

KBS CAPITAL MANAGEMENT LIMITED

22nd ANNUAL REPORT

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2007-2008

For KBS CAPITAL MANAGEMENT LTD.


Director/Authorised Signatory

Board of Directors:

Mr. Tushar Shah	Chairman
Mrs. Madhu Shah	Director
Mr. Ketan Shah	Director
Mr. Nilesh Dharla	Director (w.e.f. 11 th December 2007)
Mr. Vinod Kumar Bapna	Director (w.e.f. 11 th December 2007)
Mr. Ghanshyam V. Karkera	Director (w.e.f. 11 th December 2007)

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.

Registrar and 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 Second Annual General Meeting of the members of KBS CAPITAL MANAGEMENT LIMITED will be held on Tuesday, 30th September 2008 at the Registered Office of the Company at 502, Commerce House, 140, Nagindas Master Road, Fort, Mumbai 400 001 at 12.30 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2008 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. Ketan Shah, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT Mr. Nilesh Dharia who was appointed as an Additional Director of the Company with effect from December 11, 2007 pursuant to Section 260 of the Companies Act, 1956, and holds office up to the date of ensuing Annual General Meeting and in respect of whom Company has received a notice pursuant to Section 257 of the Companies Act 1956, proposing his candidature for the office of Director, 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 modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT Mr. Vinod Kumar Bapna was appointed as an Additional Director of the Company with effect from December 11, 2007 pursuant to Section 260 of the Companies Act, 1956, and holds office up to the date of ensuing Annual General Meeting and in respect of whom Company has received a notice pursuant to Section 257 of the Companies Act 1956, proposing his candidature for the office of Director, 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 modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT Mr. Ghanshyam V. Karkera was appointed as an Additional Director of the Company with effect from December 11, 2007 pursuant to Section 260 of the Companies Act, 1956, and holds office up to the date of ensuing Annual General Meeting and in respect of whom Company has received a notice pursuant to Section 257 of the Companies Act 1956, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

By Order of the Board of Directors

Place: Mumbai
Date: 30th June 2008

Tushar Shah
Chairman

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. The Explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of special business is annexed herewith and forms part of this notice.
4. Member / Proxy should bring the attendance slip duly filled in for attending the meeting.
5. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 27th day of September 2008 to Tuesday, the 30th day of September 2008 (both days inclusive).
6. 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.

7. Shareholders are requested to bring their copies of Annual Report to the meeting.
8. 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.
9. Details of Directors being proposed for appointment / re- appointment (information required under Clause 49(VI)(A) of the Listing Agreement).

Mr. Ketan Shah is Commerce Graduate. He has vast experience in the field of Finance and Administration. He does not hold any shares in the Company.

Mr. Nilesh Dharia is B.COM., F.C.A. and is a practicing Chartered Accountant with expertise in the field of tax laws. He does not hold any shares in the Company.

Mr. Vinod Kumar Bapna is B.S.C., A.C.A. and A.C.S., and is practicing Chartered Accountant. He does not hold any shares in the Company.

Mr. Ghanshyam V. Karkera is B.COM, L.L.B, C.A., I.I.B., F.C.S., A.I.C.W.A, F.C.A., D.I.S.A. (I.C.A). He does not hold any shares in the Company.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 4

Mr. Nilesh Dharia was appointed as an Additional Director of the Company by the Board of Directors with effect from December 11, 2007 pursuant to Section 260 of the Companies Act, 1956. In terms of the said Section he holds office up to the ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of the Director of the Company. It will be advantageous for the Company to avail his services and take the benefit of his vast experience and expert knowledge.

His inclusion on the Board will be of immense benefit to the Company.

The Board of Directors thus recommends the resolution for the approval of the members.

Except Mr. Nilesh Dharia none of the other Director of the Company is concerned or interested in the said resolution.

Item No. 5

Mr. Vinod Kumar Bapna was appointed as an Additional Director of the Company by the Board of Directors with effect from December 11, 2007 pursuant to Section 260 of the Companies Act, 1956. In terms of the said Section he holds office up to the ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of the Director of the Company. It will be advantageous for the Company to avail his services and take the benefit of his vast experience and expert knowledge.

His inclusion on the Board will be of immense benefit to the Company.

The Board of Directors thus recommends the resolution for the approval of the members.

Except Mr. Vinod Kumar Bapna none of the other Director of the Company is concerned or interested in the said resolution.

Item No. 6

Mr. Ghanshyam V. Karkera was appointed as an Additional Director of the Company by the Board of Directors with effect from December 11, 2007 pursuant to Section 260 of the Companies Act, 1956. In terms of the said Section he holds office up to the ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of the Director of the Company. It will be advantageous for the Company to avail his services and take the benefit of his vast experience and expert knowledge.

His inclusion on the Board will be of immense benefit to the Company.

The Board of Directors thus recommends the resolution for the approval of the members.

Except Mr. Ghanshyam V. Karkera none of the other Director of the Company is concerned or interested in the said resolution.

DIRECTORS' REPORT

To,
The Member of
KBS Capital Management Limited

Your Directors have pleasure in presenting herewith 22nd Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2008.

FINANCIAL RESULTS

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

Particulars	(Amount in Rs.)	
	2007-2008	2006-2007
Income from operation and other Income	3,90,81,920	54,74,977
Profit (Loss) before Depreciation & Tax	2,11,58,835	12,45,557
Less: Depreciation	8,61,061	10,31,062
Profit (Loss) before Tax	2,02,97,774	2,14,495
Less: Current tax	33,47,000	5,200
Deferred Tax	-	-
Fringe Benefits Tax	45,321	3,200
Profit/(Loss) After Tax	1,69,05,453	2,06,095
Add: Balance brought forward from Previous Year	1,45,99,245	1,43,93,150
Balance carried to Balance Sheet	3,15,04,698	1,45,99,245

OPERATIONS:

Your Directors are pleased to inform you that the Company has achieved a turnover of Rs. 37.18 Lacs during the year as compared to Rs. 26.37 Lacs during the previous year. The Profit before tax has been to Rs. 202.98 Lacs during the year as compared to Rs. 2.14 Lacs in the previous year. After considering the provision for taxation of Rs. 33.92 Lacs, your Company has achieved a net profit of Rs. 169.05 Lacs during the year as compared to Rs. 2.06 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 31st March 2008.

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.

DIRECTORS:

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

The Board of Directors of your company appointed Mr. Nilesh Dharia, Mr. Vinod Kumar Bapna and Mr. Ghanshyam V. Karkera as Additional Directors at their meeting held on 11th December, 2007. In terms of the provisions of the section 260 of the Companies Act, 1956 Mr. Nilesh Dharia, Mr. Vinod Kumar Bapna and Mr. Ghanshyam V. Karkera hold office up to the date of ensuing Annual General Meeting. Your company has received necessary notice from a member under section 257 of the Companies Act, 1956 together with necessary deposit, proposing the candidature of Mr. Nilesh Dharia, Mr. Vinod Kumar Bapna and Mr. Ghanshyam V. Karkera for their appointment as directors of the Company.

Your Directors recommend the appointment of Mr. Nilesh Dharia, Mr. Vinod Kumar Bapna and Mr. Ghanshyam V. Karkera as Directors of the company.

AUDITORS:

M/s Gopal 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 re-appointment as Auditors of the Company to hold office from the conclusion of the ensuing

Annual General Meeting to 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 31st March 2008 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 the requirements of Clause 49 of the Listing Agreement entered into 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.
- Management Discussion and Analysis.

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 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 nil.

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.)	
	2007 – 2008	2006 – 2007
Foreign Exchange Earnings	Nil	Nil
Foreign Exchange outgo	Nil	Nil

ACKNOWLEDGEMENT:

Your Directors express their gratitude 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

Place: Mumbai
Date: 30th June 2008

Tushar Shah
Chairman

Management Discussion and Analysis

1. Indian capital market

The year 2007-08 was an unprecedented year for the history Indian stock market and remained buoyant consecutively for the fifth years with higher volatility. BSE Sensex moved at a faster pace from 12,500-level from April'07 and remained firm till mid-Jan'08 creating a record of all time high at a 21000-level. BSE Sensex gained 26% and BSE-200, index increased by 30% during the period under review. However, the fiscal year ended at 15,600-level with a bearish note on concerns of rising crude oil price in the international market, hardening inflation and unfolding of financial crisis in US markets due to sub-prime lending since Indian market has no longer remained isolated. The turnover in the major stock exchanges increased sharply during 2007-08. The combined turnover of the BSE and the NSE in the cash segment increased by 76.8% during 2007-08 and that in the derivatives segment by 79.8% over the previous year.

Foreign institutional investors continued to invest large funds in the Indian securities market. The FII flows remained volatile and the net inflow in Equities was INR 525.74 Bln during 2007-08 stimulated by robust 9% growth in GDP during 2007-08 along with attractive valuations in the Indian equity market as compared with other emerging market economies in Asia. The investments by mutual funds in equities were also higher at INR 163.06 Bln, by 79.9% during 2007-08.

2. Risk and concerns

The monetary tightening by all Central Banks globally for controlling inflation led to rise in interest rate and may have an adverse impact on the corporate earnings. However, inflation continued to be in the double-digit in the September'08. India's GDP growth has also been moderated to 7.9% for first quarter of the current fiscal. Other macro-economic indicators are also not too encouraging. During April-July'08, the core infrastructure industries grew by 3.7% against 6.6% in the same period last year and could in turn impact economic growth, which has already been projected to slow down to 7.7% during the current fiscal. Indian stock market mostly remained in the sideways during the current fiscal with intermittent heavy fluctuations, giving abundant scope for trading activities.

The global credit crisis, triggered by a housing slump in the U.S., has saddled financial companies with more than \$520 billion in write-downs and losses, collapsing Bear Stearns Cos. and Lehman Brothers Holdings Inc. and many more companies in the process has not only impacted the Indian stock market in terms of financial inflows but also affected Indian IT & ITeS services owing to their large exposure to the finance domain. We see a drop in volumes and a lot of write downs in the financial services sector.

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.

3. 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. The Audit committee of the board periodically reviews the reports of the Internal Auditors and takes corrective actions wherever necessary.

4. 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.

5. Opportunities and threats

Your Company has embarked on capitalizing the opportunities on the Wealth Management Services front & also, exploring PMS, Currency and Derivatives segment. 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 and targeting niche areas with better margins.

6. Outlook

India continues to remain the second fastest growing economy and the impact of the global crisis would be moderate on Indian financial system, thanks to prudent policies of RBI. India will likely to remain and attract long-term investments destination, as corporate valuations look attractive of at current juncture. For a long term, your company feels the need to adequately capitalize itself and for the coming year, we would explore the situation looking at the market conditions.

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.

7. 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.

8. 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.