



KHANDWALA SECURITIES LIMITED


Eighth Annual Report

1999-2000

CERTIFIED TRUE COPY
For KHANDWALA SECURITIES LTD.

JK Patel
Company Secretary.

MISSION

To provide unique solutions to meet
client specific needs, given time and
resource parameters

BOARD OF DIRECTORS

Virendra Kapoor (Managing Director)

Ashok J. Khandwala

S. M. Parande

Ramniklal D. Modha

Paresh J. Khandwala

Samir S. Doshi

Mayank A. Khandwala

Jatin A. Khandwala

COMPANY SECRETARY

Hoofrish K. Patel

REGISTERED OFFICE

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

BRANCH OFFICE

6-A, Malti Madhav, Bhandarkar Road,
Near TVS Suzuki showroom,
Pune 411 004.

AUDITORS

RSM & Co.

Union Co-op. Insurance Bldg.,
2nd Floor, 23, Sir Phirozshah Mehta Road,
Fort, Mumbai - 400 001.

BANKERS

Union Bank of India

Mumbai Samachar Marg,
Mumbai - 400 023.

Centurion Bank Ltd.

25/26, Maker Chambers III,
Nariman Point, Mumbai - 400 021.

Bank of Punjab

11, Machinery House, Gr floor,
D Bharucha Marg, Mumbai 400 023.

REGISTRARS & TRANSFER AGENTS

Karvy Consultants Limited

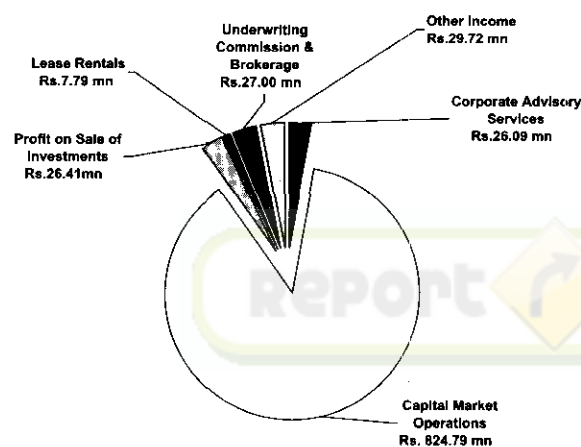
46, Avenue 4, Street No. 1,
Banjara Hills, Hyderabad - 500 034.

Highlights

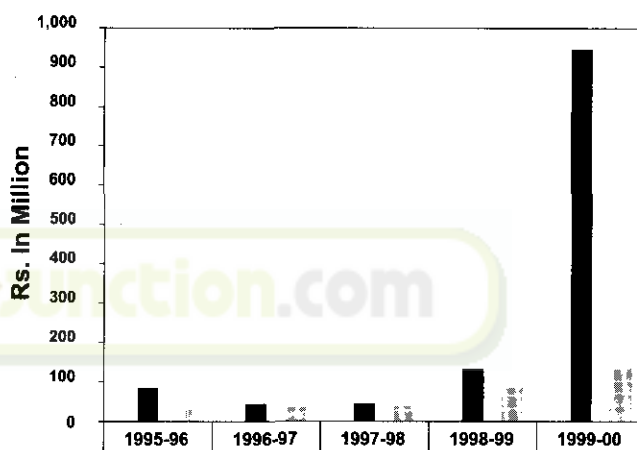
Amount in Rs. million

Total Income	941.82
Total Expenditure	130.48
Profit Before Tax (PBT)	811.34
Profit After Tax (PAT)	491.03
Dividend	50.10
Earnings Per Share (EPS)	Rs. 97.15

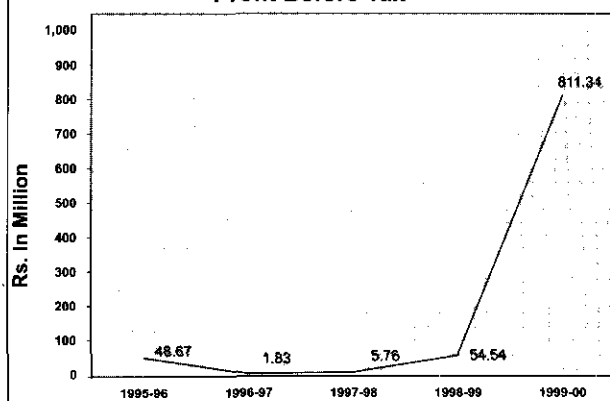
Break up of the Income for the year 1999-2000



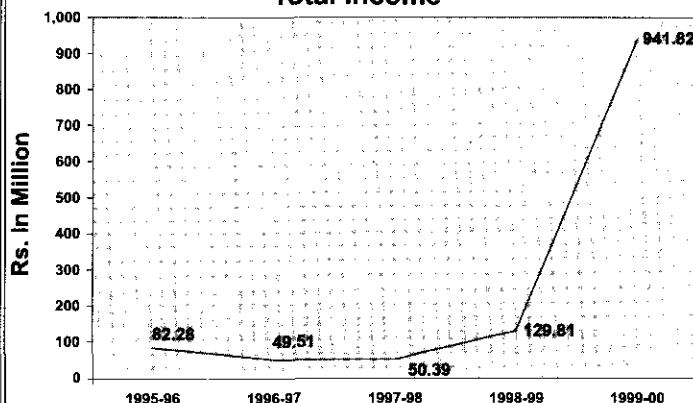
Total Income & Total Expenditure



Profit Before Tax



Total Income



Contents	Page No
Notice	4
Letter to Shareholders	5
Management's Discussion and Analysis	7
Financial Review	10
Directors' Report	11
Corporate Governance	16
Shareholder's Information	18
Auditor's Report	20
Financial Statements	
Balance Sheet, Revenue Account and Schedules	22
Notes to Accounts	31
Balance Sheet Abstract	33
Cash flow Statement	34
Statement pursuant to Sec. 212 of the Companies Act, 1956	35
Subsidiary Information - Khandwala Finances Limited	
Board of Directors	36
Directors' Report	37
Auditor's Report	39
Financial Statements	
Balance Sheet, Profit and Loss statement and Schedules	41
Notes to Accounts	47
Balance Sheet Abstract	48

NOTICE

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

DATE : September 30, 2000
 DAY : Saturday
 TIME : 12.00 noon
 PLACE : Cooch Behar Room,
 The Cricket Club of India (CCI)
 Dinshaw Wachha Road,
 Churchgate, Mumbai 400 020.

to transact the following business

AS ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2000 and Profit and Loss Account for the year ended on March 31, 2000 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Mayank A. Khandwala who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Jatin A. Khandwala who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

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

Paresh Khandwala
 Director

Registered Office :

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

Date : August 22, 2000.

Place : Mumbai

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF 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 Saturday, September 23, 2000 to Saturday, September 30, 2000 (both days inclusive) for transfer of Equity 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.
6. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company atleast seven days in advance, so as to enable the Company to keep the information ready.

Dear shareholder,

Finance and more` is not just a statement at Khandwala Securities. The Company offers a range of diversified financial services with focus on investment banking and investment advisory services. Set up with the objective of establishing a financial services boutique, Khandwala Securities has witnessed rapid growth in the recent past and is now gearing to globalize its operations as a logical necessity. The Company is innovative, principle oriented and client focused.

The mission is to provide clients with unique and comprehensive solutions. Complex projects that include strategizing, structuring and value enhancement programs are a hallmark of the services provided. Diverse client requirements necessitates the development of customised solutions, through the application of expertise in the execution of complex strategies on a turnkey basis. Pathbreaking financial planning and restructuring has helped put corporates back on the road to success.

Income from operations has grown significantly during the year 1999-2000. Total income has increased from Rs.129.81 million to over Rs. 941.82 million, representing a 725% increase, with profits before tax moving up from Rs.54.5 million to over Rs. 811.34 million. Fee based income has also registered a growth rate of 1,157%. The Company has contributed Rs. 320.3 million to the exchequer.

The Board of Directors are now in the process of ensuring consolidation of this growth and that Khandwala Securities formulates and implements a strategy that will make a quantum leap in the level of services provided. Some of the key challenges and management initiatives in the forthcoming year, are placed below for

your perusal :

1. ATM TO GLOBALIZE OPERATIONS

Khandwala Securities has now achieved a scale of operations that virtually demands globalisation through multiple means including joint ventures, strategic alliances, working relationships under MoUs or perhaps even buy outs of investment boutique firms overseas. It is imperative that Khandwala Securities builds upon its successes of the recent past and develops a strategy which will enable it to minimize risks and accelerate returns, while simultaneously, provide clients with a comprehensive portfolio of services, both within India and overseas.

2. CLIENT RELATIONSHIPS

Khandwala Securities holds a very special competitive advantage in terms of its client relationships. The Company's approach to client servicing is characterized by high quality service that is also deeply personalized. The promoter Directors have always been and will continue to be closely involved in developing unique solutions for clients. The Company is in the process of formalizing a Client Relationship Management Programme that is essentially, like all the other initiatives, embedded with a future perspective.

3. ORGANISATIONAL TRANSFORMATION

The Company is in the process of enhancing its degree of technology absorption and ensuring that business processes keep pace with rapid growth. The core strategy team is developing a future state organization, structures, policies and strategy specifying the capabilities and competencies that are required to meet the challenges of a dynamic business environment.

4. **KNOWLEDGE MANAGEMENT** Obsolescence of knowledge is the most important risk facing service organisations. Khandwala Securities is in the process of implementing an advanced knowledge management system that will map skills & expertise within as well as capture best practices, internally & externally. Knowledge pods will be created as reference points to leverage information available within the organization.
5. **RESEARCH** The research team has been significantly strengthened. The Company relies on the advice and inputs from experts in focus industries. The research team is fully integrated with the service lines and also publishes regularly a *K Sec Views* newsletter. All TBG projects are evaluated and cleared by a research team, prior to acceptance.
6. **CONSOLIDATION** The Company is also in the process of consolidating similar operations that are currently under different entities. To this end, a new office premises is planned in the year 2000-2001 admeasuring

around 16,000 sq.ft at Cuffe Parade. This move is expected to significantly improve co-ordination between various service lines. Further, the enhanced infrastructure including space and information technology investments are expected to result in a beneficial impact on operational effectiveness and fuel the growth process.

All these initiatives are discussed in greater detail in the section on 'Management's Discussion and Analysis', within the Annual Accounts of 1999-2000.

We wish to take this opportunity to warmly thank all our team members for their outstanding contribution towards achieving phenomenal growth. We also appreciate their continued loyalty to the mission that has been jointly developed. We shall continue to induct high quality human resources towards building world class competencies.

Paresh J. Khandwala

Samir S. Doshi

*“ Outstanding Corporates have one thing in common
an absolute sense of mission ”*

MANAGEMENT'S DISCUSSION & ANALYSIS

The Management Discussion & Analysis section dwells in greater detail on some of the strategic initiatives referred to in the Letter to the Shareholders. This section also lays out the Board of Director's approach to developing solutions to the challenges provided by the dynamic business environment and the requirements of an organization that is characterized by exceptionally fast growth.

Organisational Transformation

Khandwala Securities has initiated the process of a detailed introspection of the goals of the organisation and the means of achieving them. This activity entails a relook at the entire organization in terms of enhancing its degree of technology absorption, strengthening its human resources processes and ensuring that business processes keep pace and to an extent, adapt to organizational growth, both in terms of intricacies and volume.

The core strategy team of Khandwala Securities is currently in the process of planning and developing the future organization, including but not restricted to specifying the capabilities and competencies that will be required to meet the challenges of a dynamic business environment, possessed with a myriad of opportunities. The success of this organisation will be gauged purely by its ability to adapt to an ever unfolding environment, identifying opportunities and its ability to create a niche for itself in a market that is also characterized by a high degree of competition.

An analysis of the emerging e-business environment with a global perspective, development of appropriate business strategies, mapping of business processes and work flow and the formulation of work flow plans, constitute the pillars of the process. The formulation of a business process strategy will provide opportunities for eliminating redundancies,

streamlining work flows, consolidating processes and providing greater support to operations, enabling the leverage of inherent strengths.

Strategies and pre-defined processes for managing the single most important asset of the Company i.e., human resources, would include the review of policies and procedures for recruitment, selection, training and development, performance management and human resource development. The concept would be to combine the strengths of experience, judgment, client relationships, knowledge resources and technology. In-house expertise is also being blended with the technical and technological skills and experience that are absorbed on a continuous basis.

Khandwala Securities will continue to focus on excellence in quality of service delivery and retain customer relationships as the cornerstone of the growth process. The Company has always ensured that at the heart of each business process is an underlying philosophy of nurturing customer relationships, by identifying and focussing on customer needs.

The Company has also set in motion a process of reviewing job and role definitions, together with identification of key responsibilities of various functional and support activities. This programme is intended to culminate into a mirror image plan for the linkage of compensation with performance. This exercise is intended to facilitate a two pronged strategy, the retention of high quality personnel and the ability to attract the best talent in the industry. The formulation of stretch goals and the introduction of transparent measures of performance are expected to contribute to enhanced performance and motivation. The formalization of a scientifically based performance linked compensation system is a key human resources development initiative, slated for the year 2000-01.

Based on the above strategy, Khandwala Securities is committed to strengthening its human resources management function and will continuously upgrade the organization structure to meet growth requirements, enhance the ability to motivate and at the same time, address employee concerns, in a timely manner.

Knowledge Management

In this day of information technology, web enabled businesses and knowledge leverage, information holds the key to success, wherein a company is only as good as the information it can garner, manage / utilize and disseminate. Towards this end, the Company has initiated steps to implement an intricate, macro Knowledge Management system. The process is designed to integrate and leverage the information and knowledge available with personnel in a coherent and value added mode. Garnering, co-ordination and information sharing will be greatly enhanced, leading to improvements in overall productivity, reduction of costs and effectiveness of processes.

Knowledge Management systems will also map skills and expertise available within the organization. Improved access to knowledge, is only the end of the beginning, leading to complete knowledge management, which in turn would ultimately result in full leveraging of available skill sets, client relationships, cost cutting and other competitive advantages. Logically extended, the process of implementation of knowledge management systems within the group will also facilitate full integration of service lines.

The development of excellence in infrastructure that will support knowledge sharing, knowledge pruning and the development of knowledge pods for strategic use in future are imperative. This will provide thrust, reduce reaction time, provide for quicker adaptation to environmental and situational changes, reduce aversion factors to change etc. resulting in an exceptional competitive advantage within an industry that is principally governed by knowledge and keys to knowledge sources.

This system is designed to operate as a continuous facilitator for business process upgradation and simultaneously for the creation of a high level learning organization, that can provide the essential thrust, the differentiating factor, critical for management of growth. The inculcation of advanced abilities to manage knowledge resources, analyze knowledge and implement advanced computer supported work systems will also facilitate the transformation of the Company into a comprehensive intermediary in the capital markets.

The Company intends to harness and regularly place a value on intellectual capital and other inherent resources, although intangible in nature. The harnessing of intangible assets, the process of understanding the factors that influence the enhancement of these values and consciously taking steps that will nurture these assets, will not only enhance team spirit but also receive support from all levels of management. This nurturing of knowledge and value enhancement, is the cornerstone of a macro business strategy that will project a vibrant future perspective. This process will also seek to insure the firm from knowledge obsolescence.

The underlying principle of the Knowledge Management System under implementation is to 'know what we know,

update what we know on a real time basis and decide on the basis of what we know, to enhance growth'. This system will also support the development of a strategic capabilities architecture. No entity can compete in the long term on the basis of pure cost, quality or customer service competitive advantages. Sustenance of competitive advantages, in the long term, can only be guaranteed on the basis of synergy of various capabilities, enhanced through an effective Knowledge Management System.

Risk Management

Khandwala Securities is also in the process of developing a major initiative towards implementing a Risk Management System. The ability to successfully manage risks, calculated or otherwise, is recognized as a critical performance factor in a business environment that is principally characterised by dynamic instability. Khandwala Securities is formalizing a system of monitoring operational, financial, strategic and market risks at various levels and frequencies. The preferred approach is proactive and driven by operational strategists drawn from each business group.

The senior management, supports the review process of the Company's investment portfolio from a market risk perspective with the application of sensitivity and volatility measurement tools, in order to assess the appropriateness of a selected business strategy.

In terms of managing human resources, the Company, as an ongoing exercise, reviews and adopts appropriate measures to ensure that the team is continuously motivated and updated. The Company's strategy strives towards providing the right work environment to encourage people to grow and develop capabilities, within the organization.

The Company has no defaults or non-compliance issues with reference to the various applicable statutory provisions. The Compliance Officer is responsible for ensuring compliance, for which adequate authority and power has been delegated. He is consulted on an ongoing basis and wherever deemed necessary, recourse to an independent legal counsel is sought. The Company has also established a process whereby contractual obligations are thoroughly scrutinized in terms of evaluating legal risks, liabilities, responsibilities, obligations under the terms of the contract etc. Adequate steps are taken to ensure that risks arising out of contractual obligations are covered. All contracts having open-ended legal obligations are reviewed by the Board of Directors. Two independent firms of legal counsel have been appointed to facilitate any review, after taking into account in each case, time and cost parameters.

The Company, on an ongoing basis, also reviews the risk of concentration in diverse segments such as business, customer, market or even geographical. Business groups are headed by professionals with adequate qualification, backed by years of experience in their respective areas of operation. The entire Company has been broadly classified into five business groups, in accordance with activity specialization's, namely Investment Banking group (which in turn comprises of the Merchant Banking group and the Corporate Advisory Services group), Portfolio Management Services group, Corporate Finance group, Investment Advisory group and the Research group. Although adequate support is derived