



**Sixteenth Annual Report
1998-99**



***VCK* CAPITAL MARKET SERVICES LIMITED**



BOARD OF DIRECTORS : Mr. Santi Prasad Sen Gupta
Chairman
 Mr. Madhukar Kampani
Vice Chairman
 Mr. Hemal Kampani
Managing Director
 Mr. Reinhold Jungmann
 Mr. Parash Rajda
 Mr. Rajiv Khaitan
 Mr. Rajesh C. Gandhi
 Mr. Sandip Kampani
 Mr. N. Kapadia
Alternate Director to Reinhold Jungmann

COMPANY SECRETARY : Pankaj K. Agarwal

AUDITORS : R. K. Venkatesan & Co.
Chartered Accountants

**REGISTRAR & SHARE
 TRANSFER AGENT :** PCS Industries Limited
 P-93A & B, C. I. T. Road
 Scheme : VIM, Calcutta-700 054
 Phone : 334-5007, 358-1730

BANKERS : ANZ Grindlays Bank
 The Bank of Rajasthan Ltd.
 Bank of Baroda
 State Bank of India
 Bank of America

REGISTERED OFFICE : 'Duckback' House
 41, Shakespeare Sarani
 Calcutta-700 017
 Phone : 247-4413/5545/4838
 Fax : (091) (033) 2478479

BRANCH OFFICE : Carmello's Building, Room No. # 22
 63/67, Pathakwadi, L.T. Marg
 Crawford Market, Mumbai-400 002

Notice

NOTICE is hereby given that the Sixteenth Annual General Meeting of the members of the Company will be held on Friday, July 30, 1999 at 11.00 a.m. at "Ganguram Hall", 81/A, S. P. Mukherjee Road, Calcutta-700 026 to transact the following ordinary business :

1. To receive, consider and adopt the audited Accounts of the Company for the financial year ended March 31, 1999, the Balance Sheet as on that date and reports of the Directors and Auditors thereon.
2. To appoint Directors in place of those who retire by rotation.
3. To appoint auditors and fix their remuneration.

Registered Office :

'Duckback House'
 41, Shakespeare Sarani
 Calcutta-700 017
 May 26, 1999

By Order of the Board

Pankaj K. Agarwal
(Company Secretary)

NOTES :

1. A Member entitled to attend and vote at this Annual General Meeting may appoint a proxy to attend and vote on a poll on his behalf and the proxy need not be a member of the Company.

Proxies in order to be effective must be received at the registered office of the Company not less than forty eight hours before the Meeting.

2. Members/Proxies should bring the attendance slips duly filled in for attending the Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from July 27, 1999 to July 30, 1999 (both days inclusive).

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VCK CAPITAL MARKET SERVICES LIMITED**Directors' Report**

To The Members,

Your Directors present their Sixteenth Annual Report together with the audited statement of accounts for the financial year ended on March 31, 1999.

FINANCIAL RESULTS :

The financial results of the Company for the year under review are summarised for your consideration :

Particulars	(Rs. in Lacs)	
	Year ended March 31, 1999	1998
Income from Operations	100.99	285.26
Profit/(Loss) before Depreciation, Amortisation & Taxation	(41.73)	(20.40)
Provision for Depreciation	6.75	6.64
Amortisation of Miscellaneous Expenditure	5.74	5.74
Add/(Less) : Prior Period Adjustments (Net)	0.23	0.09
Profit/(Loss) before Tax	(54.45)	(32.87)
Add : Income tax for earlier years	-	5.16
Profit/(Loss) after Tax	(54.45)	(38.03)
Balance brought forward from Previous year	(108.23)	(70.20)
Transferred from General Reserve	-	-
Deficit Carried to Balance Sheet	<u>(162.68)</u>	<u>(108.23)</u>

DIVIDEND

In view of the adverse working results, the Directors regret that they are unable to recommend dividend for the year under review. Arrear of fixed cumulative dividends stands at Rs. 153.00 lacs including Rs. 36.00 lacs for the year under review.

OPERATIONS

The various functional activities of the Company are as below :

INVESTMENT BANKING

During the year under review, this group had to refocus its strategy to face the competitive and changing situations in the Capital Market. The year continued with the recessionary economic conditions, non existence of equity market and less scope in the debt segment of Capital Market as compared to the previous two years. Your Company in this tight market situations focussed more on the needs of Regional PSUs and Corporates. Mergers and acquisitions were selected as a new area where your company could play a role. Apart from debt issues of WEBEL and HINDUSTAN COPPER, the efforts to enter into merger and acquisition business yielded results with the company managing the takeover of Claro (India) Ltd. by a Calcutta based company. The Company also restructured this group by retaining skilled personnel to give a thrust to its new focus area.

CORPORATE FINANCE SERVICES

As reported earlier, the Company had already taken legal steps, where necessary, to recover all dues with the respective parties in default in cases of lease deals and/or Inter corporate deposits. This group during the year under review syndicated ICDs/Bill discounting to the tune of Rs. 25.00 lacs despite sluggish market position.

FIXED DEPOSIT MOBILISATION

This group continued to augment its marketing resources and Sub Brokers network. Total mobilisation for fixed deposits of other bodies corporate amounted to Rs. 2762.15 lacs (previous year Rs. 4071.00 lacs). Net Brokerage earned during the year was Rs. 6.95 lacs (previous year Rs. 11.41 lacs). This was inspite of closure of deposit schemes and reduction of interest rates by certain blue chip bodies corporate and overall dull market for the Non Banking Financial Companies.

VCK FIXED DEPOSIT SCHEMES

Your Company continued to honour its obligations towards outstanding public deposits and all such deposits which got matured and claimed including interest thereon during the year under review were paid off.

Information as per Non-Banking Finance Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 as on March 31, 1999 is furnished below :

No. of Unclaimed Deposits	: 19 (Nineteen only)
Amount of Unclaimed Deposits	: Rs. 2.03 lacs

BOARD OF DIRECTORS

Mr. Madhukar Kampani and Mr. Rajesh C. Gandhi, Directors retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer themselves for reappointment.

SHARE CAPITAL

The Board of Directors of your company resolved in its meeting held on April 28, 1999 to extend redemption/conversion of balance Part C 6,00,030 15% Cumulative Convertible Redeemable Preference Shares (Equipref shares) of Rs. 40/- each, issued vide Prospectus dated 21.3.94, till 16.6.2005 with alteration in other terms, subject to the consent of the equipref shareholders of the Company at their meeting to be held on June 4, 1999.

SUBSIDIARY COMPANY

The Statement required under section 212 (1) (e) of the Companies Act, 1956 in respect of subsidiary company is appended to the Balance sheet of your Company.

YEAR 2000 COMPLIANCE

Your Company has taken necessary steps to ensure that the Computer software and hardware presently in use in the Company are made Year 2000 compliant and the said exercise would be completed shortly.

**AUDITORS**

You are requested to appoint auditors in the forthcoming Annual General Meeting and fix their remuneration. The retiring auditors, Messrs R. K. Venkatesan & Co., Chartered Accountants, are eligible for re-appointment.

As regards the observations in the Auditors Report, the explanations given in the notes on accounts are self explanatory.

STATUTORY INFORMATION

The following employee of the Company is covered by the provisions of section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 :

Name	Designation (Age)	Remuneration (Rs. in lacs)	Qualification	Experience (years)	Date of Commence- ment of employment	Last Employment
Sanjib Basu	Corporate Manager (33)	4.42	B. Sc. ACA	9	01.04.94	-

ACKNOWLEDGEMENTS

As in the previous years, the Company owes a debt of gratitude to its shareholders, bankers, clients, employees and all concerned for continued co-operation during the course of its operations.

For and on behalf of the Board

Calcutta
May 26, 1999

(S. P. Sen Gupta)
Chairman

Auditors' Report**TO THE MEMBERS OF VCK CAPITAL MARKET SERVICES LTD., CALCUTTA**

We report that we have audited the Balance Sheet of VCK Capital Market Services Ltd. as at 31st March, 1999 and the relative Profit and Loss Account for the year ended on the said date which are in agreement with the Books of Accounts.

In our opinion and to the best of our information and according to the explanations given to us during the course of the audit, the profit and Loss Account, together with the schedules attached thereto subject to the following notes in Schedule 16, whose impact on the Company's Loss, wherever ascertainable, is stated in the respective notes :

1. Note No. 1.6(b) and (c) regarding non-accounting of certain income/expenses on accrual basis.
2. Note No. 3 in respect of non-provision of certain claims (amount unascertained) pending disposal of the matter by the Arbitrator.
3. Note No. 4 in respect of non-maintenance of liquid assets as prescribed by the Reserve Bank of India.
4. Note No. 7 regarding non provision of interest of Rs. 14,29,854/- on an Inter Corporate Loan amount, as waiver of the interest is being negotiated.
5. Note No. 8 in respect of non-provision of shortfall of Rs. 20,57,287/- in the value of long term quoted investments.

6. Note No. 11 in respect of non-deduction of tax at source on certain interest payments and non-provision of interest/penalty, if any, thereagainst (amount unascertained).

7. Note No. 12 regarding non-accounting of a debit of Rs. 1,23,01,075/- by the Bank of Rajasthan Limited and non-provision of interest charged thereon, pending finality of the cases filed in the Courts of Law.

And read together with other NOTES appearing thereon, give in the prescribed manner, the information required by the Companies Act, 1956 and also give respectively a true and fair view of the state of the Company's Affairs as on the 31st march, 1999 and its Loss for the year ended on that date.

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for our audit. In our opinion proper books of accounts have been kept as required by law so far as it appears from our examination of the books.

The Company, in our opinion, has complied with the Accounting Standards recommended by the Institute of Chartered Accountants of India, wherever applicable, and the prudential norms prescribed in the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, unless stated otherwise.

VCK CAPITAL MARKET SERVICES LIMITED

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 and on the basis of such examination of the books and records of the Company as we considered appropriate and the information and explanations given to us during the course of audit, we further report that :

- i) The Company is maintaining proper records showing full particulars including quantitative details and situation of the fixed assets of the Company. As informed to us, the fixed assets of the Company (except for the leased out assets) have been physically verified by the Management during the year and no discrepancies have been noticed on such verifications.
- ii) None of the fixed assets of the Company have been revalued during the year.
- iii) As informed, the Company has not taken any loans from Companies, Firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and/or from Companies under the same management as defined under Section 370(1B) of the Companies Act, 1956.
- iv) Physical verification of stock of shares and securities have been carried out by the Management at reasonable intervals and no discrepancies have been noticed on such verification compared to the book stock. The procedure for physical verification followed by the management is reasonable and adequate in relation to the size of the Companies and nature of its business.
- v) The Company has granted loans to Companies listed in the register maintained under Section 301 of the Companies Act, 1956 and/or under Section 370(1B) of the Companies Act, 1956 and the rate of interest and other terms and conditions thereof are prima facie not prejudicial to the interest of Company. However, the said loan amount has been considered as a non-performing asset and suitable provisions therefor have been made as per Reserve Bank of India guidelines.
- vi) There are no stipulations for repayment of loans (including deposits) given by the Company and interest thereon has also not been regularly realised. However, necessary provision towards such non-performing assets have been made as per the guidelines prescribed by the Reserve Bank of India. Advances given to the employees of the Company are interest free and the repayment of such advances are being made as stipulated.
- vii) 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, with regard to purchase of plant and machinery and other assets.
- viii) Transactions for purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating to Rs. 50,000/- or more during the year in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices of such goods, materials or services or the prices at which transactions for similar goods or services have been made with other parties.
- ix) In respect of public deposits the Company has generally complied with the provisions of sections 58A of the Companies Acceptance of Deposit Rules, 1975 and the directives issued by the Reserve Bank of India.
- x) Provident Fund (including Pension Fund) dues have generally been paid by the Company in due time. An amount of Rs. 11,091/- relating to the February, 1999 was overdue at the year end. As informed the provisions of the Employees State Insurance Act are not applicable to the Company.
- xi) As on the last day of the Financial Year, there were no amounts outstanding in respect of undisputed Income Tax, Customs Duty and Excise Duty which were due for more than six months from the date they became payable.
- xii) During the course of examination of the Books of Account carried out in accordance with the generally accepted auditing practices, we have not come across any personal expenses which have been charged to the Profit and Loss Account.
- xiii) The Company has an internal audit system commensurate with the size and the nature of its business.
- xiv) The Company has maintained proper records of the transactions and contract in shares and timely entries have been made therein. All the shares have been held by the Company in its own name, except to the extent of the exemptions granted under section 49 of the Companies Act, 1956.
- xv) The matters specified in items (xii), (xiv), (xvi) and (xx) of the Clause A and items (ii) and (iii) of Clause D to paragraphs 4 of the aforesaid Order do not apply to the Company for the relevant year.

For R. K. Venkatesan & Co.
Chartered Accountants

Calcutta
Dated : 26th May, 1999

R. K. Venkatesan
Proprietor