

KBS INDIA LIMITED

26TH ANNUAL REPORT

2011-2012

Board of Directors:

Mr. Tushar Shah	Chairman & Managing Director
Mrs. Madhu Shah	Director (Upto 11 th August, 2012)
Mr. Ketan Shah	Director
Mr. Nilesh Dharia	Director
Mr. Vinod Kumar Bapna	Director
Mr. Ghanshyam Karkera	Director (Upto 11 th August, 2012)

Auditors:

M/s. Gopal Rao & Associates
Chartered Accountants
Mumbai

Bankers:

Bank of India, Mumbai

Registered Office:

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

Registrar and Share Transfer Agents:

M/S. 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 Sixth Annual General Meeting of the members of **KBS INDIA LIMITED** will be held on Monday, the 31st day of December, 2012 at the Registered Office of the Company at 502, Commerce House, 140, Nagindas Master Road, Fort, Mumbai - 400 001 at 4.30 p.m. to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012 and Statement of Profit & Loss for the year ended on that date together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Nilesh Dharia, who retires by rotation and being eligible, offers himself for re-appointment.
3. To re -appoint M/s. Gopal Rao & Associates, Chartered Accountants, Mumbai (having FRN: 127055W) as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company 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 a **Special Resolution**:
"RESOLVED THAT pursuant to the provisions of Section 314 and all other applicable provisions, if any, of the Companies Act, 1956(including any statutory modification(s) or re-enactment thereof for the time being in force), the appointment of Mr. Tanay Shah, relative of Mr. Tushar Shah, Chairman & Managing Director and Mrs. Madhu Shah, Director of the Company as Quant Research Analyst of the Company w.e.f. 1st July, 2012 at a remuneration of Rs. 60,000/- (Rupees Sixty Thousand only) per month be and is hereby approved, with the liberty to the Board of Directors of the Company to revise the terms with respect to remuneration payable to him from time to time, provided that such increased remuneration shall not exceed Rs. 1,50,000/- p. m.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take all actions and to do all such deeds, matters and things, as may be required from time to time to give effect to the above resolution."

By Order of the Board of Directors

Place : Mumbai
Date : 3rd December, 2012

Tushar Shah
Chairman & Managing Director

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXY TO ATTEND AND VOTE, IN CASE OF POLL ONLY, ON HIS/HER BEHALF 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 on Monday, the 31st day of December, 2012.
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 - M/s. Link Intime India Private Limited, C-13 Pannalal Silk Mills Compound, LBS Road, Bhandup (West), Mumbai 400078.
8. Details of director seeking re-appointment at the ensuing Annual General Meeting (in pursuance of Clause 49 of the Listing Agreement):

Name of Director	Mr. Nilesh Dharia
Date of Birth	12 th February, 1961
Nationality	Indian
Date of appointment as Director	11 th December, 2007
Designation	Director
Qualification	B.Com , FCA
Experience/Expertise	25 years
Shareholding in the Company Equity shares of Rs. 10/- each	NIL
List of Directorships held in other Companies	NIL
Relationship with existing Directors of the Company	None

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

Item No. 4

The Board of Directors of the Company appointed Mr. Tanay Shah, relative of Mr. Tushar Shah, Chairman and Managing Director and Mrs. Madhu Shah, Director of the Company as Quant Research Analyst w.e.f. 1st July, 2012 at a remuneration of Rs. 60,000/- per month. He holds degree of Bachelor of Arts (B.A.) from Indiana University and has cleared 2nd level of Chartered Financial Analyst.

As per the provisions of Section 314(1)(b) of the Companies Act, 1956, the approval of members is required in case of the appointment of any relative of director(s) holding any office or place of profit, if his/her remuneration exceeds Rs. 50,000/- per month.

The approval of members is being sought for appointment of Mr. Tanay Shah as Quant Research Analyst and payment of remuneration to him as set out at Resolution No. 4 of the Notice.

The Board recommends passing of the Special Resolution as set out at item no. 4.

Except Mr. Tushar Shah, none of the directors of the Company are concerned or interested in the said resolution.

By Order of the Board of Directors

Place : Mumbai
Date : 3rd December, 2012

Tushar Shah
Chairman & Managing Director

DIRECTORS' REPORT

To,
The Members of
KBS India Limited

Your Directors have pleasure in presenting herewith 26th Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2012.

FINANCIAL HIGHLIGHTS:

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

(Amount in Rs.)

Particulars	2011-2012	2010-2011
Income from operation and other Income	1,89,19,093	1,35,69,647
Profit before Depreciation & Amortization Expenses, Finance Cost and Tax	24,54,540	20,80,958
Less: Depreciation	5,15,288	5,89,756
Finance Cost	1,02,846	2,09,195
Profit (Loss) before Tax	18,36,406	12,82,007
Less: Current tax	2,75,460	1,76,472
Deferred Tax	-	-
Profit/(Loss) After Tax	15,60,946	11,05,535
Add: Balance brought forward from previous year	3,39,18,331	3,28,12,797
Balance carried to Balance Sheet	3,54,79,278	3,39,18,332

OPERATIONS:

The Company had total revenue of Rs. 189.19 Lacs during the year as compared to Rs. 135.69 Lacs during the previous year. The Profit before tax achieved to Rs. 18.36 Lacs during the year as compared to Profit before tax of Rs. 12.82 Lacs in the previous year. After considering the provision for taxation of Rs. 2.75 Lacs, your Company has achieved a net profit of Rs. 15.61 Lacs during the year as compared to Profit of Rs. 11.05 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, 2012.

DIRECTORS:

During the period under review, Mrs. Madhu Shah and Mr. Ghanshyam V. Karkera, resigned from the Directorship of the Company w.e.f. 11th August, 2012. The Board places on record its appreciation for their valuable contribution during their tenure as Directors of the Company.

In accordance with the provisions of Articles of Association of the Company, Mr. Nilesh Dharia is liable to retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. Your Board recommends his re-appointment.

Brief resume of the Director proposed to be re-appointed as stipulated under clause 49 of the Listing Agreement entered into with BSE Limited is given in the notice convening the 26th 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, 2012 and the Profit of the Company for the period ended on that date;
- (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 the Statutory Auditors of your Company hold such office upto the conclusion of ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from them to the effect that they are willing to continue as Statutory Auditors and if re-appointed, their re-appointment would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Your Directors recommend the re-appointment of M/s Gopal Rao & Associates, Chartered Accountants, Mumbai as Statutory Auditors of the Company to hold office from the conclusion of the ensuing Annual General Meeting upto the conclusion of next Annual General Meeting of the Company and to audit financial accounts for the financial year ending on 31st March, 2013.

PUBLIC DEPOSIT:

During the year under review, the Company has not accepted any deposits from the public within the meaning of Section 58A & 58AA of the Companies Act, 1956 and rules made thereunder.

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.

SUBSIDIARY COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS OF SUBSIDIARY COMPANY:

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

A statement containing brief financial details of the Company's subsidiary for the period ended 31st March, 2012 is given in Annexure attached to this Report.

The Ministry of Corporate Affairs vide its General Circular No: 2/2011 dated February 8, 2011 have granted general exemption from attaching the Balance Sheets of subsidiary companies with the holding company's Balance Sheet, if the holding company presents in its Annual Report the Consolidated Financial Statements duly audited by its Statutory Auditors. The Company is publishing consolidated financial statements in the Annual Report, hence the Balance Sheet of subsidiary company is not attached with the Company's Balance Sheet. Further, the annual accounts of the subsidiary company and the related detailed information will be made available upon request to any member of the Company interested in obtaining the same during the Annual General Meeting and are also available for inspection during business hours at the Registered Office of the Company. The Consolidated Financial Statements presented by the Company include Financial Results of its subsidiary company are prepared in strict compliance with applicable Accounting Standards.

EXTENSION FOR HOLDING ANNUAL GENERAL MEETING OF THE COMPANY:

The Company has taken approval from the Registrar of Companies, Maharashtra, Mumbai, vide letter dated 30th August, 2012 and has extended the period of holding the Annual General Meeting of the Company for the financial year ended 31st March, 2012 by three months i.e. up to 31st December, 2012.

PERSONNEL:

During the year under review, no employee was in receipt of remuneration exceeding the limits prescribed under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended. Hence, your directors have nothing to report in this regard.

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.

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.

For and on behalf of the Board of Directors

Place : Mumbai
Date : 3rd December, 2012

Tushar Shah
Chairman & Managing Director

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, 2012.

(Amount in Rs.)

Sr. No.	Particulars	KBS Capital Management (Singapore) Pte. Ltd.
1.	Financial year ended	31-03-2012
2.	Share Capital	90
3.	Reserve & Surplus	1599437
4.	Total Assets	2924743
5.	Total Liabilities	1325306
6.	Investments (excluding investments in subsidiary companies)	Nil
7.	Turnover & Other Income	4165877
8.	Profit/(Loss) before Taxation	499066
9.	Provision for Taxation	Nil
10.	Profit/ (Loss) after Taxation	499066
11.	Proposed Dividend	Nil

For and on behalf of the Board of Directors

Place : Mumbai
Date : 3rd December, 2012

Tushar Shah
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of the Indian Economy.

The current macro-economic scenario in India is characterized by an emerging conflict, where we see a sustained momentum in national consumption and the weakening pace of investment activity. In the early period of the economic recovery in FY10, investments grew sharply, largely reflecting the inventory re-stocking cycle. However, the momentum seems to be slowing as is reflected in the more recent quarterly GDP and monthly IIP data. The trends in the order books of large capital goods companies also appear sluggish. Sharp rise in cost of capital due to continual liquidity shortage observed since July 2010, heavy government borrowing, inflationary pressures and the ensuing interest rate hikes by the Reserve Bank of India and a slowdown in reform and approval process from the government seem to have weighed on business sentiments during the beginning of FY12. India's growth rate slowed in quarter July to September to 5.3%, putting pressure on the government to implement more reforms and ease monetary policy.

The prioritizing of current economic expansion in favor of investment requires tackling the inflationary pressures while keeping a lid on fiscal spending. While there have been early signs of the government accelerating the reform/approval process for projects, the issues of inflation and fiscal spending have not shown any convincing signs of abatement. It must be noted that the Indian government has taken various steps, including opening its retail and aviation sectors to foreign investment, in an attempt to boost its growth rate. Weaker global demand for exports, a dip in foreign investment and a political stalemate over key reforms have been cited as key reasons behind the drop in the growth rate. At the same time, the RBI has - twice in two months - lowered the amount of money that banks need to keep in reserve to try to boost lending. The moves are expected to inject 275bn rupees (\$5bn) into the markets. These measures, coupled with signs of improvement in major economies such as the US, are likely to have a positive impact on growth in the coming months.

However, India is clearly becoming a more and more important player on the world stage in G20 context, in terms of its role in the global economy. India is expected to be the second largest manufacturing country in the next five years, followed by Brazil as the third ranked country and is still expected to grow at a healthy rate in the long term.

Some of the other important economic developments in the country are as follows:

The cumulative amount of foreign direct investments (FDI) equity inflows into India were worth US\$ 179,025 million between April, 2000 to August, 2012, of which US\$ 8,166 million was recorded during the April, 2012 to August, 2012 period.

Total exports from the Indian services sector stood at US\$ 11.94 billion in September, 2012, up 6.3 per cent from US\$ 11.23 billion in September, 2011, as per data released by the Reserve Bank of India (RBI)

Foreign Institutional Investors (FIIs) remain substantially bullish on Indian markets and have invested over US\$ 13 billion into Indian stocks so far in 2012. Foreign Institutional Investors (FIIs) made a net investment of Rs 11,364 Crores (US\$ 2.05 billion) in the equity market and of Rs 7,851.70 Crores (US\$ 1.41 billion) in the debt market upto October 12, 2012 in the current year, according to data released by the Securities and Exchange Board of India (SEBI).

Mergers & Acquisitions (M&A) and Private Equity (PE) deal activities witnessed an increase in October, 2012 with cumulative value worth US\$ 3.1 billion from 90 transactions.

Indian Capital Markets.

During the year, the equity markets continued to be affected by a lack of interest by retail investors, however markets have remained positive this year on the back of robust FII inflows. The interest rate hikes by the Reserve Bank of India in order to temper inflation also affected capital raising activity through bonds as well as corporate borrowing costs, however there have been many signals since the beginning of the year that would indicate that the RBI is now ready to focus more on the growth story and start cutting rates soon. The commodity markets were also volatile in view of pressure on global commodity prices. We see the concerns persisting in the early part of the year ahead of us. However, with an expected boost in the infrastructure expenditure and with the industries already facing capacity crunch, we expect domestic investment activity to revive in the latter half of the coming year.

However, High FII net inflows continued in FY12, boosting the Nifty to reach near 6000 levels once again signaling the conviction of the foreign investors in the long- term potential of the Indian markets as there has been a revival in share market turnover. Inflows from foreign institutional investors, the main driver of Indian equities, topped US \$20 billion in the first 11 months of the calendar year-the second highest since 1993, when India opened the doors to this class of investors.

A rise in global liquidity, following quantitative easing by central banks in Europe and the US, is seeing money flowing into emerging market stocks. A cheaper rupee has also made Indian markets attractive as the dollar stretches further. The rupee has fallen 2.96% against the dollar since January. After a lull in the middle of the year, the market gathered steam in September with the government kicking off a long-pending economic reform process with the relaxation of foreign investment norms in airlines and retail, among other measures, ending a lengthy policy impasse. Investors were also buoyed by hopes at the time that US lawmakers would agree on a budget deal by the year end to avoid a fiscal crisis. As investor optimism picks up, global fund preferences are changing and money is moving from Europe, Russia and the Middle East markets to emerging market stocks that offer comparatively higher returns.

Investors continue to chase GDP growth stories, where India, despite its many woes and blockages, continues to grow at more than 5%. A combination of quantitative easing and a sense that the worst is behind the Indian economy suggests that this liquidity will continue to come to India. Bullishness is slowly returning to the market as India's central bank is expected to cut its policy rate in January, pushing down the cost of money even as there are signs of so-called core inflation, or non-food, non-oil, manufacturing inflation, easing in Asia's third largest economy.

Historical trends show that the proportion of cash volumes in developed markets like America and Europe, where both cash and F&O segments are matured, is around 30-40%. In India, it has been close to the 25% mark. The cash segment in India is expected to mirror the global markets and return to its historical average over the medium to long term. As the Indian markets show a sustained, positive growth, this will drive up retail participation directly or through IPOs, which in turn would increase Cash market participation and volumes. As players focusing on the cash side of the business have traditionally seen higher profitability levels, they are expected to witness higher profitability growth as the above trend reversal unfolds.

Risks and Concerns

The laggard recovery of the US economy and the "Fiscal Cliff" issue combined with the turmoil in the European nations has the potential to stifle India's growth. The Indian IIP figures have not been very convincing, while corporate earnings have suffered due to the staggered interest rate hikes by the Reserve Bank of India. We still have some worries in terms of inflation, bloated fiscal deficit and raising food grains prices. However, the Reserve Bank of India has undertaken appropriate measures to temper these problems and inflationary concerns are expected to abate early next year. However, it must be noted that if the global situation worsens, there are chances of a significant decline in Indian capital market participation from the FII's and would adversely impact our business.

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. However, the Company has installed 100% system redundancy to ensure uninterrupted quick connectivity.

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.

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.

Opportunities and Threats

Your Company has embarked on capitalizing the opportunities on the Wealth Management Services front and is also