20TH ANNUAL REPORT

2012-13

KHANDWALA SECURITIES LIMITED

Wealth Visionaries

OUR MANTRA

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

Institutional Equity : Investment Banking : Investment Advisory : Private Wealth

Service Differentiators:

- **Strategic Advice** - Ability to identify, structure and implement unique investment strategies.
- **Smart Trading** - Established, proven and efficient execution capabilities
- **Multiple Investment Advice** - supported through a customized Open Architecture Service
- **Multiple Execution Points** - Service supports Wide Array of Choice for Clients
- **Superior Technology** - Service to be delivered around New Generation Technology Platform

www.kslindia.com

BOARD OF DIRECTORS

Mr. Shreedhar Parande (Chairman)
Mr. Paresh J. Khandwala (Managing Director & CEO)
Mr. Rohit Chand
Mr. Kalpen Shukla
Mr. Brijmohan Rai Bahl
Mr. Pranav P Khandwala
Mr. Homiar N. Vakil

COMPANY SECRETARY & COMPLIANCE OFFICER

Ms. Bhumika Jani

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.

Axis Bank Limited
Sir P. M. Road, Fort,
Mumbai 400 001.

HDFC Bank Ltd.,
Manekji Wadia Bldg.,
Nanik Motwani Marg, Fort,
Mumbai 400 001

Canara Bank
Stock And Commodity Exchange Branch,
N.S.E., Fort Branch,
Mumbai 400001

REGISTRARS & TRANSFER AGENTS

KARVY COMPUTERSHARE PRIVATE LIMITED
46, Avenue 4, Street No. 1,
Banjara Hills, Hyderabad - 500 034

LEGAL ADVISOR

Mulla & Mulla & Craigie Blunt & Caroe
(Adcocates, Solicitors & Notaries)
Mulla House, 51, M.G. Road,
Mumbai 400 001

NOTICE

Notice is hereby given that the Twentieth Annual General Meeting of the Members of **Khandwala Securities Limited** will be held at C. K. Nayudu Hall, Cricket Club of India (CCI), Brabourne Stadium, Churchgate, Mumbai 400 020 on Friday, 20th day of September, 2013 at 12.30 p.m to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2013 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. S. M. Parande and Mr. B. R. Bahl who retire by rotation and being eligible, offers themselves 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.

By Order of the Board of Directors

Bhumika Jani
Company Secretary

Date: 13th August, 2013
Place: Mumbai

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY / PROXIES NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY / PROXIES SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 13th September, 2013 to 20th September, 2013 (both days inclusive) for the purpose of Annual General Meeting.
3. 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.
4. 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.
5. Corporate Members are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the AGM.
6. Members are requested to bring their copy of the Annual Report, as copies of the Report will not be distributed again at the Meeting.
7. Members are requested to bring their attendance slip, duly signed, so as to avoid any inconvenience.
8. 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.
9. 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.

Ministry of Corporate Affairs ("MCA"), Government of India has taken a "Green Initiative in Corporate Governance" by allowing paperless communication by Companies. MCA vide its circular nos. 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively allowed the service of notice / documents by a company to its Members to be made through electronic mode, after giving an advance opportunity to the Member to register his e-mail address and changes therein from time to time with the Company or with the concerned depository. Keeping this in view, your Company proposes to send documents such as the Notice of the Annual General Meeting, Audited Financial Statements, Directors' Report, Auditors' Report, Explanatory Statement etc., henceforth to such Members in electronic mode, who opt for the same. We have enclosed a Form for you to exercise your option by submitting the same to us either by e-mail at investorgrivances@kslindia.com or by sending registered post at the Registered Office of the Company addressed to the Company Secretary after your signature. In this behalf, we are confident that you would appreciate the "Green Initiative" taken by MCA. We solicit your co-operation in helping the Company to implement the e-governance initiatives of the Government.

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting herewith the Twentieth Annual Report along with Audited Statement of Accounts for the financial year ended on 31st March 2013.

FINANCIAL HIGHLIGHTS

The performance of the Company for the Financial Year ended 31st March, 2013 is summarized below:-

(Rs. in Lakhs)

Particulars	Year ended 31st March 2013	Year ended 31st March 2012
Total Income	440.03	599.42
Interest & other Financial Charges	32.83	39.60
Depreciation	32.97	39.53
Profit / (Loss) before Tax and prior period item	(35.83)	(58.31)
Less: Prior Period item	-	-
Provision for Tax (including Deferred Tax & Fringe Benefit Tax)	(0.83)	(3.32)
Profit / (Loss) after Tax	(35.00)	(54.99)
Appropriations		
Dividend on Preference Shares	-	-
Provision for Corporate Tax on Dividend	-	-
Surplus / (Deficit) carried forward	702.00	737.00
Reserves and Surplus	1586.41	1621.41

RESULTS OF OPERATIONS

The Revenue for the year decreased from Rs.599.42 lacs to Rs. 440.03. The Profit before interest, exceptional items, prior period expenses and taxation registered a decrease from of Rs. (58.31) Lacs in the FY 2012 to Rs. (35.83) Lacs in the current FY 2013.

The detailed information on operational and financial performance, etc., is also given in the Management Discussion and Analysis Report which is annexed to the Directors' Report and has been prepared in compliance with the terms of Clause 49 of the Listing Agreement with the Indian Stock Exchanges.

DIVIDEND

Your Directors do not recommend Equity dividend for the financial year under review to conserve the resources.

DIRECTORS

In accordance with Section 255 and 256 of the Companies Act 1956 and with reference to Article 109 of the Articles of Association of the Company, Mr. Brijmohan Rai Bahl and Mr. Shreedhar M. Parande being Non-Executive Independent Directors retire by rotation and, being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting of the Company.

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.

CORPORATE GOVERNANCE

Your Company has complied with all the mandatory provisions of the 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.

RECONCILIATION OF SHARE CAPITAL

Your Company voluntarily appointed M/s. Bhuwnesh Bansal & Associates, Practicing Company Secretary, to conduct Share Capital Audit of the Company for the financial year ended March 31, 2013. The Reconciliation of share Capital 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.

EMPLOYEES

Your Company is consciously aware that its well being largely depends upon the quality and strength of human resource. The Company endeavors to attract and retain talent. The Company ensures that its operations are adequately staffed. Your 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.

AUDITORS' REPORT

Observations made by the Auditor in their Report, have been appropriately dealt with in the notes forming part of the accounts for the year, which are self-explanatory and therefore do not call for any further comments under Section 217 (3) of the Companies Act, 1956.

AUDITORS

M/s. Udyen Jain & Associates, Chartered Accountants, who 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 and they are not disqualified for such an appointment within the meaning of sub section (3) and (4) of Section 226 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.

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

In pursuance of Section 217(2AA) of the Companies Act, 1956, the Directors state, as an averment of their responsibility, that:

(i) The Company has, in the preparation of the annual accounts, followed the applicable accounting standards along with proper explanations relating to material departures, if any;

(ii) The Directors have selected such accounting policies 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 as at March 31, 2013 and of the profit or loss of the Company for the year ended March 31, 2013.

(iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) The Directors have prepared the annual accounts for the financial year ended March 31, 2013 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 Board expresses its sincere gratitude for the continued support and guidance received by the Company from the Securities and Exchange Board of India, the Stock Exchanges and other government and regulatory agencies. The Board would like to acknowledge the continued support of its bankers, registrars, vendors, clients and investors. The Directors also wish to place on record their gratitude and appreciation of the employees' hard work, dedication, teamwork and professionalism which made the phenomenal growth possible year after year.

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

S M Parande
Chairman

Date: 27th May, 2013

Place: Mumbai.

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. 0.14 Lacs (previous year – Rs. 0.32 Lacs)
Foreign Exchange Outgo	:	Rs. 15.85 Lacs (previous year– Rs. 2.03 Lacs)

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

S M Parande
Chairman

Date: 27th May, 2013

Place: Mumbai.

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMY OVERVIEW

India continues to witness a very challenging economic environment. Growth remained weak and continued to decline throughout 2012-13 (FY2013): 5.5% in Q1, 5.3% in Q2, followed by 4.5% in Q3, the last being the lowest quarterly growth in a decade. For FY2013, growth is expected to be in the neighborhood of 5% — much below the 6.2% recorded for FY2012. Declining growth is not the only economic problem. The current account deficit, which stood at 4.2% of GDP for FY2012, is expected to be around 5% for FY2013. Notably, the deficit for Q3 was a very high 6.7% mainly due to high imports of oil and gold. Both wholesale price inflation (WPI) and consumer price inflation (CPI) have remained uncomfortably high through the later part of the year.

The WPI started declining only towards the end of FY2013 with a fall in core inflation; the CPI, however, continued to remain high on account of food inflation. There were some positive developments on the monetary front. The Reserve Bank of India (RBI) began FY2013 with a higher than expected 50 bps policy rate cut in April 2012. This was followed by two further cuts in the policy rate of 25 bps each — resulting in a total of 100 bps repo rate cut through the year. Therefore, while the RBI's policy stance remains focused on containing inflation, it has shown some adjustment to marginally ease interest rates. It has also eased liquidity in FY2013 by cutting the CRR by 75 bps across the year and giving a fillip to open market operations worth 1.3 trillion.

During the second half of the fiscal year, the Government of India announced several reforms & measures such as increasing fuel prices and giving oil marketing companies greater freedom to adjust prices to reduce subsidy burden in tandem with global price of crude; opening of foreign direct investment (FDI) in different sectors, especially retail; and setting up a high level committee to address much needed infrastructure investment; simplification of debt limits for foreign institutional investors (FII); and a fiscal consolidation plan under the aegis of the new Finance Minister. Simultaneously, oil, gold and other commodity prices have begun to ease.

However, it is also imperative to address regulatory delays, infrastructure bottlenecks, inflation, and sustenance of reforms and creation of more skilled jobs. As stability in inflation sustains, liquidity improves and fiscal deficit remains contained, it would lead to further interest rate softening. Monetary easing should eventually help lower the cost of borrowing, and revive the business investment cycle.

INDUSTRY OVERVIEW

INDIAN EQUITY MARKET

The Indian capital markets have performed better than most others during this financial year. Beginning of FY13 bought some respite to investors, after a dismal FY12. The year started on a worrying note, owing to announcement of retrospective taxing of FIIs. However, a change of guard at Finance Ministry turned things around, with Government announcing a series of reforms like FDI in retail, diesel price hike and restructuring of SEBs etc.

ECB's announcement of OMT (Outright Monetary Easing) and Fed's QE3 further added liquidity and support to markets. This resulted in India's outperformance among Emerging Markets, with FIIs pumping in ~USD 26 billion of inflows during the year. However, markets corrected in the last quarter owing to global cues and political uncertainty faced by Government. Within Capital Markets however, fresh capital raising activity continued to suffer the most with capex investment cycle grinding to a near halt.

Going forward, FY14 looks like a year of improving macros, but pessimism could remain an overhang on the markets with national elections barely a year away and corporate business confidence being low.

The Primary Market

Riding on the wave of disinvestment of public sector undertakings, promoters of Government and private companies managed to collect over Rs 34,000 crore by selling shares in the primary market during 2012-13. This is 44 per cent higher than 2011-12 figures.

Fund mobilisation in 2012-13, would have been much lower but for the 35 offers-for-sale (OFS) done through the stock exchange auction system. PSUs dominated the year with a total collection of Rs 23,857 crore or 69 per cent of the total amount. The entire amount was through divestments.

There were a total of 68 initial public offerings, compared with 37 issues in the preceding year. On the other side, 35 OFS raised Rs 28,024 crore, compared with Rs 18,096 crore mobilised by three companies in the preceding year. All these OFS, prompted by SEBI guidelines, were required to dilute promoter holdings.

The Secondary Market

The BSE Sensex was up 8% for the fiscal FY 2013, after declining 10% in FY 2012. It saw positive returns in each of the first three quarters of FY 2013. But a decline of 3% in Q4 FY 2013 lowered Sensex returns for the full year.

On a relative basis, the Sensex performed better than the benchmarks of emerging market peers like China, Brazil, but underperformed developed markets like USA, UK, Germany and Australia. In terms of the broader market, the BSE Midcap Index was down 4% for the fiscal year. With macro headwinds and policy uncertainties impacting sentiments, domestic retail and institutional investors shied away from Indian equities.

However following deferment of GAAR proposals, FIIs pumped in net inflows each month this fiscal since Jul 2012. FIIs are now the second biggest holders of Indian equities after promoters. Inflation, interest rates and currency had an impact on profit margins of companies. As mean reversal occurs in the economic variables, it should help corporate by fuelling operating cash flows, improving margins, reducing debt, and eventually lead to an uptick in market performance.

BSE market capitalization stood at R 65.32tn in March 2013, up 5% for the year. With the depreciation in the average INR / US$ exchange rate this year, the market capitalization was down 2% YoY to US$1.21tn in US dollar term

EMERGING MARKETS

FY 13 was a volatile year for Emerging Market equities with markets rallying in Q2 and Q3 of FY 13 but declining in the first and last quarters. Improvement in US data, Japan's "Abenomics" and growth not recovering in Emerging Markets resulted in the outperformance of Developed Markets.

Among Emerging Markets, Brazil, Russia and South Africa were among the worst performers, while smaller markets namely Turkey, Philippines and Mexico outperformed. Main highlights of FY 13 were ECB's commitment that it will do anything to save the Euro and Quantitative Easing in US. Going forward in FY 14, global liquidity should continue to remain high. However, growth would be the main attraction of foreign investors to Emerging Market equities

DEBT MARKET:

The Government's commitment to rein in fiscal deficit and associated reforms in H2FY13 were welcomed by debt markets. These steps have ushered a regime of much needed fiscal discipline and averted the spectre of a sovereign rating downgrade. This together with reduction in repo rates resulted in a sharp uptick in appetite for debt market instruments in second half of the year compared to a cautious first half.

The efforts of Government and regulatory bodies continue to be directed at deepening bond markets, especially the Corporate Debt segment, where volumes are yet to pick up. Attracting liquidity to various sub-segments is key to achieving this momentum and it is with this objective that SEBI has decided to provide a dedicated debt segment on the exchanges. The availability of a screen based trading interface is expected to bring in increased pricing transparency, thereby widening investor base and ramping up liquidity. This can potentially have a favourable impact on some of currently dormant initiatives like Corporate Bond Repos and CDS, which are imperative for an integrated debt market ecosystem. With the monetary transmission being more efficient in bond markets, a large number of top rated corporate have mobilized significant amount of debt capital in the beginning of FY 14, which augurs well for the bond markets.

Other big-ticket reforms in debt space have been enhancement of FII debt limits and liberalisation of FII debt investment norms. FII appetite for Indian rupee debt was robust despite weakening currency and net foreign flows into Indian bonds aggregated around USD 5 billion in FY13. The Government responded to FII demand by hiking investment limits by USD 10 billion in Government long-term debt and USD 5 billion in corporate long-term debt. Overall, investment process was also further simplified and an auction mechanism to secure limits has been replaced by an "on-tap" system in case of corporate debt until limit utilization reaches 90%. These reforms coupled with improving macroeconomic outlook will keep up the pace of FII inflows

Outlook

Since the start of this financial year, the rupee has depreciated 9.89% against the dollar in the last three months and, it has become the worst performer among the major Asian currencies after losing 13.83% of its value since it touched the low of 61.21 against the dollar on July 8th. The rupee has been depreciating sharply, in-line with outflow of foreign capital, which increased the demand for the dollar at the domestic front.

It is therefore critical to see stability in rupee than outguessing when RBI is going to reverse its policy measures. In this backdrop, it would be prudent to be conservative for time being until dust settles down. The panic in debt market has resulted into rise in yields across the curve with short term rates going up by more than 200bps and long term yields rising more than 50bps. Amidst these uncertainties, the shorter end offers selective investment opportunity by investing into FMPs and CD oriented funds as the accruals are closer to double digit. On duration, at this juncture, it would be advisable to be on sidelines until clarity on rupee emerges along with persistence of external risks.

The RBI measures has been with an objective to tighten liquidity leading to rise in short term yields which in turn would – a) arrest rupee depreciation by making rupee dearer, and b) deter speculative activity in forex as the cost of carry increases. Post the measures, while the debt market witnessed heightened volatility with yields rising across the board, the impact on rupee has been limited.

We expect FY 2014 to be another volatile year in fixed income markets. We expect the 10-Year G-Sec benchmark to trade in the range 8.15%-9% in the near-term. 10-Year AAA Corporate bond spreads are likely to remain at the current levels of ~100 bps and 1-Year CD rates are expected to ease by ~100 bps.

FII & MF Activity in Equity Markets:

FII net inflows were R 1.40tn in FY 2013, about 3x that of FY 2012 and also above the INR 1.10tn seen in FY 2010 and FY 2011 each. Net inflows were highest in the months of Sep, Oct, Dec, Jan and Feb. DII activity was in sharp contrast. Mutual funds saw redemptions as equity investors pulled out of the markets and instead went for fixed deposits etc. Equity funds lost sizable investor folios this year. Thus, DIIs were net sellers for the third successive year and saw net outflows in each of the three quarters since Q2 FY 2013 OF INR 691bn.

AN OVERVIEW OF KSL:

As a corporate house, the overall operations of Khandwala Securities Limited include Investment Banking, Institutional Broking, Private Client Broking and Investment Advisory services.

Financial Highlights:

The salient features of the Company's performance:-

Total Revenues of Rs. 440.03 Lakhs

Net Profit / Loss of Rs. (35 Lakhs)

Earning Per Share (EPS) of Rs. (0.29)

Segment Highlights – FY13 over FY12:

(Rs. In Lacs)

Segment	Revenue Financial Year ended on 31st March 2013	Revenue Financial Year ended on 31st March 2012
Brokerage	153.90	206.40
Corporate Advisory Services	126.46	45.95
Income from Capital Market Operations	26.96	83.27
Income From Investments	5.23	-
Other	127.41	263.79
Total Income	440.03	599.42

Ratios	2012-13	2011-12
Debt/Equity (Loans/Shareholders Funds)	0.13	0.13
Book Value (Rs.)	23.29	23.58

Empanelment during the Year

Your Company constantly endeavors to increase its market share with large Banks, financial institutions, and insurance companies on a sustained basis in order to increase the depth and width of its market offerings. With continuous effort backed by superior Execution skills and Research support, your Company is able to add significant value to its esteemed clients on a long-term basis.

Your Company shall focus more towards high end Research with further enhancement of its team of cutting-edge research specialists during the year and will make higher allocation of funds towards building such talents on a continuous basis, as has been our objective till now.

Broking Business:

The Brokerage services of your Company include equity and debt broking and are supported by a strong research platform.

Income received for brokerage services, had accounted for approximately 34.97% of our total revenues at Rs. 440.03 Lacs for the year ended March 31, 2013.

Your Company also trades in the currency derivatives segment of National Stock Exchange.

Capital Market Operations:

The equity capital markets team focuses on structuring and executing diverse equity capital raising transactions in the public and private markets for our clients. Products in this segment include IPOs, follow-on offerings, rights offerings, private placement, ADR offerings, GDR offerings, QIP transactions and convertible offerings, etc. for both listed and unlisted entities.

As an Investment Banking firm, it has always been our endeavor to structure and put together transaction structures that build long term, sustainable value for both the borrower and lender of funds in the equity markets. This approach, though having proved its mettle during the stages of market tightness, has been somewhat considered as a weakness by industry participants, resulting in us not being able to successfully convince Bloomberg on its benefits. This has led to situations wherein KSL has had to either withdraw from certain mandates or had to face resistance from Indian Corporates in awarding their fund raising mandates to us from the secondary markets. This is despite the management of these corporate houses acknowledging the deep knowledge and understanding of the micro and macro economy factors including the future growth prospects in specific industry, and the sustainable long term valuation parameters.

We always believe that in order for market to value and reward its participants, it is important for both the Promoter Groups and the Merchant Bankers to design appropriate and sustainable valuation models such that it remains consistent with the overall corporate performance and at the same point in time is able to ride both the good and the bad times.

Investment Baking and Advisory Group is putting their best endeavors on reviving some of the lost or delayed transactions, and are confident that in improved market sentiment same can be executed efficiently.

Institutional Equities:

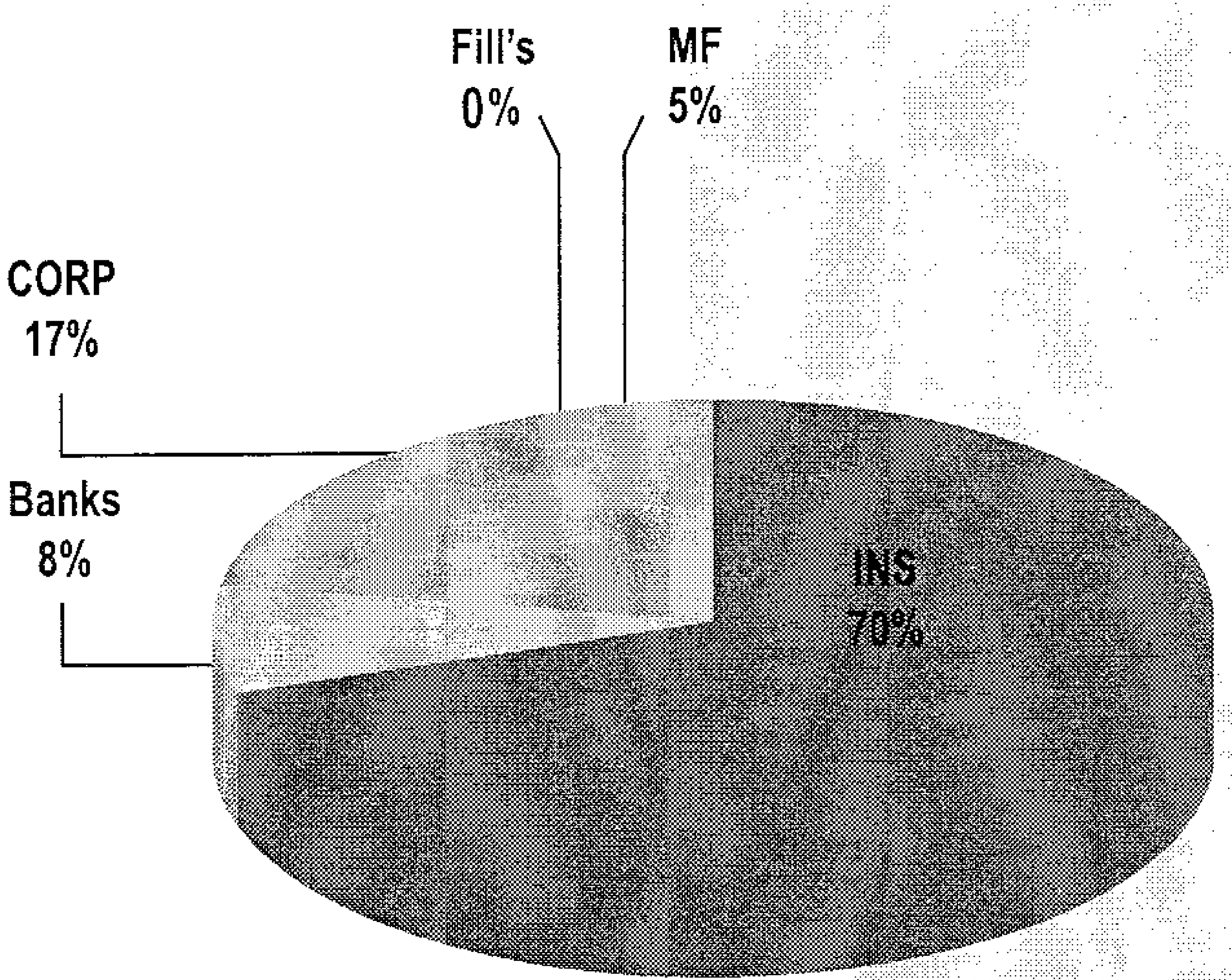
Equity and derivatives brokerage business of the Company contributed 25.67% of the consolidated revenue during this financial year. The Company's revenue of Rs. 440.03 Lacs for the year showed a decrease of 26.59% over the previous year corresponding to a comparable increase in volume. However it is encouraging to note that we marginally increased our market share. The number of clients who traded and the number of transactions were also good.

The institutional equities business comprises institutional equity sales, sales-trading and research. We differentiate ourselves based on our cutting-edge research focus, which aids our execution capabilities across our sales and trading platforms. We provide equity and derivatives sales and trading services to a large and diversified base of institutional investors, including FIIs and domestic institutional investors.

As at present, we have over 24 institutional investors actively transacting with us on a continuous basis.

The category wise contribution from the Institutional Dealing Desk to our revenues has been mentioned in the table below which shows a decrease of 45% during the Fiscal Year 2012-13 over previous financial year 2011-12.

Category	Brokerage Revenue during FY 12-13	Brokerage Revenue during FY 11-12	Brokerage Revenue during FY 10-11
MF	827062	943803	2405185
INS	10731422	1032983	2835556
BANKS	1270377	2328332	4441702
CORP	2560610	1233600	459400
FII's	0	0	0
Total	15389471	5538718	10141844



Private Client Broking:

Our private client broking services are targeted at High Net worth Individuals (HNIs) who actively invest and trade in equity markets and seek priority service with Bloomberg research and advisory support. Our approach is to provide advisory-based brokerage services with a strong emphasis on research, and to offer our clients value-added services usually reserved for institutional clients.

KSL with its concentrated efforts in equity broking business, and as future strategy to build high volumes and revenues could successfully add a good number of Trading Accounts for various segments (Cash, Derivatives and Currency Futures) during the period 1st April 2012 to 31st March 2013.

Your Company is confident that with its high degree of execution skills and services support, besides with its high end research will grow to new heights in its revenues in the coming years.

Portfolio Management Services:

The Portfolio Management Segment is bound to grow and offer immense business potential for financial advisory services. The NRI community is the key market segment. Successful NRI business owners and professionals are of great interest to Portfolio management institutions. KSL has identified this rapidly growing segments' need for specific products and services and has created practice models and advisory teams that specialize in servicing NRIs. Our service offerings include providing HNIs with investment advisory, planning and asset deployment advice, asset allocation and the distribution of a wide range of products. Our primary focus is on understanding each client's financial profile, including tolerance for risk, capital growth expectations, current financial position and income requirements in order to create comprehensive and tailored investment strategies. Our Portfolio Management services have increased our clients' access to and use of our financial products and services

Your Company is confident to garner much larger assets under management under the PMS division compared to last year and could be able to clearly demonstrate its core expertise to maximize the value under PMS, even under adverse market situation.

Merger and Acquisition Advisory:

Our merger and acquisition team provides clients strategic and financial advice aiding them in achieving their objectives through mergers, acquisitions, takeovers, tender offers, divestments, spin offs, restructuring, Joint Ventures and strategic alliances and demergers.

Our services encompass strategy formulation, identification of buyer or targets, valuation, negotiation and bidding, capital structuring, transaction structuring and execution.

Private Equity:

Private Equity investments in India are still dominated by funds investing out of their global funds. Given the global risk aversion, the allocations from these funds may slip.

Corporate Advisory Business:

The Corporate advisory business of the Company includes equity capital markets transaction execution, mergers and acquisitions advisory and capital raising advisory and transaction execution relating to structured finance, real estate and infrastructure. During the period the total Income from advisory services was Rs. 1.51 crores.

Market Research:

Our institutional equities business is supported by an experienced and dedicated team of analysts in fundamental, technical and alternative investment research. Our research initiatives are driven by committed professionals, management graduates, Chartered Accountants and Engineers having combined experience of several decades.

Besides conventional tools, our alternative research Bloomberg proprietary tools developed in-house, including quantitative analytical techniques and models to identify short and medium-term investment opportunities. Our research team maintains an updated database on, and tracks regularly, various factors impacting economy, industry and companies. The trends are analyzed using data both on macro and micro level.

Various research products such as Market Today, Market Weekly, Market Technicals, India Strategy, Model Portfolio, Eco Update, InSight, Company/Sector reports/updates and others are sent to esteemed clients on a regular basis. These reports are supplemented by day-to-day market information by way of market alerts and impact analysis. Strength of our research capability lies in our ability to identify emerging investment themes and spot winners ahead of time.

Our research reports, widely acknowledged by domestic and international print and electronic media, are rated among the leading domestic brokerage houses and have earned royalties from international data services providers in foreign exchange.

Our Intelligent Research Reports are accessible on globally acknowledged and marquee websites such as Bloomberg.net, thomsonreuters.com, 1call.com, moneycontrol.com, securities.com, valuenotes.com, capitaliq.com.

Our research reports are highly recognized by international investor's community including leading Foreign Institutional Investors, global central banks, multi-lateral development agencies and independent multi-strategy funds. Some of the research reports, apart from being widely acclaimed, have been ranked among the best by international financial information providers such as Thomson-Reuters and Bloomberg.

Internal Control System:

As remarked by the auditors in their report, the Company has an internal control system commensurate with its requirements and the size of the business. As a step further, your Company has already taken steps to document its systems and processes. The company has put in place adequate internal control measures in all risk areas. Your Company has initiated a process to upgrade the existing system. The Company is continuously investing in developing one of the best trading front end systems, enabling users to place orders and receive confirmations at lightning speed.

Risk concerns and Risk Management:

The Risk Management Function is overseen by the Audit Committee. Risk Management Policies are designed after discussion with various constituents and experts. In a business where prices and realities change every instant, it is imperative for KSL to operate within a broadly de-risked business model that protects stakeholder interests on the one hand and facilitates growth on the other.

Therefore, the concept of real-time risk mitigation management is integrated within the Company's existing business strategy. It is integrated into the Company's strategic and operational decision making process; it is ingrained in the organizational mindset; it pervades all organizational tiers, roles and functions.

KSL's effective risk management is guided by an understanding of the various parameters that can have a bearing on its business and profitability:

- ✓ External: These comprise risks that the Company faces but cannot control – industry slowdown, competition, regulatory changes, brand perception etc.
- ✓ Internal: These comprise risks that the Company can directly control through prudent strategy – costs, liquidity, technology, operations, people etc.

KSL controls client risk through a prudent categorization of clients as per their financial depth. This helps circumscribe their trading limits, leading to effective risk management. KSL monitors a client's trading pattern in addition to keeping a continuous vigil on positions, balances and margins. This provides an understanding of a client's trading pattern in terms of nature of transactions, trading, investments, F&O types of scrips, etc. to detect any undesirable or prohibited practices. Based on this, remedial actions are initiated whenever required. This ensures strict regulatory compliance.

Industry Risk

KSL is primarily engaged in the business of financial services. Any slowdown in the country's economy or financial sector as well as any changes in interest rates, political climate or regulatory changes could affect the Company's prospects. Further the capital market is always exposed to the cyclical risk of upswing and downturns, which in turn depend on the overall economical growth of the country.

Management Perception

KSL's presence in multiple product segments also serves as a natural hedge against a downturn in any particular sector. For instance, the Company's presence in the relatively volatile equity segment is balanced by its presence in the relatively stable insurance, mutual funds and fixed interest-bearing debt instruments. Your Company has broadly three major revenue generation department viz. Broking division, Corporate Advisory Division and Capital Market Operation. The total revenue generated by the company during the year shows the overall performance of all the departments jointly and doesn't depend on any single segment of revenue.

Liquidity risk

In the event of clients not honoring their financial commitments following an unexpected market movement, the Company's cash flow could be significantly affected.

KSL has exercised prudence in client selection and credit extension. For instance, the Company's internal audit team ascertains client credentials before they are permitted to trade.