

EMKAY SHARE AND STOCK BROKERS LIMITED

ANNUAL REPORT

2005-2006

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Board of Directors

G.P. Gupta (w.e.f. 02/12/2005)	<i>Chairman</i>
S.K. Saboo	<i>Director</i>
R.K. Krishnamurthi (w.e.f. 02/12/2005)	<i>Director</i>
G. C. Vasudeo (w.e.f. 28/01/2006)	<i>Director</i>
Krishna Kumar Karwa	<i>Managing Director</i>
Prakash Kacholia	<i>Managing Director</i>

Chief Financial Officer

Vijay Shenoy

Company Secretary

Manish Jain

Statutory Auditors

B.L. Sarda & Associates
Chartered Accountants

Bankers

Bank of India
HDFC Bank Limited

Registered Office

4D, 4th Floor, Hamam House,
Ambalal Doshi Marg,
Fort, Mumbai – 400 023

Administration Office

C-433, 4th Floor, Phoenix House,
Senapati Bapat Marg,
Lower Parel,
Mumbai – 400 013

Registrar & Transfer Agents

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (West)
Mumbai – 400 078

EMKAY SHARE & STOCK BROKERS LIMITED**NOTICE**

NOTICE is hereby given that the TWELFTH Annual General Meeting of the members of **EMKAY SHARE AND STOCK BROKERS LIMITED** will be held on Thursday, 20th July, 2006 at 4.00 pm at M.C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20 K Dubhash Marg, Mumbai - 400 001 to transact the following business.

ORDINARY BUSINESS

- 1). To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2006 and the Profit & Loss for the year ended on that date and the report of the Directors and the Auditors thereon.
- 2) To declare a dividend on equity shares for the year ended 31st March, 2006.
- 3) To consider and if thought fit, to pass with or without modifications the following resolution as an ordinary resolution.

" RESOLVED THAT M/s. B.L. Sarda & Associates, Chartered Accountants be and hereby reappointed as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting on such remuneration and out of pocket expenses as may be mutually agreed between the Board of Directors / Audit Committee of Directors and the Auditors".

SPECIAL BUSINESS

- 4) To consider and if thought fit, to pass, with or without modifications, the following resolution as an **ordinary resolution**:

" RESOLVED THAT Mr. G.P. Gupta who was appointed as an additional director by the board of directors of the Company and who holds office up to the date of this Annual General Meeting, and in respect of whom the company has received a notice in writing, under section 257 of the Companies Act, 1956, from a member of the company, proposing candidature of Mr. G.P. Gupta to the office of director of the company and who has consented, if appointed, to act as director of the company, be and is hereby appointed as a director of the company liable to retire by rotation".

- 5) To consider and if thought fit, to pass, with or without modifications, the following resolution as an **ordinary resolution**:

" RESOLVED THAT Mr. R.K. Krishnamurthi who was appointed as an additional director by the board of directors of the Company and who holds office up to the date of this Annual General Meeting, and in respect of whom the company has received a notice in writing, under section 257 of the Companies Act, 1956, from a member of the company, proposing candidature of Mr. R.K. Krishnamurthi to the office of director of the company and who has consented, if appointed, to act as director of the company, be and is hereby appointed as a director of the company liable to retire by rotation".

- 6) To consider and if thought fit, to pass, with or without modifications, the following resolution as an **ordinary resolution**:

" RESOLVED THAT Mr. G.C. Vasudeo who was appointed as an additional director by the board of directors of the Company and who holds office up to the date of this Annual General Meeting, and in respect of whom the company has received a notice in writing, under section 257 of the Companies Act, 1956, from a member of the company, proposing candidature of Mr. G.C. Vasudeo to the office of director of the company and who has consented, if appointed, to act as director of the company, be and is hereby appointed as a director of the company liable to retire by rotation".

- 7) To consider and if thought fit, to pass with or without modifications the following resolution as a **Special resolution**.

" RESOLVED THAT pursuant to Section 309 of the Companies Act, 1956 and Articles of Association of the Company and subject to the limits specified in Section 309(4), of the Companies Act, 1956, the Company be and is hereby authorized to pay remuneration by way of commission to Directors who are neither in the whole time employment of the Company nor Managing Directors of the Company.

RESOLVED FURTHER that the gross amount to be disbursed as remuneration to all such Directors shall in no case exceed 1% of the Net Profits of the Company, computed in the manner referred to in Section 198(1), of the Companies Act, 1956,

RESOLVED FURTHER that the Board of Directors may, at its discretion, decide the exact amount to be disbursed by way of commission within the limits stipulated above and its allocation amongst the eligible Directors”.

- 8) To consider and if thought fit, to pass with or without modifications the following resolution as an **Ordinary Resolution**.

“RESOLVED THAT pursuant to the Provisions of Sec 309 and other applicable provisions of the Companies Act, 1956, and the Articles of Association of the Company, the approval of the members be and is hereby accorded to the payment of sitting fees to each Director other than any Director who is in whole time employment of the Company for each meeting of the Board of Directors of the Company or specified committees of the Board attended by such Director as may be approved by the Board from time to time, so as not to exceed limits specified in the Acts and or Rules made thereunder or any amendments thereto.

RESOLVED FURTHER that the Board of Directors be and is hereby authorized to do all such acts, matters and things as may be considered necessary, usual, proper or expedient to give effect to the aforesaid resolution”.

- 9) To consider and if thought fit, to pass with or without modifications the following resolution as an **Ordinary Resolution**.

“RESOLVED THAT in furtherance to and in partial modifications of the resolution approved by the Shareholders at the Extra Ordinary General Meeting held on 17th November, 2005 relating to the appointment and terms of remuneration of Mr. Krishna Kumar Karwa and Mr. Prakash Kacholia, Managing Directors of the Company, the Company do hereby approve the revision in the salary of each of the Managing Directors from Rs. 4 lacs per month to Rs. 5 lacs per month, subject to the provision of Section 269, 309, 310 and 311 and other applicable provisions if any, of the Companies Act, 1956.

RESOLVED FURTHER that the other terms and conditions of the appointment as approved by the Board and the members of the Company, remain unchanged”.

Registered Office :

4 D, 4th Floor,
Hamam House,
Ambalal Doshi Marg,
Fort – Mumbai – 400 023

PLACE : MUMBAI

DATED : 28th APRIL, 2006

BY ORDER OF THE BOARD OF DIRECTORS

MANISH JAIN
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 on a poll instead of himself, and the proxy need not be a member of the Company. The instrument appointing a proxy should however be deposited at the registered office of the Company not less than 48 hours before commencement of the meeting.**
2. Corporate members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
3. An explanatory statement pursuant to Section 173(2), of the Companies Act, 1956 relating to the special business to be transacted at the meeting
4. Members are requested to bring their attendance slip along with the copy of Annual Report at the Meeting.
5. The Register of members and share transfer books will be closed from Tuesday, 11th July, 2006 to Thursday, 20th July, 2006 (both days inclusive) for determining the names of members eligible for dividend on equity shares, if declared at the meeting.
6. The dividend on equity shares if declared at the meeting will be paid to those members whose names are on the Company's register of members on 20th July, 2006.

EMKAY SHARE & STOCK BROKERS LIMITED**Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956.****Item No. 4,5, & 6**

The Board of Directors of the Company at their meeting held on 10th November, 2005 have appointed Mr. G.P. Gupta and Mr. R.K. Krishnamurthi and at their meeting held on 28th January, 2006 appointed Mr. G.C. Vasudeo as a additional Directors of the Company. Pursuant to Sec 260 of the Companies Act, 1956, they hold office only up to the date of the ensuing Annual General Meeting.

Notices under Section 257 of the Companies Act, 1956, have been received from members of the company proposing the candidature of Mr. G.P. Gupta, Mr. R.K. Krishnamurthi and Mr. G.C. Vasudeo to the office of Director of the Company.

A brief profile of the three Directors is given below:

Mr. G.P. Gupta

Mr. Gupta obtained his M.Com Degree from Delhi University. He has very rich and vast experience in Development Banking of over 35 years. He was with Industrial Development Bank of India (IDBI), since 1966 and rose to the position of Chairman and Managing Director till 2001. He was also the Chairman of Unit Trust of India (UTI), for a short period in 1997/1998. During his tenure with IDBI, he was on the Board of LIC, GIC, Exim Bank, ICICI Ltd, IDBI Bank Ltd, IDFC Limited, IFCI Limited, STC Limited, SIDBI Ltd. etc.

He is presently on the Board of Jammu Kashmir Bank Ltd, Swaraj Engines Ltd, M.P. Power Generating Co. Ltd., Birla Sun Life Insurance Co. Ltd, PTC India Ltd, Indo Gulf Fertilizers Ltd, SIDBI Venture Capital Ltd, Aditya Birla Nuvo Ltd etc.

Mr. R.K. Krishnamurthi

He is a Solicitor and Partner in Mulla & Mulla Craigie Blunt and Caroe, a reputed firm of advocates, solicitors and notaries. He is a solicitor in the Mumbai High Court and Supreme Court of England. He is on the board of Madhav Marbles and Granites Ltd and Altaire India Pvt. Ltd. He has over 30 years experience in legal practice and is a member of Executive Committee of Cricket Club of India.

Mr. G.C. Vasudeo

He is a member of the Institute of Chartered Accountants, Institute of Company Secretaries, Institute of Cost and Works Accountants and Law Graduate. He has wide Industrial experience of 25 years. He is presently Director Finance of Schnectady Herdilla Ltd. incharge of Corporate Finance, Accounts, Material Sourcing and Information Technology. He has been instrumental in the restructuring of the Herdilla Group and also in Mergers and Acquisitions within the Group.

Your Directors believe that continued association of Mr. G.P. Gupta, Mr. R.K. Krishnamurthi and Mr. G.C. Vasudeo would be immensely beneficial to the Company and accordingly recommend the resolution mentioned at Items No. 4,5 & 6 for your approval.

None of the Directors except Mr. G.P. Gupta, Mr. R.K. Krishnamurthi and Mr. G.C. Vasudeo are in any way concerned or interested in the Resolution.

Item No. 7

Section 309 of the Companies Act, 1956, permits payment of remuneration to the Non Executive Directors of a Company by way of Commission, if the Shareholders of the Company authorizes such payments by a special resolution.

Considering the rich experience, wide expertise and contribution brought to the board by the Non Executive Directors, it is proposed that commencing from financial year 2005-2006, remuneration not exceeding 1% of the Net Profits of the Company calculated in accordance with the provisions of Sec 198(1), and other applicable provisions, if any, of the Companies Act, 1956 and subject to further appropriate ceiling(s) be paid and distributed amongst the Non-Executive Directors of the Company in accordance with the directions of the Board. Such payment will be in addition to the sitting fees for attending Board Meetings for Committee of Board Meetings.

The Shareholders are requested to approve the resolution as per Item No. 7 of the Notice.

The Non-Executive Directors may be deemed to be concerned or interested in this resolution as the same relates to the remuneration.

Item No. 8

The Company has been paying Sitting Fees to its Directors, for attending the Meetings of the Board of Directors and various committee meetings. Pursuant to the requirement of the revised Clause 49 of the Listing Agreements entered into by the Company with the Stock Exchanges where the Securities of the Company are listed, all fees or compensation if any, paid to the Non Executive Directors, including Independent Directors shall be fixed by the Board of Directors and require approval of the Shareholders in General Meeting.

In view of this, the Shareholders approval is being sought for payment of Sitting Fees to Non Executive Directors. The Non Executive Directors may be deemed to be interested in this resolution as the same relates to their fees.

Item No. 9

Mr. Krishna Kumar Karwa and Mr. Prakash Kacholia Managing Directors of the Company were appointed for a period of 5 years w.e.f. 1st October, 2005.

The Salary to each of the Managing Directors was fixed at Rs. 4 lacs per month. The Board of Directors at its Meeting held on 28th April, 2006 and based on the recommendation of remuneration committee, approved the increase in salary w.e.f. 1st April, 2006 subject to approval by the shareholders at the General Body Meeting.

Pursuant to Sec 302 of the Companies Act, 1956, the abstract of the terms of the contract entered into by the Company with Mr. Krishna Kumar Karwa and Mr. Prakash Kacholia, Managing Directors of the Company, is as under:

(A) Mr. Krishna Kumar Karwa - Managing Director**I. Salary**

Rs.5,00,000/- per month.

II. Leave Salary

15 days per annum

III. Perquisites.

In addition to salary, the perquisites in respect of the following will be allowed and the same will be restricted to an amount equal to the annual salary as in para (I) above.

1. Medical Reimbursement:

Medical expenses including hospitalization and premium for medical insurance incurred by the Managing Director for self and family subject to a ceiling of one month salary in a year or three salary over a period of three years.

2. Leave Travel Concession:

Reimbursement of actual traveling expenses for proceeding in leave from Mumbai to any place in India and return there from once in a year in respect of himself and family.

3. Club Fees:

Membership fees for clubs in India and/or abroad including any admission / life membership fees.

4. Entertainment Expenses:

Reimbursement of entertainment expenses incurred in the course of business of the Company.

5. Personal Accident Insurance:

Personal Accident Insurance of an amount, the annual premium on which shall not exceed Rs.4,000/- per annum.

6. Free use of Car:

The Company shall provide car with driver for use for Company's Business.

7. Free telephone at residence and mobile:

The Company shall provide telephone at the residence and mobile phone for use on Company's business.

EMKAY SHARE & STOCK BROKERS LIMITED**8. Performance Bonus:**

In addition to salary and perquisites, performance based bonus shall be given during the year as may be decided by the board of directors. Performance will be measured in terms of %age change in Gross Brokerage of the company as compared with previous year. Bonus will be calculated as under:

Increase in Gross Brokerage compared with previous year	Bonus as a % age of Salary
Up to 30% rise in brokerage	30% of Basic Salary
Above 30% but up to 60%	60% of Basic Salary
Above 60%	100% of Basic Salary

Or

Such other amount as may be decided by the Board of Directors.

9. Contribution to Provident Fund:

Company's contribution to provident fund to the extent of 12% of the Salary.

(B) Mr. Prakash Kacholia - Managing Director**I. Salary**

Rs.5,00,000/- per month.

II. Leave Salary

15 days per annum

III. Perquisites.

In addition to salary, the perquisites in respect of the following will be allowed and the same will be restricted to an amount equal to the annual salary as in para (I) above.

1. Medical Reimbursement:

Medical expenses including hospitalization and premium for medical insurance incurred by the Managing Director for self and family subject to a ceiling of one month salary in a year or three salary over a period of three years.

2. Leave Travel Concession:

Reimbursement of actual traveling expenses for proceeding in leave from Mumbai to any place in India and return there from once in a year in respect of himself and family.

3. Club Fees:

Membership fees for clubs in India and/or abroad including any admission / life membership fees.

4. Entertainment Expenses:

Reimbursement of entertainment expenses incurred in the course of business of the Company.

5. Personal Accident Insurance:

Personal Accident Insurance of an amount, the annual premium on which shall not exceed Rs.4,000/- per annum.

6. Free use of Car:

The Company shall provide car with driver for use for Company's Business.

7. Free telephone at residence and mobile:

The Company shall provide telephone at the residence and mobile phone for use on Company's business.

8. Performance Bonus:

In addition to salary and perquisites, performance based bonus shall be given during the year as may be decided by the board of directors. Performance will be measured in terms of %age change in Gross Brokerage of the company as compared with previous year. Bonus will be calculated as under:

Increase in Gross Brokerage compared with previous year	Bonus as a % age of Salary
Up to 30% rise in brokerage	30% of Basic Salary
Above 30% but up to 60%	60% of Basic Salary
Above 60%	100% of Basic Salary

Or

Such other amount as may be decided by the Board of Directors.

9. Contribution to Provident Fund:

Company's contribution to provident fund to the extent of 12% of the Salary.

In view of vast responsibilities, rich experience and contribution to the growth of the Company by Mr. Krishna Kumar Karwa and Mr. Prakash Kacholia, Managing Directors, the Directors recommend for approval the said resolution.

Mr. Krishna Kumar Karwa and Mr. Prakash Kacholia, being Managing Directors and Mr. S.K. Saboo, Director being a relative of Mr. Krishna Kumar Karwa are interested in this resolution. None of the other directors are in any way, concerned or interested in this resolution.

Registered Office :

4 D, 4th Floor,
Hamam House,
Ambalal Doshi Marg,
Fort, Mumbai – 400 023

BY ORDER OF THE BOARD OF DIRECTORS

MANISH JAIN
COMPANY SECRETARY

PLACE : MUMBAI

DATED : 28th APRIL, 2006

EMKAY SHARE & STOCK BROKERS LIMITED**DIRECTORS REPORT**

Dear Members,

Your Directors have pleasure in presenting the Twelfth Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31st March, 2006.

1) FINANCIAL RESULTS

(Rs. In Lacs)

Particulars	31-03-2006	31-03-2005
Total Income	4753.88	2351.67
Profit before depreciation, Interest & Tax	2419.99	1089.47
Depreciation	74.47	40.79
Interest	2.27	1.46
Profit before Tax	2343.25	1047.22
Provision for Taxation		
Current Tax	800.00	376.00
Deferred Tax	(11.44)	12.61
Fringe benefit Tax	9.11	0
Profit after Tax	1545.58	658.61
Less : Short provision of tax for prior year	-	4.70
Add : Balance brought forward	212.84	198.08
Amount available for appropriations	1758.42	851.99
Appropriations		
Dividend		
Interim Dividend	-	70.00
Proposed Dividend	241.50	-
Provision for Tax on Dividend	33.87	9.14
Transfer to general reserves	1250.00	560.00
Balance carried forward	233.05	212.85

2) DIVIDEND

Your Directors are pleased to recommend the payment of dividend @ 10% for the year ended 31st March, 2006. The total dividend together with the tax and surcharge thereon will absorb Rs.275.37 lacs. (Previous Year – Rs. 79.14 lacs).

3) BONUS SHARES

In December 2005, the Company issued 1,40,00,000 Bonus Shares of Rs. 10 each in the ratio of 4 : 1 and capitalized Rs. 1,400 lacs out of the General Reserves.

4) PRIVATE PLACEMENT

In January, 2006 the Company issued 4,00,000 (Four Lacs) equity shares of Rs. 10 each at a premium of Rs. 90 per share to business associates raising a sum of Rs. 400 lacs. This amount was utilized for the working capital requirements of the Company.

5) OPERATIONS

During the year under review your company achieved 102% rise in the total Income. The Income from brokerage increased from Rs. 2110.70 lacs to Rs. 3921.43 lacs. showing an increase of 85%. The profit after tax increased from Rs. 658.61 lacs to Rs. 1545.58 lacs showing an increase of 134%.

Management Discussion and Analysis giving a detailed review of Operations and Future Outlook is annexed.

6) IPO

The Company opened its IPO for Public Subscription on 31st March, 2006 and closed on 7th April, 2006. The Issue received overwhelming response with 43,000 applications and overall 7.73 times Subscription.

The Book Built Issue was for 62,50,000 equity shares of Rs. 10 each priced @ Rs. 120 per share aggregating to Rs. 7500 lacs. The proceeds will be utilized for opening of new branches, upgrading of existing branches, addition of new corporate office in Mumbai, working capital requirements, technology and business continuity planning, investment in subsidiaries and meeting the expenses of the issue.

The directors take this opportunity to thank the investing public for the confidence reposed in the Company.

7) SUBSIDIARIES

During the year the Company formed two new subsidiaries as under:

A) Emkay Commotrade Limited

This Company is a 100% subsidiary and has been formed on 5th January, 2006. The Company proposes to carry on commodity broking with MCX Commodity Exchange and NCDEX Commodity Exchange. The Company is in the process of acquiring the existing membership of both the exchanges from Emkay Corporate Services Pvt. Ltd, a Company of the Emkay Group.

B) Emkay Fincap Limited

This Company is a 85% subsidiary and has been formed on 16th May, 2005. The Company proposes to carry on margin funding activities and has already obtained necessary approvals from RBI for the NBFC activities.

8) CORPORATE GOVERNANCE

Pursuant to clause 49 of the listing agreement with the Stock Exchanges, report on Corporate Governance along with certificate from the auditors is attached here to and form part of this report.

9) DEPOSITS

The Company has not accepted any fixed deposits from public and shareholders.

10) ESOP

With a view to attract and retain the best talent in the industry and reward loyalty to the organization, the Company introduced an ESOP Scheme for all the Employees of the Company. Options under the ESOP Scheme have been granted on January, 28th 2006. The vesting of options is spread out from one year through 4 years, the period for exercising is 1 year from the date of vesting. Under the scheme no equity shares have been issued till date.

Each option shall entitle the Employee concerned to apply for and be allotted 1 equity shares of Rs. 10 each of the Company on payment of the exercise price.

No employee is entitled to subscribe to more than 1% of the equity share capital of the Company. Further, none of the Management Employees or Wholtime Directors have received options exceeding 5% of the value of the options issued during the year. The details of ESOP 2005 are:

Options Granted	3,81,250
Exercise price per Equity Share	Rs. 20
Options Vested	NIL
Options exercised	NIL
Options cancelled	NIL
Vesting Schedule	1,20,750 - 28 th January, 2007
	15,000 - 28 th January, 2008
	1,40,000 - 28 th January, 2009
	1,05,500 - 28 th January, 2010