

knowledge outsourcing

investment banking

broking

wealth management



### Vision

To be a leader in the Global Financial Services Industry by providing quality services in professional & time bound manner, while nurturing relationships

### Mission

To persistently pursue the creation of superior stakeholder value by exceeding customer expectation profitably, unleashing employee potential, while being a responsible corporate citizen, adhering to our values



## message from Managing Director

*Dear Stakeholders,*

I am very pleased to present the 19th Annual report of your company which contains a compilation of the financial performance of our businesses and a brief description of the values, beliefs and practices that shape your company.

As you all know the last financial year, we have been put to the test through a very challenging business environment. The Indian growth story faced tough macro and global headwinds which put corporate earnings under pressure and impacted investor sentiments towards equities.

Even though the financial year 2011-12 been hectic for us due to global crisis, I am happy to report that your company has successfully delivered sustained operating and financial results from its core businesses. Your company has achieved a turnover of ₹4810.15 lakhs and net profit of ₹365.89 lakhs during the year 2011-12 as against turnover of ₹4734.06 lakhs and net profit ₹302.74 lakhs during the year 2010-11, which in these turbulent times is commendable.

Further, I am very glad to inform that during the year your company has through its various vehicles been consolidating its presence in both equity broking as well as merchant banking. Choice Equity Broking Private Limited has received Market Maker license in SME segment of

Your Company is well poised to emerge as a leader in the financial services industry while clear focus on developing relationships with the entities on the brink of take-off

BSE. The merchant banking arm 'Choice Capital Advisors Private Limited' has received its Merchant Banking License registered with SEBI. Both these companies are focused in their respective fields and are poised to achieve greater heights in the coming years.

With this, we have stepped up our commitment to build organizational competence, management band with and the ability to execute our strategic initiative. In addition, the Board has in place strategy for each of the business segments of the company while catering the diverse needs of the clients. This strategy is implemented keeping in mind the responsibility of the company towards the various stakeholders.

The future outlook for your company is quite positive as indicated by the current performance combined with the vast pool of expert knowledge. The Company's

strategy in the coming years is to expand the company's presence and services thereby creating the value for the stakeholders and boosting the Brand presences.

Before I conclude, I would like to express my gratitude towards the stakeholders who have reposed trust in us and extended their constant support, the dedicated team of employees and the Board of Directors for their unwavering support and guidance.

Best Regards,

Kamal Poddar  
Managing Director





## our Values

We capitalize on our strengths by embracing the following values:

### Stand by our words

We always keep promises - big or small. We work tirelessly to proactively address exceptional circumstances when we face challenges in keeping our commitments

### Valuing differences and respecting them

We are passionate about encouraging diversity and equal opportunity at Choice. We treat every person with respect and value his or her ideas and thoughts. We view constructive differences in opinion as learning opportunities and make decisions rationally

### Honour and develop expertise and apply it to uniquely benefit our customers

We value industry and functional expertise and recognize that our clients look to us to provide the best solutions. We make the investments needed to help our associates build and apply the expertise required.

### Anticipate ideas and trends, not just follow them

Our success depends on our ability to innovate and outdo the competition. We think deeply about the new trends that impact our business and are not shy about developing new ideas and taking calculated risks to succeed in a rapidly changing environment. Being an early mover and anticipating trends are the keys to our success.

### Recognize and fulfill our responsibilities to the communities around us

We are sensitive to the needs of the communities around us. We constantly look for ways to help them overcome challenges. Our contribution is an important corporate and individual priority.

## financial Highlights



Financial Highlights (Standalone)	(₹ in Lakhs)				
	2011-12	2010-11	2009-10	2008-09	2007-08
Total Income	2401.88	4705.18	3469.83	188.49	110.68
Profit Before Tax	137.27	491.23	399.45	20.25	29.35
Profit After Tax	98.65	331.50	268.12	14.41	26.25
Retained Earnings	357.72	354.11	176.83	0.88	-5.93
Dividend	75.04	75.04	32.52	4.04	0.00
Dividend per Equity Share - In ₹	1.00	1.00	0.50	0.10	0.00
Dividend%	10%	10%	5%	1%	0%
Equity Share Capital	750.48	750.48	650.48	400.48	400.48
Reserves and Surplus	2124.58	2100.98	376.70	21.75	20.87
Net Worth	2875.07	2851.46	1027.18	422.22	421.34
Borrowings	1420.35	1597.01	18.00	0.00	0.00
Funds Employed	4295.42	4448.48	1045.18	422.22	421.34
<b>Key Indicators</b>					
Net Worth per Equity Share of ₹ 10/-	38.31	38.00	15.79	10.54	10.52
Earnings per Equity Share (Basic) - In ₹	1.31	5.08	4.39	0.36	0.67
Earnings per Equity Share (Diluted) - In ₹	1.20	5.08	4.39	0.36	0.67
Debt Equity Ratio	0.49:1	0.64:1	0.02:1	0	0

# Corporate information



## Board of Directors:

CA Kamal Poddar  
CA Ajay Kejriwal  
Mrs. Hemlata Poddar  
Dr. Kali Mohan Bhattacharya  
Mr. Debkumar Goswami  
Dr. Satish Chandra Kulhari  
CA Brijmohan Agarwal  
CA Manak Chand Daga

## Company Secretary & Compliance Officer:

Mr. Mahavir Toshniwal

## Bankers:

HDFC Bank Limited  
AXIS Bank Limited  
State Bank of India

## Auditors:

M/s. Gupta Shyam & Co.  
Chartered Accountants  
Mumbai

## Registrar and Share Transfer Agent

Sharex Dynamic (India) Pvt. Limited  
Unit-1 Luthra Industrial Premises,  
Andheri- Kurla Road, Safed Pool,  
Andheri (E), Mumbai - 400072  
Phone: 022-28515606/5644  
www.sharexindia.com

## Registered Office:

Shree Shakambhari Corporate Park,  
Plot No. 156-158,  
Chakravarti Ashok Society,  
J. B. Nagar, Andheri (East),  
Mumbai – 400 099  
Tel. No.: +91-22-6707 9999  
Fax: +91-22-6707 9959  
Webiste: www.choiceindia.com  
Email-id: info@choiceindia.com

## Our Presence:

Mumbai  
New Delhi  
Jaipur  
Ahmedabad  
Kolkata  
Bengaluru

# Milestones

**1993:** Incorporated to provide advisory services in the capital market. **1995:** Listed on the Bombay Stock Exchange Limited **1998:** Registration as a NBFC with RBI **2008:** Takeover of the company by Mr. Sunil Patodia **May 2009:** Commenced Investment Banking and Debt Syndication business **September 2009:** Launched www.choiceindia.com. Acquired Choice Infra Ventures Limited. **January 2010:** Formation of Subsidiaries to venture into indentified business verticals **March 2010:** Acquired Commodities Broking license from MCX, NCDEX and ICEX **April 2010:** Acquired Stock Broking membership from NSE, BSE, USE and MCX-sx **August 2010:** Acquired membership for Depository Participant with CDSL **September 2010:** Launched Proprietary trading platform and offline broking service for retail customers **April 2011:** Acquired membership of CIBIL **September 2011:** Registration as a Category I Merchant Banker from SEBI **October 2011:** Established new corporate office – Shree Shakambhari Corporate Park, an eight storied building located in J.B. Nagar, Andheri, Mumbai. **January 2012:** Registered as a Market Maker in SME segment of BSE





# The Board

## CA Kamal Poddar, Managing Director

CA Kamal Poddar, Chartered Accountant by profession, Mr. Kamal Poddar aged 32 years is a visionary with over 12 years of experience. Mr. Poddar has in-depth knowledge of the primary as well as the secondary market. With his tireless administrative efforts and adept technical expertise Choice International Limited has seen a turnaround in the year 2009-10.

In addition to being an expert at the capital markets, Kamal Poddar has proven track record for successfully scaling Businesses to newer heights. Mr. Poddar is a strategic thinker, trainer and motivator who know the pulse of the market place. He has been able to identify and nurture talent required for the growth of business. Mr. Poddar is an acknowledged expert in the field of equity funding by way of private placements.



## Mrs. Hemlata Poddar, Non-Executive Director

Mrs. Hemlata Poddar holds a post graduate degree in political science from Rajasthan University. Mrs. Poddar is having vast experience in Management and Administrative functions. Her areas of interest include management training and leadership.

## CA Ajay Kejriwal, Non Executive Director

CA Ajay Kejriwal is the fellow member of the Institute of Chartered Accountants of India, holds a Bachelor Degree in Commerce from University of Pune. He has also done a certification course on information systems audit with the Institute of Chartered Accountants of India (known as DISA).

He is an acknowledged expert in the field on IFRS convergence, international taxation, and foreign investment consultancy and exchange control regulations. Mr. Kejriwal is also possesses experience as an investment advisor for its major clients in respect of their financial decisions.



## Dr. Kali Mohan Bhattacharya, Independent Director

Dr. K.M. Bhattacharya is an MA & Ph.D. in Economics, D.Litt. in Banking & Finance and CAIIB from Indian Institute of Banking & Finance. A versatile banker with forty one years of working experience in all facets of banking occupying Top Executive positions such as Chief General Manager in State Bank of India, Executive Director in IndusInd Bank and Managing Director of the Erstwhile Bank of Rajasthan Ltd. He has served as a Member of the Governing Body of the Indian Banks Association, Maharashtra State Financial Corporation, and Vice President, Rajasthan Chamber of Commerce. He was Economic consultant of Multi Commodity Exchange Ltd. (MCX) and Advisor, Asset Reconstruction Corporation of India Ltd. (ARCIL).

He is also a reputed academician. He was Dean, ICFAI Business School, Mumbai and Vice Principal State Bank Staff College, Hyderabad. Presently, he is connected with leading Management Institutes and Bankers' Training Institutes as Visiting Faculty. He is a prolific writer, contributed large number of articles on contemporary banking & financial issues in leading Journals, Magazines & Financial News Papers. He has authored a few books on Banking, Finance and Risk Management.

## Mr. Debkumar Goswami, Independent Director

Mr. Debkumar Goswami is Bachelor of Mechanical Engineer, MBA and CAIIB having more than 40 years experience to the Banking & Financial Services Industry. Mr. Goswami believes in striking excellence continuously in pursuit of success. After serving SBI & SBI capital for 20 years, Mr. Goswami joined Ashok Leyland Investment services Limited where he was CEO & President. He has also held the position of senior Vice- President at UTI bank Ltd. for a period of approximately four years. He at various stages of time was advisor to Standard Chartered Bank, HSBC & ARCIL Limited. He is presently associated with Uttam Galva Group of Companies as the Group Corporate Advisor. He was a guest faculty of IIM and a regular contributor as a guest columnist in well known financial dailies like Financial Express. Presently he is on the Board of few aspiring corporates. He is a great source of inspiration for the Company's young and dynamic professionals.



## CA Brijmohan Agarwal, Independent Director

Mr. B.M. Agarwal is the fellow member of the Institute of Chartered Accountants of India by profession with over 25 years of experience; he started his career with Indian Rayon as Tax Manager. In the year 1984 he joined M/s Borkar & Muzumdar, Chartered Accountants, Mumbai in 1984 and since 1987 he is partner in the firm and practicing in the areas of Taxation & Litigations. Mr. B.M. Agarwal has been involved in special assignments such as investigation and special audit of large PSU clients and Foreign Banks. Besides above professional affiliation, he had been Chairman of WIRC, ICAI for the year 2008-09 and had been committee member of Local Advisory Board set up by Company Law Affairs- Ministry of Law and Justice.

## CA Manak Chand Daga, Independent Director

CA Manak Chand Daga is the fellow member of the Institute of Chartered Accountant and the Institute of Company Secretaries of India. He has more than 20 years of experience in the field of Capital Market. Presently he is C.E.O & Whole Time Director of Mili Consultants & Investments Private Limited, Member of NSE, BSE, CDSL & MCX-sx. He has active participation & trustee of several charitable organizations. Presently, He is also President of Lions Club - Kandivali Thakur Complex, Mumbai.



## Dr. Satish Chandra Kulhari, Independent Director

Dr. Satish Chandra Kulhari is an astute academician and a multi-faceted professional.

A Doctorate in Management from University of Rajasthan, Jaipur, Dr. Kulhari he has done his M.Tech in Computer Science & Data Processing from IIT Kharagpur and MBA (Finance) from Andhra University. He also holds Post Graduate degree in Computer Management from Jarnalal Bajaj Institute of Management Studies, Mumbai.

After having served in the Indian Navy for twenty years, Dr Satish was appointed Director at the Seedling Management College, Jaipur National University. Currently he is associated with Mahindra IT Consulting as Head, Corporate Trainer. He has vast expertise in the field of project management, H.R management, computer science and technology.

# Investment Banking

Finance is a fine art of stretching scarce resources over conflicting demands for them. We, at Choice combine excellent execution capabilities, microscopic research, rich transaction experience and a wide network of global partnerships to help our clients choose a variety of strategic and financial transactions.

We are Category I Merchant Banker  
Registered with SEBI.



## Our Product Offerings:

- \* IPO's/FPO's/Right Issues/QIPs
- \* Private Equity
- \* Debt Syndication
- \* Mergers & Acquisitions /Restructuring
- \* Listing / Delisting of Securities
- \* Open Offers / Preferential Issues /Buy- Backs
- \* Splits/Consolidation
- \* Revocation of Suspended Companies
- \* Valuation
- \* Due Diligence



## Key Strategies:

- ✓ Establishing partnerships with our associate professionals to tap clients across length and breadth of the country.
- ✓ Leverage our research capabilities to identify client's needs and offer appropriate solutions to them.
- ✓ Continue to build the team along with the infrastructure having advanced technologies.



# Broking Services

With our time tested knowledge and years of experience in the world of capital market, we provide personalized broking services backed with extensive research for client's portfolio. The trading platform is a high-end, integrated application for fast, efficient and reliable execution of trades. One can trade on different exchange platforms simultaneously from any location at their convenience.



## Our Product Offerings:

- \* Equities
- \* Derivatives
- \* Commodities
- \* Currency
- \* Depository Services
- \* Distribution of Mutual Funds/IPO/Bonds /Fixed Deposits/Insurance

## Key Strategies:

- ✓ Deliver quality research to clients with regular market updates and actionable ideas across asset classes.
- ✓ Increase in Distribution network through branches and sub-brokers across India
- ✓ A well trained sales team for reaching the institutional clients.
- ✓ Educating the customers about the various financial products available in the market and its advantages.
- ✓ Leverage technology to create a advanced front end and accessibility for easier access for the MIS reports and portfolio reports.

# Knowledge Process Outsourcing

Choice Business Services operations are a seamless extension of our clients' operations. Our well-built operating culture defines our process effectiveness that aims at delivering the best business results and thus adding value to our clients. The team has over the period, developed wide network and relationships which are helping in rendering timely services at any place in India



## Our Product Offerings:

- \* Finance & Accounting
- \* International Taxation Management
- \* Company Law & SEBI Compliances
- \* Indirect Taxation
- \* Due Diligence Assistance
- \* International Business Setup
- \* Human Resource Services

## Key Strategies:

- ✓ Leveraging the knowledge and technology to provide best solutions to our clients.
- ✓ Continue to partner with associate professionals to widen our presence across globe.
- ✓ Building knowledge infrastructure through increasing the employee strength and training them to suit the client's needs and requirements.



# Welcome to Shree Shakambhari Corporate Park



A short distance from the western express highway – Andheri in Mumbai- a gleaming new building called Shree Shakambhari Corporate Park, headquarters of the Choice Group.

This eight storied building is the centre of pan-India operations of Group’s businesses peopled by more than 200 employees.

A building is like an organization. It requires careful thought, planning, creativity and flawless execution to transform a collection of steel, cement, glass and wood into a modern, energy filled corporate hub. The same ingredients go in building a thriving business like Choice.



Management Discussion and Analysis	16
Director’s Report	25
Corporate Governance	31
Auditor’s Report	42
Standalone Financial Statements	45
Consolidated Financial Statements	63
Notice	81
Proxy Form	87



# management discussion and analysis

## Indian Economic Overview:

The year under review ended in a positive note showing signs of moderating inflation and reversing of tightening interest rates. The GDP is expected to be 6.90% for 2011-12 as per the revised estimates of IMF. The Government may lower the growth projections for last fiscal, in view of sharp downward revision of the industrial output numbers of January 2012. Softer global conditions, weak investor and business confidence, rampant corruption, downgrading of the outlook by the rating agencies and tight monetary conditions were the flash points of the Indian Economy during the last year. GDP growth slowed to 6.1 per cent year-on-year in the fourth quarter of 2011-12, the slowest pace since 2008 and is expected to grow at around 6 per cent through the first half of 2012-13 primarily due to a healthy food grain production in the last fiscal and expectations of a healthy demand especially from the rural sector.

In the current fiscal, the Indian economy is projected to grow at around 6.5% to 7.0%. Inflation is anticipated to be moderate as compared to the last fiscal, with the measures being taken by both the Government and the RBI. The Reserve Bank of India (RBI) cut policy rates marginally in the last policy meet, providing some relief from the soaring interest rates, reversing its policy tightening cycle that started in March 2010.

India has been ranked fifth, moving up by three notches, in wielding economic clout globally after U.S., China, Japan and Germany, and ahead of European powers France and the UK, according to a study authored by Kaushik Basu, Chief Economist Advisor. India's increasing per capita income, growing middle class and working population are instrumental in generating huge domestic demand for housing and infrastructure, leisure and entertainment, thereby making the Country a lucrative option for investments.

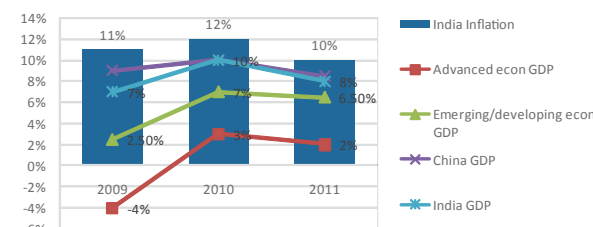
## Industry Structure and Analysis:

During the financial year 2011-12, the company has been put to the test through a very challenging business environment. The year 2011-12 was marked by strong inflationary pressures which led to weakening in investment activity. The India growth story faced tough macro and global headwinds which put corporate earnings under pressure and impacted investor sentiments towards equities. While the markets saw negative returns in the first three quarters, a rebound in the fourth saw it decline

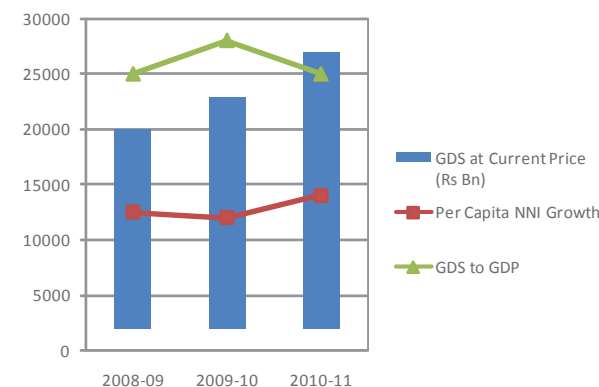
by a moderate 10% for the fiscal. FII remained net sellers for most part of the year, in contrast to the strong inflows seen in the prior two years. Retail participation remained depressed due to the market performance and lackluster showing of many recent IPO stocks post-listing. Market volatility and muted investor sentiments saw a number of primary issues being deferred, which put pressure on demat account growth and investment banking business. Although average daily equity market volumes touched a high of 1.43 bn in FY12, high-yield cash volumes continued to decline, which put broking revenues under pressure this year too.

The financial services sector has been giving a great movement to the Indian economy, as it accounts for 60 per cent of the gross domestic product (GDP) wherein the financial services segment has been a major contributor. The financial policies and the monetary policies are able to sustain a stable growth rate. The reforms pertaining

**Global GDP Growth and India Inflation: Last 3 Years**



**GDS & Per Capital Trend**

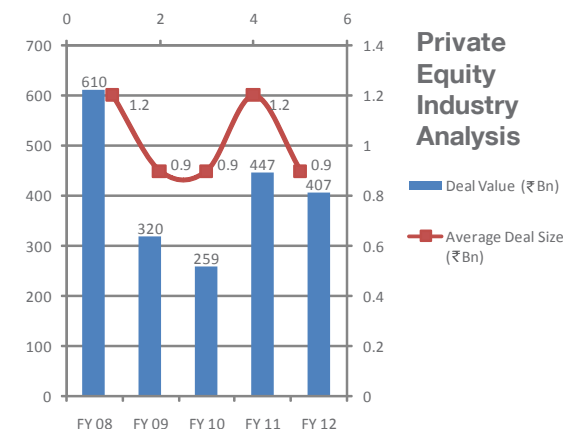


to the monetary policies and the macroeconomic policies over the last few years, has influenced the Indian economy to the core. The Reserve Bank of India (RBI) played a dynamic role in the growth of the financial sector of India.

India has a strong financial regulatory system supported by Reserve Bank of India (RBI), the Insurance Regulatory and Development Authority (IRDA), Association of Mutual Funds in India (AMFI) and the Securities and Exchange Board of India (SEBI) which govern capital markets, mutual funds and insurance companies. To further augment the financial markets various steps are proposed to be taken for deepening the reforms in the Capital markets, including simplified process of Initial Public Offer ('IPO'), allowing Qualified Foreign Investors ('QFIs') to access Indian Bond Market, etc.

## Investment Banking:

Given the prevailing negative sentiments in the global and Indian environment, India's investment banking fee pool came under serious pressure last year. In the fiscal 2011-12, the demand in the equity market dropped which effected equity raising activity. SEBI has made it mandatory for bankers to make public the track record of their previous issues during any new IPO. The IPO market also dried up as about 45 companies refrain from bringing out their IPO plans to raise fund due to the volatile markets. The mean IPO size for the year 2011-12 was ₹168 crore as compared to ₹671 crore in 2010-11. Capital raised through private placement in corporate debt was low as compared to last year. After the regulatory change in January 2012, fund mobilisation through preferential issues has risen during the year. The QIP market also dried up in FY 2011-12. Given the growing concerns with many companies trading below issue prices post-listing, Fund mobilisation through rights issues fell sharply by 75% in 2011-12 as many companies held back their plans to raise money for fear of poor shareholders' response amid unfavourable secondary market conditions. M&A deal value fell by 13% this year, led by a 73% fall in domestic deals. With a less than proportionate decrease in deal count, the average value per deal declined only 5% to ₹3.3 bn. Debt fund raising declined 13% during FY12. High interest rates impacted demand for loans, with rupee loans declining 36% to comprise 40% of the debt funds



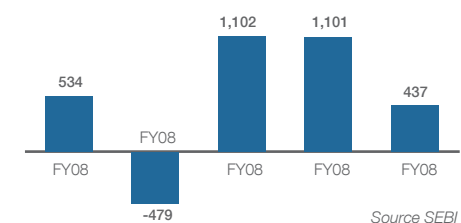
raised. Private equity deals witnessed a 24% surge in value and volume terms this year, with 347 transactions valued at \$7.7 billion announced during the period, a 24% jump vis-a-vis the corresponding period last year.

## Broking and Distribution:

There was a tremendous decline in the income of the Broking industry in Financial Year 2011-12. Indian equity markets were amongst the worst performers globally this year, delivering negative returns in the first three quarters. During CY11, Consumption was the only sector with positive returns. Government sponsored schemes, the 6th Pay Revision and increase in asset prices like land and gold buoyed a sense of affluence amongst the masses and drove incomes and demand. Thus, 2011-12, was the year of Consumption. Mumbai and Delhi hold strong as prime cities of equity participation. Last two years saw an increase in the proportion of participation from towns outside the Top 10 cities. Many of these are seeing growing pools of wealth given their recent economic prosperity, and the allocation of this wealth towards equities is increasing.

After facing two consecutive years of decline in income, the sector's income is expected to grow and margins are expected to improve in the year 2012-13. The sector is expected to report 16.9% rise in income during the year 2012-13. FY12 was a contrast as compared to the earlier two years. The first nine months saw net outflows from equities by FIIs, whereas in as many as four months. Jan and Feb saw a market rally and FIIs posted strong net inflows. This helped boost aggregate net inflows for the fiscal year to a respectable ₹437 bn.

**FII Net Inflows/Outflows (₹ Bn)**



Demat accounts growth narrowed down this year, coinciding with a slowdown in the primary issue market. The incremental number of demat accounts created each year was the lowest in FY12, from amongst the last five years. FY11 to the third quarter of FY12, saw significant net outflows in January and February on the back of profit booking and concerns over macro issues. As a result, DIIs ended the year with net outflows from Indian equities.

**DII Net Inflows/Outflows (₹ Bn)**

