



KJMC

ADVICE MATTERS

KJMC FINANCIAL SERVICES LIMITED

**24th Annual Report
2011-2012**



KJMC FINANCIAL SERVICES LIMITED

BOARD OF DIRECTORS

Mr. I. C. Jain *Chairman*
Mr. Rajnesh Jain
Mr. Girish Jain
Mr. S. C. Aythora
Mr. Nitin Kulkarni
Mr. R. R. Kumar

COMPANY SECRETARY

Mr. Swadesh Agrawal

AUDITOR

K. S. Aiyar & Co.
Chartered Accountants,
F-7, Laxmi Mills,
Shakti Mills Lane,
Mahalaxmi, Mumbai 400 011.

BANKERS

Union Bank of India Citi Bank
UCO Bank HDFC Bank Limited

REGISTRAR & TRANSFER AGENT

Bigshare Services Pvt. Ltd.,
E-2, Ansa Industrial Estate,
Saki Vihar Road, Saki Naka,
Andheri (East), Mumbai – 400072.
Tel.No.022-28470652/53, Fax No. 022-28475207,
E-mail id: info@bigshareonline.com
Counter Timings : 10.30 a.m. to 12.30 p.m. □ 1.30 p.m. to 3.30 p.m.

GROUP BRANCH OFFICE

New Delhi
221, Hans Bhavan,
Bahadur Shah Zafar Marg,
New Delhi - 110 002.

Jaipur
41, Jai Jawan Colony II,
Tonk Road, Durgapur,
Jaipur - 302 018.

TWENTY FOURTH ANNUAL GENERAL MEETING		
Date	:	Thursday, 20th September, 2012
Time	:	2.00 P.M.
Venue	:	S. K. Somani Memorial Hall Hindi Vidya Bhawan, 79 - Marine Drive, "F" Road, Mumbai - 400 020

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24TH ANNUAL REPORT 2011-2012

NOTICE

Notice is hereby given that the Twenty Fourth Annual General Meeting of the Members of KJMC Financial Services Limited will be held on Thursday, 20th September, 2012 at 2.00 P.M. at S. K. Somani Memorial Hall, Hindi Vidya Bhawan, 79-Marine Drive, 'F' Road, Mumbai - 400 020, to transact the following business :-

ORDINARY BUSINESS:-

- To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2012 and the Balance Sheet as at that date and the Report of the Board of Directors and Auditors thereon.
- To declare Dividend on 12% Non Cumulative Redeemable Preference Shares.
- To appoint a Director in place of Shri Rajnesh Jain, who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Shri Girish Jain, who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint M/s. K. S. Aiyar & Co., Chartered Accountants, the retiring Auditors of the Company, as Auditors, who shall 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.

"RESOLVED THAT pursuant to section 224 and other applicable provisions of the Companies Act, 1956, M/s. K. S. Aiyar & Co. (Registration No. 100186W), Chartered Accountants, the retiring auditors of the Company, having offered themselves for reappointment, be and are hereby re-appointed as the auditors of the Company to hold office from the conclusion of the 24th Annual General Meeting upto the conclusion of the 25th Annual General Meeting of the Company at a remuneration to be fixed by the board and reimbursement of out of pocket expenses incurred in connection with the audit."

FOR KJMC FINANCIAL SERVICES LIMITED

Place: Mumbai
Date: 2nd August, 2012

(SWADESH AGRAWAL)
COMPANY SECRETARY

NOTES:

- A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.** The Instrument of Proxy in order to be effective should be deposited at the Registered Office of the Company at 168, Atlanta, 16th Floor, Nariman Point, Mumbai – 400021, not less than forty eight hours before the commencement of the meeting
- Members who hold Shares in dematerialized form are requested to bring their client ID and DP ID number for easy identification of attendance in the meeting.
- The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 10th September, 2012 to Thursday, 20th September, 2012 (both days inclusive) for the purpose of Annual General Meeting.
- As per the provisions of the Companies Act, 1956, facility for making nomination is available for shareholders in respect of their holdings. Nomination Form can be obtained from the Company's Registrar and Transfer Agents.
- Information required to be furnished under the Listing Agreement :
The information required to be provided under the listing agreement entered into with the stock exchange regarding the Directors who are proposed to be re-appointed, seeking appointment at the Annual General Meeting is given hereunder:

1.	Name & Designation	Mr. Rajnesh Jain, Director
	Date of Birth	31st January, 1967
	Qualifications	B. Com, FCA
	Expertise	Having vast experience in Corporate Finance, Merchant Banking and Capital Market.
	Director of the Company since	30th June, 2001

The other Directorships / Committee Membership of Mr. Rajnesh Jain are as follows:

Name of the Company	Committee Membership	Board Membership
KJMC Corporat Advisors(India) Limited (Formerly known as KJMC Global Market (India) Limited)	Member of Share Transfer Committee	Executive Director
Port City Infrastructure Development (India) Ltd.	—	Director
KJMC Capital Market Services Ltd.	—	Director
KJMC Credit Marketing Limited	Member of an Audit Committee	Director
KJMC Commodities Market India Ltd.	—	Director
KJMC Asset Management Company Limited	—	Director
KJMC Silver Properties Pvt. Ltd.	—	Director
KJMC Realty Pvt. Ltd.	—	Director
Prathamesh Enterprises Pvt. Ltd.	—	Director

2.	Name & Designation	Shri Girish Jain, Director
	Date of Birth	7th May, 1971
	Qualifications	B.E.(Electronics), MBA (Finance)
	Expertise	He is having over 15 years of experience in Corporate Finance, Merchant Banking, Broking and Distribution.
	Director of the Company since	21st September, 1994

The other Directorships / Committee Membership of Shri Girish Jain are as follows:

Name of the Company	Committee Membership	Board Membership
KJMC Corporat Advisors(India) Limited (Formerly known as KJMC Global Market (India) Limited)	Member of Share Transfer Committee & Remuneration Committee	Director
KJMC Capital Market Services Limited	Member of an Audit Committee	Executive Director
KJMC Shares and Securities Ltd	—	Director
KJMC Asset Management Company Ltd.	Member of an Audit Committee	Director
KJMC Credit Marketing Limited	—	Director
KJMC Commodities Market India Limited	—	Director
KJMC Platinum Builders Private Limited	—	Director
Port City Infrastructure Development (India) Ltd.	—	Director

- Members are requested to:
 - To bring their copy of the Annual Report at the meeting.
 - Quote their Folio No. or Client ID No. and DP ID No. in all correspondence with the Company.
 - Notify immediately to the Company or Present R&T Agents viz Bigshare Services Private Limited, any change in their address and their mandates, if any. Pin Code Nos. at the end of address should positively be mentioned in order to ensure that postal authorities deliver the envelopes easily and on time.
 - Handover the enclosed attendance slip, duly signed in accordance with their specimen signature registered with the Company, for admission to the meeting hall.
- Any member requiring further information on accounts at the meeting is requested to address their queries in writing to the Company at least 10 days in advance from the date of the meeting, so that the required information may be made readily available at the meeting.

FOR KJMC FINANCIAL SERVICES LIMITED

Place: Mumbai
Date: 2nd August, 2012

(SWADESH AGRAWAL)
COMPANY SECRETARY



KJMC FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT

To,
The Members of
KJMC Financial Services Limited

Your Directors herewith present the 24th Annual Report, together with the audited statement of accounts of the Company for the year ended 31st March, 2012.

FINANCIAL RESULTS

The performance of the Company for the financial year ended 31st March, 2012 is summarised below:

(₹ In lakhs)

Particulars	Year ended 31st March, 2012	Year ended 31st March, 2011
Total Income	64.78	106.81
Total Expenditure	30.69	52.37
Profit before Depreciation and Tax	34.09	54.44
Less : Depreciation	4.53	5.57
Profit before Tax	29.56	48.87
Less: Provision for Tax		
- Current Tax	5.50	8.50
- Deferred Tax	0.79	(127.09)
- MAT Credit	(5.50)	(6.86)
- Prior year taxes	1.76	22.46
Profit / (Loss) After Tax	27.01	151.85
Add : Prior period Income /(Expenses)	-	-
Add : Surplus as per last account	173.10	78.66
Disposable Profits	200.11	230.51
Appropriations towards :		
Special Reserve	5.40	30.37
General Reserve	2.70	15.19
Dividend on 12% Non Cumulative		
Redeemable Preference Shares	10.20	10.20
Tax on Preference Dividend	1.65	1.65
Surplus Balance carried to Balance Sheet	180.16	173.10

PERFORMANCE REVIEW

During the year under review, your Company earned the gross income of ₹ 64.78 Lakhs as against ₹ 106.81 Lakhs in the previous year. The total expenditure during the year under review was ₹ 30.69 Lakhs as against ₹ 52.37 Lakhs in the previous year. The Net Profit after tax was ₹ 27.01 Lakhs as against ₹ 151.85 Lakhs in the previous year.

DIVIDEND

In view of the inadequate profits, your Directors do not recommend any dividend on Equity Shares for the year under review. Your Directors recommend Dividend of ₹ 12/- per share on 12% Non Cumulative Redeemable Preference Shares of ₹ 100/- each.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Rajnesh Jain and Shri Girish Jain, Directors of the Company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

AUDITORS

M/s. K. S. Aiyar & Co., Chartered Accountants, Mumbai, Statutory Auditors of the Company will retire at the ensuing Annual General Meeting and are eligible for reappointment. The Company has received letter from the Auditors to the effect that their re-appointment, if made, shall be in accordance with section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such re-appointment within the meaning of section 226 of the Companies Act, 1956.

FIXED DEPOSITS

The Company has neither invited, nor accepted, nor renewed any fixed deposit from the public during the year and there was no outstanding deposit payable during the financial year ended 31st March, 2012.

RBI PRUDENTIAL NORMS

Since the Company does not accept and hold any public deposits, Non-Banking Financial Companies Prudential Norms (Reserve Bank of India) Directions, 1998 are not applicable to the Company in regard to capital adequacy.

RBI GUIDELINES

The Company has made necessary changes in its Fair Practice Code in line with Circular dated March 26, 2012 of Reserve Bank of India. The Company continues to comply with all the requirements prescribed by the Reserve Bank of India, from time to time as applicable to it.

SUBSIDIARY COMPANIES

KJMC Asset Management Company Limited and KJMC Investment Trust Company Limited are subsidiaries of the Company.

In accordance with the general circular no. 2/2011 issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. However the financial information of the subsidiary companies is disclosed in the Annual Report in compliance with the said circular. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary companies on any working day, except Saturdays, between 11.00 a.m. and 3.00 p.m. However, as required under the aforesaid circular and pursuant to Clause 32 of the Listing Agreement, the Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to Clause 32 of the Listing Agreement entered into with the Stock Exchange, your Directors have pleasure in attaching the Consolidated Financial Statements for the financial year ended 31st March, 2012, prepared in accordance with the Accounting Standards 21 (AS 21) prescribed by the Institute of Chartered Accountants of India, in this regard.

DIRECTORS' RESPONSIBILITY STATEMENT UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

1. In the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of Financial Year 31st March, 2012 and of the profit of the Company for that period;
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. The Directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

The Company is committed to maintain the highest standards of

Corporate Governance and adhere to the Corporate Governance requirements set out by SEBI. The Company has also implemented several best Corporate Governance practices as prevalent globally.

The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report.

The requisite Certificate from the Auditors of the Company confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is attached to this Report.

MANAGEMENT DISCUSSION AND ANALYSIS

A report on the Management Discussion and Analysis for the financial year under review is annexed and forms part of the report.

LISTING OF SHARES

Equity Shares of the Company are listed on BSE Limited. Annual listing fees upto the year 2012-13 has been paid to the BSE Limited. The Company complied with the delisting formalities in respect of the other stock exchanges and consequently the Equity Shares of the Company were delisted from Jaipur Stock Exchange Limited, The Stock Exchange, Ahmedabad and Delhi Stock Exchange Association Limited. The delisting approval from Bhubaneswar and Calcutta Stock exchanges is awaited.

PARTICULARS OF EMPLOYEES

Since there are no employees falling within the purview of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, no such details are required to be given.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION

Since the Company is a Financial Services Company, the details required under Section 217(1)(e) of the Companies Act, 1956 are not applicable.

FOREIGN EXCHANGE EARNINGS AND OUTGO

There were no earnings in foreign exchange nor was there any outflow during the year under review.

INSURANCE

The Company's fixed assets as well as current assets have been adequately insured.

ACKNOWLEDGMENTS

The Directors wish to place on record their appreciation of the contribution made by the executives and employees at all levels for their dedication and commitment to the Company throughout the year.

Your Directors also appreciate with gratitude the continuous support of the Bankers, Clients and the Company's Shareholders.

For and on behalf of the Board of Directors

Place : Mumbai
Date : 2nd August, 2012

(I. C. Jain)
Chairman

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, guidelines issued by the Securities and Exchange Board of India (SEBI), the Accounting Standards prescribed by the Institute of Chartered Accountants of India and the Generally Accepted Accounting Principles in India. Our Management accepts responsibility for the integrity and objectivity of these financial statements. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect in a true and fair manner and reasonably present our state of affairs, profits and cash flows for the year.

FUTURE PROSPECTS OF NBFC SECTOR:

NBFCs have been playing a very important role both from the macro economic perspective and the structure of the Indian financial system. NBFCs are the preferred or even better alternatives to the conventional Banks for meeting various financial requirements of a business enterprise. They offer quick and efficient services without making one to go through the complex rigmarole of conventional banking formalities.

However to survive and to constantly grow, NBFCs have to focus on their core strengths while improving on weaknesses. They will have to be very dynamic and constantly endeavor to search for new products and services in order to survive in this ever competitive financial market.

1. BUSINESS AND INDUSTRY REVIEW:-

KJMC has been involved in providing fund based financial services and funding solutions to the Indian Corporates, Institutions, SME's etc. Your Company, along with its associates forms an integrated financial services group providing wide range of services to its clients. The organization structure is designed to be flexible and customer focused to ensure effective control, supervision and consistency in standards across the organization.

2. FINANCIAL REVIEW

During the year under review, your Company earned the gross income of ₹ 64.78 Lakhs as against ₹ 106.81 Lakhs in the previous year. The total expenditure during the year under review was ₹ 30.69 Lakhs as against ₹ 52.37 Lakhs in the previous year. The Net Profit after tax was ₹ 27.01 Lakhs as against ₹ 151.85 Lakhs in the previous year. Your Director expect better performance of the Company in the coming years.

3. BUSINESS OUTLOOK

Your Company will increase its product base as far as raising resources and deploying them in safe and profitable manner. As far as Subsidiary Companies are concerned, your Company is working on plans to activate / expand them including looking for tie-ups / associations / joint ventures for fast-pacing the business plans.

4. RISKS AND CONCERNS

The Company is exposed to specific risks that are particular to its business and the environment within which it operates including economic cycle, market risks, competition risk, interest rate volatility, human resource risk and execution risk etc. The

Company manages these risks by maintaining a conservative financial profile and by following prudent business and risk practices. Being engaged in the business in a highly regulated industry; we are presented with risk containment measures in the very regulations. The company's business could potentially be affected by the following factors:-

- Impact of markets on our revenues and investments, sustainability of the business across cycles
- Sharp movement in prevailing interest rates in the market.
- Risk that a client will fail to deliver as per the terms of a contract with us or another party at the time of settlement.
- Risk due to uncertainty of a counterparty's ability to meet its financial obligations to us.
- Inability to conduct business and service clients in the event of a contingency such as a natural calamity breakdown of infrastructure, etc.

5. OPPORTUNITIES AND THREATS

Opportunities:

- * Funding to traders and manufacturing units
- * Investing in Private Equity of growing concerns
- * Channel Sales Financing
- * Promoter Funding

Threats:

- * Competition from established companies and new entrants
- * Execution risk
- * Regulatory changes
- * Attraction and retention of human capital
- * Volatile Economic Environment

6. ADEQUACY OF INTERNAL CONTROLS

Your Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition and that transaction are authorised, recorded and reported correctly. The Company has an extensive system of internal control which ensures optimal utilisation and protection of resources, its security, accurate reporting of financial transactions and compliances of applicable laws and regulations as also internal policies and procedures.

7. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES

Your Company continues to lay great stress on its most valuable resource - people. Continuous training, both on the job and in an academic setting, is a critical input to ensure that employees at all levels are fully equipped to deliver a wide variety of products and services to the rapidly growing customer base of your Company. It is our endeavour to create an environment where people can use all of their capabilities in support of the business. Therefore, your Company encourages its employees to balance their work and personal responsibilities.

REPORT ON CORPORATE GOVERNANCE FOR THE F.Y. 2011-2012

In accordance with Clause 49 of the Listing Agreement with BSE Limited (Clause 49) and some of the best practices followed on Corporate Governance, the report containing the details of corporate governance systems and processes is as under:

PHILOSOPHY OF CORPORATE GOVERNANCE

Your Company is committed to upholding the highest standards of Corporate Governance in its operations. The policies and practices are not only in line with the statutory requirement, but also reflect your Company's commitment to operate in the best interest of its stake holders. The responsibility for maintaining high standards of governance lies with your Company's Board of Directors and various Committee of the Board, which are empowered to monitor implementation of the best Corporate Governance practices including making necessary disclosures within the framework of legal and regulatory provisions and Company conventions besides its employees.

In this direction, your Company is committed to ensure that the Company's Board of Directors continued to be constituted as per the prescribed norms, meets regularly as per the prescribed frequency, provides effective leadership, exercises control over the management, monitors executive performance and makes appropriate disclosures. In addition, establishment of a framework of strategic control and continuous reviewing of its efficacy and establishment of clearly documented and transparent management processes for policy development, implementation and review, decision making, monitoring control and reporting are the other policy directives. Your Company provides free access to the Board of all relevant information, advices and resources to enable it to carry out its role effectively. In addition the Company has appointed Compliance / Nodal officer for matters relating to RBI & Companies Act, etc.

Pursuant to Clause 49 of the Listing Agreement, your Company has complied fully with all the mandatory requirements of the Corporate Governance in all material aspects. As required by the Listing Agreement, a report on Corporate Governance is given below:

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Your Company is committed to bring about the good corporate governance practice. The Company has laid emphasis on cardinal values of fairness, transparency, accountability and equity, in all its operations, and in its interactions with stakeholders including shareholders, employees, the government and the lenders, thereby enhancing the shareholders' value and protecting the interest of shareholders. Your Company will constantly endeavour to improve on these aspects on an ongoing basis.

2. BOARD OF DIRECTORS

The Company has a Non – Executive Chairman and the number of Independent Directors is one half of the total number of Directors. The Directors have been contributing their diversified knowledge, experience and expertise in respective areas of their specialization for the growth of the Company. During the Financial Year 2011-2012, Five (5) Meetings of the Board of Directors were held on 27th May, 2011, 10th August, 2011, 24th September, 2011, 12th November, 2011 and 2nd February, 2012.

The particulars of Directors as on 31st March, 2012 are as follows:

Sr. No.	Director	Category of Directorship	No. of BM Attended Held	Last AGM attended	No. of Other Director-ship	Committee Membership(s)	
						Chairman	Member
1.	Mr. I. C. Jain	Chairman / Non- Executive Director	5	Yes	9	1	3
2.	Mr. R. R. Kumar	Non-Executive & Independent Director	5	Yes	6	3	3
3.	Mr. Girish Jain	Non-Executive Director	5	Yes	9	1	3
4.	Mr. Rajnesh Jain	Non-Executive Director	4	Yes	11	1	1
5.	Mr. S.C. Aythora	Non-Executive & Independent Director	4	No	18	4	3
6.	Mr. Nitin Kulkarni	Non-Executive & Independent Director	5	Yes	1	2	3

None of the Directors hold directorship in more than 15 public limited companies, membership in committees of Board in more than 10 companies and chairmanship of committee of Board of more than 5 committees.

None of the Independent Directors had resigned nor removed from the Board of the Company during the year, and hence compliance in respect of replacement thereof did not arise.

Board Procedures

The Agenda is circulated well in advance to the Board of Directors. The items in the Agenda are backed by comprehensive background information to enable the Board to take appropriate decisions. In additions to the information required under Annexure IA to clause 49 of the Listing Agreement, the Board is also kept informed of major events/ items and approvals taken wherever necessary. At the Board meetings, the Board is apprised of the overall performance of the Company.

3. AUDIT COMMITTEE

(a) Terms of Reference:

Pursuant to the provision of Section 292A of the Companies Act, 1956 and clause 49 of the Listing agreement, the Company has Qualified Audit Committee. The Audit Committee provides direction to the audit and risk management function in the Company and monitors the quality of internal audit and management audit. The responsibilities of the Audit Committee include overseeing the financial reporting process to ensure proper disclosure of financial statements, fixing the audit fees and also approving the payment for any other services, reviewing the annual financial statements before submission to the Board, reviewing adequacy of internal control systems, structure and staffing of the internal audit function, reviewing findings of the internal investigations, etc.

The terms of reference and powers of the Audit Committee are as per Clause 49 of the Listing Agreement and also as per Section 292A of the Companies Act, 1956. The Committee met four times during the year on 27th May, 2011, 10th August, 2011, 12th November, 2011 and 2nd February, 2012.

(b) Composition:

The Audit Committee consists of the following Directors:

Name of Director	Executive/Non- Executive/ Independent	No. of meetings attended
Mr. I. C. Jain	Non Executive Director	4
Mr. S. C. Aythora	Chairman of the Committee and Independent Director	4
Mr. Nitin Kulkarni	Independent Director	4

4. SUBSIDIARY COMPANIES

The Company has the following subsidiary companies as on March 31, 2012:

- KJMC Asset Management Company Limited
- KJMC Investment Trust Company Limited

5. REMUNERATION COMMITTEE:

(a) Terms of Reference:

The Remuneration Committee was formed by the Board of Directors at their meeting held on 7th July, 2007. The terms of the reference of the Committee is to review and recommend compensation payable to the Executive Directors and also to formulate and administer Employees Stock Option Scheme, including the review and grant of options to eligible employees under the scheme. The Committee also ensures the Compensation Policy of the Company and Performance Oriented Scheme for Senior Managers. The overall function of the Committee consists of the following:

- * Assist the Board of Directors in ensuring that affordable, fair and effective compensation policies are implemented.
- * Approve and make recommendations to the Board in respect of Directors' fees, Salary Structure and actual compensation (inclusive of Performance based incentives and benefits) of the Executive Director(s).
- * Review and approve the overall budgetary increment proposals for annual increase of compensation and benefits for the employees.
- * Review and approve the change in terms and conditions of the ESOP.
- * Review and approve the criteria for selection and appointment of Non-Executive Directors.

(b) Composition:

The Remuneration Committee consists of the following Directors:

Name of Director	Executive/Non-Executive/Independent
Mr. S. C. Aythora	Chairman of the Committee and Independent Director
Mr. R. R. Kumar	Independent Director
Mr. Girish Jain	Non-Executive Director

No Remuneration Committee Meeting was held during the year.

6. SHARE TRANSFER / INVESTOR GRIEVANCE COMMITTEE

(a) Terms of Reference:

The role and functions of the Share Transfer / Investor's Grievances Committee are the effective redressal of the Complaints of the Shareholders regarding dematerialization, transfer, non-receipt of balance sheet/ dividend/interest etc. The Committee overviews the steps to be taken for further value addition in the quality of service to the investors.

(b) Composition:

Pursuant to Clause 49 of the Listing Agreement, the Company is required to have Share Transfer / Investor Grievance Committee. Accordingly, the Board of Directors formed a Share Transfer / Investor Grievance Committee, consisting of following Directors:

Name of Director	Designation in Committee
Mr. Girish Jain	Chairman
Mr. Rajnesh Jain	Member
Mr. Inderchand Jain	Member
Mr. Nitin Kulkarni	Member

During the year, the Company received NIL complaints and no transfer was pending as on 31st March, 2012. The Board has delegated the powers to approve transfer of securities allotted by the Company to this Committee. The Committee held 7 meetings during the year and approved the transfer of shares lodged with the Company and attended the investor's queries & complaints.

7. SITTING FEES:

The remuneration by way of sitting fees for attending Board and Audit Committee Meetings are paid to Independent Directors are as follows:

(Amount in ₹)

Name of Director	Board Meeting	Audit Committee
Mr. R. R. Kumar	10,000/-	-
Mr. S. C. Aythora	8,000/-	4,000/-
Mr. Nitin Kulkarni	10,000/-	4,000/-

8. GENERAL BODY MEETINGS:

The particulars of Annual General Meetings and Extra Ordinary General Meeting of the Company held in last three are as under:

Year	AGM/EGM	Location	Date	Time
2009	AGM	S. K. Somani Memorial Hall, Hindi Vidya Bhavan, 'F' Road, Marine Lines, Mumbai	26/09/2009	3.30 P.M.
2010	AGM	S. K. Somani Memorial Hall, Hindi Vidya Bhavan, 'F' Road, Marine Lines, Mumbai	25/09/2010	3.30 P.M.
2011	AGM	S. K. Somani Memorial Hall, Hindi Vidya Bhavan, 'F' Road, Marine Lines, Mumbai	24/09/2011	3.30 P.M.

No Special Resolution was put through Postal Ballot last year nor proposed at the ensuing Annual General Meeting.

9. CODE OF CONDUCT

The code of conduct for the Directors and the Employees of the Company has been laid down by the Board and it is internally circulated and necessary declaration has been obtained.

10. DISCLOSURES

- * None of the transactions with any of the related party are in conflict with the interest of the Company. Transactions with related parties have been disclosed in Note 27 to the Notes on Accounts in the Annual Report.
- * There is no non compliance of any provision of law by the Company nor any penalty/ stricture imposed on the Company by Stock Exchange(s), SEBI or any other authority, on any matter related to Capital markets, during the last three years.
- * The Company has complied with all the mandatory requirements of the Corporate Governance.
- * The Company do not have any Whistle Blower Policy. However, any employee would not be denied access to the Audit Committee.

11. MEANS OF COMMUNICATION

The Company has promptly reported all material information including quarterly results to BSE Limited, where the Company's securities are listed. The Company publishes its quarterly, half yearly, financial results in national and regional newspapers. The Company also sends the financial results to the Stock Exchanges immediately after its approval by the Board. The Company has not sent half yearly report to the shareholders. No presentations were made to the Institutional Investor's or analysts during the year under review. The Management Discussions and Analysis (MD&A) Report is annexed and forms part of this Report.

GENERAL SHAREHOLDER'S INFORMATION
1. Annual General Meeting scheduled to be held:

Date : Thursday, 20th September, 2012
Time : 2.00 P.M.
Venue : S. K. Somani Memorial Hall, Hindi Vidya Bhavan, 'F' Road, Marine Lines, Mumbai – 400 020.

2. Book Closure:

Monday, 10th September, 2012 to Thursday, 20th September, 2012 (both days inclusive).

3. Dividend Payment Date

Not applicable as no dividend was recommended/declared on Equity Shares. Preference dividend will be paid before 27th September, 2012.

4. Financial Calendar (tentative):

Financial Reporting for the Financial Year 2012-13	Tentative month of reporting
Un-audited Financial Results for the quarter ending 30th June, 2012	On or before 14th August, 2012
Un-audited Financial Results for the half year ending 30th September, 2012	On or before 14th November, 2012
Un-audited Financial Results for the quarter ending 31st December, 2012	On or before 14th February, 2013
Audited Financial Results for the year ending 31st March, 2013	On or before 29th May, 2013

5. Listing of Equity Shares on Stock Exchanges:

- (i) Equity Shares of the Company are listed on BSE Limited, Mumbai (BSE). Annual listing fees for the year 2012-13 has been paid to the BSE Limited, Mumbai.

- (ii) The Company complied with the delisting formalities with other stock exchanges and consequently the Company got its shares delisted from Jaipur Stock Exchange Limited, The Stock Exchange, Ahmedabad and The Delhi Stock Exchange Association Limited. The delisting approval from Bhubaneshwar and Calcutta Stock exchanges is awaited.

6. Stock Code:

- (i) BSE Limited, Mumbai (BSE): B – 530235
- (ii) ISIN - INE533C01018

7. Stock Price Data:

Month wise high and low price of the Company's Shares at BSE Limited (BSE) from April, 2011 to March, 2012.

Month	BSE Limited (BSE)	
	High (₹)	Low (₹)
April, 2011	24.75	24.40
May, 2011	24.40	24.40
June, 2011	No Trading	No Trading
July, 2011	No Trading	No Trading
August, 2011	No Trading	No Trading
September, 2011	23.40	19.00
October, 2011	19.95	16.50
November, 2011	16.25	15.25
December, 2011	17.60	14.55
January, 2012	14.50	13.45
February, 2012	13.70	12.83
March, 2012	13.85	13.50

8. Compliance Officer:

Mr. Swadesh Agrawal, Company Secretary
168, Atlanta, 16th Floor, Nariman Point, Mumbai – 400 021.
Ph: 022- 22885201, email: cosec@kjmc.com

9. Address For Correspondence:

Shareholders can correspond to:

Secretarial Department: 168, Atlanta, 16th Floor, Nariman Point, Mumbai – 400 021.

Or

Registrars and Transfer Agents :- Bigshare Services Pvt. Ltd., E-2, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai – 400072, Tel.No.022-28470652/53, Fax No. 022-28475207, email id: info@bigshareonline.com.

Shareholders holding shares in electronic mode should address their Correspondence to their respective Depository Participants. The company also has designated email id: investor.finance@kjmc.com where shareholders can correspond with the Company.

10. Share Transfer System

Shares sent for transfer in physical form to R&T Agents, are registered and returned within a period of 30 days from the date of receipt, if the documents are in order. The Share Transfer Committee meets generally on a fortnightly basis to consider the transfer proposals. All requests for dematerialisation of shares are processed by R&T Agent within 15 days.

11. Dematerialisation of Shares

Trading in Equity Shares of the Company is permitted only in dematerialized form with effect from 29th January 2001 as per notification issued by the Securities & Exchange Board of India (SEBI). As on 31st March 2012, out of total Equity Capital 31,35,740 Equity Shares, 28,21,809 Equity Shares representing 89.99 % of the total Equity Shares are held in dematerialised form with NSDL and CDSL. Transfer cum demat facility is available to all Shareholders of the Company, who request for such facility.

12. Distribution of Shareholding as on 31st March, 2012

Range in rupees	Number of Shareholders	% of Total Holders
Upto 5000	3684	96.77
5001 to 10000	42	1.10
10001 to 20000	22	0.60
20001 to 30000	5	0.13
30001 to 40000	8	0.21
40001 to 50000	9	0.23
50001 to 100000	10	0.26
100001 and above	27	0.70
TOTAL.....	3,807	100.00

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13. Shareholding Pattern as on 31st March, 2012

Cat. Code	Category of Shareholder	Total No. of Shares held	% Share holding
A.	Shareholding of Promoter and Promoter Group		
1	Indian		
(a)	Individuals / Hindu Undivided Family	1589905	50.70
(b)	Central Govt. / State Govt.	0	0
(c)	Bodies Corporate	0	0
(d)	Financial Institutions / Banks	0	0
(e)	Any other	0	0
	Sub Total – A(1)	1589905	50.70
2	Foreign	0	0
(a)	Non Resident Individuals / Foreign Individuals	0	0
(b)	Bodies Corporate	0	0
(c)	Institutions	0	0
(d)	Any other	0	0
	Sub Total A(2)	0	0
	Total Shareholding of Promoter Group	1589905	50.70
(B)	Public Shareholding		
1	Institutions		
(a)	Mutual Funds / UTI	0	0
(b)	Financial Institutions / Banks	65400	2.09
(c)	Central Govt. / State Govt.	7050	0.22
(d)	Venture Capital Funds	0	0
(e)	Insurance Companies	0	0
(f)	Foreign Institutional Investors	0	0
(g)	Foreign Venture Capital Investors	0	0
(h)	Any other	0	0
(h1)	NRI Banks	0	0
	Sub Total B(1)	72450	2.31
2	Non Institutions		
(a)	Bodies Corporate / Trust	615622	19.63
(b1)	Individuals-shareholders holding normal Share Capital up to Rs. 1 Lac	460148	14.67
(b2)	Individuals-shareholders holding normal Share Capital in excess of Rs. 1 Lac	388686	12.39
(c)	Any other	0	0
(c1)	Clearing Members	8168	0.26
(c2)	NRI	761	0.02
(c3)	OCB's	0	0
	Sub Total B(2)	1473385	46.99
	Total Public Shareholding B(1) + B(2)	1545835	49.30
	Total (A) + (B)	3135740	100.00
C	Shares held by Custodians and against which Depository receipts have been issued	0	0
	Grand Total	3135740	100.00

Note: The total foreign shareholding as on 31st March, 2012, is 761 Equity shares, which in percentage terms is 0.024% of the issued and subscribed capital.

OTHER INFORMATION

Code of conduct for Prevention of Insider Trading

In accordance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended (the Regulations), the Board of Directors of the Company adopted the Code of Conduct for Prevention of Insider Trading and the Code of Corporate Disclosure Practices (the Code) to be followed by Directors, Officers and other Employees of the Company. The code is based on the principle that Directors, Officers and Employees of KJMC Financial Services Limited owe a fiduciary duty to, among others, the shareholders of the Company to place the interest of the shareholders above their own and conduct their personal securities transactions in a manner that does not create any conflict of interest situation. The code

also seeks to ensure timely and adequate disclosure of Price Sensitive Information to the investor community by the Company to enable them to take informed investment decision with regard to the Company's Securities.

Declaration regarding affirmation and Compliance of Code of Conduct

As required by Clause 49(I)(D) of the Listing Agreement with the Stock Exchange(s), it is hereby declared that all the Board members and senior management personnel have affirmed compliance with the Code of Conduct of the Company for the year ended 31st March, 2012.

FOR KJMC FINANCIAL SERVICES LIMITED

(I. C. JAIN)

CHAIRMAN

CEO and CFO Certification

The CFO i.e. Principal Officer & Vice President (Finance & Accounts) of the Company give annual certification on financial reporting and internal controls to the Board in terms of clause 49 of the Listing Agreement. The CFO i.e. Principal Officer & Vice President (Finance & Accounts) also give quarterly certification on financial results while placing the financial results before the Audit Committee and Board.

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of KJMC Financial Services Limited

We have examined the compliance of conditions of Corporate Governance by the KJMC Financial Services Limited for the year ended on 31st March, 2012 as stipulated in clause 49 of the Listing Agreement of the said company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the Management has conducted the affairs of the company.

For K. S. Aiyar & Co.

Chartered Accountants

FRN No. 100186W

Sachin A. Negandhi

Partner

(Membership No. 112888)

Place : Mumbai

Date : May 24, 2012

AUDITORS' REPORT

TO THE MEMBERS OF KJMC FINANCIAL SERVICES LIMITED

1. We have audited the attached Balance Sheet of KJMC FINANCIAL SERVICES LIMITED, as at March 31, 2012, and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e. on the basis of the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on March 31, 2012 from being appointed as a director, in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - f. in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
 - ii) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For K. S. Aiyar & Co.,
Chartered Accountants
Registration No: 100186W

Sachin A. Negandhi
Partner
Membership No.: 112888

Place: Mumbai
Date: May 24, 2012

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our Report of even date on the Accounts for the year ended on March 31, 2012, of **KJMC Financial Services Limited**)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) These fixed assets have been physically verified by the management at reasonable intervals. No material discrepancies were noticed on such verification.
- (c) According to the information and explanation given to us, no fixed assets are disposed off during the year.
- (ii) The Company does not have any inventory. Accordingly, clause 4 (ii)(a), (b) & (c) of the Order are not applicable.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, sub-clause (b), (c) and (d) are not applicable.
- (b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, sub-clause (f) and (g) are not applicable.
- (iv) In our opinion and according to the information and explanations given

to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

- (v) (a) The particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered into a register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public to which the provisions of section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposit) Rules, 1975 apply.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have been informed that the Company is not required to maintain cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956, which has been relied upon.
- (ix) (a) According to the records of the Company, Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty, cess and other material statutory dues applicable to it have been generally regularly deposited during the period with the appropriate authorities.
According to the information and explanations given to us, there are no undisputed dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other statutory dues which were outstanding, at the period end for a period of more than six months from the date they became payable.
- (b) According to the records of the Company, there are no dues of Income tax, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty and cess which have not been deposited on account of any dispute.
- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) Based on our audit procedure and according to the information and explanations given to us by the management, we are of the opinion that the Company has not defaulted in repayment of dues to any financial institution / bank. The Company does not have any outstanding debentures.
- (xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Order are not applicable to the Company.
- (xiv) On the basis of our examination of books and records of the Company, and according to the information and explanations given to us, in our opinion, the Company has maintained proper records of transactions and contracts in respect of dealing or trading in shares and securities entered into, in which entries were made on a timely basis. As at the balance sheet date the shares, securities and other investments were held in the Company's own name.
- (xv) According to the information and explanations given to us, the Company has not given guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year under report, accordingly, the provision of Clause (xvi) of paragraph 4 of the Order are not applicable.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, no debentures were issued during the period.
- (xx) The Company has not raised any money by way of public issue during the period. Therefore, the provision of clause (xx) of the order is not applicable to the Company.
- (xxi) According to the information and explanations furnished by the management, which have been relied upon by us, there were no frauds on or by the Company noticed or reported during the course of our audit.

For K. S. Aiyar & Co.
Chartered Accountants
Registration No. 100186W

Sachin A Negandhi
Partner
Membership No. 112888

Place: Mumbai
Date: May 24, 2012