

*Emkay*<sup>®</sup>

Your success is our success

# HORIZON NEXT

Annual Report 2015-16



# Contents

Take it from the top - Note from the Md's	2
Facts at a glance	4
Corporate Information	5
AGM Notice	6
Directors' Report	20
Corporate Governance Report	46
Management Discussion and Analysis	63
Independent Auditor's Report on Standalone Financial Statements	69
Standalone Financial Statements	75
Independent Auditor's Report on Consolidated Financial Statements	107
Consolidated Financial Statements	111

# Take it from the top

## Note from the MD's

An intelligent investor is the one who buys from a pessimist and sells to an optimist, Benjamin Graham, the author of a seminal book 'The Intelligent Investor' once said.



In whatever we do, we intend to create an environment that allows intelligent investing. Bit by bit, we steer our operations to become an efficient enabler for investors.

A number of factors influence our business. Our ability to deliver quality services rests on them.

### The Economy

The past year witnessed benchmark indices like the S&P BSE Sensex and NSE Nifty shed over 9% value. This is the worst performance since the fiscal year 2011-12. Corporate profit growth slowed and fell short of market expectations.

For businesses, there are two important focus areas. These include exports of goods and services and domestic consumption.

India's exports are falling as global demand slows and the price competitiveness hurts the realization. There are no visible signs of global demand picking up. Hence, exports are certainly not the only area for any future growth.

The other option is to attract capital into industry in India to boost domestic consumption. In terms of foreign direct investment and foreign portfolio investment, India is cheered as one bright spot. However, despite strong fundamentals, India's ability to attract stable foreign money depends on factors we do not control. These include the economic recovery in the developed world, US Federal Reserve rates and the impending exit of Britain from the European Union.

An immediate impact of the referendum in the UK will be a general 'risk-off' sentiment. Capital flows could be hurt across emerging markets and India would be no exception. UK is currently India's fifth largest export destination.

Any slowdown in the UK economy as a result of this decision could lead to uncertainty going forward.





On the domestic front, the investment cycle has to pick up. However, elevated inflation means borrowing rates have to stay high. RBI is unlikely to rapidly bring down rates if the retail inflation continues to stay elevated. The supply-side challenges continue to cause spikes, especially in food prices. For any meaningful cut in rates, India needs to control retail price inflation. Also for the next several years, India needs to step on the gas as far as infrastructure is concerned. This is needed to boost domestic consumption that will drive the demand for goods and services.

While the government has shown fiscal discipline by controlling expenditure, they need to boost investment in the infrastructure sector. To that end, the investment bias towards roads and railways during 2015-16 would help. The government has also eased rules in the aviation sector and promised new airports.

On the taxation front, any realignment in the Rajya Sabha, the Upper House of the Parliament, would mean that the government would be able to clear important legislations like Goods and Services Tax. The issue has been debated extensively over the past decade and it is time for the country to become a single market sooner than later.

This could perhaps bring cheer to markets in 2016-17.

### Start-up and SME

Our strength as a boutique bank depends on the spirit of entrepreneurship in India. Over the past year, start-ups, small and medium enterprises looking to grow have made the news. We are happy about this trend. It opens up significant opportunities for us.

In 2015, India saw record private equity deals worth \$ 23 billion. This was a jump of 51% over 2014 and 34% higher than the 2007 peak of \$17 billion. We work with entrepreneurs looking to scale up their business. We help them raise capital and grow from small cap to mid-size and then to large cap.

Our company is geared to service businesses and investors looking at opportunities opening up in follow-up transactions or initial public offerings. We will continue to advise mid-cap companies on their capital structure and help them raise funds through the most desired route. Our strong relationships with private equity funds will only help us in this endeavor. The other key areas of thrust would be family offices and high net worth individuals.

### How do we differentiate

We do not believe in a plain vanilla execution of stockbroking. We believe value-added services matter and over the past 4-5 years, we have emphasized on that.

For high net-worth individuals and family offices, we will move towards advisory than just execution. The idea is to strengthen the portfolio management services and mutual fund advisory side of the business.

We intend to push our research coverage to 500 companies in the next three years from the current 250 companies. We see many more sectors getting listed and disruptive technologies.

On commodities, with the segment now coming under SEBI regulation, we see renewed thrust on newer product introductions and the market being more transparently regulated than earlier. We will keep our eyes and ears open for such opportunities in that segment.

We, at Emkay, are committed to encouraging intelligent investing through our operation.

Our objective is to bring value to the public and private market, family offices as well as corporates looking to scale up from small to mid-cap and from mid-cap to large-cap.

Happy investing in 2016-17!

# Facts at a glance

Net Revenue (₹ in Lac)	10532.58
Employee Benefit Expenses (₹ in Lac)	4424.90
EBIDTA Margin	22.57%
EBIDTA (₹ in Lac)	2376.97
PAT (₹ in Lac)	1203.36
PBT (₹ in Lac)	1665.73
Market Cap (₹ in Lac)	13196.39
Net Worth (₹ in Lac)	12288.67
Book Value (₹)	50.29

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

G. P. Gupta	Chairman
S. K. Saboo	Director
R. K. Krishnamurthi	Director
G. C. Vasudeo	Director
Dr. Satish Ugrankar	Additional Director
Preeti Kacholia	Woman Director
Krishna Kumar Karwa	Managing Director & CFO
Prakash Kacholia	Managing Director

## Company Secretary & Compliance Officer

B. M. Raul (appointed w.e.f. 04/01/2016)

## Corporate Identification Number (CIN) Website

L67120MH1995PLC084899  
www.emkayglobal.com

## STATUTORY AUDITORS SECRETARIAL AUDITORS INTERNAL AUDITORS

B. L. Sarda & Associates, Chartered Accountants  
Parikh & Associates, Practising Company Secretaries  
Lovi Mehrotra & Associates, Chartered Accountants

## BANKERS

Abu Dhabi Commercial Bank  
AXIS Bank Limited  
Bank of India  
Citibank N A  
HDFC Bank Limited  
ICICI Bank Limited  
Indian Overseas Bank  
IndusInd Bank Limited  
Kotak Mahindra Bank  
State Bank of India  
Union Bank of India

## REGISTERED OFFICE

The Ruby, 7th Floor, Senapati Bapat Marg,  
Dadar (West), Mumbai - 400028

## CORPORATE OFFICE

Building 'C-06', Ground Floor, Paragon Centre,  
Pandurang Budhkar Marg, Worli, Mumbai - 400013

## REGISTRAR & TRANSFER AGENTS

Link Intime India Private Limited  
C-13, Pannalal Silk Mills Compound,  
L.B.S. Marg, Bhandup (West), Mumbai - 400078

# AGM NOTICE

## NOTICE

**Notice** is hereby given that the Twenty Second Annual General Meeting of the Members of Emkay Global Financial Services Limited will be held on Wednesday, 10th August, 2016 at 4.00 p.m. at M. C. Ghia Hall, Bhogilal Hargovindas Building, 4th Floor, 18/20 K. Dubhash Marg, Mumbai - 400 001 to transact the following business:

### Ordinary Business:

1. To receive, consider and adopt the audited financial statements including audited consolidated financial statements of the Company for the financial year ended 31st March, 2016 together with the reports of the Board of Directors and Auditors thereon.
2. To confirm the interim dividend of Re.1 per equity Share paid for the financial year ended 31st March, 2016.
3. To appoint a director in place of Mrs. Preeti Kacholia (DIN-03481747), who retires by rotation and being eligible, offers herself for re-appointment.
4. **To ratify appointment of the Statutory Auditors and to fix their remuneration.**

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

**“RESOLVED** that pursuant to the provisions of Section 139 and all other applicable provisions, if any, of the Companies Act, 2013 (the “Act”) read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the Company hereby ratifies the appointment of M/s. B. L. Sarda & Associates, Chartered Accountants, bearing Firm Registration Number 109266W with the Institute of Chartered Accountants of India (ICAI), as the Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the Annual General Meeting to be held for the financial year 2016-17 on such remuneration as may be determined by the Board of Directors.”

### Special Business:

5. **To appoint Dr. Satish Ugrankar as an Independent Director.**

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

**“RESOLVED THAT** pursuant to the provisions of Sections 149, 150 and 152 and other applicable provisions, if any, of the Companies Act, 2013, and the Rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force), read with Schedule IV of the Companies Act, 2013 and pursuant to SEBI Circular no CIR/CFD/POLICY CELL/2/2014 dated 17th April, 2014, Dr. Satish Ugrankar (DIN : 00043783), who was appointed as an Additional Director of the Company with effect from 12th August, 2015 under Section 161 of the Companies Act, 2013 and who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation, to hold office for a term of five consecutive years commencing from 10th August, 2016.

**RESOLVED FURTHER THAT** the Board of Directors and or the Company Secretary of the Company be and are hereby authorized to do all such acts, deeds, matters and things, as may be required to carry on the purpose of the above resolution.”

6. **To re-appoint Mr. Krishna Kumar Karwa as Managing Director & CFO.**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

**“RESOLVED THAT** pursuant to the applicable provisions of Sections 196 and 197 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Schedule V and all other applicable provisions, if any, of the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof, and subject to the approval of the Central Government, if required, consent of the Company be and is hereby accorded to the Board of Directors/ Committee of Board (hereinafter referred to as the ‘Board’) (which term shall be deemed to include any Committee which the Board may



## AGM NOTICE

have constituted or hereafter constitute for the time being exercising the powers conferred on the Board by this resolution) for the re-appointment of and payment of remuneration to Mr. Krishna Kumar Karwa, as Managing Director & CFO of the Company, for a period of three years with effect from 1st October, 2016 to 30th September, 2019 on the terms and conditions as set out below:

### (A) Salary:

1. Salary of ₹ 7,00,000 per month, with such annual increments as may be decided by the Nomination, Remuneration and Compensation Committee and the Board of Directors of the Company from time to time.
2. Perquisites: Subject to a maximum of 25% of the annual salary as may be approved by the Board of Directors of the Company.
3. Provident Fund: Company's contribution towards provident fund as per rules of the Company, but not exceeding 12% of salary.
4. Performance Bonus of such amount, not exceeding 50% of the Salary for each Financial year or part thereof, as may be decided by the Board of Directors and the Nomination, Remuneration and Compensation Committee.

### (B) Reimbursement of Expenses:

Reimbursement of expenses incurred for travelling, boarding and lodging during business trips, provision of car for use on the Company's business, telephone expenses at residence and mobile phone used for business purposes shall be reimbursed and shall not be considered as perquisites.

### (C) Minimum Remuneration:

If in any financial year during the tenure of Mr. Krishna Kumar Karwa as Managing Director & CFO, the Company has no profits or its profits are inadequate, the Company shall pay him remuneration by way of salary as minimum remuneration subject to the limits laid down and in the manner as stipulated in Schedule V to the Companies Act, 2013, as in force and as amended from time to time and subject to the approval of the Central Government, if necessary.

**RESOLVED FURTHER THAT** the Board be and is hereby also authorized to fix the actual remuneration and revise it from time to time subject to the provisions of the Act.

**RESOLVED FURTHER THAT** for the purpose of giving effect to the above Resolution, the Board and/or Managing Directors and/or Company Secretary be and are hereby authorized to do all such acts, deeds, matters and things as may be necessary or desirable to settle any question or difficulty that may arise in such manner as it may deem fit from time to time.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to make an application to Central Government, if necessary, for payment of remuneration on the aforesaid scale and to do all such acts, deeds, matters and things as may be necessary to give effect to the above resolution."

## 7. To re-appoint Mr. Prakash Kacholia as Managing Director.

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special resolution**:

**"RESOLVED THAT** pursuant to the applicable provisions of Sections 196 and 197 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Schedule V and all other applicable provisions, if any, of the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof, and subject to the approval of the Central Government, if required, consent of the Company be and is hereby accorded to the Board of Directors/ Committee of Board (hereinafter referred to as the 'Board') (which term shall be deemed to include any Committee which the Board may have constituted or hereafter constitute for the time being exercising the powers conferred on the Board by this resolution) for the re-appointment of and payment of remuneration to Mr. Prakash Kacholia, as Managing Director of the Company, for

# AGM NOTICE

a period of three years with effect from 1st October, 2016 to 30th September, 2019 on the terms and conditions as set out below:

## (A) Salary:

1. Salary of ₹ 7,00,000 per month, with such annual increments as may be decided by the Nomination, Remuneration and Compensation Committee and the Board of Directors of the Company from time to time.
2. Perquisites: Subject to a maximum of 25% of the annual salary as may be approved by the Board of Directors of the Company.
3. Provident Fund: Company's contribution towards provident fund as per rules of the Company, but not exceeding 12% of salary.
4. Performance Bonus of such amount, not exceeding 50% of the Salary for each Financial year or part thereof, as may be decided by the Board of Directors and the Nomination, Remuneration and Compensation Committee.

## (B) Reimbursement of Expenses:

Reimbursement of expenses incurred for travelling, boarding and lodging during business trips, provision of car for use on the Company's business, telephone expenses at residence and mobile phone used for business purposes shall be reimbursed and shall not be considered as perquisites.

## (C) Minimum Remuneration:

If in any financial year during the tenure of Mr. Prakash Kacholia as Managing Director, the Company has no profits or its profits are inadequate, the Company shall pay him remuneration by way of salary as minimum remuneration subject to the limits laid down and in the manner as stipulated in Schedule V to the Companies Act, 2013, as in force and as amended from time to time and subject to the approval of the Central Government, if necessary.

**RESOLVED FURTHER THAT** the Board be and is hereby also authorized to fix the actual remuneration and revise it from time to time subject to the provisions of the Act.

**RESOLVED FURTHER THAT** for the purpose of giving effect to the above Resolution, the Board and/or Managing Directors and/or Company Secretary be and are hereby authorized to do all such acts, deeds, matters and things as may be necessary or desirable to settle any question or difficulty that may arise in such manner as it may deem fit from time to time.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to make an application to Central Government, if necessary, for payment of remuneration on the aforesaid scale and to do all such acts, deeds, matters and things as may be necessary to give effect to the above resolution."

By Order of the Board of Directors

## Registered Office:

The Ruby, 7th Floor  
Senapati Bapat Marg,  
Dadar (West), Mumbai-400028

**For Emkay Global Financial Services Limited**

Place: Mumbai  
Date: 23rd May, 2016

**B. M. Raul**  
Company Secretary & Compliance Officer