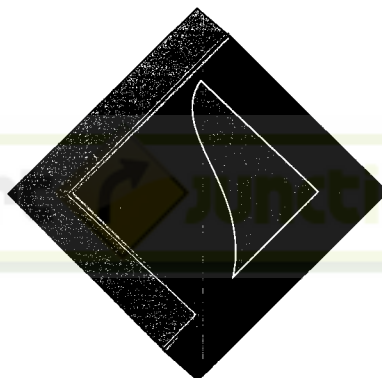


**FOURTEENTH  
ANNUAL REPORT  
2006-07**



**KHANDWALA  
SECURITIES  
LIMITED**

## *OUR MANTRA*

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

**FOURTEENTH ANNUAL REPORT 2007**

# KHANDWALA SECURITIES LIMITED

## FOURTEENTH ANNUAL REPORT

**BOARD OF DIRECTORS**Shri Shreedhar Parande (*Chairman*)Shri Paresh J. Khandwala (*Managing Director & CEO*)Shri Prakash Shah (*Resigned w.e.f 27<sup>th</sup> April 2007*)

Shri Rohit Chand

Shri Kalpen Shukla

Shri Ajay Narasimhan

**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, 5<sup>th</sup> 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**

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## KHANDWALA SECURITIES LIMITED

### NOTICE

Notice is hereby given that the Fourteenth 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 Saturday, 1<sup>st</sup> September 2007 at 12.00 p.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 2007 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 Rohit Chand 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. DELISTING OF SECURITIES FROM MADRAS STOCK EXCHANGE

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

**"RESOLVED THAT** subject to the provisions of the applicable laws, guidelines, rules and regulations including those framed under Companies Act, 1956, SEBI (Delisting of Securities) Guidelines, 2003 and other Governmental agencies or Departments and the rules framed there under in this regard and subject to such other approvals permissions and sanctions as may be required from the Stock Exchanges with which the securities of the company are listed and / or any other relevant authorities and subject to any conditions or modifications as may be imposed while granting such approvals, permissions and sanctions, consent of the company be and is hereby accorded for the voluntary delisting of equity shares of the Company from Madras Stock Exchange Limited where the company's shares are listed.

**RESOLVED FURTHER THAT** the Board of Directors (whether acting through Board or a committee of the Board or any Director or any person authorized by the Board) be and is hereby authorized to do and perform all such other acts, deeds, matters and things as it may in its absolute discretion deem necessary desirable or appropriate without giving an exit option to the shareholders of the regions where the aforesaid stock exchanges are situated and execute all such applications, deeds, agreements, documents and writings as it may consider necessary, usual, requisite or proper for giving effect to this resolution."

##### 5. REMUNERATION TO NON EXECUTIVE DIRECTORS

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 198, 309, 349, 350 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of shareholders, Central Government and in confirmation with Listing Agreement or any other authorities as may be necessary, the Company do hereby approves the payment of remuneration to Non-executive Directors of the Company, not exceeding Rs. 49,000 (Rupees Forty Nine Thousand only) per month per Non-Executive Director, with effect from 01<sup>st</sup> September 2007 for the respective financial year for the period of five years.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorized to alter, vary and modify the terms and period of payment in such manner as may be agreed to and between the Management of the Company and Board members, subject to and in confirmation with any amendments and / or statutory modifications as may be stipulated by the Central Government from time to time.

**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."

#### 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, 29<sup>th</sup> August 2007 to Wednesday, 5<sup>th</sup> September 2007 (both days inclusive) for the purpose of Annual General Meeting.
5. Pursuant to the provisions of Section 205A and 205C of the Companies Act, 1956, there is no dividend or interest which remains unpaid / unclaimed for a period of 7 years which should be transferred by the Company to IEPF. 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.
6. Members are informed that in the case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
7. Corporate Members are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the AGM.

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8. Members are requested to bring their copy of the Annual Report, as copies of the Report will not be distributed again at the Meeting.
9. Members are requested to bring their attendance slip, duly signed, so as to avoid any inconvenience.
10. 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.
11. Members holding shares in physical form are requested to notify, immediately, any change in their address or bank details to the Company. Shareholders are requested to quote ledger folio / beneficiary numbers in all their correspondence. Members holding shares in electronic

form should update such details with their respective Depository Participants.

**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: 23<sup>rd</sup> July 2007

Place: Mumbai

**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 14<sup>th</sup> Annual General Meeting of the Company to be held on Saturday, 1<sup>st</sup> September 2007 at 12.00 p.m.

**Item Nos. 4**

**Delisting of Securities from Madras Stock Exchange**

The equity shares of your company are presently listed on three stock exchanges viz. The National Stock Exchange Limited (NSE), The Bombay Stock Exchange Limited (BSE) and The Madras Stock Exchange Limited (MSE)

No trades are taking place at Madras Stock Exchange as of now. As per SEBI (Delisting of Securities) Guidelines, 2003 company's securities can be delisted from the stock exchanges including the Regional stock exchange if the shares of the company continue to be listed on either Bombay Stock Exchange Limited or National Stock Exchange Limited. With a view to control the expenditure and conserve resources for the operations of the company it is proposed to delist the equity shares of the company from the Madras Stock Exchange Limited. Delisting on these stock exchanges will help in reducing the cost by way of listing fees and other incidental costs and the benefits accruing to the investors by keeping the equity shares listed on these Stock exchanges do not commensurate with the cost incurred by the company for the continued listing on these Stock Exchanges.

The shareholders in the region of the Madras Stock Exchange Limited will not suffer due to delisting since with the introduction of screen based nationwide trading terminals on the BSE and NSE, trading in shares can be easily done across the country.

Moreover the company's shares are one of the scrip's, which the SEBI has specified for settlements only in demat form by all investors. As per the applicable, SEBI Guidelines, no exit option is required to be given to the shareholders of the regions where the aforesaid stock exchanges are situated as the Company's shares are listed on The Bombay Stock Exchange Limited and The National Stock Exchange Limited.

Your Directors commend the Resolution in this item of the Notice for your acceptance. The Directors holding shares of the company may be concerned with the resolution.

**Item Nos. 5**

**Remuneration to Non-Executive Directors**

The Board of Directors at KSL represents experience in

various facets of business and industry. The present strength of board is a mixture of qualifications and experience viz. specialists in the areas of accounting and finance, technology relevant to the company, corporate management, marketing and industry knowledge etc. In order to remunerate the Non Executive Directors of the Company for increased responsibilities entrusted upon them under the law, the current trends and to commensurate with the time devoted and the contribution made by them, on recommendation made by the Compensation Committee and the Board of Directors of the Company, at their meeting held on 23<sup>rd</sup> July 2007 has approved, subject to such statutory approvals as may be necessary, remuneration to be paid to the Non-Executive Directors of the Company, w.e.f. from 1<sup>st</sup> September 2007, a sum not exceeding Rs.49,000/- per month per Non-Executive Director of the Company and as may be decided by the Board from time to time for a period of five years, calculated in accordance with the provisions of Section 198, 309, 349 and 350 of the Companies Act, 1956, and subject to approval from shareholders and Central Government, in addition to the sitting fees for attending the Meetings of the Board of Directors or any Committee thereof. At present they receive only Rs. 5000 as sitting fees for attending each Board Meeting.

Clause 49 of Listing Agreement and Section 309(4) of the Companies Act, 1956 also requires a Special Resolution to be passed by the Members of the Company in General Meeting for payment of remuneration by way of commission to Non-Executive Directors of the Company.

All Non-Executive Directors of the Company are concerned or interested in the Resolution to the extent of the remuneration that may be received by them and their respective shareholding, if any.

The Board of Directors recommends the resolution for the approval of the members. The Non-Executive Directors are deemed to be interested in the said resolution.

**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: 23<sup>rd</sup> July 2007

Place: Mumbai

**KHANDWALA SECURITIES LIMITED**

*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 Fourteenth Annual Report along with Audited Statement of Accounts for the year ended 31<sup>st</sup> March 2007.

**FINANCIAL HIGHLIGHT**

	(Rs. in Lakhs)	
	Year ended 31 <sup>st</sup> March 2007	Year ended 31 <sup>st</sup> March 2006
Total Income	1119.66	1221.89
Interest & other Financial Charges	65.87	55.10
Depreciation	46.49	52.35
(Loss) / Profit before Tax	311.72	411.48
Provision for Tax (including Deferred Tax & Fringe Benefit)		
(Loss) / Profit after Tax*	265.52	605.81
<b>Appropriations</b>		
Dividend on Preference Shares	115.04	-
Provision for Corporate Tax on Dividend	15.48	-
Transfer to General Reserve	-	-
Transfer to P & L from DRR	-	100
(Deficit) / Surplus carried forward	139.58	4.58
Reserves and Surplus	751.03	380.29

\* Profit after tax is reduced on y-o-y basis, reason there is no extra ordinary item during the current year as compare to previous year.

**DIVIDEND**

Your Directors do not recommend Equity Dividend for the financial year under review to conserve the resources for consolidation of businesses. The dividend on Preference Shares shown under appropriation is for the earlier years, now appropriated.

**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.

**REVIEW OF OPERATIONS****Secondary Equity Market Operations****Institutional Desk**

During the year under review, your company performed in line with the market performance. Your company had successfully managed to empanel itself with various reputed financial institutions for their equity investment.

With the additions of new clients and improved business relationship with the existing institutions, we earned an equity

brokerage income of Rs. 684.85 Lakhs against Rs. 597.98 Lakhs during the FY 05-06 a growth of 14.52%. Your company is committed to get empanelled with other reputed institutions and efforts are being made in the direction.

We are committed to outbid our performance of FY 06-07 during the current FY. Total turnover (BSE and NSE) in the cash segment during 2006-07 at Rs. 29,00,830 crore was 21.7 per cent higher than that in the corresponding period of 2005-06. Total turnover (BSE and NSE) in the derivative segment increased by 53.7 per cent during 2006-07 to Rs. 74,15,448 crore.

**Private Client Group (PCG)**

The securities market achieves one of the most important functions of channeling idle resources to productive resources or from less productive resources to more productive resources. Hence in the broader context the people who save and investors who invest focus more towards the economy's abilities to invest and save respectively. This enhances savings and investments in the economy, the two pillars for economic growth. The Indian Capital Market has come a long way in this process and with a strong regulator it has been able to usher an era of a modern capital market regime. The past decade in many ways has been remarkable for securities market in India. It has grown exponentially as measured in terms of amount raised from the market, the number of listed stocks, market capitalization, trading volumes and turnover on stock exchanges, and investor population. The market has witnessed fundamental institutional changes resulting in drastic reduction in transaction costs and significant improvements in efficiency, transparency and safety.

In line with the industry demand your company had established PCG Group to meet the requirement of higher end client base viz. HNI and Retail clients.

**Key Focus of PCG**

**Personalized Service:** Customization is a key advantage of the solutions offered by PCG. We analyze each customer's investment objective, risk profile and financial needs, to tailor highly focused result-oriented plans. A dedicated back office team supports our solutions.

**Timely market information:** Our vigilant dealers have their fingers on the pulse of the market and ensure that information reaches clients at the earliest.

**Faster execution of trades:** Our state-of-the-art infrastructure and superior execution systems help us serve the client faster and more efficiently.

**Customer-centric model:** Giving our clients research inputs that lead to superior returns, we are able to successfully forge long-term relationships with them.

We clocked a total equity brokerage income, including brokerage income from Institutional Desk, of Rs.684.85 Lakhs against Rs. 597.98 Lakhs during the FY 05-06 a growth of 14.52%.



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**MERCHANT BANKING**

This robust growth was reflected in the financials of Corporate India (excluding PSU oil companies) where sales grew 28% and Net Profit grew 40% in the quarter as well as the year ended March 2007. In 2006-07, total capital of Rs. 1,26,334 crores was raised. Out of this, Rs. 1, 15,303 crores were raised from the domestic primary market and Rs. 11,028 crores raised from the Overseas Market. Private Placement emerged as a major route for raising resources. A total of Rs. 82,913 crores was raised through this route. Rs. 29,185 crores was collected through Public Issues and Rs. 3,204 crores was collected through Rights Issues. Out of the total resources raised, 62% were through Equity instruments and 38% through Debt instruments (Source: CMIE). India ranks seventh overall in the world, in terms of initial public offerings (IPOs), in the first half of 2007, with \$4.6 billion from 46 deals. The second half performance is expected to be even higher, based on an existing pipe-line of 18 IPOs that are already slated to tap the markets and raise \$4.1 billion. Despite the focus on real estate and finance, India's industrial sector garnered the most IPO proceeds, about \$2.5 billion from nine issues. Meanwhile, DLF Ltd's IPO was the fifth largest globally in the first half of 2007. At a global level, China ranks as the second most active IPO global issuer, behind the US, as well as the most active among the BRIC (Brazil, Russia, India, China) countries. China had registered three of the top 10 IPOs and collected a total of \$18.6 billion in the first half from 69 offerings. China also has at least 51 IPOs lined up for the rest of the year that seek to raise \$25.5 billion, out of the \$47 billion that all Asian IPOs, excluding Japan, are set to raise between July and December 2007.

During the year, your Company executed various investment banking related assignments which, inter alia, included managing an IPO, facilitating listing of Securities on the Stock Exchanges, Corporate and Investment Advisory Services, Certification under Employees Stock Option Scheme (ESOP) and Corporate Acquisitions under SEBI (Substantial Acquisition of Shares and Takeover) Guidelines. Presently, we are handling a Follow-on Public Issue (FPO) as Book Running Lead Managers. In addition, we are also working on assignments relating to acquisition and certification under employees stock option scheme. Your Company is actively making concerted efforts to successfully receive mandate for similar line of assignments.

**EQUITY RESEARCH**

Your Company was able to upgrade its research output in an effective manner with periodic research. Your Company was able to average two major research reports in a month. These research papers were effectively circulated and discussed with all clients by dedicated teams from the Sales and Dealing Room. Your Company's research output was greatly appreciated by various financial institutions, banks, mutual funds, high net-worth individuals and large corporates.

**PRIVATE EQUITY**

Private Equity (PE) investment in India has shown exceptional growth over the last couple of years – PE investments are expected to exceed USD 10 billion in 2007 as compared to USD 7.9 billion and USD 2.6 billion in 2006 and 2005

respectively. PE gained awareness in 2005 when PE major Warburg Pincus LLC announced that it had sold a chunk of its stake in India's top cellular player, Bharti Tele- Ventures Ltd, for USD 560 million (the largest stock trade in India's history). Warburg Pincus had with that deal made USD 1.1 billion by selling off two-thirds of its 18 per cent share in Bharti, reflecting a very attractive payoff on a USD 300 million investments made in stages between 1999 and 2001.

From USD 1.1 billion invested in 60 deals in 2004, private equity investments rose to USD 2.26 billion in 124 deals in 2005, and a remarkable USD 7.9 billion in 302 deals in 2006. The average private equity investment size increased from USD 16.40 million in 2005 to USD 26.02 million in 2006. Some of the other big deals included Kohlberg Kravis Roberts & Co's USD 900 million investment in Flextronics Software Systems; Providence Equity Partner's USD 400 million investment in Idea Cellular and Temasek Holdings Pte's USD 330 million investment in Tata Teleservices Ltd. Blackstone Group is acquiring a 26 per cent stake in Ushodaya Enterprises Ltd, which publishes the Telugu newspaper Eenadu and owns television channels under the same name.

While the traditional route for private equity firms is to buy a controlling stake in struggling, mature corporations and then try to turn them around, in an emerging economy such as India these firms act more like venture capitalists. They look for promising companies in industries ranging from tech to textiles and seek to give them a boost, doing everything from injecting more capital for expansion to holding the hand of management and providing strategic guidance. In that respect, India's chief advantage over countries such as China is that it offers investors better trained managers and more corporate transparency in the private sector. There is a very large opportunity in the India with more than 7000 companies listed on stock exchange.

At the same time, there are plenty of players in emerging industries such as software, tech outsourcing, pharmaceuticals, and pharma outsourcing. Opportunities are expanding in newly deregulating industries such as cellular telecom and broadband, airlines, and port infrastructure. All require not only funding but also outside management and strategic help.

PE firms can provide financial plus strategic aid. However in order to generate efficient returns, PE firms must not only target companies that are ought to benefit from a growing consumer class but also forge key local relationships, leverage global networks, and map flexible exits.

In 2006-07 Khandwala Securities Limited (KSL) forayed into Private Equity (PE) Placement area. This in effect involved establishing presence in deal origination and execution. KSL interacted with several private equity groups to understand their preferences; this has enabled KSL to better its deal origination process. KSL has expertise in executing assignments involving companies requiring growth / expansion capital. KSL being a SEBI recognized Category I Merchant Banker, it will be able to offer composite solutions to its clients, i.e. PE Placements followed by an exit in terms of a Public Offering; and secondly, in relative terms, PE Placements entail higher fees. Currently KSL has two mid-market deals in the pipe line.

## KHANDWALA SECURITIES LIMITED

### Debt Market Group

Yield curve movement during the fiscal was primarily driven by the RBI's policy of monetary tightening in response to the current inflationary situation. The other drivers of the yield curve movement such as external interest rates took a backseat, as the monetary policy move to contain liquidity assumed significance. Crude oil prices also remained under control, thereby rendering their impact on domestic bond yields benign. External factors proved to be relatively benign as interest rates in the US remained neutral in the second half of the fiscal, on the back of weak economic data while monetary tightening in the Euro area had no impact on domestic interest rates.

The 100 bps hike in CRR announced during the fiscal, resulted in the inter-bank call rate rising rapidly from its equilibrium range of 6-6.25 per cent to reach a high of 12-12.5 per cent, as the requirement of banks for funds increased to cover reserve requirements with the central bank. The impact of the hike was relatively asymmetric across the yield curve with short-term rates responding more sharply than long-term rates. The call rate thus shot past the yield on the 10-yr G-sec and caused an inversion in the yield curve. Prior to the hike, the yield on the 10-yr gilt had fallen and settled around a short-term equilibrium of 7.4 per cent from its previous average of 7.6 per cent as ample liquidity, created by active central bank intervention in the currency market and robust foreign inflows, aided commercial bank purchases of gilt securities.

A 100 bps upward revision in the repo rate and a 50 bps in the reverse repo rate, along with monetary tightening by way of a hike in the cash reserve ratio during the fiscal, resulted in overall hardening of interest rates. While the global interest rates movement did not support the interest rate hike rationale, strong demand for credit and brewing inflationary pressures resulted in series of monetary tightening measures. The yield on the 10 year gilt at the end of the fiscal 2006-07 was hovering in the band of 7.8 to 8%.

According to the Reserve Bank records, actual gross market borrowings by the Central Government through dated securities and 364-day Treasury Bills amounted to Rs. 1,79,373 crore (net Rs. 1,11,270 crore) during 2006-07. Gross market borrowings through dated securities by the Central Government amounted to Rs. 1,46,000 crore (net Rs. 1,06,916 crore) during the previous year. Gross market borrowings through dated securities during 2006-07 were 94% of the budget estimates, the same as that in the previous year. Of the 33 auctions held during 2006-07, 30 auctions were in respect of re-issuance of existing securities. Three new securities of 10-year, 15-year and 30-year were issued to provide a benchmark in the secondary market. Due to substantial participation of Primary Dealers (PDs) brokers dealing in the gilt had taken hit. Your company however, managed to generate turnover of Rs. 4368.34 crores during the year. The brokerage earned during the year was Rs. 10.36 Lacs.

### Outlook and opportunities

Your Company continues to scale new heights by registering growth on a sustained basis year-on-year. The Company conducts its business with an objective to forge long-term

relationships with its customers by providing them a diverse range of tailor-made financial products and services to meet their various requirements. Your Company is committed to winning its customers' trust and ensuring customer satisfaction.

The Indian Equities have performed well in the last three years. Your Company continues to remain focused on the business of broking, merchant banking and investment banking, private equity, distribution and other professional services and has a well-established clientele. Your Company will continue to follow the philosophy of profitable growth by increasing market share, controlling costs and maintaining margins. The presence of your Company will be further expanded and strengthened by reaching out to more locations and providing value added services.

Your Company has defined the strategy to focus on the lines of business as follows:

#### **Broking services (Retail and Wholesale):**

- to fine tune its broking business to focus on retail segment, corporate and high net-worth individuals.
- to develop and strengthen its presence in the Futures and Options segment;
- to increase its network to prospective high revenue generating locations through a judicious mix of franchisees and branches.

#### **Distribution services**

- provide personalised attention and customised services for investing in financial and savings products;
- recommend savings products that yields higher returns than bank savings rates;
- recommend the right product mix to maximize clients returns;

recommend products / instrument based on risk return matrix of the investor.

### CORPORATE GOVERNANCE

Your Company has complied with all the mandatory provisions of the revised Clause 49 of the Listing Agreement with the Stock Exchanges. As part of the Company's efforts towards better corporate practice and transparency, a separate report on Corporate Governance compliances is included as a part of Annual Report.

A certificate from the auditors, M/s Udyen Jain & Associates, Chartered Accountants, of the Company regarding compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this Directors' Report.

### DIRECTORS

In accordance with Section 255 and 256 of the Companies Act of 1956 and with reference to Article 109 of the Articles of Association of the Company, Mr. Rohit Chand, a Non-Executive Independent Director retires by rotation and, being eligible, offers himself for re-appointment at the ensuing Annual General Meeting of the Company.



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Brief resume of the Director proposed to be re-appointed, qualification, experience and the name of the Companies in which he holds directorship, membership of the board committees, as stipulated in the clause 49 of the listing agreement is provided in the Report on Corporate Governance forming a part of the annual report.

Your Company had entered into a contract with M/s. STP Domain Technologies Pvt. Ltd., Company in which Mr. Ajay Narasimhan Independent Director is Promoter. M/s. STP Domain will provide service of software solution and system development, for which your company had made an application to Central Government for the approval under section 297 of the Companies Act, 1956. The Central Government has approved the said contract vide their letter ref. no. RD/297/20/04/07/5580 dated 2nd July 2007. Mr. Ajay Narasimhan will cease to be an Independent Director from the date of Central Government approval.

#### **ISSUE OF EQUITY SHARES ON A PREFERENTIAL BASIS**

During the year your company had issued and allotted 943000 Equity Shares @ Rs. 35/- per share on a preferential basis, in compliance with Section 81, 81(1A) of the Companies Act, 1956 and chapter XIII of the SEBI (DIP) Guidelines, to M/s. Sarthak Consultants Private Limited. The proceeds of the said issue and allotment of shares on a Preferential Basis were utilized for the redemption of outstanding Preference Shares.

The member's permission was obtained for the issue of the said Equity Shares on a Preferential Basis in the Extra Ordinary General Meeting of the Company held on 25<sup>th</sup> May 2006. The shares so issued were listed on all the stock exchanges where the shares of the Company are presently listed.

#### **DELISTING OF SECURITIES FROM MADRAS STOCK EXCHANGE**

The equity shares of your company are presently listed on three stock exchanges viz. The National Stock Exchange Limited (NSE), The Bombay Stock Exchange Limited (BSE) and The Madras Stock Exchange Limited (MSE)

No trades are taking place at Madras Stock Exchange as of now. As per SEBI (Delisting of Securities) Guidelines, 2003 *company's securities can be delisted from the stock exchanges including the Regional stock exchange if the shares of the company continue to be listed on either Bombay Stock Exchange Limited or National Stock Exchange Limited.* With a view to control the expenditure and conserve resources for the operations of the company it is proposed to delist the equity shares of the company from the Madras Stock Exchange Limited. Delisting on these stock exchanges will help in reducing the cost by way of listing fees and other incidental costs and the benefits accruing to the investors by keeping the equity shares listed on these Stock exchanges do not commensurate with the cost incurred by the company for the continued listing on these Stock Exchanges.

The shareholders in the region of the Madras Stock Exchange Limited will not suffer due to delisting since with the introduction of screen based nationwide trading terminals on the BSE and NSE, trading in shares can be easily done across the country.

As per the applicable, SEBI Guidelines, no exit option is required to be given to the shareholders of the regions where the aforesaid stock exchanges are situated as the Company's shares are listed on The Bombay Stock Exchange Limited and The National Stock Exchange Limited.

#### **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, 2007. The Secretarial Audit Report confirms that the Company has complied with all the applicable provisions of the Listing Agreement, The Companies Act, 1956, and the Depositories Act, 1996.

#### **MANAGEMENT DISCUSSION AND ANALYSIS**

The Management Discussion and Analysis Report for the year under review as required under Clause 49 of the Listing Agreement, is given as a separate statement in the annual report.

#### **PERSONNEL**

The Company is consciously aware that its well being largely depends upon the quality and strength of human resource at the Company. The Company endeavors 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. The Board wishes to place on record its appreciation for sincere and dedicated efforts put in by all the employees. Employee-Management relations continued to remain cordial throughout the year under review.

The Board wishes to place on record its appreciation for sincere and dedicated efforts put in by all the employees. Employee-Management relations continued to remain cordial throughout the year under review.

#### **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 doesn't have any employee drawing remuneration as per monetary ceiling prescribed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 except Mr. Paresch J. Khandwala. The details of his remuneration is given as below:

**KHANDWALA SECURITIES LIMITED**

Sr No	Particulars	Details
1	Name	Mr. Paresh J. Khandwala
2	Designation	Managing Director
3	Age	52 years
4	Remuneration	Rs. 25,00,000/- p.a.
5	Date of appointment	1 <sup>st</sup> January 2005
6	Nature of employment, whether contractual or otherwise	Employment.
7	Other terms and conditions	Nil
8	Nature of duties	Managing the Company and involved in Policy Making decision process and executing the same.
9	Experience	32 years.

During the year, your Company had received sanction from Central Government for the payment of afore stated remuneration to Mr. Paresh J. Khandwala, Managing Director of the Company.

**COMPLIANCE CERTIFICATE**

A certificate from the auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

**DIRECTOR'S RESPONSIBILITY STATEMENT**

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 2000 the Directors confirm that, to the best of their knowledge and belief: -

- (i) in the preparation of the accounts, the applicable accounting standards, have been followed along with proper explanation relating to the material departures, if any;
- (ii) appropriate accounting policies have been selected and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31<sup>st</sup> March 2007 and of the Profit & Loss of the Company for the said period;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- (iv) that the accounts have been prepared on a going concern basis.

**DEPOSITS**

Your Company has not accepted any deposits from the public and, as such, no amount of principal or interest was outstanding as of the balance sheet date.

**ACKNOWLEDGMENTS**

The Directors thank the Constituents, Shareholders, National Stock Exchange of India Limited, Bombay Stock Exchange Limited, Banks, Securities and Exchange Board of India and Financial Institutions for their continued support to the Company's growth. The Directors record their special appreciation to all employees for their efforts towards achieving this performance.

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

Date : 23<sup>rd</sup> July 2007  
Place : Mumbai.

**S M Parande**  
Chairman

**ANNEXURE A TO DIRECTORS REPORT****PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO****a) Conservation of Energy:**

Your Company consumes electricity mainly for the operation of its computers. Though the consumption of electricity is negligible as compared to the total turnover of the Company, your company has taken effective steps at every stage to reduce consumption of electricity.

**b) Technology Absorption**

This is not applicable to your Company as it has not purchased or acquired any Technology for development of software from any outside party.

**c) Foreign Exchange Earnings / Outgo**

Foreign Exchange Earnings : Rs. Nil (previous year – Nil)  
Foreign Exchange Outgo : Nil (previous year–Rs. 11,59,000/-)

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

Date : 23<sup>rd</sup> July 2007  
Place : Mumbai.

**S M Parande**  
Chairman