



Annual Report for the Financial Year 2013-2014

**Registered Office: 3rd Floor, Mafatlal Centre, Nariman Point, Mumbai – 400 021
CIN: U65990MH1993GOI075578, Email: info@idbicapital.com**

CONTENTS

- Notice & Explanatory Statement
- Directors' Report
- Auditors' Report & Annexure
- Comments of CAG
- Balance Sheet
- Profit and Loss Account
- Cash Flow Statement
- Schedules to Balance Sheet and Profit and Loss Account
- Balance Sheet Abstract

Board of Directors

Shri M S Raghavan
Chairman

Shri B.K. Batra
Director

Shri Sethuratnam Ravi
Director

Shri P.P. Chhajed
Director (w.e.f. 16.04.2014)

Shri Sivaram Swamy
Director (w.e.f. 16.04.2014)

Shri Abhay Bongirwar
Managing Director & CEO (upto 12.05.2014)

Shri. D.C. Jain
Managing Director & CEO (w.e.f. 12.05.2014)

Chief Financial Officer

V Gopinath

Company Secretary & Compliance Officer

Christina D'souza

Registered Office

3rd Floor, Mafatlal Centre,
Nariman Point, Mumbai – 400 021
Tel: 43221212 Fax: 22850785
Email:info@idbicapital.com

Audit Committee (reconstituted w.e.f. 16.04.2014)

Shri B. K. Batra
Shri Sethuratnam Ravi
Shri P.P. Chhajed
Shri. Sivaram Swamy
Shri. D.C. Jain

Nomination & Remuneration Committee:

Shri B. K. Batra
Shri Sethuratnam Ravi
Shri P.P. Chhajed

CSR Committee:

Shri P.P. Chhajed
Shri B. K. Batra
Shri. Sivaram Swamy
Shri. D.C. Jain

Statutory Auditors

Messrs. Amit Ray & Co.
Chartered Accountants

Internal Auditors

Messrs. Ray & Ray
Chartered Accountants

Bankers

IDBI Bank Limited

BOARD OF DIRECTORS AS ON AUGUST 7, 2014



**M. S. Raghavan
Chairman**



**Shri.S Ravi
Director**



**Shri.B.K.Batra
Director**



**Shri.P.P.Chhajer
Director**



**Shri.Sivaram Swamy
Director**



**Shri. D.C. Jain
Managing Director & CEO**



NOTICE OF THE TWENTY FIRST (21st) ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty First (21st) Annual General Meeting of the Members of IDBI Capital Market Services Limited will be held on Friday, the 22nd day of August, 2014 at 11.30 AM at IDBI Tower, Cuffe Parade, Mumbai 400 005, to transact the following business:

A. Ordinary Business

1. To receive, consider and adopt Financial Statements of the Company for the year ended 31st March, 2014 including audited Balance Sheet as at 31st March, 2014 and the Statement of Profit and Loss for the year ended 31st March, 2014 and the reports of the Board of Directors' and the Statutory Auditors' and the comments of the Comptroller & Auditor General of India thereon.
2. To declare a final dividend recommended by the Board of Directors for the financial year ended March 31, 2014.
3. To appoint a Director in place of Shri. B. K. Batra, who retires by rotation and being eligible, seeks reappointment.
4. To authorize the Board of Directors to determine the remuneration payable to the Statutory Auditors of the Company to be appointed by the Comptroller and Auditor General of India for the financial year 2014– 15.

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 pursuant to the provisions of Section 139(5) and other applicable provisions, if any, of the Companies Act, 2013, the Statutory Auditors of the Company be appointed subject to the directions given in this regard by the Comptroller and Auditor-General of India for such period as may be prescribed from time to time.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to fix the remuneration payable to the Statutory Auditors of the Company to be appointed by the Comptroller and Auditor General of India for the financial year 2014 - 15"

B. Special Business

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

"**RESOLVED THAT** in accordance with applicable provisions of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof), and the Articles of Association of the Company, Shri Prafulla Preme Sukh Chhajed (DIN: 03544734), who was appointed as an Additional Director of the Company by the Board of Directors by passing of a resolution at the meeting of the Board of Directors held on April 16, 2014, pursuant to Section 161 of the Companies Act, 2013, and who holds office upto the date of this Annual General Meeting pursuant to Section 161(1) of the Companies Act, 2013, and whose term expires at this Annual General Meeting and in respect of whom a written Notice pursuant to section 160 of the Companies Act, 2013, has been received from a member signifying his intention to propose Shri Prafulla Preme Sukh Chhajed as a candidate for the office of Director of the Company and who meets the criteria of independence as provided under Section 149(6) of the Companies Act, 2013, be and is hereby appointed as an Independent Director of the Company not liable to retire by rotation in terms of Sections 149(4),(10) & (11) (including explanation thereof) and 152(6)(e) of the Companies Act, 2013 and to hold office for a term up to April 15, 2016."

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

"**RESOLVED THAT** in accordance with applicable provisions of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof), and the Articles of Association of the Company, Shri Sivaram Swamy (DIN: 00041775), who was appointed as an Additional Director of the Company by the Board of Directors by passing of a resolution at the meeting of the Board of Directors held on April 16, 2014, pursuant to Section 161 of the Companies Act, 2013, and who holds office upto the date of this Annual General Meeting pursuant to Section 161(1) of the Companies Act, 2013, and whose term expires at this Annual General Meeting and in respect of whom a written Notice pursuant to section 160 of the Companies Act, 2013, has been received from a member signifying his intention to propose Shri Sivaram Swamy as a candidate for the office of Director of the Company and who meets the criteria of independence as provided under Section 149(6) of the Companies Act, 2013, be and is hereby appointed as an Independent Director of the Company not liable to retire by rotation in terms of Sections 149(4),(10) & (11) (including explanation thereof) and 152(6)(e) of the Companies Act, 2013 and to hold office for a term up to April 15, 2016."

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Ordinary Resolution:

"**RESOLVED** that pursuant to the provisions of Sections 149,150,152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013. Shri Sethurathnam Ravi (DIN:00009790), Director of the Company who is liable to retire by rotation at this meeting in terms of the provisions of Companies Act 2013 and whose term expires at this Annual General Meeting and who meets the criteria of Independence as provided under Section 149(6) of the Companies Act, 2013, be and is hereby appointed as an Independent Director of the Company not liable to retire by rotation in terms of Sections 149(4),(10) & (11) (including explanation thereof) and 152(6)(e) of the Companies Act. 2013 and to hold office for a term up to March 31, 2016."

8. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Special Resolution:

"**RESOLVED THAT** in terms of Articles 124, 129 and 130 of the Articles of Association of the Company and in terms of sections 2(94), 196, 197, 198 and 203 and other applicable provisions, if any, of the Companies Act, 2013, read with Schedule V to the Companies Act, 2013 and the Rules made thereunder (including any statutory modification or re-enactment thereon, if applicable, Shri Dharam Chand Jain (DIN:02425815), who was appointed as an Additional Director of the Company by the Board of Directors at its meeting held on May 12, 2014, pursuant to Articles 124 of the Articles of Association of the Company and Section 161 of the Companies Act, 2013, and who holds office upto the date of this Annual General Meeting pursuant to Section 161(1) of the Companies Act, 2013 and in respect of whom a written Notice pursuant to Section 160 of the Companies Act, 2013, has been received from a member signifying his intention to propose Shri Dharam Chand Jain (DIN:02425815) as a candidate for the office of Director of the Company, be and is hereby appointed as Director on the Board and as the Managing Director and Chief Executive Officer (MD&CEO) of the Company, with effect from May 12, 2014 for a period of 1 year, subject to further extension by IDBI Bank Ltd, on such terms and conditions including remuneration as contained in the Letter dated May 3, 2014 issued by IDBI Bank Ltd and as disclosed in the Explanatory Statement to this Resolution, who shall not be liable to retire by rotation."

RESOLVED FURTHER THAT Shri Dharam Chand Jain (DIN:02425815) shall not be entitled to receive any remuneration from the Company except for all pay, allowances, perquisites and superannuation contribution payable will be as per rules stipulated by IDBI Bank and other applicable policies of IDBI Bank/IDBI Capital subject to the ceilings prescribed by the Companies Act, 2013 and applicable rules there under.

"**RESOLVED FURTHER THAT** the Board of Directors of the company is hereby authorized to

extend the period of appointment of Shri Dharam Chand Jain (DIN:02425815), if so desired by the Board, but not more than 5 years, at the expiry of the one year period from May 11, 2015.

RESOLVED FURTHER THAT that the Board of Directors of the Company be and is hereby authorized to vary the terms of appointment including remuneration within the overall limits prescribed under the Companies Act, 2013 and Schedules thereto on the basis of advice given by IDBI Bank Limited from time to time and to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this Resolution."

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

"RESOLVED THAT pursuant to the provisions of Section 14 of the Companies Act, 2013 and in order to comply with the provisions of the Companies Act, 2013, the Articles of Association of IDBI Capital Market Services Limited be and are hereby altered by adding/deleting the existing clause and substituting with clauses in the manner specified below:

1. Existing Article 120 to be renumbered as 120 (a) and the following Article to be inserted as Article 120 (b)

"Article 120 (b)

(i) Not less than fifty percent of the total number of members of the Board of Directors shall be independent Directors having special knowledge or practical experience in the fields such as portfolio management, investment analysis, financial administration etc. not liable to retire by rotation, for an initial term of up to 5 consecutive years but shall be eligible for re-appointment on passing of a Special Resolution for not more than one more term of upto 5 years subject to the maximum term of 10 years and disclosure of such appointment in the Board's report. The Company shall comply with all other relevant provisions pertaining to Independent Directors contained in the Companies Act, 2013 as may be applicable to its line of business and as amended/ reenacted from time to time.

(ii) Notwithstanding anything to the contrary contained in these Articles of Association, one Woman Director may be appointed on the Board in terms of Section 149(1)(b) of the Companies Act,2013.

(iii) Notwithstanding anything to the contrary contained in these Articles of Association, the Company shall ensure that at least one Director on the Board has stayed in India for a total period of not less than one hundred and eighty two days in the previous calendar year, in terms of Section 149(3) of the Companies Act. 2013."

2. Article 121 shall be amended as under

Article 121

The First Directors of the Company were:

1. *Shri. A.G. Karkhanis*
2. *Shri. N.G. Deshpande*
3. *Shri. P.V. Narasimham*

3. Article 138 shall be amended as under:

Article 138

Subject to provisions of the Act, the Directors to retire by rotation at every Annual General Meeting shall be those who are liable to retire and who have been longest in office since their last appointment, but as between persons, who became Directors on the same day, those who are to retire shall, in default of the subject to any agreement among themselves be determined by lot.

However, while determining the directors retiring by Rotation, Independent Directors and Managing Director & CEO shall not be counted for retirement by rotation.

4. Article 146 shall be amended as under:

Article 146

1) Notice of every meeting of the Board of Directors of the Company shall be given, at least 7 days in advance, in writing to every Director for the time being in India and at his usual address in India to every other Director or at the email address of the Director provided to the Company.

2) Ordinarily not less than 7 days notice shall be given for any meeting of the Board and shall be given in writing to every Director at the registered/email address specified by him in this behalf.

3) No business other than that for which the meeting was convened shall be transacted at a meeting of the Board except with the consent of the Chairman of the meeting and a majority of the Directors present, unless at least 3 day's notice of such business has been given in writing to the Chairman.

4) The Company shall not hold a Board meeting at short notice, to transact urgent business, except with the consent of the Chairman of the meeting subject to the condition that at least one Independent Director, if any, shall be present at the meeting or in case of absence of Independent Directors from such a meeting of the Board, decisions taken at such a meeting shall be circulated to all the directors and shall be final only on ratification thereof by at least one Independent Director.

4. Article 173 (a) shall be amended as under:

Article 173 (a)

If a dividend declared by the Company has not been paid or claimed within thirty days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within seven days from the date of expiry of the said period of thirty days, open a special account in that behalf in any Scheduled Bank called "the Unpaid Dividend Account" of the Company and transfer the total amount of such dividend which remains unpaid or unclaimed, to such account.

Explanation : In this sub-clause, the expression "dividend which remains unpaid" means any dividend, the warrant in respect thereof has not been encashed or which has otherwise not been paid or claimed.

RESOLVED FURTHER THAT Managing Director and/ or the Company Secretary of the Company be and is hereby authorized to do all acts and take all such steps as may be necessary, proper and expedient to give effect to this resolution including filing of necessary returns/ forms with Statutory Bodies.”

10. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

“RESOLVED THAT in terms of provisions of Section 188 and other applicable provisions of the Companies Act, 2013 read with rule 15 of the Companies (Meeting of the Board and its Powers) Rules, 2014 and other Applicable rules notified under the Act, the Members of the Company hereby approve the continuation of existing contracts of the Company with Related Parties and further hereby authorize the Board to approve and enter into contracts and arrangements with related parties including sub delegation thereof to a Director/Committee of Directors as it may think fit, for a value not exceeding 40% of the net worth or 40% of annual turnover whether entered in ordinary course of business or otherwise, at arm’s length price or at such price with the approval of the Audit Committee of the Board and thereafter of the Board of Directors of the Company without any further reference to the shareholders.

“RESOLVED FURTHER THAT the Board shall have the authority and power to accept any modification in the proposal as may be required at the time of according / granting their approvals, consents, permissions and sanctions to such contracts or arrangements proposed to be entered with the Related Parties and as agreed to by the Board.

“RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board, be and is hereby authorized to do all such acts, deeds, matters and things and execute such deeds, documents and agreements, as they may, in their absolute discretion, deem necessary, proper or desirable and to settle or give instructions or directions for

settling any questions, difficulties or doubts that may arise and to give effect to such modifications, changes, variations, alterations, deletions, additions as regards the terms and conditions, as it may, in its absolute discretion, deem fit and proper in the best interest of the Company, without requiring any further approval of the Members and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

"RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers, herein conferred, to a Committee of Directors to give effect to the aforesaid Resolutions."

**For and on behalf of the Board of
Directors**

**Place : Mumbai
Date : August 7, 2014**

**Christina D'souza
Company Secretary
IDBI Capital Market Services Limited
CIN no: U65990MH1993GOI075578**

NOTES:

- A MEMBER ENTITLED TO ATTEND AND TO VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL ON THIS BEHALF AND THAT THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORMS IN ORDER TO BE EFFECTIVE, SHOULD BE DULY COMPLETED & AFFIXED WITH REVENUE STAMP AND MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- Members/proxies should bring the attendance slip duly filled in for attending the meeting.
- The relevant explanatory statements pursuant to Section 102(1) of the Companies Act; 2013 in respect of business under item no. 5 to 10 are attached herewith.
- Members/Proxies/Representatives are requested to bring the attendance slip enclosed to the annual report /notice for attending the meeting.

Corporate members intending to send their authorized representative(s) to attend the meeting are requested to send a certified copy of the Board Resolution

EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 102

Item No 5:

Shri Prafulla Premasukh Chhajed (DIN: 03544734), was inducted as an Additional Director on the Board of Directors of the Company on April 16, 2014. Shri Prafulla Premasukh Chhajed (DIN: 03544734) has also been member of the Audit Committee and Nomination & Remuneration Committee and Chairman of the Corporate Social Responsibility (CSR) Committee, of the Board of Directors of the Company.

Shri Prafulla Premasukh Chhajed is a qualified CA and LLB (Gen) and a practicing Chartered Accountant from Mumbai, has rich experience of more than 20 years in the financial sector. He was Chairman of Western India Regional Council of ICAI in 2007-08, and also served as guest faculty and member of various institutions such as ICAI, HR College, Indian Merchants' Chambers, etc. He contributes to a column "Paisa Zala Motha" in Maharashtra Times on the subject of Taxation and Investments and has over 500 articles to his credit. He has appeared as guest speaker on channels such as CNBC Awaz, Akashwani, etc. for discussion on topics such as Union Budget and other related topics. He is a life member of "Haryali", a NGO dedicated for the cause of preserving Green Environment.

His other Directorships are:

Organization Name	Position Held	Nature of job responsibilities	Period From - To
Mayur and Chhajed, Chartered Accountants.	Partner	Partner	Continuing
PPC Consultants Pvt. Ltd.	Shareholder	Shareholder	Continuing

Shri Prafulla Premasukh Chhajed, does not hold by himself or for any other person on a beneficial basis, any shares in the Company.

In terms of Section 149 and any other applicable provisions of the Companies Act, 2013, Shri Prafulla Premasukh Chhajed (DIN: 03544734) being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for a term upto April 15, 2016. A notice has been received from a member proposing Shri Prafulla Premasukh Chhajed (DIN: 03544734), as a candidate for the office of Director of the Company.

Shri Prafulla Premasukh Chhajed does not receive any remuneration, benefits, or commission except sitting fees from the Company. In the opinion of the Board Shri Prafulla Premasukh Chhajed , fulfils the conditions specified in the Companies Act, 2013 and Rules made there under for his appointment as an Independent Director of the Company and is independent of the management.

Copy of the draft letter for appointment of Shri Prafulla Premasukh Chhajed (DIN: 03544734),as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day, excluding Saturday.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Shri Prafulla Premasukh Chhajed (DIN: 03544734),as an Independent Director. Accordingly, the Board recommends the resolution in relation to appointment of Shri Prafulla Premasukh Chhajed (DIN: 03544734),as an Independent Director, for the approval by the shareholders of the Company.

Except Shri Prafulla Premasukh Chhajed , being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No. 5.

Item no. 6:

Shri Sivaram Swamy (DIN: 00041775), was inducted as an Additional Director on the Board of Directors of the Company on April 16, 2014. Shri. Sivaram Swamy is also appointed as member of the Audit Committee and member of the Corporate Social Responsibility (CSR) Committee, of the Board of Directors of the Company.

Shri Sivaram Swamy is a retired banker with over 40 years experience in banking and financial sector. He was until very recently a faculty advisor with Indian Overseas Bank (IOB) and is also a co-founder and president of Stem Outsourcing, a society of retired IOB Officers engaged in training, undertaking feasibility studies, drafting policies, etc. In addition, he is on the Board of Resolve Asset Resolution Co. Pvt. Ltd.

His other Directorships are:

Organization Name	Position Held	Nature of job responsibilities	Period From - To
Resolve Asset Resolution Company Private Ltd.	Director	Director	Continuing
Stem Outsourcing	President	President	Continuing

Shri Sivaram Swamy does not hold by himself or for any other person on a beneficial basis, any shares in the Company.

In terms of Section 149 and any other applicable provisions of the Companies Act, 2013, Shri Sivaram Swamy being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for a term upto April 15, 2016. A notice has been received from a member proposing Shri Sivaram Swamy, as a candidate for the office of Director of the Company.

Shri Sivaram Swamy does not receive any remuneration, benefits, or commission except sitting fees from the Company. In the opinion of the Board, Shri Sivaram Swamy, fulfils the conditions specified in the Companies Act, 2013 and rules made there under for his appointment as an Independent Director of the Company and is independent of the management.

Copy of the draft letter for appointment of Shri Sivaram Swamy, as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day, excluding Saturday.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Shri Sivaram Swamy (DIN: 00041775), as an Independent Director. Accordingly, the Board recommends the resolution in relation to appointment of Shri Sivaram Swamy (DIN: 00041775), as an Independent Director, for the approval by the shareholders of the Company.

Except Shri Sivaram Swamy, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 6.

Item no. 7:

Shri. Sethurathnam Ravi (DIN:00009790) is a Non-Executive Independent Director of the Company. He joined the Board of Directors of the Company in December, 2000. Shri. Sethurathnam Ravi is Chairman of the Audit Committee and Nomination and Remuneration Committee of the Board of Directors of the Company.

Shri Sethurathnam Ravi, is a practising Chartered Accountant from Delhi. He is an Independent Director on the Board of many private and public companies. His other Directorships are:

Organization Name	Position Held	Nature of job responsibilities	Period From - To
IDBI Bank Ltd.	Independent Director	Board level responsibility	Continuing
LIC Housing Finance Ltd	Independent Director	Board level responsibility	Continuing
ONGC	Independent Director	Board level responsibility	Continuing
S Ravi Fiancial Management Services Private Ltd	Promoter Director	Board level responsibility	Continuing
SBI-SG Global Securities Services Private Ltd	Independent Director	Board level responsibility	Continuing
SMERA Ratings Ltd;	Independent Director	Board level responsibility	Continuing
STCI Finance Ltd	Independent Director	Board level responsibility	Continuing
STCI Primary Dealer Ltd	Independent Director	Board level responsibility	Continuing
Tourism Finance Corporation of India Ltd	Independent Director	Board level responsibility	Continuing
UTI Trustee Company Private Ltd	Director	Board level responsibility	Continuing
Ravi Rajan & Co. Chartered Accountants	Managing Partner	Board level responsibility	Continuing

RRCA & Associates, Chartered Accountants	Managing Partner	Board level responsibility	Continuing
S. Ravi HUF	Karta	Board level responsibility	Continuing
Insurance Advisory Committee of IRDA,	Member	Board level responsibility	Continuing
Mutual Fund Committee of SEBI	Member	Board level responsibility	Continuing
ONGC's Sahayog Trust	Trustee	Board level responsibility	Continuing

Shri. Sethurathnam Ravi does not hold by himself or for any other person on a beneficial basis, any shares in the Company.

Shri. Sethurathnam Ravi retires by rotation at the ensuing Annual General Meeting under the erstwhile applicable provisions of Companies Act, 2013 In terms of Section 149 and any other applicable provisions of the Companies Act, 2013, Shri. Sethurathnam Ravi \being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for a term upto March 31, 2016. A notice has been received from a member proposing Shri. Sethurathnam Ravi (DIN:00009790)as a candidate for the office of Director of the Company.

The attention of members are brought to the explanation to Section 149(11) of the Companies Act 2013 which specifies that while deciding the tenure of an Independent Director on the date of commencement of this Act, the tenure as on the date of Commencement of this Act (01.04.2014) shall not be counted. The position in this regard has been clarified by the MCA vide its circular no 14/2014 dated 09th June 2014.

Shri. Sethurathnam Ravi (DIN:00009790) does not receive any remuneration, benefits, or commission except sitting fees from the Company.

In the opinion of the Board, Shri. Sethurathnam Ravi fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management.

Copy of draft letter for appointment of Shri. Sethurathnam Ravi as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the

members at the Registered Office of the Company during normal business hours on any working day, excluding Saturday.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Shri. Sethurathnam Ravi as an Independent Director. Accordingly, the Board recommends the resolution in relation to appointment of Shri. Sethurathnam Ravi as an Independent Director, for the approval by the shareholders of the Company.

Except, Shri. Sethurathnam Ravi, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No. 7.

Item no 8:

IDBI Bank Limited, in terms of Articles 124, 129 and 130 of the Articles of Association of the Company, vide letter dated May 3, 2014 had advised appointment of Shri Dharam Chand Jain (DIN:02425815), CGM, IDBI Bank Ltd, as MD & CEO on the Board of IDBI Capital Market Services Limited.

Accordingly, the Board of Directors had, in its meeting held on May 12, 2014 appointed Shri Dharam Chand Jain as an Additional Director of the Company and subject to necessary approvals as the "Managing Director & CEO" of the Company for initial period of one year but not more than five years, with effect from the said date, as may be advised by IDBI Bank Limited from time to time.

Shri Dharam Chand Jain has over 35 years experience in the Financial / Banking industry and has been associated with IDBI Bank since 1997. Prior to joining IDBI Bank, he had a stint with Union Bank of India wherein he headed business of exceptionally large branches in the state of Gujarat. At IDBI Bank, he demonstrated his skills in Strategic Planning and Execution, Team Leadership and Relationship Management by successfully handling the entire gamut of banking operations encompassing Corporate Banking, SME, Audit, Retail and Government Business. He is known for his expertise in identifying, negotiating, structuring and executing transactions for emerging growth companies; managing relationships with key strategic clients, advising them on strategic initiatives and formulating business plans, in addition to advising on leveraged transactions. He has been appointed as MD & CEO of IDBI Capital Market Services Limited since May 12, 2014.

His other Directorships are:

Organization Name	Position Held	Nature of job responsibilities	Period From - To
GHCL	Nominee Director	Nominee Director	Continuing
Gujarat Industrial Power Co. Ltd	Nominee Director	Nominee Director	Continuing
NSE SME Advisory Committee	Member	Member	Continuing
Association of Investment Bankers of India	Director	Director	Continuing
Gujarat Institute of Development Research	Nominee for IDBI Bank Ltd	Nominee for IDBI Bank Ltd	Continuing
IDBI Agricultural and Rural Development Trust (IARDT)	Trustee	Trustee	Continuing

Under Section 161(1) of the Companies Act, 2013 read with Article 124 of the Articles of Association of the Company, Shri Dharam Chand Jain holds office only up to the date of this Annual General Meeting of the Company. A notice has been received from a member proposing Shri Dharam Chand Jain (DIN:02425815) as a candidate for the office of Director and MD & CEO of the Company.

The appointment was made pursuant to intimation by IDBI Bank Limited vide letter dated May 3, 2014

The appointment of Shri Dharam Chand Jain is appropriate and in the best interest of the Company.

The approval of the members is being sought to the terms, conditions and stipulations for the appointment of Shri Dharam Chand Jain (DIN:02425815) as the Managing Director & CEO and the remuneration payable to him. The terms and conditions proposed have been approved by the Nomination and Remuneration Committee as well as by Board of Directors at their meetings held on 12th May, 2014 respectively and are keeping in line with the remuneration package that is necessary to encourage good professional managers with a sound career record to important position as that of the Managing Director & CEO.

The material terms of appointment and remuneration are given below: -

Pay & Allowances of Shri D C Jain,	
Particulars	Grade F
Basic Pay	64000
Dearness Allowance@ 90.02% for IDBI	57613
House Rental Allowance(paid to those staying in own accommodation)(Based on City Classification)	-
Grade Allowance(Not Qualified for DA/Superannuation Benefits)	35550
Gross	173163
Conveyance for Class A city in IDBI @ Rs.80.45 (Mumbai Rates) Irrespective of owning a vehicle	35800
Telephone	6900
LFC (IDBI- Fixed p.a)	60000
Medical Aid(Rs.3500 pa for Grad F)	292

Further all pay, allowances, perquisites and superannuation contribution payable will be as per rules stipulated by IDBI Bank and other applicable policies of IDBI Bank/IDBI Capital subject to the ceilings prescribed by the Companies Act, 2013 and applicable rules there under.

In view of the provisions of Sections 196, 197, 203 and any other applicable provisions of the Companies Act, 2013 (corresponding to Sections 198, 269, 309 and any other applicable provisions of the Companies Act, 1956), the Board recommends the Special Resolution set out at item no. 8 of the accompanying Notice for the approval of the Members.

Shri Dharam Chand Jain does not hold by himself or for any other person on a beneficial basis, any shares in the Company.

The Board considers that the appointment of Shri Dharam Chand Jain as a Director of the Company would be of immense benefit to the Company. Accordingly, the Board of Directors recommends his appointment as a Director of the Company who shall not be liable to determination by retirement of directors by rotation.

Except Shri Dharam Chand Jain, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 8.

Item no 9:

The Sections relating to the Appointment and Qualifications of Directors under Chapter XI of the Companies Act, 2013, have been notified by MCA, Govt. of India w.e.f. April 01, 2014. The new provisions for appointment of Independent Directors not liable to retire by rotation and one woman director on the Board as contained under Section 149 of the Companies Act, 2013 need to be complied by the Company and the Articles of Association need to be altered by addition of these provisions therein to align the same with the Companies Act, 2013.

Further provisions pertaining to Directors Liable to Retire by Rotation, Notice of Board meetings, Dividend, etc. also needs to be aligned with the provisions of the new Companies Act 2013. It is proposed to amend Articles nos.' 120, 121 138, 146 and 173 of Articles of Association.

It is therefore proposed to pass the Special Resolution contained under Item No.9 of the AGM Notice for amending the Articles of Association providing for the above in terms of Section 14 of the Companies Act, 2013.

It may be mentioned that no Director or Key Managerial Personnel of the Company or their relative is, whether directly or indirectly, concerned or interested, financial or otherwise, in the passing of aforesaid Special Resolution.

Item no 10:

IDBI Capital Market Services Limited ("the Company"), is a Subsidiary of IDBI Bank Ltd. and is a SEBI registered Stock Broker, Merchant Banker, Depository Participant, and Portfolio Manager. In order to ensure smooth operations of the Company, IDBI Capital has entered into various contracts prior to the commencement of the Companies Act, 2013, which includes contracts with related parties in the ordinary course of business and to support the operations of the Company.

IDBI Capital currently has the following contracts entered with the related parties:

Sr. No	Name of the Party	Name of the Director or Key Managerial Personnel who is related	Relation	Transaction	Whether in ordinary course of business and at arms length price
1.	IDBI Intech Limited	- Mr. MS Raghavan (Chairman) - Mr. B.K. Batra (Director)	Group Company	Agreement for Data Centre and Call centre	In ordinary course of business and at arms length price
2.	IDBI Asset Management Company Limited	- Mr. MS Raghavan (Chairman)	Group Company	Brokerage for Institutional Trading	In ordinary course of business and at market price
3.	IDBI Asset Management Company Limited	- Mr. MS Raghavan (Chairman)	Group Company	Investment in Securities	In the ordinary course of business at face value and with required approvals of the regulators
4.	IDBI Trusteeship Services Limited	- Mr. MS Raghavan (Chairman)	Group Company	Distribution brokerage	In ordinary course of business and at market price
5.	IDBI Trusteeship Services Limited	- Mr. MS Raghavan (Chairman)	Group Company	Brokerage for Institutional Trading	In ordinary course of business and at market price
6.	IDBI Bank Limited	- Mr. MS Raghavan (Chairman) - Mr. B.K. Batra (Director) - Mr. S. Ravi (Director) - Mr. D.C. Jain (Director)	Holding Company	Brokerage for Institutional Trading	In ordinary course of business and at market price

7.	IDBI Bank Limited	<ul style="list-style-type: none"> - Mr. MS Raghavan (Chairman) - Mr. B.K. Batra (Director) - Mr. S. Ravi (Director) - Mr. D.C. Jain (Director) 	Holding Company	<p>Rent</p> <p>IDBI Capital has been provided premises for Office space by IDBI Bank.</p>	In ordinary course of business and at arms length price
8.	IDBI Bank Limited	<ul style="list-style-type: none"> - Mr. MS Raghavan (Chairman) - Mr. B.K. Batra (Director) - Mr. S. Ravi (Director) - Mr. D.C. Jain (Director) 	Holding Company	Rent IDBI Capital has provided Flats to IDBI Bank at its Wadala residential premises.	Not in the ordinary course of business. However the flats have been provided to IDBI Bank at prevailing market price.
9.	IDBI Bank Limited	<ul style="list-style-type: none"> - Mr. MS Raghavan (Chairman) - Mr. B.K. Batra (Director) - Mr. S. Ravi (Director) - Mr. D.C. Jain (Director) 	Holding Company	Banking Alliance broking arrangement	In ordinary course of business and at arms length price
10.	IDBI Bank Limited	<ul style="list-style-type: none"> - Mr. MS Raghavan (Chairman) - Mr. B.K. Batra (Director) - Mr. S. Ravi (Director) - Mr. D.C. Jain (Director) 	Holding Company	<p>Banking relationships</p> <p>IDBI Capital has fixed deposits with IDBI Bank.</p>	In ordinary course of business and at market price
11.	IDBI Bank Limited	<ul style="list-style-type: none"> - Mr. MS Raghavan (Chairman) - Mr. B.K. Batra (Director) - Mr. S. Ravi (Director) - Mr. D.C. Jain (Director) 	Holding Company	<p>Salary of Deputed employees</p> <ol style="list-style-type: none"> 1. Mr. D C Jain 2. Mr. Sunil Kumar Bansal 3. Ms. Zeena Paynter 4. Mr. Ajay Kumar 5. Mr. Anurag Singh 6. Dr. Vijay Joshi 7. Mr. Rahul Faujdar 8. Mr. Anoop Mishra 	In ordinary course of business and IDBI Bank salary

				9. Mr. Sharanappa Shivanand Masuti 10. Ms. Madhumitha Devi 11. Ms. Sima Gurudas Kapdi 12. Mr. Ravishankar AC 13. Mr. Sachin Goel 14. Mr. SVSK. Kishore 15. Mr. Somnath Agarwal	
12.	IDBI Bank Limited	- Mr. MS Raghavan (Chairman) - Mr. B.K. Batra (Director) - Mr. S. Ravi (Director) - Mr. D.C. Jain (Director)	Holding Company	Salary reimbursement by IDBI Bank of shared personnel	Not in ordinary course of business but at market prices
13.	Mr. V. Gopinath	-	Key Managerial personnel	Remuneration	In ordinary course of business and at arms length price
14.	Ms. Christina D'souza	-	Key Managerial personnel	Remuneration	In ordinary course of business and at arms length price

The above contracts or arrangements (except at Sr. no 8 and 12) have been entered into by the Company in the ordinary course of business and at competitive rates. The contracts referred to above are existing contracts and are continuing in nature. As regards transactions at Sr. no. 8 and 12, though the same has been entered into not in the ordinary course of business, it is at arm length distance and at prevailing market prices.

The Company was not required to seek approval of the shareholders under the erstwhile Companies Act 1956. However, with the applicability of the new Companies Act 2013 w.e.f. 01st April 2014 such contracts come under purview of the Related Party Transactions and require approval of the shareholders on and from the financial year 2014-15 in terms of the limits prescribed under the rules as a percentage of networth/turnover of the Company.

Hence, it is proposed to the members to continue with existing contract and enter into further

contracts with the approval of ACB/Board as may be required and to authorize the Board of Directors with powers to enter into contracts upto 40% of Net worth and/or 40% of turnover as applicable and to do all such acts, deeds, matters and things and execute such deeds, documents and agreements, as they may, in their absolute discretion, deem necessary including sub delegating the authority to a Committee of Directors and to authorize the MD & CEO to enter into such contracts and arrangements with prior approval of the Board upto a value not exceeding 40% of the networth or 40% of annual turnover.

The extent of interest and concern of the Directors and Key Managerial Personnel of the Company and their relatives, financial or otherwise, in the resolution set out at Item No. 10 have been disclosed above.

DIRECTORS' REPORT

To The Members

Your Company's Board of Directors hereby presents its Report on the business and operations of the Company for the year ended March 31, 2014.

Financial Reports

The financials for the year ended March 31, 2014 with comparative figures for the previous year are given below:

(Rs. In lakhs)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Profit/ (Loss) before depreciation, tax and write-off of preliminary expenses	3246	4037
Depreciation	125	151
Preliminary Expenses written off	Nil	Nil
Profit before tax	3121	3886
Less: Provision for tax	1375	1463
Profit/(Loss) after tax	1746	2423
Add: Balance in Profit and Loss Account brought forward	188	998
Amount available for appropriation	1934	3421
<u>Appropriations:</u>		
Transfer to General Reserve	100	1000
Proposed Dividend	1281	1921
Tax on Proposed Dividend	217	312
Balance carried to Balance Sheet	336	188

Dividends

Your Directors after taking into consideration the profits of the Company in the Financial Year 2013-2014, have recommended a final dividend of 10% for the financial year 2013-2014 (15% dividend was paid in the previous financial year 2012-2013) . The appropriation for dividend, including dividend tax, works out to Rs.1498 lakhs. The dividend amount payable is Rs. 1281 lakhs and dividend tax is Rs. 217 lakhs. Your Company is paying dividend for the fourth year in succession.

Reserves and Surplus

The Board discussed the transfer of profits to General Reserve for the financial year 2013-2014. After deliberations, considering the sufficient profit available, it was decided to transfer Rs. 100 lakhs to General Reserves.

Economic Review

Indian economy witnessed a very challenging year in the fiscal 2013-14 driven by shrinking economic growth and sharp rupee depreciation against US dollar, partially relieved by moderation in inflation. India's growth dynamics have been weak since global economic crisis and expecting it to remain under 5% for a second consecutive year, happens only after FY 1987-88. During FY14, India's GDP growth came down to 4.7% against 5% in FY13. GDP growth in last 8 quarters has averaged 4.6% driven by weak manufacturing and slowdown in consumption. Continued slowdown in investment and cuts in government expenditure are also hurting economic growth. Services and Agriculture growth remained supportive during the year. Services sector is likely to account for almost 60% of Indian GDP in FY 2013-14. However, we are witnessing signs of improvement in few sectors like power generation and manufactured exports which have shown improvement by almost 50bps for the past three months.

Inflation showed some moderation in FY14 with average WPI inflation moderating a little at 5.7% in March 2014 from 6.0% in March 2013. CPI also eased to 8.3% compared to 10.4% in March 2013. However, despite relief in inflation rate, it was above the RBI's comfort level, which resulted in tightening of liquidity through rate hike. RBI hiked 50bps during FY14 to current of 8% compared to 7.5% at the end of FY13. Also, rupee depreciation against US dollar was another key highlight of the year which depreciated almost 11.1% YoY to average Rs60.5/US\$ in FY14.

Industrial growth outlook

India's industrial output reported a decline of 0.1% YoY in FY14 compared to 1.1% growth in FY13 and 6% in FY12 due to persistent slowdown in manufacturing segment. Manufacturing segment contracted 0.8% in FY14 compared to a growth of 1.3% in FY13 largely due to infrastructure and input constraints, moderation of external demand and rising input costs. Shortage of power was also another major negative factor for industrial production growth. However, we see industrial growth is gradually inching up led by electricity generation and manufactured exports. Electricity generation is rising for the past two quarters and we expect it to contribute in GDP from FY15 onwards. In construction segment, we see some signs of improvement in last couple of quarters and it grew to 2.6% in FY14 compared to 1.6% in FY13. Also, we expect pick-up in the government's expenditure going forward, which is expected to turnaround the construction activities.

Indian Equity Markets during FY 2013-14

Indian equity markets made a sharp recovery from September 2013 and remained one of the best performing amongst the key global markets for the last seven months. Indian markets provided a positive return of 18.8% in FY14 driven by series of economic reforms in energy and banking sector. Sensex and Nifty ended FY14 at the highest-ever levels of 22,386 and 6,704 registering YoY gain of around 18.8% and 18.0% respectively. Auto, Capital Goods, IT and Healthcare were the few sectors which outperformed the indices. However, Chinese economic slowdown, infrastructure slowdown and lack of availability of cheap resources like Coal and Natural Gas, Realty, Consumer Durables, Power, Banks and Metals were amongst the worst performing sectors.

FII flows remained positive during the year in Indian equity market during FY14 at Rs800 bn despite weak economic and fiscal situation. However, it was lower than FY13 which saw massive investment of Rs1,400 bn.

Some of the performance indicators of Major BSE Indices are given in tabular form below:-

Major BSE Indices	31-Mar-13	31-Mar-14	Year's Low	Change over last year		Change over year's low	
				YoY	%	YoY	%
Sensex	18,836	22,386	17,906	3,551	18.8	4,480	25.0
Auto	9,994	13,280	9,688	3,286	32.9	3,592	37.1
Bankex	13,033	14,572	9,871	1,539	11.8	4,701	47.6
Capital Goods	9,018	12,011	6,899	2,994	33.2	5,112	74.1
Consumer Durables	7,095	6,526	5,434	-568	-8.0	1,092	20.1
Metal	8,758	10,059	6,467	1,301	14.9	3,592	55.5
FMCG	5,919	6,971	5,662	1,052	17.8	1,309	23.1
Health Care	8,008	10,084	8,085	2,076	25.9	1,998	24.7
IT	6,885	8,789	5,615	1,904	27.7	3,174	56.5
Oil & Gas	8,327	9,486	7,785	1,159	13.9	1,701	21.8
Power	1,647	1,725	1,355	78	4.7	369	27.2
Realty	1,780	1,468	1,151	-312	-17.5	317	27.6

Source: BSE, IDBI Capital Market Services Limited

Performance of the Company

The performance of your Company has been detailed in the paragraphs below:

Investment Banking

The Investment Banking group consists of three sub verticals viz., Capital Market, Corporate Advisory and M&A. During the year ended March 31, 2014, despite lack lustre activity in the Primary market, Capital market Group has been able to perform reasonably well mainly driven by successful completion of OFS assignments won from Dept. of Disinvestment and SME issue. During the year, Capital Market Group completed its first public issuance of bonds for India Infoline Finance Limited. The Advisory Group has been able to generate revenue for the year which is higher than corresponding previous year. M&A vertical could not book targeted revenue due to delay in closure of certain deals due to the very nature of business and general economic environment. Going forward Capital Market group plans to generate a judicious mix of assignments that include both small and large mandates. It also plans to play proactive role in bond placements and public issues as well as in IPO issues for SME platform. Advisory group plans to explore existing relationships with banks, technical consultants, and financial consultants to conclude deals with other banks for generating further syndication assignments. M&A group is already working on few active mandates which are likely to get completed in the first half of FY 2014-15.

Institutional Debt/Mutual Fund Advisory/ Surplus Fund Advisory

We continue to advise some of the banks, financial institutions, corporates on their investment of short term and long term cash surplus. The income streams from mobilization of Mutual Funds from institutional investors has been affected on account of the new regulations offering differential NAVs to investors investing directly and those routing their investments in Mutual Funds through a distributor. Thus we are seeking clients focused on non MF investments. However, we continue to offer MF related services to institutional clients but the same has been marginally scaled down.

We continue to advise MOIL on their management of surplus funds based on the DPE guidelines. The Institutional Debt Capital Market Group has booked an income amount of Rs.146.70 lakhs under the debt market activity towards resources raised for tax free bond issuance of IIFCL, HUDCO, PFC, NHB, NHAI, IFCL and REC (Public Issue). Tax-free bonds investment to the tune of Rs. 705 crores have be mobilized during the financial year. The group raised Rs.70 crores for the Bank of India Tier-II bond issue and Rs. 100 crores for Cochin Shipyard Ltd.

Portfolio Management Services (Debt)

We continued to manage pension funds for four corporate clients. The total funds deployed through the FY 2013-14 stood at Rs.1,157.89 Cr. while the AUM under management at the end of the FY 2013-14 stands at Rs.3756.22Cr.

The total corpus under portfolio management stood at Rs. 3,756.22 crore. The return on the investments during the FY 2013-14 was 8.93% for retirement funds and 9.55% for the surplus funds. The average ten year GSEC yield stood at 8.35%.

We are striving to expand beyond the traditional employee benefit fund investments space that has seen pricing pressures due to competition.

Institutional Broking:

The market conditions during the year remained challenging leading to subdued broking business. The brokerage income in Institutional Broking during the FY 2013-14 was Rs. 337 Lakhs vis-à-vis of Rs. 383 Lakhs during FY 2012-13, due to sharp fall in overall cash volume and lower brokerage rates. Total turnover during the year stood at Rs. 40.7 bn compared to Rs. 44.4 bn during the FY 2013-14. However, the group continued its efforts on enhancing relationship with the existing clients as well as to acquire new clients during the financial year. We have added 10 new clients in FY 2013-14 including HDFC Standard Life Insurance and DSP Blackrock. The initiatives taken and the addition of new clients are expected to yield positive results in FY 2014-15 and going forward.

Retail Broking:

The Broking Department operated out of 13 branches as against 30 last year. The strength of the New Client Acquisition team was also reduced significantly in an effort to reduce costs. These efforts have ensured that the cost was reduced from Rs. 30.57 crore in FY 12-13 to Rs. 20.55 crores in the FY 2013-14.

In spite of more than 50% branches closed, the revenues have fallen only marginally from Rs. 17.77 crore to Rs.15. 36 crores. The cost having reduced significantly has meant a reduction in the losses to Rs. 5.18 crore from Rs.12.92 crores in the previous year.

The Broking Group is in the process of implementing new customer friendly portal trading engine and backoffice solution from TCS Ltd. The new set up is sized to handle upto 10,000 concurrent logins and offer a wider product bouquet to the clientele. In order to utilize this to the maximum, the Retail Brokerage Group will look to expand its New Client Acquisition team from around 130 currently to 200; this will boost acquisition of new clients and help in putting capabilities of the new Trading Portal and hardware set up to effective use. The group will also consider opening / re-opening branches at some of the select high potential locations like Chennai, Jaipur, Coimbatore, Cochin. This will be aligned with strength of IDBI Bank branches

around various locations. The strength of the NCA team will also be centered around the IDBI Bank branch locations across the country.

Future Plans

With the change in Government at the center and the proposed economic policies that are in the process of implementation, the overall sentiment in the capital markets has improved significantly. The buoyancy in the secondary markets is expected to rub off on the primary markets. While the past year has seen large revenue flow from our advisory segment, we intend to refocus our efforts on fund raising and syndication to generate business in the years ahead, starting with the forthcoming financial year.

In the Capital Markets Group, mid-size mandates are going to be a focal area for IPOs, OFS and QIPs. Leveraging on IDBI Bank's relationship with large corporate groups is important to build our league table rankings. Your Company will endeavor to close transactions on which the M&A team has been hard at work over the past year. Opportunities are likely in emerging countries on the back of a revival, and there is a large possibility of inbound cross border deals for India. Monetization of assets to pay lenders as part of the debt restructuring process results in companies selling non-core assets to funds. Assisting Banks in divesting non-core asset will also be a focal area.

As per revised IRAC norms, opportunities are likely to arise for advisory services for formulating corrective action plans. With the improvements in the economic scenario, we expect the number of corporates going for restructuring to reduce. However, greater focus would be laid on finding resolution through the Joint Lenders' Forum which would involve greater coordination with lead lenders. This would be a critical area to supplement the revenue of the Advisory Group.

The Institutional Equities group is likely to see renewed action, with FIIs and domestic funds likely to increase their participation in the market. Your Company will leverage on the efforts made towards conducting various conference calls, road shows, company visits/management calls arranged for various investors during the last one year to generate business. Perhaps the biggest beneficiary of the improved scenario would be the Retail Business Group. In anticipation of the increase in volumes, your Company will be investing Rs. 5 crore in upgrading the technology platform. This, we believe, will allow us to broaden and deepen the product bouquet and hence client relations will improve leading to better revenue generation per customer.

With a relatively young and professional work force, your Company is well positioned to take advantage of the improved business scenario and we hope to be able to report good results in the forthcoming year.

Prevention of Insider Trading

In accordance with the requirements of Securities and Exchange Board of India (SEBI) (Prohibition of Insider Trading) Regulations, 1992, the Company has instituted a Code of Conduct for Trading in Securities by Employees and Directors on the lines of the Model Code of Conduct for Prevention of Insider Trading as specified by Securities and Exchange Board of India (SEBI) (Prohibition of Insider Trading) Regulations, 1992.

Particulars of Employees

The statement of particulars required pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) (Amendment) Rules, 2002, is as follows:

Name	Designation/ Nature of duties	Remunerati on (Rs.) Per Annum	Date of commenceme nt of employment	Qualification and Experience/ Age- Years	Last Employment Held
Mr. Sonam Udasi (Last working date 31-Mar-2014)	Head – Research	65,00,004	01-June-10	B.com & PGDM, Exp – 12.8, Age – 39.	Brics Securities
Mr. Girish Deshpande	Senior Vice President	70,76,594	06-June- 11	BE Electrical & PGDM (IIM Lucknow), Exp – 17.5, Age – 44.	Milestone Capital

NOTES:

- The above remuneration includes salaries, allowances, arrears of salary, leave encashment, performance linked variable pay, monetary value of perquisites as per Income Tax Rules, reimbursement of Leave Travel Allowance and Medical expenses claimed during the year Company's contribution to Provident Fund and Superannuation Funds.
- Other terms and condition of the service include Company's contribution to Gratuity Fund.
- The nature of employment- all employments are contractual.
- % of shares held by the employees in the Company within the meaning of sub-clause (iii) of clause (a) of section 217(2A) of the Companies Act, 1956 – NIL.
- The employees are not related to any Directors of the Company.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

As your Company is not a manufacturing company, there are no particulars to disclose under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 pertaining to Conservation of Energy and Technology Absorption.

Further, the details of foreign exchange earnings and outgo are provided at Note No. 33 in the Notes to the Accounts. Your Company uses information technology extensively in its day-to-day operations.

Directors

Your Company's Board of Directors is broad-based and its constitution is governed by the provisions of the the Companies Act and the Articles of Association of your Company. The Board functions directly as well as through various Board-level Committees constituted to provide focused governance in your Company's important functional areas.

As on date, the Board comprises of Six Directors, including the Chairman, Managing Director & CEO, one Non-Executive Director and three Independent Directors. No Director is related to any other Director on the Board.

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, two of your Directors, viz. Shri B K Batra and Shri S. Ravi, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Board Meetings and Attendance of Directors

Dates & Attendance of Directors at Board Meetings held during FY 2013-14

Meeting held : 4		
Dates of the Meetings : 17.04.2013, 08.07.2013, 18.10.2013, 03.02.2014		
Name of Director	No. of Meetings held after nomination/election during tenure	No. of Meetings attended
Shri R M Malla (Chairman upto)	1	1
Shri M S Raghavan (Chairman from	3	3
Shri S. Ravi (Director)	4	4
Shri B.K. Batra (Director)	4	3
Shri Abhay Bongirwar (Managing Director & CEO)	4	4

APEX COMMITTEES

The Board has a total of 3 committees to oversee various functional aspects of your Company's business and operations. Two new Committees, viz. Nomination & Remuneration Committee and Corporate Social Responsibility Committee, were added during the reporting period.

Audit Committee

The Audit Committee of the Board (ACB) was constituted as per the provision of section 292A of the Companies Act, 1956. It comprises of five members who are appointed by your Board. The names of the members of the Audit Committee are as under:

Sr. No.	Name of Director	Status
1	Shri S. Ravi	Chairman
2	Shri B K Batra	Member
3	Shri D.C. Jain	Member
4	Shri Sivaram Swamy	Member
5	Shri P. Chhaged	Member

The Committee provides directions, monitors the functioning of the internal auditors, reviews financial statements and recommends appointment of auditors and their remuneration.

The Audit Committee previously consisted of 3 members, pursuant to the new Companies Act 2013, the Audit Committee has been reconstituted as detailed in the table above w.e.f. April 16, 2014.

Audit Committee Meetings and Attendance of Members

Dates & Attendance of Directors at Meetings of ACB held during FY 2013-14

Meeting held : 4		
Dates of the Meetings : 17.04.2013, 08.07.2013, 18.10.2013, 03.02.2014		
Name of Director	No. of Meetings held after nomination/election during tenure	No. of Meetings attended
Shri S. Ravi	4	4
Shri B K Batra	4	3
Shri Abhay Bongirwar	4	4

Corporate Social Responsibility (CSR) Committee

The Corporate Social Responsibility Committee of the Board (CSR) was constituted as per the provision of section 135 and other applicable provisions of the Companies Act, 2013. It

comprises of four members who are appointed by your Board. The names of the members of the CSR Committee are as under:

Sr. No.	Name of Director	Status
1	Shri P.P. Chhajed	Chairman
2	Shri Sivaram Swamy	Member
3	Shri B.K. Batra	Member
4.	MD & CEO of the Company	Member

The Committee provides directions, monitors the functioning of the CSR requirements as per Companies Act, 2013 and provides updates and report on the CSR activities of the Company before the Board of Directors on regular intervals.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Board was constituted as per the provision of section 178 and other applicable provisions of the Companies Act, 2013. It comprises of three members who are appointed by your Board. The names of the members of the Nomination and Remuneration Committee are as under:

Sr. No.	Name of Director	Status
1	Shri S. Ravi	Chairman
2	Shri P.P. Chhajed	Member
3	Shri B.K. Batra	Member

The Committee identifies and recommend to the Company, persons who are qualified to become Directors, senior management and other officials of the Company, it carries out evaluation of every Director's performance and performance of all the employees of the Company. The Committee after its review provides a report to the Board.

Auditors

Your Company falls within the purview of the provisions of Section 619B of the Companies Act, 1956. Statutory Auditors are therefore appointed by the Comptroller and Auditor General of India. Messrs. Amit Ray & Co., Chartered Accountants, Mumbai, were appointed as Statutory Auditors for the FY 2013-2014. Comments of the Comptroller and Auditor General of India (C&AG) in terms of section 619 (4) of the Companies Act, 1956 are given elsewhere in this Report. The said Comments do not contain any adverse remark.

Public Deposits

Your Company has not invited/accepted any deposits, from the public/shareholders.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- 1) In the preparation of the annual accounts, the applicable accounting standards have been followed;
- 2) Appropriate accounting policies have been selected and applied consistently, and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- 3) Sufficient and proper care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the Company's assets and for preventing and detecting fraud and other irregularities; and
- 4) Annual accounts have been prepared on a going concern basis.

Acknowledgments

Your Directors appreciate the patronage of the Company's retail and institutional clients, Banks, Financial Institutions, Foreign Institutional Investors, Mutual Funds, Provident / Pension Funds and others.

Your Directors are thankful to IDBI Bank Ltd. for the support and co-operation extended and RBI, SEBI, NSE, BSE, NSDL and Company's bankers for their continued support. Finally, most important of all, the Directors appreciate the noteworthy contribution made by all the employees.

On behalf of the Board of Directors

**Sd/-
Shri. M.S. Raghavan
Chairman**

**Date: August 7, 2014
Mumbai**

From the MD's Desk

Fellow Stakeholders:

It is with immense pride and pleasure that I present the Annual Report of 2013 – 14 to you. Having taken over the reins of the Company, I cannot help but remember the words of the great JFK who said that change is the law of life and that those who look only to the past or present are certain to miss the future. The Global economic scenario has changed the way we do business. The past few years have been accentuated by companies struggling to stay afloat under the burden of high leverage and reduced operations. While a large part of our business in the past year came from assisting these Companies in their streamlining efforts, we understand that our core business will always be dependent on economic prosperity.

The financial 2014, started off on a good note with signs of economic recovery beginning to surface. However the impending change in guard at the Central Government level meant that several companies put their expansion and fund raising plans on hold. Considering the fact that economic activity is central to our business, the restraint from corporates meant that we had to refocus our efforts on ensuring that we are able to generate business from all avenues possible.

Your Company, in the year gone by, earned ₹79 crore in revenue from its business groups and another ₹15 crore from its investments. In a challenging environment, this is a good effort, but it also strengthens our resolve to fortify our perseverance to lift all lines of our business. The business groups demonstrated that we had to proactively manage a cyclical business. The profit after tax came in at ₹ 17 crore. This enabled us to return ₹ 13 crore to our shareholders through dividend.

The Investment Banking group clocked in revenues of ₹ 59 crore which was on the back of good performances by the restructuring group followed by the capital markets group. Our advisory team completed more than 25 mandates. The Institutional Equities group earned a respectable position in the industry as the third “*Top most award winning broker*”. In the Individual Stock Picking Category, 3 Analysts of the Institutional Research Team – made it to the Top 10 list. These achievements we believe will help us build a strong presence in the days ahead. The retail business saw brokerage income remaining stagnant on the back of low volumes in the second half of the year, the turnover, however began improving. The measures that we have taken at the end of the year in rationalizing this business is expected to bear fruit in this financial year.

Under the leadership of Shri Raghavan at the helm at IDBI Group, we are confident that with the patronage that IDBI Bank provides, the value addition process to our parent's balance sheet will surely be renewed and invigorated.

The dedication of our professional people will continue to be the foundation of our endeavors and we understand that in a service industry, we are only as good as our last completed deal.

Our businesses are well positioned and our client franchise is strong. Under the able guidance of our parent and the determination of our employees, we will endeavor to ensure that we continue to deliver the best value to our stake holders.

Sd/-

D. C. Jain

Managing Director & CEO

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF
IDBI CAPITAL MARKET SERVICES LIMITED
MUMBAI.

Report on the Financial Statements

1. We have audited the accompanying financial statements of IDBI CAPITAL MARKET SERVICES LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
 - b) in the case of the statement Profit and Loss Account, of the profit/ loss for the year ended on that date; and
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

8. As required by section 227(3) of the Act, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books
 - c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - e) Being a Government Company, pursuant to the Notification no. GSR 829(E) dated 21.10.2003 issued by Government of India, provisions of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956, are not applicable to the Company;
 - f) Without qualifying our report, we draw attention to Note no. 8 and Note no. 22(a), 22(b) and 22(c) to the financial statement in respect of Non-current investment, where diminution in value is considered temporary/other than temporary and accordingly the Company has made a provision for contingency to the tune of Rs. 934 lakhs only by creating a charge to the Statement of Profit and Loss.

For Amit Ray & Co.
Chartered Accountants
Firm Reg. No. 000483C

Sd/-
(Pradeep Mukherjee)
Partner
M No.070693

Place: Mumbai
Date: 16.4.2014

Annexure to the Independent Auditors' Report

(Referred to in paragraph 7 under 'Report on other legal and Regulatory Requirement' section of our report of even date)

In our opinion and according to the information and explanations given to us, the natures of the company's business/activities during the year are such that

(ii),(iii),(v),(viii),(x),(xi),(xii),(xiii),(xv),(xvi),(xvii),(xviii),(xix),(xx) of paragraph 4 of the Order are not applicable to the Company. In respect of the other clauses, we report that:

(i) In respect of its fixed assets:

(a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) Physical verification of fixed assets has not been done during the year. Company does physical verification once every three years. Physical verification was done in the F. Y. 2011-2012 .No material discrepancies were noticed on such verification.

(c) Substantial part of the fixed assets has not been disposed off during the year.

(ii) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business for purchase and sale of securities held as investment, purchase of fixed assets and for sale of services. The activities of the Company do not involve purchase of inventory and the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems.

(iii) In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India, the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. No order has been passed with respect to Section 58A and 58AA, by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other tribunal.

(iv) In our opinion, the Company has an internal audit system commensurate with its size and nature of business.

(v) (a) Undisputed statutory dues including provident fund, investor education and protection fund, income tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues have generally been regularly deposited with the appropriate authorities and there are no undisputed dues outstanding as on 31st March 2014 for a period of more than six months from the date they became payable.

(b) According to the records of the Company, there are no dues of Income Tax, Sales Tax, Service Tax, Excise Duty, Wealth Tax, Customs Duty and Cess which have not been deposited on the account of any dispute.

(v) In respect of dealing/trading in share, securities and other investment, in our opinion and according to the information and explanation given to us ,proper records have been maintained of the transaction and contacts and timely entries have been made therein. The share, securities and other investment have been held by the company, in its own name.

(vii) According to the information and explanation given to us and as represented by the Management and based on our examination of the books and records of the company, no material fraud on or by the Company was noticed or reported during the year.

For Amit Ray & Co.
Chartered Accountants
Firm Reg. No. 000483C

Sd/-
(Pradeep Mukherjee)
Partner
M No.070693

Place: Mumbai
Date:16.4.2014

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF IDBI CAPITAL MARKET SERVICES LIMITED FOR THE YEAR ENDED 31 MARCH 2011.

The preparation of financial statement of IDBI Capital Market Services Limited for the year ended 31 March 2014 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the Standards on Auditing prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit report dated 16 April 2014.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of IDBI Capital Market Services Limited for the year ended 31 March 2014. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to the inquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under Section 619(4) of the Companies Act, 1956.

For and on behalf of the
Comptroller and Auditor General of India

Sd/-
(Y.N. thakare)
Principal Director of Commercial Audit and
Ex-Officio Member, Audit Board-I, Mumbai

Place; Mumbai.
Date: 21 May 2014

IDBI CAPITAL MARKET SERVICES LIMITED

BALANCE SHEET AS AT 31ST MARCH 2014

(Rs in lakhs)

	Note No.	As At 31.03.2014	As At 31.03.2013
I. EQUITY & LIABILITIES			
(1) Shareholders' Funds			
(a) Share Capital	2	12,810	12,810
(b) Reserves and Surplus	3	18,612	18,364
		31,422	31,174
(2) Current Liabilities			
(a) Trade payables	4	672	411
(b) Other current liabilities	5	595	609
(c) Short-term provisions	6	1,646	2,554
		2,913	3,574
TOTAL		34,335	34,748
II. ASSETS			
Non-Current Assets			
(1) (a) Fixed Assets	7		
(i) Tangible assets		511	591
(ii) Intangible assets		72	77
(iii) Intangible assets under development		-	5
(b) Non-current investments	8	10,144	10,285
(c) Deferred tax assets (net)	9	289	113
(d) Long-term loans and advances	10	198	214
		11,214	11,285
(2) Current Assets			
(a) Current investments	11	429	213
(b) Trade receivables	12	8,148	6,214
(c) Cash and Bank balances	13	12,491	15,236
(d) Short-term loans and advances	14	1,702	1,425
(e) Other current assets	15	351	375
		23,121	23,463
TOTAL		34,335	34,748
Significant Accounting Policies	1		
Other Notes forming part of the Financial Statements	2 to 37		
Notes referred to above form an integral part of the Financial Statements			
As per our attached report of even date	For and on behalf of the Board		
For Amit Ray & Co			
Chartered Accountants			
Firm Registration No: 000483C	Sd/-		Sd/-
	M. S. Raghavan		Abhay L. Bongirwar
	Chairman		Managing Director & CEO
Sd/-			
Pradeep Mukherjee			
Partner			
M. No.070693	Sd/-		Sd/-
	Christina D'souza		V. Gopinath
	Company Secretary		Chief Financial Officer
Place: Mumbai			
Date : 16/04/2014			

IDBI CAPITAL MARKET SERVICES LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2014

(Rs in lakhs)

	Note No.	Period Ended 31.03.2014	Period Ended 31.03.2013
I. Revenue from Operations	16	7,878	14,894
II. Other Income	17	1,491	2,619
III. Total Revenue (I + II)		9,369	17,513
IV. Expenses			
Purchases of securities	18	-	6,315
Employee Benefits Expense	19	2,331	2,860
Operating Expenses	20	1,282	1,765
Administrative Expenses	21	1,087	1,287
Loss on Sale of Assets		10	10
Depreciation & Amortisation Expenses (Refer Note 7)		125	151
Provision for Bad & Doubtful Debts (Refer Note 12)		479	299
Provision for Long Term Investments (Refer Note 22)		934	918
Bad Debts Written Off		-	22
Total Expenses		6,248	13,627
V. Profit Before Tax		3,121	3,886
VI. Tax Expense			
(1) Current Tax		1,551	1,569
(2) Deferred Tax (Refer Note 9)		(176)	(106)
VII Profit for the period from continuing operations (V -VI)		1,746	2,423
VIII. Profit for the year		1,746	2,423
IX. Earnings per share [Nominal value per share Rs. 10 each]			
(1) Basic	31	1.36	1.89
(2) Diluted		1.36	1.89
Significant Accounting Policies	1		
Other Notes forming part of the Financial Statements	2 to 37		

Notes referred to above form an integral part of the Financial Statements

As per our attached report of even date

For and on behalf of the Board

For Amit Ray & Co
Chartered Accountants
Firm Registration No: 000483C

Sd/-
M. S. Raghavan
Chairman

Sd/-
Abhay L. Bongirwar
Managing Director & CEO

Sd/-
Pradeep Mukherjee
Partner
M. No.070693

Sd/-
Christina D'souza
Company Secretary

Sd/-
V. Gopinath
Chief Financial Officer

Place: Mumbai
Date : 16/04/2014

IDBI CAPITAL MARKET SERVICES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2014

(Rs in lakhs)

	Year Ended 31.03.2014	Year Ended 31.03.2013
Cash Flows from Operating Activities		
Profit (Loss) for the period from continuing operations(before tax)	3,121	3,886
Adjustments for:		
Depreciation	125	151
Provision for Doubtful Debts	479	299
Provision for Long Term Investments	934	918
Bad Debts written off	-	22
(Profit)/Loss on sale of Investments	(401)	(1,249)
(Profit)/Loss on sale of Fixed Assets	10	10
Dividend Income	(16)	(24)
Interest Income	(1,007)	(1,312)
Operating Profit before working capital changes	3,245	2,701
Adjustments for working capital		
(Increase)/Decrease in Trade receivables	(2,413)	(1,938)
(Increase)/Decrease in Other Current Assets	24	(67)
(Increase)/Decrease in Long Term Loans & Advances	16	(13)
(Increase)/Decrease in Short Term Loans & Advances	(423)	108
Increase/(Decrease) in Short Term Provisions	(175)	140
Increase/(Decrease) in Trade payables and other current liabilities	247	(67)
Net Change in working capital	(2,724)	(1,837)
Direct taxes paid (Net)	(1,717)	(1,355)
Net cash flow from Operating Activities (A)	(1,196)	(490)
Cash flow from Investing Activities		
Purchase of Fixed Assets	(53)	(86)
Capital Advance for Software	5	11
Proceeds from sale of fixed assets	3	2
Proceeds from sale of Investments	1,044,891	757,655
Purchase of Investments	(1,045,497)	(756,561)
Investments in Fellow Subsidiary	-	(1,500)
Proceeds from Maturity of Fixed Deposits	9,415	10,650
Deployment in Fixed Deposits	(4,060)	(8,075)
Dividend received	16	24
Net cash flow from Investing Activities (B)	4,720	2,120
Cash flow from Financing Activities		
Dividend Paid	(1,921)	-
Net cash flow from Financing Activities (C)	(1,921)	-
Net increase/(decrease) in cash & cash equivalents(A+B+C)	1,603	1,630
Cash and Cash equivalents as at April 1,2013	6,803	5,173
Cash and Cash equivalents as at March 31,2014	8,406	6,803
Note: 1. The above cash flow statement has been prepared by using the indirect method setout in Accounting Standard 3 - 'Cash Flow Statement' notified in the companies (Accounting Standard) Rules,2006. 2. Cash and Cash Equivalents consist of cash on hand, bank balances with banks.		
As per our attached report of even date	For and on behalf of the Board	
For Amit Ray & Co		
Chartered Accountants		
Firm Registration No: 000483C		
	Sd/-	Sd/-
	M. S. Raghavan	Abhay L. Bongirwar
	Chairman	Managing Director & CEO
Sd/-		
Pradeep Mukherjee		
Partner		
M. No.070693	Sd/-	Sd/-
	Christina D'souza	V. Gopinath
	Company Secretary	Chief Financial Officer
Place: Mumbai		
Date : 16/04/2014		

IDBI CAPITAL MARKET SERVICES LTD
Notes forming part of the Financial Statements

Note 1

Significant Accounting Policies

a) Accounting Convention

The financial statements have been prepared to comply in all material respects with the standards notified under the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

b) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognised in accordance with the requirements of the respective accounting standard

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non current classification of assets and liabilities.

c) Fixed assets and Depreciation

c.1 TANGIBLE ASSETS

Fixed Assets are valued at original cost less accumulated depreciation and impairment losses.

c.2 Depreciation is provided on Written Down Value method on a pro-rata basis in case of tangible assets at the rates specified in Schedule XIV to the Companies Act, 1956. Assets having individual value of less than Rs.5,000 in the year of acquisition and assets retired from active use are fully depreciated.

c.3 INTANGIBLE ASSETS

Intangible assets are measured at cost of acquisition/development and amortised over their estimated economic life on a straight-line method.

Computer Software – 3 year.

Web Trading Portal – 3 year.

Stock Exchange Membership Card - at 4.75%

c.4 Management estimates the economic value of Bombay Stock Exchange Trading Rights based on the value in use. The company amortises it over 21 years unless there is evidence that its useful life is shorter.

d) Impairment of Assets:

- d.1 The carrying amount of assets, is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, recoverable amount of the assets is estimated.
- d.2 An Impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in the use, which is determined, based on the estimated future cash flows discounted to their present values. All impairment losses are recognized in the profit and loss account.
- d.3 An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount and is recognized in the profit and loss account.

e) Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account under 'Rent Rates and Taxes' on a Straight Line Basis over the lease term

f) Investments and Securities held as stock-in-trade

- f.1 Investments are classified into non-current and current investment. Securities and other financial assets acquired and held for earning income by way of dividend and interest and for the purpose of capital appreciation are classified as non-current investments and are valued at their cost of acquisition. Decline in their value other than temporary, if any, is recognized. Current investments are carried at lower of cost or market value. Securities acquired in the market making process as market maker are classified as Current Investments irrespective of the period of holding.
- f.2 Securities acquired with the intention of short-term holding and trading are considered as stock-in-trade and regarded as current assets.

Securities held as stock-in-trade category wise are valued at lower of cost or market/fair value. Cost is derived by following the weighted average method considering only outright transactions. Market value is determined based on market quotes for actual trades and where such quotes are not available, fair value is determined, in the case of debt securities, with reference to yields on securities of similar maturity and credit standing, and in the case of equities, with reference to the break-up value as per the last available balance sheet. Each security is valued individually. The depreciation, if any, for each security is provided and the appreciation, if any, is ignored.
- f.3 Premium paid on government securities held as investment is amortized over the tenor of the instrument.

g) Revenue Recognition

- g.1 Total consideration paid or received on purchase or sale, on outright basis, of coupon-bearing debt securities is identified separately as principal consideration and accrued interest. Amount paid as accrued interest on purchase, and received on sale, of such securities is netted and reckoned as expense or income by way of interest.

- g.2 Interest on fixed coupon debt securities, held as on the Balance Sheet date, is accrued for the broken period at the coupon rate. Interest on floating rate securities is accrued at rates determined as per the terms of the issue.
- g.3 Profit on Sale of Investments is recognized on the settlement date. It represents the excess of Sale / Redemption proceeds over the acquisition cost. Cost is determined on a weighted average basis. Profit on sale of Investments is netted with loss on sale of Investments.
- g.4 Devolvement of equity shares in respect of issues underwritten by the company are treated as investments. Underwriting income on these issues are credited to profit and loss account and not netted against the value of investments.
- g.5 Brokerage and commission earned on secondary market operations is recognized on the basis of trade dates. Brokerage on online portal operations is recognized on the basis of trade dates. Brokerage and commission in respect of issue marketing and resource mobilization are accrued to the extent of availability of information. Depository, Portfolio Management, Investment Banking and other fees are accounted for on accrual basis. Dividend is recognised when the company's right to receive payment is established by the balance sheet date. Revenue excludes Service Tax, wherever recovered.

h) Transactions in Futures and Options

- h.1 Initial Margin payable at the time of entering into futures contract / sale of options is adjusted against the deposits with the exchanges in the form of fixed deposits, cash deposits and securities.
- h.2 Transactions in Future contracts are accounted as Purchase and Sales at the notional trade value of the contract. The open interest in futures as at the Balance Sheet date is netted by its notional value.
- h.3 The difference in the settlement price or exchange closing price of the previous day and exchange closing price of the subsequent day, paid to or received from the exchange is treated as Mark to Market Margin. The balance in the Mark to Market Margin Account represents the net amount paid or received on the basis of movement in the prices of open interest in futures contracts till the balance sheet date. Net debit balance in the Mark to Market Margin Account is charged off to revenue whereas net credit balance is shown under current liabilities.
- h.4 Premium paid or received on purchase and sale of options and the difference paid or received on exercise of options is accounted as Purchases or Sales. In case of open interest in options sold as on the balance sheet date, provision is made for the amount by which premium prevailing on the Balance Sheet date exceeds the premium received for those options. The excess of premium received over the premium prevailing on the Balance Sheet date is not recognised. Similarly, in case of options bought, provision is made for the amount by which the premium paid for the option exceeds the premium prevailing on the Balance Sheet date and the excess of premium prevailing on the Balance Sheet date over the premium paid is ignored. In case of multiple open positions, provision is made or excess premiums are ignored after netting off the balances in buy as well as sell positions.

i) Interest Rate Swaps

Assets and Liabilities in respect of notional principal amount of Interest Rate Swaps of the discontinued operations pertaining to Primary Dealership operations are netted. Gain or loss on Interest Rate Swaps is accounted for on due dates as per the terms of the contract.

j) Foreign Currency Transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. At the year end, monetary items denominated in foreign currency are reported using the closing rate of exchange. Exchange difference arising thereon and on realization / payments of foreign exchange are accounted as income or expenses in the relevant year

k) Turnover

Purchases and sales of dated government securities, treasury bills and other securities are disclosed in the Profit and Loss Account, with a view to indicating the turnover of funds of the company and include only outright transactions. For this purpose, sales also include redemption proceeds, if any, when these securities are held by the company till the date of maturity.

l) Employee benefits

- l.1 The Company's contribution on account of retirement benefits in the form of Provident Fund and Superannuation Fund is charged to revenue. The gratuity and leave encashment liability of the company are covered under the scheme with Life Insurance Corporation of India and the yearly contribution is paid to LIC.
- l.2 Provident Fund is a defined contribution scheme and the contributions are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due.
- l.3 The Company contributes to an approved Group Gratuity Policy with the LIC of India. Gratuity liability are defined benefit obligations and are provided for on the basis of an actuarial valuation as per AS 15 (Revised) made at the end of each financial year based on the projected unit credit method.
- l.4 The Company contributes to the Group Leave Encashment Policy with the LIC of India. Short term compensated absences are provided for based on estimates.
- l.5 Actuarial gains/losses are immediately taken to the profit and loss account and are not deferred.

m) Earnings Per Share

The Company reports basic and diluted Earnings per share (EPS) in accordance with Accounting Standard 20 on Earnings per Share. Basic EPS is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year. Diluted EPS is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

n) Cash Flow Statement

The Cash Flow Statement is prepared by the indirect method set out in Accounting Standard 3 on Cash Flow Statements and presents the cash flows by operating, investing and financing activities of the Company.

Cash and Cash equivalents presented in the Cash Flow Statement consist of cash on hand and demand deposits with banks.

o) Taxation

- o.1 Current tax is measured at the amount expected to be paid/ recovered from the tax authorities, in accordance with the Income Tax Act.
- o.2 The tax effect of the timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. Deferred tax assets and liabilities are recognized for future tax consequences attributable to timing differences. They are measured using the enacted or substantively enacted tax rates and tax regulations as at the balance sheet date.
- o.3 Deferred tax assets are recognised and carried forward only to the extent there is reasonable certainty that sufficient taxable income will be available in future, against which the deferred tax assets can be realized; however where there is unabsorbed depreciation and carried forward losses, deferred tax assets is created only if there is virtual certainty of realization of assets.
- o.4 The carrying amount of deferred tax assets at each balance sheet date is reduced to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which the deferred tax asset can be realized.
- o.5 Tax credit is recognized in respect of Minimum Alternate Tax (MAT) as per the provisions of Section 115JAA of the Income tax Act, 1961 based on convincing evidence that the Company will pay normal income tax within the statutory time frame and is reviewed at each balance sheet date.

p) Provisions

- p.1 A provision is recognized when there is a present obligation as a result of past event. It is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.
- p.2 A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent Assets are not recognized.
- p.3 Bad and doubtful assets are identified after carrying out a cases by case review of all outstanding debts. Provisions are made on doubtful debts on management's evaluation of their realisability.

IDBI Capital Market Services Ltd.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

**Note 2
SHARE CAPITAL**

(Rs in lakhs)

Share Capital	As at 31.03.2014		As at 31.03.2013	
	Number	Amount (Rs.)	Number	Amount (Rs.)
Authorised Equity Shares of Rs. 10 each	200,000,000	20,000	200,000,000	20,000
Issued Equity Shares of Rs. 10 each	128,100,000	12,810	128,100,000	12,810
Subscribed & Paid up Equity Shares of Rs. 10 each fully Paid up	128,100,000	12,810	128,100,000	12,810
Total	128,100,000	12,810	128,100,000	12,810

**Note 2(a)
Reconciliation of Number of Shares**

(Rs in lakhs)

Equity Shares	31.03.2014		31.03.2013	
	Number	Amount (Rs.)	Number	Amount (Rs.)
Shares outstanding at the beginning of the year	128,100,000	12,810	128,100,000	12,810
Shares Issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	128,100,000	12,810	128,100,000	12,810

**Note 2(b)
Equity Shares**

The company has only one class of equity shares having par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. the distribution will be in proportion to the number of equity shares held by the share holder.

**Note 2(c)
Out of Equity shares issued by the company, shares held by its Holding company are as follows:**

(Rs in lakhs)

Equity Shares	31.03.2014		31.03.2013	
	Number	Amount (Rs.)	Number	Amount (Rs.)
IDBI Bank Ltd (Holding Company) along with its nominees	128,100,000	12,810	128,100,000	12,810

**Note 2(d)
Details of Shareholders holding more than 5% shares in the company**

Equity Shares of Rs 10 each fully paid up	31.03.2014		31.03.2013	
	Number	% of holding	Number	% of holding
IDBI Bank Ltd (Holding Company) along with its nominees	128,100,000	100%	128,100,000	100%

**Note 2(e)
Aggregate number of equity shares bought back during the period of five years immediately preceeding the reporting date:**

	31.03.2014	31.03.2013	31.03.2012	31.03.2011	31.03.2010
Equity Shares bought back by the company	-	-	-	-	-

IDBI Capital Market Services Ltd.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

(Rs in lakhs)

	As At 31.03.2014	As At 31.03.2013
Note 3		
Reserves and Surplus		
a) Capital Redemption Reserve		
Opening Balance	7,190	7,190
Closing Balance	<u>7,190</u>	<u>7,190</u>
b) General Reserve		
Opening Balance	10,986	9,986
Add: Current Year Transfer	100	1,000
Closing Balance	<u>11,086</u>	<u>10,986</u>
c) Surplus in Statement of Profit and Loss		
Balance at the beginning of the year	188	998
Net Profit For the current year	1,746	2,423
(+) Transfer from Reserves		
Less: Appropriations		
Proposed Dividend	(1,281)	(1,921)
Tax on Proposed Dividend	(217)	(312)
Transfer to Reserves	(100)	(1,000)
Balance at the end of the year	<u>336</u>	<u>188</u>
TOTAL	<u>18,612</u>	<u>18,364</u>
Note 4		
Trade Payables*		
a) Trade Payables	61	53
b) Others - Client's settlement dues	611	358
TOTAL	<u>672</u>	<u>411</u>
*Refer Note No. 23 (information required under MSMED Act 2006)		
Note 5		
Other Current Liabilities		
a) Sundry Deposits	163	198
b) Margin Money Deposits	279	191
c) Statutory Dues	57	57
d) Others	96	163
TOTAL	<u>595</u>	<u>609</u>
Note 6		
Short Term Provisions		
a) Provision for employees benefit	144	312
b) Other Provisions	4	9
c) Proposed Dividend	1,281	1,921
d) Tax on Proposed Dividend	217	312
TOTAL	<u>1,646</u>	<u>2,554</u>

IDBI Capital Market Services Ltd.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

Note 7

Fixed Assets

(Rs in lakhs)

Particulars	Gross Block (At Cost)				Depreciation				Net Block	
	As at 01.04.2013	Additions	Deductions	As at 31.03.2014	As at 01.04.2013	For the Year	Deductions	As at 31.03.2014	As at 31.03.2013	As at 31.03.2014
Tangible Assets										
a) Buildings	626	-	-	626	281	17	-	298	345	328
b) Computers	706	11	6	711	598	46	6	638	108	73
c) Furniture & Fixtures	94	1	16	79	55	7	11	51	39	28
d) Office Equipments	211	4	15	200	112	13	7	118	99	82
Total	1,637	16	37	1,616	1,046	83	24	1,105	591	511
Previous Year	1,757	56	176	1,637	1,110	100	164	1,045.90	591	
Intangible Assets										
a) Web Trading Portal	877	-	-	877	877	-	-	877	-	0
b) Software	370	37	-	407	327	37	-	364	43	43
c) Stock Exchange Membership Card	111	-	-	111	77	5	-	82	34	29
Total	1,358	37	-	1,395	1,281	42	-	1,323	77	72
Previous Year	1,328	30	-	1,358	1,230	51	-	1,281	77	
Grand Total	2,995	53	37	3,011	2,327	125	24	2,428	668	583
Previous Year	3,085	86	176	2,995	2,340	151	164	2,327	668	

IDBI Capital Market Services Ltd.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

(Rs in lakhs)

	Face Value		As At		As At
	Rs.	Quantity	31.03.2014	Quantity	31.03.2013
Note 8					
Non-Current Investments¹					
Trade Investments - Long Term					
Investment in Equity Instruments					
Equity Shares - Unquoted, Fully paid up					
The Bombay Stock Exchange Ltd	1	70,694	0	70,694	0
Equity Shares - Quoted, Fully paid up					
Aban Offshore Ltd	2	800	29	800	29
ABB India Ltd	2	3,200	39	3,200	39
Bharti Airtel Ltd	5	8,400	33	8,400	33
Bajaj Hindustan Ltd	1	28,758	10	28,758	10
DLF Ltd	2	17,140	150	17,140	150
IDEA Cellular Ltd	10	-	-	51,705	68
India Cement Ltd	10	38,825	101	38,825	101
NHPC Ltd	10	500,000	166	500,000	166
Goldman Sachs Mutual Fund Nifty Bees ⁴	10	0.09	0	0.09	0
NTPC Ltd	10	15,000	30	15,000	30
Mitcon Consultancy & Engineering Services Ltd	10	40,000	25	-	-
Opal Luxury Time Products Ltd	10	301,000	391	-	-
Powergrid Corporation of India Ltd	10	53,868	72	53,868	72
Punj Lloyd Ltd	2	4,500	2	4,500	18
(At cost less provision other than temporary diminution in value Rs. 16 lacs (2013: Nil))					
Reliance Communication Ltd	5	2,000	11	2,000	11
Reliance Infrastructure Ltd	10	6,000	111	6,000	111
Reliance Industries Ltd	10	16,920	201	16,920	201
Thejo Engineering Ltd ³	10	24,600	50	12,300	50
Usher Agro Ltd	10	105,010	16	105,010	16
VTX Industries Ltd	10	2,992,850	1,157	2,992,850	2,075
(At cost less provision other than temporary diminution in value Rs. 1836 lacs (2013: Rs. 918 lacs))					
Equity Index Funds -Quoted², Fully paid up					
Tata Index Fund Nifty Plan	10	-	-	143,698	55
IDBI Diversified Equity Fund Direct Plan- Growth	10	500,000	50	-	-
Gilt Funds -Quoted², Fully paid up					
IDBI Gilt Fund - Growth	10	0	-	500,000	50
Investments in debentures or bonds					
Quoted, Fully paid up					
GOI - 7.16% GOI 2023	1,000,000	50	500	-	-
Rural Electrification Corporation Ltd	1,000,000	300	3,000	300	3,000
Investment in Fellow Subsidiary					
Unquoted, Fully paid up					
IDBI Asset Management Ltd	10	40,000,000	4,000	40,000,000	4,000
(Extent of Holding: 34.79% of total paid up equity share capital)					
(Refer Note 31)					
	Total		10,144		10,285
a	Aggregate value of quoted investments				
	Cost		7,996		7,203
	Market Value		4,105		3,914
b	Aggregate value of unquoted investments				
	Cost		4,000		4,000
c	Aggregate provision for diminution in value of investments		1,852		918
1. All Investments are stated at cost					
2. For Mutual Funds, Net Asset Value is taken as Market Value					
3. During the year, the company received 12300 Bonus Shares from Thejo Engineering Ltd					
4. Amount is below the rounding off norms adopted by the company (Refer Note 22 for other details)					

IDBI Capital Market Services Ltd.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

(Rs in lakhs)

	As At 31.03.2014	As At 31.03.2013
Note 9		
Deferred tax		
Deferred Tax Liability		
On account of timing differences – Depreciation	42	48
TOTAL	42	48
Deferred Tax Asset		
Provision for Doubtful debts	329	159
Inadmissible expenses u/s 43B of I.T. Act	2	2
TOTAL	331	161
Net Deferred Tax Assets / (Liability)	289	113
Note 10		
Long Term Loans and Advances		
Unsecured, considered good		
Capital Advances for Software	-	16
Security Deposits*	198	198
TOTAL	198	214
*includes deposits referred in Note 24		

IDBI Capital Market Services Ltd.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

(Rs in lakhs)

	Face Value		As At		As At
	Rs.	Quantity	31.03.2014	Quantity	31.03.2013
Note 11					
Current Investments					
Trade Investments - Short Term					
Investment in Equity Instruments					
(At lower of cost or market value)					
Quoted, Fully paid up					
Thejo Engineering Ltd ¹ (Refer Note 25)	10	201,600	388	56,700	213
Opal Luxury Time Products Ltd (Refer Note 25)	10	34,000	41	-	-
	Total		429		213
Aggregate value of quoted investments					
Cost			429		213
Market Value			457		215
1. During the year, the company received 86100 Bonus Shares from Thejo Engineering Ltd					

IDBI Capital Market Services Ltd.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

(Rs in lakhs)

	As At		As At	
	31.03.2014		31.03.2013	
Note 12				
Trade Receivables*				
(Unsecured, Considered good)				
Outstanding for period exceeding six months	4,088		2,422	
Other Debts	3,823	7,911	<u>3,792</u>	6,214
(Unsecured, Considered doubtful)				
Outstanding for period exceeding six months	1,202		489	
Other Debts	4		1	
Less: Provisions for Doubtful Debts	(969)	237	<u>(490)</u>	-
TOTAL		8,148		<u>6,214</u>
*Trade Receivables are subject to confirmations				
Note 13				
Cash & Bank Balances				
Cash & Cash Equivalent				
Cash on hand	0		1	
Balances with banks	5,506	5,506	<u>5,152</u>	5,153
Current Investments (Highly Liquid)				
IDBI Liquid Fund - Growth - Direct		2,900		1,650
Units C.Y 211096.422 (P.Y. 131213.73)				
Other Bank Balances				
Bank Fixed Deposits - more than 12 months				
- Pledged with Stock Exchanges for margin	4,085		4,575	
- others	-	4,085	<u>3,858</u>	8,433
TOTAL		12,491		<u>15,236</u>
Note 14				
Short Term Loans & Advances				
(Unsecured, Considered Good)				
Advance Recoverable in cash or kind				
Amount recoverable from Related Parties	4		1	
Sundry Deposits	24		57	
Others				
Advance to Service Providers	4		6	
Others	212	244	107	171
Advance Tax & Tax Deducted at Source (net of provisions)*		1,458		1,254
TOTAL		1,702		<u>1,425</u>
* Refer Note 26				
Note 15				
Other Current Assets				
Accrued Interest on Investments		191		191
Accrued Interest on Fixed Deposits		147		184
Accrued Interest on GOI Securities		13		-
TOTAL		351		<u>375</u>

IDBI Capital Market Services Ltd.
NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014
(Rs in lakhs)

	Period Ended 31.03.2014	Period Ended 31.03.2013
Note 16		
Revenue From Operations		
Sale of Securities (Refer Note 27)	-	6,337
Brokerage, Commission & Fees	7,802	8,482
Portfolio Management Services	15	13
Income from Depository Services	61	62
TOTAL	7,878	14,894
Note 17		
Other Income		
Dividend Income	16	24
Profit on Sale of Investments	401	1,249
Other Non-operating Income		
Interest Received on Bonds/Fixed Deposits	1,007	1,312
Interest / Discount on G-sec / Treasury Bills	31	32
Miscellaneous Income	36	2
TOTAL	1,491	2,619
Note 18		
Purchase of Securities (Refer Note 27)		
GOI Securities	-	5,825
Treasury Bills	-	490
TOTAL	-	6,315
Note 19		
Employee Benefits Expense*		
Salaries, Wages & Allowances	2,153	2,662
Contribution to Provident and other funds	127	154
Other benefits	51	44
TOTAL	2,331	2,860
*Disclosure required by AS 15 on Employee benefits- Refer Note 28		
Note 20		
Operating Expenses		
Brokerage Paid	180	317
Operating Charges	156	166
Computer Maintenance Expenses	164	128
Marketing Expenses	26	33
Professional Charges	358	413
Franking/Stamp Expenses	31	72
Manpower Hire Charges	366	624
Loss on Error Trade	1	12
TOTAL	1,282	1,765
Note 21		
Administrative Expenses		
Rent (Refer Note 29)	598	627
Electricity Charges	75	81
Rates & taxes	17	24
Insurance	6	7
Repairs & Maintenance	66	64
Travelling & conveyance	88	140
Communication Expenses	148	189
Printing & Stationery	42	91
Sitting fees to directors	1	2
Auditors Remuneration		
Audit Fees	6	5
Tax Audit Fees	1	1
Others	2	-
Recruitment & Training Expenses	3	9
Prior Period Items (Net)	3	-
Miscellaneous expenses	31	47
TOTAL	1,087	1,287

IDBI CAPITAL MARKET SERVICES LTD
Notes forming part of the Financial Statements

22.

- a) Non-Current Investments include 29,92,850 equity shares of Rs.10 each of VTX Industries Ltd acquired as part of devolvement on underwriting at Rs 100 each amounting to Rs 2992.85 Lakhs. The market value of the share as on 31.03.2014 was Rs 3.62 (P.Y. Rs 8.00) per share and the carrying cost was Rs 100/- per share.

The management estimates the diminution in the value other than temporary in respect of above investment at Rs 1836 lakhs (Previous Year Rs. 918 lakhs). Accordingly a provision for contingency amounting to Rs. 918.00 lakhs (P.Y Rs 918.00 lakhs) has been created by charge to the Statement of Profit and Loss Account for the year. (Refer Note 8)

- b) Non-Current Investments include 4,500 equity shares of Rs.10 each of Punj Lloyd Ltd amounting to Rs 17.64 Lakhs. The market value of the share as on 31.03.2014 was Rs 28.00 (P.Y. Rs 55.15) per share and the carrying cost was Rs 391.89 per share. A provision towards diminution in the value other than temporary amounting to Rs. 15.99 lakhs (P.Y Nil) has been created by charge to the Statement of Profit and Loss Account for the year. (Refer Note 8)

- c) Following Non-Current Investments are carried at cost:

Scrip Name	Qty	Rs. in lakhs	
		Cost as on 31.03.2014	Market Value as on 31.03.2014
Aban Offshore Ltd	800	29.13	4.26
DLF Ltd	17140	150.43	30.28
India Cements Ltd	38825	101.40	23.64
Reliance Communications Ltd	2000	11.20	2.58
Reliance Infrastructure Ltd	6000	111.31	26.10

As per the Accounting Policy followed by the Company, these investments are treated as a Long Term Investments. In view of the fact that the fundamentals of the Companies mentioned above continue to be sound, the diminution in value is considered temporary. Hence as per the Accounting Policy followed by the Company, provision for diminutions in the value of above investments is not considered necessary. (Refer Note 8).

- d) As part of devolvement on underwriting 28758 fully paid equity shares of Rs. 1 each of Bajaj Hindustan Ltd at Rs. 36 amounting to Rs. 10.35 lakhs. The market value of the share as on 31.03.14 was Rs. 16.37 (P. Y Rs 19.00) per share. (Refer Note 8).
- e) During the year, as part of devolvement on underwriting 40000 fully paid equity shares of Rs. 1 each of Mitcon Consultancy and Engineering Services Ltd at Rs. 61 amounting to Rs. 24.40 lakhs. The market value of the share as on 31.03.14 was Rs. 41.50 (P. Y Rs Nil) per share. (Refer Note 8).
- f) After conversion of Bombay Stock Exchange (BSE) membership rights into trading rights of Bombay Stock Exchange Ltd (BSEL) and shares of BSEL, the Company continues to carry trading rights at historic cost and shares at face value. However this accounting treatment is not in accordance with the Opinion given by Expert Advisory Committee (EAC) of the Institute of Chartered Accountants of India (ICAI). EAC recommends that accounting standard does not envisage historical cost based accounting treatment in case of transactions involving exchange of assets. (Refer Note 8).

23. The Company has not received any intimation from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year-end together with interest paid/ payable as required under the said act have not been given. (Refer Note 4)
- 24.
- a) The Company has paid Larsen & Tubro Ltd an amount of Rs. 15.70 lakhs as an additional deposit in respect of property tax for the premises of Bhaktawar Tower, which was occupied by the company. The demand was raised by Bhrihan Mumbai Corporation for enhanced property tax on Larsen & Tubro Ltd, who has taken the matter before the Bombay High Court. Pending disposal of the case amount paid towards Company's share of tax deposited in Court has not been recognised in profit & loss account and shown as deposit under Long Term Loans and Advances (Non-Current). (Refer Note 10).
 - b) Initial margin placed with the exchanges towards capital in the form of cash Rs.147.59 lakhs (P.Y. Rs. 147.59 lakhs). (Refer Note 10).
- 25.
- a) The company during the financial year 2012-13 acquired 12300 fully paid Equity Shares of Rs 10 each in the IPO of Thejo Engineering Ltd at Rs 402/- per share amounting to Rs 49.44 lakhs in the Market Maker portion where IDBI Capital Market Services Ltd agreed to act as Market Maker for a period of three years from the date of listing of the shares. Further bonus shares on above totalling to 12300 have been received during the year. Thus 24600 shares have been treated as non-current investment. As market maker to the issue, Shares acquired from the market, outstanding as on 31.03.2014 including 86100 Bonus Shares issued on 14.09.2013 is 201600 equity shares (P.Y 56700 equity shares) amounting to Rs 388.05 lakhs (P.Y 213.08 lakhs) has been treated as Current Investments. The market value of these shares as on 31.03.2014 amounts to Rs 413.28 lakhs (P.Y Rs. 214.72 lakhs). (Refer Note 8 & Note 11 of Notes to Accounts and Note 1 (f.1) of Significant Accounting Policies).
 - b) The company during the year acquired 301000 fully paid Equity Shares of Rs 10 each in the IPO of Opal Luxury Time Products Ltd at Rs 130/- per share amounting to Rs 391.30 lakhs in the Market Maker portion where IDBI Capital Market Services Ltd agreed to act as Market Maker for a period of three years from the date of listing of the shares. This has been treated as long term investment and accordingly classified under Non-Current investments. As market maker to the issue company accumulated further 34000 equity shares amounting to Rs 40.55 lakhs (Market value Rs. 43.59 lakhs) from the market till March 31, 2014 which has been treated as Current Investments. (Refer Note 8 & Note 11 of Notes to Accounts and Note 1 (f.1) of Significant Accounting Policies).
26. Pending receipt order giving effect to Appellate Decisions in favour of the Company for earlier assessment years, effect of adjustments/reversals if any, in respect of Income Tax provision of those years has not been reflected during the year. (Refer Note 14)

27. Details of Stocks, Purchases, Sales (including Quantitative details):
(Information Required as per Companies Act, 1956)

Details of opening and closing stock

Category	Opening Stock		Closing Stock	
	Face Value [Rs. Crore]	Value [Rs Lakhs]	Face Value [Rs. Crore]	Value [Rs Lakhs]
Government securities	-	-	-	-
Treasury bills	-	-	-	-

Note: Figures in brackets are for previous year

Details of purchases and sales

Category	Purchase		Sales	
	Face Value [Rs. Crore]	Value [Rs Lakhs]	Face Value [Rs. Crore]	Value [Rs. Lakhs]
Government securities	-	-	-	-
	(57.89)	(5824.88)	(57.89)	(5846.51)
Treasury bills	-	-	-	-
	(5)	(489.95)	(5)	(490.00)

Note: Figures in brackets are for previous year
(Refer Note 16 and Note 18)

28. **Employees Benefit:**

a. Defined Contribution Plans:

Amount recognised and included for Contribution to Provident Fund in Note 19 "Contribution to Provident and other funds" of Profit and Loss Account is Rs. 62.93 (Previous year Rs. 69.71 lacs)

b. Gratuity and other post-employment benefit plans:

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service subject to a maximum of Rs. 10,00,000.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet.

Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010
	Rs in lakhs				
Current service cost	21.40	15.98	29.67	15.67	13.32
Interest cost on benefit obligation	6.49	4.67	3.95	2.73	2.99
Expected return on plan assets	(7.12)	(5.94)	(5.04)	3.88	3.68
Net actuarial (gain) / loss recognised in the year	(12.61)	7.14	(23.77)	(5.91)	(7.97)
Past service cost	-	-	-	0.28	-
Net benefit expense	8.16	21.85	4.81	8.90	4.67
Actual return on plan assets	6.29	5.12	5.54	4.54	3.41

Balance sheet**Details of Provision for gratuity**

	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010
	Rs in lakhs				
Defined benefit obligation	82.36	81.18	58.34	49.43	36.51
Fair value of plan assets	84.61	81.87	69.10	63.00	48.44
Difference	2.25	0.69	10.76	13.57	11.93
Less: Unrecognised past service cost	-	-	-	-	-
Plan asset / (liability)	2.25	0.69	10.76	13.57	11.93

Changes in the present value of the defined benefit obligation are as follows:

	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010
	Rs in lakhs				
Opening defined benefit obligation	81.18	58.34	49.43	36.51	30.35
Interest cost	6.49	4.67	3.95	2.73	2.99
Current service cost	21.40	15.98	29.67	15.67	13.32
Benefits paid	(13.27)	(4.13)	(1.45)	(0.23)	(1.92)
Actuarial (gains) / losses on obligation	(13.44)	6.31	(23.26)	(5.25)	(8.23)
Closing defined benefit obligation	82.36	81.18	58.34	49.43	36.51

Changes in the fair value of plan assets are as follows:

	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010
	Rs in lakhs				
Opening fair value of plan assets	81.87	69.10	63.00	48.44	37.94
Expected return	7.12	5.94	5.04	3.88	3.68
Contributions by employer	9.72	11.78	2.01	10.54	9.01
Benefits paid	(13.27)	(4.13)	(1.45)	(0.52)	(1.91)
Actuarial gains / (losses)	(0.83)	(0.82)	0.50	0.66	(0.26)
Closing fair value of plan assets	84.61	81.87	69.10	63.00	48.44

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010
	%	%	%	%	%
Investments with insurer	100	100	100	100	100

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010
	%	%	%	%	%
Discount rate	9.29	8.00	8.00	8.00	7.50
Expected rate of return on Plan assets	8.70	8.70	8.00	8.00	8.00
Salary Escalation Rate	5.00	5.00	5.00	5.00	5.00

In the absence of detailed information regarding Plan Assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount for each category to the total fair value of plan assets has not been disclosed.

The details of experience adjustments arising on account of plan assets and plan liabilities as required by paragraph 120(n)(ii) of AS 15 (Revised) on "Employee Benefits" are not readily available in the valuation statement received from LIC and hence, are not furnished. (Refer Note 19)

29. Operating Leases

Office premises are taken on operating lease. There are no restrictions imposed by lease agreements and all lease agreements are cancellable in nature on short term notice.

(Rs. In Lakhs)

Particulars	As at March 31, 2014	As at March 31, 2013
Lease payments for the year	597.64	626.12
Contingent rent recognized in Profit & Loss Account	-	-

The above includes payment made to IDBI Bank Ltd (Holding Company) amounting to Rs. 538.81 lacs (P.Y.Rs. 538.81 lacs) towards Rent for Corporate Office (3rd floor, Mafatlal Centre) for which no formal lease agreement is executed. The Company is in the process of finalising the agreement for operating lease. (Refer Note 21 – Administrative Expenses)

30. Earnings per Share (EPS) - The numerator and denominator used to calculate Basic Earnings per Share

	Year ended March 31, 2014	Year ended March 31, 2013
Profit attributable to the Equity Shareholders (Rs. in Lakhs) (A)	1,746	2,423
Basic/Weighted average number of Equity Shares outstanding during the year (B)	12,81,00,000	12,81,00,000
Nominal value of Equity Shares (Rs.)	10	10
Basic Earnings per Share (Rs.) (A/B)	1.36	1.89

Other Notes

31. Related Party Transactions: (Disclosure required under AS 18)

I. List of related parties:

A. Related Party where control exists

IDBI Bank Ltd. - Holding Company
IDBI Intech Limited – Fellow Subsidiary
IDBI Asset Management Ltd – Fellow Subsidiary
IDBI Trusteeship Services Limited – Fellow Subsidiary

B. Other Related Parties

Enterprises under common control of the Holding Company

IDBI Federal Life Insurance Co Ltd
Stock Holding Corporation Ltd

C. Key Management Personnel -

Abhay Bongirwar, Managing Director & CEO

II. Transactions with Related Parties carried out in the Ordinary course of business and balance outstanding at the end:

		Rs. In lacs			
Name of Related Party	Nature of Transaction	During the year		Outstanding as at	
		2013-14	2012-13	2013-14	2012-13
IDBI Bank Ltd	Interest received	771.90	1161.15	147.33	171.39
	Brokerage earned	19.90	24.92	-	-
	Rent Received	17.60	-	4.40	-
	Mobilisation fees	9.68	117.63	143.04	132.17
	Advisory Fees received	30.00	-	32.00	2.00
	Sale of Investment	0	1,000.00	-	-
	Rent paid	549.13	542.50	2.46	1.50
	Electricity Charges paid	1.04	0.46	-	0.02
	Professional Charges paid	3.75	-	-	-
	Communication Expens	4.34	6.08	-	-
	Brokerage Paid	75.21	86.17	19.09	3.95
	Medical Expns Reimb.	10.01	2.26	0.81	-
	Travelling Expenses	0	0.21	-	-
	Staff on deputation (in ICMS Rolls)	15.44	-	2.07	-
	Staff on deputation (in IDBI Rolls)	350.77	403.24	37.86	-
	Bank Balances	-	-	5,392.78	13,278.78
	Fixed Deposit	-	-	4085.00	8242.99
Share Capital held by IDBI Bank	-	-	12,810.00	12,810.00	
IDBI Intech Ltd	Professional Charges	245.33	273.27	-	-
	Manpower Hire Charges	111.89	551.27	-	-
	Other Operating Charges	0.03	0.30	-	-
Stock Holding Corp. Ltd.	Operating Charges	0.13	0.15	0.02	0.02
IDBI Trusteeship Services Ltd	Brokerage earned	5.82	8.21	-	-
	Brokerage Paid	0.13	0.16	-	-
IDBI Federal Life Insurance Co. Ltd	Commission earned	0.00	1.14	-	-
	Brokerage earned	62.50	57.93	-	-
IDBI Asset Management Ltd	Brokerage earned	5.79	5.54	-	-
	Transfer of Fixed Asset	-	-	1.26	1.26
	Investment in Equity Share Capital *	-	1,500.00	4,000.00	4,000.00
Key Management Personnel	Remuneration (includes pay, allowances and reimbursements)	32.19	30.13	-	-
	Pension scheme contribution	2.28	1.88	-	-
	Perquisites & benefits	-	-	-	-

* During the year, the company invested in nil (P.Y. 1.5 crores) equity shares of Rs. 10 each at par amounting to Rs. Nil crores (P.Y. Rs. 15 crores) in IDBI Asset Management Ltd a subsidiary of IDBI Bank Ltd. The total holding of the company as on 31.03.2014 is 34.79% (P.Y. 44.44%). The total holding of the company has decreased due to introduction of fresh capital. (Refer Note 8)

32. Contingent Liabilities on account of -
- i) Estimated amount of contract remaining to be executed on account of capital commitments not provided for: Rs. 468.59 lakhs (PY Rs. 29.54 lakhs).
 - ii) Other items for which the Company is contingently liable-
 - 1. Claims against the company not acknowledged as debt – Rs. 45.59 lakhs (PY Rs. 38.77 lakhs) including interest @ 18% amounting to Rs. 16.55 lakhs (P Y Rs. 11.08 lakhs).
33. Earnings in Foreign Currency on account of Advisory services Rs. 9.09 lakhs (P.Y. – Rs. 20.85 lakhs) and Expenditure in Foreign currency on account of Traveling Rs. 0.79 lakhs (P.Y. - Rs. 5.61 lakhs).
34. Dividend income includes dividend on long-term investment amounting to Rs.15.89 lakhs (PY Rs. 23.91 lakhs) and current investments Rs Nil (PY Rs Nil). Interest income includes interest on long-term investments amounting to Rs. 261.65 lakhs (PY Rs. 231.63 lakhs).
35. Segment Reporting (Disclosure required under AS 17)

Assets, Liabilities, Income and Expenditure have been allocated to the respective segments to the extent practicable for the purpose of segment reporting.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

Segment Reporting

Primary Segment

(Rs in lakhs)

	Proprietary Trading		Investment Banking Services		Institutional Broking		Retail Broking		Treasury		Others *		TOTAL	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Revenue														
Segment Revenue	-	6,337	5,882	6,289	336	384	1,536	1,778	1,581	2,724	33	2	9,369	17,513
Less: Inter Segment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	-	6,337	5,882	6,289	336	384	1,536	1,778	1,581	2,724	33	2	9,369	17,513
Result														
Segment Result	-	22	3,525	3,967	(193)	(186)	(545)	(1,315)	311	1,396	23	2	3,121	3,886
Less: Tax Expenses													1,375	1,463
Total Result													1,746	2,423
Assets														
Segment Assets	-	-	-	-	-	-	-	-	17,557	21,500	-	-	17,557	21,500
Unallocated Assets													16,778	14,167
Total Assets													34,335	35,666
Unallocated Segment Liabilities													742	1,466
Other Information														
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	125	151

*Figures shown in others are unallocated figures

36. The additional Information pursuant to revised Schedule VI to the Companies Act, 1956 are either Nil or Not Applicable.
37. Previous year figures have been grouped, regrouped, arranged and rearranged wherever necessary and possible.

Signatures to Notes 1 to 37

As per our attached report of even date

For and on behalf of the Board

For Amit Ray & Co
Chartered Accountants
Firm Registration No: 000483C

Sd/-
M.S. Raghavan
Chairman

Sd/-
Abhay L. Bongirwar
Managing Director & CEO

Sd/-
Pradeep Mukherjee
Partner
M. No. 070693

Sd/-
Christina D'souza
Company Secretary

Sd/-
V. Gopinath
Chief Financial Officer

Place: Mumbai
Date: 16/04/2014

IDBI CAPITAL MARKET SERVICES LTD
Balance sheet Abstract and Company's General Business Profile

I. Registration Details			
Registration Number	75578	State Code	11
Balance sheet date	31.03.2014		
II. Capital raised during the year (Rs.'000s)			
Public issue	Nil	Bonus issue	Nil
Rights Issue	Nil	Private Placement	Nil
III. Position of mobilisation and deployment of funds (Rs.'000s)			
Total Liabilities	3433498	Total assets	3433498
Sources of funds			
Paid up capital	1281000	Reserves and Surplus	1861212
Secured Loan	Nil	Unsecured Loans	Nil
Deferred Tax Liabilities	0		
Application of funds			
Net Fixed assets	58292	Investments	1057226
Net current Assets	2020771	Misc. Expenditure	Nil
Accumulated Losses	Nil		
IV. Performance of the Company (Rs.'000s)			
Total Income	936918	Total Expenditure	624847
Profit before tax	312071	Profit after tax	174618
Earnings per Share (Rs)	1.36	Dividend Rate %	10%

**V. Generic Names of Five Principal Services of the Company
(As per monetary terms)**

Item Code No. (ITC Code)	Product Description
NA	1) Equity Proprietary Trading
NA	2) Equity Secondary market Broking Services
NA	3) Portfolio Management Services
NA	4) Investment Banking Services
NA	5) Financial Products Distribution Services

For and on behalf of the Board

Sd/-
M. S. Raghavan
Chairman

Sd/-
Abhay L. Bongirwar
Managing Director & CEO

Sd/-
Christina D'souza
Company Secretary

Sd/-
V. Gopinath
Chief Financial Officer

Place: Mumbai
Date : 16/04/2014