

KEYNOTE



KEYNOTE CORPORATE SERVICES LTD.

**KEYNOTE CORPORATE SERVICES LIMITED**  
**ANNUAL REPORT 2012 – 2013**

<b>CONTENTS</b>	<b>PAGE NO.</b>
• Board of Directors .....	3
• Notice .....	4
• Explanatory Statement .....	7
• Director's Report .....	8
• Director's Report on Corporate Governance .....	12
• Certificate on Corporate Governance .....	20
• Auditor's Report to the Shareholders .....	21
• Balance Sheet .....	24
• Profit and Loss Account .....	25
• Notes to the Accounts .....	26
• Cash Flow Statement .....	34
• Statement Pursuant to Section 212 of the Companies Act, 1956 .....	35
• Statement Pursuant to Exemption granted by the Ministry of Corporate Affairs Under Section 212 (8) of the Companies Act, 1956. ....	36
<b>CONSOLIDATED ACCOUNTS:</b>	
• Auditor's Report .....	37
• Balance Sheet .....	38
• Profit and Loss Account .....	39
• Notes to the Accounts .....	40
• Cash Flow Statement .....	51

**BOARD OF DIRECTORS****Shri B. Madhuprasad**

Chairman  
(w.e.f. 1<sup>st</sup> May, 2013)

**Shri Uday S. Patil**

Director - Investment Banking

**Shri Hitesh Shah**

Director

**Shri Anish Malhotra**

Director

**Shri Vineet Suchanti**

Managing Director

**Shri Sujal Shah**

Director

**Shri Manish Desai**

Director

**BOARD COMMITTEES**

<b>Audit Committee</b>	<b>Shareholder/Investors Grievance Committee</b>
Shri Sujal Shah – Chairman	Shri Hitesh Shah – Chairman
Shri Hitesh Shah – Member	Shri Uday S. Patil – Member
Shri Manish Desai – Member	
<b>Management Committee</b>	<b>Remuneration Committee</b>
Shri Vineet Suchanti – Chairman	Shri Anish Malhotra – Chairman
Shri B. Madhuprasad – Member	Shri Hitesh Shah – Member
Shri Uday S. Patil – Member	Shri Manish Desai – Member

**Company Secretary**

Shri Yatin Sangani  
(w.e.f. 1<sup>st</sup> August, 2013)

**REGISTERED OFFICE****Keynote Corporate Services Limited**

The Ruby, 9<sup>th</sup> floor,  
Senapati Bapat Marg, Dadar (West),  
Mumbai - 400 028.

**BANKERS**

Indian Bank  
State Bank of India  
ICICI Bank Limited  
Punjab National Bank  
Kotak Mahindra Bank Limited

**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](http://www.linkintime.co.in)

**AUDITORS****Haribhakti & Co.**

Chartered Accountants,  
701, Leela Business Park,  
Andheri Kurla Road,  
Andheri (East),  
Mumbai – 400 059.  
[www.dhc.co.in](http://www.dhc.co.in)

**Twentieth Annual General Meeting**

On Wednesday, 25<sup>th</sup> September, 2013 at 10.00 a.m.  
at Homi J. H. Taleyarkhan Memorial Hall,  
Indian Red Cross Society,  
141, Shahid Bhagat Singh Road, Fort,  
(Town Hall Compound),  
Mumbai – 400 001.

**NOTICE**

**NOTICE IS HEREBY GIVEN THAT THE TWENTIETH ANNUAL GENERAL MEETING OF THE MEMBERS OF KEYNOTE CORPORATE SERVICES LIMITED WILL BE HELD ON WEDNESDAY, 25<sup>TH</sup> OF SEPTEMBER, 2013 AT HOMI J. H. TALEYARKHAN MEMORIAL HALL, INDIAN RED CROSS SOCIETY, 141, SHAHID BHAGAT SINGH ROAD, (TOWN HALL COMPOUND), FORT, 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 31<sup>st</sup> March, 2013 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 for the financial year ended 31<sup>st</sup> March, 2013.
3. To appoint a Director in place of Shri B. Madhuprasad, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Shri Hitesh Shah, who retires by rotation and being eligible offers himself for reappointment.
5. To reappoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration. In this connection, to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

**“RESOLVED THAT** M/s. Haribhakti & Co. Chartered Accountants, Mumbai [Firm Registration No.103523W], be and are hereby reappointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on such remuneration as may be decided between the Auditors and the Board of Directors.”

**SPECIAL BUSINESS:**

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution.**

**“RESOLVED THAT** pursuant to the provision of Section 309 and all other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of Central Government, consent of the company be and is hereby accorded for payment of monthly professional fees of ₹ 1,50,000/- (Rupees One Lac Fifty Thousand only) and reimbursement of other expenses to Shri B. Madhuprasad, Chairman-Non Executive of the Company on such terms and conditions as may be decided by Board of Directors.

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

**Date:** 7<sup>th</sup> August, 2013  
**Place:** Mumbai

sd/-  
**B. Maduprasad**  
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, 21<sup>st</sup> September, 2013 to Wednesday, 25<sup>th</sup> September, 2013 (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 as on Friday, 20<sup>th</sup> September, 2013.
- d) The Dividend is proposed to be disbursed by way of National Electronic Clearing Service (NECS). 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 is required 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 proposed dates and year of transfer of unclaimed/un-encashed dividends to the designated fund of the Central Government.

<b>Date of Declaration of Dividend</b>	<b>Dividend for the year</b>	<b>Proposed date for transfer to Investor Education and Protection Fund (IEPF)</b>
24 <sup>th</sup> September, 2008	2007 - 2008	1 <sup>st</sup> November, 2015
25 <sup>th</sup> August, 2009	2008 - 2009	2 <sup>nd</sup> October, 2016
29 <sup>th</sup> September, 2010	2009 - 2010	6 <sup>th</sup> November, 2017
30 <sup>th</sup> September, 2011	2010 - 2011	7 <sup>th</sup> November, 2018
27 <sup>th</sup> September, 2012	2011 - 2012	4 <sup>th</sup> November, 2019

All the members are requested to note that as per the notification of Ministry of Corporate Affairs (MCA) dated 10<sup>th</sup> May, 2012 full details of shareholders and dividend amount pending encashment have been uploaded by the Company on website of MCA (i.e. [www.mca.gov.in](http://www.mca.gov.in)). Said information for the period upto 27<sup>th</sup> September, 2012 has been made available and will be updated as per the requirements. All the members may check the details for unclaimed dividend if any and approach the Company and Registrar for getting the same paid.

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 & Sunday between 11.00 a.m. and 1.00 p.m. upto the date of Annual General Meeting.

Members are requested to:

- i. Intimate changes, if any, in their registered address at the earliest.
  - ii. Furnish PAN with Income Tax Ward/Range/District to the Company.
  - iii. 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.
  - iv. Bring the copy of the Annual Report and the Attendance Slip with them at the Annual General Meeting.
  - v. 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.
- j) Ministry of Corporate Affairs, Government of India, vide Circular No. 17/2011 dated 21<sup>st</sup> April, 2011 and Circular No.18/2011 dated 29<sup>th</sup> April, 2011 allowed service of documents by e-mode as a Green initiative in the Corporate Governance. Members are requested to Register their e-mail addresses with the Company's Registrar and Share Transfer Agents M/s. Link Intime India Pvt. Limited Unit : Keynote Corporate Services Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400 078, for the purpose of service of documents under Section 53 of the Companies Act, 1956. The members are also requested to update their e-mail address in the Depository Account holding shares of the Company in dematerialized mode enabling the Registrar to consider the same. The form for sending the response is annexed at the end of the Annual Report.
- k) (i) Pursuant to the General Exemption granted by the Central Government, Ministry of Corporate Affairs under Section 212 of the Companies Act, 1956 vide Circular No.2/2011 dated 8<sup>th</sup> February, 2011, the Board of Directors at its meeting held on 6<sup>th</sup> September, 2011 granted its consent not to attach the Director's Report, Auditors Report, Balance Sheet, Profit and Loss Accounts and Schedules and Annexures thereto of the subsidiaries and step down subsidiaries with the Annual Accounts of the company subject to the Company fulfilling the conditions prescribed therein.
- (ii) The Company has fulfilled the conditions (i) to (vii) of the said Circular by attaching the consolidated Financial Statement of the Holding, subsidiaries and step down subsidiary duly audited by the Statutory Auditors.
- (iii) The Company undertakes that the Annual Accounts of the subsidiaries and step down subsidiary and the related detailed information shall be made available to the Shareholders of the Company and that of subsidiaries and step down subsidiary companies, free of cost. A copy of the Annual Accounts of the subsidiaries and step down subsidiary shall also be given to Shareholders free of cost on demand.
- (iv) The Annual Accounts of the Company and its subsidiaries and step down subsidiary shall be kept for inspection by any shareholder in the Registered office of the Company at The Ruby, 9<sup>th</sup> floor, Senapati Bapat Marg, Dadar (West), Mumbai – 400 028 between 11.00 a.m. to 1.00 p.m. on any working day (Except Saturdays and Sundays).
- (v) The Annual Accounts of the Company, subsidiaries and step down subsidiary have also been posted on the Company's website [www.keynoteindia.net](http://www.keynoteindia.net). Any shareholder may access the Company's website for the Annual Accounts of the Company, its subsidiaries and step down subsidiary.

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

**Item No. 6**

Shri B. Madhuprasad is the Founder Promoter and Whole Time Director of the Company since 1993. After a long stint with the company he wishes to be a Non-Executive Member on the Board of the company since May, 2013. He requested the Board to take on record his letter dated 2<sup>nd</sup> May, 2013 and take an appropriate decision in this regard.

He has been the Founder Promoter of Keynote Corporate Services Limited and has provided immense contribution for development of Keynote Corporate Services Limited as a well respected intermediary in the capital market. He is a Mentor and Guide for the Company and the Board of Directors requested him to continue to provide his guidance to grow the company further.

While placing the appreciation for his contribution to the growth of Keynote Corporate Services Limited on record the Board suggested that Shri B. Madhuprasad be elevated as "Chairman-Non Executive". Shri B. Madhuprasad expressed his gratitude and accepted the said proposal.

The Board suggested that monthly professional fees and reimbursement of other expenses as mentioned in the resolution be paid to him initially for a period of five years and accordingly relevant formalities and compliances shall be completed by the company.

The Directors recommended the Special Resolution of item No. 6 for approval by the members.

Except Shri B. Madhuprasad, none of the other directors are concerned or interested in the said resolution.

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

**Date:** 7<sup>th</sup> August, 2013  
**Place:** Mumbai

sd/-  
**B. Maduprasad**  
Chairman

**DIRECTORS' REPORT**

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

Dear Shareholders,

Your Directors have pleasure in presenting their 20th Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2013.

(₹ in lacs)

<b>Details</b>	<b>Year Ended 31-03-2013</b>	<b>Year Ended 31-03-2012</b>
Total Income	<b>1,069.05</b>	1,039.98
Gross Operating Profit	<b>480.59</b>	471.71
Depreciation	<b>28.06</b>	11.37
Profit Before Tax	<b>452.53</b>	460.34
Provision for :		
Current Tax	<b>84.21</b>	142.19
Deferred Tax Liability/(Assets)	<b>29.10</b>	5.35
Profit After Tax	<b>339.21</b>	312.80
Add : Excess Provision	<b>3.37</b>	—
Profit/(Loss) brought forward from Previous year	<b>1,300.35</b>	1,130.44
Surplus available for appropriations	<b>1,642.93</b>	1,443.24
Proposed Dividend	<b>105.28</b>	105.28
Tax on Dividend	<b>17.89</b>	17.08
Transferred to General Reserve	<b>25.69</b>	20.55
Balance carried forward	<b>1,494.07</b>	1,300.35

**Dividend**

In the Board Meeting held on 28<sup>th</sup> May, 2013, your Board was 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 31<sup>st</sup> March, 2013.

**Operations**

The Financial year 2012-13 continued to remain uncertain as far as capital market activities are concerned. There has been a fall in resource raising mainly through primary market issuances. The financial year 2012-13 witnessed about 33 IPOs and 35 Offer for Sales predominantly by Public Sector Undertakings (PSUs). 24 public issues were listed on SME platform of NSE & BSE raising only about ₹ 200.00 crores. Only 2 IPOs were oversubscribed more than 3 times and 3 IPOs had to be withdrawn due to inadequate response from public indicating the state of primary market conditions. Your company was successful in making an IPO on newly formed NSE platform-EMERGE for SME companies. This happen to be only the second SME IPO completed on NSE and first from the state of Rajasthan where corporate office of the company is located. It has been the endeavor of the management to explore newer areas of operations in the capital market. Besides making a successful IPO, the company was able to complete few Rights Issues, Delisting Offers and other allied activities. Company was able to complete few large transactions in M&A space and could complete few Private Equity Deals. Your company has been able to provide corporate advisory services to some of the large corporate



groups consistently and has been able to maintain its level of operations. The company posted a total income of ₹ 1069.95 lacs during the financial year with Profit After Tax of ₹ 339.00 lacs. The company has been continuously striving to strengthen and maintain the team of professionals with good execution capabilities across the Board. The overall contribution of the team has been on increase during the financial year. We are pleased to inform that inspite of subdued market conditions your company has been able to maintain its position in the market and earned profits. As a Merchant Banker with permanent registration & large experience in all the capital market related activities the company is confident of moving forward strategically.

### **Operations of Subsidiary**

Keynote Capitals Ltd. (KCL) is a 100% subsidiary of your company which is an integrated broking house. It is a member of BSE Ltd. (BSE), National Stock Exchange of India Limited (NSE) and has a subsidiary namely Keynote Commodities Ltd. which is a member of Multi-Commodity Exchange of India Ltd. (MCX). In November, 2012 your company has acquired ownership of Non Banking Finance Company (NBFC), Keynote Fincorp Ltd. which was hitherto a subsidiary of KCL.

As the retail operations were not yielding the desired results, management decided to realign the retail business through structuring to stem the loss. The process was the part of restructuring plan approved by the Board of Directors to streamline the business and concentrate on core activities of Investment Banking and integrated broking services with a focus on large and institutional clients with a synergy of NBFC. KCL posted a total income of ₹ 2,215.66 lacs for 31<sup>st</sup> March 2013 as compared to ₹ 1,520.10 lacs for 31<sup>st</sup> March, 2012. Profit After Tax stood at ₹ 98.35 lacs as compared to ₹ 55.57 lacs for the previous year.

### **Subsidiary Companies and Consolidated Financial Statements.**

Keynote Capitals Limited (KCL) and Keynote Fincorp Limited (KFIN) are our wholly owned subsidiaries companies. Presently Keynote Capitals Limited has one wholly owned subsidiary namely Keynote Commodities Limited

The Statement pursuant to Section 212 of the Companies Act, 1956, relating to Company's subsidiary and step down subsidiaries is annexed to this Report.

The Audited Accounts of the aforesaid Companies along with the report of the Board of Directors and the Auditors Report thereon which are required to be attached with the Annual Report of the Company have not been attached as the Board of Directors have given consent not to attach the Annual Accounts of the Company's subsidiary and step down subsidiaries with the Annual Accounts of the Company in accordance with the Ministry of Corporate Affairs, Government of India Circular No.2/2011 dated 8<sup>th</sup> February, 2011 under Section 212 of the Companies Act, 1956.

### **Tax Provisions**

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

### **Listing**

The Equity Shares of the Company continued to be listed and traded on the BSE Limited (BSE) and National Stock Exchange of India Ltd. (NSE). The scrip code number of the Equity Shares of the Company on BSE is 512597 and on NSE symbol is KEYCORPSER. The scrip of the Company is classified as illiquid scrip and hence trading in equity shares of your Company is presently conducted through periodic call auction sessions. The Company has paid up-to-date listing fees to both the exchanges.

### **Dematerialization**

The Equity Shares of the Company can be held in dematerialized form. The Company has signed the tripartite agreement with National Securities Depository Ltd., (NSDL) Central Depository Services (India) Ltd., (CDSL) and existing Registrar & Transfer Agent for dematerialization 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 BSE and NSE. On BSE the equity shares of the Company are

traded in "B" segment. The equity shares of the Company are being traded in compulsory dematerialized mode. Presently 96.32% of equity shares capital of the company is in dematerialized 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 explanations relating to material departures, if any, have been furnished.
- (b) Accounting policies as listed in note no. 1 and 2 to the financial statements have been selected and consistently applied and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the company as on 31<sup>st</sup> March, 2013 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 require compliances with specified Corporate Governance practices. These practices have been fully implemented and a certificate from the Practicing Company Secretary 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. The Company is regularly filing of reports including uploading of information in Corporate Filing & Dissemination System (corpfilng). Your Company has also been enlisted in the new SEBI complaint redressal system (SCORES) enabling the investors to register their complaint if any for speedy redressal.

### **Human Resources**

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

The information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particular of Employees) Rules, 1975 as amended, regarding employees and forming part of this Report are not applicable to the Company as per notification dated 31<sup>st</sup> March, 2011 issued by the Ministry of Corporate Affairs, New Delhi.

### **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 ₹ 454.88 lacs in Foreign Exchange and has incurred an expenditure of ₹ 18.14 lacs in Foreign Exchange.

### **Fixed Deposits**

During the year ended 31<sup>st</sup> March, 2013 the Company has 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.