

KEYNOTE

**17th
Annual Report
2009-2010**

KEYNOTE CORPORATE SERVICES LTD.

KEYNOTE CORPORATE SERVICES LIMITED
ANNUAL REPORT 2009-2010

CONTENTS	PAGE NO.
• Board of Directors	3
• Notice	4
• Explanatory Statement	6
• Director's Report	9
• Director's Report on Corporate Governance	13
• Auditor's Report on Corporate Governance	19
• Auditor's Report to the Shareholders	19
• Balance Sheet	21
• Profit and Loss Account	22
• Schedule to the Balance Sheet	23
• Notes to the Accounts	25
• Cash Flow Statement	28
• Auditors Certificate on Cash Flow Statement	28
• Statement Pursuant to Section 212 of the Companies Act, 1956	29
• Statement Pursuant to Exemption Received Under Section 212 (8) of the Companies Act, 1956.	30
CONSOLIDATED ACCOUNTS :	
• Auditor's Report	31
• Balance Sheet	32
• Profit and Loss Account	33
• Schedule to the Consolidated Accounts	34
• Notes to the Consolidated Accounts	36
• Consolidated Cash Flow Statement	39

BOARD OF DIRECTORS

Shri Nirmal Suchanti
Chairman

Shri B. Madhuprasad
Vice Chairman

Shri Uday S. Patil
Director

Shri Hitesh Shah
Director

Shri Anish Malhotra
Director

Shri Vineet Suchanti
Managing Director

Shri Mehul Patel
Director

Shri Sujal Shah
Director

Shri Sangeet Lakkar
Company Secretary

BOARD COMMITTEES

Audit Committee		Shareholder/Investors Grievance Committee	
Shri Mehul Patel	– Chairman	Shri Nirmal Suchanti	– Chairman
Shri Hitesh Shah	– Member	Shri Uday S. Patil	– Member
Shri Nirmal Suchanti	– Member		
Management Committee			
	Shri B. Madhuprasad	– Chairman	
	Shri Vineet Suchanti	– Member	
	Shri Uday S. Patil	– Member	

REGISTERED OFFICE

Keynote Corporate Services Limited
4th floor, Balmer Lawrie Building,
5, J. N. Heredia Marg,
Ballard Estate,
Mumbai – 400 001
www.keynoteindia.net

SHARE TRANSFER AGENT

Link Intime India Pvt. Ltd.,
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West),
Mumbai – 400 078
Tel : (022) 2596 3838
Fax : (022) 2594 6969
www.linkintime.co.in

BANKERS

Indian Bank
State Bank of India
ICICI Bank
Punjab National Bank

AUDITORS

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

Seventeenth Annual General Meeting

On Wednesday 29th September, 2010 at 10.00 a.m.
at Homi J. H. Taleyarkhan Memorial Hall,
Indian Red Cross Society,
141, Shahid Bhagat Singh Road,
(Town Hall Compound),
Mumbai – 400 001

NOTICE

NOTICE IS HEREBY GIVEN THAT THE SEVENTEENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF KEYNOTE CORPORATE SERVICES LIMITED WILL BE HELD ON WEDNESDAY, 29TH OF SEPTEMBER, 2010 AT HOMI J. H. TALEYARKHAN MEMORIAL HALL, INDIAN RED CROSS SOCIETY, 141, SHAHID BHAGAT SINGH ROAD, (TOWN HALL COMPOUND), MUMBAI- 400 001 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, 2010 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 declare dividend.
3. To appoint a Director in place of Shri B. Madhuprasad, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Hitesh Shah, who retires by rotation and being eligible offers himself for re-appointment.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass the following resolution as a **Ordinary Resolution** :
“**RESOLVED THAT** M/s. Haribhakti & Company, Chartered Accountants, Mumbai, be and are hereby appointed as Statutory Auditors of the Company in place of M/s. K. K. Bhageria & Company, Chartered Accountants (who is retiring on the conclusion of this Annual General Meeting as Statutory Auditor and is not seeking re-appointment) to hold office until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be fixed by the Board.”
6. To consider and if thought fit, to pass the following resolution as a **Special Resolution** :
“**RESOLVED THAT** in supersession of earlier resolution passed in the Board Meeting held on 30th October, 2009 and 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 the company hereby accords its approval/ consent for the re-appointment of Shri Uday S. Patil, as a Whole-Time Director of the Company for the further period of 3 (three) years with effect from 13th November, 2009 on the terms and conditions as set out in explanatory statement with the liberty to the Board of Directors to alter and vary the terms of re-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 subject to the condition that normal variation in terms by the Board on annual basis be not considered as requiring members approval till the period mentioned in the this resolution as may be agreed to between the Board and Shri Uday S. Patil. ”

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

Date : 25th August, 2010
Place : Mumbai

Sd/-
B. Madhuprasad
Vice Chairman

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 books of the Company will remain closed from Saturday, 25th September, 2010 to Wednesday, 29th September, 2010 (both days inclusive).
- c) If dividend on Equity Shares as recommended by the Board of Directors is declared at the Meeting, the Dividend will be paid to those Members whose names appear in the Company's Register of Members i.e. for those holding Shares in the Physical Form and those holding Shares in Demat Form as Beneficial Owners in the record of the Depositories on 24th September, 2010.
- d) The Dividend is proposed to be disbursed by way of ECS (Electronic Clearance Services). For this purpose, the details such as, name of the Bank, name of the branch, 9-digit code number appearing on the MICR band of the cheque supplied by the Bank, account type, account number etc. are to be furnished to your DP if the shares are in electronic form or to the Registrars & Transfer Agents if they are held in physical mode.
- e) The practice of distributing copies of Annual Reports at the Annual General Meeting has been discontinued as a measure of economy.
- f) An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the special business to be transacted at the Meeting is annexed hereto.
- g) Members are hereby informed that Dividend which remains unclaimed/un-encashed over a period of 7 years has to be transferred as per provisions of Section 205A of the Companies Act, 1956, by the Company to "The Investor Education & Protection Fund" constituted by the Central Government under Section 205C of the Companies Act, 1956.

Hereunder are the details of Dividends paid by the Company and their respective dues dates of transfer of unclaimed/un-encashed dividends to the designated fund of the Central Government:

Date of Declaration of Dividend	Dividend for the year	Due date of transfer to the Government
24 th September, 2008	2007-2008	October, 2015
25 th August, 2009	2008-2009	September, 2016

It may please be noted that once the unclaimed/un-encashed dividends is transferred to "The Investor Education & Protection Fund" as above, no claim shall lie in respect of such amount by the shareholder.

- h) All documents referred in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days except Saturday between 11.00 a.m. and 1.00 p.m. upto the date of Annual General Meeting.
- i) Members are requested to :
- Intimate changes, if any, in their registered address at the earliest.
 - Furnish PAN with Income Tax Ward/Range/District to the Company.
 - Quote ledger folio nos. in all the 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 the correspondence.
 - Bring the copy of the Annual Report and the Attendance Slip with them at the Annual General Meeting.
 - Send the 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. 5

M/s. K. K. Bhageria & Company, Chartered Accountants, will retire as Statutory Auditor of the Company after conclusion of this Annual General Meeting. The Statutory Auditors were appointed by shareholders at the Annual General Meeting held on 25th August, 2009. M/s. K. K. Bhageria & Company is not seeking re-appointment and has no objection in company appointing any other Statutory Auditors as company may deem fit. With this retirement, vacancy has been caused and appointment of Statutory Auditors is required to be approved by the shareholders. A letter dated 24th August, 2010 has been received from M/s. Haribhakti & Company, Chartered Accountants, who have agreed to be appointed as Statutory Auditors to fill the casual vacancy caused by retirement, to the effect that the said appointment, if made, will be in accordance with regulations as specified u/s 224 (1B) of the Companies Act, 1956. The matter, as such is being placed before members to consider appointment of M/s. Haribhakti & Company, Chartered Accountants as Statutory Auditors to hold office until the conclusion of next Annual General Meeting.

The resolution is intended for this purpose.

None of the Directors of the Company has any interest or concern in the resolution.

Item No. 6

Shri Uday S. Patil had been the Whole-Time Director of the Company from 27th September, 1999 and has been with the company since May, 1994.

At the Board Meeting held on 30th October, 2009 Shri Uday S. Patil, was re-appointed as the Whole-Time Director of the Company with the remuneration of ₹ 2,00,000/- p.m. for the period of 5 (five) years, w.e.f. 13th November, 2009, subject to approval of the members of the Company. The Board of Directors in their Meeting held on 22nd January, 2010 revised his remuneration from ₹ 2,00,000/- p.m. to ₹ 2,40,000/- p.m.

As per part (B) of Schedule – XIII, the terms and conditions of revised remuneration and re-appointment as Whole-Time Director of the Company are set out for 3 (three) years w.e.f. 13th November, 2009, subject to approval of the members of the Company.

Details of remuneration payable to Shri Uday S. Patil, is as follows:

- a) Salary : ₹ 2,40,000/- per month to be reviewed year on year basis.
- b) Medical Reimbursement for self and family will be as per rules of the Company.
- c) Leave Travel expenses for self and family will be as per rules of the Company.
- d) Club fees (excluding admission to life membership fee) will be on actual basis.
- e) Expenses on children's education not exceeding ₹ 15,000/- per annum per child, subject to maximum of two children.
- f) Personal Accident Insurance and Mediclaim Insurance for self and family will be as per company's rules.
- g) Contribution to Provident Fund, Superannuation fund or Annuity:
As per rules of the company to the extent these, either singly or put together are not taxable under the Income Tax Act.
- h) Gratuity:
Half a months salary for each completed year of service.
- i) Earned Leave and encashment of leave:
21 days leave for every year of service.
- j) Provision of car:
For use on Company's business.
- k) Reimbursement of Expenses actually incurred for Company's business:
Against submission of supporting.
- l) Actual travelling and other related expenses for self and spouse touring in India and abroad on Company's Work.

KEYNOTE CORPORATE SERVICES LIMITED

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 annual variation to be treated as normal process not requiring any approval of members under Companies Act, 1956. The appointment can be terminated by either side by giving six months notice in writing.

Memorandum of Interest

Shri Uday S. Patil is concerned or interested in the re-appointment and the terms and conditions mentioned herein.

Disclosures Pursuant to Sub-clause (iv) under the proviso to sub-paragraph (B) of Paragraph 1 under Section II of Part II of Schedule XIII of the Companies Act, 1956:

I. General Information:

- | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|--------------|---|----------|----------|---|--------|--------|---|--------|---------|---|------|---------------|---|-------|--------------|---|----------|
| 1. Nature of Industry | : | Corporate Advisory Services | | | | | | | | | | | | | | | | | | |
| 2. Date or expected date of commencement of commercial production. | : | Not Applicable | | | | | | | | | | | | | | | | | | |
| 3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus. | : | Not Applicable | | | | | | | | | | | | | | | | | | |
| 4. Financial performance based on given indicators during the financial year ended 31 st March, 2010. | : | <div style="text-align: right;">(₹ in lacs)</div> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Total Income</td> <td style="width: 5%;">:</td> <td style="width: 35%; text-align: right;">1,011.00</td> </tr> <tr> <td>Expenses</td> <td>:</td> <td style="text-align: right;">451.54</td> </tr> <tr> <td>Profit</td> <td>:</td> <td style="text-align: right;">403.82</td> </tr> <tr> <td>EPS (₹)</td> <td>:</td> <td style="text-align: right;">5.75</td> </tr> <tr> <td>P/E Ratio (₹)</td> <td>:</td> <td style="text-align: right;">10.19</td> </tr> <tr> <td>Total Assets</td> <td>:</td> <td style="text-align: right;">3,735.68</td> </tr> </table> | Total Income | : | 1,011.00 | Expenses | : | 451.54 | Profit | : | 403.82 | EPS (₹) | : | 5.75 | P/E Ratio (₹) | : | 10.19 | Total Assets | : | 3,735.68 |
| Total Income | : | 1,011.00 | | | | | | | | | | | | | | | | | | |
| Expenses | : | 451.54 | | | | | | | | | | | | | | | | | | |
| Profit | : | 403.82 | | | | | | | | | | | | | | | | | | |
| EPS (₹) | : | 5.75 | | | | | | | | | | | | | | | | | | |
| P/E Ratio (₹) | : | 10.19 | | | | | | | | | | | | | | | | | | |
| Total Assets | : | 3,735.68 | | | | | | | | | | | | | | | | | | |
| 5. Export performance and net foreign exchange collaborations | : | Not Applicable.
No foreign collaborations. | | | | | | | | | | | | | | | | | | |
| 6. Foreign investments or collaborators, if any | : | As on 31 st March, 2010, the foreign shareholdings in the company is 8,01,994 Equity Shares representing 11.43% of the total capital. | | | | | | | | | | | | | | | | | | |

II. Information about Shri Uday S. Patil, Whole-Time Director:

1. Background Details:

Uday S. Patil is a Science graduate with a Law Degree and also a certified Associate of Indian Institute of Bankers. An ex-banker with rich hands-on experience on various fields of Banking and Investment Banking.

2. Past remuneration:

For the Financial year 2008-2009 Shri. Uday S. Patil's total remuneration was ₹ 24,00,000/-

3. Recognition or awards

He has been Guest faculty at Alkesh Dinesh Mody Institute of Financial and Management Studies [ADMI], Jamanalal Bajaj Institute of Management Studies [JBIMS] of University of Mumbai, The Institute of Chartered Accountants of India [ICAI], National Institute of Securities Market [NISM] etc. His quote's on primary market related topics find place in leading newspapers & magazines such as Economies Times, Business Standard etc.

4. **Job profile and his suitability:**

Shri Uday S. Patil has been with the Company since 1994. He has been the member of Board of Directors since September, 1997. He is having about 3 decades of experience in various fields of Commercial Banking & Investment Banking. He is instrumental in forming various processes/procedures for the company as a whole & for Merchant Banking activities of the company which is a core business of the company. His immense contribution as Director (Investment Banking) has helped the company to execute & complete many transactions such as IPOs, Rights Issues, Buy Back, Takeovers etc. The execution capabilities & developing the team with capabilities to handle transactions of various nature has been one of the strengths of Shri Uday Patil. He is best suited for the job profile and has been a force to reckon with.

5. **Remuneration proposed:**

The remuneration of Shri Uday S. Patil is set out above.

6. **Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (incase of expatriates the relevant details would be w.r.t. the country of his origin)**

Keeping in view the type of the industry, size of the Company, the responsibilities and capabilities of Shri Uday S. Patil, the proposed remuneration is competitive with the remuneration paid by other companies to such similar positions.

7. **Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.**

Other than the remuneration stated above, Shri Uday S. Patil has no other pecuniary relationship directly or indirectly with the company.

III. **Other Information**

1. **Reason of loss or inadequate profits**

The company has reported PAT of ₹ 403.82 lacs. The company being engaged in corporate advisory services, the performance of the company is directly related to the status of capital market and more particularly primary market segment. The income is earned on completion of various assignments.

2. **Steps taken or proposed to be taken for improvement**

The company has well defined growth strategy wherein focus on completion of various assignments is laid. The effort to complete the transactions within the said timelines are on. The execution team has been assigned structured timelines to adhere.

3. **Expected increase in productivity and profits in measurable terms.**

The company expects to increase the productivity and profit considerably. Various mandates at various stages of execution are reviewed from time to time to complete. As a result company expects to improve both the top line and the bottom line growth.

IV. **Disclosures**

The remuneration details of Shri Uday S. Patil, whole-time Director is as given in the explanatory statement. The Board recommends the passing of the Special Resolution as set out in Item No. 6 of the accompanied notice. None of the Directors except Shri Uday S. Patil are concerned or interested in the resolution.

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

Date : 25th August, 2010
Place : Mumbai

Sd/-
B. Madhuprasad
Vice Chairman

KEYNOTE CORPORATE SERVICES LIMITED

DIRECTORS' REPORT

To

The Members of **Keynote Corporate Services Limited (Keynote)**

Your Directors have pleasure in presenting their 17th Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2010.

(₹ in lacs)

Details	Year Ended 31-03-2010	Year Ended 31-03-2009
Total Income	1,011.00	1,125.11
Gross Operating Profit	559.46	629.69
Depreciation	11.71	11.41
Profit Before Tax	547.75	618.28
Provision for :		
Current Tax	144.00	200.00
Deferred Tax Liability/(Assets)	(0.07)	1.01
Fringe Benefit Tax	—	5.55
Profit After Tax	403.82	411.72
Add/Less : Excess Provision/Short Provision	64.18	(10.09)
Profit/(Loss) brought forward from Previous year	479.46	159.93
Surplus available for appropriations	819.10	561.56
Proposed Dividend	105.00	70.18
Tax on Dividend	18.00	11.93
Transferred to General Reserve	20.19	—
Balance carried forward	675.75	479.45

Dividend

Your Board is pleased to recommend a dividend of ₹ 1.50/- per Equity Shares (i.e. 15%) on 70,18,339 fully paid-up Equity Shares of ₹ 10/- each for the financial year ended on 31st March, 2010.

Operations

The first half of the financial year 2009-10 continued to be sluggish in line with the global scenario. Your company was able to withstand the downturn effectively. Transactions and markets started picking up in the second half and during the current financial year Keynote was actively involved in Book Running for 3 IPOs raising approximately ₹ 140 crores. In addition, the company also successfully managed a few Buy Back of shares and Tender Open Offers. The company, during the year, strengthened its Corporate Finance Team and its valuation desk with a view to be actively involved in raising funds for unlisted companies through Private Equity and being an Advisor to Mergers & Acquisitions transactions (M & A).

The Company has posted a total Income of ₹ 1,011.00 lacs and a Profit After Tax of ₹ 403.82 lacs.

Operations of Subsidiaries

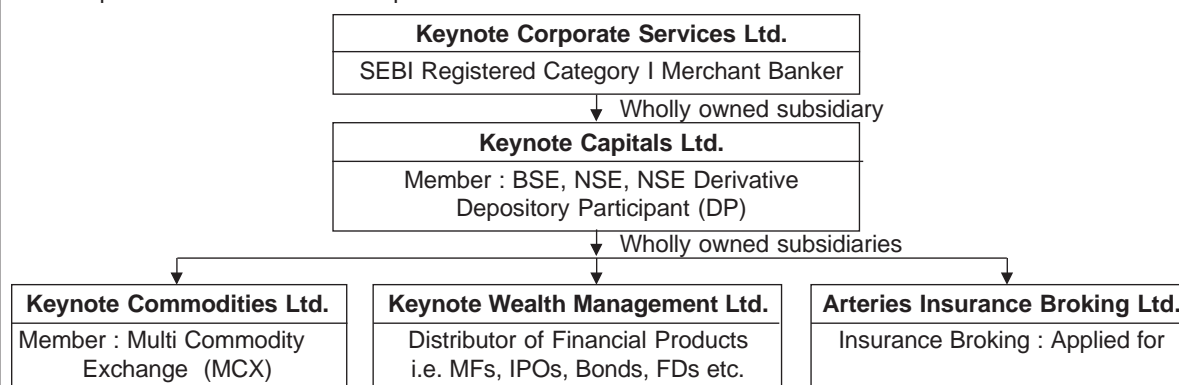
Keynote Capitals Limited (KCL), a 100% subsidiary and an integrated broking house having memberships of the Bombay Stock Exchange Ltd., (BSE) and National Stock Exchange of India Ltd., (NSE) has also posted consistent performance. KCL continues to focus on institutional and corporate broking business. KCL has also expanded its research and focuses on covering mid-cap companies as well as track the IPO market.

ANNUAL REPORT 2009-2010

KCL is in the process of expanding its Retail operations with a focus on more active equity centres. It is estimated that by the end of the next financial year, KCL will have over 10 full fledged branches offering retail clients the entire bouquet of equity trading, demat and research services. Your holding company, KCSL invested ₹ 625 lacs in KCL by way of equity to further strengthen the subsidiary's capitalization.

KCL posted a total Income of ₹ 1,004.88 lacs for 31/03/2010 as compared to ₹ 836.33 lacs in 31/03/2009. However, Profit After Tax stood at ₹ 186.50 lacs compared to ₹ 215.33 lacs for the previous year.

The corporate structure of the Group is as below :



Subsidiary Companies and Consolidated Financial Statements.

Keynote Capitals Limited (KCL) is a wholly owned subsidiary company. Keynote Capitals Limited has three wholly owned subsidiaries namely (1) Keynote Commodities Limited (2) Keynote Wealth Management Limited (3) Arteries Insurance Broking Limited.

Pursuant to Section 212 of the Companies Act, 1956 the Company made an application to the Ministry of Corporate Affairs, Government of India, New Delhi and sought an exemption from attaching with the Balance Sheet of the company, the Accounts and other documents of each of the Subsidiary Companies of the company. The Ministry of Corporate Affairs, Government of India vide its letter No. 47/672/2010-CL-III dated 2nd August, 2010, has granted their approval under Section 212(8) of the Companies Act, 1956 for not attaching the Balance Sheet etc. of the aforesaid subsidiaries for the financial year ended 31st March, 2010. Accordingly provisions of Section 212 (1) of the Companies Act, 1956 in respect of these subsidiaries are not applicable. In compliance with the said approval the company has disclosed the information in respect of these subsidiaries as advised.

The Company undertakes that annual accounts of the subsidiary companies and the related detailed information will be made available to the holding and subsidiary companies investors seeking such information at any point of time. The annual accounts of the subsidiary companies are also kept for inspection by any investor in its registered office and that of the subsidiary companies concerned. The holding Company shall furnish a hard copy of details of accounts of subsidiaries to any shareholder on demand. The Company will put the details of the accounts of individual subsidiary companies on the website of the company.

As per Clause 32 of the Listing Agreement, the consolidated financial statements of the Company with its Subsidiaries form part of the Annual Report. The copies of the audited annual accounts of the Company's Subsidiaries and other related documents can also be sought by any member of the Company or its Subsidiaries on making a written request to the Company Secretary in this regard. The Annual Accounts of the Subsidiary Companies are also available for inspection by any investor at the Company's and/or the concerned Subsidiaries' registered office.