

Emkay[®]

Your success is our success

ANNUAL REPORT 2006-07



Success Unleashed

Emkay Share & Stock Brokers Limited

www.emkayshare.com

Board of Directors**G.P. Gupta***Chairman***S.K. Saboo***Director***R.K. Krishnamurthi***Director***G. C. Vasudeo***Director***Krishna Kumar Karwa***Managing Director***Prakash Kacholia***Managing Director***Chief Financial Officer**

Vijay Shenoy

Company Secretary & Compliance Officer

Manish Jain

Statutory Auditors

B.L. Sarda & Associates

Chartered Accountants

Bankers

Bank of India

HDFC Bank Limited

Citibank N A

UTI Bank Limited

Punjab National Bank

Registered Office

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

Corporate Office

Building "C", Ground Floor,
Paragon Condominium,
Pandurang Budhkar Marg,
Worli, Mumbai-400 013

Administrative 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.

NOTICE

NOTICE is hereby given that the THIRTEENTH Annual General Meeting of the members of **EMKAY SHARE AND STOCK BROKERS LIMITED** will be held on Friday, 27th July, 2007 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, 2007 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, 2007.
- 3) To appoint a Director in place of Mr. G.P.Gupta who retires by rotation and, being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Mr. S.K.Saboo who retires by rotation and, being eligible, offers himself for re-appointment.
- 5) 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 are 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 decided by Audit Committee / Board of Directors".

Registered Office:

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

BY ORDER OF THE BOARD OF DIRECTORS

MANISH JAIN
 COMPANY SECRETARY

PLACE : MUMBAI

DATED : 12th May , 2007

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. Members are requested to bring their attendance slip along with the copy of Annual Report at the Meeting.
4. The Register of members and share transfer books will be closed from Wednesday ,18th July,2007 to Friday , 27th July , 2007 (both days inclusive) for determining the names of members eligible for dividend on equity shares, if declared at the meeting.
5. 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 Friday, 27th July , 2007.

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BY ORDER OF THE BOARD OF DIRECTORS

MANISH JAIN
 COMPANY SECRETARY

PLACE : MUMBAI

DATED : 12th May , 2007

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, following information is furnished about the Directors proposed to be re-appointed.

At the ensuing Annual General Meeting, Mr. G.P.Gupta and Mr. S.K.Saboo, Directors of the Company retire by rotation and being eligible offer themselves for re-appointment.

Mr.G.P.Gupta has vast experience in Development Banking of over 35 years. He was formerly the Chairman and Managing Director of Industrial Development Bank of India and Chairman of Unit Trust of India.

Mr.S.K.Saboo has rich and vast experience in the Management field of over 40 years. He is the Group Executive President and Business Head of Aditya Birla Group, the premier business group in India and responsible for independently managing the units.

The brief resume ,experience, functional expertise and the membership on various Boards and Committees, of Directors proposed to be re-appointed at item no. 3 and 4 of the Notice as per the Corporate Governance code defined under clause 49 of the Listing Agreement are furnished below:

Name of the Director	Mr. G.P. Gupta	Mr. S.K.Saboo
Date of Birth	11.01.1941	05.11.1942
Age	66	64
Date of Appointment	10.11.2005	15.10.1995
Experience in specified functional area	Rich and vast experience in Development Banking of over 35 years	Rich and vast experience in the Management field of over 40 years
No. of shares held in the company	NIL	NIL
Qualification	M.Com	B.Com
List of other Companies in which associated as Director	<ul style="list-style-type: none"> ● NTPC Ltd ● Hindustan Aeronautics Ltd ● SIDBI Venture Capital Ltd ● Jammu&Kashmir Bank Ltd ● PTC India Ltd ● Swaraj Engines Ltd ● M.P.Power Generating Co. Ltd ● Birla Sun Life Insurance Co. Ltd ● Aditya Birla Nuvo Ltd ● Su-Raj Diamonds & Jewellery Ltd ● Shree Dig Vijay Cement Co. Ltd ● Power Finance Corporation Ltd ● Idea Cellular Ltd. 	<ul style="list-style-type: none"> ● Indophil Textile Mills Inc; Philippines ● A V Cell Inc, Canada ● BGH Exim Limited ● A.V.Nackawai Inc, Canada ● Cricket Club of India.
Chairman/Memberships of the Committee of the Board of other Companies in which he is a Director	<p>Chairman of the Audit Committee of</p> <ul style="list-style-type: none"> ● Power Finance Corporation Ltd ● Idea Cellular Ltd. ● NTPC Ltd ● Hindustan Aeronautics Ltd ● Swaraj Engines Ltd <p>Member of the Audit Committee of</p> <ul style="list-style-type: none"> ● Jammu & Kashmir Bank Ltd ● PTC India Ltd ● Birla Sun Life Insurance Co. Ltd ● Aditya Birla Nuvo Ltd ● Shree Digvijay Cement Co. Ltd 	<p>Chairman/Member</p> <p>Nil</p>

DIRECTORS' REPORT

Dear Members,

Your Directors hereby present the Thirteenth Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31st March, 2007.

FINANCIAL RESULTS**(Rs. In Lacs)**

Particulars	31-03-2007	31-03-2006
Total Income	6076.03	4753.88
Profit before Depreciation, Interest & Tax	1717.73	2419.99
Depreciation	283.58	74.47
Interest	13.39	2.27
Profit before Taxation	1420.76	2343.25
Provision for Taxation		
Current Tax	470.00	800.00
Deferred Tax Charges /(Credit)	0.43	(11.44)
Fringe Benefit Tax	21.50	9.11
Short Provision for taxation of earlier years	0.12	0.00
Profit after Tax	928.71	1545.58
Add : Balance brought forward	233.05	212.84
Amount available for appropriations	1161.76	1758.42
Appropriations		
Proposed Dividend	303.32	241.50
Provision for Tax on Dividend	51.55	33.87
Transfer to General Reserves	93.00	1250.00
Balance carried forward	713.89	233.05

DIVIDEND

Your Directors are pleased to recommend the payment of dividend @ 12.50% for the year ended 31st March, 2007 (Previous year-10%). The total dividend together with the tax and surcharge thereon will absorb Rs. 354.87 lacs. (Previous Year – Rs. 275.37 lacs).

OPERATIONS

During the year the Company expanded its retail operations and ended the year with 64 Branches and 114 Franchisees as against 20 Branches and 43 Franchisees at the beginning of the year. The total income increased from Rs. 47.53 Crores to Rs. 60.76 Crores showing rise of 27%. The profit after tax was Rs. 9.28 Crores as against Rs. 15.45 Crores achieved in the previous year, While the impact of increase in expansion of retail outlets on the revenue is expected to be felt in the year 2007-2008 onwards, the expenses have increased on account of increase in the Branches, appointment of various business heads, strengthening of the Research Department, etc. and hence the margins have been under pressure.

On a consolidated basis, the profit after tax was Rs. 10.33 Crores as against Rs. 15.45 Crores achieved in the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

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

TECHNOLOGY

Trading businesses all across the globe have become more dependent on technology solutions. We have worked towards bringing in stability and building redundancy in the trading platforms. Network level redundancies are being built for Internet & VSAT networks.

We have integrated our back-office across segments to a single web-enabled platform where our branches, franchisees and end-clients can login to the back-office systems and view their accounts online. We have implemented industry standard online risk management software for our major branches and franchisees and working towards extending this solution to all branches.

As a step towards creating a meshed network for our disaster recovery initiative, we have started de-centralizing our trading network into three zones – Mumbai, Delhi & Chennai. We are also moving towards a single VSAT service provider – HCL Comnet with multiple back-haul links to create a strong backbone for our trading network. This will serve as a base for the disaster recovery initiative to be taken up in the later part of 2007.

E BROKING

A new trading platform was launched for E Broking on 2nd January, 2007. The initial response has been encouraging. This will help in expanding the customer base exponentially. We also propose to extend the online investing platform to IPO's and Mutual Funds. We have setup a dedicated customer service desk and are in the process of moving the department to a larger premise to meet the growth of business.

ESOP

In January 2006, the Company had granted 3,81,250 ESOPs to the employees of the Company under the ESOP Scheme-2005. The 1st Option was due on 28.1.2007.

The Company received application from 21 employees for 1,15,750 equity shares. Accordingly, Remuneration / Compensation Committee allotted the said equity shares as per the ESOP scheme.

The disclosures required to be made in the Directors' Report in respect of the above referred stock options, in terms of the SEBI (ESOP Scheme) Guide lines, 1999 are contained in the Annexure forming part of the Directors Report.

These shares are now listed on BSE/NSE and the paid up capital of the company has increased from Rs. 24,15,00,000 to Rs. 24,26,57,500.

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 forms part of this report.

DEPOSITS

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

UTILISATION OF IPO PROCEEDS

During the year the Company has raised Rs. 75 Crores through an IPO to part finance the project cost of Rs. 96.20 Crores. The balance amount would be met through internal accruals. The funds raised by the company have been utilized as per the Offer Document.

The company had appointed Deutsche Bank AG as monitoring agency to monitor the utilization of proceeds of IPO.

The Shares of the Company are listed with the Bombay Stock Exchange Limited and National Stock Exchange of India Limited w.e.f. 28th April, 2006. The listing fees payable to both the stock exchanges for the year 2006-2007 and 2007-2008 have been paid.

SUBSIDIARIES

The Company has the following subsidiaries:

A) Emkay Commotrade Limited (ECL)

ECL is a 100% subsidiary and carries on Commodity Broking business through MCX/NCDEX.

B) Emkay Fincap Limited (EFL)

The Company has acquired 3,10,000 equity shares (15%) of the face value of Rs.10 each from the other four Individual Promoters of EFL thereby making it a 100% wholly owned subsidiary of the Company.

EFL is registered with Reserve Bank of India as a Non Banking Financial Company and carries on Margin Funding activities.

C) Emkay Insurance Brokers Limited (EIBL)

EIBL is a 100% subsidiary and was incorporated on 8th March 2007 to carry out all functions of a Direct Insurance Broker as per the IRDA Regulations. EIBL is yet to commence operations and therefore shall be closing its first financial year on 31st March,2008

The company has obtained an exemption from the Department of Company Affairs (DCA) for publication of the accounts of its Subsidiaries namely ECL and EFL under the provisions of Section 212 (8) of the Companies Act, 1956. The account of the Subsidiary Companies therefore are separately not included in the Annual Report. However the Consolidated Financial Statements, duly audited by the Statutory Auditors, are attached and form part of the Annual Report. The said Consolidated Financial Statements includes financial information of its Subsidiaries.

The annual accounts of the Subsidiary Companies and the related detailed information will be made available to the shareholders seeking such information and will also be kept for inspection by any investor at the registered office of the Subsidiary Companies.

The statement pursuant to section 212 (1)(e) of the Companies Act, 1956 relating to Subsidiary Companies forms a part of the Financial Statements.

HUMAN RESOURCES AND EMPLOYEE PARTICULARS

During the year the Company's staff strength grew from 189 to 535. The growth in Head count was primarily to meet the growing demand for talented people across Emkay's business. Emkay believes in hiring talented people, nurturing them to become best in their domain and retaining them by presenting fast growth opportunities in challenging environment. Emkay believes in rewarding employees for good performance.

In terms of provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are required to be set out in the Annexure to the Directors Report. However as per the Provisions of Section 219(1)(b)(iv) of the said act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled their to. Members who are interested in obtaining such particulars may write to the Company Secretary.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

Since the Company is engaged in financial services, it does not consume substantial energy. It is the policy of your Company to keep abreast of the technological advances in the field in which it is operating especially Information Technology, to ensure that it uses the most suitable technology.

Details of Foreign Exchange Inflow/ Outflow

Inflows	Rs.8,61,450
Outflows	Rs.5,99,601

DIRECTORS

Mr. G P Gupta and Mr. S K Saboo, Directors, retire by rotation and being eligible, offers themselves for re-appointment.

AUDITORS

Members are requested at the Annual General Meeting to re-appoint Auditors for the current year and to fix their remuneration.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies Act, 1956, the Director's based on the representations received from the operating management confirm that:

While preparing the Annual Accounts:

- a) The applicable accounting policies and accounting standards have been followed consistently along with proper explanation relating to material departures, if any, have been made.
- b) such judgment and estimates have been made that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
- d) that the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation of the support which the company has received from Bankers, Customers, Shareholders and the Employees of the Company at all levels.

On behalf of the Board of Directors

DATE : 12th May, 2007.

Krishna Kumar Karwa

Prakash Kacholia

Place : MUMBAI

Managing Director

Managing Director

Annexure to the Directors' Report regarding the ESOP Scheme -2005

	Particulars	
a	Options Granted	3,81,250
b	Exercise Price	Rs. 20/-
c	Options vested (during the year)	1,20,750
d	Options exercised (during the year)	1,15,750
e	The total number of shares arising as a result of exercise of option	1,15,750
f	Options lapsed	5,000
g	Variation in terms of options	Not Applicable
h	Money realized by exercise of options	Rs. 23,15,000
i	Total number of options in force	2,60,500
j	Employee wise details of options granted to	
	i. Senior Management Personnel	Nil
	ii. any other employee who received a grant in any one year of option amounting to 5% or more of option granted during the year.	Nil
	iii. identified employees who were granted option,during any one year,equal to or exceeding 1% of the issue capital (*excluding outstanding warrants and conversions) of the company at the time of grant	Nil
k	Diluted Earning per share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 "Earning per share"	Rs. 3.88
l	Where the Company has calculated the employee compensation cost using the intrinsic value of the stockoptions, the difference between the employees compensation cost so computed and the employees compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	Not Applicable
m	Weighted-average exercise price and weighted –average fair values of options shall be disclosed separately for options whose exercise price either equal or exceeds or is less than the market price of the stock	Not Applicable
n	A description of the method and significant assumptions used during the year to estimate the fair values of options.	Not Applicable

MANAGEMENT DISCUSSION & ANALYSIS

MACRO ECONOMIC SCENARIO

The macro economic scenario has never been better in India. The Indian economy is expected to have grown at CAGR of 7.6% over the 10th five year plan (2002-2007) driven by buoyancy in the industrial sector and services sector. The strong growth in the demand, both consumption and investment (both have been key drivers for each other) has resulted in a robust upsurge in the CAPEX cycle with the India Inc likely to invest about US\$500-700bn in new capacities over next few years. Added to that the infrastructure investment, key thrust area for the government is likely to see an investment of US\$320bn over next five years resulting in total funds requirement of about US\$1tn over next few years by India. In such a scenario, the importance of capital markets, especially the equity capital markets and within that, that of the secondary equity markets becomes prominent as it helps the India Inc to mobilise such staggering quantum of money.

INDIAN EQUITY MARKETS

Indian equity markets have been apple of everyone's eye globally as well as locally over past few years, a hypothesis which is based on the facts that:-

- a) No of FII's registered in India have almost doubled from 490 to 975 over 2002-2007
- b) The amount of money that the FII's have poured over the same period in India has crossed US\$30bn
- c) No of mutual funds schemes registered have gone up from 63 to 224 over the same period,
- d) The AUM of the Indian Mutual Funds Industry has grown three and a half fold, from Rs1.0tn to Rs3.6tn over the same period

We continue to remain bullish on the buoyancy in the Indian Capital Markets driven by :-

a) Changing Indian demographics

One of the key and encouraging outcomes of booming Indian economy has been the rising proportion of Indian populace in the affluent category. It is estimated that the percentage of household earning in excess of Rs 0.2mn which was as low as 18% in FY 2006 is likely to go up to 32% by FY 2010.

Coupled with rising income, the penetration of the financial assets and within financial assets, that of equity has always remained low, lower income levels being one of the reasons for the same. With rising income level, the risk averseness of average Indian is likely to reduce and equity investments in such scenario would take prominent place.

b) Increased depth of the Indian equity markets

Indian equity markets over past few years have gained lot of depth in terms of liquidity. For example, the number of companies with market capitalisation of more than US\$1bn has gone up almost three-fold from 47 to 146 over FY02-07.

c) The M-Cap to GDP and turnover ratios still one of the lowest globally

The ratio of market capitalisation to GDP remains one of the lowest in India when compared with global peers. We believe that this gap would close over period of time as currently there are many sectors which do not have many listed companies (like real estate). Also the ratio of turnover on the exchanges (NSE+BSE) to the market capitalisation is also one of the lowest globally which leaves immense headroom to increase liquidity.