion and Analysis

The report on Management Discussion and Analysis is given separately and forms part of this report.

15. Corporate Governance

The report on Corporate Governance, as prescribed by the Listing Agreement, is annexed and forms part of this annual report. The Auditor's Certificate on compliance of the provisions of the Corporate Governance as mentioned in the Listing Agreement is also attached. Your Company fully complies with the Corporate Governance norms as on 31 March 2008, as per Clause 49 of the Listing Agreement.

16. Compulsory de-mat

As per SEBI guidelines, the shares of the Company are required to be compulsorily traded in dematerialised form. Under the depository system, the International Securities Identification Number (ISIN) allotted to the Company's equity shares is INE 718F01018.

As on 31 March 2008, a total of 3585280 equity shares of the Company, which translate to 89.55% of the share capital, stand dematerialised.

Members are requested to dematerialise their shares for their better convenience.

17. Appreciation

Your Directors would like to express their appreciation and gratitude to all members, depositors and customers for the trust and confidence reposed by them in the Company. They would also like to thank the bankers, the Government and all regulatory authorities, including the SEBI, stock exchanges, Ministry of Corporate Affairs, Registrar of Companies and the depositories.

Your Directors also deeply appreciate the hard work, competence, loyalty, cooperation and professionalism of the employees of the Company. The employees continue to remain the Company's valuable assets and their relentless efforts have enabled it to achieve praiseworthy growth during the year under review.

For and on behalf of the Board

Rohit Gupta
Managing Director

Ashok Kumar Kathuria
Director

Place: New Delhi
Date: 31 July 2008



Management Discussion and Analysis

Industry structure and developments

India is the second largest and fastest-growing economy next to China and has all the potential to hold the position of being the first. The Indian economy continues to expand at a robust pace during 2007-08 for the fifth consecutive year. The service sector remained the major contributor to GDP growth with a double-digit growth at 10.6% during the year 2007-08, despite some moderation in pace. Inflation firmed up in major economies, mostly in the second half of 2007-08, reflecting the combined impact of higher food and fuel prices, as well as strong demand conditions. However, the monetary policy responses were mixed in view of heightened concerns about the implications of credit crunch arising out of the US sub-prime crisis on financial stability and economic growth in the latter part of the year. In India, headline inflation based on the wholesale price index (WPI) softened from 6.4% at the beginning of the fiscal to a low of 3.1% on 13 October 2007, before increasing again to 7.4% by 29 March 2008, reflecting hardened prices of primary articles, fuels and some manufactured products. As on 31 July 2008, inflation has increased to 11.89% and the RBI is taking an increasingly hawkish stance to control inflation. The 10-year yield has increased to 9.35%, which is the highest in the last eight years.

The global financial market remained volatile mainly due to the US sub-prime mortgage market and other credit market exposures. The Indian equity market remained highly volatile, especially in the second week of January 2008.

The Indian rupee generally exhibited two-way movements against major currencies; it moved in the range of Rs 39.3 - Rs 43.2 against the US dollar. Foreign exchange reserves of India increased by US\$ 110.5 billion during 2007-08 to US\$ 309.7 billion as on 31 March 2008.

In the secondary market, the market activity expanded further during 2007-08 with the BSE and the NSE indices scaling new heights of 21,000 and 6,300, respectively in January 2008 which ended 31 March 2008 at 15,645 and 5,762, respectively. Net inflows from FIIs aggregated to US\$ 20.3 billion during the year 2007-08, as against US\$ 3.2 billion during 2006-07.

NBFC sector

CSL is currently classified as an NBFC. NBFCs are an important component of the financial service sector of the Indian economy, significantly contributing to the overall economic growth. The NBFCs are governed and supervised by the RBI. Traditionally, NBFCs have been the vehicle for financing individuals and corporates who had difficulty in obtaining funding from banks. Now, the NBFC sector is represented by a mix of few large companies with a nation-wide presence and a large number of small and medium-sized companies with regional focus.

NBFCs can be categorised into three categories:

- Deposit-taking NBFCs (Other than residuary non-banking companies)
- Non-deposit taking NBFCs and
- Residuary non-banking companies (RNBCs)

The number of deposit-taking NBFCs has come down from 710 at the end of June 2003 to 376 at the end of March 2008. Further, the number of non-deposit taking NBFCs also declined from 13,139 as on June 2003 to 12,458 as at the end of March 2008.

Taking into account the declining number of deposit-taking NBFCs, declining trend of public deposits held by NBFCs, strengthening of regulatory prescription in case of NBFCs-ND-SI and RNBCs, low levels of NPAs and relatively low levels of bank borrowings by the sector, the potential systematic risk from this segment is low at this point of time.

Many of the surviving NBFCs have changed their business model to suit the new regulatory environment. Your Company CSL has developed a niche by investing in emerging companies requiring growth capital and nurturing them to a stage where they are sufficiently big, with enough capital to sustain their future growth.

Opportunities and threats

Consider the following facts:

- India is the second fastest-growing economy
- India has become the favourite investment destination for most of the FIIs