

# **12<sup>th</sup>**

## **ANNUAL REPORT**



# **2004 - 2005**

<sup>th</sup>  
**12**  
**ANNUAL REPORT**  
**2004 - 2005**



**Certified True Copy**

For VERTEX SECURITIES LTD.  
*Ranjan Verghese*  
(Ranjan Verghese)  
Chairman & Managing Director

**BOARD OF DIRECTORS**

**RANJAN VERGHESE**  
Chairman & Managing Director

**DILIP VERGHESE**

Alternate Director:

**J. V. PANICKER**

**DR. GEORGE VARKEY THALODY**

**DR. LUCYAMMA THALODY**

Alternate Director:

**JOSEPH FRANCIS XAVIER**

**DR. THOMAS ALAPPAT**

**IVAN J. COELHO**

**USHA JACOB**

**THRESIAMMA NEMRI**

**A ANUP KUMAR**

**CHIEF EXECUTIVE OFFICER**

**GEORGE MAMPILLY**

**AUDITORS**

**M/s. JOSE KAPPEN & Co.,**  
Chartered Accountants,  
I.S.PRESS ROAD,  
COCHIN-682 018

**BANKERS**

**HDFC BANK**  
**UTI BANK**  
**CANARA BANK**  
**FEDERAL BANK**  
**ICICI BANK**  
**STATE BANK OF INDIA**  
**STATE BANK OF SAURASHTRA**  
**SOUTH INDIAN BANK**  
**STATE BANK OF TRAVANCORE**

**REGISTERED OFFICE**

Thottathil Towers, IIInd Floor,  
Market Road, Ernakulam,  
Kochi - 682 018.

**NOTICE**

Notice is hereby given that the Twelfth Annual General Meeting of the shareholders of VERTEX SECURITIES LIMITED will be held on Friday, the 30<sup>th</sup> September, 2005 at 11.00 a.m. at the Registered Office of the Company at Thottathil Towers, 2<sup>nd</sup> Floor, Market Road, Kochi – 18, to transact the following ordinary businesses:

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2005 and the Profit & Loss Account for the year ended on that date together with the Schedules and Notes forming part of accounts as audited and reported by the Auditors of the company and the Directors' Report to the shareholders.
2. To appoint a Director in the place of Mr. Dilip Verghese, who retires by rotation, and being eligible offers himself for re-appointment.
3. To appoint a Director in the place of Dr. George Varkey Thalody, who retires by rotation, and being eligible offers himself for re-appointment.
4. To appoint a Director in the place of Dr. Lucyamma Thalody, who retires by rotation, and being eligible offers herself for re-appointment.
5. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. M/s. Jose Kappen & Co., Chartered Accountants, Cochin – 18 the retiring auditors are eligible for re-appointment.

By Order of the Board,

Sd/-

(RANJAN VERGHESE)  
CHAIRMAN & MANAGING DIRECTOR

Place: Kochi – 18  
Date: 30.07.2005

**NOTES:**

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. The Proxy need not be a Member of the Company.
2. Proxies in order to be effective should be lodged with the Company at the Registered Office at least 48 hours before the commencement of the Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 27.09.2005 to 30.09.2005 (both days inclusive).



## DIRECTOR'S REPORT

Your Directors have pleasure in presenting before you the Twelfth Annual Report of your Company. The Annual Accounts of the Company for the year ended 31<sup>st</sup> March, 2005 as audited and reported by the Statutory Auditors of the Company are attached herewith.

### FINANCIAL PERFORMANCE:

Though the over all income from operations had recorded a reasonable increase to Rs.603.03 lakhs during the year under report, compared to Rs.399.92 lakhs in the previous year, the operating profit was only Rs.47.77 lakhs compared to Rs.100.69 lakhs in the previous year. This is mainly due to increase in operating expenses and adequate provision for bad and doubtful debts. After providing for non-fund expenses the operating profit is only Rs.12.18 lakhs. After providing for provision for taxation, the balance profit is nominal Rs.660/- only.

Your Directors are happy to report that the overall performance of your Company during the first quarter of the current accounting year is reasonably good and barring unforeseen circumstances, your Directors are hopeful that the current year performance will show reasonable surplus.

Your Company continues to be a Depository Participant and is extending the services to the enlisted customers.

### PERFORMANCE OF SUBSIDIARY COMPANY:

Vertex Comex And Finpro (P) Ltd., become a Subsidiary Company, as the Company was allotted additional shares which constituted more than 51% of the paid up Equity Capital of the Company. The Profit & Loss Account and other financial statement of Subsidiary Company is attached herewith as required under Section 212 of the Companies Act. The statement as required under the above Section is also attached herewith.

### SHARE CAPITAL:

The Subscribed and Paid up Capital of the Company continued to be the same as in the previous year.

### CORPORATE GOVERNANCE:

Pursuant to Clause No.49 of the Listing Agreement with the Stock Exchanges, Corporate Governance Report and the Auditors Certificate relating to compliance of the conditions of the Corporate Governance are annexed with this report.

### DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors hereby confirm –

- a) That in the preparation of the Annual Accounts for the year ended 31<sup>st</sup> March, 2005, applicable Accounting Standards have been followed along with proper explanation relating to material departures, wherever necessary.
- b) That the Directors have selected such accounting policies and applied them consistently and made judgements 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 the profit of the Company for the year ended 31<sup>st</sup> March, 2005.
- c) That the Directors have taken proper and sufficient care 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.
- d) That the Directors have prepared the annual accounts on an ongoing concern basis.

### DEMATERIALISATION OF EQUITY SHARES OF THE COMPANY:

As has been already reported to you, the Company's shares have been demated and M/s.Cameo Corporate Services Limited, Subramanian Building, 1 Club House Road, Chènnai – 600 002 has been appointed as the Registrars and Share Transfer Agents and the Equity shares of the Company can be demated with National Securities Depository Limited and Central Depository Services (India) Limited.

### AUDIT COMMITTEE:

The Audit Committee met three times and the details are given in the Corporate Governance.

### CONSOLIDATED ACCOUNTS:

The Consolidated Profit and Loss Account and Balance Sheet of the Company as well as Vertex Comex And Finpro Private Limited for the year ended 31<sup>st</sup> March, 2005 is attached herewith as required under the Listing Agreement.

### DIRECTORS:

Directors Mr. Dilip Verghese, Dr. George Varkey Thalody, and Dr. Lucyamma Thalody, retires at the ensuing Annual General Meeting and being eligible offers themselves for the reappointment. There was no appointment of additional director during the period under report.

**PERSONNEL:**

There were no employees drawing remuneration in excess of the limits specified under Section 217(2A) of the Companies Act during the year under report.

**DISCLOSURE OF ADDITIONAL PARTICULARS:**

Disclosures regarding conservation of energy and technology absorption, etc. are not applicable to the company as your company is not engaged in any manufacturing activities. There was no foreign exchange inflow or outflow during the year under report.

**AUDITORS:**

M/s. Jose Kappen & Co., Chartered Accountants will retire at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment.

**OBSERVATION OF AUDITORS:**

The observation of the Auditors are self explanatory.

**DELISTING OF COMPANY'S SHARES:**

Based on the approval given by the General Body of Shareholders, your Directors have intimated the decision to get the shares delisted from Cochin Stock Exchange Ltd. The Company's shares are continues to be listed in The Stock Exchange, Mumbai.

**ACKNOWLEDGEMENT:**

Your Directors wishes to place on record their deep appreciation and gratitude to the officials of National Stock Exchange, The Stock Exchange, Mumbai, National Securities Depository Limited, Stock Holding Corporation of India Limited, Central Depository Services (India) Limited. Thanks are also due to various clients and D.P. Participants. Your Directors also record their deep appreciation for the services rendered by the Officers and Staff members of the Company.

For and on behalf of the Board of Directors,

Sd/-

Place : Kochi-18  
Date : 30.07.2005

(**RANJAN VERGHESE**)  
**CHAIRMAN & MANAGING DIRECTOR**

### REPORT ON CORPORATE GOVERNANCE (Pursuant to Clause No. 49 of the listing agreement)

Your Directors are happy to give hereunder the Corporate Governance Report, pursuant to Clause No.49 of the Listing Agreement.

**Board of Directors:**

The Board of Directors of the Company is headed by the Executive Chairman & Managing Director consist of the following persons:

<u>Name of the Director</u>	<u>No. of outside Directorships held</u>	<u>No. of Board Committees in which he is a member</u>
Ranjan Verghese	2	1
Dilip Verghese	1	0
Alternate Director: J.V. Panicker		
Anup Kumar A.	4	1
Usha Jacob	-	2
Dr.George Varkey Thalody	-	-
Dr.Lucyamma Thalody	-	-
Alternate Director: Joseph Francis Xavier	-	-
Dr. Thomas Alappat	-	-
Ivan J. Coelho	-	-
Thresiamma Nemri	-	-

**Details of Board Meetings and AGM:**

During the year under review there were five Board Meeting were held, the dates being 30.04.2004, 30.06.2004, 31.07.2004, 30.10.2004 and 29.01.2005.



The last AGM was held on 30<sup>th</sup> September, 2004

The details of attendance of each Director at the Board Meetings and AGM held during the year are given below:

<u>Name of Director</u>	<u>No. of Board Meeting attended</u>	<u>Whether attended last AGM</u>
Ranjan Verghese	5	Yes
Anup Kumar A.	5	Yes
Usha Jacob	5	No
Joseph Francis Xavier	5	No

#### **Board Committees:**

The Board of Directors have constituted an Audit Committee as required under the Companies Act and also the Share Transfer Committee.

The Audit Committee met three times during the year under report, the dates being 30.06.2004, 31.07.2004 and 30.10.2004. The names of Audit Committee members and number of meeting attended by them are as under:

<u>Name of the Audit Committee Member</u>	<u>No. of meeting attended</u>
Anup Kumar A.	3
Usha Jacob	3
Joseph Francis Xavier	3

The Share Transfer Committee met 7 times, the dates being 06.04.2004, 21.09.2004, 20.01.2005, 10.02.2005, 02.03.2005, 18.03.2005, and 31.03.2005, and two members were present for all the meetings.

#### **Managerial Remuneration:**

The Company is having only one Wholtime Director, who was designated as the Chairman & Managing Director. The total remuneration paid to him including perquisites was Rs. 6,45,000/- during the year ended 31<sup>st</sup> March, 2005. The Company is paying sitting fee to those Directors who attended the Board Meeting at the rate of Rs.1,000/- per Board Meeting attended by them. Though there is a provision for reimbursement of travelling and other expenses, your Company has not paid any amount under this head during the year under report.

#### **Redressal of Shareholders grievances:**

The Company has a well developed system for redressal of grievances of shareholders and is being attended by the Compliance Officer, Mr. K.J. Thomas, appointed for this purpose. As the complaints received are only few, the Board have not constituted any Investor Grievance Committee. There was no major complaints received from the Shareholders during the year under report.

#### **Additional disclosures related party transaction:**

The Company has not entered into any material transaction with the Promoters or Directors of the Company, that may have potential conflict with the interest of Company at large.

#### **Show Cause Notice, etc.:**

The Company has not received any show cause notice or no action has been initiated by any statutory authority against the Company during the year under report.

#### **Communication with the Shareholders:**

The quarterly and half-yearly unaudited working results of the Company are published within the prescribed time limit in one English and one Malayalam dailies.

#### **Date & Venue of the AGM for the last 3 years:**

Annual General Meeting for the last three years were held at the Registered Office of the Company. The date and time of holding of meeting are given below:-

<u>Date of AGM</u>	<u>Time</u>
30 <sup>th</sup> September, 2002	11.00 A.M.
30 <sup>th</sup> September, 2003	11.00 A.M.
30 <sup>th</sup> September, 2004	11.00 A.M.

#### **Stock Exchanges:**

The Company's shares are listed in The Stock Exchange, Mumbai. The Company's shares will be continued to be listed in The Stock Exchange, Mumbai.

#### **Transfer of Shares:**

The shares sent for transfer in physical form are generally processed within 10 days of receipt thereof and will place before the Share Transfer Committee generally within 15 days of the receipt of the request. On effecting share transfer, the Certificate(s) will be forwarded to the transferee after duly endorsed the transfer. The activity is also entrusted with the Share Transfer Agents, M/s. Cameo Corporate Services Ltd., Subramanian Building, 1 Club House Road, Chennai - 600 002.

**ANNUAL REPORT****2004 - 2005****Dematerialisation of Shares:**

Request for dematerialisation of shares, which are in order, are processed usually within 7 days and confirmation is given to the Depository and the Registrar M/s. Cameo Corporate Services Ltd., Subramanian Building, 1 Club House Road, Chennai – 600 002.

**Trading in Shares:**

Details of trading in shares of the Company is reported from The Stock Exchange, Mumbai during the period from 01.04.2004 to 31.03.2005, is given below:

Month	High Price	Low Price	Monthly Volume
January 2005	7.56	6.30	1100
February 2005	13.90	9.00	6552
March 2005	17.20	11.50	3535

**Distribution of Shareholding:**

Category	No. of shares held	Percentage of shareholding
<b>A. PROMOTERS HOLDING:</b>		
1. Promoters:		
Indian Promoters	10,16,400	19.63
Foreign Promoters(NRIs)	26,12,176	50.45
2. Persons acting in concert	Nil	Nil
Sub Total:	36,28,576	70.08
<b>B. NON-PROMOTERS HOLDING:</b>		
3. Institutional Investors:		
a. Mutual funds and UTI	Nil	Nil
b. Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions/ Non-Government Institutions)	Nil	Nil
c. Foreign Institutional Investors	Nil	Nil
Sub Total:	Nil	Nil
4. Others:		
a. Private Corporate Bodies	1600	0.03
b. Indian Public	15,42,425	29.79
c. NRIs/ OCBs	Nil	Nil
d. Any others (Employees)	5,400	0.10
Sub total:	15,49,425	29.92
<b>GRAND TOTAL:</b>	<b>51,78,001</b>	<b>100.00</b>

**Management Discussion and Analysis :**

During the period under review both Secondary Market and Primary Market showed healthy and consistent trend. Both the Sensex of Bombay Stock Exchange and the National Stock Exchange recorded steady and upward points subject to usual corrections. The Primary Market also showed good healthy growth with Public Issues, mainly by Book Building route, by established Corporates/Banks. As a consequence of the renewed enthusiasm reflected in the Stock Market, many established players in the Market, especially from North India entered in Kerala Market with opening of branches in many parts of the State. This situation has resulted in acute and unhealthy competition between the established players resulting in steep decrease in the rate of Brokerage which in turn affected the bottom lines of many Companies.

Your Company was primarily concentrating in the State of Kerala and this situation has adversely affected the overall performance of your Company. To have a more enlarged area of operation and to reduce the risk of Limited area operation, your Directors have already taken steps to expand the business in other major centres especially in Metros like, Chennai, Delhi, Calcutta, Hyderabad and Bangalore. Some of the branches have already been opened and the others are expected to be operational before the end of the current financial year. Your Directors therefore expect, barring unforeseen circumstances, a better financial performances during the current accounting year.

For and on behalf of the Board

Sd/-

Sd/-

Kochi – 18  
30.07.2005

**RANJAN VERGHESE**  
(Chairman & Mg. Director)

**A. ANUP KUMAR**  
( Director )



**VERTEX****2004 - 2005****AUDITORS' CERTIFICATE****To the Members of Vertex Securities Ltd.**

We have examined the compliance of conditions of Corporate Governance by M/s.Vertex Securities Limited for the year ended March 31, 2005, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended March 31, 2005, no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Jose Kappen & Co.  
Chartered Accountants,

Sd/-

P. Sajeev  
(Partner)

M.No. 205692

Kochi-18  
30.07.2005

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## AUDITOR'S REPORT

To

The Members,  
**VERTEX SECURITIES LIMITED**  
 Kochi - 18

1. We have audited the attached Balance Sheet of Vertex Securities Limited as at March, 31, 2005, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit, except for confirmation of balances referred to in note No.2 & 4 of the Schedule 19 and note 1 (d) of the Schedule 19 on Inventories-Shares. The Management is not expecting any material effect on the profit & loss account emerging from the same and hence we are not in a position to quantify the effect on the profit & loss account.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company, so far as it appears from our examination of the books, except the following:
    - (i) As per the order under section 132 (3) of the I.T. Act dated, 12.12.2000, there was a search (commenced on 20.12.2000 and the proceedings were closed on 16.01.2001) by the Income Tax Department in the premises of the Company. As certain documents / registers have been seized by the Income Tax Authorities during the course of search, we are not in a position to verify the documents / registers showing full particulars of shares and securities received and delivered and some of the client agreements / contract notes. The management is not expecting any material effects on the Profit & Loss Account emerging from this and since the proceedings are pending before the Income Tax Authorities, we are not in a position to express an opinion on its effect on the balance sheet and quantify its effect on the Profit and Loss Account.
    - (ii) With respect to note No.2 regarding turnover details from NSE, the management is not expecting any material effect on the Profit and Loss account emerging from the same and hence we are not in a position to quantify the effect on the Profit and Loss Account.
    - (iii) Transactions of certain clients could not be verified through the system as details are kept in zip mode due to non-availability of space. We have verified the transactions from the hard copy for the purpose of our audit. The management is not expecting any material effect on the Profit & Loss account emerging from the same and hence we are not in a position to quantify the effect on the Profit & Loss account.
    - (iv) The Company's suits in various courts for recovery of a sum of Rs.54,81,503.19 (previous year Rs.73,59,986.29) from various debtors are pending. We are unable to express any opinion as regard to the loss if any that might arise in respect of the said sum.
  - (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (e) On the basis of the written representations from the directors as on March 31, 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2005 from being appointed as a director under section 274 (1)(g) of the Companies Act, 1956;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and Notes thereon attached and forming part of the accounts and subject to our remarks in para (a) & (b) above, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:



- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2005;
- (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Kochi-18  
30.07.2005

For Jose Kappen & Co  
Chartered Accountants

Sd/-

P.Sajeev  
(Partner)  
M.No. 205692

### ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 3 of our report of even date)

**1. In respect of its fixed assets:**

- a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) Some of the fixed assets were physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- c) There was no disposal of fixed assets during the year.

**2. In respect of its inventories:**

- a) As explained to us, the securities held as stock-in-trade have been physically verified by the management at reasonable intervals. For securities with the custodian and depository participants, statements from them have been obtained on a regular basis.
- b) In our opinion, and according to the information and explanations given to us, the methods of verification of securities held as stock-in-trade followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business, subject to note 1 (d) of Schedule-19. The stock-in-trade includes bad delivery of Rs.11,156/- and shares worth Rs.382.50 which are under transfer process
- c) In our opinion, and according to the information and explanations given to us, the Company has maintained proper records for securities held as stock-in-trade, and discrepancies noticed on physical verification when compared with the book records have been properly dealt with in the books subject to note number 1(d) of Schedule-19.

**3. The Company has neither granted nor taken any loans, secured or unsecured to or from companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956.**

**4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchase of fixed assets, sale of service and purchase and sale of securities held as stock-in-trade and we have not observed any continuing failure to correct major weaknesses in such internal controls.**

**5. In our opinion and to the best of our knowledge and belief and according to the information and explanations given to us, there are no transactions that need to be entered in the Register maintained under section 301 of the Companies Act, 1956.**

**6. The Company has not accepted any deposits from the public and consequently, the directives issued by the Reserve Bank of India, and the provisions of sections 58A and 58AA of the Companies Act, 1956 and the rules framed there under are not applicable to the Company.**

**7. According to the information and explanations given to us, the Company has no internal audit system during the year under audit.**

**8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of services carried out by the Company.**

**9. In respect of statutory dues:**

- a) According to the information and explanations given to us, the Company has been regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, customs duty, excise duty, cess and any other material statutory dues with the appropriate authorities during the year and there are no undisputed statutory dues, as noted above, outstanding for a period of more than six months from the date they became payable.