

# KBS CAPITAL MANAGEMENT LIMITED

## 21<sup>st</sup> ANNUAL REPORT

Report  junction.com

2006-2007

KBS Capital Management Limited

Annual Report 2006-2007

**Board of Directors:**

Mr. Tushar Shah	Chairman
Mrs. Madhu Shah	Director
Mr. Ketan Shah	Director

**Auditors:**

M/s. Gopal Rao & Associates  
Chartered Accountant  
Mumbai

**Bankers:**

Bank of India, Mumbai  
UTI Bank, Mumbai

**Registered Office:**

502, Commerce House,  
140, Nagindas Master Road,  
Fort, Mumbai-400001.

**Share Transfer Agent:**

Intime Spectrum Registry Limited  
C-13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup (West),  
Mumbai 400078

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**NOTICE**

Notice is hereby given that the Twenty First Annual General Meeting of the members of **KBS CAPITAL MANAGEMENT LIMITED** will be held on Saturday, 29<sup>th</sup> September 2007 at the Registered Office of the Company at 502, Commerce House, 140, Nagindas Master Road, Fort, Mumbai 400 001 at 11.30 a.m. to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2007 and Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Tushar Shah, who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

By Order of the Board of Directors

**Tushar Shah**  
Chairman

Place: Mumbai

Date : 3<sup>rd</sup> September 2007

**Notes:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies in order to be effective must be deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.
3. Member / Proxy should bring the attendance slip duly filled in for attending the meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, the 28<sup>th</sup> day of September 2007 to Saturday, the 29<sup>th</sup> day of September 2007 (both days inclusive).
5. Members desirous of seeking information relating to the Accounts and operations of the Company are requested to address their queries to the Company at least 7 days in advance of the meeting, to enable the company to keep the information ready.
6. Shareholders are requested to bring their copies of Annual Report to the meeting.
7. Members are requested to address all correspondences to the Registrar and Share Transfer Agents Intime Spectrum Registry Limited, C-13 Pannalal Silk Mills Compound, LBS Road, Bhandup West, Mumbai 400078.

**DIRECTORS' REPORT**

To,  
The Members of  
**KBS Capital Management Limited**

Your Directors have pleasure in presenting herewith 21<sup>st</sup> Annual Report together with the Audited Accounts of the Company for the financial year ended 31<sup>st</sup> March, 2007.

**FINANCIAL HIGHLIGHTS:**

The financial figures for the year under review are given below:

Particulars	Year Ended 31/03/2007	Year Ended 31/03/2006
Income from operation and other income	54,74,977	5,945,745
Profit/(Loss) Before Depreciation	12,45,557	1,459,283
Less : Depreciation	10,31,062	1,222,188
Profit/(Loss) before tax	2,14,495	237,095
Less : Current Tax	5,200	6,000
Deferred Tax	-	(156,317)
Fringe Benefits Tax	3,200	61,000
Profit/(Loss) After Tax	2,06,095	326,412
Add : Balance Carried Forward from Previous Year	1,43,93,150	14,066,738
Balance Carried to Balance Sheet	1,45,99,245	14,393,150

**OPERATIONS:**

Total Income during the year was of Rs. 54.75 Lacs as compared to Rs. 59.45 Lacs during the previous year. The Profit before tax has been to Rs. 2.14 Lacs during the year as compared to Rs. 2.37 Lacs in the previous year. After considering the provision for taxation of Rs. 0.08 Lacs, your Company has achieved a net profit of Rs. 2.06 Lacs during the year as compared to Rs. 3.26 Lacs in the previous year.

**DIVIDEND:**

To conserve the resources for business requirement of the Company your Directors do not recommend any payment of dividend for the year ended 31<sup>st</sup> March 2007.

**PUBLIC DEPOSIT:**

The Company has not accepted any deposits from the public hence provisions of Section 58A of the Companies Act, 1956 and Companies (Acceptance of Deposits) Rules 1975 are not applicable to the Company.

**MANAGEMENT DISCUSSION AND ANALYSIS****Indian capital market**

During 2006-2007, the stock market in India continued its upward trend for the fourth year in succession. However, the rate of growth was considerably lower than that seen in the previous years, with the BSE Sensex increasing by 16% and the BSE-200 Index increasing by 10% during the year under review. The modest increases in these indices between the beginning and end of the financial year do not reflect the relatively large swings in prices during the year which have now become rather frequent, indicating a high level of volatility in our markets, particularly over the last 2 years.

As in the past 3-4 years, the markets have reacted favourably to certain major positive factors in the Indian economy, namely the high GDP growth rate of over 8%, sustained growth in corporate earnings and the continuing in-flow of large funds from Foreign Institutional Investors (FII's). Though the net investments by FII's declined from the level of \$10 billion per year witnessed over the preceding three years to about \$7 billion during 2006-2007, reports about the increasing number of FII's and 'hedge funds' with enormous investible resources coming into the Indian markets, continue to contribute to the bullish trend of the stock market. It is worth noting that the cumulative FII investments in the Indian stock market is now estimated to

be over \$50 billion, the current market value of which will obviously be much higher. The Indian Mutual Funds also continued to attract very large inflows and a reasonable part of these funds are now invested in the equity markets. This combined pressure of funds and the generally perceived positive outlook on India continues to take the stock market prices to increasingly higher levels particularly in the absence of an equally large supply of new stocks coming into the markets during the last year - though it is expected that there would be several new public issues in the current financial year.

### Outlook

The company expects the Indian financial services sector to remain buoyant, powered by a strong economic performance, stable interest rates and changing demographics. However the rising of interest rates globally and volatile crude prices may continue to dampen the capital market from time to time.

The company is bullish on the long-term scenario of the capital markets. Your company is well positioned to reap the benefits of this growth. Your company has become a one-stop shop for investors, with the company offering services ranging from advisory services, broking services, portfolio management, depository services and mutual fund and insurance products distribution.

### Opportunities and threats

Your Company has embarked on capitalizing the opportunities on the Wealth Management Services front. There is an increasing demand for the advisory services and more awareness on investment planning among investors. Your Company recognizes that sound investment planning advice along with the Company being able to offer bouquet of investment products to its customers besides transaction execution capabilities is a key thrust area and thereby is planning to focus on the same.

The Stock broking Industry has witnessed intense competition, falling brokerage rates and the entry of several big players. Your Company continues to achieve cost efficiencies through the application of technology.

### Risk management system

Your company has proper and adequate system of internal controls commensurate with the size and nature of its business. However, strengthening of internal control systems is an ongoing exercise.

Your company manages risks associated with broking operations using internally developed credit monitoring system implemented through fully automated risk management software and selective direct monitoring of certain operating parameters. The automated risk management procedures rely primarily on internally developed risk management system and systems provided by system vendors. The company manages business risks through strict compliance and internal checks. It will not be out of context to state that the system has worked very effectively during the year under review.

Further the company has an independent internal audit system. The process of internal audit involves, reviewing of existing controls and systems. Internal Audit also recommends the actions for strengthening of the business processes. The internal audit ensures adherence to operating guidelines, regulatory and legal requirements.

### Risk and concerns

Economic slowdown, with continuously rising crude prices and any further rise in interest rates are the current factors of concern as these factors may impact the industrial growth. Even though the company has initiated the strategy to have diverse revenue streams such as broking commissions, fees from distribution of MF, Insurance and other personal products etc. The substantial part of earnings depends upon stock market performance which in turn is greatly influenced by the economic performance of the country. The company's earnings would be affected if the Stock markets were to decline sharply, rather if volumes in market were to dwindle.

Further any rise in interest rates in the developed markets leads to an outflow of funds from emerging markets like India back to the developed countries. Extraordinary volatility in the capital markets due to these events could lead to temporary drop in volumes in current year.

Employee retention is of a concern with ever increasing number of players in the industry resulting in growing number of opportunities for professionals. Higher attrition rate may affect the performance of the company.

As the company uses the network systems for off line and on line broking, breakdown in systems can affect the turnover and revenues. The company has installed 100% system redundancy to ensure uninterrupted quick connectivity.

**Human resource**

Being a part of the financial service sector your company values human resource as human capital, which is equally important as financial capital for the growth of the Company. Your company strongly believes that Human Resources are key to the success of any company and your company is taking all possible steps to employ, develop and retain the appropriate quality of resources to aid the company in achieving success. Your company continuously endeavors to attract and retain professional talent.

**Internal control system**

As noted by the auditors in their report, the Company has an Internal Control System commensurate with its requirements and the size of business.

**Cautionary statement**

The statements in this document, other than factual / historical information, contain the words or phrases such as "believe", "expect", "plan", "objective" and other similar words, which are forward looking in nature. Such forward looking statements may be subject to a variety of risks and uncertainties that could result in actual results differing materially from those indicated in this document. The Company is not under any obligation to update such forward looking statements after this date.

**DIRECTORS:**

In accordance with Articles of Association of the Company, Mr. Tushar Shah, Director of the Company retire by rotation and being eligible offers himself for re-appointment.

**AUDITORS:**

M/s Goapl Rao & Associates, Chartered Accountants Mumbai will retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from them to the effect that their appointment, if made, would be within the limit prescribed under Section 224(1B) of the Companies Act, 1956.

Your Directors recommend their appointment as Auditors of the Company for the Financial Year 2007-2008 and to hold office upto the conclusion of the next Annual general meeting of the Company.

**DIRECTORS' RESPONSIBILITY STATEMENT**

In Compliance with the provisions of Section 217(2AA) of the Companies Act, 1956 the Directors of your Company confirm that:

- (i) In the preparation of the Annual Accounts, the applicable accounting standards have been followed and no material departures have been made from the same.
- (ii) They have selected such accounting policies and applied them consistently and made judgments and estimates that are responsible and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year 31<sup>st</sup> March 2007 and the Profit of the Company for that period;
- (iii) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company for preventing and detecting fraud and other irregularities;
- (iv) They have prepared the annual accounts on a going concern basis.

**CORPORATE GOVERNANCE:**

Pursuant to Clause 49 of the listing agreement with the stock exchange, the following have been made a part of the annual report and are attached to this report.

- Corporate Governance Report.
- Certificate of Practicing Company Secretary regarding compliance of conditions of Corporate Governance.

**PERSONNEL:**

The employer-employee relation remained cordial throughout the year. The Board places on record its sincere appreciation for the valuable contribution made by employees across all levels of the organisation.

The information related to employee in accordance with the provision of Section 217 (2A) of the Companies Act, 1956 is reported to be nil.

**DISCLOSURE OF PARTICULARS WITH RESPECT TO****A) CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT AND TECHNOLOGY ABSORPTION, ADOPTION INNOVATION:**

The Disclosure of particulars with respect to conservation of energy pursuant to the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988, are not applicable to the Company. However, the Company makes its best efforts for conservation of energy.

The Company has not carried out any specific research and development activities.

The information related to Technology absorption, adaptation and innovation is reported to be Nil.

**B) FOREIGN EXCHANGE EARNINGS AND OUT GO:**

The information regarding Foreign Exchange Earnings and out go is as follows:

Particulars	(Amt. in Rs.)	
	2006 – 2007	2005 – 2006
Foreign Exchange Earnings	Nil	Nil
Foreign Exchange outgo	Nil	Nil

**ACKNOWLEDGEMENTS:**

Your Directors express their gratitude to for assistance and co-operation received from the Financial Institutions, Banks, Government Authorities, Customers, Vendors and Members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services of the Employees of the Company.

By order of the Board

Tushar Shah  
Chairman

Place: Mumbai

Date: 3<sup>rd</sup> September 2007



## REPORT ON CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's philosophy on Corporate Governance is aimed at strengthening the confidence of the shareholders in the Company and building a long term relationship of trust with them by maintaining transparency and periodical disclosures. The Company believes in maintaining high standards of quality and ethical conduct, in its operations.

### 2. BOARD OF DIRECTORS

#### a) Composition

The Board of Directors provides strategic direction and thrust to the operations of the Company. The Board has three directors. Out of these, two directors are promoter directors and one is non-executive non-independent director.

#### b) Board Procedure

The agenda is prepared in consultation with the Chairman of the Board of Directors and the Chairman of other Committees. The agenda for the meetings of the Board and its committees, together with the appropriate supporting documents, are circulated well in advance of the meeting.

Matter discussed at Board meeting generally relate to Company's business operations, quarterly results of the Company, review of the reports and compliance with their recommendation, suggestion, non compliance of any regulatory, statutory or listing requirements etc.

#### c) Attendance at Meetings

During the year under review, the Board of Directors met 7 (seven) times on the following dates:

28<sup>th</sup> April 2006, 20<sup>th</sup> July 2006, 5<sup>th</sup> September 2006, 20<sup>th</sup> October 2006, 22<sup>nd</sup> November 2006, 29<sup>th</sup> January 2007 and 23<sup>rd</sup> March 2007.

The maximum time gap between two Board Meetings was 82 days.

The attendance record of the Directors at each Board Meeting and the last Annual General Meeting held on 30<sup>th</sup> September 2006, is given below:

Director	Category	No. of Board Meetings Attended	Attendance at last AGM held on 30th September 2006	No. of directorship held in other public companies	Committee Position in other companies	
					Member	Chairman
Shri Tushar Shah	Promoter/ Chairman	6	Present	-	-	-
Smt. Madhu Shah	Promoter	7	Present	-	-	-
Shri Ketan Shah	Non – Executive / Non – Independent	7	Present	-	-	-

None of the Directors hold Directorships in more than 15 Public limited Companies, membership in more than 10 committees and Chairmanship in more than 5 committees.

### 3. BOARD COMMITTEES

#### a. Audit Committee

The Company is in process of formation of Audit Committee.