

MD	✓		BKC	AA
CS	NA		OPY	AA
RO	NA		DIV	AA
TRA	NA		AC	✓
AGM	NA	NA	SH	✓
YE	✓	-		

DIRECTORS' REPORT

Dear Shareholders,

Your Directors present the SIXTH ANNUAL REPORT and the Audited Accounts for the Financial Year ended on 31st MARCH, 1998.

FINANCIAL RESULTS	(Rs. in Lac)	
	1997-98	1996-97
Loss for the year	(4.47)	(2.95)
Balance in Profit & Loss Account-	(2.07)	2.41

OPERATIONS :

The company's turnover for the year recorded decrease over the previous year, largely because of uncertainties in the Capital Market throughout the year. This has resulted into net loss for the current year. The company is slowly changing the course of its activities from investment to loan funding.

INVESTMENTS :

Kadvani Forge Ltd., an associate concern, has commenced its commercial production this year, and envisaging its good future prospects, your company has increased its investment in the equity shares of Kadvani Forge Ltd. from Rs. 66,01,000 to Rs. 90,01,000.

REGISTRATION WITH RBI :

The company has made an application to the Reserve Bank of India within the stipulated time for getting registration as Non-Banking Financial Company under sub-section (2) of Section 45IA of the RBI Act, 1934. Subsequent queries have also been complied with and the company is hopeful for getting the registration from the Reserve Bank of India.

FOREIGN EXCHANGE EARNING AND OUTGO :

The company has neither any foreign exchange earnings nor any outgo during the year under review.

REVIEW OF PERFORMANCE - DISCLOSURE AS PER CLAUSE 43 OF THE LISTING AGREEMENT :

PARTICULARS	PROJECTIONS	(Rs. In Lac)
		ACTUALS
Total Income From Operations	420.44	6.54
Profit after tax (PAT)		(4.47)
Earnings per share (EPS)		---

EXPLANATION :

Down trend in capital market through out the year resulted in reduced opportunity for risk-free deployment of funds available to the company.

STATUTORY INFORMATION :

- 3) CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION :
The information as required under the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 U/s. 271 (i)(e) of the Companies Act, 1956 are not applicable to the company.

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b) PARTICULARS OF EMPLOYEES :

There are no employees whose details are required to be mentioned as per Section 217(2A) of the Companies Act, 1956.

DIRECTORS :

Shri Anil L. Kadvani and Shri Ashokkumar L. Kadvani are liable to retire by rotation and being eligible, offers themselves for re-appointment.

AUDITORS :

M/s. KALARIA & SAMPAT, Chartered Accountants, retire as auditors of the company at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. Your directors request their re-appointment.

ACKNOWLEDGEMENTS :

Your Directors wish to place on record their thanks and appreciation to the employees, clients and bankers of the company.

AUDITORS' REPORT :

The observations made in the Auditors' Report are self-explanatory and, therefore, do not call for any further comments under Section 217 of the Companies Act, 1956.

FOR & ON BEHALF OF THE BOARD,



ASHOKKUMAR L. KADVANI
[MANAGING DIRECTOR]

RAJKOT, 30th JUNE, 1998

AUDITORS' REPORT

To,
The Members,
Kadvani Securities Ltd.,
Rajkot.

We have audited the attached Balance Sheet of KADVANI SECURITIES LTD., RAJKOT as at MARCH 31, 1998, and also the Profit & Loss Account of the company for year ended on that date, annexed thereto, and report as under :

- 1) As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in para 4 & 5 of the said Order.
- 2) Further to our comments in the Annexure referred to in paragraph 1 above, we report that :
 - a) We have obtained all the information and explanations which to the best of the 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 appears from our examination of the books;
 - c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of accounts;
 - d) In our opinion and to the best of our information and according to the explanations given to us, the said account, subject to Note No. 3 of Schedule 11, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view ;
 - i) In the case of the Balance Sheet, of the state of affairs of the company as at MARCH 31, 1998 and
 - ii) In the case of Profit & Loss Account, of the Loss for the year ended on that date.
- 3) We have also examined the attached Cash Flow Statement of the Company for the year ended March 31, 1998. The Statement has been prepared in accordance with the requirements of Clause 32 of the listing agreements entered into with the Stock Exchanges.

RAJKOT, JUNE 30, 1998



FOR KALARIA & SAMPAT
CHARTERED ACCOUNTANTS

Brijen Sampat

BRIJEN SAMPAT
PARTNER

ANNEXURE TO THE AUDITOR'S REPORT

Annexure referred to in Paragraph 1 of Auditors' Report to the members of KADVANI SECURITIES LIMITED (the Company) for the year ended March 31, 1998. We report that:

- 01) The company has maintained proper records showing full particulars, including quantitative details of fixed assets. We are informed that fixed assets have been physically verified by the management at reasonable intervals and no discrepancies between the book records and physical verification have been found on such verification.
- 02) None of the fixed assets have been revalued during the year.
- 03) As per information and explanations given to us, the procedures of physical verification of stock followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- 04) As per the informations and explanations given to us, no material discrepancies have been noticed on such physical verification.
- 05) On the basis of our examination of stocks, the valuation of stocks is not in accordance with the Accounting Standard 2, issued by the ICAI, which states that "the stock is to be valued at cost or market value which ever is lower." The said stock has been valued at cost and not at market value which is less than the cost. Had the company followed the treatment prescribed as per Accounting Standard 2, the value of Closing Stock would have been Rs. 6,27,245/-. Thereby the company's loss would have been Rs. 78,52,069/- and hence the Book Loss is understated Rs. 74,04,410/-.
- 06) The company has not taken any loans, secured or unsecured from companies, firms or any other parties as listed in the register maintained under Section 301 of the Companies Act, 1956 or from the companies under the same management within the meaning of Section 370 (18) of the Companies Act, 1956.
- 07) The company has granted loan to companies listed in the register maintained under Section 301 of the Companies Act, 1956 and the terms of such loans and rate of interest are not prima facie prejudicial to interest of the company. We are informed that there are no companies under the same management as defined under Section 370(1-8) of the Companies Act, 1956.
- 08) The parties to whom loans and advances in the nature of loans have been given by the company are repaying the principle amount as stipulated and are also regular in payment of interest, except in the case of Amul Solvex Pvt. Ltd. which has not complied with the repayment schedule neither has it paid the interest due on the outstanding amount.
- 09) As per the information and explanations given to us, there are reasonable and adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of shares, securities and assets and for sale of shares and securities.



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- 10) In our opinion and according to the information and explanations given to us, there are no transactions aggregating Rs. 50,000/- or more during the year covering purchase of shares and securities and sales of shares and securities, made in pursuance of contracts or arrangements entered in the register maintained U/s. 301 of the Companies Act, 1956.
- 11) The company has not accepted deposits from the public.
- 12) The company has an internal audit system commensurate with its size and nature of its business.
- 13) The Central Government has not prescribed maintenance of cost records Under Section 209(1)(d) of the Companies Act, 1956.
- 14) According to the information and explanations given to us, the provisions of Provident Fund Scheme or Employees State Insurance Scheme are not yet applicable to the company.
- 15) There are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty outstanding at the last day of the financial year, for a period of more than six months from the date they became payable.
- 16) In our opinion, according to the information and explanations given to us, no personal expenses, other than those payable under contractual obligations, have been charged to revenue account.
- 17) The company is not a Sick Industrial Company within the meaning of Section 3(1)(o) of the Sick Industrial Companies [Special Provisions] Act, 1985.
- 18) According to information and explanations given to us, the company has not given loans and advances on the basis of security by way of pledge of shares, debentures and other similar securities.
- 19) As explained to us, the provisions of any special statute applicable to Chit Funds, Nidhi or Mutual Benefit Society do not apply to the company.
- 20) As explained to us, the company has maintained proper records of transactions and contracts in respect of trading in shares and securities and that timely entries have been made therein. As the company's principal business consists of the buying and selling of shares and securities, Section 49(1) of the Companies Act, 1956 is not applicable to the company as per Sub-section (4) of Section 49 of the Companies Act, 1956.

RAJKOT, JUNE 30, 1998

FOR KALARIA & SAMPAT
CHARTERED ACCOUNTANTSBRIJEN SAMPAT
PARTNER