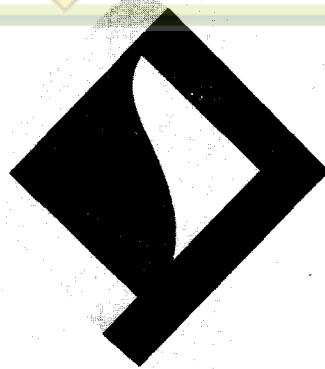


**TWELFTH  
ANNUAL REPORT  
2004-05**

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**KHANDWALA  
SECURITIES  
LIMITED**

# **KHANDWALA SECURITIES LIMITED**

## **TWELFTH ANNUAL REPORT**

### **BOARD OF DIRECTORS**

Sreedhar Parande (Chairman)

Paresh J. Khandwala (Managing Director)

Rohit Chand (w.e.f. 23<sup>rd</sup> July 2005)

Prakash Shah

Suresh Mehta

### **COMPANY SECRETARY**

Sameer V. Upadhyay

### **REGISTERED OFFICE**

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

### **AUDITORS**

#### **UDYEN JAIN & ASSOCIATES**

Chartered Accountants,  
540, 5TH floor, D Wing, Clover Centre,  
7 Moledina Road,  
Pune 411 001

### **BANKERS**

#### **Union Bank of India**

Mumbai Samachar Marg,  
Mumbai - 400 023.

#### **Canara Bank**

NSE Branch,  
Mumbai - 400 001

### **REGISTRARS & TRANSFER AGENTS**

#### **KARVY COMPUTERSHARE PRIVATE LIMITED**

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

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### NOTICE

Notice is hereby given that the Twelfth Annual General Meeting of the Members of Khandwala Securities Limited will be held at Garware Club House, D-Road, Churchgate, Mumbai 400 020 on Friday, 2nd September 2005 at 10.00 a.m. to transact the following business:

#### ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March 2005 and Profit and Loss Account for the period ended as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Prakash Shah who retires by rotation and being eligible, offers himself for re-appointment.
3. To re-appoint Auditors M/s. Udeyan Jain & Associates, Chartered Accountants, the retiring auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

#### SPECIAL BUSINESS:

4. **APPOINTMENT OF Mr. ROHIT CHAND AS A Director**  
To consider and if thought fit, to pass, with or without modification(s), the following Resolutions as an Ordinary Resolution:

**"RESOLVED THAT** Mr. Rohit Chand, who was appointed by the Board of Directors at the Board Meeting held on 23<sup>rd</sup> July 2005 as an Additional Director under Section 260 of the Companies Act, 1956 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received notice u/s. 257 of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company and shall be liable to retire by rotation."

5. **INCREASE IN AUTHORISED SHARE CAPITAL**

To consider and if thought fit, to pass, with or without modification(s), the following Resolutions as a Special Resolution:

**"RESOLVED THAT** pursuant to Sections 16, 94 and all other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the members in the Extraordinary General Meeting of the Company the Authorised Share Capital of the Company be increased from Rs. 23,00,00,000/- (Rupees Twenty Three Crores Only) divided into 1,40,00,000 (One Crore Forty Lakhs Only) equity shares of Rs. 10/- (Rupees Ten Only) each and 5,00,000 (Five Lakhs only) Redeemable Cumulative Preference Shares of Rs. 100/- (Rupees Hundred Only) each and 4,00,000 (Four Lakhs only) Cumulative Convertible Preference Shares of Rs. 100/- each (Rupees Hundred only) to Rs. 25,00,00,000/- (Rupees Twenty Five Crores Only) divided into 1,40,00,000 (One Crore Forty Lakhs Only) equity shares of Rs. 10/- (Rupees Ten Only) each and 5,00,000 (Five Lakhs only) Redeemable Cumulative Preference Shares of Rs. 100/- (Rupees Hundred Only) each and 4,00,000 (Four Lakhs only) Cumulative Convertible Preference Shares of Rs. 100/- each (Rupees Hundred only) and 2,00,000 (Two Lakhs only) Optionally Convertible Redeemable Preference Shares of Rs. 100/- each (Rupees Hundred only)."

6. **ALTERATION OF MEMORANDUM OF ASSOCIATION**

To consider and if thought fit, to pass, with or without modification(s), the following Resolutions as a Special Resolution:

**"RESOLVED THAT** pursuant to Sections 13, 16 and all other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of members of the Company in Extraordinary General Meeting, the existing Capital Clause V of the Memorandum of Association of the Company be deleted and be substituted by the new Capital Clause V as follows:

The Authorised Share Capital of the Company is Rs. 25,00,00,000/- (Rupees Twenty Five Crores Only) divided into 1,40,00,000 (One Crore Forty Lakhs Only) equity shares of Rs. 10/- (Rupees Ten Only) each and 5,00,000 (Five Lakhs only) Redeemable Cumulative Preference Shares of Rs. 100/- (Rupees Hundred Only) each and 4,00,000 (Four Lakhs only) Cumulative Convertible Preference Shares of Rs. 100/- each (Rupees Hundred only) and 2,00,000 (Two Lakhs only) Optionally Convertible Redeemable Preference Shares of Rs. 100/- each (Rupees Hundred only) within the rights, privileges and conditions, attaching thereto as are provided by the Articles of Association of the Company for the time being, with the power to divide the share in the capital of the several classes and to attach thereto respectively such preferential, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company for the time being and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 1956 or statutory modification thereof or provided by the Articles of Association of the Company for the time being."

7. **ALTERATION OF ARTICLES OF ASSOCIATION**

To consider and if thought fit, to pass, with or without modification(s), the following Resolutions as a Special Resolution:

**"RESOLVED THAT** pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of members of the Company in Extraordinary General Meeting the existing Article 3 of the Articles of Association of the Company be deleted and be substituted by the following new Article 3 :

The Authorised Share Capital of the Company is Rs. 25,00,00,000/- (Rupees Twenty Five Crores Only) divided into 1,40,00,000 (One Crore Forty Lakhs Only) equity shares of Rs. 10/- (Rupees Ten Only) each and 5,00,000 (Five Lakhs only) Redeemable Cumulative Preference Shares of Rs. 100/- (Rupees Hundred Only) each and 4,00,000 (Four Lakhs only) Cumulative Convertible Preference Shares of Rs. 100/- each (Rupees Hundred only) and 2,00,000 (Two Lakhs only) Optionally Convertible Redeemable Preference Shares of Rs. 100/- each (Rupees Hundred only) with the rights, privileges and conditions, attaching thereto as are provided by the Articles of Association of the Company for the time being, with the power to divide the share in the capital of the several classes and to attach thereto respectively such preferential, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company for the

**KHANDWALA SECURITIES LIMITED**

time being and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 1956 or statutory modification thereof or provided by the Articles of Association of the Company for the time being."

8. To consider, and if thought fit, to pass, with or without modification/s, the following Resolution as Special Resolution:

**"RESOLVED THAT** pursuant to provisions of Section 198, 269, 309 and other applicable provisions of the Companies Act, 1956 and subject to such other approvals as may be necessary including approval of Central Government, if any, that the Company do hereby re-appoint Mr. Paresh J. Khandwala as the Managing Director of the Company, to execute substantial powers of management Subject to overall supervision, control and direction of the Board of Directors, for a further period of five years, with effect from January 1, 2005 with authority to the Board of Directors to pay to Mr. Paresh J. Khandwala remuneration specified below:

a) **Salary**

Salary of Rs. 1,50,000/- p.m. inclusive of all perquisites, conveyance, medical allowance, provident fund, leave travel allowance.

b) **Commission:**

At 1% of the Net Profits of the Company calculated as per provisions of Section 349 & 350 of the Companies Act, 1956 payable on yearly basis subject to approval of accounts.'

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to alter, vary and modify the said remuneration in such manner as may be agreed to between the Board and Mr. Paresh J. Khandwala or any amendments and / or statutory modifications as may be stipulated by the Central Government and as may be agreed to accordingly between the Board and Mr. Paresh J. Khandwala.

**RESOLVED FURTHER THAT** in case of loss or inadequacy of profit in any financial year, if any, during the tenure of Mr. Paresh J. Khandwala, above remuneration, subject to approval of the Central Government be paid as minimum remuneration.

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board of Directors be and are hereby authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary, proper or desirable and to settle any questions, difficulties or doubts that may arise in this regard."

9. **Revision in Remuneration of Mr. Pratik P. Khandwala**  
To consider, and if thought fit, to pass, with or without modification/s, the following Resolution as Special Resolution:

**"RESOLVED THAT** in partial modification of earlier resolution passed in the 11<sup>th</sup> AGM of the Company and pursuant to provisions of Section 314 and other applicable provisions, if any, of the Companies Act, 1956, the Company do hereby accord its consent for the revision in the terms of remuneration of Mr. Pratik Khandwala, relative of Shri Paresh J. Khandwala, Managing Director,

holding and continuing to hold an office or place of profit in the Company, as Manager – Investment Advisory Group, not being Manger within the meaning of provisions of section 269 of the Companies Act, 1956, for the remaining tenure between 1<sup>st</sup> February 2005 to 31<sup>st</sup> March 2008 as under :

Remuneration: Rs. 5 lacs p.a. inclusive of Provident Fund, Medical Allowance, Leave Travel Allowance and all other perquisites as offered by Company and as may be available to other employees occupying similar posts / grade in the Company.

**RESOLVED FURTHER THAT** the Company shall pay to or reimburse the Manager - IAG all costs, charges and expenses that may have been or may be incurred by him for the purpose or on behalf of the Company.

10. **Revision in Remuneration of Mr. Pranav P. Khandwala**

To consider, and if thought fit, to pass, with or without modification/s, the following Resolution as Special Resolution:

**"RESOLVED THAT** in partial modification of earlier resolution passed in the 11<sup>th</sup> AGM of the Company and pursuant to provisions of Section 314 and other applicable provisions, if any, of the Companies Act, 1956, the Company do hereby accords its consent for the revision in the terms of remuneration of Mr. Pranav Khandwala, relative of Shri Paresh J. Khandwala, Managing Director, holding and continuing to hold an office or place of profit in the Company as General Manager – PMS & Equity, not being Manger within the meaning of provisions of section 269 Companies Act, 1956, for the remaining tenure between 1<sup>st</sup> February 2005 to 31<sup>st</sup> March 2008 as under :

Remuneration: Rs. 5 lacs p.a. inclusive of Provident Fund, Medical Allowance, Leave Travel Allowance and all other perquisites as offered by Company and as may be available to other employees occupying similar posts / grade in the Company.

**RESOLVED FURTHER THAT** the Company shall pay to or reimburse the Manager - IAG all costs, charges and expenses that may have been or may be incurred by him for the purpose of or on behalf of the Company.

**ISSUE OF FURTHER SHARES**

11. To consider, and if thought fit, to pass, with or without modification/s, the following Resolution as Special Resolution:

**"RESOLVED THAT** pursuant to the provisions of Sections 80, 81 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company and subject to the Rules / Regulations / Guidelines issued by the Securities and Exchange Board of India (hereinafter referred to as "SEBI"), Listing Agreements entered into by the Company with the recognized Stock Exchanges in India where the equity shares / securities of the Company is listed, as may be applicable, and subject to such approvals, permissions, sanctions and consents as may be necessary including from RBI, if any, applicable and required under applicable Laws, Rules, Regulations, Agreements and Contracts on such terms, conditions, alterations, modifications, corrections, changes and variations, if any, that may be

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stipulated or imposed or prescribed under such approvals, permissions, sanctions and consents, which may be agreed and accepted by the Board of Directors (which term shall include duly constituted and authorized "Committee of Directors" thereof), the Members of the Company hereby accords its consent to issue up to 1,40,000 7% Optionally Convertible Redeemable Preference shares (OCRPs) of face value of Rs. 100/- each of aggregate value of up to Rs. 1.40 crores (Rupees One Crores Forty Lacs only), either to be converted into equity shares or to redeem the same at the option of allottees, either in a single trench or in a different trenches, within 18 months from the date of allotment at a predetermined price not less than the price arrived at as per the terms of the guidelines, and will be subject to lock-in as per the guidelines issued by SEBI for Preferential Issues as amended up to date, to be divided between Mr. Paresh J. Khandwala, Managing Director, Mrs. Daxa P. Khandwala, Mr. Pratik P. Khandwala and Mr. Pranav P. Khandwala

**FURTHER RESOLVED THAT** for the purpose of giving effect to the said Special Resolutions under Sections 80 and other applicable provisions of the Companies Act, 1956, the Board of Directors of the Company, be and are hereby authorized to take such steps and to do all such acts, deeds, matters and things and agree and accept any alteration(s) or amendment(s) or corrections(s) or modification(s) as they may deem fit and appropriate and give such directions / instructions as may be necessary to settle any question or difficulty for the offer, issue and allotment of aforesaid preference shares in such manner as may be deemed fit and appropriate by the Board of Directors and / or any legal / regulatory body, to be most beneficial to the Company.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorized to delegate any or all the powers conferred upon it by this resolution, to any Committee formed thereof for this purpose or to any individual so authorized by the Board.

**FURTHER RESOLVED THAT** the Board of Directors of the Company be and are hereby authorized to determine the terms and conditions of the issue including face value, quantity, price range, manner of calls etc. in such manner as the Board may deem fit and proper in its absolute discretion to be most beneficial to the Company and to approach SEBI / Stock Exchanges and / or any other competent authority for offer, as may be applicable for offer, issue, allotment and listing of the above preference shares on the stock exchanges where the Company's shares are listed and to do all such acts, deeds, matters, and things as may be necessary, appropriate and proper or expedient for giving effect to the above special resolution.

### 12. Increase in Borrowing Power

To consider, and if thought fit, to pass, with or without modification/s, the following Resolution as Special Resolution:

**"RESOLVED THAT** in supersession of all previous resolutions passed in this regard and pursuant to the provisions of Section 293 (1) (d) of the Companies Act, 1956 and all other enabling provisions, if any, consent of

the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time, any sum or sums of monies as they may deem requisite for the purpose of the business of the Company notwithstanding that moneys to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the Ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount up to which moneys may be borrowed by the Board of Directors shall not exceed the limit of Rs. 150 crores at any one time."

### 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. Explanatory Statement as required by Section 173(2) of the Companies Act, 1956 in respect of Special Business under Item No. 3 to 5 of the Notice is annexed hereto.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday, 31<sup>st</sup> August 2005 to Monday, 5<sup>th</sup> September 2005 (both days inclusive) for transfer of Equity Shares.
5. Members are requested to bring their copy of the Annual Report as copies of the Report will not be distributed again at the Meeting.
6. Members are requested to bring their attendance slip, duly signed, so as to avoid any inconvenience.
7. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company at least ten days in advance, so as to enable the Company to keep the information ready.
8. Brief profile of additional director seeking appointment / reappointment, is enclosed with the Corporate Governance Report.
9. Members are requested to
  - Intimate to the Company changes, if any, in their registered address at any early date.
  - Quote ledger folio / beneficiary numbers in all their correspondence.

For and on behalf of Board of Directors  
For **Khandwala Securities Limited**,

**Paresh J. Khandwala**  
Managing Director

Registered Office:  
Ground Floor, Vikas Building,  
Green Street, Fort,  
Mumbai 400 023

Dates: 11<sup>th</sup> June 2005

Place: Mumbai



**KHANDWALA SECURITIES LIMITED****EXPLANATORY STATEMENTS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****(Pursuant to Section 173(2) of the Companies Act, 1956.)**

The following Explanatory Statement sets out all the material facts relating to the Special Business under Item No. 3 to 11 of the accompanying Notice of the 12<sup>th</sup> Annual General Meeting of the Company to be held on Friday, 2nd September 2005 at 10.00 a.m.

**Item Nos. 3**

Mr. Rohit Chand was appointed as an Additional Director of the Company with effect from 23<sup>rd</sup> July 2005 by the Board of Directors at its meeting held on the same day. As per Section 260 of the Companies Act, 1956 an Additional Director holds office up to the date of the ensuing Annual General Meeting. The Company has received notice under Section 257 of the Companies Act, 1956 from a member signifying their intention to propose the appointment of Mr. Rohit Chand as a Director of the Company.

Mr. Rohit Chand, aged about 60 years, having professional qualification having done B.Tech from Indian Institute of Technology, New Delhi and MBA from Katz Graduate School of Business, University of Pittsburgh, USA. Mr. Rohit Chand has promoted two major Information Technology Companies after a very successful professional career with Computronics India.

Mr. Rohit Chand founded the IIS Group of Companies and has since promoted the IT&T Group of Companies. Both these Information Technology Groups have contributed significantly to the Information Technology Industry as well as to the Country and have pioneered several landmark initiatives.

Rohit has also partnered in the creation of the Infinity Venture Fund, which is India's first venture capital fund for the Information Technology Industry and has a committed corpus of Rs. 160 crores. His detail bio data has been given in the Corporate Governance Report. Your company will certainly have value addition by his appointment as a Director.

Your Directors recommend the resolution for your approval.

None of the directors are concerned or interested in the said resolution.

**Item Nos. 4 & 7**

The Company's Authorised Share Capital at present is Rs. 23,00,00,000/- (Rupees Twenty Three Crores Only) and the Issued, subscribed and paid-up capital is Rs. 18,64,00,000 consists of Rs. 10,44,00,000/- (Rupees Ten Crores Forty Four Lacs only) of equity shares and Rs. 8,20,00,000/- (Rupees Eight Crores Twenty Lacs only) of preference shares.

It is proposed to increase the authorised capital from Rs. 23,00,00,000/- (Rupees Twenty Three Crores Only) divided into 1,40,00,000 (One Crore Forty Lakhs Only) equity shares of Rs. 10/- (Rupees Ten Only) each and 5,00,000 (Five Lakhs only) Redeemable Cumulative Preference Shares

of Rs. 100/- (Rupees Hundred Only) each and 4,00,000 (Four Lakhs only) Cumulative Convertible Preference Shares of Rs. 100/- each (Rupees Hundred only) to Rs. 25,00,00,000/- and reclassified to and divided into 1,40,00,000 (One Crore Forty Lakhs Only) equity shares of Rs. 10/- (Rupees Ten Only) each and 5,00,000 (Five Lakhs only) Redeemable Cumulative Preference Shares of Rs. 100/- (Rupees Hundred Only) each and 4,00,000 (Four Lakhs only) Cumulative Convertible Preference Shares of Rs. 100/- each (Rupees Hundred only) and 2,00,000 (Two Lakhs only) Optionally Convertible Redeemable Preference Shares of Rs. 100/- each (Rupees Hundred only).

The Resolutions set out in item 6 and 7 of the notice are consequential for purpose of altering relevant clause / Articles in relation to the Authorised Share Capital of the Company.

Your Directors recommend these three resolutions as set out in the notice for adoption.

None of the Directors of the Company, except, Mr. Paresh J. Khandwala, are concerned or interested in the resolutions.

A copy of the Memorandum and Articles of Association of the Company together with the proposed changes is open for inspection by the Members at the Registered Office of the Company between 10.30 a.m. to 12.30 p.m. on any working day up to the day of the Annual General Meeting.

**In respect of Item No. 8**

The Members are informed that the present tenure of Shri Paresh J. Khandwala – Managing Director of the Company had expired on 31<sup>st</sup> December 2004 and accordingly, he has been re-appointed as Managing Director for the period of five years from 1<sup>st</sup> January 2005 to 31<sup>st</sup> December 2009 by the Board of Directors at its Meeting held on 24<sup>th</sup> January 2005 and payment of remuneration was approved by the Remuneration Committee at its Meeting held on the same day, pursuant and subject to provisions of Sections 198, 269, 309 and other applicable provisions of the Companies Act, 1956; and is subject to Special Resolution to be passed at the ensuing Annual General Meeting of the Company and the approval of the Central Government, as may be required.

Since, the Company was in default in repayment of the interest on Debentures payable thereon for a continuous period of 30 days in the preceding Financial Year 2004-2005, with Vicco Products (Bombay) Ltd., the Company has made an application to the Department of Company Affairs, Ministry of Finance, Government of India, New Delhi, on 18<sup>th</sup> March 2005 seeking its approval on the said appointment pursuant to Schedule XIII to the Companies Act, 1956.

Under the provisions of the Companies Act, 1956 the Government has allowed payment of managerial remuneration without any restrictions but subject to the Central Government Approvals, and the recent years have witnessed a substantial transformation of the remuneration package for experienced professionals and therefore in view of the increase in business & responsibilities of the Company it is

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proposed to fix the remuneration package payable to Shri Paresh Khandwala within the maximum limits.

The information on this appointment pursuant to Clause 49 of the Listing Agreement is given here and also in the Report on Corporate Governance annexed to the Directors' Report dated 11<sup>th</sup> June 2005 and the following information is given pursuant to Schedule XIII to the Companies Act, 1956:-

### I. GENERAL INFORMATION:

#### 1) Nature of Industry:

The Company is into Merchant Banking and all sorts of Financial Service providers viz. Equity Market Broking, Category I Merchant Banker, Debt Market, Investment Advisory Group, SEBI Registered Portfolio Management Service provider (PMS).

#### 2) Date of Incorporation of Company:

Your Company has been incorporated on 9<sup>th</sup> February 1993.

#### 3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:

Not Applicable

#### 4) Financial performance based on given indicators:

#### FINANCIAL HIGHLIGHTS (Rs. in millions)

PARTICULARS	Year ended 31 <sup>st</sup> March 05	Period ended 31 <sup>st</sup> March 04
Total Income	98.55	84.40
Gross Profit / (Loss) before Dep. & Interest	28.11	(101.94)
Less: Interest & Finance Charges	5.62	20.29
Profit / (Loss) before Tax	17.45	(134.31)
Provision for Tax	(3.04)	(1.96)
Profit / (Loss) after Tax	20.48	(135.17)
Balance c/f from earlier year	(90.60)	47.96
Balance c/f to Balance Sheet	(70.12)	(90.60)

\* Previous year was for the 18 months due to which P.Y. figures are not comparable with the period under review

#### 5) Export performance and net foreign exchange collaborations:

Nil

#### 6) Foreign investments or collaborations, if any:

Not Applicable

### II. INFORMATION ABOUT THE APPOINTEE

#### 1) Background details:

Shri Paresh J. Khandwala is a Promoter Director of your Company since incorporation in the year 1993. He is having more than 36 years of experience in the Financial Industry.

#### 2) Past remuneration:

Shri Paresh J. Khandwala was eligible for Rs. 18,00,000/- for the year. Application to Central Government has been made for his re-appointment.

#### 3) Recognition or awards:

Nil

#### 4) Job profile and his suitability:

Shri Paresh J. Khandwala is most suitable for this position as proven by his vast experience in the Financial Industry and the track record of the Company, to manage the Company as Managing Director under superintendence and control of the Board of Directors.

#### 5) Remuneration proposed:

Rs. 18,00,000/- p.a all inclusive and commission at 1% of the Net Profits of the Company calculated as per provisions of Section 349 & 350 of the Companies Act, 1956 payable on yearly basis subject to approval of accounts.

#### 6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person :

The proposed remuneration is in tune with the current remuneration packages of the similar industry, comparative size and effective Capital of the Company, qualification and experience of the appointee and highly competitive business scenario requiring recognition and reward of performance and achievement for retention of best talent and motivation towards meeting the objective of the Company.

#### 7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any:

Shri Paresh J. Khandwala is the Promoter Director of the Company.

### III. OTHER INFORMATION

#### 1) Reasons of loss or inadequate profits:

After a severe financial setback for the business, KSL had to undergo a huge downward scaling of our business. This was a factor, which had been further perpetuated by the pessimistic external environment during 2001-2002. However, due to the longer-term optimism we had envisage, we focused on maintaining the critical business infrastructure and to restructure our business operations to suit to exploiting the upcoming opportunities. The company has been steadily repaying all its debt obligations and has now become almost debt free, despite the severe cash flow constraints. The Company has posted Profit for the year ended 31st March 2005.

## KHANDWALA SECURITIES LIMITED

### 2) Steps taken or proposed to be taken for improvement:

Our goal is to rebuild our financial strength, branding and credibility to the levels we had witnessed in year 2000, through focus on our primary strength area of equity broking. Given the bouyant external environment, we are also seeking to benefit from Investment Banking and Investment Advisory related activities. On having taken necessary steps during the year, Company has converted it from loss making to Profit Making. For the year ended 31st March 2005, company has posted net Profit of Rs. 2.04 Crores compared to last year i.e. period ended 31st March, 2004 of Rs. 13.52 Crores loss.

### 3) Expected increase in productivity and profits in measurable terms:

Turnover of about Rs. 100 millions and Profit before Tax of about Rs. 5 Crores in the financial year 2005-2006.

## IV. DISCLOSURES

### 1) The shareholders of the Company shall be informed of the remuneration package of the managerial person:

The abstract of the terms and conditions including remuneration package for the appointment of Shri Paresh J. Khandwala, as the Managing Director is enclosed herewith notice and has been sent to shareholders well in advance.

### 2) The following disclosures shall be mentioned in the Board of Director's report under the heading 'Corporate Governance', if any, attached to the annual report:-

- (i) All elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc. of all the directors: Done
- (ii) Details of fixed component and performance linked incentive along with the performance criteria : Not Applicable
- (iii) Service contracts, notice period, severance fees:  
Service contracts : 5 years, Notice period : Nil, Severance fees: Nil
- (iv) Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable: None

The above disclosures have been made in the Report on Corporate Governance attached to the Directors' Report dated 11<sup>th</sup> June 2005.

Your directors recommend the resolution for your approval.

None of the directors except Mr. Paresh J. Khandwala are concerned or interested in the said resolution.

### In respect of Item No. 9

#### Revision in Remuneration of Mr. Pratik P. Khandwala

Mr. Pratik P. Khandwala was appointed as Manager – Investment Advisory Group w.e.f. 1<sup>st</sup> April 2003 for the period of five years at remuneration of Rs. 3 lacs p.a. During the period of his tenure he has performed in an appreciable manner. His department has flourished during his tenure of two years. Looking at his performance management of your company has increased his remuneration from present level of Rs. 3 lacs p.a. to Rs. 5 lacs p.a.. New remuneration package is inclusive of Provident Fund, Medical Allowance, Leave Travel Allowance and all other perquisites as offered by Company and as may be available to other employees occupying similar posts / grade in the Company.

Your directors recommend the resolution for your approval.

None of the directors except Mr. Paresh J. Khandwala are concerned or interested in the said resolution.

### In respect of Item No. 10

#### Revision in Remuneration of Mr. Pranav P. Khandwala

Mr. Pranav P. Khandwala was appointed as General Manager – PMS & Equity Group w.e.f. 1<sup>st</sup> April 2003 for the period of five years at remuneration of Rs. 3 lacs p.a. During the period of his tenure he has performed in appreciable manner. His devotion towards his work is significant. Under his leadership / supervision and control, your company has opened branch at JVPD, Juhu, Vile Parle, Mumbai, which has taken off well. His department has flourished during his tenure of two years. Looking at his performance management of your company has increased his remuneration from present level of Rs. 3 lacs p.a. to Rs. 5 lacs p.a.. New remuneration package is inclusive of Provident Fund, Medical Allowance, Leave Travel Allowance and all other perquisites as offered by Company and as may be available to other employees occupying similar posts / grade in the Company.

Your directors recommend the resolution for your approval.

None of the directors except Mr. Paresh J. Khandwala are concerned or interested in the said resolution.

### In respect of Item No. 11

The details of the proposed allotment as required under the guidelines issued by SEBI for Preferential Issues and SEBI (Substantial Acquisition of Shares and Takeovers) Regulations are as follows:

#### (i) Terms of the Offer / Issue:

Optionally Convertible Redeemable Preference Shares (OCRPs): (i) Number of Optionally Convertible Redeemable Preference Shares (OCRPs) offered – 1,40,000 (One Lac Forty Thousand Only); (ii) Face Value – Rs. 100/-.



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### (ii) Objects of the Issue/ Purpose of and reasons for Preferential Allotment:

The main object for issue of Optionally Convertible Redeemable Preference Shares is to partly redeem the existing Cumulative Redeemable Preference Shares (CRPS). The amount received will be adjusted / appropriated against the redemption of CRPS.

### (iii) Intention of proposed allottee's to subscribe to the offer:

The intention of the proposed allottee is to issue fresh fund to the Company to enable it to redeem partly the existing redeemable preference shares.

### (iv) Name of the Person(s) who intend to subscribe to the Offer:

Name of Subscriber	No. of OCRP @ Rs. 100/- per share	% of the post preferential issue equity capital after entire conversion*
Mr. Paresh J. Khandwala	30,000	1.17%
Mrs. Daxa P. Khandwala	50,000	5.14%
Mr. Pratik P. Khandwala	30,000	5.10%
Mr. Pranav. P. Khandwala	30,000	4.69%
<b>TOTAL</b>	<b>1,40,000</b>	<b>16.10%</b>

### (iv) Shareholding Pattern before and after the proposed Allotment:

The information on shareholding pattern before and after the proposed allotment is given below:

Sr. No.	Particulars	Existing (As on 30.06.2005)	% of the post preferential issue equity capital after entire conversion *
1	Promoters Holding	3,37,245 (3.23%)	4,19,212 (3.87%)
2	Persons acting in concert	42,94,588 (41.14%)	45,95,135 (42.46%)
3	Mutual Funds and UTI	Nil (0.00%)	Nil (0.00%)
4	Banks, FI, Insurance Cos. (Central / State Govt. Inst. / Non-Government. Institution)	1,94,342 (1.86%)	1,94,342 (1.80%)
5	Private Corporate Bodies	32,37,732 (31.01%)	32,37,732 (29.92%)
6	Indian Public	16,49,245 (15.80%)	16,49,245 (15.24%)
7	NRIs' / OCBs'	7,26,848 (6.96%)	7,26,848 (6.72%)
	<b>Total</b>	<b>1,04,40,000 (100.00%)</b>	<b>1,08,22,514* (100.00%)</b>

### (v) Proposed time-within which the Offer / Issue would be completed:

The said Preferential Issue is proposed to be completed / implemented within a period of three months from the date of the general meeting approving such an issue.

### (vi) Offer / Issue Price:

The Optionally Convertible Redeemable Preference Shares would be either redeemed or be converted into Equity Shares, at the option of the allottee's at a predetermined price of Rs. 36.60/- per equity share, is higher than Rs. 36.57/- per Equity Share, which is the price arrived at in terms of the guidelines issued by SEBI for Preferential Issues, dated April 4, 1994, and has been certified to be correct by the Statutory Auditors of the Company M/s. Udyen Jain & Associates in terms of the Preferential Issue Guidelines issued by SEBI.

### (vii) Percentage Shareholding of the allottee after conversion of OCRP into equity shares

As stated earlier it is proposed to allot up to 3,82,514 Optionally Convertible Redeemable Preference Shares, which would be converted into equity shares, at the option of allottee and board, in a single trench or in a different trenches within the period of 18 months from the date of allotment. The shareholding of allottee's after conversion of the same at the predetermined price of Rs. 36.60/- per share, which is arrived at as per the requirement of Preferential Issue Guidelines, into equity shares will constitute 3.53% of the enhanced share capital of the Company.

### (viii) No. and percentage of shares after conversion into equity shares

It is proposed to issue 1,40,000 7% Optionally Convertible Redeemable Preference Shares at the rate of Rs. 100/- per share which will be converted into 3,82,514 equity shares at the predetermined price of Rs. 36.60/- per shares. In case of conversion, it will take place either in a single trench or in different trenches. Post conversion holding of allottee would be 3.53% shares in the Company.

### (ix) Conversion period

Cumulative Convertible Preference Shares will be converted into equity shares within the period of 18 months from the date of allotment.

### (x) Board of Directors/Control/Management:

On allotment of Equity Shares as stated hereinabove, there will be no change in the constitution of the Board of Directors and / or control and / or management of the Company and the voting rights will change in tandem with the shareholding pattern as stated hereinabove.

The certificate from Statutory Auditors of the Company M/s. Udyen Jain & Associates certifying that issue of fresh equity shares on the abovementioned terms is in

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accordance with the guidelines issued by SEBI for Preferential Issues, is kept open for inspection at the registered office of the Company between 10.30 a.m. to 12.30 p.m. on any working day excluding Saturday, Sunday and Public Holidays up to 31<sup>st</sup> August 2005.

Pursuant to Section 81 of the Companies Act 1956, whenever a Company increases its subscribed capital, it has to first offer the proposed securities to the existing shareholders / members otherwise a special resolution to that effect is passed in the General Meeting of the Company.

The consent of the Members is therefore sought to authorize the Board of Directors of the Company to offer, issue and allot these equity shares in the manner set out in the Special Resolution.

No Directors are interested / concerned in the resolution.

Your Directors recommend the Special Resolution set out in the Notice of this meeting for approval of the Members.

**In respect of Item No. 12**

The present overall borrowing limit of the Company is Rs. 80 crores under section 293(1)(d) of the Companies Act, 1956 as granted to the Board of Directors by the Company in the Extra Ordinary General Meeting held on 26<sup>th</sup> February 2000.

Sanction of the shareholders are sought to permit the Board to borrow moneys in excess of the Company's capital and free reserves up to Rs. 150 crores. This is permissible under section 293(1)(d) of the Companies Act, 1956 if the shareholders approve the same. Considering the present level of operations and projected level of business, there may be higher requirement of funds necessitating revision of overall borrowing limit.

Your Directors commend this resolution for adoption.

None of the Directors of the Company is concerned or interested in the resolution.

