

21ST ANNUAL REPORT

2013-14



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

KHANDWALA SECURITIES LIMITED

BOARD OF DIRECTORS

Shreedhar Parande (Chairman)
Paresh J. Khandwala (Managing Director)
Pranav Khandwala
Brijmohan Rai Bahl
Kalpen Shukla
Rohit Chand
Homiar Vakil
Bhagyashree Khandwala (w.e.f May 30, 2014)

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 – 400001

HDFC Bank Limited

Manekji Wadia Bldg,
Nanik Motwani marg, Fort,
Mumbai – 400001

Canara Bank

Stock and Commodity Exchange Branch
NSE, Fort Branch
Mumbai – 400 001

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
(Advocates, Solicitors & Notaries)
Mulla House, 51, M.G. Road,
Mumbai 400 001

CONTENTS	PAGE NO.
Notice	2
Directors Report	6
Management Discussion & Analysis	8
Corporate Governance Report	16
Auditors Report	25
Financial Statement	28

Dear Shareholders,

I would like to extend a warm welcome to all of you at the Twenty First Annual General Meeting of your Company. It will always be our pleasure to meet you and share this day with you.

These are extraordinary times. We are seeing unprecedented geopolitical conflict in some parts of the world and also turnaround in economic opportunities elsewhere. Some of the major economies are slowing down and some others are gaining momentum.

Fortunately, the mood in India is quite upbeat. We welcome the new Govt and its focus on reviving growth momentum, and ushering in a prudent policy regime that may lead to higher GDP, lower inflation, and sustained level of external sector balance.

The half decade gone past has created definite uneasiness and feeling of despondency.

Starting 2008 until end FY 2014 has been a very tough period for the broking fraternity. The precipitation of problems arose from many fronts. The primary glitches were in the form of:

1. Dwindling cash volumes as the trader lucrative F&O segment took over centre stage. As a reflection of this paradigm shift, the cash volumes in the trades sank incredibly from 28% in FY 2008 to a mere 7% in FY 2014.
2. Every formation of a top in the market saw the retail traders losing money. October 2008 was apocalyptic for the retail segment and it never really got going after that until recently. To substantiate this, the statistic reads as this - retail volumes as a proportion of total cash volumes declined from 55% in FY 2008 to 47% in FY 2014.
3. The secondary business of PIPE, PP and Investment Banking also suffered due to slowdown in the economy and apparent lack of governance. A large number of scams (2G, Commonwealth Games, and Coalgate just to mention a few) saw the markets hitting intermediate lows. High Inflation, unbridled FY deficit and CAD only added to the worries. The economy remained in a state of suspended flux.
4. The fixed operating costs eroded the bottom-line of all companies in the broking fraternity. The revenues couldn't match up with the costs and that called for imminent consolidation and revamp.

KSL despite its strong bearings, suffered from the adverse economic conditions and market realities. The small and the mighty, all were equally humbled during this phase.

However, the current FY provides hope in the form of rejuvenated economic wave. The ripples were seen from January 2014 onwards and the retail segment participation is eventually looking up. KSL's retail broking arm also has witnessed significant turnaround since January 2014 which saw the corresponding broking revenue growing well. While large broking houses chose to exit the retail segment, this move also paved the way for mid-sized broking houses to operate in this space and carve out a strong niche.

KSL ventured into hitherto less explored segment after taking care of possible vulnerabilities. A major initiative is "research advisory for retail and institutions". I am happy to inform you that KSL has a full-fledged research desk which enables us to issue cutting edge reports and advisory to the delight and benefit of our clients. With a strong RMS, Back office, Online trading platform and accurate research advisory time to time, it will allow KSL to take advantage of the cyclical recovery and structural potential of the sector. The die has been cast. The plan is in place and the execution underway.

KSL has rationalised the operating costs (including reducing the wage burden) to ensure that it is a lean corporate rendering more revenue per head and making it more employee oriented.

You will be glad to know that KSL issued 21 technical reports and 7 fundamental reports in 2014, White labelled "Twenty Picks" for an Institutional client, Pre-Budget and Post Budget Reports and an exclusive "Pre Budget Twenty Picks" Report on different frontline scrips have received much applause for highly accurate projections.

KSL started issuing daily trade signals delivered through SMS and Yahoo Messengers to their retail client's clients. The response has been extremely encouraging and bears testimony to the focused efforts. The retail broking revenue stands at INR 26.58 million for the 1st half of calendar year 2014.

KSL has appointed 11 APs/IFAs in the current calendar year who span from Mumbai, Thane, Nagpur, Ahmednagar to Chandrapur.

Your Company's Future Services to clients are to include:

1. Services that clients cannot access owing to financial and knowledge availability limitations. The appropriate services would include giving clients access to credible experts across domains (Political, Telecom, Oil & Gas, Pharma, FMCG, Realty etc). This will be a value-add service that will find interest amongst our clients. Furthermore, the evolution of technology helps us to stream the insights of these experts directly into the clients' trading terminals.
2. "Expert systems" that mechanize the basic portfolio allocation and then stock selection decisions for the investors.
3. Client friendly risk management services that advise the client against over-trading and/or loading too much risk into his portfolio. Such risk alerts, sent in at appropriate time can fundamentally change the relationship between the broker and the client. A shift from the one that is based around distrust and suspicion to one where the broker benefits alongside his client.
4. Regular publication of special reports based on specific stocks, sectors, economy and with global outlook.

I am sure that given this dynamic head on shoulders approach will yield rich dividends and we expect to turn the corner soon enough.

Let's travel this road to prosperity together and take KSL to where it belongs – at the top.

Thank you

With best wishes,

**Sincerely,
Pranav Khandwala
Director**

May 30, 2014

NOTICE

Notice is hereby given that the Twenty First Annual General Meeting of the Members of **Khandwala Securities Limited** will be held on Saturday, September 20, 2014 at 12.15 p.m. at C. K. Nayadu Hall, Cricket Club of India (CCI), Brabourne Stadium, Churchgate, Mumbai – 400 020, to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2014, the Profit and Loss Account of the Company for the year ended on that date, and the Reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Mr. Pranav Khandwala (DIN 00519113), who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration and in this regard to consider and if thought fit, to pass with or without modification (s), the following resolution as an **Ordinary Resolution**:

RESOLVED THAT M/s. Udyen Jain & Associates, Chartered Accountants, (Registration No. 116336W) be and is hereby re-appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting, until the conclusion of next Annual General Meeting on such remuneration as may be fixed by Board of Directors of the Company.

SPECIAL BUSINESS:

4. To appoint Ms. Bhagyashree Khandwala (DIN: 02335473) as Non – Executive Director of the Company and in this regard to consider and if thought fit to pass with or without modification, the following Resolution as an **Ordinary Resolution**:

RESOLVED THAT pursuant to the provisions of section 149 and rules made thereunder and Articles of Association of the Company, Ms. Bhagyashree Khandwala (DIN: 02335473), who was appointed as an Additional Director by the Board of Directors of the Company with effect from May 30, 2014 and who holds office until the date of the Annual General Meeting in terms of section 161 of Companies Act, 2013 and in respect of whom company has received a notice in writing under section 160 of the Companies Act, 2013 from a member proposing her candidature for the office of Director, be and is hereby appointed as Non – Executive Director of the Company subject to retire by rotation under the provisions of the Articles of Association and Companies Act 2013.

“RESOLVED FURTHER THAT the Board of Directors and / or the Company Secretary of the Company be and are hereby authorised to do all such acts, deeds

matters, things which are proper, necessary, expedient and incidental to give effect to the above resolution.”

5. To appoint Mr. Shreedhar Parande (DIN: 00542525) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Shreedhar Parande (DIN: 00542525) who was appointed as Director liable to retire by rotation and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term upto 5 (Five) consecutive years commencing from September 20, 2014.”

“RESOLVED FURTHER THAT the Board of Directors and / or the Company Secretary of the Company be and are hereby authorised to do all such acts, deeds matters, things which are proper, necessary, expedient and incidental to give effect to the above resolution.”

6. To appoint Mr. Rohit Chand (DIN: 00011150) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Rohit Chand (DIN: 00011150) who was appointed as Director liable to retire by rotation and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term upto 5 (Five) consecutive years commencing from September 20, 2014.”

“RESOLVED FURTHER THAT the Board of Directors and / or the Company Secretary of the Company be and are hereby authorised to do all such acts, deeds matters, things which are proper, necessary, expedient and incidental to give effect to the above resolution.”

7. To appoint Mr. Kalpen Shukla (DIN: 00117482) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Kalpen Shukla (DIN: 00117482) Director of the Company who was appointed as Director liable to retire by rotation and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term upto 5 (Five) consecutive years commencing from September 20, 2014”.

“RESOLVED FURTHER THAT the Board of Directors and / or the Company Secretary of the Company be and are hereby authorised to do all such acts, deeds matters, things which are proper, necessary, expedient and incidental to give effect to the above resolution.”

8. To Borrow Money and give powers to Board Under Section 180(1)(c) Of the Companies Act, 2013 and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Special Resolution**:

“RESOLVED THAT in suppression of resolution passed at the Annual General Meeting of the Company held on September 02, 2005 and pursuant to the provisions of Section 180(1)(c) of the Companies Act, 2013 (“Act”) and other applicable provisions, if any, of the Act (including any statutory modification or re-enactment thereof) and the Articles of Association of the Company, the consent of the Members be and is hereby accorded to the Board of Directors of the Company (hereinafter referred as ‘Board’ which term shall include a Committee thereof authorized for the purpose) for borrowing from time to time any sum or sums of monies which, together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company’s Bankers in the ordinary course of business), may exceed the aggregate of the paid up Capital of the Company and its Free Reserves, Provided that the total amount so borrowed shall not at any time exceed the sum Rs. 150 crores (Rupees One Fifty Crores only)

RESOLVED FURTHER THAT the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds and things and to execute all such documents, instruments in writing as may be

required in its absolute discretion pursuant to the above Resolution.”

By and on Behalf of Board

Paresh Khandwala
Managing Director

Date: - May 30, 2014

Place: Mumbai

Registered Office:

**Ground Floor, Vikas Building,
Green Street, Fort,
Mumbai - 400023**

CIN: L67120MH1993PLC070709

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. A person can act as proxy on behalf of Members not exceeding Fifty (50) and holding in the aggregate not more than 10% of the total share Capital of the Company. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.
3. The Explanatory Statement as required under Section 102(1) of the Companies Act, 2013 in respect of the business referred to under Item Nos. 4 to 8 (Both Inclusive) is annexed hereto.
4. Corporate Members are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the AGM.
5. 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.
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. The Register of Members of the Share Transfer Books of the Company will remain closed from 13th September, 2014 to 20th September 2014 (both days inclusive) for the purpose of Annual General Meeting.
10. 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.
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.
12. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company / Karvy.
13. Additional Information pursuant to clause 49 of listing agreement with the Stock Exchange in respect of the Directors seeking appointment /re-appointment as Director are provided in Corporate Governance Report forming part of Annual Report.
14. To support Green Initiative, Members are requested to register their e-mail addresses with the Company and R&T Agent viz. Karvy Computershare (P) Ltd, in case of shares held in Physical and dematerialized form respectively.
15. **E-Voting** - Pursuant to Section 108 of the Companies Act, 2013 read with relevant rules of the Act and Clause 35B of Listing Agreement, the Company is pleased to provide e-voting facility to its members through e-voting services provided by Karvy Computershare (P) Ltd. (Karvy). The Members whose name appears on in Register of Members/Beneficial Owners as on August 15, 2014 are entitled to exercise their vote on business to be transacted in Annual General Meeting. The Instructions for e-voting is enclosed with Annual Report.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT 2013

Item No. 4

As per the provisions of Section 149(1) of the Companies Act, 2013 and amended Clause 49 of Listing Agreement, the Company should have atleast one Woman Director.

Keeping in view the above legal requirements, Pursuant to Section 161 (1) of the Companies Act, 2013, the Board of Directors of the Company appointed Ms. Bhagyashree Khandwala as an Additional Director of the Company with effect from May 30, 2014.

In terms of Provisions of Section 161(1) of the Companies Act 2013, Ms. Bhagyashree Khandwala would hold office upto the date of ensuing Annual General Meeting.

The Company has received Notice in writing from a Member along with the requisite Deposit in accordance with Section 160 of the Act, proposing the candidature of Ms. Bhagyashree Khandwala as Non – Executive, Non Independent Director of the Company liable to retire by rotation.

Brief Profile of Ms. Bhagyashree Khandwala, nature of her expertise, names of Companies in which she hold Directorship and Membership/chairmanship of Board Committee shareholding in the Company etc. as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange are furnished in the Corporate Governance Report forming part of the Annual Report.

Ms. Bhagyashree Khandwala is not disqualified from being appointed as a Director and has given her consent to act as Director. She holds 133980 Equity Shares of the Company.

The Board commends the Ordinary Resolution set out at Item No. 4 of the Notice for the approval of Members.

Ms. Bhagyashree Khandwala is interested in the resolution set out at item No. 4 of the Notice with regard to her appointment.

Mr. Pranav Khandwala who is her relative and Director of the Company and their other relative, to the extent of their shareholding interest in the Company, may be deemed to be concerned or interested in the appointment of Ms. Bhagyashree Khandwala

Except as provided above, none of the other Directors, Key Managerial Personnel of the Company or their respective Relative is in any way concerned or interested in the said Resolution. The explanatory statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchanges.

Item No. 5 to 7

Pursuant to the provisions of Section 149 of the Companies Act, 2013, and amended Listing agreement the Board of Directors of the Company should have atleast one-third of the total number of Directors as Independent Director. The tenure of Independent Director will be for a period of five

years and provisions relating to retirement of Directors shall not be applicable to Independent Directors.

The Board recommends the appointment of Mr. Shreedhar Parande, Mr. Rohit Chand and Mr. Kalpen Shukla as Independent Directors, in accordance with the Provisions of Section 149 read with Schedule IV of the Act, to hold office for a term upto five consecutive years on the Board of Directors of the Company with effect from the date of the Annual General Meeting.

The Company has received Notices in writing from Members along with the requisite Deposit in accordance with Section 160 of the Act, proposing the candidature of Mr. Shreedhar Parande, Mr. Rohit Chand, and Mr. Kalpen Shukla as Independent Directors.

The Company has also received the declarations from the above mentioned Independent Directors to the effect that they meet with criteria of Independence as prescribed under sub-section (6) of section 149 of the Act and clause 49 of the Listing Agreement.

In the opinion of Board, each of these Directors fulfill the conditions specified in the Act read with the relevant Rules and the Listing Agreement, for their respective appointment as Independent Director and they are independent of Management.

Brief Profile of the Independent Directors to be appointed, the nature of their expertise, names of Companies in which they hold Directorship and Membership/chairmanship of Board Committee shareholding in the Company etc. as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange are furnished in the Corporate Governance Report forming part of the Annual Report.

The Board commends the Ordinary Resolutions set out at Items Nos. 4 to 7 of the Notice for the approval of Members.

The above Independent Directors are interested in the Resolutions mentioned at Item Nos. 4 to 7 of the Notice with regard to their respective appointments.

Except as provided above, none of the other Directors, Key Managerial Personnel of the Company or their respective Relative is in any way concerned or interested in the said Resolution. The explanatory statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchanges.

Item No. 8

The Members at the 12th Annual General Meeting of the Company held on September 02, 2005, passed ordinary resolution and accorded their consent to the Board of Directors of the Company to borrow upto Rs. 150 crores for the meeting the Capital Expenditure, additional working Capital and for any other corporate purpose under section 293(1)(d) of the Companies Act, 1956. On implementation of Companies Act, 2013, Section 180(1)(c) was made effective from September 12, 2013 which provide for approval of special resolution as against Ordinary Resolution under Companies Act, 1956. The Ministry of Corporate affairs has vide General Circular No. 4/2014 dated March 25, 2014 clarified that pursuant to the said Sections of the Companies Act, 2013, Companies would be required to pass a fresh Resolution. As such, it is necessary to Obtain fresh approval of the Members by means Special Resolutions to enable the Board of Directors of the Company to borrow moneys, apart from temporary loans obtained from the Company's Bakers in the Ordinary course of business, in excess of aggregate of paid up Capital of the Company and Free Reserves of the Company Provided that the total amount so borrowed shall not at any time exceed the sum of Rs. 150 crores (Rupees One Fifty Crores only)

Whilst no increase in the said limits is currently being proposed, the Member's approval is being sought pursuant to Section 180 of the Act by way of Special Resolution.

The Board commends the Special Resolution set out at Item No. 9 of the Notice for the approval of Members

By and on Behalf of Board

**Paresh Khandwala
Managing Director**

Date: May 30, 2014

Place: Mumbai

Registered Office:

Ground Floor, Vikas Building,

Green Street, Fort,

Mumbai - 400023

CIN: L67120MH1993PLC070709

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting herewith the Twenty First Annual Report along with Audited Statement of Accounts for the financial year ended on 31st March 2014.

FINANCIAL HIGHLIGHTS

The performance of the Company for the Financial Year ended 31st March, 2014 is summarized below:-

(Rs. in Lakhs)

Particulars	Year ended 31 st March 2014	Year ended 31 st March 2013
Total Income	438.18	440.03
Interest & other Financial Charges	50.17	32.83
Depreciation	29.03	32.97
Profit / (Loss) before Tax and prior period item	(28.44)	(35.83)
Less: Prior Period item	-	-
Provision for Tax (including Deferred Tax & Fringe Benefit Tax)	(0.62)	(0.83)
Profit / (Loss) after Tax	(27.82)	(35.00)
Appropriations		
Dividend on Preference Shares	-	-
Provision for Corporate Tax on Dividend	-	-
Surplus / (Deficit) carried forward	674.18	702.00
Reserves and Surplus	1558.59	1586.41

RESULTS OF OPERATIONS

The Revenue for the year decreased marginally from Rs. 440.03 to Rs. 438.18. However, the corresponding Profit/(Loss) before interest, exceptional items, prior period expenses and taxation registered a decrease from of Rs. (35.83) in the FY 2013 to Rs. (28.44) in the current FY 2014.

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

Pursuant to the provisions of Section 161 of the Companies Act, 2013, Ms. Bhagyashree Khandwala who was appointed

as an Additional Director by Board of Directors with effect from May 30, 2014 shall hold office upto the date of the ensuing Annual General Meeting. The Company has received requisite notice from Members proposing her candidature for appointment as Director. Your Directors recommend her appointment as Director of the Company and shall be liable to retire by rotation.

Pursuant to Sections 149, 150 & 152 of the Act, read with Companies (Appointment and qualification of Director) Rules, 2014 alongwith Schedule IV or re-enactment thereof for the time being in force), the Independent Directors can hold office for a term of Five consecutive years on the Board of your Company. Accordingly, it is proposed to appoint the following existing Directors as Non – Executive, Independent Directors for five consecutive years and shall not be liable to retire by rotation.

Mr. Shreedhar Parande

Mr. Rohit Chand

Mr. Kalpen Shukla

The Company has received requisite notice from Members proposing their candidature for appointment as Independent Directors and has also received Declaration from the aforesaid Independent Directors confirming that they meet the criteria of Independence as prescribed under provisions of Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement with the Stock Exchanges.

Brief resume of the Directors proposed to be re-appointed, qualification, experience and the name of the Companies in which he/she holds directorship, membership of the board committees, as stipulated in 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 this Annual Report.

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

RECONCILIATION OF SHARE CAPITAL

Your Company voluntarily appointed M/s. Bhuwadesh Bansal & Associates, Practicing Company Secretary, to conduct Share Capital Audit of the Company for the financial year ended March 31, 2014. 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, 2013, 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. Your Company recognizes that Human Capital is its most valuable asset and thus endeavors to attract and retain the best available talent. Towards the end of FY 14 Your Company undertook an exercise to shrink the payroll head count to make it lean and more competitive. The Company through constant monitoring of its milestones and goals ensures that its operations are adequately staffed and in sync with requirements. 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 & AUDITORS' REPORT

M/s. Udyen Jain & Associates, Chartered Accountants, who are the Statutory Auditors of the Company, hold office till the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

The Company has received letters from them to the effect that their re-appointment, if made, would be within the prescribed limits under section 141(3)(g) of the Companies Act, 2013 and that they are not disqualified for re-appointment.

Observations made by the Auditors 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.

PARTICULARS OF EMPLOYEES

The Company doesn't have any employee drawing remuneration and attracting the provisions of Section 217(2A) of the Companies Act, read with the Companies (Particulars of Employees) Rules, 1975, as amended. Hence, no information is required to be appended to this report in this regard.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 2013 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- (i) in the preparation of the accounts for the period ended 31st March, 2014, the applicable accounting standards have been followed;
- (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 of the Company at the end of the financial year and of the profit/loss of the Company for the period under review;

- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors have prepared the accounts for the year ended 31st March, 2014 on a 'going concern' basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, required to be furnished pursuant to Section 217(1)(e) of the Companies Act, 2013, read with Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988, are as under:

- (i) Part A and B of the Rules, pertaining to conservation of energy and technology absorption, are not applicable to the Company.
- (ii) Foreign Exchange Earnings and Outgo:
Foreign Exchange Earned - Rs. Nil
Foreign Exchange Used - Rs. 0.52 Lakhs

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 has 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: May 30, 2014

Place: Mumbai.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE INDIAN ECONOMY:

GDP Growth

India's economic growth remained below 5 percent mark second year in a row at 4.7 percent in 2013-14, but the industry is hopeful of a rebound with a stable government headed by Mr. Narendra Modi who is considered pro-business.

India's fourth quarter growth stood at 4.6 percent. Decline in manufacturing and mining output eclipsed the overall growth during the entire fiscal. As per government data, the economic growth remained below 5 percent for two consecutive years after a gap of almost 25 years. Earlier from 1984-85 to 1987-88, the economic growth rate remained below 5 percent.

The country's economy, or gross domestic product (GDP), had expanded at 4.5 percent in 2012-13, the slowest pace in the previous decade.

The year 2013-14 exposed India's vulnerability to external shocks. But the slowdown of the Indian economy was also due to domestic factors. The year also revealed that the country cannot take even a 5 percent rate of economic growth for granted and it is possible for the country to dip even below that level.

After a recovery from the global financial crisis with two successive years — FY 2010 and FY 2011—of robust growth of 8.6 percent and 9.3 percent, respectively, the GDP growth decelerated sharply to 6.2 percent in FY 2012. The conditions deteriorated even further in FY 2014, when the growth fell to a decadal low of 5 percent. The deceleration in the Indian economy in FY 2014 was on account of a slowdown in domestic demand, but more due to a hiatus in investments by Indian companies, in the face of high borrowing costs. Delays in mandatory government approvals also hurt company cash flows, resulting in stalled projects.

The slowdown has continued in H1 FY 2014. During Q1 FY 2014, economic growth stood at 4.4 percent (the slowest pace since Q4 FY 2009). The poor growth performance is attributable to a broad-based slowdown in domestic demand and private sector investments. Encouragingly, the trend appeared to be reversing in Q2 FY 2014, which is the most recent data on GDP growth available at present. During the period, economy showed some signs of recovery with a growth rate of 4.8 percent. Although significantly below the previous year's peaks, it was driven by a robust growth in agricultural activity and a pickup in private sector demand and investments. During Q2 FY 2014, the growth in private sector demand increased to 2.2 percent (higher than 1.6 percent growth witnessed in Q1). While the increase in private investments, which had turned negative in Q1 FY 2014, picked up to grow at 2.6 percent in Q2. The pickup in

private investments highlights the key role played by Cabinet Committee on Investment (CCI), which was instituted by the Government in early 2013 to fast-track the key investment projects by reducing the bottlenecks. On a positive note, the growth in government expenditure turned negative during Q2 (after expanding 10.5 percent in Q1) raising hopes of a return to fiscal discipline by the government. However, the continued weakness in industrial activity and possibility of higher government expenditure in the last quarter of the year ahead of the elections, suggests risks to fiscal consolidation.

The sluggish growth of the economy has been accompanied by rising inflation, especially since Q2 FY 2014. The high inflation phase that started in Q4 of FY 2010 and persisted throughout FY 2012, showed signs of moderation towards end- FY 2014, after remaining sticky in the range of 7 and 8 percent in the first 11 months of FY 2014, which is much higher than the RBI's comfort level of 5.5-6.0 percent. But, this moderation was short-lived—inflation started rising again since Q2 FY 2014. The latest figure available (for November 2013) shows inflation level of 7.5 percent. The current bout of inflation is primarily being driven by high food prices, especially vegetables. In fact food inflation more than doubled to 19.9 percent in November 2013 from 8.8 percent a year ago. The reasons behind the high food inflation in recent months are (a) high input costs (b) rising wages, among others. The persistence of high inflation, even as growth is slowing, has emerged as a major challenge for monetary policy.

Inflation

Subdued prices of vegetables, cereals and dairy products pushed down retail inflation to a three-month low of 8.28 percent in May 2014. Retail inflation, measured on consumer price index (CPI), was 8.59 percent in April 2014.

In February 2014, retail inflation was at 8.03 percent, followed by consecutive rise in March 2014 (8.31 percent) and April 2014.

As per the data released by government, food inflation also fell slightly to 9.56 percent in May 2014 against 9.66 percent in April 2014.

Fiscal Health

Fiscal Deficit

The fiscal deficit for 2013-14 fiscal may finally turn out to be 4.5 percent of GDP. The fiscal deficit, which is the gap between expenditure and revenue, was 4.9 percent of GDP in 2012-13.

The interim Budget for 2014 has projected the fiscal deficit for 2014-15 fiscal at 4.1 percent of GDP or Rs 5.29 lakh crore.

Current Account Deficit

As per the latest data, India's CAD sharply narrowed to 1.7 percent of the GDP or USD 32.4 billion in 2013-14 from a record high of 4.7 percent in FY'13.