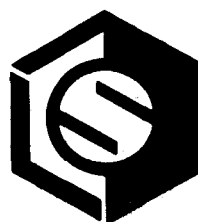


CIL Securities Limited



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ANNUAL REPORT

2001 - 2002

CERTIFIED TRUE COPY
For CIL SECURITIES LTD.

McL...
President.

BOARD OF DIRECTORS

Shri R.K.Maheshwari, Chairman & Managing Director
Shri K.K.Maheshwari, Joint Managing Director
Shri M.P.Murthy
Shri S.N.Kanchal
Smt Pramila Maheshwari
Shri S.M.Agarwal
Shri V.B.Purnaiah
Shri R.N.Joshi

AUDITORS

M/s Ramkishore Jhavar & Associates,
Chartered Accountants
14-6-196, Nagar Khana,
Begumbazar, Hyderabad – 500 012

SOLICITORS

K.Balakrishna & Associates
No. 1-1-336/10, Viveknagar,
Chikkadpally,
Hyderabad – 500 020

PRINCIPAL BANKER

Canara Bank

REGISTERED OFFICE

214, Raghava Ratna Towers,
Chirag Ali Lane, Abids,
Hyderabad - 500 001.
Corporate Site: www.cilsecurities.com
Email address: advisors@cilsecurities.com

CORPORATE OFFICE

130-132, Room No. 20,
II Floor, Great Western Building,
Opp. Lions Gate, Fort,
Mumbai - 400 023.
Email address: cils@bom5.vsnl.net.in

**REGISTRARS & SHARE
TRANSFERS**

208, Raghava Ratna Towers,
Chirag Ali Lane, Abids,
Hyderabad - 500 001.
Email address: advisors@cilsecurities.com

CIL SECURITIES LIMITED**Notice**

Notice is hereby given that the Thirteenth Annual General Meeting of the Members of CIL Securities Limited will be held on Friday the 27th day of September, 2002 at HMA Conference Hall, # 401, IV Floor, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad - 500001 at 11.00 A.M. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March 2002 and the Profit and Loss Account for the year ended that date, along with the report of Directors and Auditors' thereon.
2. To appoint a Director in place of Sri S.M. Agarwal, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Sri R.N. Joshi, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.
2. Proxy form in order to be valid should be deposited at the Registered Office of the Company, atleast forty-eight hours before the Annual General Meeting.
3. The Register of Members and share Transfer Books of the Company will remain closed from Thursday, 19th September 2002 to Friday, 27th September 2002 (both days inclusive).
4. Members are requested to kindly keep the Company immediately informed of any change in their respective mailing addresses.
5. The Members desirous of any information on the accounts are requested to write to the company atleast a week before the Meeting so as to enable the Management to keep the information ready and replies will be provided only at the Meeting.
6. Duplicate attendance slips shall not be issued at the Annual General Meeting venue. However the same shall be issued at the Registered Office of the Company upto two days preceding the day of Annual General Meeting.

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**

Registered Office:

214, Raghava Ratna Towers,
Chirag Ali Lane,
Hyderabad - 500 001

Place: Hyderabad

Date: June 29, 2002

By Order of the Board of Directors

for CIL Securities Limited

R.K.Maheshwari

Chairman &

Managing Director

CIL SECURITIES LIMITED

DIRECTORS' REPORT

To the Members

Your Directors present herewith Annual Report on the business and operations together with Audited Financial Accounts for the financial year April 1, 2001 to 31st March, 2002.

FINANCIAL RESULTS

(Rs. in Lacs)

Particulars	Year Ended 31-03-2002	Year Ended 31-03-2001
Total Revenue	227.34	669.57
Profit/Loss before Interest, Depreciation and Tax	(1.07)	283.60
Profit/Loss before Depreciation and Tax	(1.19)	280.76
Add: Depreciation	26.37	28.02
Profit / Loss before Tax	(27.56)	252.74
Add: Provision for Tax	0.05	67.96
Profit / Loss after Tax	(27.61)	184.78
Add: Balance brought forward from the last year	132.22	58.54
Profit available for Appropriation	104.61	243.32
Appropriations:		
Proposed Equity Dividend	0.00	50.00
Tax on Dividend	0.00	5.10
Transfer to General Reserves	0.00	56.00
Balance carried forward to Balance Sheet	104.61	132.22
Total Appropriations	104.61	243.32

2. RESULTS OF OPERATIONS

During the year 2001 - 2002 the Company recorded an aggregate income of Rs. 227.34 lacs as against the operational income of Rs.669.57 lacs for the year 2000 - 2001. Consequently the Loss before tax for the year 2001 - 2002 is Rs. 27.56 lacs against profit of Rs. 252.74 lacs of the previous year.

3. Dividend

Your Directors with regret express their inability to recommend any dividend for the year in view of the operational results.

4. CURRENT OUTLOOK

The Year under review proved to be bearish for the Indian Capital Market As the new economy sector of Information Technology, Communication and Entertainment (ICE) were badly hit by global economic slowdown. The events of September 11th, 2001 attack on the World Trade Centre (WTC) indeed added fuel to the fire. The Indian Economy has withstood the Global Slowdown and is passing thru a difficult period of stability facing such as communal riots and terrorist attacks and Union Budget 2002 for the Capital Market. All these factors combined made it a truly turbulent phase for the Indian capital market operations resulted in lot of

uncertainty and fear of instability in the mind of the common investor.

This year will also be remembered as a Year of Reforms for the Indian Capital Market. Investors have been provided with the new financial products like Futures & Options by the Market regulator SEBI, to make Indian Capital Markets on par with the other international community. Market also witnessed changes in settlement procedures like introduction of T+3 Settlement cycle. Due to advent of new concepts and instruments in trading mechanism, the public and stock broking community are in process of acquainting itself with the system.

5. FUTURE OUTLOOK

Government's commitment to privatisation is visible in speedy disinvestment proceedings by the Ministry of Disinvestment. The other wise lackluster PSU stocks has witnessed attention by the investors. The target set for divestment being RS 12,000 Crores for the current fiscal. Much is still to come with big PSU's like HPCL, BPCL, RCF, NFC in the waiting list. Government has successfully divested their holdings in BALCO, IPCL, IBP, and VSNL etc. There is much to cheer in the Primary Market as this year nearly 40 companies are planning to go public to raise nearly Rs 30,000 Crores through their Initial offerings. Last Quarter of the current fiscal, has shown some signs of relief for the Indian Corporate. Overall Sales and Operating Profit Margin has shown healthy sign of growth and there by reflecting a significant improvement in Operating Profits. In view of all these indications, we hope that this year will witness substantial growth.

6. DIRECTORS

In accordance with the provisions of Section 255 of the Companies Act, 1956 and Article 100 of the Articles of Association of the Company, Sri S.M. Aganwal and Sri R.N. Joshi retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

7. SUBSIDIARY COMPANIES

As required under Section 212 of the Companies Act, 1956, the Audited statements of Accounts along with the Report of the Board of Directors relating to the Company's Subsidiaries, M/s CIL Financial Services Limited and M/s CIL Industries Limited and the respective Auditors' Report thereon for the year ended 31st March, 2002 are annexed hereto. A Statement as required under section 212(3) of the Companies Act, 1956 in respect of the subsidiaries of your Company is annexed hereto.

8. STATUTORY AUDITORS

M/s. Ramkishore Jhawar & Associates, Statutory Auditors of the Company hold Office until the conclusion of the ensuing Annual General Meeting. The Company has received letter from them to the effect that their appointment, if made would be within the prescribed limits under section 224 (1B) of the Companies Act, 1956. Accordingly, the said Auditors can be reappointed as Statutory Auditors of the Company at the ensuing Annual General Meeting.

The explanations to the qualifications contained in the Auditors Report

CIL SECURITIES LIMITED

called under Section 217(3) of the Companies Act, 1956 are given in the Notes to the Accounts. (Refer point no. 8)

9. LISTING ARRANGEMENTS

The Company's shares are listed in the following Stock Exchanges:

1. The Madras Stock Exchange, Chennai
2. The Stock Exchange, Mumbai and
3. The Hyderabad Stock Exchange Limited, Hyderabad.

The Company has paid up to date annual listing fees of all the above mentioned Stock Exchanges. However the Company has initiated process to de-list its securities from Madras Stock Exchange.

10. PUBLIC DEPOSITS

During the year under review the Company has not accepted any public deposits.

11. INSURANCE

Adequate Insurance cover has been taken for properties of the Company including Buildings, Computers, Office Equipments, Vehicles, etc.

12. STATUTORY INFORMATION**A) Particulars of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, Information under section 217(1)(E) of the Companies Act, 1956.**

The company uses electric energy for its equipments such as air conditioners, computer terminals, lighting and utilities in the work premises. All possible measures have been taken for economic consumption and to conserve the same. Technologically updated UPS Systems have also been installed for service support.

During the year under review, the Company does not have any Foreign Exchange earnings or outgo.

B) Particulars of Employees

Pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, none of the employees of the Company have been paid remuneration exceeding Rs. 24 lacs per annum or part thereon.

13. DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

- (ii) appropriate Accounting Policies have been selected and applied consistently, and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at March 31, 2002 and of the loss of the company for the said period;

- (iii) proper and sufficient care has been taken for the maintenance of accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

- (iv) the Annual Accounts have been prepared on a going concern basis.

14. CORPORATE GOVERNANCE

Clause 49 of Listing Agreement dealing with Corporate Governance, has become applicable to your Company for the year ended March, 2003. Hence to comply with the Listing agreement and in the interest of Corporate transparency, your company has already initiated and taken steps to put the system in place. Your Company would comply with all mandatory requirements in respect of Corporate Governance, well ahead in time.

15. DEPOSITORY SYSTEM

The Company's shares are available for trading in depository systems of both the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL).

As on June 21, 2002, a total of 4324294 shares of the Company, which forms 86.49 % of the share capital of the company, stand dematerialised.

SEBI has directed that all companies, whose shares are being traded compulsorily in dematerialised form by all investors, should provide for transfer and dematerialisation of securities simultaneously. Your company has already implemented this facility for the benefit of the shareholders.

16. ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation and acknowledge with gratitude the continued support and co-operation extended by the investors, clients, business associates and bankers and look forward for their continued support. Your Directors also place on record its appreciation for the services rendered by the employees at all levels

**For and on behalf of the Board
CIL SECURITIES LIMITED**

**Place: Hyderabad
Date : June 29, 2002**

**R.K.Maheshwari
Chairman &
Managing Director**

CIL SECURITIES LIMITED

AUDITORS' REPORT

To,
The Members of
CIL Securities Limited

We have audited the attached Balance Sheet of M/s CIL Securities Ltd as at 31st March, 2002 and also the Profit and Loss Account for year ended as on that date annexed thereto. 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.

We conducted our Audit in accordance with Auditing Standards generally accepted in India. Those Standards required that we plan 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.

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order issued by the Central Government of India, in terms of Section 227 (4A) 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 wherever applicable.
2. Further to our comments in the Annexure referred to in paragraph 1, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our Audit.
 - b) In our opinion, proper books of Accounts as required by Law have been kept by the Company so far as it appears from the examination of such books.
- c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account.
- d) In our opinion, the Balance Sheet and Profit & Loss Account comply with the accounting standards referred to in Section 211(3) of the Companies Act, 1956 subject to note no. 8, Notes to the Accounts.
3. On the basis of written representations received from the Directors as on 31.03.2002 and taken on record by the Board of Directors, we report that none of the Directors of the company are disqualified from being appointed as Directors of the company under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 as on 31.03.2002.
4. In our opinion and to the best of our information and according to the explanations given to us, the said Accounts together with the notes thereon give the information required under 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:
 - (i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2002.
 - (ii) in the case of Profit & Loss Account, of the Loss of the Company for the year ended on that date.

for RAMKISHORE JHAWAR & ASSOCIATES
CHARTERED ACCOUNTANTS

RAMKISHORE JHAWAR
PROPRIETOR

PLACE: HYDERABAD
DATE: 29th June, 2002.

CIL SECURITIES LIMITED**ANNEXURE TO THE AUDITORS' REPORT**

Referred to in Paragraph (d) of our Report of even date.

01. The Company has maintained Proper records showing full particulars including quantitative details of Fixed Assets. All the Fixed Assets have been physically verified by the Management at reasonable intervals. In our opinion, the frequency of verification is reasonable. To best of our knowledge, no material discrepancies have been noticed on verification.
02. None of the Fixed Assets have been revalued during the year.
03. According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from the Companies, firms or Other Parties listed in the Registers maintained under Section 301 of the Companies Act, 1956, in which, Directors are interested, as contemplated under sub-section (6) of Section 299 of the said Act. In terms of sub-section (6) of the Section 370 of the Companies Act, 1956 provisions of Section 370 are no longer applicable.
04. According to the information and explanations given to us, the Company has not given any loans, secured or unsecured, to the Companies, Firms or other Parties listed in the Registers maintained under Section 301 of the Companies Act, 1956, in which, Directors are interested, as contemplated under sub-section (6) of Section 299 of the said Act. In terms of sub-section (6) of the Section 370 of the Companies Act, 1956, provisions of Section 370 are no longer applicable.
05. The parties and employees to whom loans and advances in the nature of loans, and interest wherever applicable given, by the Company, are repaying the principle as stipulated and in our opinion, the terms and conditions of which prima-facie are not prejudicial to the interest of the Company.
06. In our opinion and according to the information given to us, there are adequate Internal Control procedures commensurate with the size of the Company and nature of its business with regard to purchase of equipment and other assets.
07. According to the information and explanations given to us, the transactions for purchase of goods and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, and aggregating during the year to Rs.50,000/- or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices for such goods and services or the price at which such transactions for similar goods, and services have been made with other parties.
08. The Company has not accepted any deposits from the public during the year.
09. The company has no formal Internal Audit System.
10. According to the records of the Company, Provident Fund and ESI dues have been regularly deposited during the year with the appropriate authorities.
11. According to the information and explanations given to us no disputed amounts payable in respect of Income Tax, are outstanding as on 31st March, 2002 for a period more than six months from the date they become payable.
12. According to the information and explanations given to us, and the records of the company examined by us, no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
13. The Company has maintained adequate records to show full particulars of the transactions and contracts entered into in respect of dealings and trading in shares, securities and other investments and the same are held by the Company in its own name excepting those which are in the process of transfer.
14. Item No. 4A (iii) (iv) (v) (vi) (xi) (xii) (xiv) (xvi) (xx) and 4D (ii) (iii) are not applicable.

**for RAMKISHORE JHAWAR & ASSOCIATES
CHARTERED ACCOUNTANTS**

**RAMKISHORE JHAWAR
PROPRIETOR**

**DATE: 29th June, 2002.
PLACE: HYDERABAD**

CIL SECURITIES LIMITED

BALANCE SHEET AS AT 31st MARCH, 2002

PARTICULARS	SCHEDULE	AS AT 31.03.2002 RS.	AS AT 31.03.2001 RS.
SOURCES OF FUNDS :			
Shareholders Funds:			
Share Capital	A	50000000	50000000
Reserves & Surplus	B	23589057	26350204
		73589057	76350204
Loan Funds		0	0
Total :		73589057	76350204
APPLICATION OF FUNDS :			
Fixed Assets			
Gross Block	C	23864602	23061103
Less: Depreciation		11473954	8987141
Net Block		12390648	14073962
Investments	D	19749364	35249474
Current Assets, Loans & Advances	E	72454150	84980848
Less: Current Liabilities & Provisions	F	31780771	58988636
Net Current Assets		40673379	25992212
Misc. Expenses	G	775666	1034556
Total :		73589057	76350204

Notes forming part of the Accounts

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Accounting Policies and Schedules
A 'to' G & L form an integral part
of the Balance Sheet.

Vide our report of even dated

For & on behalf of the Board of Directors

for Ram Kishore Jhawar & Associates
Chartered Accountants

R.K. Maheshwari

Chairman & Managing Director

K.K. Maheshwari

Jt. Managing Director

Ram Kishore Jhawar
Proprietor

M.P. Murthy

Director

Place : Hyderabad

Smt. Pramila Maheshwari

Director

Date : June 29, 2002

V.B. Purnaiah

Director

CIL SECURITIES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2002

PARTICULARS	SCHEDULE	YEAR ENDED	YEAR ENDED
		31.03.2002	31.03.2001
		RS.	RS.
INCOME :			
Securities Dealings & Broking		15542773	52908965
Investment Banking		1182351	6368152
Interest Income		1806527	1459976
Merchant Banking/Consultancy Fee		550000	1864000
Registrar & Share Transfer Fee		393469	1928028
Demat / Depository Fee		2634581	2033675
Other Income	H	624071	394221
		22733772	66957017
EXPENDITURE			
Employees Emoluments	I	5306567	5674760
Administrative and Other Expenses	J	17533771	32922143
Interest	K	11892	283745
Depreciation	C	2637745	2801559
		25489975	41682207
Profit / (Loss) before Tax		(2756203)	25274810
Less: Provision for Taxation		4944	6796402
Profit / (Loss) after Tax		(2761147)	18478408
Add / Less : Balance from Previous Year		13222204	5853796
Available for Appropriation		10461057	24332204
Less :Proposed Dividend		0	5000000
Tax on Distributed Profits		0	510000
Transfer to General Reserve		0	5600000
Balance Carried to Balance Sheet		10461057	13222204
		10461057	24332204

Notes forming part of the Accounts
Accounting Policies and Schedules
H 'to' L form an integral part
of the Profit & Loss Account.

Vide our report of even dated

For & on behalf of the Board of Directors

for Ram Kishore Jhawar & Associates
Chartered Accountants

R.K. Maheshwari

Chairman & Managing Director

K.K. Maheshwari

Jt. Managing Director

Ram Kishore Jhawar
Proprietor

M.P. Murthy

Director

Smt. Pramila Maheshwari

Director

Place : Hyderabad

V.B. Purnaiah

Director

Date : June 29, 2002

CIL SECURITIES LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

PARTICULARS	AS AT 31.03.2002 RS.	AS AT 31.03.2001 RS.	
<u>SCHEDULE "A" SHARE CAPITAL:</u>			
AUTHORISED:			
6000000 Equity shares of Rs. 10/- each(previous year 6000000 Equity Shares of Rs. 10/- Each)	60000000	60000000	
ISSUED, SUBSCRIBED AND PAID UP:			
5000000 Equity Shares of Rs. 10/- Each(previous year 5000000 Equity Shares of Rs. 10/- each)	50000000	50000000	
<u>SCHEDULE "B" RESERVES & SURPLUS</u>			
NATURE OF RESERVE	Balance As at 01.04.2001	Additions/Deletions During the Year	Balance As at 31.03.2002
Capital Reserve	28000	0	28000
General Reserve	13100000	0	13100000
Profit & Loss Account	13222204	(2761147)	10461057
	26350204	(2761147)	23589057