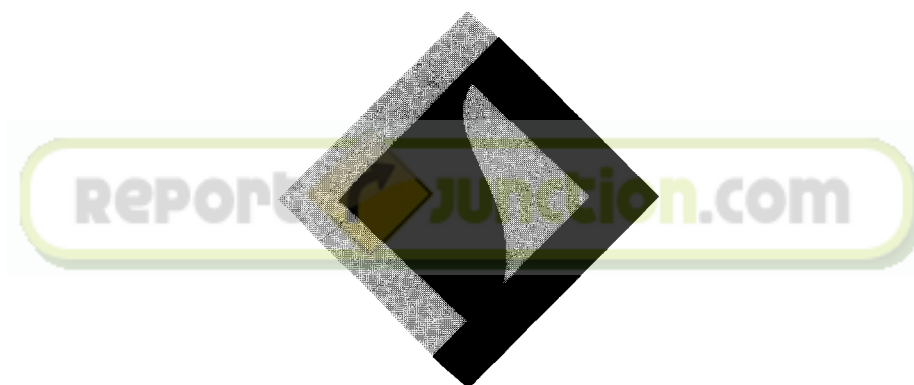


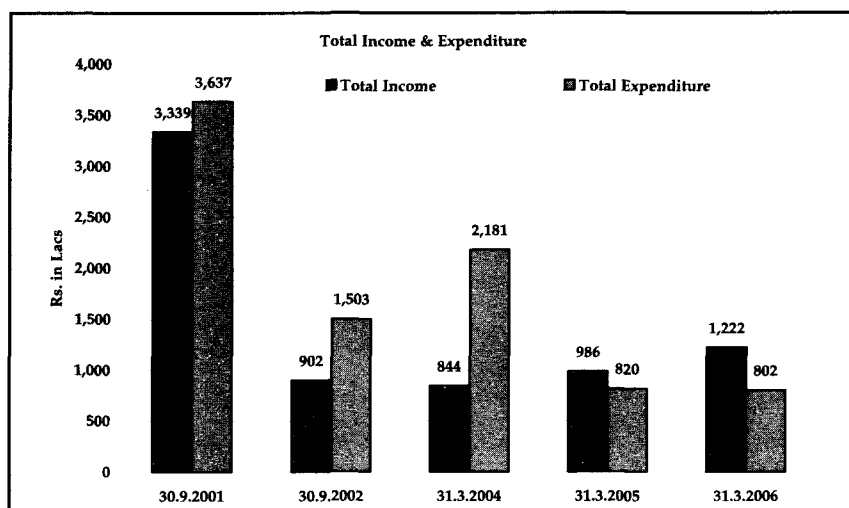
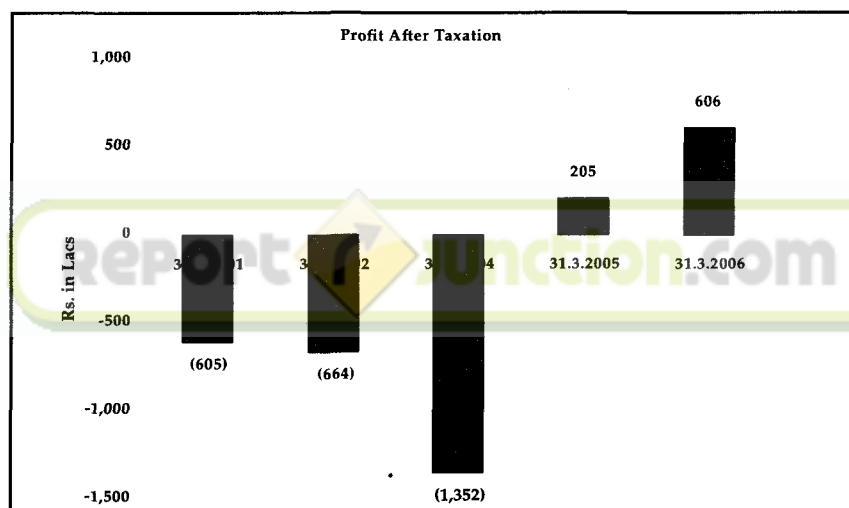
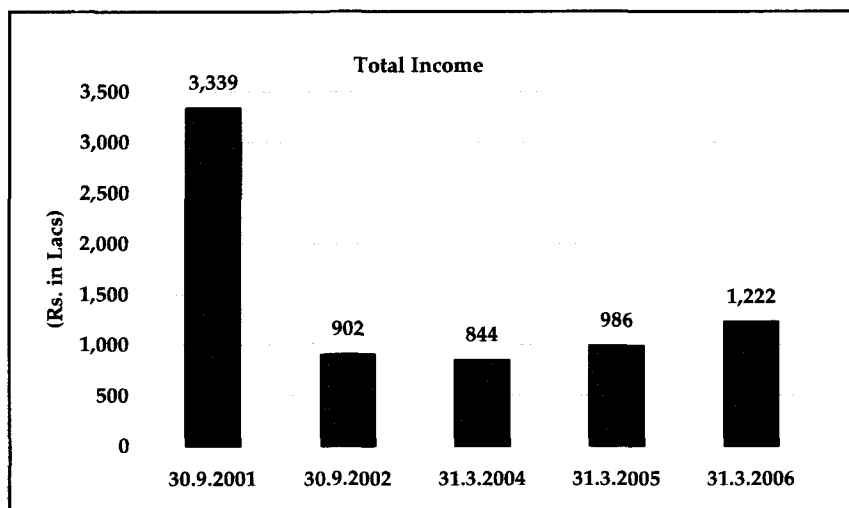
**THIRTEENTH
ANNUAL REPORT
2005-06**



**KHANDWALA
SECURITIES
LIMITED**

OUR MANTRA

*TO PROVIDE UNIQUE SOLUTIONS TO MEET CLIENT
SPECIFIC NEEDS, GIVEN TIME AND RESOURCE
PARAMETERS*

THIRTEENTH ANNUAL REPORT 2006

KHANDWALA SECURITIES LIMITED

KHANDWALA SECURITIES LIMITED

THIRTEENTH ANNUAL REPORT

BOARD OF DIRECTORS

Shri Sreedhar Parande (*Chairman*)

Shri Paresh J. Khandwala (*Managing Director & CEO*)

Shri Prakash Shah

Shri Rohit Chand

Shri Kalpen Shukla (*w.e.f. 28th October 2005*)

Shri Ajay Narasimhan (*w.e.f. 28th October 2005*)

Shri Suresh Mehta (*Resigned w.e.f. 2nd September 2005*)

COMPANY SECRETARY

Shri 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.

CONTENTS

Notice	5
Directors Report	7
Management Discussion & Analysis	12
Corporate Governance	17
Auditors Report	25
Financial Statement	28

THIRTEENTH ANNUAL REPORT 2006**NOTICE**

Notice is hereby given that the Thirteenth Annual General Meeting of the Members of Khandwala Securities Limited will be held at Cooch Behar Room, Cricket Club of India (CCI), Brabourne Stadium, Churchgate, Mumbai 400 020 on 26th August 2006 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2006 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 Shri S M Parande who retires by rotation and being eligible, offers himself for re-appointment.
3. To re-appoint Auditors M/s. Udyen 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 SHRI KALPEN SHUKLA 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** Shri Kalpen Shukla, who was appointed by the Board of Directors at the Board Meeting held on 28th October 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. APPOINTMENT OF SHRI AJAY NARASIMHAN 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** Shri Ajay Narasimhan, who was appointed by the Board of Directors at the Board Meeting held on 28th October 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."

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. 4 & 5 of the Notice is annexed hereto.
4. The Register of Members and the Share Transfer Books of the Company will remain close from Wednesday, 23rd August 2006 to Thursday, 29th August 2006 (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. Pursuant to the provisions of Section 205A(5) and 205C of the Companies Act, 1956 dividends for the financial year ended March 31, 1999 and thereafter, which remain unpaid/unclaimed for a period of 7 years will be transferred by the Company to IEPF. Members who have not so far encashed dividend warrant(s) for the aforesaid years are requested to seek issue of duplicate warrant(s) by writing to the Company's Registrars and Transfer Agents, M/s. Karvy Computershare Private Limited, immediately. Members are requested to note that no claims shall lie against the Company or IEPF in respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.
9. Brief profile of additional director seeking appointment, is enclosed in the Explanatory Statement.
10. 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,**

**S M Parande
Chairman**

Registered Office:
Ground Floor, Vikas Building,
Green Street, Fort,
Mumbai 400 023
Dates: 28th June 2006
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. 4 and 5 of the accompanying Notice of the 13th Annual General Meeting of the Company to be held on Saturday, 26th August 2006 at 10.00 a.m.

Item Nos. 4**Appointment of Shri Kalpen Shukla as Director of the Company**

Shri Kalpen Shukla was appointed as an Additional Director of the Company with effect from 28th October 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 in writing under Section 257 of the Companies Act, 1956 from a member along with deposit of Rs.500/- signifying their intention to propose the appointment of Shri Kalpen Shukla as a Director of the Company.

Shri Shukla is having a wide range of qualifications from well-known institutes across India. He is Chemical Engineer (B.Tech.) from Indian Institute of Technology, New Delhi (1984) and PGDM from Indian Institute of Management, Ahmedabad (1986) -two of the most prestigious and globally acclaimed academic institutions.

Detailed Bio-data of Shri Kalpen Shukla is appearing in the Report on Corporate Governance in this notice.

Shri Kalpen Shukla doesn't hold any shares in Khandwala Securities Limited as on date of Notice.

Shri Kalpen Shukla is member of Audit Committee and Chairman of Compensation Committee of Khandwala Securities Limited. He does not hold any position on Board of Committee Memberships or Committee Chairmanships or Directorship in any other Company as on date of Notice.

Your Directors recommend the resolution for your approval.

None of the directors are concerned or interested in the said resolution except Shri Kalpen Shukla.

Item Nos. 5**Appointment of Shri Ajay Narasimhan as Director of the Company**

Shri Ajay Narasimhan was appointed as an Additional Director of the Company with effect from 28th October 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 in writing under Section 257 of the Companies Act, 1956 from a member along with deposit of Rs.500/- signifying their intention to propose the appointment of Shri Ajay Narasimhan as a Director of the Company.

Shri Ajay Narasimhan, aged about 36 years, having professional qualification having done MFC, D S M & Bachelors in Science. Shri Ajay Narasimhan is a senior level executive, with over a decade long experience in successfully identifying, creating and managing strategic business initiatives, resulting in enhanced business opportunities and value creation. Have sound understanding of the global business trends in the international securities industry (FSI) space, especially with respect to application of mission-critical technologies. Have held Management and Executive positions with independent charge and worked in various capacities with leading securities-industry technology specialist firm and stock exchange.

Shri Ajay Narasimhan doesn't hold any equity shares in Khandwala Securities Limited and he is member of Compensation Committee and Corporate Governance Committee as on date of Notice.

Shri Ajay Narasimhan is Director on Board of M/s. STP Domain Technologies Pvt. Ltd. and doesn't hold any Committee Memberships or Committee Chairmanships in any other Company as on date of Notice.

Your Directors recommend the resolution for your approval.

None of the directors are concerned or interested in the said resolution except Shri Ajay Narasimhan.

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

**S M Parande
Chairman**

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

Dates: 28th June 2006

Place: Mumbai

THIRTEENTH ANNUAL REPORT 2006

Come; let's join hands for a new experience

DIRECTORS' REPORT

The Members,
Khandwala Securities Ltd.

Dear Shareholder,
Your directors have pleasure in presenting herewith the Thirteenth Annual Report along with Audited Statement of Accounts for the year ended 31st March 2006.

FINANCIAL HIGHLIGHT

	(Rs. in Lakhs)	
	Year ended 31st March 2006	Year ended 31st March 2005
Total Income	1221.89	985.56
Interest & other Financial Charges	55.10	56.22
Depreciation	52.35	50.43
(Loss) / Profit before Tax	411.48	174.49
Provision for Tax (including Deferred Tax & Fringe Benefit)	(194.32)	(30.33)
(Loss) / Profit after Tax	605.81	204.82
Appropriations		
Transfer to P & L from DRR	100.00	-
(Deficit) / Surplus carried forward	4.58	(701.22)
Reserves and Surplus	380.29	475.70

DIVIDEND

Your Directors doesn't recommended a dividend for the financial year under review due to augment and conservation of resources.

LISTING

The Company's equity shares continue to be listed on The Bombay Stock Exchange Limited, The National Stock Exchange of India Ltd and The Madras Stock Exchange. The applicable listing fee has been duly paid to all relevant Stock Exchanges.

CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance together with a certificate from the Company's Auditors confirming compliance is provided in the Annexure forming part of this report.

DIRECTORS

During the year Mr. S. K. Mehta resigned from the Directorship w.e.f. 2nd September 2005 due to his ill health. Mr. Kalpen Shukla and Mr. Ajay Narasimhan were appointed as Additional Directors on 28th October 2005 and being Additional Director,

they hold office upto the date of ensuing Annual General Meeting and their appointments are proposed at 13th AGM for members' approval.

Mr. S M Parande a Non-Executive Independent Director. He is retiring by rotation in this meeting and being eligible offers himself for reappointment. He was also appointed as chairman w.e.f 17th June 2005. Resolutions to give effect of Appointment of Mr. Kalpen Shukla and Mr. Ajay Narasimhan and Re-appointment of Mr. S M Parande are given in detail in the notice enclosed with this report.

Your permission was obtained in the Extra Ordinary General Meeting held on 25th May 2006 for the increase in remuneration of Mr. Paresh J. Khandwala, Managing Director of the Company from Rs. 18/- lacs p.a. to Rs. 25/- Lacs p.a.. Your company has made an application to Central Government for their approval along with members' resolution, for which their sanction is awaited.

OPTIONALLY REDEEMABLE CONVERTIBLE PREFERENCE SHARES

The member's permission was obtained in the twelfth AGM held on 2nd September 2005 for the issuance of Optionally Redeemable Convertible Preference Shares. However, the allotment to the said Special Resolution was lapsed due to non receipt of purchase consideration. Hence, special resolution was lapsed without allotment.

SECRETARIAL AUDIT REPORT

Your Company voluntarily appointed M/s. Savita Jyoti, Practicing Company Secretary, to conduct Secretarial Audit of the Company for the financial year ended March 31, 2006. The Secretarial Audit Report confirms that the Company has complied with all the applicable provisions of the Listing Agreement, The Companies Act, 1956, Depositories Act, 1996.

SETTLEMENT OF LEGAL DISPUTE

The Board would like to inform you that the Company has arrived at One Time Settlement with the management of M/s. Kumar Housing Corporation Limited (erstwhile M/s. Sukumar Estates Limited), against whom your Company had initiated legal case in past.

PREFERENTIAL ALLOTMENT

Your Company had proposed to issue and allot Equity Shares to investor. Management of the Company had called the EGM on 25th May 2006 to approve Special Resolution for issue of 9,43,000 Equity Shares to M/s. Sarthak Consultants Pvt. Ltd. on preferential basis. The said resolution was duly approved by members. Your Company is in a process of obtaining in-principal approval from Stock Exchange.

KHANDWALA SECURITIES LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion And Analysis is attached to Directors Report.

INDIAN CAPITAL MARKETS SCENARIO

Primary Markets

Riding on the stock market boom, companies have raised Rs 23,616.38 crore through follow-on issues and initial public offerings in the concluded fiscal 2005-06, the biggest amount ever from the primary market during a fiscal, beating the previous financial year's Rs 21,431.56 crore. A significant feature of last fiscal's primary market for public issues was the dominance of follow-on issues. According to Prime Database, which tracks India's primary market, 26 listed companies have raised Rs 12,861.30 crore through follow-on issues during 2005-06, the second biggest amount through this route in a fiscal after 2003-04's Rs 14,629.92 crore. This is about 90 per cent higher than the previous fiscal's Rs 6,769.24 crore. However, the total money raised by companies through the initial public offerings declined by 26.64 per cent in 2005-06 at Rs 10,755.08 crore, compared to Rs 14,662.32 crore in 2004-05, the Prime Database data showed.

I. The Real Economy

The Indian economy exhibited strong performance during 2005-06, led by sustained growth in the industry and the services sectors. According to the advance estimates of the Central Statistical Organization (CSO), the real GDP growth accelerated from 7.5 per cent in 2004-05 to 8.1 percent in 2005-06.

Industrial production registered strong growth during April-February 2005-06 on the back of broad-based manufacturing activity. The manufacturing sector recorded growth of 9.0 per cent in 2005-06 (April-February) on top of 8.9 per cent growth a year ago. On the whole, industrial production recorded growth of 8.0 per cent as compared with 8.2 per cent in the corresponding period of the preceding year.

Growth in the services sector accelerated to 9.9 per cent during April-December 2005 from 9.7 per cent during April-December 2004, benefiting from robust growth in the major sub-sectors viz., 'trade, hotels, transport and communication', 'financing, insurance, real estate and business services' and 'construction'.

The buoyancy in manufacturing and services sector activities and the positive business confidence and expectations suggest that the recent growth momentum in the Indian economy is likely to be maintained in 2006-07, as has also been projected by different agencies.

II. Fiscal Situation

The revised estimates for 2005-06 placed the key deficit indicators of the Central Government lower than the

budgeted levels. This was enabled mainly by compression undertaken in non-Plan expenditures in respect of interest payments, subsidies, grants to the States and defense expenditure.

As per Reserve Bank records, during 2005-06, gross and net market borrowings (excluding issuances under the Market Stabilisation Scheme) of the Centre amounted to 97.3 per cent and 94.3 per cent of the budget estimates as compared with 70.6 per cent and 51.0 per cent, respectively, a year ago.

During 2005-06, the States raised Rs.21,729 crore, i.e. 84 per cent of their gross allocation. The weekly average utilisation of WMA and overdraft by the States during 2005-06 was significantly lower than that during the previous year.

The Union Budget 2006-07 committed to resume the path of fiscal consolidation under the FRBM so as to eliminate the revenue deficit by 2008-09. The key deficit indicators, viz. gross fiscal deficit, revenue deficit and primary deficit, as per cent of GDP, are budgeted to be lower in 2006-07 than the previous year's level.

III. Monetary and Liquidity Conditions

Monetary and liquidity conditions remained largely comfortable during 2005-06 although there was some tightness in liquidity conditions during the last four months of 2005-06 reflecting partly the impact of the redemption of India Millennium Deposits (IMDs). The Reserve Bank injected liquidity through unwinding of the Market Stabilisation Scheme (MSS) and repo operations under the liquidity adjustment facility (LAF) along with some private placement of the Central Government securities. As a result, the banking system was able to meet the sustained pick-up in credit demand from the commercial sector.

In the face of the rising demand for commercial credit, banks restricted their incremental investments in Government paper. Strong growth in deposits as well as access to non-deposit sources also enabled the banking system to meet the enhanced demand for commercial credit. Scheduled commercial banks' non-food credit, on a year-on-year basis, registered a growth of 30.8 per cent as on March 31, 2006 on top of 28.8 per cent a year ago.

Money supply (M3) expanded by 16.2 per cent on a year-on-year basis as on March 31, 2006 as compared with 13.9 per cent a year ago. On a fiscal year basis, M3 expanded by 20.4 per cent during 2005-06 as compared with 12.1 per cent a year ago. In this context, it may be noted that data on fiscal year variation for 2005-06 are not comparable with those of the previous years as the data for 2005-06 include 27 fortnights while usually the data for a year include 26 fortnights. Moreover, the last reporting Friday of 2005-06 coincided with March 31, the closing day for banks' accounts, thereby giving rise to the phenomenon of year-end bulge in aggregate deposits and credit. Reserve money expanded by 16.9 per cent on a year-on-year basis as on April 7, 2006 as compared with 15.1 per cent a year ago.

THIRTEENTH ANNUAL REPORT 2006**IV. Price Situation**

Headline inflation firmed up in a number of economies during 2005-06 on account of international crude oil prices reaching a record high and remaining at elevated levels. Accordingly, many central banks tightened monetary policy during 2005-06 in order to contain inflation and inflationary expectations, especially in view of the fact that a significant part of the increase in international crude oil prices is increasingly viewed as somewhat permanent.

In India, headline inflation and inflation expectations remained well-contained during 2005-06, despite continued dominance of supply-side factors. Fiscal and monetary measures undertaken since mid-2004 to reduce the impact of imported price pressures on domestic inflation and to stabilise inflationary expectations were successful in containing inflation towards the desired trajectory during 2005-06.

In India, year-on-year wholesale price inflation was 3.5 per cent on April 1, 2006 as compared with 5.7 per cent a year ago.

VI. The External Economy

During 2005-06, India's exports continued to maintain the momentum of high growth for the fourth year in succession, registering strong growth of 24.7 per cent on top of 26.4 per cent growth a year ago. Imports of petroleum, oil and lubricants (POL) increased by 46.8 per cent during 2005-06, reflecting the impact of sharp increase in international crude oil prices. Non-oil imports posted a growth of 25.6 per cent during 2005-06 as compared with 33.3 per cent a year ago. The trade deficit, based on DGCI&S data, increased by 52.7 per cent over the previous year to US \$ 39.6 billion during 2005-06. Balance of payments (BoP) data available for April-December 2005 show that the current account deficit widened in line with the growth in investment demand in the economy. The balance of payments position, nonetheless, remained comfortable during 2005-06 as capital flows continued to remain large. India's total external debt declined by US \$ 4.0 billion (3.3 per cent) during April-December 2005 to US \$ 119.2 billion at end-December 2005, primarily reflecting the redemption of the India Millennium Deposits (IMDs). India's foreign exchange reserves were US \$ 154.2 billion as on April 7, 2006; at this level, they were US \$ 12.8 billion higher over a year ago level, despite an outgo of US \$ 7.1 billion on account of redemption of IMDs in December 2005.

YOUR COMPANY'S PERFORMANCE**Secondary Equity Market Operations**

During the year under review, your company performed in line with the market performance. Company successfully managed to bring in reputed institutional clients. The company

improved its cash flow situation during the year. With the equity stock indices ruling at unprecedented levels, there was a spate of IPO's in the previous year. Due to favourable market conditions, promoters took the opportunity to raise capital and fund their expansion plans. This was backed by strong economic fundamentals—the real GDP growth accelerated from 7.5% in 2004-05 to an estimated 8.1% in 2005-06. Service Industry grown multifold during the year 2005-06. This in turned increased the secondary equity market operation of your company and accelerated in increasing Brokerage Income. By the end of this fiscal we see that there was a positive flow emerging in the cash flows of the entire business, leaving sufficient room for us to increase business. Our equity broking group did a volume of Rs. 16.08 bn in the traditional cash markets and Rs 50.34 bn in the Futures and Options markets.

We have now addressed the business challenge facing the company comprehensively in 2001 and are set to move in a powerful growth mode in the coming few years. We appreciate the long-standing commitment expressed by our customers and are now the essence for which we will continue to grow. Our business focus continued to remain hybrid in nature with our clients spread across selected institutions, corporate and high network individuals.

Merchant Banking

During the year Investment Banking Group of your company executed three public issues worth Rs. 74.56 crores acting as Sole Lead Manager and two Acquisition assignments. During the Public Issues, your company received over whelming response from the public / investors. Besides acting as Lead Managers/Book Running Lead Managers to the Initial Public Offerings (IPOs), we have been able to provide unique solutions to meet client specific needs spread across the gamut of Mergers & Acquisitions, Private Placements and Corporate Advisory. The vibrant equity markets coupled with our business intelligence and expertise enabled us to further strengthen our relationship with existing clients as well as add new ones.

Your company has achieved niche in executing assignment related to Public Issue / Corporate Advisory Services / Capital Restructuring / Acquisition under Take over Code of SEBI etc. The total revenue generated stood at Rs. 2.06 crores during the year under review up 58% as compared to Rs. 0.30 crores in previous year. Your Company is focusing on activities like Mergers & Acquisition, Private Placement, Corporate Advisory services etc. to move up the value chain.

With the booming secondary market, the number of companies that hit the market to raise funds has increased significantly. We are currently handling five potential public issues and two acquisition assignments, whose delivery would bring your Company back into the race amongst the leading Investment Banking and Merchant banking entity in Indian markets.

KHANDWALA SECURITIES LIMITED

Your Company believes in the right kind of talent mix and is highly result oriented, seeks to improvise and augment value to Khandwala Securities Limited. Our strategy for the year is to take up quality assignments that add value to the Company.

With the equity stock indices ruling at unprecedented levels, there was a spate of IPO's in the previous year. The buoyancy in manufacturing and services sector activities and the positive business confidence and expectations suggest that the recent growth momentum in the Indian economy is likely to be maintained in 2006-07, as has been projected by different agencies. India's exports continued to maintain the momentum of high growth for the fourth year in succession, registering strong growth of 24.7 per cent on top of 26.4 per cent growth a year ago.

Investment Advisory Group (IAG)

The basic role of Investment Advisory Group is to guide unaware investors in designing their portfolio. Not only this group guide on the fundamental investing approaches but also the whole range of investment strategies used in asset selection. However, following are the key fundamentals followed by IAG while starting any Portfolio:

- ❑ An optimal asset allocation plan is complete one where you invest the proportions of each asset class in assets that suit your investor profile.
- ❑ As a basic strategy, the right investment in any asset is a balance of three things: liquidity, safety and return.

Technical analysts rely on charts and indicators whereas fundamental analysts rely on publicly available information to arrive at their choices. Even among fundamental analysts, there are wide differences. Some use intrinsic valuation models that rely on basic financial information to find under and over-valued assets. Others use relative valuation models that rely on multiples or comparables to arrive at the same decision. Still others rely on more qualitative criteria like management quality, brand equity, etc. Whatever be the strategy, one thing is certain - they actively seek such assets that will help them outperform.

Most investors would look for the same objective, but find themselves lacking the necessary knowledge, skills and most importantly, time, that is where the expert advice is required from Investment Advisor. Dozens of active strategies seem to beat the market on paper, but investors using them do not seem to earn the same excess returns. This variance may be partially attributed to failure in adopting the strategies in a disciplined manner, but, more likely, it reflects the difficulties and costs associated with putting the strategies into practice. Portfolio execution plays a very important role in the success of your investment strategy and here's where a professional investment advisor like Khandwala Securities Limited, with its rich expertise comes into play. It not only helps you determine an appropriate strategy in the first place, but also helps in actively picking assets and effectively executing the same to make you earn that extra return.

IAG has played an important role in increasing its client base and outperformed during the year. Income generated by IAG department is as under:

Particulars	Revenue Generated (Rs. in lacs)
Equity Related business	30.00
Mutual Fund	00.43
Insurance	00.91

Debt Market group

Given the potential of arising interest rate scenario, we have already began the process of pruning down the business activity in this segment during 2004-05 and the same has been continued in the current fiscal year. The group has been reduced to meet up to client specific request and select market opportunity exploitation. The daily average volume in the wholesale debt market was down to Rs. 1754.70 Cr (2005-06) from Rs. 3028.31 Cr (2004-05). Volume of the company during the year 2005-06 was Rs. 10292.38 crores.

Outlook on liquidity is positive but there are still some concerns. They are raising global interest rate scenario, high level of crude oil prices resulting in inflationary pressure and incremental credit growth out spacing deposit growth. RBI will continue to keep the monetary conditions consistent with the interest rate regime and a further increase of 50bps in interest rate is likely by the end of March 2007.

EMPLOYEES

The Company is consciously aware that its well being largely depends upon the quality and strength of human resource at the Company. The Company endeavours to attract and retain talent. The Company ensures that its operations are adequately staffed. The Company's human resource policies are designed and implemented to achieve these objectives.

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.

AUDITORS

M/s. Udyen Jain & Associates, Chartered Accountants, retires on the conclusion of this Annual General Meeting has requested to consider their re-appointment at the ensuing AGM of the Company. A certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the prescribed limits under section 224 (1B) of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES

The Company does not have any employee drawing remuneration as per monetary ceilings prescribed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 however remuneration of Shri Pares J. Khandwala is given as detail below: