

KEYNOTE



KEYNOTE CORPORATE SERVICES LTD.

ANNUAL REPORT 2000-2001

BOARD OF DIRECTORS

Mr. B. Madhuprasad
Managing Director

Mr. Nirmal Suchanti
Director

Mr. Vineet Suchanti
Director

Mr. Uday S. Patil
Director

Mr. Suraj Saraogi
Director

REGISTERED OFFICE

608, Dalamal House,
Nariman Point,
Mumbai - 400 021.

BANKERS

Punjab National Bank
State Bank of India

SHARE TRANSFER AGENTS

MCS Limited
Sri Venkatesh Bhavan,
Road No.11, Plot No.27,
MIDC, Andheri (East),
Mumbai - 400 093.
Tel.: 022 - 836 8720
Fax : 022 - 835 0456

AUDITORS

K. K. Bhageria & Co.
Chartered Accountants
104, Camy House, Dhuswadi,
Dr. Cawasji Hormasji Lane,
Marine Lines,
Mumbai - 400 002.

Eighth Annual General Meeting

on Saturday, 29th September, 2001 at 10.30 a.m.
at the Registered Office of the Company at 608,
Dalamal House,
Nariman Point, Mumbai - 400 021.

NOTICE

NOTICE IS HEREBY GIVEN THAT THE EIGHTH ANNUAL GENERAL MEETING OF THE MEMBERS OF KEYNOTE CORPORATE SERVICES LIMITED WILL BE HELD ON SATURDAY THE 29TH SEPTEMBER, 2001 AT THE REGISTERED OFFICE OF THE COMPANY AT 608, DALAMAL HOUSE, NARIMAN POINT, MUMBAI - 400 021 AT 10.30 A.M. TO TRANSACT THE FOLLOWING BUSINESS :

ORDINARY BUSINESS :-

- To receive, consider and adopt the audited Balance Sheet as of 31st March, 2001 and the profit and loss account for the year ended on that date together with the reports of the Directors and Auditors thereon.
- To appoint a Director in place of Mr. Nirmal Suchanti who retires by rotation and being eligible offers himself for reappointment.
- To appoint Auditor to hold office from the conclusion of this meeting till the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :-

- To consider, and if, thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution :-

"RESOLVED THAT Mr. Suraj Saraogi, who was appointed as an Additional Director w.e.f 27th January, 2001 by the Board of Directors vide resolution passed on 27th January, 2001 and who holds office as such upto the date of this meeting and is eligible for appointment as Director in respect of whom Notice under Section 257 of the Companies Act, 1956 has been received, be and is hereby appointed as a Director of the Company retiring by rotation.

By Order of the Board
For **Keynote Corporate Services Limited**

Place : Mumbai
Date : 30th August, 2001

sd/-
B. Madhuprasad
Managing Director

NOTES

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. THE PROXY IN ORDER TO BE EFFECTIVE SHOULD REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- The Register of Members and share transfer books of the Company will remain closed from Saturday, 22nd September, 2001 to Saturday, 29th September, 2001 both days inclusive.
- The practice of distributing copies of Annual Reports at the Annual General Meeting has been discontinued as a measure of economy.
- Members are requested to :-
i) Intimate changes, if any, in their registered address at the earliest.
ii) Furnish PAN/GIR Number with Income Tax Ward/Range/District to the Company.
- Quote ledger folio nos. in all their correspondence with the Company and the Transfer Agent. In case shares are held in dematerialised mode, please quote DP ID No and Client ID in all correspondence
- Bring their copy of the Annual Report and their Attendance Slip with them at the Annual General Meeting.
- Send their queries, if any, at least 7 (Seven) days in advance of the meeting so that the information can be made available at the meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No. 4**

The Board of Directors of the Company has appointed Mr. Suraj Saraogi as the Director of the Company w.e.f 27th January, 2001. Mr. Suraj Saraogi is a commerce graduate and holding diploma in business administration. He has been associated with the capital market related activities since past several years. Since the said appointment was made by the Board of Directors as Additional Director he holds the office upto the date of this Annual General Meeting in terms of the provisions contained in Section 260 of the Companies Act, 1956. Notice under Section 257 of the Companies Act, 1956 has been received from a member signifying the intention to proposed appointment of the aforesaid person as Director retiring by rotation at this Annual General Meeting.

The Board of Directors are of the view that appointment of Mr. Suraj Saraogi as a Director will be beneficial to the Company and is in line with Company's policy to adhere to various provisions of Companies (Amendment) Act, 2000 and Corporate Governance norms being introduced. The broad basing of Board of Directors shall ensure implementation of corporate governance in its correct perspective.

DIRECTORS' REPORT

To
The Members of **Keynote Corporate Services Ltd.**,
Dear Shareholders,

Your Directors have pleasure in presenting their 8th Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2001.

Financial Results

The financial results are summarised below :

Details	(Rs. in lacs)	
	Year Ended 31.03.2001	Year Ended 31.03.2000
Gross Income	120.98	143.87
Gross Operating Profit/ (Loss)	(17.39)	38.89
Depreciation	20.07	34.04
Profit/(Loss) Before Tax	(37.46)	4.85
Provision for Taxation	3.00	6.00
Extra Ordinary items	315.30	0.00
Profit/(Loss) After Tax	(355.76)	(1.15)
Add:		
Profit brought forward from Previous Year	100.78	101.93
Transfer from General Reserve	245.00	0.00
Profit available for appropriation	(9.98)	100.78
APPROPRIATIONS		
Proposed Dividend	—	—
Tax on Dividend	—	—
Surplus Carried forward	(9.98)	100.78
TOTAL	(9.98)	100.78

*Consequent to the completion of the lease period in respect of plant and machinery given on lease on which 100% depreciation had been claimed in terms of Income Tax Act 1961, the Company has disposed off these assets on a "as is where is basis" for a value of Rs. 11.50 lacs during the year ending 31.03.2001. There was a loss on Lease transaction amounting to Rs.315.30 lacs as per Companies Act, 1956 which has been debited to the Profit & Loss account as extraordinary item.

KEYNOTE CORPORATE SERVICES LIMITED

Dividend

On account of inadequacy of the profits, the Directors of the Company have not recommended any dividend.

Operations

The year 2000-2001 witnessed mixed trend in the Indian capital market. During the first half of the year many IPO's from information technology, media and entertainment sector were launched. However, during the later part of the financial year due to various adverse economic conditions including US slow down the activity in the capital market has fallen substantially. There was a sudden drastic fall in the capital market activities towards the end of financial year 2001. Presently the Indian capital market is passing through very bad period and the capital market activity is at the lowest ebb witnessed during past decade.

During the year your Company managed IPO's of various companies and few takeover assignments. The Company has been making conscious attempt to focus on quality assignments and hopes to consolidate its position in merchant banking and advisory services in the Indian capital market. During the year 2000-01 the Company has reported a gross income of Rs. 120.98 lacs and Loss before tax of Rs.37.46 lacs.

The Company is in the process of implementing the various cost cutting measures including reduction of workforce which is felt necessary as a part of restructuring strategy and is in line with the industry trend and major slow down witnessed by Indian economy in general and capital market segment in particular.

Operations of Subsidiary

As you are aware Keynote Capitals Limited (KCL) is an integrated broking house having membership on National Stock Exchange of India Ltd. (NSE), The Stock Exchange, Mumbai (BSE) and the Over the Counter Exchange of India (OTCEI). The operations of the subsidiary have also adversely affected on account of drastic fall in the Indian capital market indices and the stock market scam. The Audited Account and Director's Report of the subsidiary for the year ended 31st March 2001 is attached with the Annual Report for your information.

We are pleased to inform the members that w.e.f. 16th May, 2001 KCL has commenced "Depository Operations" on Central Depository Services (I) Ltd. (CDSL). The DP ID number for the depository operations is 24300. The members may avail the benefit of opening the demat account with the subsidiary. The commencement of DP operations is in synergy with the present operations of the Company and is beneficial as the settlement account of The Stock Exchange, Mumbai (BSE) are shifted with own DP which will lead to saving in the cost to the Company.

Tax Provisions

The Company has made adequate tax provisions under the provisions of the Income Tax Act, 1961.

Voluntary Delisting

Members are aware that in the 7th Annual General Meeting a Special Resolution regarding voluntary delisting of equity shares of your Company from the stock exchanges at Ahmedabad, Calcutta, Chennai and Delhi was passed. Members will be pleased to note that the Company has complied all the formalities and procedure laid down in SEBI Circular No. SMDRP/CIR-14/98 dated 29th April, 1998 in this regard. Accordingly the equity shares of your Company stand delisted from the stock exchanges at Ahmedabad, Calcutta, Chennai and Delhi w.e.f. financial year 2001-02.

Members are hereby informed that the equity shares of the Company continue to be listed and traded on the BSE and NSE. The scrip code numbers of the equity shares of the Company on BSE is 12597 and on NSE is KEYCORPSE. The Company has paid up-to-date listing fees to both the above exchanges.

Dematerialisation

Members will be pleased to note that the equity shares of the Company can be held in dematerialised form. The Company has signed the tripartite agreement with National Securities Depository Ltd. (NSDL), Central Depository Services Ltd. (CDSL) and Registrar & Transfer Agent (RTA) for dematerialisation of existing holding of the shareholders. The International Securities Identification Number (ISIN) allotted to the Company is INE991C01015. The equity shares of the Company are listed and traded on The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Ltd. (NSE) and are being traded in compulsory dematerialised mode.

Audit Committee

The Board of Directors at their meeting held on 27th January, 2001 appointed the Audit Committee in compliance with Section 292(A) of the Companies (Amendment) Act, 2000. This will also ensure formation of the Committee under the requirements of Corporate Governance Clause in listing agreement.

The members of the audit committee are Mr. Nirmal Suchanti (Chairman), Mr. Vineet Suchanti and Mr. Suraj Saraogi. The audit committee is constituted in accordance with the provisions of Section 292A of the Companies Act, 1956. All the members of the committee are independent and non-executive directors having knowledge of finance, accounts and company law. The quorum for the committee is two members.

The terms of reference of the audit committee include approving and implementing the audit procedures and techniques, reviewing the financial reporting systems, internal control systems and control procedures and ensuring compliance with the regulatory guidelines. Meetings are scheduled well in advance. The committee met three times during the year under review. The audit committee met prior to the finalisation of the accounts for the year ended 31st March, 2001.

The committee reviews the reports of the statutory auditors along with the comments and action taken reports of the management. The audit committee also invites senior executives as it considers appropriate to be present at the meetings of the committee. All the meetings of the committee were attended by all the members.

Directors Responsibility Statement

In compliance with Section 217(2AA) of the Companies (Amendment) Act 2000, the Directors state that :

- in the preparation of annual accounts, the applicable accounting standards have been followed and proper explanation relating to material departures, if any, have been furnished.
- accounting policies as listed in Schedule "P" to the financial statements have been selected and consistently applied and prudent judgements and estimates have been made so as to give a true and fair view of the state of affairs of the company as on 31st March, 2001 and of the Profit or Loss of the Company for the Accounting Year ended on that day.
- proper and sufficient care for the maintenance of adequate accounting records has been taken in accordance with the provisions of this act so as to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.
- the annual accounts have been prepared on a going concern basis

Corporate Governance

As per the SEBI Directives a new clause on Corporate Governance has been inserted in the listing agreement. All the listed companies are required to adhere to the norms prescribed under the Corporate Governance. Your Company is also making conscious effort to adhere to proposed Corporate Governance Guidelines prescribed. In terms of the schedule of implementations prescribed for compliance with Corporate Governance Guidelines, your Company is required to implement the same within financial year 2001-02. The Company is initiating all the steps to implement the same and is confident that this will be done before 31st March 2002.

Human Resources

Your Directors acknowledge and appreciate the sincere efforts and effective services rendered by the committed officers and staff of the Company.

None of the employees are in receipt of remuneration as specified under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particular of Employees) Rules 1975, as amended.

Auditors Observations

The Auditors have referred to certain routine matters in their report and the respective notes to the accounts are self-explanatory.

Conservation of Energy and Technology Absorption

The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 require disclosure of particulars regarding conservation of energy in Form A and Technology Absorption in Form B prescribed by the rules. The Company not being a manufacturing Company is advised that Form A and B are not applicable to it.

Foreign Exchange Earnings & Expenditure

The Company has neither incurred any expenditure nor earned any income in foreign exchange.

Fixed Deposits

During the year ended 31st March, 2001 the Company had not accepted any Fixed Deposits from the Public under Section 58-A of the Companies Act, 1956. The Company does not hold any Fixed Deposits from the public.

Directors

Mr. Nirmal Suchanti retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment. Your Directors recommend his appointment.

The Board of Directors of the Company has appointed Mr. Suraj Saraogi as the Director of the Company w.e.f. 27th January, 2001. Mr. Suraj Saraogi is a commerce graduate and holding diploma in business administration. He has been associated with the capital market related activities since past several years. Since the said appointment was made by the Board of Directors as Additional Director he holds the office upto the date of this Annual General Meeting in terms of the provisions contained in Section 260 of the Companies Act, 1956. Notice under Section 257 of the Companies Act, 1956 has been received from a member signifying the intention to proposed the appointment of the aforesaid person as Director retiring by rotation at this Annual General Meeting.

The Board of Directors are of the view that appointment of Mr. Suraj Saraogi as a Director will be beneficial to the Company and is in line with Company's policy to adhere to various provisions of Companies Act (Amendment) 2000 and Corporate Governance norms being introduced. The broad basing of Board of Directors shall ensure implementation of corporate governance in its correct perspective.

Auditors

M/s. K.K. Bhageria & Co., Chartered Accountants, Auditors will retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Members are requested to consider their re-appointment at a remuneration to be decided by the Board of Directors for the financial year ending March 31, 2001.

Acknowledgment

We take this opportunity to express our deep sense of gratitude to Stock Exchanges, Registrar of Companies, Securities and Exchange Board of India (SEBI), Association of Merchant Bankers of India (AMBI), Clients, Bankers and other Government Agencies for their sustained support.

By Order of the Board
For Keynote Corporate Services Limited

Sd/-
B. Madhuprasad
Managing Director

Place : Mumbai
Date : 30th August, 2001

ANNUAL REPORT 2000-2001

AUDITOR'S REPORT

To
The Members of
Keynote Corporate Services Ltd.

We have audited the attached Balance Sheet of KEYNOTE CORPORATE SERVICES LIMITED as on 31st March, 2001 and the Profit and Loss Account, for the year ended on that date annexed thereto and report that :

- 1) As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act 1956, we annex hereto a statement on the matters specified in paragraphs 4 & 5 of the said order to the extent applicable to the Company.
- 2) Further to our comments in the Annexure referred to in paragraph (1) above:
 - i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - ii) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of the books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us.
 - iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account of the Company.

- iv) In our opinion the Profit and Loss Account and the Balance Sheet comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
- v) In our opinion and according to the explanations given to us, none of the Director are disqualified from being appointed as Director under clause (g) of sub-section (i) of section 274 of the Companies Act.
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts together with notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
 - a) in the case of the Balance Sheet, of the State of affairs of the Company as at 31st March, 2001 and
 - b) in the case of the Profit and Loss Account, of the Loss of the company for the year ended on that date.

For **K.K. BHAGERIA & CO.,**
Chartered Accountants,

Place : Mumbai
Dated : 30th August, 2001

Sd/-
K.K. BHAGERIA
Proprietor

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph (1) of our Report of even date)

- (i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. As per information and explanations given to us fixed assets have been physically verified by the management at reasonable intervals during the year and no discrepancies have been noticed on such verification.
- (ii) None of the fixed assets has been revalued during the year.
- (iii) As explained to us the stock of shares & securities have been physically verified by the Management at reasonable intervals during the year.
- (iv) The procedures followed by the management for physical verification of stock-in-trade, in our opinion, is reasonable and adequate in relation to the size of the Company and the nature of its business.
- (v) We have been informed that no discrepancies have been noticed on physical verification of stock-in-trade as compared to book records.
- (vi) On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper and in accordance with normally accepted accounting principles. The basis of valuation of stocks is the same as in the previous year.
- (vii) The Company has not taken any loans from the companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or from the companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
- (viii) The Company has granted loans to the companies listed in the Register maintained under Section 301 of the Companies Act, 1956. As mentioned in note (2) (11) of Schedule 'R', the Company has not charged interest on loans of Rs. 1496 lacs.
- (ix) The parties to whom Loans & Advances in the nature of loans granted by the Company and outstanding as on 31st March, 2001 is Rs. 1521 lacs, out of which the Company has not charged interest on Loans & Advances amounting to Rs. 1517 lacs. However, the Company has taken reasonable steps for the recovery of the same.
- (x) 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, for the purchase of equipments and other fixed assets including leased assets.
- (xi) On the basis of information and explanations given to us, there are no transactions entered into for purchase and sale of goods and materials and services rendered, with the parties whose names are entered in the register maintained under Section 301 of the companies Act, 1956, aggregating during the year to Rs. 50,000/- (Rupees fifty thousand only) or more in respect of each party.
- (xii) The Company has no formal Internal Audit system.
- (xiii) The Company is regular in making payments of Provident Fund and Employee's State Insurance dues with the appropriate authorities.
- (xiv) According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income Tax, Wealth Tax and Sales Tax outstanding as at 31st March, 2001 for a period of more than six months from the date they become payable.
- (xv) According to the information and explanations given to us and the records examined by us, no personal expenses other than those payable under contractual obligations or in accordance with generally accepted business practices have been charged to revenue account.
- (xvi) The Company is not a sick industrial company within the meaning of clause (o) of Sub-Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
- (xvii) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- (xviii) We are informed, that the provisions of any special statute applicable to Chit Fund, Nidhi or Mutual Benefit Society do not apply to the Company.
- (xix) In our opinion, the Company has maintained proper records of the transactions and contracts in respect of trading in shares, debentures and other securities and that timely entries have been made therein. All the shares, debentures and other securities are in the name of the Company except to the extent of the exemption granted under Section 49 of the Companies Act, 1956 and those which were sent for transfer of names and/ or splitting up into marketable lot on the verification date.
- (xx) Other provisions of the Manufacturing and Other Companies (Auditors Report) Order 1988, issued by the Company Law Board are not applicable to the Company for the year under report.

For **K.K. BHAGERIA & CO.,**
Chartered Accountants,

Place : Mumbai
Dated : 30th August, 2001

Sd/-
K.K. BHAGERIA
Proprietor

KEYNOTE CORPORATE SERVICES LIMITED

BALANCE SHEET AS ON 31st March, 2001

	Schedule	AS ON 31.3.2001 Rs.	AS ON 31.3.2000 Rs.
I. SOURCES OF FUNDS :			
1) SHAREHOLDERS' FUND			
a) Share Capital	'A'	79,694,705.00	79,694,705.00
b) Reserves & Surplus	'B'	248,313,525.00	282,892,073.88
2) LOAN FUND :	'C'		
a) Secured Loan		715,787.44	—
b) Unsecured Loan		1,597,496.95	2,524,000.00
TOTAL		330,321,514.39	365,110,778.88
II. APPLICATION OF FUNDS :			
1) FIXED ASSETS :			
Gross Block	'D'	6,092,439.10	54,935,700.10
Less : Depreciation		2,443,603.53	17,879,295.45
NET BLOCK		3,648,835.57	37,056,404.65
2) INVESTMENTS	'E'	93,221,885.00	47,762,243.00
3) CURRENT ASSETS, LOANS & ADVANCES :			
A CURRENT ASSETS			
a) Interest Accrued on Investments		—	6,400.67
b) Stock-in-trade	'F'	11,892,559.85	518,851.00
c) Sundry debtors	'G'	16,050,761.00	17,478,739.27
d) Cash & bank balance	'H'	2,249,803.11	1,501,655.87
e) Other Current Assets	'I'	55,760.00	3,128,278.00
B LOANS & ADVANCES	'J'	223,232,754.13	270,593,018.22
		253,481,638.09	293,226,943.03
LESS : CURRENT LIABILITIES & PROVISIONS			
a) Current liabilities	'K'	19,178,648.14	13,306,358.17
b) Provisions	'L'	9,600,000.00	9,300,000.00
		28,778,648.14	22,606,358.17
NET CURRENT ASSETS (I) - (II)		224,702,989.95	270,620,584.86
Miscellaneous expenditure to the Extent not written off or adjusted Profit and Loss Account	'M'	7,750,132.37 997,671.50	9,671,546.37 —
TOTAL		330,321,514.39	365,110,778.88
Notes to the accounts	'R'		
"AS PER OUR REPORT OF EVEN DATE ANNEXED"		For and on behalf of the Board	
For K.K. Bhageria & Co. Chartered Accountants			
Sd/- K. K. Bhageria Proprietor	Sd/- B. Madhuprasad Managing Director	Sd/- Vineet Suchanti Director	
Place : Mumbai Dated : 30th August, 2001			