

KEYNOTE



KEYNOTE CORPORATE SERVICES LTD.

Report

KEYNOTE CORPORATE SERVICES LIMITED ANNUAL REPORT 2003-2004

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KEYNOTE CORPORATE SERVICES LIMITED

BOARD OF DIRECTORS

Mr. B. Madhuprasad
Managing Director

Mr. Nirmal Suchanti
Director

Mr. Uday S. Patil
Director

Mr. Vineet Suchanti
Director

Mr. Suraj Saraogi
Director

Mr. Mehul Patel
Director

REGISTERED OFFICE

307, Regent Chambers,
Nariman Point,
Mumbai - 400 021.

SHARE TRANSFER AGENTS

MCS Limited
Sri Venkatesh Bhavan,
Road No.11, Plot No.27,
MIDC, Andheri (East),
Mumbai - 400 093.
Tel.: 022 - 2836 8720
Fax : 022 - 2835 0456

BANKERS

Punjab National Bank
State Bank of India
IndusInd Bank Limited
South Indian Bank

AUDITORS

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

Eleventh Annual General Meeting
on Friday, 31st December, 2004 at 10.30 a.m.
at the Registered Office of the Company at
307, Regent Chambers,
Nariman Point, Mumbai - 400 021.

NOTICE

NOTICE IS HEREBY GIVEN THAT THE ELEVENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF KEYNOTE CORPORATE SERVICES LIMITED WILL BE HELD ON FRIDAY, 31ST DECEMBER, 2004 AT THE REGISTERED OFFICE OF THE COMPANY AT 307, REGENT CHAMBERS, NARIMAN POINT, MUMBAI - 400 021 AT 10.30 A.M. TO TRANSACT THE FOLLOWING BUSINESS :

ORDINARY BUSINESS :-

1. To receive, consider and adopt the audited Balance Sheet as of 31st March, 2004 and the profit and loss account for the year ended on that date together with the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Vineet Suchanti who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. Mehul Patel who retires by rotation and being eligible offers himself for reappointment.
4. 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 :-

5. To consider, and if, thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution :
"RESOLVED THAT pursuant to Section 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956 the Company hereby approves the reappointment and terms of remuneration of Shri Uday S. Patil, Whole-time Director of the Company for a period of five years with effect from 13th November, 2004 upon the terms and conditions set out in the draft Agreement submitted to this meeting and for identification signed by a Director thereof, which Agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said reappointment and/or Agreement in such manner as may be agreed to between the Directors and Shri Uday S. Patil."

By Order of the Board
For Keynote Corporate Services Limited
Sd/-
B. Madhuprasad
Managing Director

Date : 2nd December, 2004
Place : Mumbai

NOTES

- a) 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.
- b) The practice of distributing copies of Annual Reports at the Annual General Meeting has been discontinued as a measure of economy.
- c) 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.

- iii. Quote ledger folio nos. in all their correspondence with the Company and the Transfer Agent. In case shares are held in dematerialized mode, please quote the DP Id No. and Client Id in all their correspondence.
- iv. Bring copy of the Annual Report and their Attendance Slip with them at the Annual General Meeting.
- v. 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.

By Order of the Board
For Keynote Corporate Services Limited
Sd/-
B. Madhuprasad
Managing Director

Date : 2nd December, 2004
Place : Mumbai

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

Item No. 5

Shri Uday S. Patil has been with the Company since March, 1994. He has been a Director of the Company w.e.f. 27/09/1999. His term as Director has been approved by the Shareholders of the Company at the AGM held on 12/11/1999 for a period of five years i.e. upto 12/11/2004. His services as Whole Time Director of the Company have been very useful and beneficial for the Company. The Board of Directors at their meeting held on 16/10/2004, reappointed Shri Uday S. Patil, the Whole Time Director of the Company for a further period of 5 years w.e.f. 13/11/2004 subject to approval of the shareholders. The draft of agreement between the Company and Shri Uday S. Patil contains the following terms and conditions:

The proposed remuneration payable to Shri Uday S. Patil is as follows :

- i) Salary : Rs. 40,000/- per month to be revived year on year basis
- ii) Commission : Payable based on the net profits of the Company subject to the overall ceilings laid down in Sections 198 and 309.

iii) Perquisites, as per details given below :

a) Housing :

1. In case the accommodation is owned / hired by the Company, perquisites will be evaluated as per Income Tax Rules.
2. In case no accommodation is provided by the Company, he shall be entitled to house rent allowances subject to the ceiling of 60% of salary.
3. The existing housing loan will continue & may be adjusted against any incentive or payments that may be payable to him by the Company from time to time.

b) The expenditure incurred on Gas, Electricity, Water and Furnishings will be on actual basis.

- c) Medical Reimbursement for self and family will be as per rules of the Company.
- d) Leave Travel expenses for self and family will be as per rules of the Company.
- e) Club fees (excluding admission to life membership fee) will be on actual basis.
- f) Expenses on children's education not exceeding Rs. 15,000/- per annum per child, subject to maximum of two children.
- g) Personal Accident Insurance and Mediclaim Insurance for self and family will be as per company's rules.
- h) The perquisites for servant, gardener etc. (maximum two persons) provided by the company will be evaluated as per the Income Tax Rules, 1962.
- i) Expenses incurred on soft furnishing not exceeding Rs. 24,000/- per annum.

For the above purpose family means the spouse, the dependent children and dependent parents.

OTHERS :

1. Contribution to Provident Fund, Superannuation fund or Annuity :

- * To the extent these, either singly or put together are not taxable under the Income Tax Act.

Gratuity :

- * Half a months salary for each completed year of service.

2. Earned Leave and encashment of leave :

- * One month's leave for every years service.

Encashment of leave at the end of the tenure will not be included in the computation of the ceiling of perquisites. Encashment of leave will be as per the rules of the Company.

3. Casual Leave and Sick Leave :

- As Applicable to other executives of the Company.

4. Provision of car :

- ** For use on Company's business.

5. Telephone at residence :

- ** For use on Company's business. Personal long distance telephone calls shall be billed by the Company.

6. Reimbursement of Expenses actually incurred for Company's business :

- ** Against submission of supportings.

7. Actual traveling and other related expenses for self and spouse touring in India and abroad on Company's work.

Note :

- * Will not be included for the computation of ceiling under perquisites to the extent these, either singly or put together are not taxable under the Income Tax Act.

- ** Will not be considered as perquisites.

He shall not be paid any sitting fees for attending the meetings of the Board of Directors / Committees thereof.

The Annual increment shall be determined by the Board from time to time. The appointment can be terminated by either side by giving six months notice in writing. Shri Uday S. Patil is concerned or interested in the said resolution.

By Order of the Board
For Keynote Corporate Services Limited
Sd/-
B. Madhuprasad
Managing Director

Date : 2nd December, 2004
Place : Mumbai

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DIRECTORS' REPORT

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

Dear Shareholders,
Your Directors have pleasure in presenting their 11th Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2004.

Financial Results

The financial results are summarised below :

Details	(Rs. in lacs)	
	Year Ended 31.03.2004	Year Ended 31.03.2003
Gross Income	114.99	92.97
Gross Operating Profit/(Loss)	2.81	(33.59)
Depreciation	2.42	2.20
Profit/(Loss) Before Tax	0.39	(35.79)
Provision for :		
Current Tax	(0.36)	—
Deferred Tax Credit	(0.10)	(0.08)
Short provision (A.Y.2000-01)	(2.70)	—
Profit/(Loss) After Tax	(2.77)	(35.87)
Add:		
Profit/(Loss) brought forward from Previous Year	(38.29)	(2.42)
Balance carried forward	(41.06)	(38.29)

Dividend

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

Operations

The gross income of the company for the year ended 31/03/2004 was Rs. 114.99 Lacs as against Rs. 92.97 Lacs reported as on 31/03/2003. The company has reported an increase of 23.68% in the gross income during the financial year. The company has reported profit before tax to the extent of Rs. 0.39 lacs.

The financial year ended on 31/03/2004 witnessed various positive developments as far as capital market activities are concerned. During the financial year the capital market has witnessed large flotations of Public Sector undertakings and of some of the large corporate houses. The investors response to all these flotations has been tremendous. This coupled with large inflow of funds from Foreign Institutional investors in the secondary market and stable political environment has led to spurt in the capital market activities.

During the year the company has further strengthened its client base by handling various corporate advisory assignments, public rights issues and number of takeover assignments. As you are aware the company is in the business of providing non-fund based activities with a lean set up of man power and infrastructure. The company is rightly placed to consolidate its position in the capital market segment where it operates. During 2003-2004 Keynote has handled acquisition deals to the extent of Rs. 90.06 crores and have been ranked at number Six in the list of top ten Merchant Bankers as "Deal Makers" as published by Economic Times dated 5/12/2003.

We are pleased to inform you that the company has joined hands with Strategic Alliances Financial Services Ltd., Zurich, Switzerland. Which was taken on record by the Board of Directors in their meeting held on 30/11/2004. The alliance would facilitate tie-ups, mergers & acquisitions between midcap Indian companies in regions such as Latin America and certain parts of Europe. The tie-up will also facilitate investments from private as well as institutional investors from India and vice versa.

Operations of Subsidiary

Keynote Capitals Limited (KCL) our 100% subsidiary is an integrated broking house having membership of BSE, NSE, & OTCEI. With the improvements in the secondary market segment KCL has also consolidated its position. KCL has developed a client base of retail as well as institutional investors. KCL has been providing efficient services to all the clients in conducting the transaction on their behalf. KCL has also developed the research and retail distribution activities enabling them to provide entire range of financial services to all the clients. KCL has around 3500 clients and 470 Depository Accounts being serviced.

The company has proposed the merger of the other three subsidiaries with itself namely, Concept Asset Management Limited, Concept Capital Management Limited, Concept Holdings Limited. These subsidiaries have very insignificant business operations and merger will help reducing administrative costs and also rationalise the capital structure. The company has obtained the permission from NSE & BSE for the proposed scheme of merger and special resolution in this regard also has been approved by the members in the court convened meeting held on 30/09/2004 as directed by Honorable High Court, Mumbai. On account of the proposed merger the company had sought extension of time to hold the Annual General Meeting for the financial year end 31/03/2004 upto 31/12/2004 from Registrar of Companies Maharashtra, Mumbai. However, as the court proceedings are taking more time the company is proceeding with Annual General Meeting and the scheme of merger will be effected on obtaining Hon'ble High Court approval for the same. The company is confident that the merger will be effected in the next financial year with all the appropriate and statutory sanctions and permissions.

Tax Provisions

The Company expects no liability of income tax during the year as per provision of Income-Tax Act, 1961. Therefore no provision for income-tax has been made during the year.

Listing

The equity shares of the Company continue to be listed and traded on the BSE and NSE. The scrip code number of the equity shares of the Company on BSE is 512597 and on NSE is KEYCORPSE. The Company has paid up-to-date listing fees to both the 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 INE681C01015. 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. Presently 37.53% of equity capital of the company is in dematerialised mode.

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 "R" 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, 2004 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

The Companies Act, 1956 & the listing agreement with the stock exchanges requires compliances with specified Corporate Governance practices. These practices have been fully implemented and a certificate from the Auditor's of the Company as well as a detailed report on Corporate Governance, approved by the Board of Directors of the Company is set out in the annual report.

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 (Particulars 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, 2004 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. Vineet Suchanti & Mr. Mehul Patel who retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. Your Directors recommend their appointment.

The Board of Directors at their meeting held on 16/10/2004, reappointed Shri Uday S. Patil, the Whole Time Director whose term was expired on 21/12/2004, for a further period of 5 years w.e.f. 13/11/2004 subject to approval of the shareholders.

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, 2005.

Acknowledgment

We take this opportunity to express our deep sense of gratitude to Stock Exchanges (BSE & NSE), Registrar of Companies, Securities and Exchange Board of India (SEBI), National Securities Depository Ltd. (NSDL), Central Depository Services (I) Ltd. (CDSL), Association of Merchant Bankers of India (AMBI), M/s MCS Ltd. (RTA), 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 : 2nd December 2004

KEYNOTE CORPORATE SERVICES LIMITED

REPORT OF THE DIRECTOR'S ON CORPORATE GOVERNANCE

Keynote's Philosophy on code of Governance

The company firmly believes in and continues to practice Corporate Governance. The Company's essential character is shaped by the very values of transparency, professionalism and accountability. The Company continuously endeavors to improve on these aspects on an ongoing basis.

BOARD OF DIRECTORS**Board Meetings held during the Financial Year 2003-04**

The Board of Directors had met 15 times during the financial year 2003-04. These meetings were held on 28/04/2003, 12/05/2003, 09/07/2003, 10/07/2003, 30/07/2003, 08/08/2003, 16/09/2003, 27/09/2003, 01/10/2003, 30/10/2003, 01/12/2003, 16/01/2004, 28/01/2004, 16/02/2004, 16/03/2004.

Composition, Attendance at the Board Meetings and the last Annual General Meeting, Outside Directorships and other Board Committees as on 31/03/2004, as applicable, is tabulated hereunder:

Name of the Director	No. of Board Meetings attended	Attendance at previous AGM on 27.09.2003	No. of outside Directorship held	No. of membership/ chairmanship in other Board Committees	Executive/ Non Executive
B. Madhuprasad	15	Yes	2	Nil	Executive
Nirmal Suchanti	9	Yes	4	1	Non Executive
Vineet Suchanti	15	Yes	11	1	Non Executive
Uday S. Patil	15	Yes	1	1	Executive
Suraj Saraogi	15	Yes	4	2	Non Executive
Mehul Patel	9	Yes	3	1	Non Executive

AUDIT COMMITTEE

The Audit Committee comprises of Mr. Nirmal Suchanti, Mr. Vineet Suchanti, Mr. Suraj Saraogi and Mr. Mehul Patel all being Non Executive Directors. The committee met four times during the year under review. The audit committee also met prior to the finalisation of the accounts for the year ended 31/03/2004.

Members	No. of meetings Attended
Mr. Nirmal Suchanti	4
Mr. Vineet Suchanti	4
Mr. Suraj Saraogi	4
Mr. Mehul Patel	4

SHAREHOLDERS COMMITTEE

Shareholder/Investor Grievance Committee is headed by Mr. Vineet Suchanti, a Non-Executive Director. Mr. Uday S. Patil is the Compliance Officer. During the financial year 2003-04, 26 communications were received from shareholders and investors. These communications were of routine nature regarding share certificates, corrections / change in address etc. All valid requests for share transfer received during 2003-04 have been acted upon by the Company and no transfer is pending.

REMUNERATION COMMITTEE

The Managing Director and the other Whole-time Director is in service contract with the Company. The remuneration payable to them is in terms of the said contract. The matters of remuneration of Directors are considered by the Board of Directors of the Company from time to time. Therefore no separate remuneration committee has been constituted.

REMUNERATION OF DIRECTORS FOR THE FINANCIAL YEAR 2003-04

No sitting fees is paid to the Members of the Board for Board Meetings attended by them. The Company has two Whole-time Directors to whom monthly remuneration is being paid as approved by the general meeting.

Mr. B. Madhuprasad, Managing Director is being paid a remuneration of Rs.75,000/- per month in addition to the perquisites, in terms of the service contract entered into with him for a period of 5 years with effect from 29/09/1998. The service contract is renewed in the Board meeting held on 29/08/2003 for further period of 5 years.

Mr. Uday S. Patil, Director is being paid a remuneration of Rs.40,000/- per month in addition to the perquisites, in terms of the service contract entered into with him for a period of 5 years with effect from 12/11/1999. The service contract is renewed in the Board meeting held on 16/10/2004 for further period of 5 years w.e.f. 13/11/2004 subject to approval of shareholders in this AGM.

GENERAL BODY MEETINGS

Location and time of last three Annual general Meetings are as under:

Year	Venue	Date	Time
2002-03	307, Regent Chambers, Nariman Point, Mumbai - 400 021	27 th September 2003	10.30 a.m.
2001-02	307, Regent Chambers, Nariman Point, Mumbai - 400 021	28 th September 2002	10.30 a.m.
2000-01	608, Dalamal House, Nariman Point, Mumbai - 400 021.	29 th September 2001	10.30 a.m.

Details of the other meetings of shareholders held upto the date of report are as follows:

Date & Time	Details of Meeting
30/09/2004 At 1.00 p.m.	Court Convened Meeting for considering, and approving with or without modification, the Merger/Amalgamation proposed to be made between Keynote Corporate Services Limited, with Concept Assets Management Limited, Concept Capital Management Limited, Concept Holdings Limited.
30/09/2004 At 2.00 p.m.	Extra Ordinary General Meeting for passing a special resolution for the purpose of reduction of equity capital under section 100 of Companies Act, 1956 and issue of shares pursuant to scheme of amalgamation under Section 391,392 & 394 of the Companies Act, 1956.

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- The resolution in both the meetings were passed unanimously. The report of the Chairman of Court Convened meeting has filed/ published in terms of requirement of law with appropriate authorities.
- There was no resolution put through postal ballot.

DISCLOSURES

During the financial year 2003-04, the Company had no materially significant related party transaction which is considered to have potential conflict with the interests of the Company at large.

Pursuant to the order dated 21/04/2004 of Hon'ble Securities Appellate Tribunal (SAT), Mumbai, company suffered a ban period of 2 months during April 2004 to May 2004 for acting as Merchant Banker. The said SAT order was passed on an appeal against the order dated 26/09/2003 of Hon'ble Chairman SEBI in the matter of public issue of Maha Chemicals Ltd. in the year 1994.

Besides this there has not been any non-compliance, penalties or strictures imposed on the Company by the Stock Exchanges or any other statutory authority, on any matter relating to the capital markets, during the last three years.

MEANS OF COMMUNICATION

The Quarterly, Half-Yearly and Annual Results are published by the Company in all editions of the Free Press Journal and Navshakti, Mumbai. "Limited Review" by the Auditor of the company of the Quarterly results is sent to the all Stock Exchanges where the shares of the Company are listed. Shareholders can also access the quarterly results on website of stock exchanges where the equity shares of the company are listed (i.e. www.bseindia.com, www.nseindia.com). The financial data of the Company is also filed under Electronic Data Information Filing and Retrieval (EDIFAR) as prescribed by SEBI. The same is available on www.sebieditor.nic.in

Date of publishing Financial results

Results (Unaudited)	Date
1st Quarter (June 2003)	31/07/2003
2nd Quarter (September 2003)	31/10/2003
3rd Quarter (December 2003)	29/01/2004
4th Quarter (March 2004)	24/04/2004

GENERAL SHAREHOLDER INFORMATION**Annual General Meeting**

Date And Time : 31st December 2004, 10.30 a.m.
 Venue : 307, Regent Chambers, Nariman Point, Mumbai-400 021.

Financial Year ending : 31st March every year

Date Of Book Closure : The transfer book of the company will remain closed between Monday, 27th December, 2004 to Friday 31st December, 2004.

Listing on Stock Exchanges and Stock Code: Shares of the Company are listed at the Stock Exchange, Mumbai (BSE) (Stock Code 512597) and The National Stock Exchange of India (Stock Code KEYCORPSERV).

Face Value of Equity Share : Rs.10/- each

Market Price Data : Monthly High/Low during the financial year 2003-04 on The Stock Exchange, Mumbai (BSE)

Month	High (Rs.)	Low (Rs.)	Month	High (Rs.)	Low (Rs.)
April 2003	3.25	3.25	October 2003	5.78	4.99
May 2003	3.95	3.00	November 2003	4.00	2.51
June 2003	3.60	2.45	December 2003	6.07	2.91
July 2003	4.55	3.10	January 2004	6.22	3.52
August 2003	6.70	3.13	February 2004	4.20	2.85
September 2003	4.77	3.00	March 2004	4.78	2.61

Market Price Data : Monthly High/Low during the financial year 2003-04 on The National Stock Exchange of India (NSE)

Month	High (Rs.)	Low (Rs.)	Month	High (Rs.)	Low (Rs.)
April 2003	4.10	3.30	October 2003	Not Traded	Not Traded
May 2003	5.70	3.75	November 2003	Not Traded	Not Traded
June 2003	5.00	3.20	December 2003	Not Traded	Not Traded
July 2003	4.50	3.20	January 2004	7.60	4.25
August 2003	6.90	4.60	February 2004	5.40	3.25
September 2003	4.50	4.00	March 2004	5.00	2.95

SHARE TRANSFER AGENTS**MCS LIMITED**

Venkatesh Bhavan, Plot. No. 27,
 Road No. 11, MIDC Area, Andheri (E), Mumbai - 400 093.
 Tel : (022) 821 5235; Fax : (022) 835 0456

KEYNOTE CORPORATE SERVICES LIMITED

DISTRIBUTION OF SHAREHOLDING AS ON 31/03/2004

Category of Shares	No. of shares	% of total shares
Promoter's holding		
Indian Promoters	1,82,500	2.29
Person Acting in Concert	55,17,781	69.24
Non-Promoters holding		
Institutional Investors	34,100	0.43
Others	22,35,089	28.04
Total	79,69,470	100.00

Dematerialisation of shares: 29,91,140 equity shares (i.e. 37.53%) of the total capital of the Company have been dematerialized as on 31st March 2004.

ADDRESS FOR CORRESPONDENCE:

307, Regent Chambers, Nariman Point, Mumbai - 400021, E-Mail for Investors : mbd@keynoteindia.net

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

The Company is engaged in non-fund based activities such as Issue Management, Loan/Lease Syndication, Mergers and Acquisitions, Capital Restructuring, Corporate Advisory Services and other Merchant Banking activities. The Company has a registration of SEBI as Category I Merchant Banker. The Company has a 100% subsidiary, Keynote Capitals Limited which is an integrated broking house. Keynote Capitals Limited (KCL) is a wholly owned subsidiary of Keynote Corporate Services Ltd. The Company is a member of National Stock Exchange of India Ltd. (NSE) in Capital Market Segment (Cash & Derivative), Composite Member of The Stock Exchange, Mumbai (BSE) in Capital Market segment (Cash & Derivative) and Debt Market segment and also a Sponsor member of The Over the Counter Exchange of India (OTCEI). Over the years KCL has been registering good volumes on BSE, NSE as well as OTCEI. KCL has been empanelled by most of the prominent Banks and Financial Institutions. KCL has also received Registration for acting as Depository Participant (DP) on Central Depository Services Ltd. (CDSL) and has commenced DP operations.

During the financial year 2003-04, the company has strengthened the client base and efforts are being put to move up in the value chain. During this period the company handled number of open offers relating to takeover assignment of large and mid-size corporates. The company is also trying hard to look for alliances, tie ups with major capital market intermediaries in India and abroad. The conscious efforts have been put to forge such alliances. As informed earlier in the Directors Report, the company has been able to join hands with Strategic Alliances Financial Services Ltd., Zurich, Switzerland which will add value to its services profile. With this alliance the company will have the access to a large market in Europe for Indian clients. With the tremendous improvement in capital market segment and economic conditions, the company is rightly placed to reap the benefits of globalization.

The company was able to handle various assignments of rights/public issues, mergers and acquisition. The gross income levels have shown a growth of 23% which is a reflection of improved capital market segment for mid cap Merchant Bankers like our company. The directors are confident that with the further improvement in economic conditions, the company will be able to perform well in future.

By Order of the Board
For Keynote Corporate Services Limited
Sd/-

B. Madhuprasad
Managing Director

Place: Mumbai

Date : 2nd December, 2004

Details of the Directors seeking appointment/re-appointment in the forthcoming Annual General Meeting

Name, Age, Qualification and Address of Director	Experience/Expertise in specific functional area	Directorship held in other companies
Mr. Vineet Suchanti, <i>(Director seeking reappointment)</i> Age: 33 Years Qualification: B.com, MBA Address : 13 B Jolly Maker Apt. I, Cuffe Parade, Mumbai - 400 005.	Vineet Suchanti is a Bachelor of Commerce from the University of Mumbai and an M.B.A. in Finance and Marketing from University of Rochester, New York. His fields of expertise include Business Development, Structuring, Pricing and Marketing.	<ul style="list-style-type: none"> • Concept Assets Management Limited. • Concept Capital Management Limited. • Concept Holdings Limited • Keynote Capitals Limited • Keynote Finstock Limited • Starline Ispat and Alloys Limited • Plethora Investments Company Limited • Keynote Commodities Limited. • Keynote Advertising Private Limited • LKP Merchant Financing Limited
Mr. Mehul Patel <i>(Director seeking appointment)</i> Age: 26 Years Qualification: B.A., Bachelor of Economics and Communication Arts from Ursinus College, Pennsylvania. Address : Samudra Gaurav, Worli Sea Face Mumbai - 400 025.	He started his career as internship with a BSE Broker in 1992. During his stay in Pennsylvania he has acted as Student Supervisor and has also acted as Assistant Financial Advisor, New England, Sherman Oaks during 1996-97. He has worked as Researcher in Southern California Research Institute during 1998 and Electronic Product Support Analyst with Federal Reserve Bank, LA Branch from November 1998 for few years. Presently he is looking after the family business of share and stock broking in Mumbai. He has expertise in specific functional areas of research, financial product structuring.	<ul style="list-style-type: none"> • M. J. Patel Share & Stock Broking Ltd. • Killick Challenger Technology Ltd.
Mr. Uday S. Patil <i>(Director seeking reappointment)</i> Age: 45 Years Qualification: B. Sc. LL.B. (Gen), CAIIB Address : B-Shree Yashwant Society, 90 feet Road, Ghatkopar (East), Mumbai - 400 077.	An ex-banker with rich hands-on experience in various fields of banking. Handled various IPO Assignments, Project Appraisal and Merchant Banking functions. The functional area includes handling of Merchant Banking activities of the Company.	<ul style="list-style-type: none"> • Spire Investments & Trading Pvt. Ltd.

ANNUAL REPORT 2003-2004

AUDITORS' REPORT ON CORPORATE GOVERNANCE

To the Members of Keynote Corporate Services Ltd.

We have examined the compliance of conditions of Corporate Governance of Keynote Corporate Services Ltd., for the year ended 31st March, 2004, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

As required by the guidance Note issued by the Institute of Chartered Accountants of India, we have to state that while the Shareholders / Investors Grievance Committee has not maintained records to show the investor grievance pending for a period of one month against the Company, the Registrars of the Company have maintained the records of investor grievances and certified that as at 31st March, 2004, there were no investor grievances remaining unattended / pending for more than 30 days.

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

For K.K. BHAGERIA & CO.,
Chartered Accountants,
Sd/-

K.K. BHAGERIA
Partner

Place : Mumbai
Date : 2nd September, 2004

AUDITOR'S REPORT

To The Members of Keynote Corporate Services Ltd.

We have audited the attached Balance Sheet of Keynote Corporate Services Limited as at 31st March, 2004 and also the Profit and Loss Account 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.

1. 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.
2. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the Books and records of the Company as are considered appropriate and according to information and explanations given to us during the course of audit, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. Further to our comments in the Annexure referred to in paragraph 2 above, we report that:
 - i) 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;
 - ii) 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 those books;

- iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable;
- v) on the basis of written representations received from the directors, as on 31st March, 2004, and taken on record by the Board of Directors, we report that none of the directors of the company are, prima-facie, as on 31st March, 2004 disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon 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:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004;
 - (b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For K.K. BHAGERIA & CO.,
Chartered Accountants,
Sd/-

K.K. BHAGERIA
Partner

Place : Mumbai
Date : 2nd September, 2004

ANNEXURE TO THE AUDITOR'S REPORT (Referred to in paragraph (2) of our Report of even date)

- 1) In respect of its fixed assets:
 - a) The Company has maintained proper records showing full particulars including quantitative details and situations of fixed assets on the basis of available information.
 - b) As explained to us, the fixed assets of the company have been physically verified by the management at reasonable intervals during the year, which in our opinion is reasonable, having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such physical verification.
 - c) In our opinion, the company has not disposed off any fixed assets during the year and the going concern status of the Company is not affected.
- 2) In respect of its inventories:
 - a) As explained to us, the stock of shares & securities have been physically verified by the management at reasonable intervals during the year.
 - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
 - c) In our opinion and according to the information and explanations given us, the Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.
- 3) In respect of loans, secured or unsecured, granted or taken by the Company to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956:
 - a) The company has granted loans to 12 parties. The maximum amount involved during the year was Rs. 1,787.62 Lacs and the year end balance of loans granted was Rs. 1,787.62 Lacs. The company has taken loan from one party and the maximum amount involved during the year was Rs. 15.97 Lacs and the year end balance of loan taken was "NIL".
 - b) According to information and explanations given to us, we are of the opinion that the terms and conditions of loans given by the company are prima facie prejudicial to the interest of the company, since the company has given interest free loans to the companies covered in the register maintained under Section 301 of the Companies Act, 1956.
 - c) In respect of loans granted by the company, the loans are interest free and are repayable on demand. According to information and explanations given to us, no stipulation has been made for the repayment of the loans, hence whether the payment of principle amount is regular or not cannot be commented on.
 - d) As loans taken by the company are repaid during the year, the question of overdue amounts does not arise. In respect of loans given by the company, As explained to us reasonable steps are being taken by the company for their recovery, which however, needs to be further strengthened.

KEYNOTE CORPORATE SERVICES LIMITED

ANNEXURE TO THE AUDITOR'S REPORT
(Referred to in paragraph (2) of our Report of even date)

- 4) 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 purchase of fixed assets and purchase and sale of securities. During the course of our audit, we have not observed any major weaknesses in the internal controls.
- 5) In respect of transactions covered under section 301 of the Companies Act, 1956:
- In our opinion and according to the information and explanations given to us, the transaction made in pursuance of contracts or arrangements, that needed to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - In our opinion and according to the information and explanations given to us, there are no transaction in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 aggregating during the year to Rs.5,00,000/- (Rupees five lacs only) or more in respect of any party.
- 6) The company has not accepted any deposits from the public within the meaning of section 58A of the Companies Act, 1956.
- 7) The company has no formal internal audit system.
- 8) We are informed that the maintenance of cost records which has been prescribed under section 209(1)(d) is not applicable to the company.
- 9) a) According to the information and explanations given to us, undisputed statutory dues including provident fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax and other statutory dues have been generally regularly deposited with appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2004 for a period of more than six months from the date of becoming payable.
- b) The disputed statutory dues aggregating to Rs.396.08 lacs that have not been deposited on account of matters pending before appropriate authorities are as under :-
- | Sr. No. | Nature of the Statute | Nature of the Dues | Period to Which the amount relates | Forum where Dispute is pending | Amount (Rs. in lacs) |
|---------|-----------------------|--------------------|------------------------------------|---|----------------------|
| 1 | Income Tax Act, 1961 | Income Tax | AY-2000-01 | Appellate Tribunal | 6.13 |
| 2 | Income Tax Act, 1961 | Income Tax | AY-1998-99 | Appellate Tribunal | 5.78 |
| 3 | Income Tax Act, 1961 | Income Tax | AY-1997-98 | Appellate Tribunal | 48.66 |
| 4 | Income Tax Act, 1961 | Income Tax | AY-1995-96 and AY-1996-97 | Matter Setaside by Appellate Tribunal. Pending before Assessing Officer | 335.51 |
- 10) In our opinion, the accumulated losses of the company are not more than 50% of its net worth. The company has not incurred any cash losses during the financial year covered by our audit. However, the company has incurred cash loss in the immediately preceding financial year.
- 11) Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions or banks.
- 12) In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures and other securities.
- 13) We have been informed that the provisions of any special statute applicable to Chit Fund, Nidhi / Mutual benefit fund / society do not apply to the company. Therefore, clause 4(xiii) of the Companies (Auditors Report) Order, 2003 is not applicable to the company.
- 14) The Company has maintained proper records of transactions and contracts in respect of trading in securities, debentures and other investments and timely entries have been made therein. All shares, debentures and other securities are in the name of the Company except those, which are in the process of being transferred in the name of the Company.
- 15) The company has not given any guarantees for loans taken by others from banks or financial institutions.
- 16) The company has raised Rs. 3.34 lacs as term loan during the year. The term loan taken during the year and term loans outstanding at the beginning of the year were applied for the purposes for which they were raised.
- 17) According to the information and explanations given to us and overall examination of the Balance Sheet of the company, we are of the opinion that the company has not utilized funds raised from short term sources towards repayment of long term borrowings and acquisition of fixed assets.
- 18) During the year 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.
- 19) As the company has not issued any debentures, Therefore clause 4(ixx) of the Companies (Auditors Report) Order, 2003 is not applicable to the company.
- 20) The Company has not raised any money by way of public issue during the year.
- 21) In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year that causes the financial statements to be materially misstated.

For **K.K. BHAGERIA & CO.,**
Chartered Accountants,
Sd/-
K.K. BHAGERIA
Partner

Place : Mumbai
Date : 2nd September, 2004

ANNUAL REPORT 2003-2004

BALANCE SHEET AS ON 31ST MARCH 2004

	Schedule	AS ON 31.03.2004 Rs.	AS ON 31.03.2003 Rs.
I. SOURCES OF FUNDS :			
SHARE HOLDERS' FUND			
a) Share Capital	'A'	79,694,700.00	79,694,700.00
b) Reserves & Surplus	'B'	248,313,525.00	248,313,525.00
LOAN FUND	'C'		
a) Secured Loan		273,044.95	114,235.52
b) Unsecured Loan		—	1,597,496.95
DEFERRED TAX LIABILITY		444,509.62	434,452.62
TOTAL		<u>328,725,779.57</u>	<u>330,154,410.09</u>
II. APPLICATION OF FUNDS :			
FIXED ASSETS :			
Gross Block	'D'	3,184,909.75	2,769,208.75
Less : Depreciation		<u>1,328,616.88</u>	<u>1,086,617.10</u>
NET BLOCK		1,856,292.87	1,682,591.65
INVESTMENTS	'E'	93,994,180.00	93,994,180.00
CURRENT ASSETS, LOANS & ADVANCES			
A CURRENT ASSETS,			
a) Stock in trade	'F'	58,080.00	1,666,311.40
b) Sundry debtors	'G'	16,629,533.43	24,586,868.72
c) Cash & bank balance	'H'	106,323.56	64,279.75
d) Other Current Assets	'I'	184,056.00	150,841.00
B LOANS & ADVANCES	'J'	226,929,537.47	221,758,874.25
TOTAL (i)		<u>243,907,530.46</u>	<u>248,227,175.12</u>
LESS : CURRENT LIABILITIES & PROVISIONS			
a) Current liabilities	'K'	8,091,248.38	11,886,193.22
b) Provisions	'L'	9,036,000.00	9,600,000.00
TOTAL (ii)		<u>17,127,248.38</u>	<u>21,486,193.22</u>
NET CURRENT ASSETS (i) - (ii)		226,780,282.08	226,740,981.90
Miscellaneous expenditure to the Extent, not written off or adjusted Profit & Loss Account	'M'	1,989,166.37 4,105,858.25	3,907,304.37 3,829,352.17
TOTAL		<u>328,725,779.57</u>	<u>330,154,410.09</u>
Notes to the accounts	'R'		

"AS PER OUR REPORT OF EVEN DATE ANNEXED"

For K.K. BHAGERIA & CO.

Chartered Accountants

Sd/-

K. K. BHAGERIA

Partner

For and on behalf of the Board

Sd/-

B. Madhuprasad

Managing Director

Sd/-

Vineet Suchanti

Director

Place : Mumbai

Date : 2nd September, 2004