

**NINETEENTH  
ANNUAL REPORT  
2011-12**



**KHANDWALA  
SECURITIES  
LIMITED**

# OUR NEW MANTRA

It gives us immense pleasure to announce the new corporate identity of Khandwala Securities Limited (KSL) which is a part of our brand repositioning initiative. The transition of KSL to the new identity has been an ongoing endeavor since a year and a lot of brainstorming has gone into achieving it. Our new identity is recognition of our constant efforts towards your growth. We will like to share with you our vision and journey behind developing our new Logo.

## **KSL New Logo**

The Form of the Logo has the letters 'K' & 'S' showing an upward trend with an arrow. The form truly represents the core principles of KSL which are dedicated towards continuous growth and development. The letters are given a dynamic action which represents our commitment to meet the dynamics of a new market place.

The Blue in the logo represents knowledge, power and integrity in our work. The Red represents our passion, commitment and strength. The color scheme of blue and red is selected to balance the passion for growth with the depth of knowledge.

The Logo in the entirety represents KSL as growth centric and knowledge driven global financial company which is focused on a vision to create, generate and manage wealth for their customers. For our customers we are 'Wealth Visionaries' and our new Logo advocates their belief.

Khandwala Securities Limited (KSL) has always maintained pace with the latest technological advancements. Our new interactive website "<http://www.kslindia.com>", e-communication tools for an environment-friendly paperless interaction and KSL Wealth Console (for your smart phones and tablets) allow us to provide prompt and efficient services to our customers. The KSL website provides in depth information of our products and services and offers information on Research, IPOs, Derivatives, Mutual funds and more. Kindly sign in with your personal customer identity and explore more interactive features on our website.

We will like to introduce our new products that are created to suit the current market scenario and growing urban needs:

*Investment Advisory:* The mission of KSL's advisory team is to provide the highest level of performance, service, and integrity and information dissemination to its clients. This involves helping clients to maximize returns in favorable investment climates and protecting assets during unfavorable climates.

*Financial Planning:* Everybody wants to manage their finances well so that they get desired money for their goals like child education & their marriage, buying a new car, buying a dream home, financial self-sufficient retirement etc. To achieve these goals, one needs to carefully plan for life goals through proper management of finances. KSL helps you to lay out a road map for achieving your goals and objectives.

The heritage, goodwill and experience since 1930s continue to strengthen our core values even today. Adding new global sensibilities and financial foresight, KSL promises efficient services and personal attention to each customer. As we make this transition, please be assured that KSL is the same value-based and service oriented organization that remains focused towards maximizing returns for your wealth.

We thank you for all of your support in the past and as we move ahead!

## BOARD OF DIRECTORS

Mr. Shreedhar Parande (Chairman)  
Mr. Paresh J. Khandwala (Managing Director & CEO)  
Mr. Rohit Chand  
Mr. Kalpen Shukla  
Mr. Brijmohan Rai Bahl  
Mr. Pranav P Khandwala  
Mr. Homiar N. Vakil

## COMPANY SECRETARY & COMPLIANCE OFFICER

Ms. Pooja Gupta

## REGISTERED OFFICE

Ground Floor, Vikas Building,  
Green Street, Fort, Mumbai – 400 023.

## AUDITORS

UDYEN JAIN & ASSOCIATES  
Chartered Accountants,  
540, 5th Floor, D Wing, Clover Centre,  
7 Moledina Road, Pune 411 001

## BANKERS

Union Bank of India  
Mumbai Samachar Marg,  
Mumbai – 400 023.

Axis Bank Limited  
Sir P. M. Road, Fort, Mumbai 400 001.

HDFC Bank Ltd.,  
Manekji wadia Bldg.,  
Nanik Motwani Marg, Fort, Mumbai 400 001

## REGISTRARS & TRANSFER AGENTS

KARVY COMPUTERSHARE PRIVATE LIMITED  
46, Avenue 4, Street No. 1,  
Banjara Hills, Hyderabad – 500 034.

## LEGAL ADVISOR

Mulla & Mulla & Craigie Blunt & Caroe,  
(Advocates, Solicitors & Notaries),  
Mulla House, 51, M.G. Road,  
Mumbai 400 001

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## NOTICE

Notice is hereby given that the Nineteenth Annual General Meeting of the Members of **Khandwala Securities Limited** will be held at C. K. Naidu Hall, Cricket Club of India (CCI), Brabourne Stadium, Churchgate, Mumbai 400 020 on Friday, 28<sup>th</sup> day of September, 2012 at 12.00 noon to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2012 and Profit and Loss Account for the period ended as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Kalpen Shukla who retires by rotation and being eligible, offers himself for re-appointment.
3. To re-appoint Auditors M/s. Udyen Jain & Associates, Chartered Accountants, the retiring auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

### SPECIAL BUSINESS:

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

**RESOLVED THAT** in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any other statutory modification(s) or re-enactment thereof, Mr. Pranav P Khandwala who was appointed as an Additional Director pursuant to Section 260 of the Companies Act, 1956 in the Board meeting held on 14th November, 2011, be and is hereby appointed as a Director of the Company subject to retirement by rotation under the provision of Articles of Association of the Company".

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 the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any other statutory modification(s) or re-enactment thereof, Mr. Homiar N. Vakil who was appointed as an Additional Director pursuant to Section 260 of the Companies Act, 1956 in the Board meeting held on 3<sup>rd</sup> February, 2012, be and is hereby appointed as a Director of the Company subject to retirement by rotation under the provision of Articles of Association of the Company".

By Order of the Board of Directors

Pooja Gupta

Company Secretary

Date: 9th August, 2012

Place: Mumbai

### NOTES

1. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, setting out the material facts in respect of special business for Item No. 4 & 5 is annexed hereto.

2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY / PROXIES NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY / PROXIES SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

3. The Register of Members and the Share Transfer Books of the Company will remain close from 20<sup>th</sup> September, 2012 to 28<sup>th</sup> September, 2012 (both days inclusive) for the purpose of Annual General Meeting.

4. Pursuant to the provisions of Section 205A and 205C of the Companies Act, 1956, there is no dividend or interest which remains unpaid / unclaimed for a period of 7 years which should be transferred by the Company to IEPF. Members are requested to note that no claims shall lie against the Company or IEPF in respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.

5. Members are informed that in the case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.

6. Corporate Members are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the AGM.

7. Members are requested to bring their copy of the Annual Report, as copies of the Report will not be distributed again at the Meeting.

8. Members are requested to bring their attendance slip, duly signed, so as to avoid any inconvenience.

9. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company at least ten days in advance, so as to enable the Company to keep the information ready.

10. Members holding shares in physical form are requested to notify, immediately, any change in their address or bank details to the Company. Shareholders are requested to quote ledger folio / beneficiary numbers in all their correspondence. Members holding shares in electronic form should update such details with their respective Depository Participants.

Ministry of Corporate Affairs ("MCA"), Government of India has taken a "Green Initiative in Corporate Governance" by allowing paperless communication by Companies. MCA vide its circular nos. 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively allowed the service of notice / documents by a company to its Members to be made through electronic mode, after giving an advance opportunity to the Member to register his e-mail address and changes therein from time to time with the Company or with the concerned depository. Keeping this in view, your Company proposes to send documents such as the Notice of the Annual General Meeting, Audited Financial Statements, Directors' Report, Auditors' Report, Explanatory Statement etc., henceforth



to such Members in electronic mode, who opt for the same. We have enclosed a Form for you to exercise your option by submitting the same to us either by e-mail at [regcomm@kslindia.com](mailto:regcomm@kslindia.com) and / or [investorgrivances@kslindia.com](mailto:investorgrivances@kslindia.com) and / or by sending registered post at the Registered Office of the Company addressed to the Company Secretary after your signature. In this behalf, we are confident that you would appreciate the "Green Initiative" taken by MCA. We solicit your co-operation in helping the Company to implement the e-governance initiatives of the Government.

## EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF THE SPECIAL BUSINESS TO BE TRANSACTED

### ITEM NO. 4

The Board of Directors of the Company ('the Board'), under Section 260 of the Companies Act, 1956 ('the Act') and the Articles of Association of the Company, appointed Mr. Pranav P Khandwala as an Additional Directors of the Company with effect from 14<sup>th</sup> November, 2011.

In terms of Section 260 of the Act, Mr. Pranav P Khandwala will hold office up to the date of ensuing Annual General Meeting.

A notice has been received from a member as required proposing Mr. Pranav P Khandwala as a candidate for the office of Director under Section 257 of the Act. Mr. Pranav P Khandwala have confirmed that he is not disqualified from being appointed as Directors under Section 274 (1) (g) of the Act.

Details regarding the person proposed to be appointed as the Director and his brief resume is appended below.

Name	Mr. Pranav P Khandwala
Date of Birth	30-12-1980
Address	Rekha Bldg., Block no. 36, 46, Ridge Road, Malbar Hill, Bombay – 6.
PAN Number	AABPK5769M
Educational Qualification	B.Com & MBA
Profession	Presently Managing Director of M/s. Trumonee Financial Limited.
Experience	Presently Managing Director of Trumonee Financial Limited (Promoted by Khandwala Securities Limited). Advisory to Corporate & HNIs, Relationship Management, Investment Banking & Corporate Finance, Retail Broking and E-Broking, strategic planning & MIS development and has an experience of about 10 years in Investment sector.
Other Directorship	<ul style="list-style-type: none"> <li>- Khandwala Commodity &amp; Derivatives Private Limited</li> <li>- Trumonee Financial Limited</li> <li>- Piggero Investments Private Limited</li> </ul>

The Board of Directors is of the view that the skills and knowledge of Mr. Pranav P Khandwala would be of immense benefit to the company and recommends his appointment for your approval. Approval of the shareholders is sought by way of Ordinary resolution in the Annual General Meeting for his appointments as Director.

None of the Directors except Mr. Pranav P Khandwala are concerned or interested in the resolution

### ITEM NO. 5

The Board of Directors of the Company ('the Board'), under Section 260 of the Companies Act, 1956 ('the Act') and the Articles of Association of the Company, appointed Mr. Homiar N. Vakil as an Additional Directors of the Company with effect from 03<sup>rd</sup> February, 2012.

In terms of Section 260 of the Act, Mr. Homiar N. Vakil will hold office up to the date of ensuing Annual General Meeting.

A notice has been received from a member as required proposing Mr. Homiar N. Vakil as a candidate for the office of Director under Section 257 of the Act. Mr. Homiar N. Vakil have confirmed that he is not disqualified from being appointed as Directors under Section 274 (1) (g) of the Act.

Details regarding the person proposed to be appointed as the Director and his brief resume is appended below.

Name	Mr. Homiar N. Vakil
Date of Birth	21-12-1958
Address	1A/2, Tata Mills Co-operative Housing Society, Elphinstone Road, Parel, Mumbai – 400 012.
PAN Number	AACPV4702G
Educational Qualification	B.Com (Hon), L.L.B, Solicitor (Bombay & London)
Profession	Partner of Messrs. Mulla & Mulla & Craigie Blunt & Carce, Advocates, Solicitors & Notaries
Experience	Having work experience of more than 25 years in Civil and Criminal Litigations, Arbitration, Constitutional matters, Writ Petitions, Indirect Taxes, and Public Interest Litigations. He has advised several large Public & Private sectors, foreign banks and individual in respect of litigation as well as property cases. He specializes in the area of Conveyancing, Title Investigation, drafting contracts, preparing and vetting International Banking documents.
Other Directorship	NIL

The Board of Directors is of the view that the skills and knowledge of Mr. Homiar N. Vakil would be of immense benefit to the company and recommends his appointment for your approval. Approval of the shareholders is sought by way of Ordinary resolution in the Annual General Meeting for his appointments as Director.

None of the Directors except Mr. Homiar N. Vakil are concerned or interested in the resolution

Your Board recommends the Special resolution for your approval.

**By order of the Board of Directors**

**Date: 9th August, 2012**  
**Place: Mumbai**

**Pooja Gupta**  
**Company Secretary**



**Come; let's join hands for a new experience**

## **DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting herewith the Nineteenth Annual Report along with Audited Statement of Accounts for the year ended on 31<sup>st</sup> March 2012.

### **FINANCIAL HIGHLIGHTS**

The performance of the Company for the Financial Year ended 31<sup>st</sup> March, 2012 is summarized below:-

(Rs. in Lakhs)

Particulars	Year ended 31 <sup>st</sup> March 2012	Year ended 31 <sup>st</sup> March 2011
Total Income	599.41	893.76
Interest & other Financial Charges	39.60	36.53
Depreciation	39.53	44.72
Profit / (Loss) before Tax and prior period item	(58.31)	43.11
Less: Prior Period item	-	-
Provision for Tax (including Deferred Tax & Fringe Benefit Tax)	(3.32)	(0.27)
Profit / (Loss) after Tax	(54.99)	43.37
<b>Appropriations</b>		
Dividend on Preference Shares	-	-
Provision for Corporate Tax on Dividend	-	-
Surplus / (Deficit) carried forward	737.00	792.00
Reserves and Surplus	1621.41	1676.40

### **RESULTS OF OPERATIONS**

The Revenue for the year decreased from Rs. 893.76lacs to Rs.599.42 lacs. The Profit before interest, exceptional items, prior period expenses and taxation registered a decrease from a profit figure of Rs. 43.11 Lacs in the FY 2011 to a loss figure of Rs. (58.31) Lacs in the current FY 2012.

The detailed information on operational and financial performance, etc., is also given in the Management Discussion and Analysis Report which is annexed to the Directors' Report and has been prepared in compliance with the terms of Clause 49 of the Listing Agreement with the Indian Stock Exchanges.

### **DIVIDEND**

Your Directors do not recommend Equity dividend for the financial year under review because of inadequacy of profits / loss.

### **DIRECTORS**

During the period Mr. Ajay Narsimhan has vacated the office and Mr. Pranav P Khandwala & Mr. Homiar N. Vakil were appointed as an Additional Directors effective from 14<sup>th</sup> November, 2011& 3<sup>rd</sup> February, 2012 respectively. In terms

of Section 260 of the Companies Act, 1956 they will hold the office only upto the date of ensuing Annual General Meeting. The Company has received requisite notice in writing from a member proposing their candidature for the office of Director liable to retire by rotation.

In accordance with Section 255 and 256 of the Companies Act 1956 and with reference to Article 109 of the Articles of Association of the Company, Mr. Kalpen Shukla, a Non-Executive Independent Director retires by rotation and, being eligible, offers himself for re-appointment at the ensuing Annual General Meeting of the Company.

Brief resume of the Director proposed to be re-appointed, qualification, experience and the name of the Companies in which he holds directorship, membership of the board committees, as stipulated in the clause 49 of the listing agreement is provided in the Report on Corporate Governance forming a part of the annual report.

### **CORPORATE GOVERNANCE**

Your Company has complied with all the mandatory provisions of the Clause 49 of the Listing Agreement with the Stock Exchanges. As part of the Company's efforts towards better corporate practice and transparency, a separate report on Corporate Governance compliances is included as a part of Annual Report.

A certificate from the auditors, M/s Udyen Jain & Associates, Chartered Accountants, of the Company regarding compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this Directors' Report.

### **RECONCILIATION OF SHARE CAPITAL**

Your Company voluntarily appointed M/s. Bhuvnesh Bansal & Associates, Practicing Company Secretary, to conduct Share Capital Audit of the Company for the financial year ended March 31, 2012. The Reconciliation of share Capital Audit Report confirms that the Company has complied with all the applicable provisions of the Listing Agreement, the Companies Act, 1956, and the Depositories Act, 1996.

### **MANAGEMENT DISCUSSION AND ANALYSIS**

The Management Discussion and Analysis Report for the year under review as required under Clause 49 of the Listing Agreement, is given as a separate statement in the annual report.

### **EMPLOYEES**

Your Company is consciously aware that its well being largely depends upon the quality and strength of human resource. The Company endeavors to attract and retain talent. The Company ensures that its operations are adequately staffed. Your Company's human resource policies are designed and implemented to achieve these objectives.

The Board wishes to place on record its appreciation for sincere and dedicated efforts put in by all the employees. Employee-Management relations continued to remain cordial throughout the year under review.



**AUDITORS' REPORT**

Observations made by the Auditor in their Report, have been appropriately dealt with in the notes forming part of the accounts for the year, which are self-explanatory and therefore do not call for any further comments under Section 217 (3) of the Companies Act, 1956.

**AUDITORS**

M/s. Udyen Jain & Associates, Chartered Accountants, who retires on the conclusion of this Annual General Meeting has requested to consider their re-appointment at the ensuing AGM of the Company. A Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the prescribed limits under section 224 (1B) of the Companies Act, 1956 and they are not disqualified for such an appointment within the meaning of sub section (3) and (4) of Section 226 of the Companies Act, 1956.

**PARTICULARS OF EMPLOYEES**

The Company doesn't have any employee drawing remuneration as per monetary ceiling prescribed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

**COMPLIANCE CERTIFICATE**

A certificate from the auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

**DIRECTOR'S RESPONSIBILITY STATEMENT**

In pursuance of Section 217(2AA) of the Companies Act, 1956, the Directors state, as an averment of their responsibility, that:

- (i) The Company has, in the preparation of the annual accounts, followed the applicable accounting standards along with proper explanations relating to material departures, if any;
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgments and

estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs as at March 31, 2012 and of the profit or loss of the Company for the year ended March 31, 2012.

- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The Directors have prepared the annual accounts for the financial year ended March 31, 2012 on a going concern basis.

**DEPOSITS**

Your Company has not accepted any deposits from the public and, as such, no amount of principal or interest was outstanding as of the balance sheet date.

**ACKNOWLEDGMENTS**

The Board expresses its sincere gratitude for the continued support and guidance received by the Company from the Securities and Exchange Board of India, the Stock Exchanges and other government and regulatory agencies. The Board would like to acknowledge the continued support of its bankers, registrars, vendors, clients and investors. The Directors also wish to place on record their gratitude and appreciation of the employees' hard work, dedication, teamwork and professionalism which made the phenomenal growth possible year after year.

For and on behalf of the Board of Directors  
**Khandwala Securities Limited**

**S M Parande**  
Chairman

Date: 9<sup>th</sup> August, 2012  
Place: Mumbai.

**ANNEXURE A TO DIRECTORS REPORT**

**PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

**a) Conservation of Energy:**

Your Company consumes electricity mainly for the operation of its computers. Though the consumption of electricity is negligible as compared to the total turnover of the Company, your company has taken effective steps at every stage to reduce consumption of electricity.

**b) Technology Absorption**

This is not applicable to your Company as it has not purchased or acquired any Technology for development of software from any outside party.

**c) Foreign Exchange Earnings / Outgo**

Foreign Exchange Earnings	: Rs. 0.30 Lacs	(previous year – Rs. 0.52 Lacs)
Foreign Exchange Outgo	: Rs. 2.03 Lacs	(previous year– Rs. 5.62 Lacs)

For and on behalf of the Board of Directors  
**Khandwala Securities Limited**

**S M Parande**  
Chairman

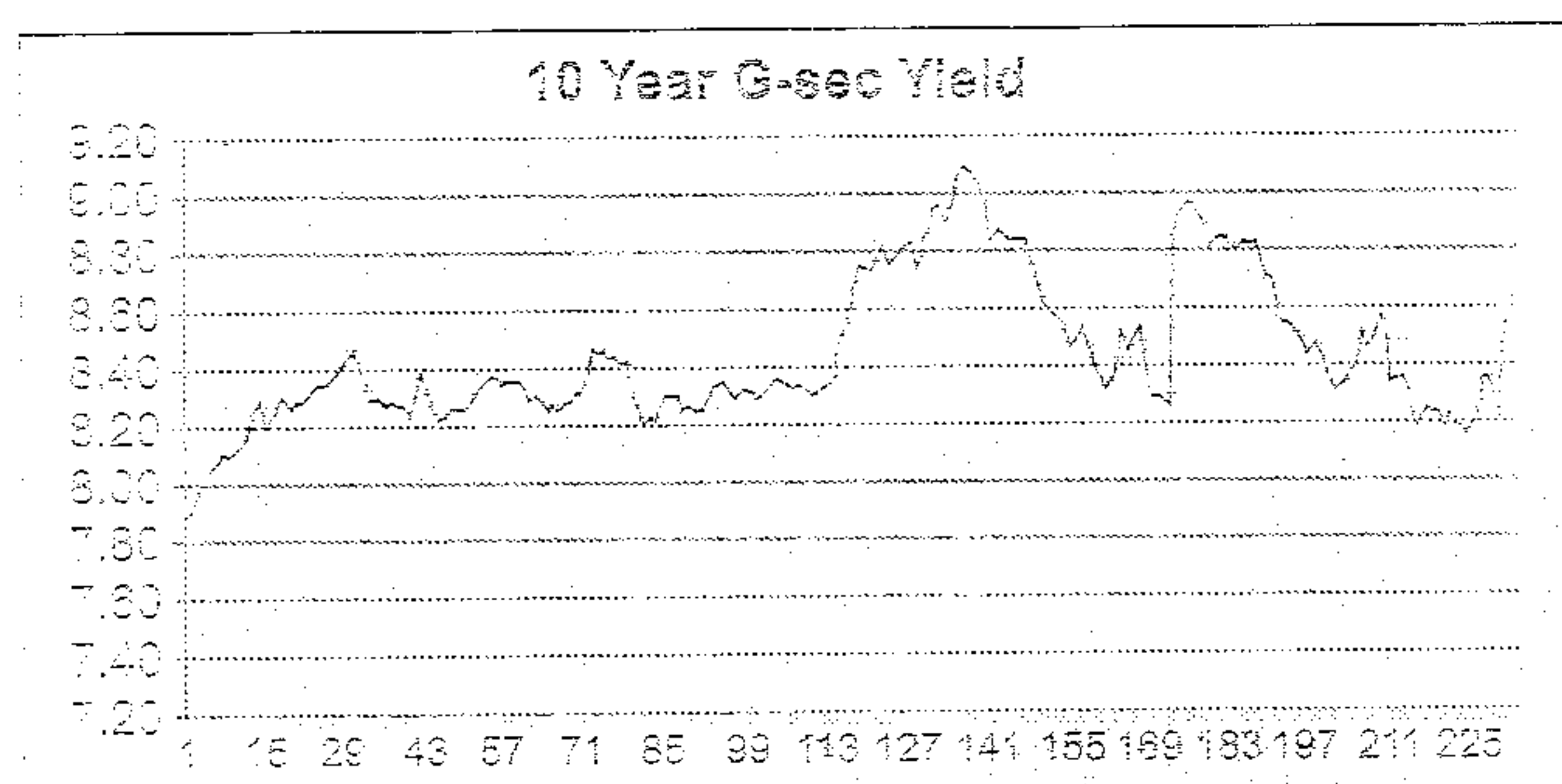
Date: 9<sup>th</sup> August, 2012  
Place: Mumbai.



## MANAGEMENT DISCUSSION AND ANALYSIS

### ECONOMY OVERVIEW

A storm-tossed year 2011 ended with negative sentiments in Global & Indian Economy. Factors affecting the sentiments are Global Debt Crises, High Volatility in Crude Price, Currency Movement, High Inflation, High Interest Rate and bad Policies & Politics have brought the economy to a complete stand still. Equity market was lackluster during the whole year where Sensex & Nifty were down by almost 10%. On the other hand 10 year benchmarked yield has gone up from 7.67% to 8.63% during the Financial Year.



Indian capital markets were at the receiving end by a couple of negative developments from the global investing perspective as S&P downgraded India's sovereign rating outlook from stable to negative but kept the rating unchanged at BBB – (due to slower investment cycle and economic growth coupled with a wider current account deficit). And also warning one-in-three chance of a rating downgrade in next couple of years, got the Indian equity market into a nervous grip again. Reasons cited were persistent external Risk, High fiscal deficit (5.10%), Heavy Borrowing and weakened political setting (that could slow reforms) were the reason behind the downgrade.

The confusion on the taxation to global investing flows (FDI and FI) remained ambiguously unaddressed by introducing GAAR. This had a direct impact on the foreign participation in the markets. One can expect in the near term the government could provide the required clarity on this front to allay concerns of global investors.

The RBI has projected the rate of growth of gross domestic product (GDP) for the financial year ending March 31, 2012, to be somewhere between 7.4 per cent and 8.5 per cent, significantly below the 9 per cent (+/- 0.25 per cent) estimate put out by the Ministry of Finance in its Economic Survey presented late February. The RBI has projected the overall rate of growth of bank credit during 2011-12 to be 19 per cent, against a two percentage point higher credit growth during the previous fiscal year clearly indicating an expected deceleration in credit off-take – that is likely to impact the real estate and automobiles sectors the most.

### Outlook

The Indian economy, with various negative sentiments for the future, India's authorities are trying to get things back on an even keel. Finally RBI succumbed to pressure from the government and corporate by a repo rate cut after three years

of tightening. Inflation has seen moderation over the previous year. But it still remains sticky on account of global commodity prices and supply side constraints. However, growth in the Indian economy has been the major letdown. This forced the central bank to review its tight liquidity stance. In the first monetary policy review of FY12, the RBI announced its decision to reduce the rates at which it lends to banks (repo rate) by 0.50%. Thus the repo rate now stands at 8% from 8.5% previously. The rate at which RBI borrows from banks (reverse repo) now stands 7% post the review. The central bank left the cash reserve ratio (CRR) unchanged at 4.75%. Reserve Bank of India measures to try to stabilise the rupee. It has lost a fifth of its value against the dollar in the past year, reflecting global woes but also a slowdown in India and a drying up of capital inflows. Its decline is widely seen in India as a bad thing, stoking inflation and hurting firms with foreign-currency debt.

GDP growth in India has moderated to 6.1% during 3QFY12 from 6.9% in the previous quarter and 8.3% in 2QFY11. This was mainly on account of a considerable slowdown in industrial growth and a decline in index of Industrial Production (IIP) numbers. The advance estimate of GDP growth of 6.9% for FY12 by the Central Statistics Office is close to the Reserve Bank's baseline projection of 7% for the period.

The real reason why the central bank cut interest rates by a large quantum was because of a worrying factor. Recent growth and inflation patterns suggest that the growth trend in India has declined from its pre-crisis peak. An economy's trend of growth is the rate that can be sustained over longer periods without stoking demand-side inflation. This decline was due to a number of supply side bottlenecks on the infrastructure, energy, minerals and labor front. A sustained effort on these fronts is needed.

Banking activity is a major indicator of growth in any economy. Non-food credit growth decelerated from 22.1% at the beginning of FY12 to 15.4% by February 2012 reflecting a slowdown in economic activity. However, it picked up to 16.8% as banks rushed to meet their year-end targets. Thus, credit growth came in higher than the indicative projection of 16%. For FY13, the central bank expects moderately higher non-food credit growth of 17%. The consolidation phase experienced by the Indian equity markets in the month of March 2012, continued in the month of April 2012 as well, as the BSE Sense lost 0.5% (or 85.4 points).

Moreover, S&P also slashed its outlook to negative for companies including Infosys, Wipro and Tata Consultancy Services (TCS) in the private sector, besides state-owned Exim Bank, IIFCL, IRFC, Power Finance Corporation (PFC), National Thermal Power Corporation (NTPC), National Hydro Power Corporation (NHPC) and Steel Authority of India Limited (SAIL); which all have significant global presence. The change in the outlook thus reflected worrisome situation of the Indian economy, as such a rating downgrade could lead to increase in borrowing cost for corporate India and have negative impact on the development of the economy



# KHANDWALA SECURITIES LIMITED

(led by dampening of business sentiments and drying up of investments).

Meanwhile Moody's Analytics was of the view that India's growing, but below its potential, as politics is weighing on the economy. It termed the national Government as the "single biggest drag" on business activity. On the General Anti-Avoidance Rules (GAAR) (which spooked the sentiments in the Indian equity markets earlier in the month of March 2012), although there was news of Finance Ministry considering exempting transactions or tax-saving arrangements less than Rs 15 crore to ensure only corporate structures of significant size come under the ambit and deferring the implementation of GAAR to April 1, 2013 (thereby enabling stakeholders to exhaustively debate the new rules, which will spell out how GAAR is to be implemented, and also enable investors to restructure their businesses to bring them in line with the changed tax code); it did not enthuse the Indian equity markets much, as uncertainty over GAAR yet lingered.

Likewise, although the industrial activity reported an uptick of 4.1% for the month of February 2012 (data released in March 2012), it did not enthuse the markets much. This was mainly because the IIP data for January 2012 underwent a downward revision (placing it at mere 1.1%), due to the incorrect production data of sugar which was originally reported as 134.08 lakh tone and then subsequently rectified to 58.09 lakh tone.

Thus in the background of all these macro-economic factors, while the RBI tried to reduce policy rates by 50 basis points (bps) in attempt to provide impetus to economic growth (encouraged by signs of moderation in WPI inflation); barring the date of announcement of annual monetary policy 2012-13 the Indian equity markets didn't reveal any sharp upswing in the ensuing trading sessions of April 2012. Considering the fact that a weakening Indian Rupee may infuse upside risk to WPI inflation, the central bank guided that the space for further reduction in policy rates would get limited and this in turn also got the Indian equity markets move in consolidative manner.

India has long shied away from letting fickle foreigners buy government bonds, but the RBI loosened the rules to tempt in sovereign-wealth funds and other long-term investors. It also slightly eased restrictions on Indian manufacturing and infrastructure firms seeking funds abroad.

IKEA, a Swedish furniture chain, boosted morale by saying it would invest up to €1.5 billion (\$1.9 billion) in India—although on closer inspection that sum was spread over many years. Coca-Cola followed suit with the announcement of an additional \$3 billion in investment, taking the total earmarked for India by 2020 to \$5 billion. A ratings agency proved oddly helpful, too: on June 25th Moody's signalled it would not follow Standard & Poor's and Fitch, which have both warned of a possible downgrade of India to junk status. Its rating, which hovers just within investment grade, remains stable, the agency said.

The promise of a push on reforms has been made—and broken—consistently by the government for years. With a

busy electoral timetable up to general elections in 2014, it may be harder to fulfill than ever. Still, others, stepping back from the hurly-burly, can see a silver lining in India's great wobble, particularly the fall in the currency. T.C.A. Ranganathan, the chairman of Exim Bank of India, which finances trade, says: "The exchange rate has moved in our favor. I'm fairly happy." He reckons a weaker rupee will help spur a long-awaited boom in manufacturing. Kaushik Basu, the government's chief economic adviser, no slouch on the need for reform, agrees. A cheaper currency means India is "getting an advantage for our export sector". Perhaps, in time, that may prove more important than today's firefighting.

## AN OVERVIEW OF KSL

As a corporate house, the overall operations of Khandwala Securities Limited include investment Banking, Corporate advisory services, Institutional broking, Private client Broking and Investment advisory services.

The Company's performance was affected by the global crisis and the resultant stock market meltdown. This is reflected in the financials of the Company.

### Financial Highlights:

The salient features of the Company's performance: –

Total Revenues of Rs. 599.42 Lakhs

Net Profit/(Loss) of Rs. (54.98) Lakhs

Earning Per Share (EPS) of Rs. (0.46)

Segment Highlights – FY12 over FY11:

Segment	(Rs. in Lacs)	
	Revenue Financial Year ended on 31 <sup>st</sup> March 2012	Revenue Financial Year ended on 31 <sup>st</sup> March 2011
Brokerage	206.40	382.89
Corporate Advisory Services	45.95	151.28
Income from Capital Market Operations	83.27	4.97
Other	263.79	354.62
Total Income	599.42	893.76
<b>Ratios</b>	<b>2011-12</b>	<b>2010-11</b>
Debt/Equity (Loans/Shareholders Funds)	0.13	0.21
Book Value (Rs.)	23.58	25.72

### Empanelment during the Year

Your Company constantly endeavors to increase its market share with large Banks, financial institutions, and insurance companies on a sustained basis in order to increase the depth and width of its market offerings. With continuous effort backed by superior Execution skills and Research support, your Company is able to add significant value to its esteemed clients on a long term basis.

Your Company shall focus more towards high end Research with further enhancement of its team of cutting-edge research



specialists during the year and will make higher allocation of funds towards building such talents on a continuous basis, as has been our objective till now.

### Broking Business:

The Brokerage services of your Company include equity and debt broking and is supported by a strong research platform.

Income received for brokerage services, had accounted for approximately 34.43% of our total revenues at Rs. 599.42 Lacs for the year ended March 31, 2012.

Your Company also trades in the currency derivatives segment of National Stock Exchange.

### Capital Market Operations:

The equity capital markets team focuses on structuring and executing diverse equity capital raising transactions in the public and private markets for our clients. Products in this segment include IPOs, follow-on offerings, rights offerings, private placement, ADR offerings, GDR offerings, QIP transactions and convertible offerings, etc. for both listed and unlisted entities.

As an Investment Banking firm, it has always been our endeavor to structure and put together transaction structures that build long term, sustainable value for both the borrower and lender of funds in the equity markets. This approach, though having proved its mettle during the stages of market tightness, has been somewhat considered as a weakness by industry participants, resulting in us not being able to successfully convince Bloomberg on its benefits. This has led to situations wherein KSL has had to either withdraw from certain mandates or had to face resistance from Indian Corporates in awarding their fund raising mandates to us from the secondary markets. This is despite the management of these corporate houses acknowledging the deep knowledge and understanding of the micro and macro economy factors including the future growth prospects in specific industry, and the sustainable long term valuation parameters.

We always believe that in order for market to value and reward its participants, it is important for both the Promoter Groups and the Merchant Bankers to design appropriate and sustainable valuation models such that it remains consistent with the overall corporate performance and at the same point in time is able to ride both the good and the bad times.

Investment Baking and Advisory Group is putting their best endeavors on reviving some of the lost or delayed transactions, and are confident that in improved market sentiment same can be executed efficiently.

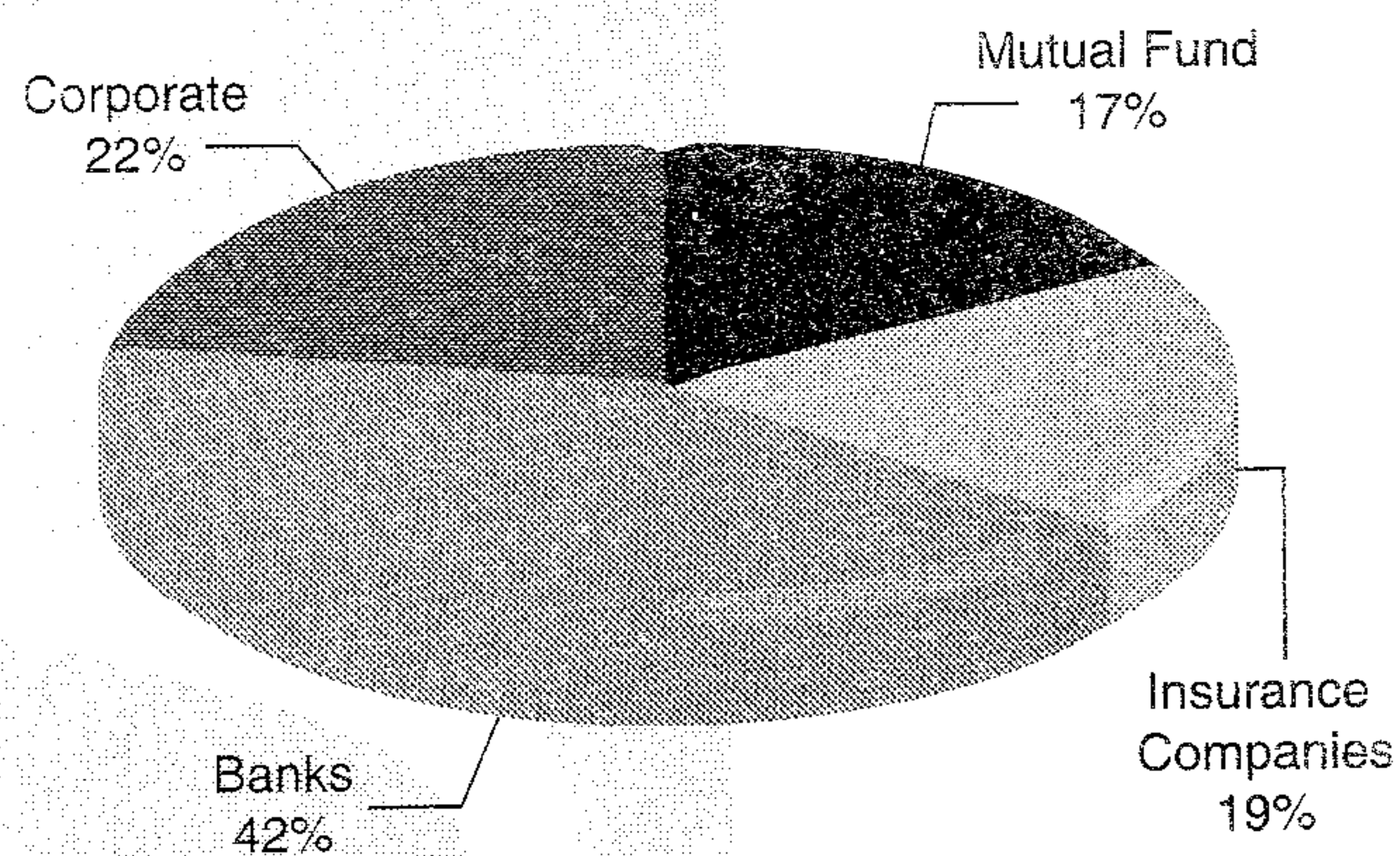
### Institutional Equities:

Equity and derivatives brokerage business of the Company contributed 34.43% of the consolidated revenue during this financial year. The Company's revenue of Rs. 599.42 Lacs for the year showed an decrease of 32.93% over the previous corresponding year. However it is encouraging to note that we marginally increased our market share. The number of clients who traded and the number of transactions were also good.

The institutional equities business comprises institutional equity sales, sales-trading and research. We differentiate

ourselves based on our cutting-edge research focus, which aids our execution capabilities across our sales and trading platforms. We provide equity and derivatives sales and trading services to a large and diversified base of institutional investors, including FIIs and domestic institutional investors. As at present, we have over 24 institutional investors actively transacting with us on a continuous basis. The category wise contribution from the Institutional Dealing Desk to our revenues has been mentioned in the table below which shows a decrease of 45.39% during the Fiscal Year 2011-12 over previous financial year 2010-11.

Category	Brokerage Revenue during FY 11-12	Brokerage Revenue during FY 10-11	Brokerage Revenue during FY 09-10
MF	943803	2405185	4948564
INS	1032983	2835556	9015844
BANKS	2328332	4441702	4438647
CORP	1233600	459400	2822917
FII's	0	0	1000
<b>Total</b>	<b>5538718</b>	<b>10141844</b>	<b>21226972</b>



### Private Client Broking:

Our private client broking services are targeted at High Net Worth Individuals (HNIs) who actively invest and trade in equity markets and seek priority service with Bloomberg research and advisory support. Our approach is to provide advisory-based brokerage services with a strong emphasis on research, and to offer our clients value-added services usually reserved for institutional clients.

KSL with its concentrated efforts in equity broking business, and as future strategy to build high volumes and revenues could successfully add nearly 300 new accounts during the period from 1<sup>st</sup> April 2011 to 31<sup>st</sup> July, 2012.

Your Company is confident that with its high degree of execution skills and services support, besides with its high end research will grow to new heights in its revenues in the coming years.

### Portfolio Management Services:

The Portfolio Management Segment is bound to grow and offer immense business potential for financial advisory services.



## KHANDWALA SECURITIES LIMITED

The NRI community is the key market segment. Successful NRI business owners and professionals are of great interest to Portfolio management institutions. KSL has identified this rapidly growing segments' need for specific products and services and has created practice models and advisory teams that specialize in servicing NRIs. Our service offerings include providing HNIs with investment advisory, planning and asset deployment advise, asset allocation and the distribution of a wide range of products. Our primary focus is on understanding each client's financial profile, including tolerance for risk, capital growth expectations, current financial position and income requirements in order to create comprehensive and tailored investment strategies. Our Portfolio Management services have increased our clients' access to and use of our financial products and services.

Your Company is confident to garner much larger assets under management under the PMS division compared to last year and could be able to clearly demonstrate its core expertise to maximize the value under PMS, even under adverse market situation.

### **Merger and Acquisition Advisory:**

Our merger and acquisition team provides clients strategic and financial advice aiding them in achieving their objectives through mergers, acquisitions, takeovers, tender offers, divestments, spin offs, restructuring, Joint Ventures and strategic alliances and demergers.

Our services encompass strategy formulation, identification of buyer or targets, valuation, negotiation and bidding, capital structuring, transaction structuring and execution.

### **Private Equity:**

Private Equity investments in India are still dominated by funds investing out of their global funds. Given the global risk aversion, the allocations from these funds may slip.

### **Corporate Advisory Business:**

The Corporate advisory business of the Company, includes equity capital markets transaction execution, mergers and acquisitions advisory and capital raising advisory and transaction execution relating to structured finance, real estate and infrastructure. During the period the total income from advisory services was Rs. 0.46 crores.

### **Market Research:**

Our institutional equities business is supported by an experienced and dedicated team of analysts in fundamental, technical and alternative investment research. Our research initiatives are driven by committed professionals, management graduates, Chartered Accountants and Engineers having combined experience of several decades.

Besides conventional tools, our alternative research utilises proprietary tools developed in-house, including quantitative analytical techniques and models to identify short and medium-term investment opportunities. Our research team maintains an updated database on, and tracks regularly, various factors impacting economy, industry and companies. The trends are analyzed using data both on macro and micro level.

Various research products such as Market Today, Market Weekly, Market Technicals, India Strategy, Model Portfolio, Eco Update, InSight, Company/Sector reports/updates and others are sent to esteemed clients on a regular basis. These reports are supplemented by day-to-day market information by way of market alerts and impact analysis. Strength of our research capability lies in our ability to identify emerging investment themes and spot winners ahead of time.

Our research reports, widely acknowledged by domestic and international print and electronic media, are rated among the leading domestic brokerage houses and have earned royalties from international data services providers in foreign exchange.

Our Intelligent Research Reports are accessible on globally acknowledged and marquee websites such as bloomberg.net, thomsonreuters.com, 1call.com, moneycontrol.com, securities.com, valuenotes.com, capitaliq.com.

Our research reports are highly recognized by international investors community including leading Foreign Institutional Investors, global central banks, multi-lateral development agencies and independent multi-strategy funds. Some of the research reports, apart from being widely acclaimed, have been ranked among the best by international financial information providers such as Thomson-Reuters and Bloomberg.

### **Internal Control System:**

As remarked by the auditors in their report, the Company has an internal control system commensurate with its requirements and the size of the business. As a step further, your Company has already taken steps to document its systems and processes. The company has put in place adequate internal control measures in all risk areas. Your Company has initiated a process to upgrade the existing system. The Company is continuously investing in developing one of the best trading front end systems, enabling users to place orders and receive confirmations at lightning speed.

### **Risk concerns and Risk Management:**

The Risk Management Function is overseen by the Audit Committee. Risk Management Policies are designed after discussion with various constituents and experts. In a business where prices and realities change every instant, it is imperative for KSL to operate within a broadly de-risked business model that protects stakeholder interests on the one hand and facilitates growth on the other.

Therefore, the concept of real-time risk mitigation management is integrated within the Company's existing business strategy. It is integrated into the Company's strategic and operational decision making process; it is ingrained in the organizational mindset; it pervades all organizational tiers, roles and functions.

KSL's effective risk management is guided by an understanding of the various parameters that can have a bearing on its business and profitability:

- ✓ External: These comprise risks that the Company faces but cannot control – industry slowdown, competition, regulatory changes, brand perception etc.



- ✓ **Internal:** These comprise risks that the Company can directly control through prudent strategy – costs, liquidity, technology, operations, people etc.

KSL controls client risk through a prudent categorization of clients as per their financial depth. This helps circumscribe their trading limits, leading to effective risk management. KSL monitors a client's trading pattern in addition to keeping a continuous vigil on positions, balances and margins. This provides an understanding of a client's trading pattern in terms of nature of transactions, trading, investments, F&O types of scrips, etc. to detect any undesirable or prohibited practices. Based on this, remedial actions are initiated whenever required. This ensures strict regulatory compliance.

### **Industry Risk**

KSL is primarily engaged in the business of financial services. Any slowdown in the country's economy or financial sector as well as any changes in interest rates, political climate or regulatory changes could affect the Company's prospects. Further the capital market is always exposed to the cyclical risk of upswing and downturns which in turn depend on the overall economical growth of the country.

#### **Management Perception**

KSL's presence in multiple product segments also serves as a natural hedge against a downturn in any particular sector. For instance, the Company's presence in the relatively volatile equity segment is balanced by its presence in the relatively stable insurance, mutual funds and fixed interest-bearing debt instruments. Your Company has broadly three major revenue generation department viz. Broking division, Corporate Advisory Division and Capital Market Operation. The total revenue generated by the company during the year shows the overall performance of all the departments jointly and doesn't depend on any single segment of revenue.

### **Liquidity risk**

In the event of clients not honoring their financial commitments following an unexpected market movement, the Company's cash flow could be significantly affected.

#### **Management Perception**

KSL has exercised prudence in client selection and credit extension. For instance, the Company's internal audit team ascertains client credentials before they are permitted to trade.

#### **Management Perception**

As a corporate policy, it is endeavor to constantly monitor the margin payments and settlements of our customers on a continuous basis. Our ability to understand the financial track record of each of our customers provides us with a judgment and direction on the margin calls to be issued as also calling for pre-payments if need be in cases of exigencies. This approach we believe gives the Company the required flexibility in managing the liquidity risk across multiple categories and types of customer profiles. This assumes that at KSL we follow an independent and customer centric risk management exercise thereby ensuring timely interventions to significantly reduce potential liquidity risks

### **Economic risk**

A slowdown in economic growth in India could cause the business of the Company to suffer. While the Indian economy has shown sustained growth over the last several years, the growth in industrial production has been variable. Any slowdown in the Indian economy, and in particular in the demand for housing and infrastructure, could adversely affect the Company's business. Similarly, any sustained volatility in global commodity prices, including a significant increase in the prices of oil and petroleum products, could once again spark off a new inflationary cycle, thereby curtailing the purchasing power of the consumers.

#### **Management Perception**

The Company manages these risks by maintaining a conservative financial profile and following prudent business and risk management practices.

### **Human Resource Risk**

Human Resource represents the company's principal assets in a knowledge led business, where any attrition or skill obsolescence could lead to a weaker industry position.

#### **Management Perception**

Your Company has consciously made the transition from a family based organization into a professionally managed one, accompanied by delegation of responsibilities for intellectual growth. Over the years, your company has invested in the human resource by providing timely training, various seminars on personal development etc. The free work environment provided by the Company has also resulted in to low attrition of manpower.

### **Client Risk**

In the financial industry the company depends on a few bigger corporate and institutional clients from where majority of the revenue is generated.

#### **Management Perception**

Your Company enjoys strong long term relationship with its clients. However, as a good Risk Management practice, the company has never relied upon particular client base and hence not exposed to such risk. During the year under review company has added 7 (Seven) new institutional clients from where regular business is generated. It is your company's constant endeavor to search for new area of business and clients.

### **Regulatory risk**

The Company's presence in a variety of financial segments warrants an ongoing compliance with the evolving requirements of their various regulators. Any violation or transgression could invite censure, affecting the Company's brand.

#### **Management Perception**

KSL takes its compliance commitment seriously, recognizing that the business must not only serve the interest of the customer but also function well within the established guidelines of the various regulatory authorities for responsible and profitable



growth. At KSL, the compliance discipline extends across the entire transaction cycle: client identification, KYC process transaction execution, transaction settlement involving securities and funds transfer. The compliance requirements across the various service points have been communicated comprehensively to branch through compliance manuals, leading to uniformity, quality, priority and discipline

## Human Resources

Your company considers its human resource as the most valuable asset and, recognizing this, devotes a considerable development of its employees in various traits, apart from job related skills:

- ✓ Employee satisfaction survey was carried out along with various seminars by the HR department of the Company to understand the employees and help them to perform in the most efficient manner. Feedbacks were received during such sessions and corrective actions have been initiated;
- ✓ Communication meeting is being organized once in a quarter to apprise all the employees on the major development on various fronts such as market, deals stroked etc;
- ✓ Your company had recruited Management Trainees during the year and they were given specific job assignments in the research department. This has helped your company to establish goodwill with local management schools and prepare future prospects for employment.

## Opportunities & Threats:

The retail business in India is expected to grow significantly. India's exceptional growth story and its booming economy have made the Country a favorite destination for foreign institutional investors. It is continuing to attract foreign investments. A sustained fund inflow into the capital markets might improve the market sentiments over the medium term resulting in increased participation by retail investors.

In the very recent past, India has witnessed a silent transformation from a largely perceived unstable country to a very politically stable country. This transformation will not only help a greater foreign participation in Indian business, but will also be the main driver of increased global investment in the country. The disinvestment proposal of the finance ministry shall bear a positive impact on the market and investors sentiments with the launch of some big-ticket initial public offers, or IPOs, which could hit the markets soon.

A significant portion of the Company's income is from stock market related activities, which is intricately related with external factors. Market conditions, in particular the performance of the equity markets, contribute substantially to KSL's growth and will impact on our ability to repeat or improve on the earnings. Even though India has not been as badly affected, in macro-economic terms, as the rest of the world, corporate India too felt the heat of the melt down.

We are hopeful that your Company will be able to tap the opportunities for all our business segments in the growing Indian economy.

## Outlook:

Sustained improvement in the economy and capital markets augur well for all our key businesses. We are confident of capturing the resulting opportunities through our operating model that is well diversified across capital markets activities having unique strengths in each of our business segments and most importantly, the ability to withstand difficult market cycles. We continue to invest across all our key operations to create opportunities in varied market conditions.

It is our intention to expand our portfolio of services, invest in people, enhance our infrastructure, create greater competence across our businesses and continuously upgrade technology to emerge bigger and stronger every year. Our financial performance, will be influenced to some extent by market conditions which are not very positive at this given point of time, but this in no way has diminished our appetite for progress and expansion. Therefore, it is always our endeavor to deliver operational growth while our financial results may at times vary with market conditions. We believe that given the portfolio of our services and the inherent strengths of our business model we will be relatively less impacted during market downturns, while we expect to do extremely well in favourable market conditions.

## Investor Relations:

We consider investor relations to be an important aspect of our business as we believe in building transparent and open relationships with our stakeholders. As a listed company, we are now laying even greater emphasis on our investor relations program to provide our investors and other stakeholders with a complete and accurate picture of the company's past and current performance and the prospects and strategies for the future. In this regard, we have put in place the required infrastructure and personnel to incorporate best-in-class IR practices which promote steady communication with investors and stakeholders so that we are acknowledged as a responsive and transparent organization.

## Cautionary Statement:

Statements made in this Management Discussion and Analysis contain certain forward looking statements based on various assumptions on the Company's present and future business strategies and the environment in which it operates. Actual results may differ substantially or materially from those expressed or implied due to risk and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India and abroad, volatility in interest rates and in the securities market, new regulations and Government policies that may impact the businesses as well as the ability to implement.

For and on behalf of the Board of Directors  
**Khandwala Securities Limited**

**S M Parande**  
Chairman

Date: 9<sup>th</sup> August, 2012  
Place: Mumbai.



To,  
The Members,  
Khandwala Securities Limited  
Ground Floor, Vikas Building,  
Green Street, Fort,  
Mumbai 400 021

Dear Sirs,

We hereby certify that, to the best of our knowledge and belief:

1. We have reviewed the balance sheet and profit and loss account and all its schedules and notes to accounts, as well as cash flow statements and the Directors Report.
2. These statements do not contain any material untrue statement or omission of fact nor do they contain statements that might be misleading;
3. These statements together present a true and fair view of the Company, and are in compliance with the existing accounting standards and/ or applicable laws/ regulations.
4. The Management is responsible for establishing and maintaining internal controls and have evaluated the effectiveness of internal control systems of the Company; deficiencies in the design or operation of internal controls, if any, and what they have done or propose to do to rectify these;
5. The Management have also disclosed to the Auditors as well as the Audit Committee, that there are no instances of significant fraud, that involves management or employees having a significant role in the Company's internal control systems; and
6. The Management has indicated to the Auditors, the Audit Committee and in the notes to accounts, whether or not there were significant changes in internal control and/ or of accounting policies during the year.

For and on behalf of the Board of Directors  
**Khandwala Securities Limited**

**S M Parande**  
**Chairman**

Date: 9<sup>th</sup> August, 2012

Place: Mumbai.



We focus on our Stakeholders, clients and their best interests and outcomes;

## CORPORATE GOVERNANCE REPORT

Corporate Governance is a synonym for sound management, transparency and disclosure, encompassing good corporate practices, procedures, standards and implicit rules which propel a Company to take sound decisions, thus maximizing long-term shareholders value. Corporate governance has always been an integral part of your Company's philosophy. Corporate Governance is beyond the realm of law. It stems from the management's mindset and cannot be regulated by legislation alone.

The Corporate Governance structure in the Company assigns responsibilities and entrusts authority among different participants in the organization viz. the Board of Directors, the Senior Management, Employees etc. The Company had adopted Corporate Governance and disclosure practices even before these were mandated legislations.

In addition to these, the Company has also adopted the requirements of Corporate Governance under Clause 49 of the Listing Agreement, the disclosure requirements of which are given below:

### MANDATORY REQUIREMENTS

#### Company's Philosophy on Corporate Governance

Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency and accountability in all aspects of its operations, interactions with shareholders, employees, government departments, SEBI, Stock Exchanges and other regulatory authorities.

#### Board of Directors:

The Board of Directors along with its committees provides leadership and vision to the management and supervises the functioning of the Company. The composition of the Board is governed by the Listing Agreement executed with the Stock Exchanges and the provisions of the Articles of Association of the Company. The Board has an optimum combination of executive and non executive Directors and presently comprises of seven Directors as on date out of which five are Non-Executive Directors. The Managing Director is responsible for the conduct of the business and day to day affairs of the Company.

No Directors on the Company's Board is a member of more than ten committees and Chairman of more than five committees across all the Companies in which he is a Director. All the Directors have made necessary disclosures regarding committee positions held by them in other Companies. Also none of the Directors on board hold the office of Director in more than 15 Public limited companies.

The composition of the Board, attendance at Board Meetings held during the year under review, number of Directorships and memberships is given below:

Name of Member	Position
Mr. Shreedhar M Parande	Chairman, Non Executive, Independent Director
Mr. Paresh J. Khandwala	Managing Director and CEO, Promoter Director
Mr. Rohit Chand	Non Executive, Independent Director
Mr. Kalpen Shukla	Non Executive, Independent Director
Mr. Ajay Narasimhan*	Non Executive, Non Independent Director
Mr. Brijmohan Rai Bahl	Non Executive, Independent Director
Mr. Pranav P Khandwala**	Non Independent Director
Mr. Homiar N. Vakil***	Non Executive, Independent Director

\* Mr. Ajay Narsimhan vacated office on 14<sup>th</sup> November, 2011

\*\* Mr. Pranav P Khandwala appointed as an Additional Director on 14<sup>th</sup> November, 2011

\*\*\* Mr. Homiar N. Vakil appointed as an Additional Director on 03<sup>rd</sup> February, 2012

Khandwala Securities Limited is a Company managed by Board and the Board meets at regular intervals to consider accounts, review of operations, formulate corporate policies and set up goals. The Board has constituted following committees viz;

- Audit Committee
- Shareholder / Investor Relations Committee
- Remuneration / Compensation Committee
- Corporate Governance Committee

#### A The Constitution of Board as on 31<sup>st</sup> March 2012

Name of the Director	Attendance Particulars		Committee Membership / Chairmanship		No. of Other Directorships / Committee Memberships / Chairmanship		
	No. of Board Meeting	18 <sup>th</sup> AGM	Committee Memberships	Committee Chairmanships	Other Directorships	Committee Memberships	Committee Chairmanships
Paresh Khandwala	4/4	Yes	2/4	1	1	1	NIL
S. M. Parande	4/4	YES	2/4	2	8	NIL	NIL
Rohit Chand	2/4	No	3/4	NIL	7	6	NIL
Kalpen Shukla	4/4	Yes	2/4	1	3	NIL	NIL
Ajay Narasimhan	1/4	No	N.A	NIL	NIL	NIL	NIL
Brijmohan Rai Bahl	4/4	YES	1/4	NIL	4	NIL	NIL
Pranav P Khandwala	1/4	N.A	NIL	NIL	3	NIL	NIL
Homiar N. Vakil	1/4	N.A	NIL	NIL	NIL	NIL	NIL

**Note:** Directorship in Private Companies not considered.



**B. i) Details of Board Meetings held during the year:**

Date of Board Meeting	27.05.2011	11.08.2011	14.11.2011	03.02.2012
Board Strength	6	6	5	6
No. of Directors present	4	5	5	5

**ii) Attendance in the Annual General Meeting:**

Date of 18 <sup>th</sup> Annual General Meeting	25.07.2011
Board Strength	6
No. of Directors present	4

**C. Directors seeking re-appointment**

Mr. Kalpen Shukla, Director of the Company seeks reappointment

**Educational Qualifications**

**B.Tech-1984** Chemical Engineer (B.Tech.) from Indian Institute of Technology, New Delhi.

**PGDBM-1986** Indian Institute of Management, Ahmedabad

**Experience**

Mr. Kalpen Shukla has more than two decades of experience in the areas of Sales / Marketing, Business / Market Development, Brand Management, Strategy Planning and Implementation, Management Consultancy etc. He is qualified B. Tech (Chemical Engineering) from IIT New Delhi and an MBA from the Indian Institute of Management, Ahmedabad.

He has received excellent exposure to many of the contemporary international management practices in some of the most competitive and challenging work environments.

He possesses a judicious blend of strong business acumen having worked with Hindustan Lever Ltd., Johnson & Johnson, Pidilite, Godrej & Boyce coupled with sound appreciation of latest E-Business applications and Internet Technologies (British Gas Broadband India Ltd., Reliance Infocomm, Satyam Infoway etc.). He is also Advisor to companies across India as well as outside India.

He is a member of Mckinsy Quarterly online Global Executive panel.

He has attended and conducted many programs for Personality Development / Team Management and Leadership / Strategic Management Practices etc.

He has presented many papers on Strategy Planning, Marketing and Corporate Governance. He is also a regular visiting faculty at many Management Schools in Mumbai / Ahmedabad.

He is on the Board of the Company since 28<sup>th</sup> October 2005.

Mr. Kalpen Shukla is a Director / Member on the Board / Committee stated as below.

**Other Directorship of Mr. Kalpen Shukla as on 31<sup>st</sup> March 2012**

Name of the Company	Designation
NIL	NA

Note: Directorships in Private Companies is not taken

**Committee Membership of Mr. Kalpen Shukla as on 31<sup>st</sup> March 2012**

Name of the Company	Name of Committee & Designation
NIL	NA

Mr. Kalpen Shukla is not holding any equity share in KSL.

**3. Audit Committee**

The role, terms of reference and the authority and powers of this Committee are in the conformity with the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreements. The essential functions of the Audit Committee include review of systems and procedures, overseeing the functioning of internal audit, the effectiveness of controls and regulatory compliance. It also reviews Company's financial reporting process, disclosure of financial information, observations of auditors and recommends the appointment and re-appointment of internal as well as statutory auditors, their fees and reviews with management annual financial statements before submission to the Board.

This Committee comprises solely of Independent Directors. Besides having access to all the required information from within the Company, the Committee can obtain external professional advice whenever required. The Committee acts as a link between the Statutory and the Internal Auditors and the Board of Directors of the Company. It is authorized to select and establish accounting policies, review reports of the Statutory and the Internal Auditors and meet with them to discuss their findings, suggestions and other related matters.

The terms of reference of the Audit Committee are broadly as under:

- Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Reviewing the financial statements and draft audit report, including quarterly / half yearly financial information.



- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
  - o any changes in accounting policies and practices;
  - o major accounting entries based on exercise of judgment by management;
  - o qualifications in draft audit report;
  - o significant adjustments arising out of audit;
  - o the going concern assumption;
  - o compliance with accounting standards;
  - o compliance with stock exchange and legal requirements concerning financial statements;
  - o any related party transactions as per Accounting Standard 18.
  - o Reviewing the Company's financial and risk management policies.
  - o Disclosure of contingent liabilities.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the audit charter, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussion with internal auditors of any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Reviewing compliances as regards to the Company's Whistle Blower Policy.

The Committee is empowered to review the remuneration payable to the Statutory and Internal Auditors and to recommend a change. The Committee has reviewed the annual financial statements particularly with reference to section 217(2AA) of the Companies Act, 1956, quarterly financial statements before submission to the Board for approval, performance of the statutory and internal auditors.

#### **Composition and Attendance**

The Audit Committee comprises of Mr. S. M. Parande, Chairman of the Committee Mr. Kalpen Shukla and Mr. Rohit Chand all being Non-Executive and Independent Directors with vast experience and knowledge of corporate affairs and finance.

As and when necessary, senior functionaries are called to the

meeting. The Company Secretary acts as the Secretary of the Committee.

During the financial year under review, four meetings of Audit Committee of the Board were held on 27th May 2011, 11th August 2011, 14<sup>th</sup> November 2011 and 3<sup>rd</sup> February 2012.

Attendance record of the members of the Audit Committee is as under:

<b>Name of the Member Director</b>	<b>No. of Meetings held</b>	<b>No. of Meetings attended</b>
Mr. S. M. Parande	4	4
Mr. Kalpen Shukla	4	4
Mr. Rohit Chand	4	2

#### **4. Remuneration / Compensation Committee**

The role of the Remuneration / Compensation Committee is to review market practices and to decide on remuneration packages applicable to the Managing / Executive Directors and other Non-Executive Directors of the Company. During the course of review, the Committee also decides on the other incentives payable, taking into account the individual performance as well as that of the Company. This Board Committee is vested with the responsibility to function as per SEBI guidelines and Companies Act and recommends to the Board the Compensation package for the senior level management employees. It also reviews from time to time the overall compensation structure and related policies with a view to attract, motivate and retain employees.

#### **Composition and Attendance**

The Remuneration / Compensation Committee comprised of Mr. Kalpen Shukla-Chairman and Mr. Rohit Chand.

#### **Remuneration Policy**

The Remuneration Policy of the Company for managerial personnel is primarily based on the following criteria:

- Performance of the Company, its divisions and units.
- Track record, potential and performance of individual managers and
- External Competitive environment.

#### **Remuneration to Directors**

Remuneration of Executive Director is decided by the Board, based on recommendations of the Compensation Committee as per the remuneration policy of the Company, within the ceilings fixed by the shareholders. Remuneration of the Executive Directors for the year ended 31<sup>st</sup> March 2012 was as follows.

#### **Remuneration to Executive Directors**

Managerial Remuneration is only paid to Mr. Paresh J Khandwala, Managing Director and duly approved from Shareholders from time to time.



# NINETEENTH ANNUAL REPORT 2011-2012

Director	Salary	Commission	Perquisites and Allowance	Total	Tenure of Appt.
Mr. Paresh J Khandwala	Rs. 31,65,869/-	NIL	NIL	Rs.31,65,869/- (Thirty One Lacs Sixty Five Thousand Eight Hundred Sixty Nine only)	1 <sup>st</sup> January 2010 to 31 <sup>st</sup> December 2014

**Note:** There is no Scheme of "Employee Stock Options" during the Year.

## Remuneration to Non-Executive / Independent Directors

Non-Executive / Independent Directors doesn't receive any thing over and above Sitting fees by way of remuneration from the Company and there are no pecuniary relationships or transactions of the Non-Executive Directors vis-à-vis the Company except by way of Fees paid for attending the Board Meeting during 2011-2012.

Name of Director	Sitting Fees
Mr. S. M. Parande	20,000
Mr. Ajay Narasimhan	NIL
Mr. Kalpen Shukla	20,000
Mr. Rohit Chand	10,000
Mr. Brijmohan Rai Bahl	20,000
Mr. Pranav P Khandwala	5000
Mr. Homiar N. Vakil	NIL

## 5. Shareholder / Investor Relations Committee

The Committee meets as and when required, to deal with matters relating to transfers/transmissions of shares and monitors redressal of complaints from shareholders relating to transfers, non-receipt of balance sheet, non-receipt of dividends declared, etc. With a view to expediting the process of share transfers, the Chairman of the Committee and Secretary is authorized to approve transfers / transmissions of shares.

### Composition and Attendance

The Company's Share Transfer and Shareholder / Investors Grievance Committee functions under the Chairmanship of Mr. S M Parande, Mr. Rohit Chand and Mr. Paresh J. Khandwala. The Company Secretary acted as the compliance officer.

During the financial year under review, five meetings of Shareholder Committee of the Board were held on 1<sup>st</sup> June 2011, 12<sup>th</sup> July 2011, 12<sup>th</sup> September 2011, 9<sup>th</sup> January 2012 & 31<sup>st</sup> January 2012.

Attendance record of the members of the Share Transfer and Shareholder / Investors Grievance Committee is as under:

Name of the Member Director	No. of Meetings held	No. of Meetings attended
Mr. S M Parande, Chairman	5	5
Mr. Paresh J. Khandwala	5	5
Mr. Rohit Chand	5	0

The minutes of the Shareholders' / Investors' Grievance Committee are noted by the Board of Directors at the Board Meeting.

As of date, there are no pending share transfers pertaining to the year under review. There are no pending shareholders complaints as on 31<sup>st</sup> March 2012.

## 6. Corporate Governance Committee

The Committee was constituted to increase transparency adherence towards better Corporate Governance as duty towards Community. The Committee meets as and when required, to deal with matters relating to periodically review of compliance related to all laws applicable to the company as well as steps taken by the company to prevent instances of non-compliances.

The Committee considers matters relating to the Insider Trading Code and also considers matters relating to the Company's Code of Conduct.

### Composition and Attendance

The Corporate Governance Committee functions under the Chairmanship of Mr. Paresh J Khandwala, and Mr. Brijmohan Rai Bahl

Attendance record of the members of the Corporate Governance Committee is as under:

Name of the Member Director	No. of Meetings held	No. of Meetings attended
Mr. Paresh J Khandwala, Chairman	1	1
Mr. Brijmohan Rai Bahl	1	1

## 7. General Body Meetings

### Annual General Meetings

Details of last Three Annual General Meetings of the Company are given below:

Name of Meeting	Day, Date and Time	Venue
18 <sup>th</sup> Annual General Meeting	Monday, 25 <sup>th</sup> July 2011 at 4.00 p.m.	C.K. Naidu Hall, Cricket Club of India (CCI), Brabourne Stadium, Churchgate, Mumbai 400 020
17 <sup>th</sup> Annual General Meeting	Friday, 24 <sup>th</sup> September 2010 at 12.30 p.m.	C.K. Naidu Hall, Cricket Club of India (CCI), Brabourne Stadium, Churchgate, Mumbai 400 020



16 <sup>th</sup> Annual General Meeting	Wednesday, 30 <sup>th</sup> September 2009 at 12.30 p.m.	Cooch Behar Room, Cricket Club of India (CCI), Brabourne Stadium, Churchgate, Mumbai 400 020
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Pursuant to the provisions of Section 192A of the Companies Act, 1956 there was no matter required to be dealt by the Company in previous year in which required to be passed through postal ballot. There is no Special Resolution proposed to be conducted through postal ballot.

## 8. Disclosures:

### Related Party Transaction

The Company has entered into related party transactions at arms length prices details of which are part of Notes to accounts.

### Compliance Status

There has neither been any non-compliance of any legal provision of applicable law, nor any penalty, stricture imposed by the Stock Exchanges or SEBI or any other authorities, on any matter related to capital market during the last three years.

### Whistle Blower Policy

The company has established Whistle Blower mechanism for employees to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy. This mechanism provides for adequate safeguards against victimization of employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases.

### Mandatory Requirements

The Company has complied with disclosure of all Mandatory Requirements as pre requirement of Listing agreement.

### Non – mandatory requirements

The Company had adopted the non – mandatory provisions relating to the Compensation / Corporate Governance Committee. The quarterly results are published in financial newspapers and sent to the shareholders on request. The Company shall endeavor to adopt the other non – mandatory requirements, as and when necessary.

## 9. Means of Communication

The quarterly, half-yearly and yearly results are published in Free Press Journal (English) and Navshakti (Marathi).

These are not sent to shareholders individually. The information is also available at Company's website [www.kslindia.com](http://www.kslindia.com).

## 10. General Shareholder information

### i. Date and Venue of the Annual General Meeting

The Nineteenth Annual General Meeting of the Company is scheduled to be held at C. K. Naidu Hall, Cricket Club of India (CCI), Brabourne Stadium, Churchgate, Mumbai 400 020 on Friday, 28<sup>th</sup> September, 2012 at 12.00 noon.

### ii. Financial Calendar of the Company

The financial year covers the period from 1<sup>st</sup> April to 31<sup>st</sup> March.

1st Quarter ending 30th June 2012	-	By 14th August, 2012
2nd Quarter & Half year ending 30th September 2012	-	By 14th November 2012
3rd Quarter ending 31st December 2012	-	By 14th February 2013
4th Quarter/Year ending 31st March 2013	-	within 60 days from 31st March 2013
Annual General Meeting for the year 2012-2013	-	By end of September 2013

Last quarter results may be declared unaudited or with annual audited results.

### iii. Dates of Book Closure

20<sup>th</sup> September, 2012 to 28<sup>th</sup> September, 2012 (both days inclusive)

### iv. The Board of Director do not recommend equity dividend for the financial year under review because of inadequacy of profit/loss.

### v. Listing of Equity Shares

The Company's shares are listed on the Bombay Stock Exchange (BSE) and The National Stock Exchange of India Limited (NSE).

### vi. Stock Code

The Stock Exchange, Mumbai (BSE) : 531892  
National Stock Exchange of India : KHANDSE Limited  
ISIN No for NSDL/CDSL : INE060B01014

### vii. Listing fees to Stock Exchanges

The Company has paid Listing Fees to all the above stock exchanges for the year 2012-2013 where the shares of the Company are listed.



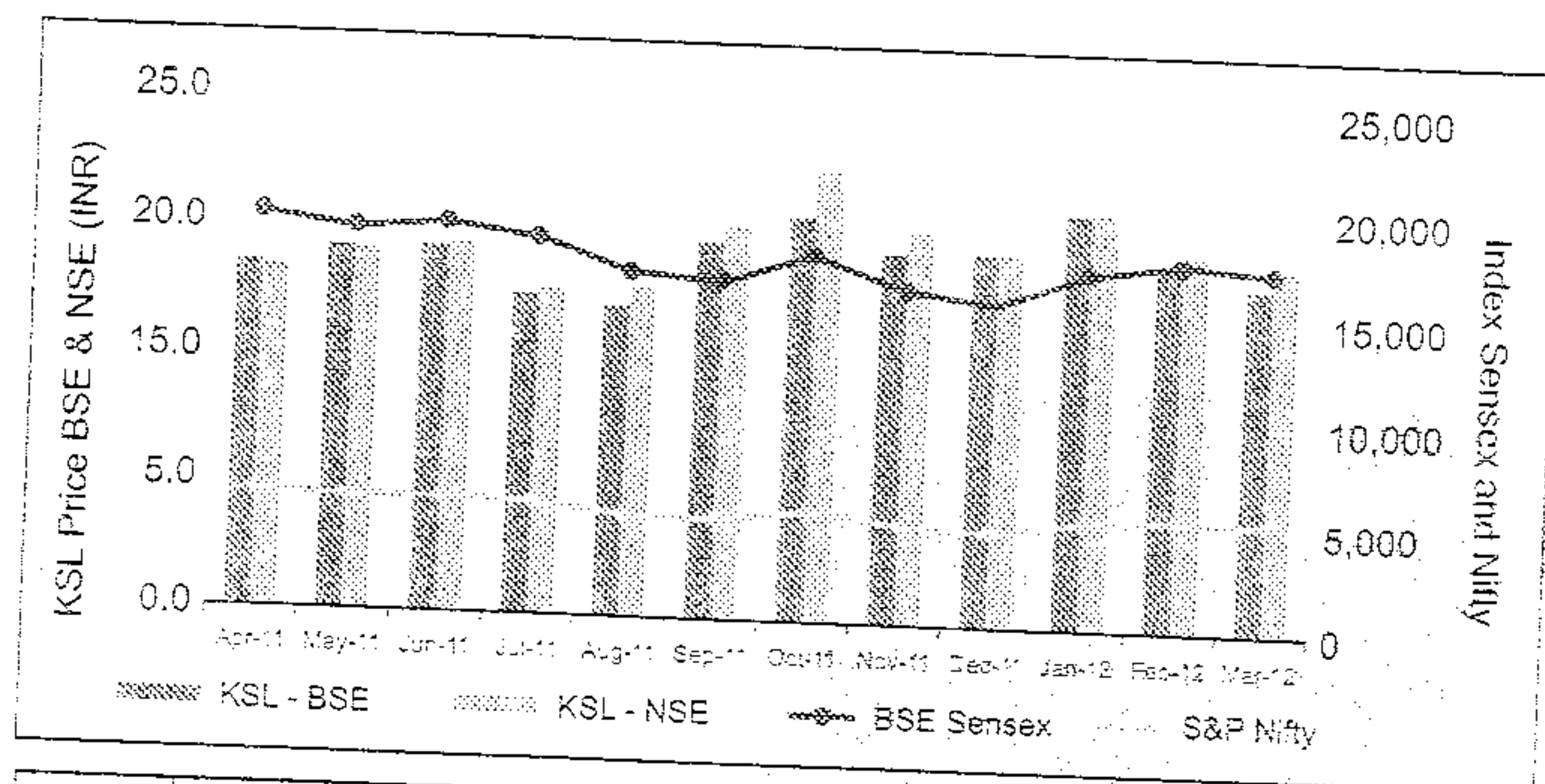
## Viii. Custodial Fees to Depositories

The Company has paid the custodial fees for the year 2012-13 to National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) on the basis of number of beneficial accounts maintained by them as on March 2011.

## ix. Stock Performance

The performance of the Company's shares relative to the BSE Sensitive Index and NSE S&P CNX Nifty is given in the Chart below:

Source: NSE and BSE



Date	KSL - BSE				KSL - NSE			
	High	Low	Close	Volume (Nos.)	High	Low	Close	Volume (Nos.)
Apr-11	19.2	16.4	16.7	9,543	20.5	16.1	16.5	23,970
May-11	19.0	15.2	17.5	60,676	19.0	16.0	17.5	14,704
Jun-11	19.8	15.5	17.7	14,615	21.5	17.0	17.9	25,090
Jul-11	19.0	14.3	15.5	150,451	20.0	14.1	15.8	86,351
Aug-11	16.5	13.8	15.0	7,386	16.4	13.8	16.0	21,546
Sep-11	18.5	14.6	18.3	13,691	19.3	14.7	19.0	25,734
Oct-11	22.2	16.1	19.5	44,995	23.0	15.3	21.8	47,038
Nov-11	21.1	17.0	17.9	19,967	21.9	17.5	19.0	37,225
Dec-11	19.9	17.0	18.0	15,795	19.9	17.0	18.0	33,059
Jan-12	20.3	17.7	20.0	4,994	21.5	17.0	20.2	17,077
Feb-12	20.0	17.5	17.8	39,419	20.8	18.0	18.2	88,131
Mar-12	18.0	16.5	16.7	9,093	18.9	15.6	17.6	37,715

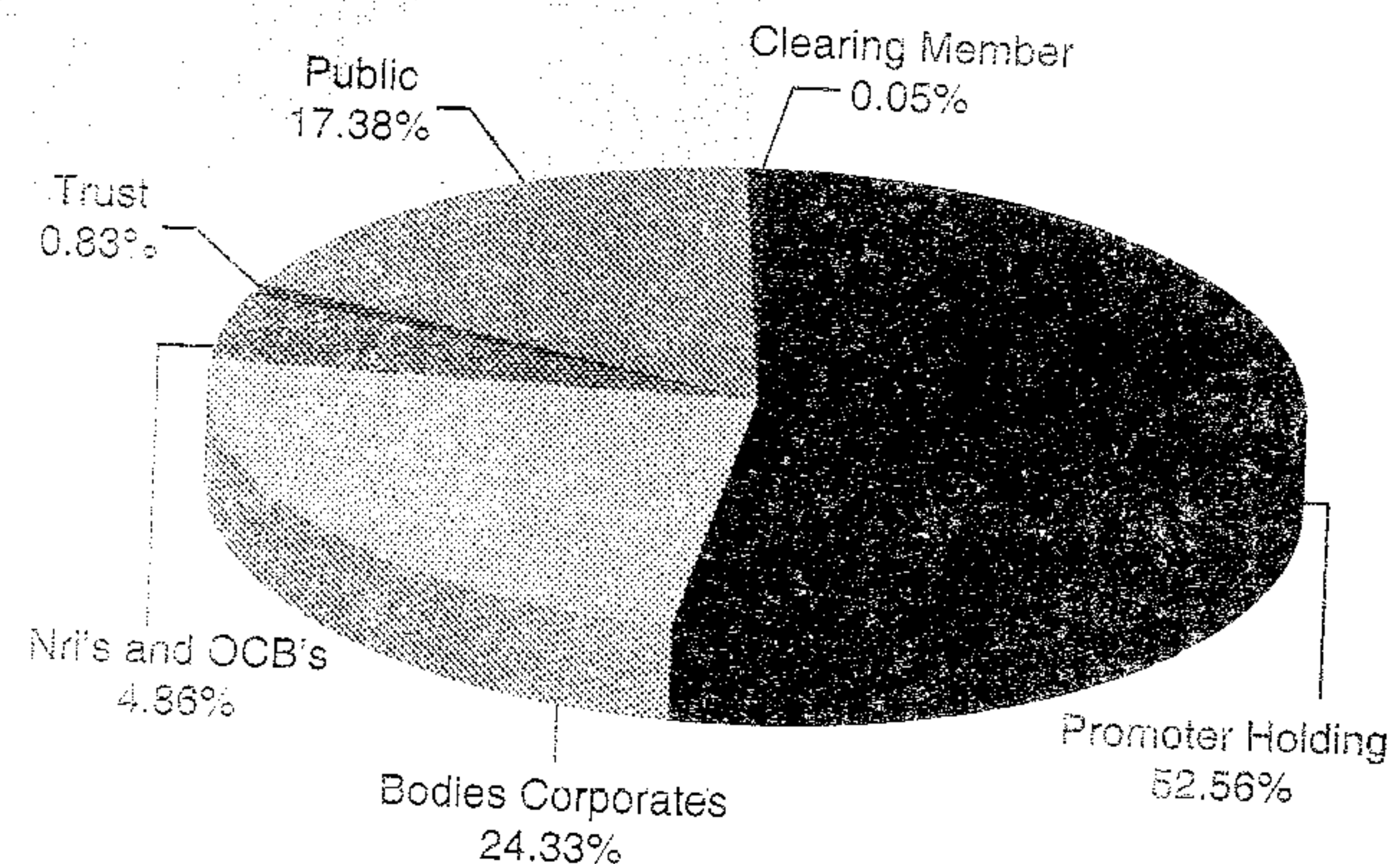
## xii. Categories and Distribution of Shareholding

### 1. Distribution of Shareholding as on 31<sup>st</sup> March 2012

KHANDWALA SECURITIES LIMITED						
DISTRIBUTION SCHEDULE AS ON 31 <sup>st</sup> March 2012						
Sl. No.	Category		Number of Cases	% of Cases	Amount	% of Amount
	From	To				
1	1	5000	2104	80.12	2798520.00	2.34
2	5001	10000	214	8.15	1859410.00	1.56
3	10001	20000	138	5.26	2218890.00	1.86
4	20001	30000	37	1.41	953210.00	0.80
5	30001	40000	27	1.03	972890.00	0.81
6	40001	50000	19	0.72	907030.00	0.76
7	50001	100000	25	0.95	1945010.00	1.63
8	100001	and Above	62	2.36	107735040.00	90.24
	TOTAL		2803	100	119390000	100

### 2. Distribution of shareholding according to categories of shareholders as on 31<sup>st</sup> March 2012

Sl. No.	Category	No. of Shares held	% of issued Share Capital
A.	Promoter's holding (including Persons Acting in Concert)	6274937	52.56
B.	Banks, FI, Insurance Cos. (Central / State Govt. Institutions / Non-Govt. Institutions)	-	-
C.	Mutual Funds	-	-
D.	Bodies Corporates	2904781	24.33
E.	NRI's and OCB's	579709	4.86
F.	Trust	98500	0.83
G.	Clearing Member	5396	0.05
H.	Public	2075677	17.38
	Total	11939000	100



## x. Registered Office

Ground Floor, Vikas Building,  
Green Street, Fort,  
Mumbai 400 023

## xi. Registrar and Transfer Agents

Karvy Computershare Private Limited  
46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad -  
500 034 Ph.: +91-40-331 2454, Fax: +91-40-331 1968  
Email address: [mailmanager@karvy.com](mailto:mailmanager@karvy.com)



## xiii. Share Transfer System

Trading in Equity Shares of the Company is permitted only in dematerialized form. Shares sent for transfer in physical form are registered and returned within a period of one month from the date of receipt of the documents, provided the documents are valid and complete in all respects. With a view to expediting the process of share transfers, the Chairman and Secretary are authorised to approve transfers / transmission of shares below 5000 in numbers. The Share Transfer and Shareholders / Investors Grievance Committee meets as and when required to consider the other transfer proposals and attend to shareholder grievances.

## xiv. Dematerialization of Shares

Around 98% of equity share capital of the company is held in a dematerialized form with National Securities Depository Limited and Central Depository Services (India) Limited as on 31<sup>st</sup> March 2012.

## xv. The Company does not own any Plant at any locations.

## xvi. Address for Correspondence

Shareholders may correspond with the Registrar and Transfer agents Karvy Computershare Private Limited

at the address given above. Shareholder would have to correspond with the respective Depository Participants for shares held in demat mode.

For all investor related matters and investor grievances Shareholder may correspond at the address given below:

The Company Secretary / Compliance Officer

### Registered Office:

Ground Floor, Vikas Building,  
Green Street, Fort,  
Mumbai 400 023

Telephone no.: +91 22 4076 7373

Fax no.: +91 22 4076 7377

Email : [investorgrievances@kslindia.com](mailto:investorgrievances@kslindia.com)

For and on behalf of;  
**Khandwala Securities Limited**

**Pooja Gupta**  
Company Secretary & Compliance Officer

Date: 9<sup>th</sup> August, 2012  
Place: Mumbai



**DECLARATION ON COMPLIANCE OF THE COMPANY'S CODE OF CONDUCT**

To,  
**The Members,**  
**Khandwala Securities Limited**  
Gr Floor, Vikas Building,  
Green Street,  
Mumbai – 400 023

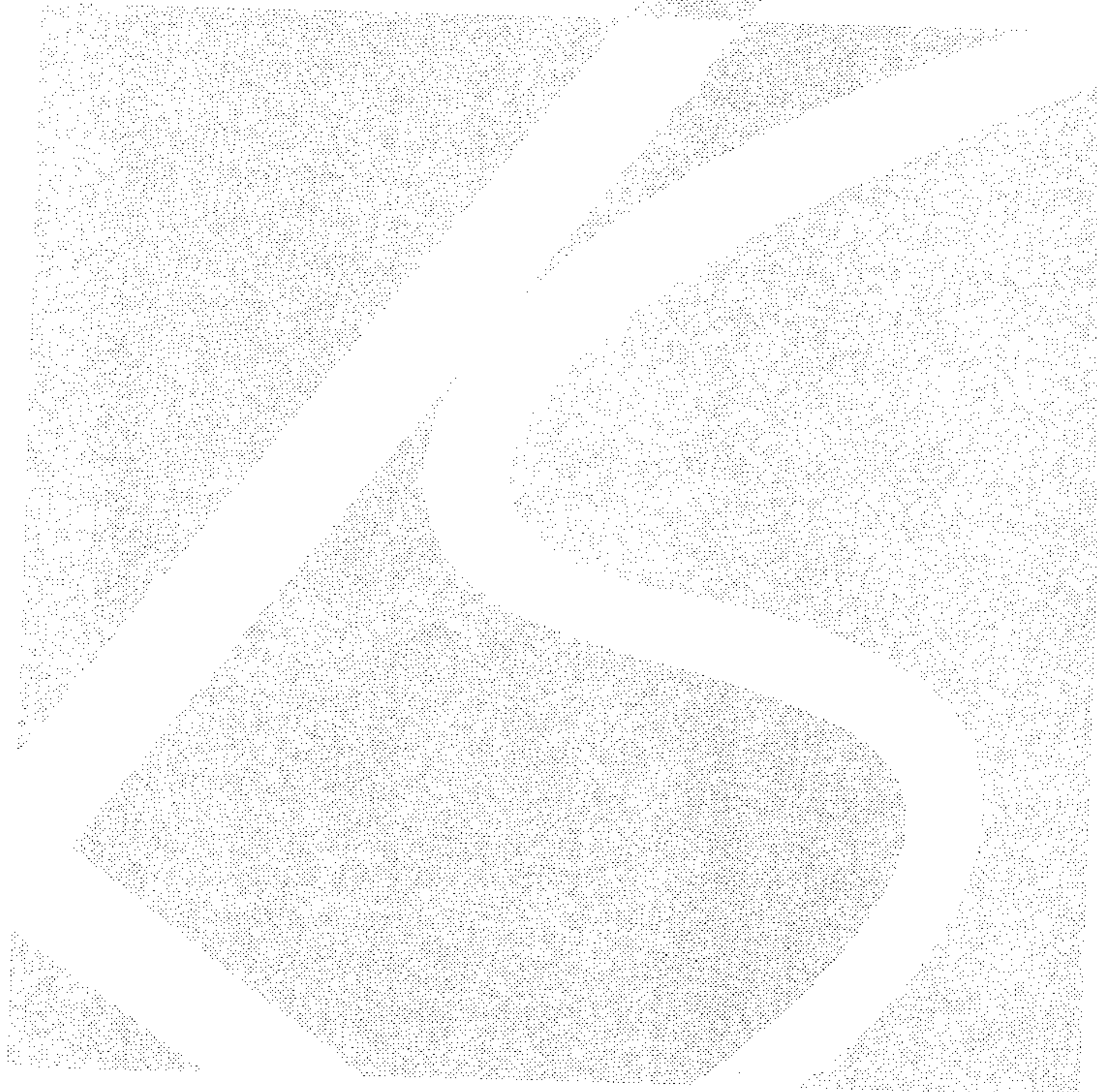
The Company has framed a specific Code of conduct for the members of the Board of Directors and the Senior Management Personnel of the Company pursuant to Clause 49 of the Listing Agreement with Stock Exchanges to further strengthen Corporate Governance practice in the Company.

All the members of the Board and Senior Management Personnel of the Company have affirmed due observance of the said Code of Conduct in so far as it is applicable to them and there is no non compliance thereof during the year ended 31<sup>st</sup> March, 2012.

For and on behalf of Board of Directors  
**Khandwala Securities Limited**

**Paresh J Khandwala**  
**Managing Director**

Date: 9<sup>th</sup> August, 2012  
Place: Mumbai





**AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

To the Members,  
Khandwala Securities Limited,  
Gr. Floor, Vikas Building,  
Green Street, Fort,  
Mumbai-400 023

1. We have reviewed the records concerning the compliance of conditions of Corporate Governance by M/s. Khandwala Securities Limited as stipulated in Clause 49 of the Listing Agreement entered into, by the company, with the Stock Exchanges of India, for the financial year ended 31<sup>st</sup> March 2012.
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. We have conducted our review on the basis of the relevant records and documents maintained by the Company and furnished to us for the review, and the information and explanations given to us by the Company.
4. Based on such a review and to the best of our information and according to the explanations given to us, in our opinion, the company has complied with the conditions of corporate Governance, as stipulated in Clause 49 of the said Listing Agreements.
5. We further state that such compliance is neither an assurance as to the future viability of the Company, nor as the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For UDYEN JAIN AND ASSOCIATES**  
Chartered Accountants

Aniket Kuikarni  
Partner  
Membership No.: 127246

Place: Mumbai  
Date: 9<sup>th</sup> August, 2012



## AUDITORS' REPORT

To the members of  
**Khandwala Securities Limited**

1. We have audited the attached Balance Sheet of Khandwala Securities Limited as at March 31, 2012 and also the Profit and Loss Account and the Cash Flow Statement for the period from April 1, 2011 to March 31, 2012 annexed thereto (all together referred to as 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. (i) The Company had advanced application money towards purchase of shares of Rs. 216.69 lacs, which is outstanding for a period more than 120 months as at the end of the year. In the absence of information regarding the status of the allotment or the net worth of the entities in which the Company made applications, we are unable to ascertain the extent to which an amount of Rs. 216.69 lacs is recoverable and accordingly, the effect thereof on the financial statements cannot be ascertained. The company has already initiated legal proceeding against the investee for the recovery of the share application money. Please refer note no. 20 of Notes forming part of financial statements.
- (ii) Short-term deposits from companies of Rs 100.00 lacs as subject to confirmation and consequential adjustments, if any. Please refer note no. 21 of Notes forming part of financial statements.
- (iii) Short-term deposits to companies of Rs. 530.00 lacs together with interest accrued thereon Rs. 135.80 lacs (included in loans and advances) are subject to confirmation and subsequent adjustments, if any. Please refer note no. 22 of Notes forming part of financial statements.

We are unable to assess the extent to which the amounts indicated in paragraphs (iii) are recoverable and the amount in paragraph (ii) is payable, and accordingly, the effect thereof on the financial statements cannot be ascertained.

4. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
5. Further to our comments in the Annexure referred to above, we report that:
  - a. Except for the matters stated in paragraph 3 above, we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes 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, profit and loss account and the cash flow statement dealt with by this report are in agreement with the books of account;
  - d. In our opinion, the balance sheet, profit and loss account and the cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - e. On the basis of written representations received by the Company from its directors, we report that as on March 31, 2012 none of the directors is disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - f. Except for our comments in paragraph 3 above, in our opinion and to the best of our information and according to the explanations given to us, the financial statements read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    1. In the case of the balance sheet, of the state of affairs of the Company as at March 31, 2012;
    2. In the case of the profit and loss account, of the Loss of the Company for the period ended on that date; and
    3. In the case of the cash flow statement, of the cash flows of the Company for the period ended on that date.

**For Udyen Jain & Associates**  
**Chartered Accountants**

**Aniket Kulkarni**  
**Partner**  
M.No:- A 127246  
Firm Registration No. 116336W

Date: 09<sup>th</sup> August, 2012  
Place: Mumbai



## ANNEXURE TO THE AUDITOR'S REPORT

*(Referred to in paragraph 4 of our report of even date to the members of Khandwala Securities Limited on the financial statements for the period from April 1, 2011 to March 31, 2012)*

1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. Discrepancies have been identified and adjusted/rectified in the records relating to fixed assets.
2. According to the information and explanations given to us and having regard to the size of the Company and the nature of its business, in our opinion the frequency of physical verification of fixed assets is reasonable
3. None of the fixed assets have been revalued during the year.
4. No substantial part of the fixed assets was disposed off during the year.
5. According to the information and explanations given to us, the management has conducted physical verification of inventory held in physical form during the period, as also at the balance sheet date. In respect of inventory held in dematerialized form, the holding as at the balance sheet date has been confirmed by the depositories. In our opinion, having regard to the nature of the inventories, the frequency of physical verification is reasonable.
6. In our opinion, and according to the information and explanations given to us, the procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
7. In our opinion, and according to the information and explanations given to us, the Company has maintained proper records of inventory during the period. Discrepancies, if any noticed on physical verification of inventory as compared to book records maintained were not of a material nature and have been properly dealt with in the books of account.
8. The company has not granted any loans, secured or unsecured during the period.
9. The rate of interest and the other terms and conditions are prima facie not prejudicial to the interest of the company
10. As the company has not taken any loans, secured or unsecured, from companies covered u/s 301 of the Companies Act 1956, during the period, the clause no. 4(iii)(b) and 4(iii)(c) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
11. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls.
12. To the best of knowledge and belief, and according to the information and explanations given to us, we are of the opinion that transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
13. No transactions have been entered during the period in the register maintained in pursuance of section 301 of the Companies Act, 1956 and based on the audit procedures applied by us and according to the information and explanations given and the representations made to us, we have not come across any transaction that need to be entered into the register maintained in pursuance of section 301 of the Companies Act, 1956. Accordingly, sub-clause (b) is not applicable.
14. In our opinion and according to information and explanations given to us, the Company has not accepted any deposits from the public to which the provisions of Section 58A or Section 58AA of the Companies Act, 1956 apply.
15. According to the information and explanations given to us, the Company has an internal audit system. In our opinion, the internal audit system is adequate with regards to the size of the company and the nature of its business.
16. According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 for any of the activities of the Company.
17. According to the information and explanations given to us, during the period the Company was generally regular in depositing with appropriate authorities, undisputed statutory dues.
18. According to the information and explanations given to us, no personal expenses have been charged to revenue account.
19. As at the balance sheet date, the Company does not have accumulated losses. The Company has incurred cash losses in the current year.
20. According to the information and explanations given to us, the company has not defaulted in the repayment of dues to financial institutions and banks.
21. To the best of our knowledge, and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.



22. In our opinion, and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore the provisions of paragraph 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
23. In respect of the Company's dealings or trading in shares, securities, debentures and other investments, proper records have been maintained on a timely basis in respect of the transactions and contracts during the period under report. According to the information and explanations given to us, shares and other securities held as investments are in the Company's name, except in cases where the same are in the process of being transferred in its name.
24. According to the information and explanations given to us, the company has not given guarantees for loans taken by others from banks which are prima facie prejudicial to the interest of the company.
25. According to the information and explanations given to us, the Company had applied term loans availed for the purpose for which they were obtained.
26. In our opinion and according to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, prima facie, no funds raised on short-term basis have been applied for long-term investments and vice versa.
27. According to the information and explanations given to us, during the period under report, the Company has not made preferential allotments of equity shares to persons listed in the register maintained under Section 301 of the Companies Act, 1956.
28. As the company did not have any debentures outstanding during the year, the clause no. 4(xix) of Companies (Auditor's Report) Order, 2003 is not applicable to the company.
29. The Company has not made any public issue of shares or debentures during the period; accordingly, the question of disclosure of end use of proceeds of public issues does not arise.
30. The company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986).
31. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the period, nor have we been informed of such case by the management.

**For Udyen Jain & Associates**  
**Chartered Accountants**

**Aniket Kulkarni**

**Partner**

M.No:- A 127246

Firm Registration No. 116336W

Date: 09<sup>th</sup> August, 2012

Place: Mumbai



# KHANDWALA SECURITIES LIMITED

## BALANCE SHEET AS AT MARCH 31, 2012

	Note	Rs.	As At March 31 2012 Rs.	As At March 31 2011 Rs.
<b>I EQUITY AND LIABILITIES</b>				
(1) <b>Shareholders' Funds</b>				
(a) <b>Share Capital</b>				
Equity Share Capital	2	119,390,000		119,390,000
Preference Share Capital		20,000,000		20,000,000
(b) Reserves and Surplus			139,390,000	139,390,000
(c) Money Received against Share Warrants	3		162,141,466	167,640,186
(2) <b>Share Application Money Pending Allotment</b>		-	-	-
(3) <b>Non Current Liabilities</b>				
(a) Long -Term Borrowings	4			
(b) Deferred Tax (Net)		36,017,374		46,109,795
(c) Other Long Term Liabilities		502,811		567,981
(d) Long Term Provisions		9,984,310		20,046,060
(4) <b>Current Liabilities</b>		668,785	47,173,280	9,460,459
(a) Short Term Borrowings	5			
(b) Trade Payable		3,361,000		10,000,000
(c) Other Current Liabilities		65,179,794		158,374,412
(d) Short Term Provisions		21,114,804		19,668,144
<b>TOTAL</b>		1,173,048	90,828,645	1,487,612
<b>II ASSETS</b>			439,533,391	572,744,648
(1) <b>Non Current Assets</b>				
(a) <b>Fixed Assets</b>				
i Tangible Assets	6			
ii Intangible Assets		80,180,117		87,676,224
iii Capital Work In Progress		854,116		896,561
iv Intangible Assets Under Development		-		-
(b) Non Current Investments	7		81,034,234	88,572,784
(c) Long Term Loans and Advances	8		34,606,581	35,028,821
(d) Other Non - Current Assets	9		119,131,136	123,400,813
(2) <b>Current Assets</b>			26,949,021	48,686,993
(a) Current Investments				
(b) Inventories	10	1,423,477		
(c) Trade Receivable	11	117,345,754		2,442,206
(d) Cash and Cash Equivalents	12	53,428,571		207,026,097
(e) Short Term Loans and Advances	13	5,614,618		55,205,507
(f) Other Current Assets		-		12,381,428
<b>TOTAL</b>			177,812,420	277,055,238
Significant Accounting Policies and Notes to Accounts	1		439,533,391	572,744,648

As per our report attached of even date.

**For Udyen Jain & Associates**  
Chartered Accountants

For and on behalf of the Board of Directors

**Aniket Kulkarni**  
Partner  
Mem. No: A - 127246  
Firm Registration No. 116336W

**S.M.Parande**  
Chairman

**Paresh J. Khandwala**  
Managing Director

**Pooja Gupta**  
Company Secretary

Mumbai  
Date :- 09th August, 2012

Mumbai  
Date :- 09th August, 2012



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2012**

	Note	Rs.	For the year ended March 31 2012 Rs.	For the year ended March 31 2011 Rs.
<b>I Revenue From Operations</b>				
Brokerage		20,640,172		38,289,166
Corporate Advisory Services		4,594,822		15,127,897
Income from Capital Market Operations		8,327,409		497,109
Profit on sale of Long-term investments		-		186,009
		<b>33,562,403</b>		<b>54,100,181</b>
<b>II Other Income</b>	14	<b>26,379,439</b>		<b>35,276,225</b>
<b>III Total Revenue ( I + II )</b>			<b>59,941,842</b>	<b>89,376,406</b>
<b>IV Expenses</b>				
Employees' Remuneration and other benefits	15	28,316,520		34,309,415
Administrative and Other expenses	16	25,306,214		42,118,675
Finance charges	17	3,960,018		3,653,274
Depreciation		3,952,942		4,471,801
Other Expenses	18	4,237,182		512,659
			<b>65,772,876</b>	<b>85,065,823</b>
<b>V (Loss)/Profit before Tax and prior period items</b>			<b>(5,831,033)</b>	<b>4,310,582</b>
<b>VI Exceptional Items</b>				
<b>VII Profit before Extraordinary items and tax ( V - VI )</b>				
<b>VIII Extraordinary items</b>			<b>(5,831,033)</b>	<b>4,310,582</b>
<b>IX (Loss)/profit before Tax ( VII - VIII )</b>				
<b>X Tax Expense</b>			<b>(5,831,033)</b>	<b>4,310,582</b>
(1) Current Tax				
(2) Tax Relating to Prior years				
(3) Deferred Tax (Credited)/ Charged			<b>(267,143)</b>	
<b>XI Profit / (Loss) for the period from Continuing Operations</b>			<b>(65,170)</b>	<b>(26,658)</b>
<b>XII Profit / (Loss) from Discounting Operations</b>			<b>(5,498,720)</b>	<b>4,337,240</b>
<b>XIII Tax Expense of Discounting Operations</b>				
<b>XIV Profit / (Loss) from Discounting Operations (after tax ) ( XII -XIII )</b>				
<b>XV Profit (Loss) for the period (XI +XIV )</b>			<b>(5,498,720)</b>	<b>4,337,240</b>
<b>XVI Earnings Per Share of - Basic (Rs.)</b>				
- Basic (Rs.)			<b>(0.46)</b>	<b>0.36</b>
- Diluted (Rs.)			<b>(0.46)</b>	<b>0.36</b>
Significant Accounting Policies and Notes to Accounts	1			

As per our report attached of even date.

**For Udayan Jain & Associates**  
Chartered Accountants

For and on behalf of the Board of Directors

**Aniket Kulkarni**  
Partner  
Mem. No: A - 127246  
Firm Registration No. 116336W

**S.M.Parande**  
Chairman

**Paresh J. Khandwala**  
Managing Director

**Pooja Gupta**  
Company Secretary

Mumbai  
Date :- 09th August, 2012

Mumbai  
Date :- 09th August, 2012



# KHANDWALA SECURITIES LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

	For the Year ended March 31, 2012	For the Year ended March 31, 2011
<b>A. Cash flow from operational activities</b>		
Net (Loss)/Profit before tax adjusted for prior period items and excess provisions for tax written back	(5,831,033)	4,310,582
Adjustments for:		
Depreciation	3,952,942	4,471,801
Loss on sale of fixed assets	3,544,927	181,559
(Profit) on sale of Investments	315,840	(186,009)
Interest Income	(4,450,421)	(3,543,221)
Finance Expenses	3,960,018	3,653,274
Unrealised Gains On Mark to Market of F&O Stock	(125,750)	-
Lease Rental	(1,260,000)	(1,260,000)
Provision for Dimunition in investments/ Stock	303,256	223,556
Sundry balance written back /written off	483,047	715,094
Dividend Income	(145,207)	(97,390)
Refund of Tax	(13,183,229)	(9,716,040)
Operating profit before working capital changes	(6,604,576)	(14,473,621)
Adjustments for:	(12,435,610)	(20,030,998)
Inventories	721,802	(15,720,416)
Trade Receivables & Other Receivables	123,683,925	1,343,887
Current Liabilities & Provision	(110,309,753)	47,319,783
Cash generated from operations	14,095,973	(61,547,106)
Direct taxes Refunded / (paid)	1,660,364	(12,883,436)
Net cash (used in) / generated from operating activities	13,183,229	(28,603,852)
	14,843,593	9,716,040
<b>B. Cash flow from investing activities</b>		(18,887,812)
Purchase of fixed assets	40,682	
Sale/ (Purchase) of Investments (net of purchase)	106,400	(744,735)
Interest received	3,784,951	2,449,520
Dividend received	138,878	3,649,238
Net cash (used in) / generated from investing activities	4,070,910	92,858
<b>C. Cash flow from financing activities</b>		5,446,881
(Repayment)/Proceeds from long term borrowings(net)	(10,092,421)	
(Repayment)/Proceeds from short term borrowings(net)	(6,639,000)	(13,609,296)
Interest and other Finance charges	(3,960,018)	-
Net cash (used in) / generated from financing activities	(20,691,439)	4,664,859
<b>Net increase/(decrease) in cash and cash equivalents</b>	(1,776,936)	(8,944,437)
Cash and Cash equivalents (opening balance)	55,205,507	(22,385,368)
Cash and Cash equivalents (closing balance)	53,428,571	77,590,875
	(1,776,936)	55,205,507
		(22,385,368)

As per our report attached of even date.

**For Udyen Jain & Associates**  
Chartered Accountants

For and on behalf of the Board of Directors

**Aniket Kulkarni**  
Partner  
Mem. No: A - 127246  
Firm Registration No. 116336W

**S.M.Parande**  
Chairman

**Paresh J. Khandwala**  
Managing Director

**Pooja Gupta**  
Company Secretary

Mumbai  
Date :- 09th August, 2012

Mumbai  
Date :- 09th August, 2012



## **NOTES FORMING PART OF FINANCIAL STATEMENTS**

### **1. Significant Accounting Policies**

#### **Basis of Accounting**

The Company follows the accrual basis accounting.

#### **Accounting Convention**

The financial statements are prepared under historical cost convention.

#### **Fixed Assets**

Fixed Assets are stated at cost less accumulated depreciation.

#### **Depreciation**

Assets are depreciated on the Straight Line Method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

#### **Investments**

Long-term investments are carried at cost. However, when there is a decline, other than temporary, in the value of long-term investments, the carrying amount is reduced to recognize the decline. In case of diminution in the value of investment recorded in earlier years is no longer necessary it is reversed and credited to Profit & Loss accounts.

#### **Inventories**

Stock-in-trade is valued at lower of cost and market value. While determining market value, due consideration has been given to shares which have become ex-rights/ex-bonus at the year end for which rights/bonus shares have been received subsequent to year end.

#### **Revenue recognition**

Income from capital market operations (non-delivery based transactions) is accounted for on sale of securities. Income from Merchant Banking services, Brokerage and income from corporate advisory services are accounted for as and when the relevant services are rendered except where the recovery is uncertain in which case it is accounted for on receipt. Interest income is accounted for on accrual basis except where the recovery is uncertain, in which case it is accounted for on receipt. Dividend income is accounted for when the right to receive dividend is established.

#### **Retirement benefits**

Liability in respect of employees' gratuity is calculated on the basis of Revised AS-15 on Accounting for Retirement Benefits in the Financial Statements of Employers

#### **Derivative Instruments**

Initial / additional margin paid for futures / options is included under the head current assets. Contracts are marked to market in accordance with the prevalent regulations and the amount receivable or payable is disclosed under the head current assets or current liabilities, as the case may be. The profit or loss on settlement of derivative contracts is recognized in the Profit and Loss account. As on the balance sheet date, provision for loss on futures contracts is made to the extent of mark to market margins paid, while for open options, to the extent premium paid exceeds premium prevailing on that date.

#### **Foreign Currency Transactions**

Foreign currency transactions are recorded at the rates prevailing on the date of such transactions. Current assets and current liabilities in foreign currency at the year-end are translated at the rates prevailing on that date. Differences arising on settlement of such transactions/year end restatements are charged to the Profit and Loss Account.

#### **Taxes on Income**

Tax expense comprises both current and deferred taxes. Provision for current tax has been provided after taking into the account depreciation as per Income Tax Act, 1961. Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets are recognized only to the extent that there is a reasonable certainty of realization.



## NOTES FORMING PART OF FINANCIAL STATEMENTS

	As At March 31 2012 Rs.	As At March 31 2011 Rs.
<b>NOTE 2 - SHARE CAPITAL</b>		
<b>Authorised</b>		
14,000,000 (P.Y. 14,000,000) Equity Shares of Rs. 10/- each	140,000,000	140,000,000
500,000 (P.Y. 500,000) Cumulative Redeemable Preference Shares of Rs. 100/- each	50,000,000	50,000,000
400,000 (P.Y. 400,000) Cumulative Convertible Preference Shares of Rs. 100/- each	40,000,000	40,000,000
2,00,000 (P.Y. 2,00,000) Optionally convertible Redeemable Preference Shares of Rs. 100/- each	20,000,000	20,000,000
	250,000,000	250,000,000
<b>Issued, Subscribed and Paid-up</b>		
<b>Equity Share Capital</b>		
1,19,39,000 (P. Y. 1,19,39,000) Shares of Rs. 10/- each fully paid-up	119,390,000	119,390,000
<b>TOTAL</b>	<b>119,390,000</b>	<b>119,390,000</b>
<b>Preference Share Capital</b>		
50,000 10.00% Cumulative Redeemable Preference shares of Rs. 100/- each fully paid-up.	5,000,000	5,000,000
150,000 10.00% Cumulative Redeemable Preference shares of Rs. 100/- each fully paid-up.	15,000,000	15,000,000
<b>TOTAL</b>	<b>20,000,000</b>	<b>20,000,000</b>
<b>a) Reconciliation of Number of Shares</b>		
Equity Shares Outstanding as at 01st April 2011 / 01st April 2010	11,939,000	11,939,000
Preference Shares Outstanding as at 01st April 2011 / 01st April 2010	2,000,000	2,000,000
Equity Shares Outstanding as at 31st March 2012 / 31st March 2011	11,939,000	11,939,000
Preference Shares Outstanding as at 31st March 2012 / 31st March 2011	2,000,000	2,000,000
<b>b) List of Share Holders Holding More than 5% of the total number of shares Issued by the Company</b>		
<b>Name of Equity Share Holder</b>	<b>No. of Share</b>	<b>No. of Share</b>
Jayantilal Khandwala & Sons Pvt. Ltd.	1,733,321	1,733,421
Bentley Investments Pvt Ltd	1,308,933	1,207,327
Daxa Paresh Khandwala	1,097,612	1,097,612
Sarthak Consultants Private Limited	943,000	943,000
Pratik Paresh Khandwala	766,091	766,091
Franav Paresh Khandwala	606,787	597,989
<b>Name of Preference Share Holder</b>		
Brish Seth	500,000	500,000
Rohit Chand	1,500,000	1,500,000

The Company has issued Equity as well as Preference Share having a par value of Rs. 10 per Share. Each holder of Equity / Preference share is entitled to one vote per Share. The Company Declares and pays dividend in Indian Rupees.



NOTES FORMING PART OF FINANCIAL STATEMENTS

	As At March 31 2012 Rs.	As At March 31 2011 Rs.
<b>NOTE 3 - RESERVES AND SURPLUS</b>		
Share Premium Account		
As per last Balance Sheet	48,273,000	
Add: Received during the year		
	48,273,000	48,273,000
Capital Redemption Reserve	34,000,000	34,000,000
Convertible Warrant Forfeiture		
As per last Balance Sheet	6,168,000	
Add: Amount Forfeited during the year		
	6,168,000	6,168,000
Profit & Loss Account		
As per last Balance Sheet	79,199,186	74,861,946
Add: Transferred from Profit & Loss Account	(5,498,720)	4,337,240
	73,700,466	79,199,186
<b>TOTAL</b>	<b>162,141,466</b>	<b>167,640,186</b>
<b>NOTE 4 - NON CURRENT LIABILITIES</b>		
<b>(a) LONG TERM BORROWINGS</b>		
Vehicle Loan (Secured by hypothecation of vehicle)	456,418	764,530
Loan from Yukit Securities Ltd.	25,580,939	25,554,795
Loan from Shree Developers Pvt. Ltd.	10,000,000	19,790,470
	36,037,357	46,109,795
<b>(b) Deferred Tax</b>		
Deferred Tax (Net)	502,817	567,981
	502,817	567,981
<b>(c) Other Long Term Liabilities</b>		
Secured Deposits	9,984,316	20,046,660
	9,984,316	20,046,660
<b>(d) Long Term Provisions</b>		
Provision for Taxation (FBT)	564,581	9,129,501
Provision for Gratuity	104,284	330,958
	668,785	9,460,459



# KHANDWALA SECURITIES LIMITED

## NOTES FORMING PART OF FINANCIAL STATEMENTS

	As At March 31 2012 Rs.	As At March 31 2011 Rs.
<b>NOTE 5 - CURRENT LIABILITIES</b>		
<b>(a) SHORT TERM BORROWINGS</b>		
Short Term deposits	3,361,000	10,000,000
	3,361,000	10,000,000
<b>(b) Trade Payable</b>		
Sundry Creditors	65,179,794	158,374,412
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 and could not be furnished.		
	65,179,794	158,374,412
<b>(c) Other Current Liabilities</b>		
Credit Balance in Current Accounts (Book overdraft) #	7,412,031	7,420,478
Other Liabilities	13,702,772	12,247,666
	21,114,804	19,668,144
<b>(d) Short Term Provisions</b>		
Provision for Leave Encashment	1,173,048	1,487,612
	1,173,048	1,487,612
# Out of the credit balance in current accounts, an amount of Rs.45 Lacs is charged against an deposit receipt of Rs. 50 Lacs		

### NOTE 6- FIXED ASSETS

Particulars	Gross Block				Depreciation				Net Block	
	As At 1-Apr-11	Additions during the Year	Deductions during the year	As At 31-Mar-12	As At 1st April 11	For the Year	Acc. Dep on DeIn	As At 31st March, 12	As At 31st March, 12	As At 31st March, 11
<b>Tangibile Assets</b>										
Office Buildings	93,820,894	-	-	93,820,894	20,900,502	1,529,281	-	22,429,783	71,391,111	72,920,392
Computers	4,672,768	88,100	1,880,567	2,880,301	3,454,005	620,031	1,819,172	2,254,864	625,437	1,218,763
Office Equipments	8,090,667	7,500	1,898,023	6,200,144	3,335,976	377,935	834,786	2,879,125	3,321,019	4,754,691
Furniture and Fixtures	12,158,694	-	3,571,621	8,587,072	6,646,953	716,464	762,426	6,600,991	1,986,081	5,511,740
Vehicles	4,195,919	-	700,000	3,495,919	1,901,474	361,464	700,000	1,562,939	1,932,980	2,294,445
Plant & Machinery (Computer)	1,109,579	-	-	1,109,579	133,386	52,705	-	186,091	923,488	976,193
<b>A</b>	<b>124,048,520</b>	<b>95,600</b>	<b>8,050,211</b>	<b>116,093,909</b>	<b>36,372,296</b>	<b>3,657,879</b>	<b>4,116,384</b>	<b>35,913,792</b>	<b>80,180,117</b>	<b>87,676,224</b>
<b>Intangible Assets</b>										
Computers	1,575,245	252,618	-	1,827,863	678,685	295,063	-	973,747	854,116	896,561
<b>B</b>	<b>1,575,245</b>	<b>252,618</b>	<b>-</b>	<b>1,827,863</b>	<b>678,685</b>	<b>295,063</b>	<b>-</b>	<b>973,747</b>	<b>854,116</b>	<b>896,561</b>
<b>Total (A + B)</b>	<b>125,623,766</b>	<b>348,218</b>	<b>8,050,211</b>	<b>117,921,772</b>	<b>37,050,981</b>	<b>3,952,942</b>	<b>4,116,384</b>	<b>36,887,539</b>	<b>81,034,234</b>	<b>88,572,785</b>
Previous Year	131,678,219	744,735	6,799,188	125,623,766	39,196,809	4,570,762	6,617,629	37,050,981	88,572,785	-



**NOTES FORMING PART OF FINANCIAL STATEMENTS**

	Face Value	As at March 31 2012		As at March 31 2011	
		Number	Amount	Number	Amount
<b>NOTE 7 - INVESTMENTS</b>					
<b>OTHER INVESTMENTS</b>					
<i>(Long term, non trade, fully paid up)</i>					
<i>i. Quoted</i>					
<b>Equity Shares</b>					
DSQ Software Limited	10	-	-	6,400	42,240
Uflex Limited. (Formally Know as Flex Eng. Ltd)	10	8,100	88,371	8,100	88,371
Spicejet Ltd	10	1,000	13,210	1,000	13,210
DSQ Biotech Limited	2	-	-	100,000	380,000
			<u>101,581</u>		<u>523,821</u>
<i>ii. Unquoted</i>					
Equity Shares					
Elysium Pharmaceuticals Ltd	10	75,000	750,000	75,000	750,000
Kowa Spinning Limited *	10	1,008,000	21,358,200	1,008,000	21,358,200
Vadodara Stock Exchange Limited	10	500	5,000	500	5,000
TruMonee Finaincal Ltd	10	3,375,000	33,750,000	3,375,000	33,750,000
			<u>55,863,200</u>		<u>55,863,200</u>
			<u>55,964,781</u>		<u>56,387,021</u>
Less : Provision for diminution			<u>21,358,200</u>		<u>21,358,200</u>
<b>TOTAL</b>			<u><u>34,606,581</u></u>		<u><u>35,028,821</u></u>
<b>Quoted :</b>					
Aggregate Book Value (net of provision)			101,581		523,821
Market Value			804,155		804,155
<b>Unquoted :</b>					
Aggregate Book Value (net of provision)			34,505,000		34,505,000
*Shares are in the process of being registered in the name of the Company.					
<b>NOTE - 8 LONG TERM LOANS AND ADVANCES</b>					
Deposits with exchange & other			30,882,062		35,151,739
Trade Deposit with Companies			53,000,000		53,000,000
Interest Accrued on Loan			13,580,433		13,580,433
Share Application			<u>21,668,641</u>		<u>21,668,641</u>
<b>TOTAL</b>			<u><u>119,131,136</u></u>		<u><u>123,400,813</u></u>
<b>NOTE - 9 OTHER NON - CURRENT ASSETS</b>					
Advance Payment of Income Tax			4,399,021		25,186,993
In Fixed Deposit Accounts (More than One Year) *			<u>22,550,000</u>		<u>23,500,000</u>
<b>TOTAL</b>			<u><u>26,949,021</u></u>		<u><u>48,686,993</u></u>
<b>NOTE 10 - STOCK-IN-TRADE</b>					
(Valued and certified by the management at lower of cost and market value / break up value)					
Equity Shares / Preference Shares(Refer Appendix I-1)			1,423,477		2,442,206
<b>TOTAL</b>			<u><u>1,423,477</u></u>		<u><u>2,442,206</u></u>

\* Of the Fixed Deposits held by the Company, Rs.50 Lacs is held as lien with Axis Bank.



# KHANDWALA SECURITIES LIMITED

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### Appendix 10-A

NAME OF THE SCRIP	As at March 31 2012		As at March 31 2011	
	Number	Rs.	Number	Rs.
<b>GOVT. SECURITIES</b>				
10.75% IFCI 2026 P/C 2021	10	107,700	-	-
<b>Equity/ Preference Shares :</b>				
Accent Tech	2,145	111,336	-	-
Anant Raj Industries	-	-	200	16,660
Ansal Properties & Infra	2,500	88,000	2,500	93,750
Austin Engineering	-	-	1,500	88,018
Bank of India	50	18,133	50	23,560
Boss Profiles Ltd.	50,000	400,000	50,000	400,000
Cantabil Retail India Ltd	-	-	200	7,700
Chandamama India Ltd	-	-	75,000	800,000
Creative Casting Ltd	5,900	3,894	5,900	3,894
Deccan Granite Ltd	20,300	37,555	20,300	37,555
Dishman Pharmaceuticals & Chemicals Ltd	355	16,241	355	36,725
DLF Ltd	358	72,227	358	59,894
DSQ Biotech Ltd (Squared Bio )	-	-	11,576	44,261
HFCL Infotel	-	-	50,000	202,000
Gujarat Mineral Dev Corp	-	-	600	81,420
IDEA Cell	410	30,730	410	20,541
IFCI Ltd	-	-	1	19
Indian Oil Corporation Ltd	-	-	10	1,804
Indian Petrochemicals Corporation Ltd	-	-	300	75,585
Infrastructure Development Financial Co. Ltd	-	-	500	27,050
Inlac Granston Ltd	-	-	126,600	1
Kongarar Textiles Ltd.	-	-	2,500	1
Krishna Engineering Works Ltd	-	-	250	1
LIC MF Liquid Plus Fund	10,227	102,274	9,594	95,945
Natraj Ceramics Ltd	-	-	900	1
Omax Auto Ltd	-	-	10	403
Panacea Biotech Ltd	1,811	146,963	-	-
Pertech Computers Ltd	-	-	1,000	1
Pennar Ind. Ltd	-	-	125	5,606
Reliance Communications Ltd	-	-	4	431
Reliance Industries Ltd	120	90,072	3	2,599
Rushabh Bearings Ltd	-	-	5,200	1
Suzlon Energy Ltd	-	-	44	1,863
SVC Superchem Ltd	-	-	2,500	1,725
Sand Plast Ltd.	-	-	10,000	0
Saraswat Co-Op Bank	2,550	25,500	2,550	25,500
Setech Electronics Ltd	270,000	1	270,000	1
Sharp Industries Ltd	2,210	84,422	2,210	185,684
Sterling Biotech	1,549	15,877	-	-
Tata Consultancy Services Ltd	-	-	4	1,077
Tata Steels Ltd	100	47,175	130	26,440
Teamasia Semiconductors (I) Ltd	-	-	2,350	3,243
Tata Communications Ltd (VSNL)	100	18,670	100	23,900
Unitech Ltd	-	-	500	20,200
United Credit Ltd	80	364	80	364
United Phosphors Ltd	1	130	-	-
UTI Top 100 Funds	1,000	6,213	1,000	6,213
Vjll Consulting	-	-	1,506	19,387
Zuari Industries	-	-	2	1,180
		1,423,477		2,442,206



**NOTES FORMING PART OF FINANCIAL STATEMENTS**

	Rs.	As At March 31 2012 Rs.	As At March 31 2011 Rs.
<b>NOTE 11 - SUNDRY DEBTORS</b>			
(Unsecured)			
Outstanding for more than six months			
Considered good		76,298,325	139,778,410
Considered doubtful		8,047,521	39,001,584
		<u>84,345,846</u>	<u>178,779,994</u>
Other Debts		41,047,428	67,247,687
		<u>125,393,275</u>	<u>246,027,681</u>
Less : Provision for Doubtful Debts		8,047,521	39,001,584
<b>TOTAL</b>		<u><u>117,345,754</u></u>	<u><u>207,026,097</u></u>
<b>NOTE 12 - CASH AND BANK BALANCES</b>			
Cash on hand		411,644	236,856
Balance with Scheduled Banks:			
In Current Accounts	23,016,927		25,918,651
In Fixed Deposit Accounts (Less than One Year ) *	<u>30,000,000</u>		<u>29,050,000</u>
		<u>53,016,927</u>	<u>54,968,651</u>
<b>TOTAL</b>		<u><u>53,428,571</u></u>	<u><u>55,205,507</u></u>
Of the above, the balances that meet the definition of Cash and cash equivalents as per AS 3 Cash Flow Statements is :		<u>53,428,571</u>	<u>55,205,507</u>
<b>NOTE 13 - SHORT TERMS LOANS AND ADVANCES</b>			
Advances recoverable in cash or kind or for value to be received *		5,614,618	12,381,427
<b>TOTAL</b>		<u><u>5,614,618</u></u>	<u><u>12,381,427</u></u>
* Deposit accounts with Bank include Rs. 2,70,50,000/- fixed deposit over which the NSCOL has lien., and Rs. 2,50,00,000/- for Bank Gurantee Margin with Axis Bank & Rs. 5,00,000/- ILFS for currency Derevative Segments ( Previous year Rs. 2,80,50,000/- , Rs.2,40,00,000/- & Rs. 5,00,000/-respectively)			
<b>NOTE 14 - OTHER INCOME</b>			
Interest on Fixed deposits with Banks		4,450,421	3,543,221
[Tax deducted at source Rs. 4,44,149/-]			
(Previous year Rs.3,50,677/-)			
Dividend ' - On stock in trade		145,207	97,390
Income Tax Refund		-	14,989,363
Interest on Income Tax Refund		571,373	615,980
Lease Rentals		1,260,000	1,260,000
Unrealised Gains On Mark to Market of F&O Stock		125,750	-
Miscellaneous Income		19,826,689	14,770,271
<b>TOTAL</b>		<u><u>26,379,439</u></u>	<u><u>35,276,225</u></u>



# KHANDWALA SECURITIES LIMITED

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### NOTE 15 - EMPLOYEES' REMUNERATION AND OTHER BENEFITS

	For the year ended March 31 2012 Rs.	For the year ended March 31 2011 Rs.
Salaries and Bonus	23,664,619	27,943,669
Managing Director's Remuneration	3,125,000	3,003,147
Contribution to Provident and other Funds	1,339,603	1,679,245
Staff Welfare Expenses	389,844	451,350
Gratuity	(202,546)	1,223,431
Staff Leave Encashment	-	8,573
<b>TOTAL</b>	<b>28,316,520</b>	<b>34,309,415</b>

### NOTE 16 - ADMINISTRATIVE AND OTHER EXPENSES

Financial Advisory charges	922,325	792,147
Computer Expenses	456,018	1,390,342
Demat charges	626,188	788,360
Rates and Taxes	2,279,252	5,166,101
Insurance	528,617	366,896
Internet Expenses	207,468	260,222
Advertisement Expenses	81,741	78,581
Business Promotion Expenses	651,144	752,515
Legal & Professional Fees	2,961,659	4,109,234
Consultancy Charges	263,052	1,901,351
Telephone/Postage and Courier Charges	858,925	1,085,137
Electricity Charges	1,517,324	1,692,211
Registration Fees	331,927	448,979
Repairs and Maintenance	1,722,832	2,444,220
Printing and Stationery	659,165	1,015,770
Subscription Expenses	1,739,754	1,939,540
Travelling and Conveyance	1,613,952	2,690,528
Auditor's Remuneration		
For Audit	303,325	460,234
For Tax Audit	441,200	204,466
Directors sitting fees	75,000	100,000
Donation	21,203	1,002
Office Rent	4,809,228	9,977,602
Commission Paid	1,227,594	3,367,772
Miscellaneous Expenses	1,007,320	1,085,465
<b>TOTAL</b>	<b>25,306,214</b>	<b>42,118,675</b>

### NOTE - 17 FINANCE CHARGES

On Other Loans	3,467,068	3,251,999
Other Financial Charges	492,949	401,275
<b>TOTAL</b>	<b>3,960,018</b>	<b>3,653,274</b>

### NOTE - 18 OTHER EXPENSES

Loss on Stock Valuation	303,256	223,556
Fixed Assets Written Off	3,544,927	181,559
Loss on Investments	315,840	-
Loss on Market Operation	73,159	107,544
<b>TOTAL</b>	<b>4,237,182</b>	<b>512,659</b>



## NOTES FORMING PART OF FINANCIAL STATEMENTS

19. The Company provides Portfolio Management Services (PMS) to its clients. Transactions on account of PMS activities are carried out exclusively on behalf of PMS clients. Therefore, assets and liabilities arising out of the above effectively belong to the PMS clients and hence are not reflected in the Company's accounts. Management fees earned/expenditure incurred by the Company from this activity is accounted for on an accrual basis.
20. Share Application Money of Rs. 216.69 Lacs (Previous year Rs. 216.69 Lacs) is outstanding for a period of 120 months as at the balance sheet date, for which financial statements are in the process of being obtained. The Company has initiated legal proceedings against the party to recover the application money.
21. Short-term deposits from companies of Rs.100.00 Lacs is subject to confirmation and subsequent adjustments, if any.
22. Short-term deposits to companies of Rs. 530.00 lacs together with interest accrued thereon Rs. 135.80 lacs (included in loans and advances) are subject to confirmation and subsequent adjustments, if any.
23. The Company has written back the amount of Rs.309.54 Lacs Out of the closing Provision of Doubtful Debts of last year of Rs.390.02/- Lacs, since these amounts represent old balances and management is of the opinion that these are not receivable now. The Closing Balance of Provision for doubtful debts now stands at Rs. 80.48/- Lacs.
- | A.Y.    | Amount of Expenses Booked | Amount Reversed Back During the Current Year |
|---------|---------------------------|--|
| 2001-02 | 77,38,516/-               | 77,38,516/-                                  |
| 2002-03 | 11,607,774/-              | 11,607,774/-                                 |
| 2003-04 | 77,38,516/-               | 77,38,516/-                                  |
| 2004-05 | 38,69,258/-               | 38,69,258/-                                  |
24. There is a Mark to Market gain of Rs.1,25,750/- as on 31<sup>st</sup> March 2012 on account of Unrealised Gains on Future Contract. As per AS30, it has been accounted as Other Income and credited to the Income Statement.
25. Income from Operations include profit on sale of shares held as stock in trade of Rs.67 Lacs.
26. Debtors/ Creditors have been written off/ (written back) since these were old balances and are not receivable Rs. 1,19,37,153/- & payable Rs. 1,14,54,105/-, net effect of which is Rs. 4,83,047/-.
27. Fixed Assets having written down value of in the books of Rs. 6,32,324/-, have been written off, since the assets do not exist physically with the company.
28. The Lease period of Office Premises at Walkeshwar got over after Three years which was further renewable for a further period of two years. However due to adverse market conditions it was not renewed. The Assets lying at Walkeshwar Office were physically verified and then scrapped out. In the process loss of Rs. 29,18,607/-.
29. The net deferred tax assets is calculated as follows:

(Rs. In Lacs)

Particulars	Accumulated As at 31 <sup>st</sup> March 2011	Charge/ Credit during the year	As at 31 <sup>st</sup> March 2012
<b>Deferred tax asset:</b>			
Provision for doubtful debtors/advances that are deducted for tax purposes when written off	199.45	-	199.45
Deferred Tax Asset on account of Unabsorbed Depreciation	216.50	-	216.50
<b>Deferred tax liability:</b>			
Additional depreciation on fixed assets for tax purposes due to higher tax depreciation rates	(420.40)	0.65	(419.75)
Expenses carried forward as per books but claimed for tax purposes as incurred	(1.22)	-	(1.22)
<b>Net Deferred tax Assets/ (Liability)</b>	<b>(5.67)</b>	<b>0.65</b>	<b>(5.02)</b>

### 30. Segment Information

For management purposes, the Company is organized into two segments - Fee based and Investment/Stock. The Company has considered these two divisions as its business segments.

The Fee based division provides financial advisory services relating to mergers and acquisitions, equity and debt issue management, portfolio management and broking.

Investment and Stock division carries out trading, investing and speculation activities in capital markets (debt and equity) for the Company.

Fixed assets used in the Company's business are not identified to any of the reportable segments, as these are used interchangeably between segments and hence the fixed assets and depreciation are not allocated to any of the reportable segments.

As the entire business operations of the Company are conducted only in India, the Company has not reported any secondary segment information.

### Information about Primary Business Segments

(Amount in Rs. Lacs)

Sr. No.	Particulars	Year Ended 31 <sup>st</sup> March 2012	Year Ended 31 <sup>st</sup> March 2011
1	<b>Segment Revenue-external</b>		
a)	Investment / Stock Operations	83.27	6.83
b)	Feebased Operations	252.35	534.17
	<b>Total revenue</b>	<b>335.62</b>	<b>541.00</b>



## NOTES FORMING PART OF FINANCIAL STATEMENTS

<b>2</b>	<b>Segment Result</b>		
a)	Investment / Stock Operations	47.34	(22.45)
b)	Feebased Operations	(90.49)	14.19
	Total	(43.15)	(8.23)
	Less: Interest	39.60	56.53
	Unallocated Expenses less unallocated income	24.44	87.90
	Net (Loss) / Profit before Tax & prior Period Items	(58.31)	43.11
	Provision for tax (including deferred tax)	(3.32)	(0.27)
	Net (Loss)/Profit after tax for the year	(54.99)	43.37
	Other Items		
<b>3</b>	<b>Segment Assets</b>		
a)	Investment / Stock Operations	360.35	519.44
b)	Feebased Operations	2075.54	2951.34
c)	Unallocated Corporate Assets	1826.39	1966.65
		4262.27	5499.42
<b>4</b>	<b>Segment Liabilities</b>		
a)	Investment / Stock Operations	0.06	0.08
b)	Feebased Operations	689.67	1519.24
c)	Unallocated Corporate Liabilities	153.46	343.03
		843.19	1862.34
<b>5</b>	<b>Depreciation</b>	39.53	44.72
<b>6</b>	<b>Non cash items other than depreciation</b>		
a)	Investment / Stock operations	3.03	2.24
b)	Fee based operations	-	-

### 31. Earnings per share:

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
<b>Basic</b>		
Numerator used for calculating basic earnings per share - Profit after taxation (Rs. lacs)	(54.99)	43.37
Less: Dividend on Cumulative Preference share dividend (including dividend tax thereon)	-	-
Profit / (Loss) attributable to equity shareholders (Rs. lacs)	(54.99)	43.37
Weighted average number of shares (in lacs) used as Denominator for calculating basic earnings per share	119.39	119.39
Nominal value per equity share (Rs.)	10.00	10.00
Basic earnings per share - (Rs.)	(0.46)	0.36

<b>Diluted</b>		
Numerator used for calculating Diluted earning per Share-Profit/(Loss) after taxation (Rs. In Lacs)	(54.99)	43.37
Weighted Average Number of Shares (In Lacs) used as Denominator for calculating Diluted Earning per Share	119.39	119.39
Diluted earning per Share- (Rs.)	(0.46)	0.36

### 32. Related Party Disclosures

#### Names of Related Parties:

#### A) Enterprises where control exists

##### Associate Companies:

1. Trumonee Financial Ltd.

#### B) Enterprises in which key Managerial personnel exercise significant influence:

1. Jayantilal Khandwala & Sons

#### C) Enterprises controlled by the relatives of the Key Managerial Personnel:

1. Piggero Investments Pvt. Ltd.

2. Bentley Investments Pvt. Ltd.

3. Khandwala Commodity & Derivatives Pvt. Ltd.

#### D) Key Management Personnel:

1. Mr. Paresh J. Khandwala - Managing Director

2. Mr. P. J. Khandwala - HUF

#### E) Relatives of Key Management Personnel:

1. Mrs. Daxa P. Khandwala

2. Mr. Pratik P. Khandwala

3. Mr. Pranav P. Khandwala

4. Ms. Tushi P. Khandwala

5. Mrs. Bhagyashree P. Khandwala

6. Mrs. Brinda P. Khandwala

#### Transactions with related parties for the year ended 31<sup>st</sup> March 2012

	[Rs. in lacs]	
Transaction	2011-12	2010-11
Brokerage received	(1.85)	(3.46)
Remuneration Paid	34.91	42.85
Advisory fees paid	9.19	8.74
Consultancy charges paid	-	0.96
Lease rent received	(0.60)	(0.60)
Investment in Associate Company	337.50	337.50
<b>Outstanding Balance</b>		
Sundry Debtors	168.84	280.05
Sundry Creditors	4.84	17.31



## NOTES FORMING PART OF FINANCIAL STATEMENTS

33. As per information and explanation received there are no dues payable to Small Scale Industrial Undertakings as at March 31, 2012.
34. Transaction in foreign currency: (In lacs)  
 Foreign travel expenses – Rs. 2.03, Previous year Rs. 5.62  
 Foreign Currency Income – Rs. 0.30, Previous year Rs. 0.52
35. Debtors include:  
 (i) Due from a firm in which a director is interested as partner - Rs.152.85 lacs (Previous year Rs.171.85 lacs)  
 (ii) The above dues have arisen in the normal course of business.
36. Increase in Debtors & Creditors is in line with the growth of business. The creditors are largely from receipt of margin money from the clients while the debtors reflect the pattern of settlement period, wherein year-end date falls within to be settled period.
37. Managerial Remuneration:  
 (i) Remuneration to Managing Director  
     Salary and Other : Rs. 31.25 Lacs  
     Allowances (P.Y. Rs. 31.05 lacs)  
 (ii) Sitting fees to other directors : Rs. 0.75 lacs (P.Y. Rs. 1.00 lacs)
38. Liability for Employee benefits has been determined by an actuary, appointed for the purpose, in conformity with the principles set out in the accounting standard 15 (Revised) the details of which are as hereunder.

<b>I. Change in Benefit Obligation:</b>	<b>F.Y. 11 -12</b>
Liability at the beginning of the year	30,53,884
Interest Cost	2,75,027
Current Service Cost	3,82,487
Past Service Cost (Non Vested Benefit)	-
Past Service Cost (Vested Benefit)	-
Settlement	-
Liability Transfer in	-
Liability Transfer out	-
(Benefit Paid)	(2,05,414)
Actuarial (Gain) / Loss on Obligations	(6,42,619)
Liability at the end of the year	28,63,365

<b>II. Fair value of Plan Assets:</b>	<b>F.Y. 11 -12</b>
Fair Value of Plan Assets at the Beginning of the year	27,22,926
Expected Return on Plan Assets	2,09,618
Contributions	-
Transfer from other company	-
(Transfer to other company)	-
(Benefit Paid)	(2,05,414)
Actuarial gain / (Loss) on Plan Assets	(31,951)
Fair Value of Plan Assets at the end of the year	27,59,081

<b>III. Actual Return on Plan Assets:</b>	<b>F.Y. 11 -12</b>
Expected Return on Assets	2,09,618
Actuarial gain/ (Loss) on Plan Assets	31,951
Actual Return on Plan Assets	2,41,569

<b>IV. Amount Recognised in the Balance Sheet:</b>	<b>F.Y. 11 -12</b>
Fair Value of Plan Assets at the end of the year	27,59,081
Liability at the end of the year	28,63,365
Difference	(1,04,284)
Unrecognised Past Service Cost	-
Unrecognised Transition Liability	-
Amount Recognised in the Balance Sheet	(1,04,284)

<b>V. Expenses Recognised in the Income Statement:</b>	<b>F.Y. 11 -12</b>
Current Service Cost	3,82,487
Interest Cost	2,75,027
Expected Return on Plan Assets	(2,09,618)
Actuarial (Gain) or Loss	(6,74,570)
Past Service Cost (Non Vested Benefit) Recognised	-
Past Service Cost (Vested Benefit) Recognised	-
Transition Liability during the period	-
Expense Recognised in P&L	(2,26,674)

<b>VI. Balance Sheet Reconciliation</b>	<b>F.Y. 11 -12</b>
Opening Net Liability	3,30,958
Expense as above	(2,26,674)
Transfer from other company Net	-
Transfer to other company Net	-
Employer's Contribution	-
Amount Recognised in Balance Sheet	1,04,284



**NOTES FORMING PART OF FINANCIAL STATEMENTS**

<b>VII. Assumptions</b>	<b>F.Y. 11 -12</b>
Discount Rate Previous	8.25%
Rate of Return on Plan Assets Previous	8.00%
Salary Escalation Previous	5.00%
Attrition Rate Previous Year	2.00%
Discount Rate Current	8.75%
Rate of Return on Plan Assets Current	8.00%
Salary Escalation Current	5.00%
Attrition Rate Current Year	2.00%

<b>VIII. Other Details</b>	<b>F.Y. 11 -12</b>
No. Of Members	61
Salary PM	8,29,071
Prescribed Contribution for next year (12 Months)	5,37,475

**Note:-**

Gratuity is payable as per company's scheme as detailed in the report.

Actuarial gain/ loss is accounted for in the period of occurrence.

As the investment is with the insurance company, list of investments is not available; so expected return is assumed to be available on risk free investments like PPF.

Salary escalation & attrition rate are considered as advised by the company; they appear to be in line with the industry practice considering promotion and demand and supply of employees.

39. The figures for the previous period have been regrouped, rearranged or reclassified wherever necessary to conform to the current period's presentation.

**For Udyen Jain & Associates**

Chartered Accountants

**Aniket Kulkarni**

Partner

Mem. No: A – 127246

Firm Registration No. 116336W

Place : Mumbai

Date : - 09<sup>th</sup> August, 2012

**S. M. Parande**

Chairman

Place : Mumbai

Date : - 09<sup>th</sup> August, 2012

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

**Paresh J. Khandwala**

Managing Director

**Pooja Gupta**

Company Secretary



## KHANDWALA SECURITIES LIMITED

Registered Office: Ground Floor, Vikas Building, Green Street, Fort, Mumbai - 400 023.

### CONSENT FOR RECEIVING DOCUMENTS IN ELECTRONIC MODE

- (1) Name(s) of Shareholder(s)  
(including joint holders, if any) :
- (2) Registered address of the sole /  
First named shareholders :
- (3) Registered folio No. / DP ID No. /  
Client ID No.\* :  
(\* Applicable to investors holding  
shares in dematerialised form)
- (4) No. of shares held :
- (5) I/We hereby exercise my/our option to receive the documents such as Notice of Annual General Meeting, Audited Financial Statements, Directors Report, Auditors Report, Explanatory Statement etc., in the electronic mode pursuant to the 'Green Initiative' by the Ministry of Corporate Affairs vide its circular nos. 17/2011 and 18/2011 dated, April 21, 2011 and April 29, 2011 respectively.
- (6) My e-mail id for the above purpose is :

Place:

Date:

\_\_\_\_\_  
(Signature of the Shareholder)

Note: Please read carefully the instructions stated below:

#### INSTRUCTIONS:

1. Ministry of Corporate Affairs ("MCA"), vide its circular nos. 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively allowed the service of notice / documents by a company to its Members to be made through electronic mode, after giving an advance opportunity to the Member to register his e-mail address and changes therein from time to time with the Company or with the concerned depository. Keeping this in view, your Company proposes to send documents such as the Notice of the Annual General Meeting, Audited Financial Statements, Directors' Report, Auditors' Report, Explanatory Statement etc., henceforth to such Members in electronic mode, who opt for the same. This Form is for you to exercise your option by submitting the same to us either by e-mail at [regcomm@kslindia.com](mailto:regcomm@kslindia.com) and / or [investorgrivances@kslindia.com](mailto:investorgrivances@kslindia.com) and / or by sending registered post at the Registered Office of the Company addressed to the Company Secretary after your signature. We solicit your co-operation in helping the Company to implement the e-governance initiatives of the Government.
2. However, as a member of the Company, you will be entitled to be furnished, free of cost, a printed copy of the Annual Report of the Company, upon receipt of a requisition from you, at any time.



## KHANDWALA SECURITIES LIMITED

Registered Office : Ground Floor, Vikas Building, Green Street, Fort, Mumbai - 400 023.

### ATTENDANCE SLIP

(Shareholders attending the Meeting in person or by Proxy are requested to complete the attendance slip and handover the same at the entrance of the meeting hall).

**I CERTIFY THAT I AM A REGISTERED SHAREHOLDER / PROXY FOR THE REGISTERED SHAREHOLDER OF THE COMPANY.**

I hereby record my presence at the Nineteenth ANNUAL GENERAL MEETING of the Company at C.K. Naidu Hall, Cricket Club of India (CCI), Brabourne Stadium, Churchgate, Mumbai 400 020 on Friday, 28th September, 2012 at 12:00 noon.

Folio No./ Client ID / DPID \_\_\_\_\_

No. of Shares held: \_\_\_\_\_

Signature \_\_\_\_\_

Full Name of the Shareholder/  
Proxy (In BLOCK letters) \_\_\_\_\_

(I) Member : \_\_\_\_\_

(II) Proxy : \_\_\_\_\_

PLEASE BRING THIS ATTENDANCE SLIP TO THE MEETING

## KHANDWALA SECURITIES LIMITED

Registered Office : Ground Floor, Vikas Building, Green Street, Fort, Mumbai - 400 023

### PROXY FORM

Folio No./ Client ID / DPID \_\_\_\_\_

No. of Shares held: \_\_\_\_\_

I/We \_\_\_\_\_

of \_\_\_\_\_

being member/members of the KHANDWALA SECURITIES LIMITED, hereby appoint \_\_\_\_\_

or failing him. \_\_\_\_\_

of \_\_\_\_\_

AS MY/OUR PROXY TO VOTE FOR ME/US AND ON MY/OUR BEHALF AT THE NINETEENTH ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD ON C.K. NAIDU HALL, CRICKET CLUB OF INDIA (CCI), BRABOURNE STADIUM, CHURCHGATE, MUMBAI 400 020 ON FRIDAY, 28TH SEPTEMBER, 2012 AT 12:00 NOON AND AT ANY ADJOURNMENT THEREOF

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2012.

APPROVE  
BY REVENUE  
STAMP

(Signature of the Shareholder)

Note : This Proxy form duly completed should be deposited at the Registered Office of the Company before not less than 48 hours of the meeting. A Proxy need not be a Member.



**BOOK - POST**

*If undelivered, please return to :*

**KHANDWALA SECURITIES LIMITED**

Ground Floor, Vikas Building,  
Green Street, Fort,  
Mumbai - 400 023