

SKP Securities Ltd.  
Annual Report 2006-2007



2007

## Directors' Report

To the Members,

Your Directors have pleasure in presenting the Seventeenth Annual Report and Audited Accounts of SKP Securities Ltd. (SKP) for the year ended March 31, 2007.

### Financial Highlights

Particulars	Year Ended March (in Rs Lacs)		
	2007	2006	% Change
Total Income	1126.68	748.84	50.46
Total Expenditure	810.56	471.50	71.91
Operational Profit	316.12	277.34	13.98
Depreciation	15.11	9.37	61.26
Profit Before Tax	301.01	267.97	12.33
Provision for Tax (including			
Deferred Tax Liability)	98.80	86.60	14.09
Profit After Tax	202.21	181.37	11.49
Liabilities Written Back	-	-	-
Appropriations			
Proposed Dividend	63.13	63.12	--
Dividend Distribution Tax	8.94	8.85	--
Transferred to General Reserve	25.00	10.00	150.00
Earning Per Share (Rs.)	4.00	3.59	11.42
Net Worth	1008.50	879.55	14.66



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### **Dividend**

Your Directors take pleasure in recommending payment of a Dividend of 12.50% (Rs.1.25 per share) for the year 2006-2007, subject to the approval of shareholders.

### **Business Performance**

SKP's performance should be reviewed in the backdrop of the performance of financial markets, particularly equity and debt market. India's stock market continued its bullish trend, backed by huge FII and domestic investors' interest, a continued robust economic growth, improved corporate performance and governance. The market indices touched historic highs. However, the volatility was so pronounced and investors at large were so clueless about the direction of the market that activities on the market were comparatively subdued. Meanwhile, the debt market continued to be bearish throughout the year as yields kept on hardening, keeping investors away from this market except for parking of short term funds.

Competition is becoming increasingly fierce too, across all the activities of the company, making margins shrink. In these circumstances, SKP has done well to live up to the confidence reposed in this report last year and has grown all its businesses reasonably well. Mutual funds advisory business has done well with assets under management having risen sharply, along with income and overall retail distribution in the East. Stock broking

business has also done well with over 50 institutional clients and over 3500 active individual clients being served through over 80 outlets. The Depository Services business has over 4100 clients.

SKP Commodities Ltd., a group company in which SKP holds 49% stake, acquired the membership of MCX, apart from NCDEX and commenced its commodities derivatives broking business. The Registered and Head Office of the company moved to much larger premises to build up infrastructural capacity to support growth. Financial, human and technological resources were also enhanced for this purpose. The new website of the company, viz. [www.skpmoneywise.com](http://www.skpmoneywise.com) is almost ready to launch internet trading and offer various other facilities for clients on the net. With quite a lot of information available on it, it is already attracting a large number of hits per day.

Amidst all this growth, operating expenses of the company have also risen sharply, affecting profitability.

### **Future Outlook**

Capital Markets in India and all the activities that SKP is involved in are poised for a sustained growth, albeit amidst stiff competition and very low margins. To grow in such a competitive scenario, SKP is offering more client need centric and value added services to enhance competitiveness and profitability across the Eastern Region and is

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contemplating to move to other regions soon. Creation of branches and consolidation of business at the current branches, bringing more business partners on board, enhancing the web presence with the launch of a investing and client and business partners' servicing platform on the internet and undertaking aggressive marketing strategies will be key drivers for this growth. The company may also enter into strategic alliances to grow faster. To meet the challenges of rapid growth, additional resources of the company are being geared up and the organization structure is being re-positioned. A sharp eye will be kept on costs. All these initiatives should make SKP continue its journey on the path of growth, taking it into greater heights of size and operations over the next couple of years.

#### **Corporate Governance**

As per the listing agreement with stock exchanges, the company has complied with the requirement of corporate governance. A Report on Corporate Governance is attached to this report as per statutory requirements. In any case, SKP has always striven to adhere to the best standards of corporate governance.

#### **Auditors' Report**

All the items on which the Auditors have commented in their report are self-explanatory.

#### **Directorate**

In accordance with the provisions of

the Companies Act, 1956, and the Articles of Association of the company, Shri Kishore Bhimani, Director of the company, retires by rotation at the ensuing Annual General Meeting and is eligible for reappointment.

#### **Listings**

The equity shares of the company were, hitherto, listed at the stock exchanges at Mumbai (BSE) and Kolkata (CSE). However, in view of consistently negligible trading at CSE and the continued listing at BSE, an Exchange having nationwide presence with trading terminals across the country, your Directors had recommend de-listing of the company's equity shares from CSE in terms of SEBI (Delisting of Securities) Guidelines, 2003, subject to approval of the shareholders. Subsequently, shareholders' approval was taken at the AGM for the year 2002-2003 and stipulated proceedings have been completed for the de-listing of the company's shares on CSE as reported in the previous three years' Directors' Report itself. However, the confirmation is still awaited from CSE as on date.

#### **Auditors**

The Auditors, M/s U S Agarwal & Associates, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

#### **Fixed Deposits**

Your Company did not accept any fixed deposits during the year.

**Statutory Information**

a) **Conservation of Energy** Your Company not being a Manufacturing Company, the provisions relating to measures for conservation of energy and reduction of energy consumptions are not applicable.

b) **Technology Absorption**  
No comment is being made on

technology absorption considering the nature of activities undertaken by your Company during the period under review.

c) **Foreign Exchange Earning /Outgo**

Expenditure incurred in Foreign Currency during the year Rs.58542.00

d) **Information under section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975**  
As required under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are as under :-

Name	Designation	Qualification	Age	Joining Date	Experience (Years)	Gross Remuneration (Rs.)	Previous Employment
Naresh Pachisia	Managing Director	B Com CFP	44	Since Incorporation	25	2400000	-
Rajesh Pachisia	Managing Director	B Com CFP	40	Since Incorporation	22	2400000	-

**Director's Responsibility Statement**

In accordance with the Companies (Amendment) Act, 2000, the Directors state that:

i. In the preparation of annual accounts, all applicable accounting standards have been followed and proper explanations relating to material departures, if any, have been furnished.

ii. Accounting policies as listed in Schedule 1 to the financial statements have been selected and consistently applied and reasonable 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 March 31, 2007 and of the profit of the Company for the accounting year ended on that day.

iii. Proper and sufficient care for maintenance of adequate records has been taken in accordance with the provision of the Act so as to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;  
iv. The annual accounts have been prepared on a going concern basis.

**Acknowledgement**

The Board expresses its deep gratitude and thanks to the clients, bankers, business associates and shareholders for their valuable contribution towards the progress of the Company. Your Directors particularly wish to place on record their sincere appreciation of the best efforts put in by the employees at all levels, but for which, the Company could not have achieved what it did during the year under review.

For and on behalf of the Board

**Registered Office:**

Chatterjee International Centre  
33A, J. L. Nehru Road, 21st Floor  
Kolkata 700 071

Dated: April 27, 2007

**Naresh Pachisia**  
Managing Director



## CORPORATE GOVERNANCE REPORT

Corporate governance is about ethical and transparent business conduct primarily aimed at building trust amongst shareholders, employees, customers, suppliers and diverse stakeholders on four of its key elements- transparency, fairness, disclosure and accountability.

The Company's compliance with the recommendations encompassed in Clause 49 of the Listing Agreement is reported hereunder:

### Company's Philosophy on Code of Governance

The Company's Philosophy on

Corporate Governance envisages the attainment of high level of transparency and accountability in the functioning of the Company and the conduct of its business internally and externally, including its interaction with employees, shareholders, creditors, and lenders and places due emphasis on regulatory compliances. The Company believes that its systems and actions must be dovetailed for enhancing corporate performance and maximizing shareholder value in the long term.

### BOARD OF DIRECTORS

#### Composition and Category

The present strength of the Board of Directors is five, having the following composition:

- 2 Promoter, Executive Directors
- 3 Independent, Non Executive Directors

The composition of the Board of Directors as on 31.03.2007 and also the number of other Board of Directors of which they are a member are as under:

Name of Director	Category	No. of other Directorship
Shri Naresh Pachisia Managing Director	Promoter, Executive	5
Shri Rajesh Pachisia Managing Director	Promoter, Executive	1
Shri G.L. Sultania	Independent, Non-Executive	13
Shri Kishore Bhimani	Independent, Non-Executive	1
Shri Sanjay Chamria	Independent, Non-Executive	1

Notes: Private limited Companies, foreign companies and section 25 companies have been excluded for the above purpose



## ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETINGS AND THE LAST ANNUAL GENERAL MEETING

During the financial year ended March 31 2007, four Board Meetings were held on 22nd April 2006, 29th July 2006, 28th October 2006 and 20th January 2007. The maximum time gap between two meetings complies with the mandated requirement of not more than 4 months. The attendance of each Director at Board Meetings and the last Annual General Meeting (AGM) is as under:

Name of the Director	Number of Board Meetings attended	Attendance at last AGM held on 29/07/2006
Shri Naresh Pachisia	4	Present
Shri Rajesh Pachisia	4	Present
Shri G.L. Sultania	3	Leave of Absence
Shri R.L. Kapur*	1	Not Applicable
Shri Kishore Bhimani	4	Present
Shri Sanjay Chandra	4	Present

\* Retired at the last AGM

### Non executive Directors compensation and Disclosures

Non Executive Directors were not paid any compensation other than sitting fees.

### Code of Conduct and Ethics for Directors and Senior Executives

In line with the amended Clause 49 of the listing agreement, the Company adopted a Code of Conduct and Ethics for its Directors and Senior Executives. The purpose of this code is to promote conduct of business ethically in an efficient and transparent manner.

## AUDIT COMMITTEE

### Broad Terms of Reference

The terms of reference of the Audit Committee include:

- To review the Company's financial reporting process and its financial statements
- To review the accounting and financial policies and practices
- To review the efficacy of the internal control mechanism and monitor risk management policies adopted by the Company and ensure compliance with regulatory guidelines.
- To review reports furnished by the internal and statutory auditor, and ensure that suitable follow-up action is taken.
- To examine accountancy, taxation and disclosure aspects of all significant transactions.





### Composition

- The Audit Committee of the Company comprises of two Independent, Non-Executive Directors and one Executive Director. All the members of the committee possess knowledge of corporate finance, accounts, audit and company law. The Chairman of the Committee is an Independent, Non Executive Director nominated by the Board. The constitution of the Audit Committee is as follows:

● Shri G.L. Sultania	Chairman	Independent, Non Executive
● Shri R. L. Kapur*	Member	Independent, Non Executive
● Shri Kishore Bhimani	Member	Independent, Non Executive
● Shri Naresh Pachisia	Member	Managing Director

\* Retired at the last AGM

### Meetings & Attendance

During the financial year ended March 31, 2007 four Audit Committee Meetings were held on 22nd April 2006, 29th July 2006, 28th October 2006 and 20th January 2007. The attendance at the Committee Meetings is as under:

Name of the Director	No. of meetings attended
Shri G.L. Sultania	4
● Shri R.L. Kapur*	1
Shri Naresh Pachisia	4**
Shri Kishore Bhimani	4

\* Retired at the last AGM

\*\* Out of 4 meetings 1 meeting was attended as invitee

### REMUNERATION COMMITTEE

#### Brief Description of Terms of Reference

- To review, assess and recommend the appointment of whole-time directors.
- To periodically review the remuneration package of whole-time directors and recommend suitable revision to the Board.

### Composition

The Remuneration Committee comprises of three Independent, Non Executive Directors, constituted as follows:

● Shri G.L. Sultania	Member	Independent, Non Executive
● Shri R.L. Kapur*	Chairman	Independent, Non Executive
● Shri Kishore Bhimani	Member	Independent, Non Executive

\* Retired at the last AGM



**Meetings & Attendance**

During the financial year ended March 31, 2007 one Remuneration Committee Meeting was held on 22nd April 2006. The attendance at the Committee Meetings is as under:

Name of the Director	No. of meetings attended
Shri G.L. Sultania	1
Shri R.L. Kapur*	1
Shri Kishore Bhimani	1

\* Retired at the last AGM

**Remuneration to Directors****A. Executive Directors**

Name	Designation	Sitting Fee paid (Rs.)	Remuneration paid (Rs.)	Total (Rs.)
Mr. Naresh Pachisia	Managing Director	Nil	2400000	2400000
Mr. Rajesh Pachisia	Managing Director	Nil	2400000	2400000

**B. Non Executive Directors**

Name	Designation	Sitting Fee paid (Rs.)	Total (Rs.)
Mr. G L Sultania	Independent Director	15000	15000
Mr. Kishore Bhimani	Independent Director	18000	18000
Mr. R L Kapur	Independent Director	4500	4500
Mr. Sanjay Chamria	Independent Director	12000	12000

**SHAREHOLDERS' & INVESTORS' GRIEVANCE COMMITTEE****Brief Description of Terms of Reference**

To approve inter-alia, transfer/transmission of shares, issues of duplicate share certificates and review the status of investors' grievance and redressal mechanism and recommend measures to improve the level of investor services.

**Composition**

Shareholders Committee comprises of two non-executive, Independent Directors including the Chairman of the Committee, and one Executive Director, constituted as follows:

● Shri G L Sultania	Chairman	Independent, non-Executive
● Shri Kishore Bhimani	Member	Independent, non-Executive
● Shri Naresh Pachisia	Member	Promoter, Executive

