

CIL SECURITIES LIMITED



ANNUAL REPORT
2005-06

CIL SECURITIES LIMITED

BOARD OF DIRECTORS	Shri K.K.Maheshwari, Chairman & Managing Director Shri Piyush Modi, Executive Director Smt Pramila Maheshwari Shri M.P.Murthy Shri S.N.Kanchal 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, Chikkadpally, Hyderabad – 500 020
PRINCIPAL BANKERS	Canara Bank HDFC Bank Ltd
REGISTERED OFFICE	214,Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad - 500 001. Corporate Site: www.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	214, 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 Seventeenth Annual General Meeting of the members of CIL Securities Limited will be held on **Friday the 22nd day of September, 2006** at Surana Udyog Auditorium, The Federation of A.P Chamber of Commerce and Industry (Federation House), 11-6-841, Red Hills, Hyderabad – 500 004 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 on 31st March, 2006 and the Profit & Loss account for the year ended as on that date, along with the report of Directors, Corporate Governance and Auditors report thereon.
2. To declare dividends on the equity shares of the company.
3. To appoint a Director in place of Sri M.P Murthy, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Sri V.B. Purnaiah, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint retiring auditors M/s Ramkishore Jhawar & Associates, who being eligible have offered themselves for reappointment, as Auditors to hold office from the conclusion of this Meeting until the conclusion of next Annual General Meeting and fix their remuneration.

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.**
2. Proxy form in order to be valid should be deposited at the Registered Office of the Company, at least forty-eight hours before the Annual General Meeting.

3. The Register of Members and share Transfer Books of the Company will remain closed from **19th September, 2006 to 22nd September, 2006** (both days inclusive).
4. Members are requested to 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 at least 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 be issued at the Registered Office of the Company upto two days preceding the day of Annual General Meeting & shall not be issued at the venue of the Annual General Meeting.

By Order of the Board of Directors
K.K.MAHESHWARI
CHAIRMAN & MANAGING DIRECTOR

Registered Office:

214, Raghava Ratna Towers,
 Chirag Ali Lane, Abids,
 Hyderabad – 500 001.

Place: Hyderabad

Date: 30th June, 2006

DETAILS AS REQUIRED UNDER CLAUSE 49 OF THE LISTING AGREEMENT**ITEM 3**

Sri M.P.Murthy is a B.A, M.SC., M.S (Eng). He is a Management Consultant having more than four decades of experience in all the areas of Management.

ITEM 4

Sri V.B. Purnaiah is a B.A, M.B.A. He has experience of more than three decades of experience in the areas of Management.

DIRECTORS' REPORT

To the Members

Your Directors herewith present Annual Report on the business operations together with Audited Financial Accounts for the financial year 1st April, 2005 to 31st March, 2006.

1. FINANCIAL RESULTS**(Rs. in Lacs)**

Particulars	Year ended 31-03-2006	Year ended 31-03-2005
Total Revenue	773.93	522.66
Profit before Interest, Depreciation and Tax	297.57	103.01
Profit before Depreciation and Tax	296.67	95.82
Depreciation	36.12	33.90
Profit before Tax	260.55	61.92
Less: Provision for Tax (Net)	69.20	26.87
Profit after Tax	191.35	35.05
Add: Balance brought forward from the last year	210.84	207.56
Profit available for Appropriation	402.19	242.61
Appropriations:		
Proposed Equity Dividend	50.00	25.00
Tax on Dividend	6.25	3.27
Transfer to General Reserves	19.10	3.50
Balance carried forward to Balance Sheet	326.84	210.84
Total Appropriations	402.19	242.61

The company's profit after tax is Rs. 191.35 Lacs (Previous year Rs. 35.05 Lac). The Board recommends transfer of a sum of Rs. 19.10Lacs (Previous year Rs 3.50 Lac) to General Reserve. Over all growth of the company was satisfactory in the financial year 2005-06.

2. DIVIDEND

Your Directors are pleased to recommend the payment of dividend on equity shares@ Rs. 1/- per share for the financial year ending 31-03-2006 as against Rs. 0.50 paid for the previous year. The total Dividend together with tax and surcharge there on will absorb Rs. 56.22 Lacs (Previous year Rs. 28.27 Lacs).

3. MARKET OUTLOOK

The markets have been bullish throughout the year, India continues to be viewed, as a preferred investment destination by the foreign investors and money continues to flow into equity in both primary and secondary markets. The Indian Economy Performed well during the financial year 2005-06 with growth rate of 8.1%.

4. 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 M.P. Murthy and Sri V.B. Purnaiah retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

5. STATUTORY AUDITORS

M/s. Ramkishore Jhawar & Associates, Statutory Auditors of the company hold office untill the conclusion of the ensuing Annual General Meeting. The company has received a 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.

6. LISTING ARRANGEMENTS

The Company's shares are listed on **The BOMBAY STOCK EXCHANGE LIMITED.**

The Company has paid up to date annual listing fee of the Stock Exchange.

7. PUBLIC DEPOSITS

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

2. INSURANCE

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

3. 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 is not required to furnish information in Form A under the head 'Conservation of Energy' under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

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 the Companies (Particulars of Employees) Rules, 1975, none of the employees of the Company have been paid remuneration exceeding Rs.24.00 Lacs per annum or part thereof.

4. 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, 2006 and of the profit 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.

5. CORPORATE GOVERNANCE

Clause 49 of Listing Agreement dealing with Corporate Governance has become applicable to your Company from the financial year 2002-03. A separate section on Management Discussion and Analysis Report and Corporate Governance practice followed by the company together with a certificate from the Company's Auditors confirming compliance is set out in the Annexure forming part of this report.

6. 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 26th, 2006 a total of 47,65,204 shares of the Company, which forms 95.30% of the share capital of the company, stands dematerialised.

7. ACKNOWLEDGEMENTS

The Board of Directors wish to place on record its appreciation and acknowledge with gratitude the continued support and co-operation extended by the investors, clients, business associates and bankers. Your Directors also acknowledge with thanks the full-fledged co-operation and dedicated efforts put in by employees across all levels in the organization and place on record its appreciation for the services rendered by the employees at all levels.

**For and on behalf of the Board
(K.K.MAHESHWARI)**

CHAIRMAN & MANAGING DIRECTOR

PLACE: HYDERABAD

DATE: 30TH JUNE 2006

NOTE ON CORPORATE GOVERNANCE AS REQUIRED UNDER CLAUSE 49 OF LISTING AGREEMENT**1. Corporate Philosophy**

The company's philosophy on Corporate Governance envisages commitment of the company towards the attainment of highest level of transparency; providing value added services to the clients; & to be competitive and technologically updated in the field of operations.

2. Board of Directors

The routine affairs of the Company are managed by the Chairman and Managing Director and assisted by the Executive Director of the Company. The Board approves, reviews and oversees the functions of the management to ensure that the long-term objective of maximizing profits and enhancing stakeholders' value is achieved.

The Company presently has seven Directors, including Whole-Time Directors. The brief profile of your Company's Board of Directors is as under:

Director	Brief Resume	Category	Number of other Directorships held as at March 31, 2006 *	Committee/s position as at March 31, 2006 Member/Chairman**	
Sri K.K Maheshwari (Chairman and Managing Director)	He has graduated in Commerce and has experience in the line of investments activity & has more than 15 years experience. He is the Promoter Director of the Company and has been associated with Company's development and diversification Plans. He has gained experience in Merchant Banking, Registrars & Share Transfer Agents, Stock Broking Activity and other Diversified Financial activities.	Executive	2	1	0
Sri Piyush Modi	He has graduated in Commerce and is having more than 8 years of experience in capital market.	Executive	0	0	0
Smt Pramila Maheshwari	She has graduated in Commerce and is well versed with Stock Exchange Guidelines and has hands on experience in Capital Market operations of more than 10 years.	Non Executive	2	0	1

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Sri M.P. Murthy	He is a B.A, M.Sc., M.S (Eng). He is a Management Consultant having more than four decades of experience in all the areas of Management.	Non Executive Independent	5	3	3
Sri S.N. Kanchhal	He is a B.Sc. (Agr) and has been Associated with Cement Industry and Sugar Industry for over 20 years in top management Cadre.	Non Executive Independent	2	1	1
Sri V.B.Purnaiah	He is a B.A, M.B.A and has experience of more than three decades being associated in the top management cadre.	Non Executive Independent	1	2	1
Sri Ram Nivas Joshi	He is a commerce graduate and has more than three decades of experience in Insurance Industry sector. He has held important position in the Insurance Cos.	Non Executive Independent	0	0	0

* Excludes Directorships in private/foreign companies and companies incorporated under Section 25 of the Companies Act 1956.

** Represents Membership of the Audit Committee, Compensation Committee and Shareholders'/Investor Grievance Committee of CIL Securities Limited and of other Companies.

Board Procedure

A detailed Agenda is sent to each Director at least a week in advance of the Board and Committee meetings. A detailed functional report is also placed at every Board Meeting. The Board reviews:

- Strategic Plans and Business plans
- Annual operating and capital expenditure plans
- Investment and exposure limits
- The information on recruitment and remuneration of senior officers
- The information on show cause, demand, prosecution notices and penalty notices which are materially important
- The information on financial obligation and disciplinary action
- Compliance with statutory/regulatory or Listing requirements and review of major legal issues
- The unaudited quarterly /half yearly/annual results and audited annual accounts of the Company for consideration and adoption
- Delegation of powers to the management
- Transactions pertaining to purchase & sale of assets, which are undertaken other than in the normal course of business
- Major accounting provisions and write-offs
- Corporate restructuring
- Minutes of meeting of the Audit and other committees of the Board
- Share transfers, Dematerialisation and Investor Grievances

CIL SECURITIES LIMITED

ATTENDANCE OF THE DIRECTORS AT THE MEETINGS OF THE BOARD AND THE LAST AGM

5 board meetings were held during the period 1st April 2005 to 31st March 2006 on the following dates 2nd April 2005, 30th June 2005, 30th July 2005, 29th October 2005, and 30th January 2006.

The Sixteenth Annual General meeting was held on 28th September 2005. The attendance of the Directors at these meetings is as under

Director	No. of Board Meetings Attended	Attendance at the last AGM
Sri K.K Maheshwari	5	Yes
Smt Pramila Maheshwari	5	Yes
Sri Piyush Modi	5	No
Sri M.P Murthy	5	Yes
Sri S.N Kanchhal	5	No
Sri Ram Nivas Joshi	0	No
Sri V.B Purnaiah	5	Yes

Audit Committee

The role and powers of the Audit committee are as per the guideline of clause 49 set out in Listing Agreement with the Stock Exchange. The committee also acts as a link between the statutory and internal auditors and the Board of Directors. The Committee meets the statutory auditors periodically and reviews the financial statements, Annual financial statements, Auditors Report thereon and discusses their findings and suggestions and seeks clarifications thereon. The committee reviews the management and the financial statements before submitting the report to the board.

The Audit committee comprises of the following Non Executive and Independent Directors:

1. Sri V.B Purnaiah (Chairman)
2. Sri M.P Murti
3. Sri S.N Kanchhal

The dates on which the Audit Committee Meetings were held and the attendance of the Members at the said Meeting are as under:

S.No	Dates on which Audit Committee Meeting was held	Attendance at the Meeting		
		Sri V.B Purnaiah	Sri M.P Murti	Sri S.N Kanchhal
1	30 th June 2005	Attended	Attended	Attended
2	30 th July 2005	Attended	Attended	Attended
3	29 th October 2005	Attended	Attended	Attended
4.	30 th January 2006	Attended	Attended	Attended

The statutory Auditor was present at the meetings. Also the Managing Director/ Presidents were invited to attend the Meetings.

Remuneration Committee

The Remuneration Committee recommends the company policy on all elements of remuneration of all the Directors i.e Salary, Benefits, Bonus, Stock Options, pension, performance linked incentives, service contracts, Notice period, Severance fee.

The Remuneration Committee comprises of the following members:

Sri S.N Kanchhal (Chairman)

Sri V.B Purnaiah

Sri M.P Murthy

The dates on which the Remuneration Committee Meetings were held and the attendance of the Members at the said Meeting are as under:

S.No	Dates on which Remuneration Committee Meeting was held	Attendance at the Meeting		
		Sri S.N Kanchhal	Sri M.P Murti	Sri V.B Purnaiah
1	30 th June 2005	Attended	Attended	Attended

Remuneration Policy and Remuneration of Directors

Subject to the recommendation of Remuneration Committee and approval of the Board and of the Company in General Meeting and such other approvals as may be necessary, the Managing /Executive Directors are paid remuneration as per the Agreements entered into between them and the Company. The remuneration structure of the Managing/Executive Directors comprises of salary, commission, performance incentives, perquisites and allowances, contribution to Provident Fund and Gratuity. The details of salary, commission and perquisites (including contribution to Provident Fund/Superannuation Fund) paid/payable for the financial year ended March 31st 2006 to them is as under.

Name & Designation	Sri K.K Maheshwari (Managing Director)	Sri Piyush Modi (Executive Director)
Salary	Rs. 13,29,907/-	Rs.4,20,000/-
Perquisites	Rs. 59,883/-	-
TOTAL	Rs. 13,89,790/-	Rs.4,20,000/-

The Non-Executive Directors do not draw any remuneration from the Company except Sitting Fees of Rs 750/- for each meeting of the Board and Committees. The total amount of sitting fees paid during the year is Rs 24,000/-

Share Transfer/Investor Grievance Committee

The Share Transfer/Investor Grievance Committee comprises of the following members:

1. Smt Pramila Maheshwari Chairperson
2. Sri K.K Maheshwari
3. Sri V.B Purnaiah

Name and Designation of Compliance officer

Sri A.K Inani - President

Complaints received from Shareholders/Investors are disposed off with in one month from the date of receipt and no such complaint is pending as on 31st March 2006.

No. of Shares pending for transfer- Nil

General Body Meeting**Location and time of General Meetings held in 3 last years:**

Year	AGM/ EGM	Location	Date	Time
2004-2005	AGM	Surana Udyog Auditorium, The Federation of A.P Chamber of Commerce and Industry (Federation House), 11-6-841, Red Hills, Hyderabad – 500 004	28 th September 2005	11:00 AM
2003-2004	AGM	H.M.A conference hall, 401,IV Floor,, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad-500 001	25 th September 2004	11:00 AM
2002-2003	AGM	Surana Udyog Auditorium, The Federation of A.P Chamber of Commerce and Industry (Federation House), 11-6-841, Red Hills, Hyderabad – 500 004	30 th September 2003	11:00 AM