

KBS INDIA LIMITED

(Formerly known as KBS CAPITAL MANAGEMENT LIMITED)

25th ANNUAL REPORT

2010-2011

Board of Directors:

Mr. Tushar Shah	Chairman & Managing Director
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 Accountants
Mumbai

Bankers:

Bank of India, Mumbai
AXIS Bank, Mumbai

Registered Office:

502, Commerce House,
140, Nagindas Master Road,
Fort, Mumbai - 400 001.

Registrar and Share Transfer Agent:**LINK INTIME INDIA PRIVATE LIMITED**

C-13 Pannalal Silk Mills Compound,
LBS Road, Bhandup (West),
Mumbai 400 078

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NOTICE

Notice is hereby given that the Twenty Fifth Annual General Meeting of the members of **KBS INDIA LIMITED** will be held on Friday, the 16th day of December 2011 at the Registered Office of the Company at 502, Commerce House, 140, Nagindas Master Road, Fort, Mumbai 400 001 at 4.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2011 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 a Director in place of Mr. Ghanshyam Karkera, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

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

“RESOLVED THAT pursuant to provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), the new set of Articles of Associations, as placed before the meeting and initialed by the Chairman for the purpose of identification, be and is hereby approved and adopted as new Articles of Association of the Company in the place and exclusion of the existing Articles of Association of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and take such steps as may be required to give effect to the above resolution.”

By Order of the Board of Directors

Place : Mumbai
Date : 1st November, 2011

Tushar Shah
Chairman & Managing Director

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. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of special business is annexed herewith and forming part of this notice.
3. 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.
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 Wednesday the 14th day of December 2011 to Friday, the 16th day of December 2011 (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 M/S. Link Intime India Private Limited (Formerly Known As Intime Spectrum Registry Limited), C-13 Pannalal Silk Mills Compound, LBS Road, Bhandup (West), Mumbai 400078.
9. Details of directors seeking re-appointment at the ensuing Annual General Meeting to be held on Friday, the 16th day of December 2011 (in pursuance of the Clause 49 of the Listing Agreement):

Name of Director	Mr. Ketan Shah	Mr. Ghanshyam Karkera
Date of Birth	30 th October 1961	18 th September 1957
Nationality	Indian	Indian
Date of appointment as Director	24 th December 2005	11 th December 2007
Designation	Director	Director
Qualification	B.Com	L.L.B., FCS, FCA
Experience/Expertise	7 years	4 years
Shareholding in the Company Equity shares of Rs. 10/- each	9,00,000	Nil
List of Directorships held in other Companies	1. Thrust Engineering Ltd 2. Alchemy Urban Developers Pvt Ltd 3. Hindpur Infra Developers Pvt Ltd 4. Grid Infra Developers Pvt Ltd 5. Motorhood Depot (I) Pvt Ltd 6. Astir Engineers Pvt Ltd 7. Zeal Corrugation Pvt Ltd	1. Karkera Needz Ltd

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

ITEM NO. 5

Your Directors considered that the existing Articles of Association of the Company do not cover latest amendments in the Companies Act, 1956 and it is proposed to amend the existing Articles of Association by adopting a new set of Articles of Association of the Company in the place of the existing Articles of Association of the Company.

In terms of Section 31 of the Companies Act, 1956, the consent of the Members by way of Special Resolution is required for adoption of new set of Articles of Association of the Company.

Your directors recommend the passing of Special Resolution as set out at item No. 5 of the Notice for your approval in interest of the Company. None of Directors are interested or concerned in this resolution.

A copy of the proposed set of new Articles of Association of the Company would be available for inspection at the Registered Office of the Company during the office hours on all working days, except Saturdays, between 11.00 a.m. and 1.00. p.m. up to the date of the Annual General Meeting and during the Annual General Meeting.

By Order of the Board of Directors

Tushar Shah
Chairman & Managing Director

Place : Mumbai
Date : 1st November, 2011

DIRECTORS' REPORT

To,
The Members of
KBS India Limited
(Formerly known as **KBS CAPITAL MANAGEMENT LIMITED**)

Your Directors have pleasure in presenting herewith 25th Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March 2011.

FINANCIAL HIGHLIGHTS:

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

(Amount in Rs.)

Particulars	2010-2011	2009-2010
Income from operation and other Income	1,35,69,647	82,68,627
Less: Expenses excluding Depreciation	1,16,97,884	49,17,588
Profit (Loss) before Depreciation & Tax	18,71,763	33,51,039
Less: Depreciation	5,89,756	6,65,203
Profit (Loss) before Tax	12,82,007	26,85,836
Less: Current tax	1,76,472	2,15,345
Deferred Tax	-	-
Profit/(Loss) After Tax	11,05,535	24,70,491
Add: Balance brought forward from Previous Year	3,28,12,797	3,03,42,306
Balance carried to Balance Sheet	3,39,18,331	3,28,12,797

OPERATIONS:

Your Directors are pleased to inform you that the Company has achieved a turnover of Rs. 135.69 Lacs during the year as compared to Rs.82.68 Lacs during the previous year. The Profit before tax achieved to Rs. 12.82 Lacs during the year as compared to Profit before tax of Rs. 26.85 Lacs in the previous year. After considering the provision for taxation of Rs. 1.76 Lacs, your Company has achieved a net profit of Rs. 11.05 Lacs during the year as compared to Profit of Rs. 24.70 Lacs in the previous year.

DIVIDEND:

In view to conserve the resources for the future business requirement, your Directors do not recommend any payment of dividend for the year ended 31st March 2011.

DIRECTORS:

In accordance with the provisions of Articles of Association of the Company, Mr. Ketan Shah and Mr. Ghanshyam Karkera, Directors of the Company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment and your Board recommends their re-appointment.

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 2011 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.

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 conclusion of next Annual General Meeting of the Company.

PUBLIC DEPOSIT:

The Company has not accepted any deposits from the public under provisions of Section 58A of the Companies Act, 1956 and Companies (Acceptance of Deposits) Rules 1975 during the year under review.

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.

CHANGE IN SHARE CAPITAL OF THE COMPANY:

During the financial year, the paid up capital of the Company was increased as follows:

1. The Company issued and allotted 18,00,000 Warrants on 31st December, 2009 convertible into even number of Equity shares at an issue price of Rs. 25.16 (including premium of Rs. 15.16) on preferential basis. The Preferential Allotment was made in accordance with Chapter VII of SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2009. On 29th October, 2010, the Company allotted 18,00,000 Equity shares of Rs. 10/- each up on conversion of warrants issued on preferential basis.
2. Issued 25,00,000 Equity shares of Rs. 10/- each underlying 12,50,000 Global Depository Receipts (GDRs) at an offer price of US\$ 1.95 per GDR equivalent to Rs. 44.35 per share (including premium of Rs. 34.35 per share). Each GDR represents two underlying equity shares of Rs. 10/- each.

Based on the above changes, the issued, subscribed & paid up Capital of the Company has increased to Rs. 90,211,880/- divided into 9,021,188 Equity shares of Rs. 10/- each.

EXTENSION OF ANNUAL GENERAL MEETING OF THE COMPANY:

The Company has taken the approval from the Registrar of Companies, Maharashtra, Mumbai, vide letter dated 15th September, 2011 and has extended the period of holding the Annual General Meeting of the Company for the financial year ended 31st March 2011 by three months i.e. up to a period of 26th December 2011 for availing the time for preparation of the Consolidated Financial Statements of the Company.

SUBSIDIARY COMPANY:

The Company has incorporated a wholly owned subsidiary company named "KBS Capital Management (Singapore) Pte. Ltd.," Singapore on 4th April, 2010. The company which is engaged in the business of consultancy services.

CONSOLIDATED FINANCIAL STATEMENT OF SUBSIDIARY COMPANY:

The Ministry of Corporate Affairs (MCA) vide General Circular No.2/2011 No. 51/12/2007-CL-III dated 8th February 2011 read with General Circular No.3/2011 No. 5/12/2007-CL-III dated 21st February 2011 has granted a general exemption from attaching the Balance Sheet of subsidiary company with holding company's Balance Sheet, if the holding company presents in its Annual Report the Consolidated Financial Statements duly audited by its Statutory Auditors. Accordingly, the Company is

publishing consolidated financial statements in the Annual Report and the Company is not attaching the Balance Sheet of the subsidiary company. Further, as required under the said circular, a statement of financial information of the subsidiary company "KBS Capital Management (Singapore) Pte. Ltd." is given in Annexure attached to this report. The Annual Accounts of the subsidiary company will be made available to the shareholders on request and will also be kept for inspection at the Registered Office of the Company and of the Subsidiary Company during the Office hours on all working days.

CHANGE OF NAME:

The name of the Company has been changed from KBS Capital Management Limited to KBS India Limited vide a Special Resolution passed by the members of the Company in the Extra-Ordinary General Meeting held on 24th December 2010. The Fresh Certificate of Incorporation consequent upon change in the name of the Company is issued by the Registrar of Companies, Maharashtra, Mumbai on 11th January 2011.

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.

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

Tushar Shah
Chairman & Managing Director

Place: Mumbai
Date: 1st November, 2011

ANNEXURE TO DIRECTOR'S REPORT

Information as required under General Circular No. No.2/2011 No. 51/12/2007-CL-III dated 8th February 2011 issued by the Ministry of Corporate Affairs (MCA) relating to Subsidiary Company for the year ended 31st March, 2011.

(Amount in Rs.)

Sr. No.	Particulars	KBS Capital Management (Singapore) Pte. Ltd.
1	Financial year ended	31-03-2011
2	Share Capital	90
3	Reserve & Surplus	960332
4	Total Assets	108608044
5	Total Liabilities	107647622
6	Investments (excluding investments in subsidiary companies)	Nil
7	Turnover & Other Income	3713451
8	Profit/(Loss) before Taxation	960332
9	Provision for Taxation	Nil
10	Profit/ (Loss) after Taxation	960332
11	Proposed Dividend	Nil

For and on behalf of the Board of Directors

Place: Mumbai
Date: 1st November, 2011

Tushar Shah
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

Economic Review

The financial year 2010-11 began on a low profile but picked up the pace during the first half of the year. However, in the second half most of the midcap and small-cap stocks, where most retail investors had holdings, remained sluggish and overall the year was very challenging due to decline in retail participation in the market. Continuous high inflationary environment coupled with steadily increasing interest rates in the economy has kept the capital markets sluggish for quite some time.

High GDP growth rate, driven by significant corporate earnings, is expected to create the need for more intermediaries in the capital market. Lower penetration of the retail investor segment in the capital markets offers a significant opportunity, given the increasing per capita incomes. Robust market and settlement infrastructure, coupled with surveillance systems in India could help provide efficiencies in the operations of the equity markets.

Opportunity & Threats

Capital market activities in which most of our activities depend on is also influenced by global events and hence is an amount of uncertainty in the near term outlook of the market. The Economic crisis in some countries in the Europe has added some volatility globally and Indian stock market has not yet decoupled from such global trends. The recent increase in inflation rate in India is a cause of concern as it can affect corporate profitability.

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.

Outlook

Due to higher inflation and continuing hike in the interest rates, the company finds that significant increase in retail participation in the capital markets is challenging. Moreover, continuing uncertain global markets especially slow recovery of U.S. Economy and turmoil in European economies and expectations of sovereign defaults, the global economic scenario suggests times of uncertainties and declining appetite for risk. However, we strongly believe that the robust GDP growth of Indian Economy cannot be ignored for too long and we expect increase of retail participation to boost our capital markets in coming days. The growth in number of investors in mutual funds in recent days clearly indicates systematic investments by retail investors which gives a very healthy sign of recovery.

Internal control system

The Company has an Internal Control System commensurate with its requirements and the size of business. The Audit Committee of the Board reviews the internal control system on a regular basis.

Financial performance with respect to operational performance

The financial performance of the Company has been discussed by the Directors in their report attached forming part of this Annual Report.

Human resource

Being a part of the financial service sector your company values human resource as human capital, it is equally important as financial capital for the growth of the Company. Your company strongly believes that Human Resources are important 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.

Cautionary Statement

Certain statements in the Management Discussion and Analysis describing the Company's objectives, predictions may be "forward-looking statements" within the meaning of applicable laws and regulations. Forward looking statements are based on certain assumptions and expectations of future events. These statements are subject to certain risks and uncertainties. The Company can not guarantee that these assumptions and expectations are accurate or will be realized. The actual results may be different from those expressed or implied since the Company's operations are affected by the many external and internal factors, which are beyond the control of the management. Hence the Company assumes no responsibility in respect of forward-looking statements that may be amended or modified in future on the basis of subsequent developments information or events.