

KBS CAPITAL MANAGEMENT LIMITED

23rd ANNUAL REPORT

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2008-2009

Board of Directors:

Mr. Tushar Shah	Chairman
Mrs. Madhu Shah	Director
Mr. Ketan Shah	Director
Mr. Nilesh Dharia	Director
Mr. Vinod Kumar Bapna	Director
Mr. Ghanshyam V. Karkera	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.

Registrar & Share Transfer Agent:

Link Intime India Pvt. Ltd.
(Formerly Known as 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 Third Annual General Meeting of the members of **KBS CAPITAL MANAGEMENT LIMITED** will be held on Wednesday, 30th September 2009 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 2009 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 Mrs. Madhu Shah, who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Mr. Tushar Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

By Order of the Board of Directors

Place : Mumbai
Date : 30th June 2009

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. 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 Tuesday, the 29th day of September 2009 to Wednesday, the 30th day of September 2009 (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 **Link Intime India Pvt. Ltd.** (Formerly Known as Intime Spectrum Registry Limited) C-13 Pannalal Silk Mills Compound, LBS Road, Bhandup (West), Mumbai 400078.
8. Directors being proposed for appointment / re-appointment (information required under Clause 49(VI)(A) of the Listing Agreement).

Mrs. Madhu Shah is a promoter director of the Company and is associated with the Company since incorporation. She holds 881220 equity shares in the Company.

Mr. Tushar Shah is a commerce graduate. He has vast experience of 23 years in the field on stock broking and related services. He holds 2209688 equity shares in the Company.

DIRECTORS' REPORT

To,
The Members of
KBS Capital Management Limited

Your Directors have pleasure in presenting herewith 23rd Annual Reports together with the Audited Accounts of the Company for the financial year ended 31st March 2009.

FINANCIAL HIGHLIGHTS:

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

(Amount in Rs.)

Particulars	2008-2009	2007-2008
Income from operation and other Income	77,75,774	3,90,81,920
Profit (Loss) before Depreciation & Tax	(1,93,704)	2,11,58,835
Less: Depreciation	7,60,901	8,61,061
Profit (Loss) before Tax	(9,54,605)	2,02,97,774
Less: Current tax	1,31,591	33,47,000
Deferred Tax	-	-
Fringe Benefits Tax	76,196	45,321
Profit/(Loss) After Tax	(11,62,392)	1,69,05,453
Add: Balance brought forward from Previous Year	3,15,04,698	1,45,99,245
Balance carried to Balance Sheet	3,03,42,306	3,15,04,698

OPERATIONS:

Due to worldwide economic recession and thin trading volumes on the stock exchanges, your Company could have a turnover of Rs. 77.76 Lacs during the year as compared to Rs. 390.82 Lacs during the previous year. The Loss before tax has been to Rs. 9.55 Lacs during the year as compared to profits of Rs. 202.98 Lacs in the previous year. After considering the provision for taxation of Rs. 2.08 Lacs, your Company has suffered a net loss of Rs. 11.63 Lacs during the year as compared to profits of Rs. 169.05 Lacs in the previous year.

DIVIDEND:

Due to loss during the year, your Directors do not recommend any payment of dividend for the year ended 31st March 2009.

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, Mrs. Madhu Shah and Mr. Tushar Shah, directors of the Company retire by rotation and being eligible offers themselves for re-appointment.

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 2009 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 Practising 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.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT AND TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION AND FOREIGN EXCHANGE

Considering the nature of business activities of the Company, your directors have nothing to report regarding 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; 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, adoption and innovation is reported to be Nil.

During the year under review the Company had no transactions involving foreign exchange, hence foreign exchange earnings and outgo are reported to be Nil.

SECRETARIAL COMPLIANCE CERTIFICATE

Pursuant to the provisions of Section 383A of the Companies Act, 1956, the Company has received Secretarial Compliance Certificate from M/s. Manish Ghia & Associates, Practising Company Secretary, Mumbai and attached to this report.

ACKNOWLEDGEMENTS

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.

For and on behalf of the Board of Director

Place: Mumbai
Date: 30th June 2009

Tushar Shah
Chairman

FORM [SEE RULE 3]

Compliance Certificate

Corporate Identification No. : L51900MH1985PLC035718
 Authorised Share Capital : Rs. 70,000,000/-

To,

The Members
KBS CAPITAL MANAGEMENT LIMITED
 502, Commerce House,
 140, Nagindas Master Road,
 Fort, Mumbai-400001.

We have examined the registers, records, books and papers of **M/s. KBS Capital Management Limited** as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company, for the financial year ended on **31st March, 2009** (financial year). In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained registers as stated in **Annexure 'A'** to this certificate, as per the provisions of the Act and the rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in **Annexure 'B'** to this certificate, with the Registrar of Companies, Maharashtra, Mumbai within the time prescribed under the Act and the rules made thereunder and has paid the necessary additional fees for the documents for the forms filed after the time prescribed under the Act. The Company was not required to file any documents and returns with the Regional Director or Central Government or Company Law Board or any other authorities.
3. The Company being a Public Limited Company has the paid up capital of Rs.47,211,880 (Rupees Four Crores Seventy Two Lacs Eleven Thousand Eight Hundred And Eighty) as on 31st March, 2009 and the restrictive provisions of Section 3(1)(iii) of the Act are not applicable.
4. The Board of Directors duly met **6 (Six)** times respectively on **22nd April, 2008, 30th June, 2008, 30th July, 2008, 24th October, 2008, 31st January, 2009 and 25th March, 2009** as per information and explanation given by the management, proper notices were given and the proceedings were properly recorded in the Minute Book maintained for the purpose. The Board of Directors of the Company has not passed any resolution by circulation.
5. The Company has closed its Register of Members **27th September, 2008 to 30th September, 2008** (both days inclusive) during the financial year and necessary compliance of Section 154 of the Act has been made.
6. The Annual General Meeting for the financial year ended on **31st March 2008** was held on **30th September, 2008** and as per information and explanation given by the management, the Company has given adequate notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. No extra ordinary general meeting was held during the financial year.
8. The Company has not advanced any loan to its directors or persons or firms or Companies referred to under Section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of Section 297 of the Act.
10. The Company has made necessary entries in the register maintained under Section 301 of the Act.
11. As there were no instances falling under the purview of Section 314 of the Act, the Company has not obtained any approvals from its Directors, members or the Central Government as the case may be.

12. The Company has not issued any duplicate certificates during the financial year.
13. The Company:
 - (i) has delivered all share certificates on transfer / transmission thereof in accordance with the provisions of the Act. There was no allotment of securities during the financial year.
 - (ii) was not required to deposit any amount in a separate Bank Account as no dividend was declared during the financial year.
 - (iii) was not required to post warrants for dividend to the members of the Company as no dividend was declared during the financial year.
 - (iv) does not have any amount lying on accounts of unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years and which is required to transfer to Investors Education and Protection Fund.
 - (v) has duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and the appointment of Additional Director and retiring by rotation was duly made during the financial year
15. The Company has not appointed any Managing Director / Whole-time Director / Manager during the financial year.
16. The Company has not appointed any sole-selling agents during the financial year.
17. There are no events during the financial year, which require obtaining any approvals of the Central Government, Company Law Board, Regional Director or such other authorities prescribed under the various provisions of the Act.
18. The Directors have disclosed their interest in other firms and Companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The Company has not issued shares/debentures/any other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.
22. There were no transaction necessitating the Company to keep in abeyance the rights to dividend / rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited or accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
24. The amount borrowed by the Company during the financial year ended 31st March, 2009 is within the borrowing limits of the Company.
25. The Company has not made any loans or investments, or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the registers kept for the purpose.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one State to another during the financial year.
27. The Company has not altered the provisions of the Memorandum with respect to the Objects of the Company during the financial year.
28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the financial year.

29. The Company has not altered the provisions of the Memorandum of Association with respect to share capital of the Company during the financial year under review and complied with the provisions of the Act.
30. The Company has not altered its Articles of Association during the financial year.
31. There was no prosecution initiated against or show cause notice received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
32. The Company has not received any amount as security from its employees during the financial year.
33. The Company has not deducted any contribution towards Provident Fund during the financial year.

For MANISH GHIA & ASSOCIATES
Company Secretaries

Manish L Ghia
Partner

Place: Mumbai
Date: 30th June 2009

M. No. ACS 7254
C.P. No. 3531

Annexure - "A"

Registers maintained by the Company, M/s. KBS Capital Management Limited

1. Register of Members u/s. 150 of the Act.
2. Register and Returns u/s. 163 of the Act.
3. Minutes Book of General Meetings and Board Meetings u/s. 193 of the Act.
4. Register of contracts / arrangements, companies and firms in which directors are interested u/s. 301 of the Act.
5. Register of Directors u/s. 303 of the Act.
6. Register of Directors' Shareholding u/s. 307 of the Act.
7. Register of Investments u/s 372A.

Annexure "B"

Forms and Returns as filed by the Company, M/s. KBS Capital Management Limited

A) With the Registrar of Companies, Maharashtra during the financial year ended on 31st March 2009:

Sr. No.	Form No.	Relevant Section	Description	Date of filing	Whether filed within prescribed time Yes / No	If delay in filing whether requisite additional fees paid Yes / N.A.
1	20B	159 (1)	Schedule V (Annual Return) as on the date of Annual General Meeting i.e. 29 th September 2007.	25.02.2009	No	Yes
2	23AC & 23ACA	220 (1)	Schedule VI (Annual Accounts) for the financial year ended on 31 st March 2008.	25.02.2009	No	Yes
3	2 & 3	75(1)	Return of allotment for allotment of 221,881 equity shares of Rs.10/-each on 24.10.2001 pursuant to the Scheme of Amalgamation of KBS Capital Management Limited with Moonlac Trading & Finance Limited	01.04.2008	No	Yes
4	2 & 3	75(1)	Return of allotment for conversion of 10,00,000 preference shares into equity shares of Rs.10/-each on 10.05.2000 pursuant to the Scheme of Amalgamation of KBS Capital Management Limited with Moonlac Trading & Finance Limited	04.04.2008	No	Yes
5	32	303(2)	Particulars of appointment of Mr. Ghanshyam Karkera, Mr. Vinod Bapna and Mr. Nilesh Dharia w.e.f. 30 th September 2008.	28.02.2009	No	Yes

B) With the Office of the Regional Director, Western Region Bench at Mumbai during the financial year ended on 31st March 2009. Nil**C) With the Office of the Ministry of Corporate Affairs (Central Government) at Delhi during the financial year ended on 31st March 2009. Nil****D) With any other Authorities as prescribed under the Act, during the financial year ended on 31st March 2009. Nil**

Management Discussion and Analysis

1. Indian capital market

The year 2008-09 was an unprecedented year for the history of global markets. Globally, the stock markets tumbled and witnessed unprecedented volatility owing to financial crisis arising out of sub-prime lending in US. The credit crisis and skyrocketing crude oil prices in the international market led to down fall of leading investment bankers, leading housing companies and banks in US and Europe. Most developed economies such as US, Japan and the Europe faced the recession and the impact was also felt on the emerging economies as foreign investors pulled money out of these economies. India could not remain isolated from the phenomena, mirrored the same performance as export oriented sector had suffered and FIIs have significant presence in Indian markets.

Impact of the global financial turmoil was severely felt in the Indian market in the third quarter of the year specifically in the month of October 2008. As major global financial institutions declared bankruptcy, a crisis of confidence erupted which led to a liquidity crunch. Growth in the Indian economy slowed down to 5.3% in the quarter ended Dec 08. In an attempt to improve the liquidity situation in the financial system and fuel demand in the economy the RBI had taken several measures. There were a series of CRR cuts reducing it to 5.0% at the end of the year from 7.5% at the opening of the year and the SLR was cut from 25% to 24%. The RBI also cut the policy rates like Repo and Reverse Repo to 5.0% from 7.75% and 3.5% from 6% respectively. The Indian government also took timely action and came out with package of incentives to stimulate growth of manufacturing sector to keep growth in GDP above 6% level during 2008-09.

The key domestic indices remained weak throughout the year. Markets witnessed huge sell-off by foreign as well as domestic investors. BSE Sensex which started correcting from Jan'09 continued to show its poor performance and lost 37.9% for the year ended March 31, 2009 and turnover in the major stock exchanges declined. During 2008-09, market capitalization of BSE and NSE fell by 40% each. The combined turnover of the BSE and the NSE in the cash segment declined by 25% and in the derivatives segment by 17% over the previous year. Foreign Institutional Investors for the first time in last five years turned net seller in the Indian equity market for the most part of fiscal except for inflows in April'08, Dec'08 and Mar'09. The FII investment flow remained volatile and the net outflow in Equities was INR 477.1 Bln during 2008-09. The Investments by mutual funds in equities also reduced to INR 69.8 Bln, by 57% during 2008-09.

The market witnessed sharp recovery after touching intermittent low in Mar'09. The clear victory of the ruling party in the general election set the positive mood for the market in the May'09. The impressive corporate earnings for the two quarters, as an outcome of positive impact of stimulus packages along with signs of recovery in global economy gave impetus to Indian stock market in the current fiscal.

2. Risks and concerns

Though the US officially announced out of recession, other global economies are under recovery phase. India too under recovery phase, IIP figures have been showing consistence improvement month on month, corporate earnings have been improving; mostly an effect of stimulus package announced by the Indian Govt and RBI. RBI and Planning Commission of India have estimated around 6% GDP growth for the year 2009-10. However, we have some worries in terms of inflation, bloated fiscal deficit, raising food grains prices, subdued agriculture growth, lower credit growth, lower import-export etc. which may have adverse impact on overall GDP growth. Indian stock markets ran ahead soon and faster, hence markets may remain in the sideways for next few months and is likely to get a direction during fourth quarter of current fiscal or first quarter of next fiscal, after we have more clarity on annual corporate earnings, fiscal stimulus, inflation, fiscal deficit, annual budget and global market.

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.