

CONSOLIDATED SECURITIES LIMITED

Annual Report | 2012-13



Consolidated
Securities Ltd

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Kapil Aggarwal	Chairman
Rohit Gupta	Managing Director
Ashok Kumar Kathuria	Director
Anirudha Kumar	Director

REGISTERED OFFICE

8/19, 3rd Floor, W.E.A.
Pusa Lane, Karol Bagh
New Delhi-110005
Tel: 011-42503441-444
Fax: 011-42503441-444
E-mail: info@consec.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
T-34, 2nd Floor,
Okhla Industrial Area Phase-2,
New Delhi-110020

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Akash Gupta

CHIEF FINANCIAL OFFICER

Mr. Rohit Gupta

NOTICE

NOTICE

Notice is hereby given that the Twenty First Annual General Meeting of the Members of Consolidated Securities Limited will be held on Monday, 30th day of September 2013 at 12:15 p.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 31st March, 2013 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. Kapil Aggarwal, who retires by rotation and being eligible, offers himself for re-appointment.
3. 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."

By order of the Board

For & on behalf of the Board

Place: New Delhi Rohit Gupta
Date: 14th August 2013 Managing Director & CFO

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. 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, authorizing their representative to attend and vote at the Annual General Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 24th September 2013 to Monday, 30th September 2013 (both days inclusive).
4. Members are requested to bring their own copies to the meeting.
5. 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.
6. 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 T-34, 2nd Floor, Okhla Industrial Area Phase-2, New Delhi-110020
7. 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.
8. Members having multiple folios in identical names or in joint names in the same order are requested to send their share certificate(s) to the Company's Registrar & Transfer Agents, M/s. MAS Services

NOTICE

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Limited for consolidation of all such shareholding into one folio to facilitate better service.

9. Shareholders holding shares in certificate form are requested to de-materialize their holding in electronic form.

10. The Company has designated an exclusive email id viz investor@consec.in to enable the investors to

post their queries/suggestions/grievances and monitor its redressal.

For & on behalf of the Board

Place: New Delhi

Date: 14th August 2013

Rohit Gupta

Managing Director & CFO

ANNEXURE TO THE NOTICE

Details of Directors seeking appointment/re-appointment in the ensuing Annual General Meeting to be held on 30th September 2013 pursuant to the requirement of Clause 49 of the Listing Agreement:

Name of Director	Mr. Kapil Aggarwal
Date of Birth	14.06.1959
Nationality	Indian
Date of appointment	15.12.2005
Qualification	B.Com(H), FCA
Expertise in specific functional areas	Having more than 20 years of experience in Audit, taxation & legal matters, is a renowned figure in taxation matters.
Shareholding in CSL	Nil
List of outside Directorships	M/s.Candour Infrastructures Private Limited
Chairmanship/membership of the committee of the Board of the Company	Chairman-Audit Committee
Chairmanship/membership of the committee of the Board of other Company	NA

Dear Shareholders

Your Directors take pleasure in presenting the 21st Annual Report together with the Audited Annual Accounts of your Company for the year ended 31st March, 2013 together with the Auditor's Report thereon.

1. Financial Performance

Particulars	(Rs. In Crores)	
	Current year ended 31.03.2013	Previous year ended 31.03.2012
Total Revenue	105.78	231.16
Profit before Tax	5.96	6.13
Less: Provision for Taxation	1.76	2.01
Profit after Taxes	4.20	4.12

2. Business Operations

During the year under review, tremendous volatility & slowdown in growth was witnessed in our economy & across all over the world. The performance of your company, however, has been satisfactory during the year under review and we have earned profit after tax of Rs. 4.20 crores.

3. Transfer to reserves

The Company transferred the profit after tax of Rs. 4.20 crores to the reserves and surplus of the company.

Further, the amount received towards the share premium account amounting to Rs. 3.41 crores also forms part of the Reserves and surplus.

4. Dividend

Your directors do not recommend any dividend for the year ended 31st March, 2013.

5. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The Company is not engaged in any activity related to conservation of energy or technology absorption. There were no foreign exchange earnings and outgo during the year under review.

6. Particulars of Employees

There was no employee in receipt of remuneration exceeding the limits prescribed under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975

(including any amendment thereof). Therefore, no such statement is required to be furnished.

7. Director's Responsibility Statement

In pursuance to Section 217(2AA) of the Companies Act, 1956 with respect to Director's Responsibility Statement, your directors hereby state and confirm:

- that in the preparation of the annual accounts for the financial year ended 31st March 2013, the applicable accounting standards have been followed.
- that the Directors have selected such accounting policies and applied them consistently and made judgment 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 profits or loss of the company for the year under review.
- that the Directors had 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 had prepared the annual accounts for the financial year ending 31st March 2013 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. Kapil Aggarwal, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. The necessary resolutions with regard to above are being placed before the shareholders for their approval. The Board recommends his re-appointment as Director on the Board of the Company in this Annual General Meeting.

A brief profile of Mr. Kapil Aggarwal has been given as Annexure to the Notice of the ensuing Annual General Meeting.

Date: 14th August 2013

ECONOMY OVERVIEW

GLOBAL ECONOMY-

The Global growth was weaker in the financial year 2012-13 and is likely to remain sluggish in 2013-14 as well as fiscal adjustments drag growth in advanced economies and in turn delay cyclical recovery in the emerging market & developing economies. In its World Economic Outlook, the International Monetary Fund has forecast global growth to stay slow at 3.3 percent in 2013 before improving to 4.0 percent in 2014. The international financial markets have gained traction following unconventional monetary easing with the developed nations showing first signs of growth the overall economic conditions in 2013 may be better than they were in 2012 on account of the upturn in USA and the first signs of recovery in Eurozone Area.

INDIAN ECONOMY

The Indian economy remained sluggish in 2012-13, with slowdown seen spreading across most of the sectors. Even the services sector, which has been the mainstay of high growth in recent periods, has been decelerating, thereby dragging down economic activity and employment creation. The uncertainties in domestic policy making, governance issues & the impact of earlier monetary tightening, slacking external demand have further impacted the growth adversely.

Monetary policy eased during 2012-13 but was constrained in addressing the growth concerns due to the presence of inflation & the Current Account Deficit & Fiscal Deficit, which have been a cause of concern all throughout the year & continue to be so. Domestic energy price adjustments, inadequate supply response

and sustained wage pressures on inflation are expected to drag down growth for some more time. There was huge volatility in the equity markets & currency markets with Rupee continuing to hit all time lows against the dollar.

Post the financial year being reviewed, the Indian currency has been depreciating against the dollar, which again is a cause of concern. Moreover, with elections to Parliament due in April-May 2014, some measures of political uncertainty is inescapable and so too its impact on investment behavior. The fear of crisis also looms with the excessive debts of government destabilizing the business environment, coupled with the political instability in India.

INDUSTRY STRUCTURE & DEVELOPMENTS

NON-BANKING FINANCIAL COMPANIES (NBFCs)

NBFCs have evolved from the era of concentrated regional operations, low credibility and poor risk management practices to highly sophisticated operations, pan-India presence and most importantly an alternate choice of financial intermediation. NBFCs are now present in competing fields of vehicle financing, housing loans, hire purchase, lease & personal loans. the presence of NBFCs is seen where the risk is higher (and hence the returns), where reach is required to which they cater through their strong last-mile network, where recovery needs to be the focus area, and where the loan-ticket size is small, appraisal and disbursement has to be speedy and flexibility in terms of loan size and tenor is required.

Reserve Bank of India (RBI) is monitoring the NBFC sector to a great extent now, especially on account of sharp increase in finance to the space. Slowing business environment & the regulatory tightening by RBI have resulted in the Bank's lending to NBFCs coming to a

halt, which is also partly due to some NBFCs approaching the bond market for raising funds as banks have been charging high rates. However, due to RBI's liquidity tightening measures in July 2012, the short-term rates have gone up, thus making the NCD market less attractive. Other measures of the RBI, like asking banks to reduce their exposure to NBFCs where gold loans make up 50% or more of total financial assets by reducing the regulatory exposure to a single company to 7.5% of their capital fund, from 10%. NBFCs are also looking at multiple sources for funding to de-risk their liability side. The Usha Thorat Committee recommendations in regard to NBFCs, if accepted will change the NBFCs operating environment to large extent, with proposals on NPA provisioning, capital norms, etc, and the NBFCs would have to shore up their capital sufficiently to account for growth as well as regulatory requirements.

Though there has been a slowdown in growth and increase in delinquencies as a result of the deterioration on the operating environment during FY 2012-13, the Non-banking Finance Companies (NBFCs) still continue to play a significant role in the growth of the financial system. NBFCs need to diversify their borrower base, indulge in security based lending and proactively monitor their portfolios so as to keep the asset quality high & to keep the NPAs under check. Some of the NBFCs, including yours have adopted a cautious approach during the year under review. The tight liquidity positions are expected to keep the operating environment challenging for NBFCs. At the same time, operating expenses for NBFCs are likely to remain high because of higher level of recovery efforts and slower growth. Unless NBFCs increase their lending rates, there could be a drop in the Return on equity.

Being a NBFC, your company has complied with all the

rules and regulations as laid down by the Reserve Bank of India for the functioning of NBFCs.

SEGMENT-WISE PERFORMANCE:

During the year under review, the company has done well in both its major segments- Secured Lending and Proprietary Investments. In the Secured Lending segment, the company owing to its thorough due-diligence & monitoring mechanisms has succeeded in consolidating & expanding its loan book, which is now at Rs.55 Cr (Approx.). The company has now been carrying on this business for more than 3 years and has not faced a single default in its loan portfolio, but at the same time is aware & equipped to face the challenges in the changing business environment. The blended yield for the FY 2012-13 was 22%, as compared to the 19.43% blended yield in the previous FY 2011-12.

The Company's focus continues to be on providing secured loans to cater to the working capital/short term requirements of small, mid-sized companies. During the year under review, the company added new clients to its loan book so as to further diversify its loan exposures. Safeguarding of the capital continues to be the underlying principle for the company and it aims to have a cautious approach, especially with the deteriorating business environment & slowing economy. The company will continue to further refine its processes and work on scaling up this loan book.

The other segment of the company i.e. Proprietary Investments, wherein the company participates in arbitrage trades like Open Offers, Demergers, Delistings etc, has also done satisfactorily well during the year under review. However, going forward, the company sees fewer opportunities in such space as the stock market has become exceedingly volatile due to limited participation & high currency uncertainty.

The company intends to focus primarily on the Secured Lending segment going forward as capital is increasingly becoming scarce, which create more opportunities for NBFCs which have strong internal working systems in place.

BUSINESS OUTLOOK

The performance during the year has been encouraging and the company is working to carry its growth momentum in the future. However, with the business environment becoming challenging, the company has become very prudent in lending & is actively monitoring its loan portfolio. The company is watchful of the regulatory changes made by RBI & those in the pipeline and most importantly the changing business environment, with the economy slowing down & the ongoing project delays particularly in the real estate sector.

The company has scaled up its secured lending team and continues to build up its systems & processes. The company is optimistic in its business model for the long term, but cautious in the short term given the challenging economic environment.

RISKS AND CONCERNS

During the year under review the business environment has witnessed a lot of uncertainty & volatility, which puts forth more risks & challenges to businesses, especially the ones operating in the capital market. There are a lot of operating challenges and the hopes of reducing interest rates have been belied. The management of the company focuses on small details so as to have a broader view of the situation, to further safeguard the company's loan portfolio, coupled with adequate levels of liquidity in its books.

This approach has held the company in good stead over

the years & hopefully would continue to do so.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company understands the value of an effective Internal control system for achieving the maximum efficiency & for putting its resources to the best possible use. Therefore, the company has in place a clear organizational structure with well defined roles for all the personnel, and has spelt out policies for every process & data management, to ensure the smooth working of the organization. These not only help the company in tracing lapses, but also in making amends wherever required to further improve the functioning of the processes.

FINANCIAL PERFORMANCE

The company had Sales of Rs.105.78 crores this financial year vs. Rs.231.16 crores in the previous year.

The Company's Profit before tax (PBT) stood at Rs. 5.96 crores as against Rs. 6.13 crores during the previous year 2011-12. The corresponding figures for Profit after Tax (PAT) are Rs.4.20 crores and Rs. 4.12 crores for the current year and previous year, respectively.

HUMAN RESOURCES

The company believes in its efficient & effective team to deliver the required results and hence attributes its growth to its experienced team. During the year under review the company had reallocated the responsibilities of some of its key managerial personnel to support its Secured Lending business and is happy to announce that the company has vastly gained from the insight & experience of these personnel, which reflects in the expanded loan book of the company. The company continues to focus on attracting and retaining employees with diverse experience in the fields of its