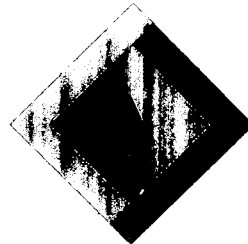


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AGM	<input checked="" type="checkbox"/>		SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>			

Fifth Annual Report **1996-97**

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KHANDWALA

SECURITIES

L I M I T E D



KHANDWALA SECURITIES LIMITED

BOARD OF DIRECTORS

Ashok J. Khandwala
S. M. Parande
Ramniklal D. Modha
Paresh J. Khandwala
Samir S. Doshi
Mayank A. Khandwala
Jatin A. Khandwala

REGISTERED OFFICE

163A Mittal Court,
Nariman Point,
Mumbai - 400 021.

AUDITORS

Gautam Doshi & Associates,
Chartered Accountants,
A/15, Nootan Nagar,
Turner Road, Bandra (West),
Mumbai - 400 050.

BANKERS

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

Oman International Bank S.A.O.,
Nariman Point,
Mumbai - 400 021.

Lakshmi Vilas Bank Limited,
Kalaghoda,
Mumbai - 400 001

REGISTERED OFFICE

Karvy Consultants Ltd.,
46, Avenue 4, Street No. 1,
Banjara Hills,
Hyderabad - 500 034.

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NOTICE

Notice is hereby given that the Fifth Annual General Meeting of the Members of Khandwala Securities Limited will be held as scheduled below:-

DATE	:	September 30, 1997
DAY	:	Tuesday
TIME	:	10.00 A.M.
PLACE	:	Khandwala Securities Limited Vikas Building, Ground Floor, 11, G. N. Vaidya Marg, Fort, Mumbai 400 001.

to transact the following business :

AS ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 1997 and Profit and Loss Account for the year ended on March 31, 1997 and the Reports of the Directors' and Auditors' thereon.
2. To declare/confirm dividend on Equity Shares/Preference Shares.
3. To appoint a Director in place of Mr. Mayank A. Khandwala who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Jatin A. Khandwala who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

Registered Office :

163A Mittal Court,
Nariman Point,
Mumbai - 400 021.

By Order of the Board of Directors,
For **Khandwala Securities Limited,**

Rajesh Agarwal
Authorised Signatory

Dated : August 27, 1997.

Place : Mumbai.

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. The instruments of proxy should be deposited at the Registered Office of the Company not less than forty eight hours before the time fixed for the Meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, the 26th September, 1997 to Tuesday, the 30th September, 1997 (both days inclusive) for transfer of shares.
4. Members are requested to bring their copy of the Annual Report as copies of the Report will not be distributed again at the Meeting.
5. Members are requested to bring their attendance slip, duly signed, so as to avoid any inconvenience.

DIRECTORS' REPORT

To
The Members,
Khandwala Securities Limited.

Dear Sirs/Madam,

Your Directors take pleasure in presenting the Fifth Annual Report with the Audited Accounts for year ended on March 31, 1997.

FINANCIAL HIGHLIGHTS

(Rs. in millions)

	Year ended March 31, 1997	Year ended March 31, 1996
Total Income	49.507	82.277
Interest & other Financial Charges	14.938	6.427
Depreciation	12.632	12.315
Profit before Tax	1.831	48.670
Provision for Tax	0.498	NIL
Profit after Tax	1.333	48.670
Appropriations :		
Dividend on Preference Shares	3.240	0.745
Proposed Dividend on Equity Shares	4.971	4.810
Provision for Corporate Tax on Dividend	0.497	NIL
Transfer to General Reserve	0.155	5.000
Surplus carried forward	37.536	76.636
Reserves and Surplus	141.141	158.636

DIVIDEND

Your Directors are pleased to recommend payment of dividend (tax-free) for the year ended March 31, 1997 at the rate of 10% (previous year 10%) on the outstanding equity share capital, resulting in an outflow, on account of dividend of Rs. 4.97 million (previous year Rs. 4.81 million). As per the terms of the Prospectus cum Offer for Sale document dated March 13, 1996, the equity shares being part of the offer for sale cum public issue of the Company in April/May 1996, are entitled to dividend only on a pro-rata basis from the date of allotment/transfer to the end of the financial year 1996-97, which amounts to Re. 0.81 per equity share.

Dividend at the rate of 13.5% on the outstanding Redeemable Cumulative Preference Share Capital amounting to Rs. 3.24 million (previous year Rs. 0.745 million) has been paid.

THE YEAR UNDER REVIEW

The year 1996-97 was marked by a continuous drop in interest rates across the board originating from the surplus of the banking sector. However, the drop was not translated into industrial growth or economic demand due to various factors, even though inflation has been kept in check. The domestic liquidity surplus is bound to increase with the effects of substantially lower taxes, which could propel domestic demand later this year. Industrial capital formation is also expected to move into gear with the lower interest rates and economic demand fuelled by the liquidity in the household sector.

The effects of the slowdown in demand and the lack of investment in the last few years was evident from the Corporate Sector's performance for 1996-97. Due to slow down in primary market business, major assignments had to be temporarily put on hold, resulting in reduction of income compared to the previous years. We expect 1997-98 to be a year of planning and consolidation alongwith resource mobilisation with the demand surge translating into profits from 1998 onwards.

THE INDUSTRY SCENARIO

The year 1996-97 was testing times for NBFCs both in fund-based and non fund-based businesses. Mobilisation of resources continued to be affected. Profitability has shown negative growth for almost all NBFCs on account of declining fund-based margins. The deterioration in existing credit portfolios continued to take their toll on provisioning.

The IPO market, barring the equity issues of banks, witnessed a virtual standstill throughout the year with all activities having

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shifted to placements and syndications of corporate and institutional debt in the wholesale market. The complete lack of confidence in equity investment, at the retail level, brought about by huge losses in present IPO portfolios is unprecedented. We expect the situation to continue throughout this year with a few exceptions. This also had its impact on the fee-based revenues originating from merchant banking and advisory services.

OPERATIONS

In view of the dismal market situation, your Company has undertaken a review of its operations and is in the process of facing the challenges with a multi-pronged strategy. Your Company has achieved a total income of Rs. 49.51 million as against Rs. 82.28 million in the previous financial year. Profit after tax decreased to Rs. 1.53 million from Rs. 48.6 million during the previous year.

Your Company has continuously provided lease finance during the previous years. Upon periodical monitoring of all lease assets, certain discrepancies emerged. As a prudent policy, your company has decided to cancel some of the lease transactions valued at Rs. 74.44 million resulting in a write-off of profits of previous years to the extent of Rs. 14.73 million, reduction of the income in the year under review of Rs. 17.74 million and provision for tax of Rs. 16.83 million on account of these transactions.

The credit rating of "FA+" assigned to the FD programme of your Company was re-affirmed by CRISIL during the year.

Your Company's operations are in the process of shifting to a single office premises from multiple locations, which would greatly enhance productivity and operational efficiencies at all levels, besides reduction in administrative expenses.

Your Company is viewing the future with caution and is optimistic on its abilities to reap benefits from future prospects. Fresh opportunities are constantly emerging in the current dynamic capital market scenario, primarily due to the positive steps being undertaken by the Government in the form of reforms, liberalisation and globalisation. Your Company is constantly reviewing its positioning in this dynamic environment with the objective of locking into high growth and potentially profitable opportunities. We believe that the present efforts are being directed towards enabling your Company to effectively face the growing competition and the vagaries of the capital markets to generate sustained levels of growth in the future. The process of consolidation as mentioned in the previous report is progressing on schedule.

SUBSIDIARY COMPANY

During the year under review, the subsidiary, Khandwala Finances Limited, has performed well in the brokerage activities. Activities of the subsidiary are detailed in the Directors' Report together with the audited accounts which are attached to this Report.

DIRECTORS

Mr. Mayank A. Khandwala and Mr. Jatin A. Khandwala are retiring by rotation at the ensuing Fifth Annual General Meeting and being eligible, offer themselves for re-appointment. Your Directors recommend their re-appointment.

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 hence do not require any further explanations.

AUDITOR

M/s. Gautam Doshi & Associates, Chartered Accountants, Auditor of the Company, retire and are eligible for re-appointment. The Members are requested to consider their re-appointment for the financial year 1997-98.

PARTICULARS OF EMPLOYEES

The information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 in respect of certain employees of the Company and forming part of this report, is annexed hereto.

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

Your Company is not engaged in any manufacturing activity and therefore, there are no particulars to be disclosed under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy or technology absorption. During the year under review, your Company did not have any income in foreign exchange and the expenditure in foreign exchange was Rs. 446,119/-.

PRUDENTIAL NORMS AND GUIDELINES FOR NON-BANKING FINANCIAL COMPANIES

The capital adequacy ratio, according to the norms prescribed by the Reserve Bank of India is 70.85% as on March 31, 1997, well above the prescribed minimum of 8%. The Company did not have any non-performing asset as at the end of the year under review.

DEPOSITS

Your Company has not accepted any deposits from the public. The Company has, however, accepted other regulated deposits, namely, Inter-Corporate Deposit (ICD), as per NBFC (RBI) Directions, 1977 and has repaid or renewed the same as the case may be, on due dates and no amount remains unclaimed or unpaid, as on the last date of the financial year.

ACKNOWLEDGEMENTS

The Board thanks the Members of the Company for their continued support and confidence reposed in the Management of the Company. The Directors also express their gratitude to the Bankers for their continued support. The achievements of your Company would not be possible without the dedicated support and hard work of the employees.

For and on behalf of the Board of Directors

Paresh J. Khandwala Director
Samir S. Doshi Director

Place : Mumbai.
Date : August 27, 1997.

ANNEXURE TO DIRECTORS' REPORT

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and Companies (Particulars Of Employees) Rules, 1975 (forming part of the Directors' Report)

A. EMPLOYED THROUGHOUT THE YEAR

Name and Qualifications	Age in years	Designation/ Nature of Duties	Gross Remuneration Rs.	Experience in No. of Years of Employment	Date of Commencement of Employment	Last Employment
J. Ferrao B.E, M.M.S	30	Vice-President	329,327	7	01-Apr-93	M/s. Jayantilal Khandwala & Sons
Rajnish Rangari B. Tech, P.G.D.B.M	35	Asst.Vice-President (MBD)	613,207	9	16-Jan-95	Ashok Leyland Investment Services Limited
Bhavana Mehta B. Sc., M.M.S	29	Manager (Corporate Finance)	333,890	6	18-Jan-95	D.C.W. Home Products Limited
Nitin Rao B.E, M.B.A	30	Research Analyst (Research)	311,240	7	18-Jul-94	A.F. Fergusson & Co.

B. EMPLOYED FOR PART OF THE YEAR :

Name and Qualifications	Age in years	Designation/ Nature of Duties	Gross Remuneration Rs.	Experience in No. of Years of Employment	Date of Commencement of Employment	Last Employment
Prakash Sheth B.Com., F.C.A	59	Vice-President (Research)	123,886	32	04-Nov-93	Khandelwal Jain Management Consultancy Services (P) Ltd.
Mr. R. Subramanian B.Com., F.C.I.I.	61	Asst.Vice-President (PMS)	329,597	37	01-Feb-95	LIC of India

- Notes :** (1) Gross remuneration includes salary, bonus, house rent allowance, leave travel assistance, reimbursement of medical expenses, allowances, value of perquisites as per Income Tax Act, 1961 and Rules made there under and company's contribution to provident fund, but excludes leave encashment/gratuity unless paid/payable.
(2) All appointments are non-contractual.
(3) None of the above Employees are relatives of any of the Directors.

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AUDITORS' REPORT

To the Members of

KHANDWALA SECURITIES LIMITED :

We have audited the Balance Sheet of KHANDWALA SECURITIES LIMITED as at 31st March, 1997 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that :

1. As required by the Manufacturing and Other Companies (Auditor's 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 paragraphs 4 & 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above :
 - (i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (ii) 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 books;
 - (iii) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account;
 - (iv) In our opinion and to the best of our information and according to the explanation given to us, the said accounts, 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 :
 - (a) In the case of Balance Sheet of the state of affairs of the Company as at 31st March, 1997 and
 - (b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date.

FOR GAUTAM DOSHI & ASSOCIATES

CHARTERED ACCOUNTANTS

Place : Mumbai.

Date : August 28, 1997.

HITEN KOTAK

Partner

ANNEXURE TO THE AUDITORS' REPORT

ANNEXURE IN TERMS OF PARA 1 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF KHANDWALA SECURITIES LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1997.

- (i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. We have been informed that the physical verification of the fixed assets, other than those given on lease, was conducted by the management and no discrepancies were observed between the book records and physical verification. In our opinion the frequency of physical verification of fixed assets is reasonable, having regard to the size of the Company and nature of assets.
- (ii) None of the fixed assets have been revalued during the year.
- (iii) The management has carried out physical verification of the stock of shares and securities, except the shares and securities lying with third parties, for which confirmations have been obtained.
- (iv) The procedures followed by the management for physical verification of stocks are, in our opinion, reasonable and adequate in relation to the size of the Company and nature of its business.
- (v) We are informed that no discrepancies were noticed on physical verification of stocks as compared to book records.
- (vi) On the basis of the examination of stock records, we are of the opinion that the valuation of stock is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
- (vii) The Company receives and pays amounts on current account with its subsidiary, which in certain cases, has resulted in the taking of interest free unsecured advances from it. The terms and conditions are not *prima-facie* prejudicial to the interest of the Company.

KHANDWALA SECURITIES

- (viii) The Company receives and pays amounts on current account with its subsidiary, which in certain cases, has resulted in the granting of interest free unsecured advances to it. The terms and conditions are not *prima-facie* prejudicial to the interest of the Company. The Company has also granted certain specific interest bearing loans to its subsidiary. The terms and conditions of these loans are also not *prima-facie* prejudicial to the interest of the Company. The Company has also given unsecured interest free advances as security deposit for premises to a firm listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (ix) In respect of interest free loans given by the Company to its employees, the loan instalments have been recovered as stipulated. The loans given by the Company to other parties have been recovered along with interest as stipulated.
- (x) In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of business for the purchase and sale of securities and other assets.
- (xi) In our opinion and according to the information and explanation given to us, the transactions of purchase and sale of shares and securities and payment of brokerage, made in pursuance of the 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 prevailing market prices for such shares, securities and services.
- (xii) In our opinion and according to the information and explanation given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Non-Banking Financial Companies (Reserve Bank) Directions, 1977.
- (xiii) The Company has an internal audit system which, in our opinion, is commensurate with its size and nature of business.
- (xiv) Provident Fund dues have been deposited with the appropriate authorities in time.
- (xv) According to the information and explanation given to us, there are no undisputed amounts payable in respect of Income-tax and Wealth-tax outstanding as on 31st March, 1997, for a period of more than six months from the date they become payable.
- (xvi) According to the information and explanation given to us and records of the Company examined by us, no personal expenses, other than those payable under contractual obligations or in accordance with the generally accepted business practices, have been charged to revenue account.
- (xvii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other similar securities and hence the question of maintenance of adequate documents and records in respect thereof does not arise.
- (xviii) The provisions of any special statutes like chit fund, nidhi or mutual benefit society do not apply to the Company.
- (xix) The Company has maintained proper records of transactions and contracts in respect of trading in shares, debentures and other securities and that timely entries have been made therein. The shares and debentures held as investments, except those indicated in the note in Schedule 'F' hereto, have been held by the Company in its own name.
- (xx) In our opinion, the provisions of clauses (xii), (xiv), (xvi) and (xx) of paragraph 4A and clause (iii) of paragraph 4D of the aforesaid order are not applicable in the case of this Company.

FOR GAUTAM DOSHI & ASSOCIATES
CHARTERED ACCOUNTANTS

Place : Mumbai.
Date : August 28, 1997.

HITEN KOTAK
Partner

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BALANCE SHEET AS AT MARCH 31, 1997

	SCHEDULE No.	Rs.	As at March 31, 1997 Rs.	As at March 31, 1996 Rs.
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share Capital	A			
Equity Share Capital		50,100,000		48,100,000
Preference Share Capital		24,000,000		24,000,000
		74,100,000		72,100,000
Reserves and Surplus	B	141,741,222		158,635,765
			215,841,222	230,735,765
LOAN FUNDS				
Secured Loans	C	56,708,338		95,820,000
Unsecured Loans	D	25,000,000		-
			81,708,338	95,820,000
Creditors for Fixed Assets			19,840,131	21,502,563
TOTAL			317,389,691	348,058,328
APPLICATION OF FUNDS				
FIXED ASSETS	E			
Gross Block		77,930,301		150,932,135
Less : Depreciation		17,779,817		16,868,186
Net Block			60,150,484	134,063,949
Capital Work-in-Progress			67,924,487	59,195,840
INVESTMENTS	F		130,985,208	124,018,189
CURRENT ASSETS, LOANS & ADVANCES	G			
Current Assets				
Stock in Trade		11,685,296		17,837,663
Sundry Debtors		12,332,151		17,421,666
Cash & Bank Balances		1,718,207		532,221
Loans & Advances		56,799,580		15,962,266
		82,535,234		51,753,816
Less:				
CURRENT LIABILITIES & PROVISIONS	H			
Current Liabilities		12,585,570		17,677,366
Provisions		23,534,955		5,043,533
		36,120,525		22,720,899
Net Current Assets			46,414,709	29,032,917
MISCELLANEOUS EXPENDITURE	I		11,914,803	1,747,433
(To the extent not written off or adjusted)				
TOTAL			317,389,691	348,058,328
Notes forming part of the accounts	M			

As per our Report Attached.

For and on behalf of
Gautam Doshi & Associates
Chartered Accountants

Hiten Kotak
Partner

Place : Mumbai.
Date : August 28, 1997.

For and on behalf of the Board of Directors

Ashok J. Khandwala	Director
Paresh J. Khandwala	Director
Samir S. Doshi	Director
Mayank A. Khandwala	Director
Jatin A. Khandwala	Director

Place : Mumbai.
Date : August 27, 1997.