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KEYNOTE

13th Annual Report 2005-2006

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KEYNOTE CORPORATE SERVICES LIMITED
ANNUAL REPORT 2005-2006

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BOARD OF DIRECTORS

Shri Nirmal Suchanti
Chairman

Shri B. Madhuprasad
Vice Chairman

Shri Uday S. Patil
Director

Shri Suraj Saraogi
Director
upto 30th March, 2006

Shri Vineet Suchanti
Managing Director

Shri Mehul Patel
Director

Shri Hitesh Shah
Director
w.e.f. 30th March, 2006

REGISTERED OFFICE
307, Regent Chambers,
Nariman Point,
Mumbai – 400 021

BANKERS
Indian Bank
State Bank of India

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SHARE TRANSFER AGENTS
MCS Ltd.,
Harmony, 1st floor,
Sector – 1, Khanda Colony,
New Panvel (West), Dist – Raigad,
Maharashtra – 410 206
(Upto 30th June, 2006)

Intime Spectrum Registry Ltd.,
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West),
Mumbai – 400 078
Tel : 2596 3838
Fax : 2594 6969
(w.e.f. – 1st July, 2006)

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

Thirteenth Annual General Meeting
On Thursday, 28th September, 2006 at 10.00 a.m.
at Ashoka Hall, Arcadia, Nariman Point,
Mumbai – 400 021

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NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTEENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF KEYNOTE CORPORATE SERVICES LIMITED WILL BE HELD ON THURSDAY THE 28TH SEPTEMBER, 2006 AT ASHOKA HALL, ARCADIA, NARIMAN POINT, MUMBAI – 400 021 AT 10.00 A.M. TO TRANSACT THE FOLLOWING BUSINESS :

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as of 31st March, 2006 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 Shri B. Madhuprasad, who retires by rotation and being eligible offers himself for reappointment.
3. 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 :

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

   "**RESOLVED THAT** Shri Hitesh Shah, who was appointed as an Additional Director w.e.f. 30th March, 2006 by the Board of Directors vide resolution passed on that date 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.
5. To consider and if thought fit, to pass the following resolution with or without modification as an Ordinary Resolution :

   Variation in terms of appointment of Shri B. Madhuprasad, Vice-Chairman of the Company.

   " **RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals, if any, the Company hereby approves the revision of remuneration payable to Shri B. Madhuprasad as the Vice-Chairman for the remaining period of his tenure w.e.f. 01/01/2006, with the liberty to the Board of Directors to alter and vary the terms of appointment so as not to exceed the limits set out in Schedule XIII to the Companies Act, 1956 including any statutory modifications or re-enactment thereof for the time being in force or any amendments and/or modifications that may hereafter be made thereto by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Shri B. Madhuprasad.
6. To consider and if thought fit, to pass the following resolution with or without modification as an Ordinary Resolution :

   Variation in terms of appointment of Shri Vineet Suchanti, Managing Director of the Company.

   " **RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals, if any, the Company hereby approves the revision of remuneration payable to Shri Vineet Suchanti as the Managing Director for the remaining period of his tenure w.e.f. 01/01/2006, with the liberty to the Board of Directors to alter and vary the terms of appointment so as not to exceed the limits set out in Schedule XIII to the Companies Act, 1956 including any statutory modifications or re-enactment thereof for the time being in force or any amendments and/or modifications that may hereafter be made thereto by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Shri Vineet Suchanti.
7. To consider and if thought fit, to pass the following resolution with or without modification as an Ordinary Resolution :

   Variation in terms of appointment of Shri Uday S. Patil, Whole Time Director of the Company.

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" **RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals, if any, the Company hereby approves the revision of remuneration payable to Shri Uday S. Patil as the Whole Time Director for the remaining period of his tenure w.e.f. 01/01/2006, with the liberty to the Board of Directors to alter and vary the terms of appointment so as not to exceed the limits set out in Schedule XIII to the Companies Act, 1956 including any statutory modifications or re-enactment thereof for the time being in force or any amendments and/or modifications that may hereafter be made thereto by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Shri Uday S. Patil.

By Order of the Board
For **Keynote Corporate Services Limited**
Sd/-
B. Madhuprasad
Vice Chairman

Date : 25th August, 2006
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 Register of Members and share transfer book of the Company will remain closed from Tuesday, 26th September, 2006 to Thursday, 28th September, 2006, both days inclusive.

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

d) 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 their 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 been made available at the meeting.

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

Item No. 4

The Board of Directors of the Company has appointed Shri Hitesh Shah as an additional Director of the Company w.e.f. 30th March, 2006. Shri Hitesh Shah, is a Chartered Accountant. He has been associated with the Audits, providing consultancy since past several years. Since the said appointment was made by the Board of Directors as an Additional Independent 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 the proposed appointment of Shri Hitesh Shah as Director retiring by rotation at this Annual General Meeting.

The Board of Directors are of the view that appointment of Shri Hitesh Shah 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 introduced. The broad basing of Board of Directors shall ensure implementation of corporate governance in its correct perspective. The details of Shri Hitesh Shah are included in Report on Corporate Governance.

Shri Hitesh Shah is concerned and interested in the said resolution.

Item No. 5

Shri B. Madhuprasad has been with the Company since September, 1993. His terms were approved by the members in the 12th Annual General Meeting held on 30/09/2005. The annual increment payable to Shri B. Madhuprasad is being determined by the Board of Directors from time to time as approved by the members. With effect from 01/01/2006, the remuneration payable to Shri B. Madhuprasad has been revised by the Board of Directors to Rs. 1,40,000/- p.m. from Rs.1,25,000/- p.m. All the other terms and conditions as approved by the members remains same.

Shri B. Madhuprasad is concerned or interested in the said resolution.

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Item No. 6

Shri Vineet Suchanti has been with the Company since September, 1997. His terms were approved by the members in the 12th Annual General Meeting held on 30/09/2005. The annual increment payable to Shri Vineet Suchanti is being determined by the Board of Directors from time to time as approved by the members. With effect from 01/01/2006, the remuneration payable to Shri Vineet Suchanti has been revised by the Board of Directors to Rs.1,25,000/- p.m. from Rs.1,00,000/- p.m. All the other terms and conditions as approved by the members remains same.

Shri Vineet Suchanti is concerned or interested in the said resolution.

Item No. 7

Shri Uday S. Patil has been with the Company since March, 1994. His terms were revised by the members in the 12th Annual General Meeting held on 30/09/2005. The annual increment payable to Shri Uday S. Patil is being determined by the Board of Directors from time to time as approved by the members. With effect from 01/01/2006, the remuneration payable to Shri Uday S. Patil has been revised by the Board of Directors to Rs. 1,20,000/- p.m. from Rs.80,000/- p.m. All the other terms and conditions as approved by the members remains same.

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
Vice Chairman

Date : 25th August, 2006
Place : Mumbai

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DIRECTORS' REPORT

To
The Members of **Keynote Corporate Services Limited**

Dear Shareholders,
Your Directors have pleasure in presenting their 13th Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2006.

Financial Results

The financial results are summarized below :

(Rs. In lacs)

Details	**Year Ended 31.03.2006**	Year Ended 31.03.2005
Total Income	**422.39**	153.64
Gross Operating Profit/(Loss)	**172.68**	21.92
Depreciation	**2.89**	2.79
Add: Extraordinary Items	**7.49**	—
Profit/(Loss) Before Tax	**177.28**	19.13
Provision for :		
Current Tax	**(65.00)**	(1.31)
Deferred Tax Credit	**0.08**	0.13
Fringe Benefit Tax	**(3.00)**	—
Profit/(Loss) After Tax	**109.36**	17.95
Add : Excess Provision	**3.40**	—
Less : Short Provision	**(50.61)**	—
Profit/(Loss) brought forward from Previous year	**(23.10)**	(41.06)
Balance Carried forward	**(39.04)**	(23.10)

Dividend

The Directors of the Company have not recommended any dividend with a view to conserve resources and expand operations.

Operations

The total income of the Company for the year ended 31/03/2006 was Rs. 422.39 lacs as against Rs.153.64 lacs reported as on 31/03/2005. The Company has reported an increase of 175% in the total income during the financial year. The Company has reported profit after tax to the extent of Rs. 109.36 lacs as against Rs.17.95 lacs for the previous year ended 31/03/2005.

The financial year ended 31st March, 2006 has been good and the company continues to make its presence felt in the capital market activities. The company was very actively involved in Lead Managing IPOs, Rights Offers, Buybacks and Takeovers. The company also expanded its reach in Corporate Finance and M&A Advisory. The company is focused on emerging as leading Investment Bank offering the entire range of services focused towards the mid-cap market.

Some important developments during 2005-06 were :

- The company continued to be a leading player in the capital market for mid-cap companies.

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- The company formed alliances with a Middle East based consulting company and with a Swiss based consulting company to offer its clients cross border transaction ability.
- The company launched an ESOP division which focuses on designing and implementing stock option schemes.
- The company acted as an India Transaction Advisor to a FCCB issue of one of its clients.
- The company is also providing advise and assistance in helping a few International companies in establishing themselves in India and provides this service as India Entry Strategy.

2006-07 will be another year of consolidation wherein the company proposes to strengthen its infrastructure and expand its operations. The company is also looking at the business of Distribution of financial products and has formed a joint venture along with JRG Securities Ltd., to establish Arteries Investor Services Ltd., which proposes to establish 400 franchisees and also develop an online distribution model.

During the year ended 31st March, 2006, the Scheme of Merger of three subsidiaries with the Company have been approved by the Hon'ble High Court, Bombay vide their order dated 2nd December, 2005 and effected. All the relevant formalities/procedures relating to the said order have been completed during the year.

Business Restructuring

The Company has proposed the merger of the other six group companies with itself.

The management of the Company believes that the proposed scheme will benefit the shareholders of the Company as the merger of the transferor and transferee companies would bring together complementary business streams. The proposed merger will help in achieving economy, better administration and efficiency in operation of the undertakings of group companies.

The Company has applied to Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) for approval of the said merger in terms of listing agreement. The Company is confident that the merger will be effected in this financial year with all the appropriate and statutory sanctions and permissions. The Company will approach the members for necessary approvals as may be directed by the Hon'ble High Courts for the proposed merger.

Operations of Subsidiary

Keynote Capitals Limited (KCL) a 100% subsidiary and an integrated broking house having memberships on the BSE and NSE has also had a good year. KCL continues to focus on institutional and corporate broking business. KCL is also expanding its research and focuses on covering mid-cap companies as well as track the IPO market. A new area which KCL is developing is to act as Investment Advisor to overseas funds. The balance sheet of KCL is appended with this Annual Report for the perusal of all the members.

Keynote Commodities Limited (KCOL) became our 100% subsidiary during this financial year. KCOL is a member of the Multi-Commodity Exchange (MCX) that enables to trade in all the commodities traded on the exchange. The various commodities being traded on the MCX include precious metals, crude oil, agro-commodities amongst others. KCOL commenced business during the current year and has also established a research outfit that tracks Precious Metals (Gold, Silver), Base Metals (Copper, Zinc & Aluminium) and Crude Oil markets. KCOL's endeavour will be to strengthen the research and expand its business in the current year. The balance sheet of KCOL is appended with this Annual Report for the perusal of all the members.

Tax Provisions

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

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 KEYCORPSER. The Company has paid up-to-date listing fees to both the exchanges.

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Dematerialisation

Members will be pleased to note that the equity shares of the Company can be held in dematerialised form. The Company has already signed the tripartite agreement with National Securities Depository Ltd. (NSDL), Central Depository Services Ltd. (CDSL) and existing 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 Bombay Stock Exchange Ltd., (BSE) and National Stock Exchange of India Ltd. (NSE) and are being traded in compulsory dematerialised mode. Presently 48.30% 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 :

(a) 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.

(b) accounting policies as listed in Schedule " O " 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, 2006 and of the Profit or Loss of the Company for the Accounting Year ended on that day.

(c) proper and sufficient care for the maintenance of adequate accounting records has been taken in accordance with the provisions of the said act so as to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

(d) 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 (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

During the year the Company has earned an Income of Rs. 46.56 lacs in Foreign Exchange and has incurred an expenditure of Rs.11.16 lacs in Foreign Exchange.

Fixed Deposits

During the year ended 31st March, 2006 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.

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Directors

Shri B. Madhuprasad, Vice Chairman, 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 Shri Hitesh Shah as the Director of the Company w.e.f 30th March, 2006.

The Board of Directors are of the view that appointment of Shri Hitesh Shah, 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. 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 and Statutory 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 31st March, 2006.

Acknowledgment

We take this opportunity to express our deep sense of gratitude to Securities and Exchange Board of India (SEBI), Bombay Stock Exchange Ltd., (BSE), National Stock Exchange of India Ltd., (NSE), Registrar of Companies, (ROC) National Securities Depository Ltd., (NSDL), Central Depository Services (India) Ltd., (CDSL), Association of Merchant Bankers of India (AMBI), M/s. MCS Ltd., M/s. Intime Spectrum Registry Ltd., (RTA), Clients, Bankers and other Government Agencies for their sustained support.

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By Order of the Board
For **Keynote Corporate Services Limited**
Sd/-
B. Madhuprasad
Vice Chairman

Place : Mumbai
Date : 25th August, 2006

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