

*Emkay*®

Your success is our success

**ANNUAL  
REPORT**  
2016-17

India's Most  
Trusted Financial  
Brand 2016-17  
- WCRC

Exclusive Equity  
Research  
Collaboration with  
DBS Singapore

Among 25 Fastest  
Growing Financial  
Consultant  
Companies in India  
-The CEO Mag

Best Research Team  
Rank 10  
-Institutional Investor  
Survey 2016





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## In Conversation with the MDs



Prakash Kacholia

**We are positively poised for the forthcoming growth phase**



Krishna Kumar Karwa

### **FY17 emerged to be an eventful year for India. Your views on the year gone by?**

Fiscal 2017 truly embodied a warrior on a mission of relentless reforms, with 'progress' as its steadfast end goal. Energy levels were almost unprecedented with a host of unanticipated government policies imprinting the landscape of this country. For an already resolute government at the center, the UP elections arrived as a stimulus, with its hold gaining dominance, making passage of reforms an uncomplicated affair. Mounting political stability and nimble swing of reforms from germination to implementation were both instrumental in elating investor perception of India. The year turned out to be a landmark one for BJP, with its sweeping victory in 5 out of the 9 state elections held during this period. However, their triumph in UP, a state that roofs nearly 20% of India's population, emerged to be colossal by far.

Generous monsoons, following two years of drought like conditions lifted rural sentiments and catapulted food grain production to a record high. Government policies aided this further, thus easing overall inflation and curtailing import dependence towards agro commodities in fiscal 2017. The first half of the year saw a resuscitating rural economy; however, the impetus was deterred with the announcement of demonetization. The initial tremors of demonetization were sensed until January 2017, with dipping production, greater loss of jobs in the unorganized sector & across casual labor, plummeting real estate sales, a multi-decade low

credit growth and surplus liquidity with banks. However, once the initial knee jerk reaction to demonetization waned out, consumption has shown signs of recovery and the same is likely to gain momentum in the current fiscal. Demonetisation of specified bank notes and GST implementation are expected to present long standing gains in the form of transformation of the unorganized economy into an organized one.

The year also saw the enactment of the Insolvency and Bankruptcy code that shall be instrumental in providing a unified framework for resolving matters pertaining insolvency and bankruptcy. In the longer run these reforms would translate into improved tax compliance, higher GDP growth and lower inflation, while laying a strong foundation for our country's future growth.

The capital markets rewarded concentration of power at the centre by augmenting nearly 17% in fiscal 2017, despite the insubstantial performance of corporate India. The other significant events that fed to this rise were demonetization- with inundation of flows in mutual funds and drying out of Trump expectations.

Broadly, the Indian Government undertook several landmark reforms that shall be the harbingers of sustainable growth in the years to come.

### **What is the outlook for India over the course of the next two years?**

We behold a highly optimistic view for India. A strong GDP growth, a sturdy currency and the fiscal deficit and current account deficit, being where

they are, are a culmination of the efforts that the Indian government has put in terms of advancing the economy forward. In time to come, all the efforts of the last three years should yield benefits. The next two years, in particular, will see immense thrust from the government in terms of delivering on what they have promised, chiefly leveraging on the efforts that they have put in the previous three years.

Our sense is that remonetisation, reflationary government policies and favorable geo-political scenario would recuperate corporate performance. The focus of the Central and the State governments towards revival of rural consumption that dominates close to 55% of the total consumption in India, along with higher seeding of Aadhar under DBT is likely to lead to faster conduction of government policies to its target audience. The Government's intent of doubling farm income by 2022, would, in most certainty be its priority for the next couple of years. The Centre and States have allocated higher funds towards revival of rural and agrarian economy through MNRGA, PMAY, PMGSY and by way of higher food procurement.

Additionally, with States implementing the 7th pay commission, which would be on a scale larger than one at the Centre, overall consumption should receive a thrust. With higher impetus towards consumption and elevated commodity prices, inflation is likely to remain above the comfort zone. RBI is expected to maintain its neutral stance and has clearly signaled end of the rate easing cycle. Going forward, rising global yields coupled with improvement in corporate performance would most likely harden the yields across tenor.

The government may now be required to focus its efforts towards ensuring that job growth receives a stimulus. Probably a lot of endeavor would now be on that front and we would think that the whole effort on the affordable housing segment is a function of trying to revive the sector, given it is one space that can create a phenomenal number of job opportunities in the system. In the next two years we should also see growing emphasis on urban infra and capexes across the board that would deliver enormous returns to the people of India in the longer run.

#### How are GST and the global economy likely to impact India?

We believe that replacement of the complicated indirect taxes with the single structure Goods & Services Tax would be a game changing reform for our country. The complexity of input tax credit, exclusion of a few items from the GST gamut and intricacy of the rate structure could make assessment of the overall impact of this reform on the growth prospects difficult. However, in the longer run, the benefits of GST implementation and formalization of the economy are likely to be experienced.

Fiscal 2017 was exposed to some major developments in the global landscape too. UK's withdrawal from the European Union and the US presidential elections were events that left an impression on economies across the globe. With indications of reviving global demand, in particular from the advanced economies becoming visible, there is expectation of some positive spillover effect for India. However, the protectionist measures adopted world over could juxtapose the earlier linkages of advanced economies' growth with that of the rest of the world. These measures are emanating particularly from the wayward US policies targeted at protecting and promoting its domestic industry. Against this backdrop, we believe that India is positioned favorably and its export demand should strengthen further with improving global growth. Also, growing global demand would elevate the global commodity prices translating to higher inflationary pressure.

**Do you believe that Emkay is in a**

#### favorable spot given the overall environment?

The Indian equity markets today stand at a threshold of a significant transformation with mounting dominance of domestic players, particularly the mutual fund industry and retail investors. Inflows into mutual funds have continued to remain strongly positive since 2014. This transformation has provided a considerable impetus to mid and small cap stocks, thereby infusing liquidity and depth into Indian stock markets. Net FII inflows to the extent of USD 8.3bn were witnessed in Indian markets, wherein there were outflows of USD 722mn from debt and inflows of USD 9.1bn into equity markets. The turnaround in FII flows are being experienced since Feb'17, with the highest monthly net investment in equity since 2010, of USD 5.1bn in March 2017. Similar observation has been made in the FII debt investment space, which witnessed its highest ever inflow in March.

According to CMIE database, overall, Assets Under Management in fiscal 2017 have inflated nearly 42% to INR 17.5tn, chiefly driven by higher corporate participation that contributed to 50% of this growth. Interest of retail investors has also seen a revival, as indicated by the surge of investor accounts in mutual funds to over 52 mn in Mar'17 from 45 mn in Mar'16. With fixed income investment avenues yielding dismal returns we should see a surge in equity investments in the period to come.

Emkay Global with its rich heritage that spans over two decades stands strategically focused in the midst of the existing global and domestic environment. We are honored and humbled to be bestowed the title of 'India's Most Trusted Brand' by the World Consulting & Research Corporation for 2016-17. The trust that our clients, investors and the society at large places in us, keeps us going and growing. We believe that with our well demonstrated and appreciated research coverage that spans over 250 companies now and with a 2.5-3% market share in the domestic institutional business, we are

favorably positioned to gain from the transformation underway.

We are also excited about our recent Equity Research tie-up with DBS Singapore. We believe that this collaboration will enhance our ability to tap into the global opportunities that lie ahead. The alliance will be beneficial to both Indian and global investors since it will offer a holistic view of the Asian market to them. The integrated reports will be shared in different countries, including India, Singapore, Taiwan, UK, Continental Europe, Middle East and US. These reports will have in-depth knowledge and showcase current market and sector scenarios. In particular, this collaboration shall strengthen our reach to capture greater market share in global business.

We are positively poised for the forthcoming growth phase!

**“ We are excited  
about our recent  
Equity Research  
tie-up with  
DBS Singapore ”**



## Corporate Access Capabilities

## Research Capabilities

~**2000** Research  
Reports Initiated

**130** Roadshows  
**17** Reverse Roadshows

**52** Corporate / Expert  
Client Meetings

**122** Corporate / Expert  
Conference Calls

## Investment Banking Deals

Preferential Issue of  
Time Technoplast Ltd.

**₹1500mn**  
**Jan' 17**

Preferential Issue of  
Ok Play India Ltd.

**₹176mn**  
**Sept' 16**

Share Buyback of  
Dhanuka Agritech Ltd.

**Upto ₹800 mn**  
**Mar' 17**





# Making a Difference with our Diverse Research

A well demonstrated, diverse and in-depth research is appreciated across the industry. Over the years our dextrous team of highly experienced research analysts has introduced numerous investment themes spanning varied aspects of the economy, sectors and companies, enabling us to bring about a multiplier difference to our clients' portfolios.

## Few of Our Research Themes During the Year

**India Strategy**  
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**Demonetization shock to impel fiscal stimulus**

The demonetization shock is expected to tip the expenditure-revenue account performance, spur interest and the higher effort on various accounts. The consolidation impact will depend on the extent of the demonetization shock. The demonetization shock is expected to tip the expenditure-revenue account performance, spur interest and the higher effort on various accounts. The consolidation impact will depend on the extent of the demonetization shock.

**India Strategy**  
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**Orient Refractories**  
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**Imminent takeover, Powered by structural moat**

Orient Refractories is a leading refractory producer in India. The company has a strong market position and is expected to be acquired by a foreign investor. The company has a strong market position and is expected to be acquired by a foreign investor.

**Orient Refractories**  
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**Banking & Financial Services**  
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**NBFCs: FY16 Annual Report Analysis**

The annual reports of NBFCs for FY16 have been analyzed. The key findings are as follows: The annual reports of NBFCs for FY16 have been analyzed. The key findings are as follows:

**Banking & Financial Services**  
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**Auto Ancillaries - Batteries**  
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**Positively Charged**

The auto ancillary sector is expected to grow at a steady pace. The key findings are as follows: The auto ancillary sector is expected to grow at a steady pace. The key findings are as follows:

**Auto Ancillaries - Batteries**  
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**Engineering & Capital Goods**  
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**T&D to unfold sizeable opportunities**

The transmission and distribution (T&D) sector is expected to grow at a steady pace. The key findings are as follows: The transmission and distribution (T&D) sector is expected to grow at a steady pace. The key findings are as follows:

**Engineering & Capital Goods**  
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**Consumers**  
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**Prospects Creamier & Cheaper**

The consumer sector is expected to grow at a steady pace. The key findings are as follows: The consumer sector is expected to grow at a steady pace. The key findings are as follows:

**Consumers**  
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**Power**  
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**Rajasthan Discom - Reality check**

The Rajasthan Discom is expected to grow at a steady pace. The key findings are as follows: The Rajasthan Discom is expected to grow at a steady pace. The key findings are as follows:

**Power**  
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**FMCG**  
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**Premiumisation - Way to grow**

The FMCG sector is expected to grow at a steady pace. The key findings are as follows: The FMCG sector is expected to grow at a steady pace. The key findings are as follows:

**FMCG**  
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## **Emkay Collaborates with DBS Bank for Knowledge Sharing**



During the year, Emkay partnered with DBS Bank to collaborate on research expertise. The alliance would be beneficial to both Indian and global investors since it would offer a holistic view of the Asian market. The integrated reports will be shared in different countries, including India, Singapore, Taiwan, UK, Continental Europe, Middle East and the US. These reports will have in-depth knowledge and showcase current market and sector scenarios.

Emkay would be able to leverage off DBS' Research to increase the depth of its offerings to its domestic clients while also reinforcing Emkay's expanding global reach. The alliance will also enable DBS to enhance its Asian Insights content platform by combining cross-border thematic and macro-level insights currently produced by the regional DBS team, with bottom-up sectoral and company analysis provided by Emkay.







## Facts at a Glance





## CORPORATE INFORMATION

### BOARD OF DIRECTORS

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

### Company Secretary & Compliance Officer

B. M. Raul

### 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 & CORPORATE OFFICE

The Ruby, 7<sup>th</sup> Floor, Senapati Bapat Marg,  
Dadar (West), Mumbai - 400028  
Tel. No: 022-66121212

### ADMINISTRATIVE OFFICE

Building 'C-06', Ground Floor, Paragon Centre,  
Pandurang Budhkar Marg, Worli, Mumbai - 400013  
Tel. No: 022-66299299

### REGISTRAR & TRANSFER AGENTS

Link Intime India Private Limited  
C 101, 247 Park, L B S Marg,  
Vikhroli (West), Mumbai 400 083

